



2023 UNIVERSAL REGISTRATION **DOCUMENT**

INCLUDING THE ANNUAL FINANCIAL REPORT

thalesgroup.com

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2023

THALES

Building a future we can all trust

> UNIVERSEL REGISTRATION DOCUMENT

INCLUDING
THE ANNUAL FINANCIAL REPORT

AMF | AUTORITÉ
DES MARCHÉS FINANCIERS

This Universal Registration Document has been filed on 4 April 2023 with the AMF, as competent authority under Regulation (EU) 2017-1129, without prior approval pursuant to Article 9 of the said regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF in accordance with Regulation (EU) 2017-1129.

The *Document d'enregistrement universel* including the *Rapport Financier Annuel* is a reproduction of the official version of the *Document d'enregistrement universel* including the *Rapport Financier Annuel* which was established in HTML and filed with the *Autorité des marchés financiers* on April 4, 2024.

This is a translation into English of the Universal Registration Document of the Company issued in French and available on the website of the Issuer.

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Thales once again achieved an excellent performance this year, exceeding expectations. This reflects the trust our customers place in us, the unwavering commitment of our employees and the excellence of our technologies.

With two major acquisitions, the Group strengthened its position as a key player in building the digital and connected future of aerospace and affirmed its place as a global leader in cybersecurity. —

Editorial

«We are looking ahead to 2024 with optimism, confident in the quality of our fundamentals, the strength of our positioning and the importance of our contribution to the major societal challenges of our time.»



Thales achieved a remarkable performance once again in 2023. Our excellent sales momentum continued, with the order intake again exceeding €23 billion. The order book totalled €45 billion, an **all-time high that gives**

the Group great visibility and confirms its sales growth potential for the coming years.

Of the 25 major contracts (with a unit value in excess of €100 million) signed in 2023, 17 were in the Defense & Security segment. For example, Thales won a major 15-year contract worth more than €2 billion with the UK Ministry of Defence to ensure the long-term availability and resilience of Thales equipment on the UK fleet. Rafale aircraft sales were also strong, with orders including the supply of 42 aircraft to the French Defense Procurement Agency and the purchase of 18 aircraft in the second tranche of an order placed by Indonesia in 2022.

In space, Thales Alenia Space recorded commercial successes in navigation (new phases of the Galileo program), observation (IRIDE project) and exploration with the European and Italian Space Agencies.

In civil aeronautics, Thales won a contract to install its next-generation in-flight entertainment system, AVANT Up, on Emirates' 777X fleet. The recovery in this activity has begun.

Organic growth in sales was **higher than expected at 7.9%**, driven in particular by the dynamism of the civil aeronautics activities.

This strong growth resulted in an even stronger improvement in EBIT, which increased by nearly 11%, reflecting the quality of the Group's business model and its operating leverage.

Finally, Thales once again generated high levels of cash, in excess of €2 billion.

These results reflect the strong commitment of our employees, the trust our customers place in us, and the excellence of our technologies. I would like to thank all our teams for their contribution and dedication.

Building on these strengths, the Group worked hard in 2023 to prepare for the future.

In this regard, **two major acquisitions will enable us to further strengthen our offers in key markets.**

Cobham Aerospace Communications in avionics, and Imperva in cybersecurity will provide Thales with very high added value technological bricks that are strongly complementary with our current portfolio of solutions. Preparing for the future also means setting evermore ambitious CSR goals. The year 2023 marked the end of an extremely positive cycle in which we achieved or exceeded all our multi-year objectives and obtained recognition from leading non-financial rating agencies.

We will announce our new ambitions in this area in the second half of 2024.

Finally, preparing for the future means continuing to increase our R&D investments so we can further develop our skills and technologies, which are our greatest asset.

We are therefore looking ahead to 2024 with optimism, confident in the quality of our fundamentals, the strength of our positioning and the importance of our contribution to the major societal challenges of our time.

Patrice Caine
Chairman and Chief
Executive Officer

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The Group's business model

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Value creation	16
Strategic priorities	20

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Thales is a global technology leader with a record of innovation in areas such as quantum applications, artificial intelligence, 6G and cybersecurity. Governments, institutions and enterprise customers in the defence, aerospace, space, and digital identity and security sectors rely on our products and services to accomplish their most demanding missions and make critical decisions rooted in human intelligence. True to its purpose of "building a future we can all trust", Thales intends to lead the way on sustainability in all of its markets between now and 2030. —

Profile

2023
KEY FIGURES

€18.4 bn

Sales

68

Countries

80,900

Employees

€1,108 m

Self-funded R&D

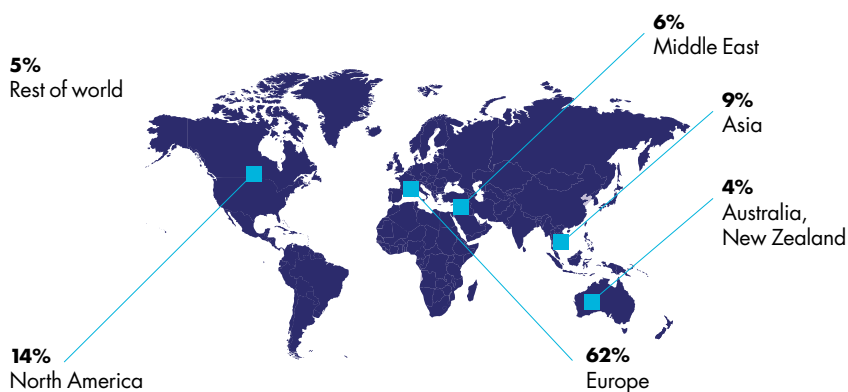
€2,026 m

Free operating cashflow

-52%

Operational CO₂ emissions⁽¹⁾
⁽¹⁾ Scopes 1 & 2 and Scope 3 (business travel). In absolute values against 2018 baseline.

BREAKDOWN OF SALES BY GEOGRAPHIC AREA



The Group's business model

Financial and non-financial performance

Despite a complex operating environment, Thales returned excellent financial results for 2023 and made solid progress towards its sustainability objectives.

Sales

€18.4 bn

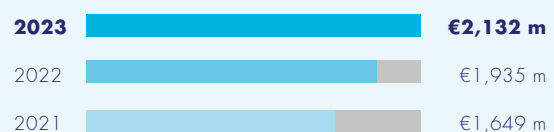
+7.9% organic growth



EBIT

€2,132 m

+10.9% organic increase



Financial performance 2023 results

Dividend per share

€3.40⁽¹⁾

+16% increase



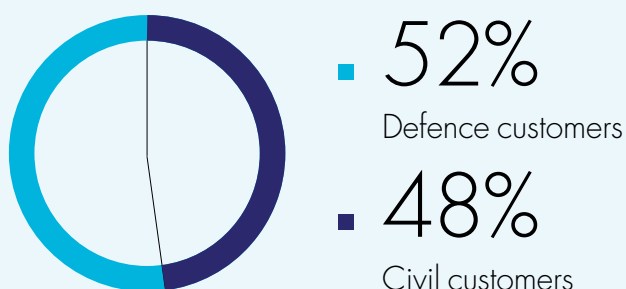
Order intake

€23.1 bn

+0.2% organic growth



Sales breakdown



Order book

€45.2 bn

+11% organic growth





The Group has again demonstrated the strength and resilience of its business model and confirmed its capacity to create long-term value for stakeholders. —

Eco-design

100%



of new products apply eco-design principles.

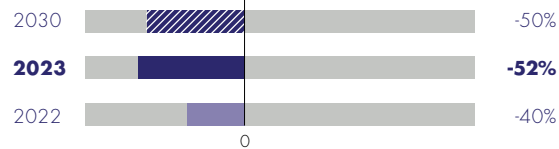


Operational CO₂ emissions

-52%



Scopes 1 & 2 and Scope 3 (business travel). In absolute values against 2018 baseline.



Non-financial performance Results and objectives

Ethics and integrity

100%



of potentially exposed employees trained in corruption prevention.

Gender balance

20.4%



proportion of women in senior management⁽²⁾.

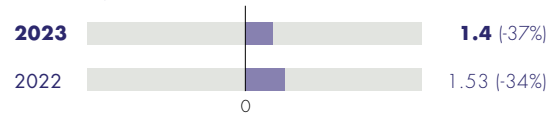


Health and safety

-37%



Frequency rate of workplace accidents with lost time. 2023 target of -30%.



Diversity and inclusion

87%



of management of committees include at least three women. The 2026 objective is to have at least four women in 75% of committees.



⁽¹⁾ Subject to shareholders approval at the 2024 AGM.
⁽²⁾ Grades LR10 to LR12 (13% of employees worldwide). Women account for 27% of the global workforce.

Acquisitions



CYBERSECURITY & CONNECTIVITY

TRANSFORMATIVE EXTERNAL GROWTH PROJECTS

With the 2023 acquisition of Imperva in the United States and Tesserent in Australia, Thales cybersecurity business is taking on a new dimension and expects to generate sales of more than €2 billion in 2024. The Group is also strengthening its position in avionics with the acquisition of Cobham Aerospace Communications in April 2024, to expand its avionics offering and capture new opportunities in the cockpit connectivity market. —

Highlights of 2023

CSR

CLIMATE

RECOGNITION FOR LOW-CARBON STRATEGY

The independent Science-Based Targets initiative (SBTi) endorsed Thales greenhouse gas emissions targets to 2030, confirming that the Group's goals are aligned with the climate objectives of the Paris Agreement and enabling Thales to join the Paris stock exchange's CAC SBT 1.5° index in October 2023. Also in 2023, CDP (formerly the Carbon Disclosure Project) gave Thales an "A" score for its climate action performance, transparency and best practices. —





SPACE

THALES ALENIA SPACE LEADING THE WAY IN SPACE-BASED SOLAR ENERGY

The European Space Agency has selected Thales Alenia Space and Space Solar to conduct a feasibility study for the SOLARIS project, which aims to develop modular space-based solar farms as an affordable source of renewable energy for users anywhere on the planet. —

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RANKINGS

ONE OF THE WORLD'S TOP 100 INNOVATORS FOR THE TENTH YEAR

Thales was one of seven French companies and institutions in Clarivate's Top 100 Global Innovators in 2023, recognising the Group's unique strategy of innovation for dual civil and military markets. More than 50% of new patents filed by Thales involve key technologies related to artificial intelligence, cybersecurity, big data, cloud computing, augmented reality and quantum technologies. —



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Digital identity and security



QUANTUM

PARTNERSHIP WITH SK TELECOM ON POST-QUANTUM CRYPTOGRAPHY

Thales has teamed with South Korea's leading mobile operator to deploy post-quantum cryptography solutions on 5G networks.

This latest innovation will draw on the advanced mobile cryptographic expertise of both partners to pioneer quantum-resistant solutions for the telecom industry. —

Defence and security

50+

armed forces around the world rely on Thales solutions

AIRSPACE

THALES RADARS TO PROTECT MALAYSIAN AND DANISH AIRSPACE

Thales was selected to supply one Ground Master 400a radar to the Royal Malaysian Air Force and five Ground Master 200MM/C radars to the Danish Ministry of Defence Acquisition and Logistics Organization (DALO). The radars in the Ground Master family support the sovereign interests of client countries by augmenting their airspace surveillance and air defence capabilities. —

MARITIME

THALES AWARDED £1.8 BN CONTRACT TO IMPROVE AVAILABILITY AND RESILIENCE OF ROYAL NAVY SHIPS

The UK Ministry of Defence awarded Thales a 15-year contract worth £1.8 billion. Thales will deploy a support and assistance team to optimize the availability of Royal Navy equipment, using artificial intelligence and data analysis to anticipate failures before they occur. These capabilities will reduce repair times by an average of 100 days, and the supply of replacement parts by 44 days. —

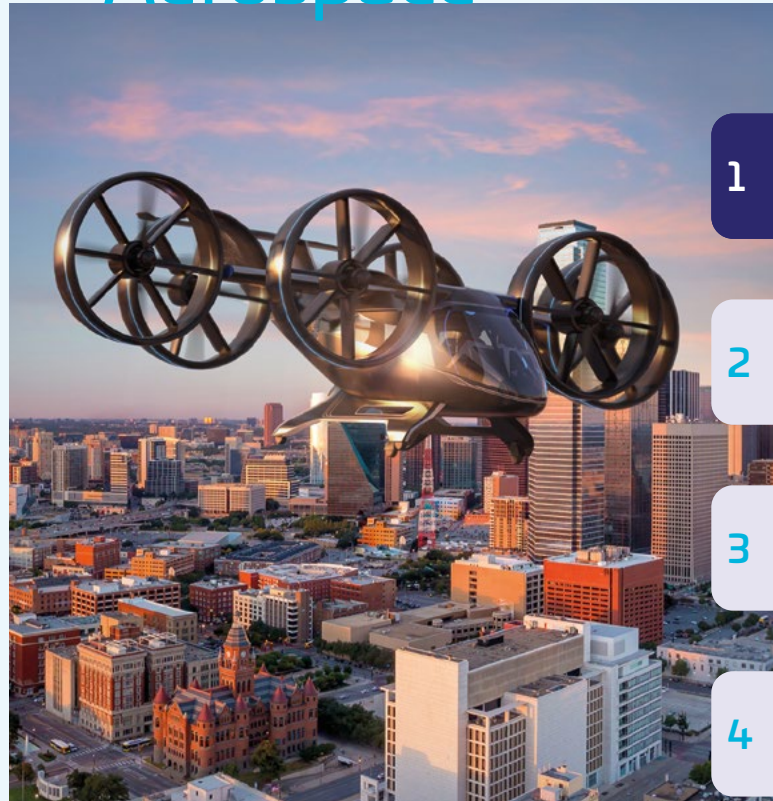


Aerospace

AIRCRAFT

MAJOR PLAYER IN THE AEROSPACE INNOVATION ECOSYSTEM

Thales has teamed with a range of other players in the aerospace sector to develop the aircraft of tomorrow, with projects including a connected avionics solution for electric/hybrid regional aircraft in partnership with AURA AERO (France) and electric vertical take-off and landing (eVTOL) aircraft with SkyDrive (Japan). Designed to reduce the environmental impact and operating costs of drones, Thales UAS 100 unmanned air systems will also be tested in Switzerland in 2024 under an agreement with Centaurium UAS. —

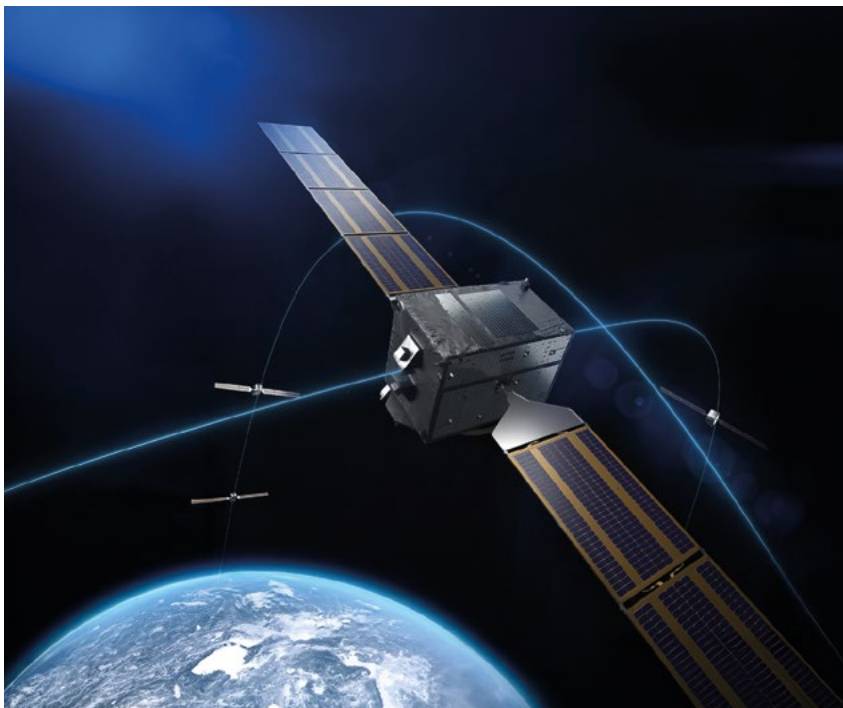


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NAVIGATION

KEY ROLE OF THALES ALENIA SPACE ON GALILEO SECOND GENERATION

The European Space Agency (ESA) awarded Thales Alenia Space contracts valued at more than 300 million euros to design and build the ground-based mission segment for the Galileo Second Generation (G2G) programme and provide engineering support with its European partners. The new system will feature several key technological innovations and a flexible infrastructure with high-level cybersecurity protections. —

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Space



Core missions

BUSINESS MODEL

Defence and security

Helping governments, armed forces and major organizations to protect themselves and guarantee the safety and security of citizens and critical infrastructure.

- Radars, sonars and optronic systems
- Secure communication networks
- Networks and infrastructure systems
- Cyberdefence solutions
- Air traffic management
- Command-and-control systems (C4ISR)
- Armoured vehicles
- Electronic warfare solutions

No. 2 WORLDWIDE
Defence optronics

No. 1 IN EUROPE
Battlefield digitalisation

Growth drivers

- Geopolitical factors driving increase in defence spending by major Thales customers in the short and medium term.
- Rapid digital transformation of the armed forces.
- Growing demand for sovereign cyberdefence solutions.
- Increasing adoption of disruptive technologies (AI and quantum technologies).

Civil / Defence

14%



53%
of Group sales

€9,796 m

+7.5% in 2023
(organic increase)

EBIT margin: **12.8%**

Aerospace

Making aviation safer, greener and more efficient. Designing satellites for telecommunications, Earth observation and climate monitoring.

Aerospace

- Flight avionics
- In-flight entertainment
- Simulation and training
- Support and services

Space

- Telecommunications
- Earth observation
- National security and defence
- Satellite navigation
- Exploration

No. 1 IN EUROPE
Flight avionics

No. 2 WORLDWIDE
Geostationary telecom satellites

Growth drivers

- Steady growth in air traffic volumes.
- Strong demand for connectivity and improved operational and environmental performance.
- Rapid development of digital services in the aerospace sector.
- Unique value proposition in space systems to meet new Earth observation requirements.
- Military satellite programmes a priority for numerous countries.

Civil / Defence

80%



29%

of Group sales

€5,211 m
+11.7% in 2023
(organic increase)

EBIT margin: **7.1%**

Digital identity and security

Protecting critical infrastructure and essential digital services from cyberattacks. Building trust in a hyper-connected world.

- Banking and payment services
- Cloud security and identity and access management
- Identity and biometrics
- Mobile user and device authentication
- Cybersecurity solutions

No. 1 WORLDWIDE
Data protection

No. 1 WORLDWIDE
Payment cards and SIM cards

Growth drivers

- Strong market growth (data protection, biometrics, etc.).
- Rapid shift to the cloud creating higher demand for authentication and data protection solutions.
- Faster digital growth driven by increasing demand for connectivity and contactless applications.
- Leadership in cybersecurity market through acquisition of Imperva.

Civil / Defence

100%



18%

of Group sales

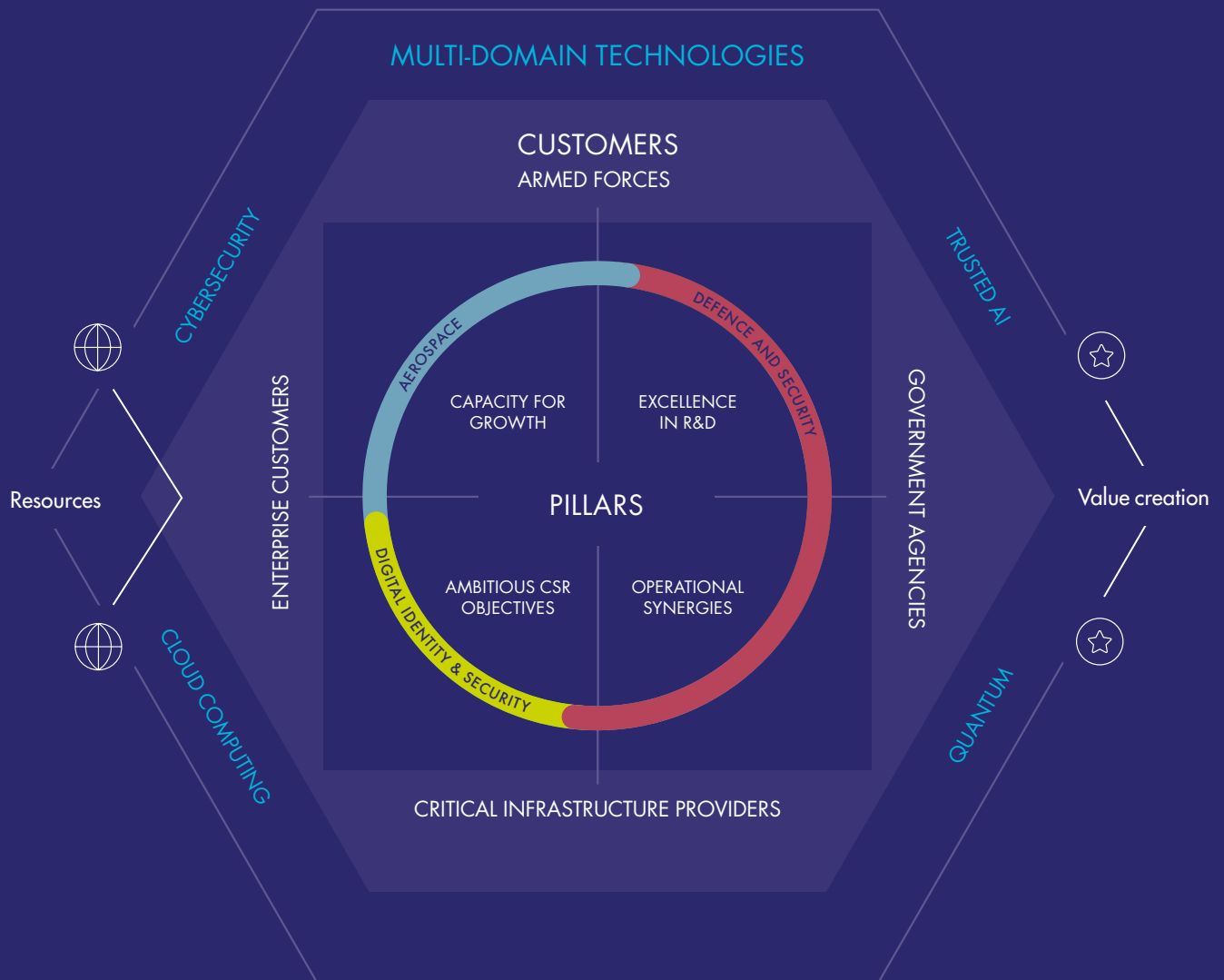
€3,347 m
+4.1% in 2023
(organic increase)

EBIT margin: **15.2%**

Value creation

BUSINESS MODEL

Thales draws on all its resources to develop high-tech products and solutions for its three core markets, implementing a corporate strategy based on four pillars to create maximum value for all of its stakeholders. —



Sustainability strategy

SOCIETY

Fostering a more responsible and sustainable society through technology

PLANET

Changing how we operate within the planet's limits

PEOPLE

Working together to build an inclusive and attractive workplace

Resources

INTELLECTUAL CAPITAL

- €1,108 m in self-funded R&D
- Portfolio of more than 20,500 patents
- More than 33,000 engineers and researchers

INDUSTRIAL CAPITAL

- Operations in 68 countries
- 6 sites located in protected areas for biodiversity conservation

HUMAN CAPITAL

- 80,900 employees
- Over 31,000 employee shareholders (including former employees)
- Payroll of €8,328 m
- 89% of employees trained in 2023
- 94.3% full-time contracts
- 97.4% permanent contracts

ENVIRONMENTAL CAPITAL

- Strategy for a low-carbon future aligned with Paris Agreement target of 1.5° C for operational emissions
- Energy efficiency plan

SOCIETAL CAPITAL

- ISO 37001 certification (anti-bribery management systems) extended to include Thales operations in Canada and the United States
- Procurement spending in excess of €9,160 m in 2023
- Responsible Supplier Relations and Procurement certification renewed in 2023
- Tech career training for more than 15,000 young people through Thales Solidarity

FINANCIAL CAPITAL

- Limited net debt: €4 bn at 31 December 2023
- Long-term generation of free operating cashflow
- Solid credit ratings (A- S&P, A2 Moody's)

Value creation

INTELLECTUAL VALUE

- Almost 400 new patent claims in 2023
- 6.0% of sales invested in self-funded R&D
- European No. 1 and No. 11 worldwide in Nature rankings of companies with the biggest impact and most important contribution to science

INDUSTRIAL VALUE

- 69.1% of non-hazardous waste recycled (excluding special waste)
- 12.1% reduction in water consumption (compared with 2018 baseline)
- 123 sites certified to ISO 14001 and 27 sites certified to ISO 50001

HUMAN VALUE

- 10,900 new hires (excluding work-study positions), including 30% women
- 50% women on the Board of Directors⁽¹⁾
- 20.4% women in senior management in 2023
- 87% of management committees with at least 3 women in 2023

ENVIRONNEMENTAL VALUE

- 100% of new developments applying eco-design principles
- 52% decrease in operational CO₂ emissions⁽²⁾ in absolute values since 2018
- 13.6% decrease in energy consumption between 2018 and 2023
- Endorsement by SBTi of greenhouse gas emissions reduction target to 2030

SOCIETAL VALUE

- 77% of procurement from European suppliers, including 46% in France
- 100% of at-risk employees (8,037 people) trained in corruption prevention
- €252 m in income tax (average tax rate: 24,4%)
- More than €374,000 raised through MicroDon payroll giving programme in 2023

FINANCIAL VALUE

- 25 large orders with a unit value of more than €100 m
- Strong growth in global sales
- Free operating cashflow of €2,026 m
- Double-digit EBIT margin

⁽¹⁾ As of 31/12/2023, 8 out of 16 directors are women, including those representing employees and employee shareholders.

⁽²⁾ Scopes 1 & 2 and Scope 3 (business travel). In absolute values against 2018 baseline.

The Group's business model

Value creation

Underpinning our model of profitable growth is a commitment to sharing value with all of our stakeholders so that society at large benefits from the business success of the Thales Group. —

FRANCE **€5,437 m**

UNITED KINGDOM **€1,208 m**

REST OF EUROPE **€4,578 m**

NORTH AMERICA **€2,581 m**

AUSTRALIA AND NEW ZEALAND **€812 m**

ASIA **€1,728 m**

MIDDLE EAST **€1,111 m**

REST OF WORLD **€974 m**

Shared value
and stakeholder
engagement

BUSINESS MODEL

€18.4 bn
Sales

SUPPLIERS **€9,160 m**

17,000 suppliers worldwide;
€2.9 bn of products and services purchased
from SMEs in France

EMPLOYEES **€8,328 m**

Total payroll

SHAREHOLDERS **€634 m**

Dividend per share: €3.40⁽¹⁾

GOVERNMENTS **€252 m**

Average tax rate: 24.4%

SELF-FUNDED R&D **€1,108 m**

6% of sales invested in self-funded R&D

NET INCOME **€1,768 m**

adjusted Group share

CAPITAL EXPENDITURES **€622 m**

compared with €525 m in 2022

⁽¹⁾ Subject to shareholders approval at the 2024 AGM.



Regular interactions with stakeholders are the key to a meaningful and effective sustainability policy. In 2023, the Group began to align its reporting practices with the requirements of the EU's Corporate Sustainability Reporting Directive. —

The first step in ensuring compliance with the Corporate Sustainability Reporting Directive (CSRD) is to conduct a double materiality assessment to provide more meaningful guidance for strategic decision-makers. A double materiality assessment identifies and prioritises the material impacts of the company's activities on its stakeholders, as well as the material risks and opportunities accruing from sustainability-related issues. Thales

carried out a double materiality assessment in 2023 in anticipation of future sustainability reporting requirements. Eleven of the CSRD's 20 reporting topics are considered material for Thales and will be included in mandatory reporting on six of the 10 ESG standards underpinning the directive. Thales has decided to publish the list of material topics this year as part of its transition to this new sustainability reporting framework.

Impact, risks and opportunities

TOPICS DEEMED MATERIAL PRIMARILY DUE TO IMPACT MATERIALITY

- Environmental impact of products and services
- Diversity, equality and inclusion
- Talent management
- Human rights and fundamental freedoms with respect to the company's operations and supply chain
- Customer relations
- Responsible corporate governance
- Digital security and physical safety of institutions and infrastructure

DOUBLE MATERIALITY

- Product quality and safety
 - Social and societal impact of the use of the company's products and services
 - Data protection and cybersecurity

TOPICS DEEMED MATERIAL PRIMARILY DUE TO FINANCIAL MATERIALITY

- Ethics and compliance

Growth

1

Adjusting capacity to capture growth opportunities

The Group can only continue to grow and meet the needs of its customers by steadily recruiting and onboarding new talent. In 2023, Thales took on 10,900 new employees (excluding work-study positions), with women accounting for 30% of the total. Around 40% of the new hires are engineers and 21% work in industrial activities. The Group also expanded its engineering competence centres in Romania and India and broadened its partnerships with engineering firms. Thales plans to hire 8,500 new employees in 2024, slightly fewer than in previous years as the number of resignations returns to pre-Covid levels.

Thales has also launched an in-house technical training programme to support its goal of becoming a "learning company" and provide continuing professional development opportunities for all employees. In 2023, the Group established buffer stocks, diversified its sources of supply and reviewed its logistics processes as it continued to build resilience into its supply chain. Capital expenditure projects were undertaken to optimise production systems at multiple sites and deploy an ultra-secure cloud-based engineering environment. The Group will continue to increase industrial investments as it ramps up production capacity.

PRIORITIES FOR 2024

- Attract qualified candidates for highly skilled jobs.
- Deploy cloud-based "engineering as a service" solutions to accelerate development processes.

Strategic priorities

BUSINESS MODEL

Sustainability

3

Delivering on our strong sustainability ambition

Sustainability is now fully embedded in our corporate strategy and will be one of our key performance drivers in the coming years. In 2023, the Group's sustainability policy received wider recognition from stakeholders than ever before. Ecovadis awarded Thales its Platinum sustainability rating (top 1% of companies based on their sustainability performance), CDP (formerly the Carbon Disclosure Project) gave Thales an "A" score for its policy on climate change, and the Science Based Targets initiative (SBTi) endorsed the Group's CO₂ emissions reduction targets to 2030.

Thales was also added to the Paris stock exchange's CAC SBT 1.5° index in April, alongside the other listed companies with the best climate performance.

In 2023, the Group redefined its CSR roadmap and raised its level of ambition in terms of societal and environmental contribution. A new programme has been developed for the period 2024-2030. Thales has set itself the goal of becoming the sustainability leader in its markets by 2030.

PRIORITIES FOR 2024

- Finalize a new 2024-2030 roadmap and associated action plans.
- Implement four priority actions for society, planet and our employees (see section 5.1.1.4.3 of URD).



R&D

2

Standing out through excellence in R&D

The future of our business hinges on our capacity to innovate. More than 33,000 Thales employees are involved in R&D, engineering and other technical activities. In 2023, self-funded R&D stood at €1,108 million, or 6.0% of sales, and this proportion is expected to reach 6.5% of sales in the medium term. In addition to these substantial investments, Thales customers finance specific R&D projects and certain European institutions provide external funding, enabling the Group to ramp up its capabilities in emerging technologies such as quantum sensors, advanced photonics, edge computing systems,

open source hardware, new communications technologies and artificial intelligence (AI).

AI played a central role in the Group's R&D in 2023 and this will continue to be the case in 2024. More than 600 experts are working to incorporate AI into Thales products and solutions to boost their performance and enhance their reliability. Thales systematically applies its TrUE AI approach to these developments to provide the "trusted AI" that is of critical importance in the systems we deliver to customers.

PRIORITIES FOR 2024

- Improve productivity and competitiveness across the Group by leveraging AI.
- Increase R&D investments as a proportion of sales.

Investments

4

Optimising our capital allocation policy

In recent years, Thales has implemented a policy of targeted, value-accretive acquisitions to consolidate its leadership in a number of key markets. In 2023, the Group invested close to €3.5 billion euros⁽¹⁾ to optimise its asset portfolio, strengthen its positions, and acquire new skills and technologies in key areas including cybersecurity (acquisition of Imperva and Tesserent). In April 2024, the Group finalized the acquisition of Cobham Aerospace Communications to expand its avionics offer. In 2024, the Group will focus on selective

acquisitions to complement its existing product portfolio, while maintaining strict financial discipline. The Group will also continue to offer balanced returns to shareholders, paying out 40% of net income⁽²⁾ as dividends and using its cash reserves to complete its share buyback programme.

⁽¹⁾ Acquisitions and divestments completed during the 2023 financial year.
⁽²⁾ Subject to shareholders approval at the 2024 AGM

PRIORITIES FOR 2024

- Onboard staff from recently acquired businesses and optimise synergies.
- Finalize the sale of the rail transport business.

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Business review

2.1	Operating segments	24	2.4	Investments	50
2.1.1	Aerospace segment	24	2.4.1	Investments in R&D	50
2.1.2	Defence and Security segment	27	2.4.2	Operating investments	50
2.1.3	Digital Identity & Security segment	33	2.4.3	Acquisitions and equity investments	51
2.1.4	Ground Transportation Systems (GTS) business	35			
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2.1 Operating segments

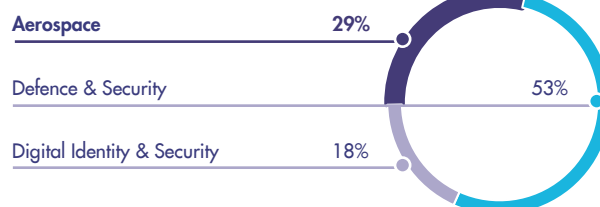
2.1.1 Aerospace segment

2.1.1.1 Key figures

(in € millions)	2023	2022
Order book at 31 December	9,272	9,224
Order intake	5,592	5,892
Sales	5,211	4,705
EBIT ^(a)	371	235
Consolidated headcount	18,388	18,192

(a) Non-GAAP indicator. See definition on page 40.

Sales



2.1.1.2 Aerospace

2.1.1.2.1 General overview

Thales supports aircraft manufacturers, armed forces, airlines, operators, pilots, crews and passengers to make flights more eco-friendly, connected and safe. Cyber-secured and connected systems designed by Thales enable aircraft, helicopters and UAVs to fly in all circumstances and allow all elements of the aeronautical ecosystem to interface together, on the ground or in flight.

The range of avionic equipment, systems and applications covers the following areas:

- **Flight avionics:** piloting and control of the aircraft, namely, certified or open-source electronics and information systems and solutions that ensure the secure and optimized flight of aircraft in an increasingly dense, connected and automated sky;
- **Electric systems:** aircraft electrification systems that include electrical generation and conversion and the motors that enable a contribution to the reduction of the aviation carbon footprint. This activity was sold to the Safran group in the last quarter of 2023;
- **Passenger experience:** airlines call on Thales to personalize the services they offer to their passengers through next-generation in-flight entertainment systems, paired with high-speed connectivity. Thales also makes use of the latest technology in data analytics to enable airlines to tap into new sources of revenue, generated through specific applications offered to passengers depending on their profiles;
- **Simulation and training:** simulator training for armies, navies and air forces to help them prepare more effectively for missions while reducing training costs. Thales supplies simulators for several defence programs and provides training and instruction.

For all these activities, **support and services** are offered: Thales offers equipment and aircraft maintenance services, supports pilot missions and optimizes operations, thanks to cutting-edge digital solutions that allow civil and military operators to minimize operating costs and guarantee increased aircraft availability.

Finally, Thales provides power amplification and radiology solutions (imaging and hyperfrequency subsystems) for the aeronautics, space and defence industries, and for the medical segment.

2.1.1.2.2 Competitive position

As one of the leading players in the avionics market alongside Garmin, GE Aerospace, Honeywell, and Raytheon Technologies, Thales supplies the commercial and military aircraft manufacturers Airbus, ATR, Avicopter, Boeing, Bombardier, Dassault Aviation, Embraer, Gulfstream, Leonardo, NHIndustries, Sikorsky and Textron.

Thales is also one of the leading players in the in-flight entertainment and connectivity segment, along with Intelsat, Panasonic Avionics, Safran, Starlink and Viasat.

The Group has numerous competitors in the simulation solutions market, including North American defence companies such as CAE, L3Harris, Lockheed Martin and Raytheon Technologies.

Thales continues to be a global market leader in microwave and imaging subsystems, and its main competitors in these markets are CPI, iRay, Stellantis and Vares imaging.

2.1.1.2.3 Significant events in 2023

In the field of **civil avionics**, 2023 saw Centaurium UAS and Thales sign a cooperation agreement to carry out the Thales UAS100 UAV test campaign, and to authorize high-extension operations in Switzerland. Thales and StandardAero jointly announced the award by the US Federal Aviation Administration (FAA) of a Supplemental Type Certificate (STC) for the Stablelight helicopter autopilot system. Airbus Helicopters confirmed its confidence in Thales by choosing its third-generation Integrated Electronic Standby Instrument (IESI) for the new H135, H145, H160 and H175 civil and military helicopters.

As part of the development of new forms of air mobility, SkyDrive, a pioneer of eVTOL (electric vertical take-off and landing) in Japan, chose Thales' FlytRise flight control system to equip its future three-seat, zero-emission eVTOL aircraft SKYDRIVE. AURA AERO, a pioneer in low-carbon aviation, also signed a memorandum of understanding with Thales to jointly develop a next-generation connected avionics solution for electric and hybrid regional aviation.

With regard to **military avionics**, Thales announced that it is taking the lead in the European research project EPIIC (Enhanced Pilot Interfaces & Interactions for fighter Cockpit), financed by the European Commission via the European Defence Fund and bringing together 27 major players from European industry and research. EPIIC aims to meet the air combat challenge of the future by identifying, developing and evaluating breakthrough technologies and new man-machine interfaces for integration into the cockpits of the next generation of fighter aircraft.

Thales also signed a contract with Korea Aerospace Industries (KAI) to equip the Polish Air Force's FA-50 light multi-role fighters with its Scorpion helmet-mounted sight. Finally, the Groupement Momentané d'Entreprises (GME), formed by Sabena technics and Thales, was awarded a contract by the DGA to renovate the French Air Force's fleet of CN-235 twin-turboprop tactical transport and logistics aircraft.

In terms of **airline services**, Thales was selected by China Southern Airlines to supply flight management systems, radio altimeters and emergency locator transmitters for its new fleet of Airbus A320neo aircraft. China Eastern Airlines selected avionics products from Thales and ACSS (an L3Harris Technologies / Thales joint venture), for its new A320neo aircraft (flight management system, short-range radio altimeter and ACSS T3CAS integrated monitoring solution). Southwest Airlines chose Aviobook to equip its fleet with Electronic Flight Bag and Electronic Logbook solutions to improve the efficiency of all flight operations. Thales and Airbus announced the signature of a modernization program agreement with American Airlines, which will see the airline's Airbus A320 fleet equipped with the latest-generation cockpit displays.

When it comes to **cabin multimedia**, Emirates selected Thales to equip its Boeing 777X with the AVANT Up in-flight entertainment system. This system was also chosen by Ethiopian Airlines for its next aircraft, the Airbus A350-1000. Thales also won the "Crystal Cabin" award, which recognizes the best innovations in cabin and on-board products, for its Onboard Data Center, a next-generation storage and computing server combining hardware architecture and web technologies, offering aggregate storage space ten times greater than that of a traditional server.

In the field of **training and simulation**, 2023 saw the signing of a contract with Boeing Defence Australia to extend the Helicopter Aircrew Training System (HATS) for the Australian Armed Forces. A new framework agreement was finalized with the Swiss Federal Office of Armaments, Armasuisse, formalizing cooperation between Thales and Armasuisse until the end of 2029, replacing the previous framework agreement concluded with Ruag in 2012.

Contracts were finalized with SOGITEC for the supply of simulation cabins for the UAE Rafale simulation center, and with OCCAR (Organization for Joint Armament Cooperation) for the upgrading of technical resources at A400M training centers across Europe. The French defence procurement agency (Direction Générale de l'Armement - DGA) also gave the go-ahead for the end-of-qualification milestones for Standard 1+ and Standard 2 of CERBÈRE, a live simulation and training system for urban combat and open terrain.

In the field of **imaging and microwave subsystems**, Thales was chosen to supply gyrotrons, high-power electronic tubes designed for nuclear fusion reactors. In the defence segment, Thales is arousing keen interest in France and abroad with the development of an electromagnetic effector for the remote neutralization of UAVs and UAV swarms. Thales has also been selected in the space sector to supply next-generation "Dual-TWT" (Travelling Wave Tubes) power amplifiers for flexible satellites (Software-Designed Satellites), as well as for electric propulsion with OHB. Finally, in the medical market, Thales introduced its new "EZ-X" portable X-ray detectors, and presented its nomadic, connected X-ray system for the first time at medical trade fairs.

Finally, when it comes to **electrical systems**, Thales finalized the divestment of its aeronautical electrical systems business in 2023.

In April 2024, Thales finalized Cobham Aerospace Communications acquisition to strengthen its avionics portfolio, as announced in the press release dated 13th July 2023.

2.1.1.3 Space

2.1.1.3.1 General overview

A joint venture between Thales (67%) and Leonardo (33%), Thales Alenia Space is a satellite manufacturer that provides space technologies for telecommunications, navigation, Earth observation and environmental management, space exploration and science, as well as orbital infrastructures. Together with Telespazio, Thales Alenia Space forms the Space Alliance, which proposes a complete range of solutions and services. Thales Alenia Space offers solutions to commercial, institutional and defence markets.

Space to connect: Thales Alenia Space proposes various product lines that can offer tailored solutions to the new expectations of the telecommunications market. Ranging from a proposal based on the Spacebus 4000 B2 platform, which is particularly suited to regional operators, to Spacebus NEO, which embeds VHTS (Very High Throughput Satellite) solutions to provide very high-speed broadband anywhere in the world, and Space Inspire, the new line of fully digital products that offer full on-orbit reconfiguration capabilities, Thales Alenia Space provides operators with concrete answers on a case-by-case basis to support connectivity and mobility, and to bridge the digital divide. In addition, Thales Alenia Space was the first company in the world to offer fully digital payload processing up to terabit class. Thales Alenia Space is also the only satellite manufacturer to equip its payloads with a powerful 5th generation digital processor. The company is also one of the global leaders and the leading partner in operational constellations to meet the complementary needs for medium and low orbits.

Business review

Operating segments

Space to secure and defend: many countries have chosen to draw on the expertise of Thales Alenia Space in military or dual-purpose telecommunications systems used in supporting their armed forces in theaters of operation. In the field of Earth Observation dedicated to surveillance applications, Thales Alenia Space offers state-of-the-art High- and Very- High resolution optical and radar payloads, as well as constellation solutions combining precision and high revisit, joining the best of optical and radar technologies with a multifunction ground segment. These solutions will be able to provide permanent, near-real-time surveillance, day and night, whatever the weather conditions.

Space to observe and protect: altimetry, oceanography, climatology, environmental management, carbon cycle studies, mapping and crisis management... Thales Alenia Space's satellites help to better understand and protect the Earth, and reflect the company's ability to carry out complex Earth observation missions in a variety of configurations, including optical and radar solutions. In addition to its participation in the European Copernicus program, Meteosat Third Generation and the SWOT oceanography mission, Thales Alenia Space contributes, through its joint venture Leostella, to the deployment of BlackSky, a constellation of 60 high revisit sub-metric optical observation satellites.

Space to explore: Thales Alenia Space has always been a key partner on board the most amazing international exploration missions across the solar system. As the supplier of half the pressurized volume on the ISS, the first three modules that will make up the future lunar space station, the first two modules of the commercial space station Axiom, as well as the cargo modules for the ATV and Cygnus resupply vessels, Thales Alenia Space has become a global leader in pressurized modules. The company has capitalized on its expertise in orbital infrastructure and transportation systems to address future exploration markets, including the reusable Space Rider transportation system, the REV-1 vehicle from the startup Space Cargo and the Orion space vessel. Thales Alenia Space also plays a central role in the exciting field of future scientific missions such as Mars Sample Return, Solar Orbiter, Bepi Colombo, Juice and Euclid. It also proposes a new offering of dedicated On-Orbit Servicing vehicles. These vehicles will be able to carry out a wide range of on-orbit operations ranging from inspection to the extension of a satellite's service life to robotic manipulation and the de-orbiting of space debris.

Space to travel and navigate: at the forefront of satellite navigation in Europe, Thales Alenia Space, the prime contractor for the EGNOS system now in operation, supplies the ground segment of the Galileo mission, and will be building 6 satellites for the Galileo Second Generation fleet. KARI, the South Korean space agency, has chosen Thales Alenia Space to supply Safety Of Life services for avionic applications in particular, and the company has deployed several MEOLUT Next stations dedicated to SAR services (Search and Rescue). Thales Alenia Space is also the system architect of Kinéis, the leading French constellation composed of 25 nanosatellites dedicated to the Internet of Things (IoT), and has developed the first two satellites of the Omnispace constellation.

2.1.1.3.2 Competitive position

The year 2023 was marked by stagnation in the accessible commercial telecommunications market, which remains at a low level (10 satellites per year), for which Thales Alenia Space is competing not only with traditional prime contractors such as Airbus, Maxar and Boeing, but also with new space players positioned in the small satellite or constellation range (Swiss2twelve, Astranis). China and the United States are investing significantly in space, and Europe needs to step up investment if it wants to stay in the race. Against this backdrop, Thales Alenia Space is making its mark in the field of exploration, becoming a key player in pressurized space infrastructures. The company works for private investors such as

Axiom space, for example, and has become a partner of its competitor Northrop Grumman on the lunar space station. In other areas, Thales' competitors are still the major groups, but also all the new players in new space, depending on requirements.

Satellite manufacturers have to meet the major challenges of sovereignty, defence and security, environmental protection, connectivity, sustainable space and eco-responsibility, as well as Europe's independence in terms of electronic components.

Telecommunications market

In the telecommunications market, **11 geostationary satellites were ordered in 2023, including 10 on the open market** (i.e., open to competition).

Telecommunications satellites are essential for connectivity and sovereignty. Multi-orbit GEO/MEO/LEO complementarity seems to be the model adopted by operators, and the notion of multi-use has also entered the landscape, particularly in the field of constellations. On-board flexibility for reconfiguring in-orbit missions has become the priority for leading operators.

Beyond the already identified commercial needs, governments are beginning to incorporate these solutions into their studies, such as the IRIS² constellation initiative, the new flagship project of the European Union and the European Space Agency's LEO PNT, which would improve the performance of the Galileo navigation constellation.

Observation market

In the observation market, we note a **segmentation around 2 families of products**: HP (high resolution under 30 cm, allowing strategic surveillance, i.e., detection and identification) and HREV (high revisit, sub-metric at 50 cm) to meet new uses and state requirements. The demand for complementary optical and radar constellations appears to be growing in this market.

Faced with this development, Thales Alenia Space has clearly positioned itself in growing market segments driven by the emergence of new needs (Internet of Things, In-Orbit Services), high revisit, and space situational awareness, and has enhanced its offering within the Space Alliance by adding services. Over the past three years, Thales Alenia Space has become a major player in new space (Omnispace, Kineis, ARGOS NEO, BlackSky) and has built up virtuous partnerships with startups.

Exploration market

The United States has revived plans to explore the Moon, and is calling on the expertise of the European space industry, particularly with the Artemis program, which aims to land the first woman and the next man on the Moon, and Thales Alenia Space's expertise is at the heart of all these emblematic programs (Lunar Space Station, Orion spacecraft).

Private missions are also being created: the AXIOM space station, and the REV-1 spacecraft from Space Cargo, etc.

We can see that more and more new countries want to play a role in exploration (United Arab Emirates, Korea, Turkey, India or Japan) and that, beyond Mars and the Moon, Europe is positioning itself to take a place in manned flight and increase its involvement in space infrastructures. The European Space Agency is considering various scenarios for the next ministerial conference in 2025.

Navigation market

Thales Alenia Space is the only manufacturer to deploy SBAS (satellite based augmentation system) navigation systems for export, based on the EGNOS legacy: Korea, with KASS, and Africa, within its cooperation with the ASECNA.

2.1.1.3.3 Significant events in 2023

Commercial market

In 2023, Thales Alenia Space confirmed its commitment to bridging the digital divide. The launch of the EUTELSAT KONNECT VHTS and EUTELSAT 10B satellites brings state-of-the-art connectivity to areas lacking telecommunications infrastructure, notably across Europe, Africa and the Middle East, as well as over the Atlantic and Indian Oceans.

The historic agreement to build Mongolia's national satellite telecommunications system, Chinggis Sat, promises high-speed Internet connectivity throughout the country.

Among the telecommunications satellites to be launched in 2023, the AMAZONAS-NEXUS satellite is already boosting connectivity throughout the Americas, while SATRIA provides telecommunications services in the white zones of the 17,500 islands of the Indonesian archipelago.

Institutional market

Thales Alenia Space won a major contract with the Italian Space Agency (ASI) for the MPH (Multi-Purpose Habitat) project, initiating the very first permanent multi-purpose habitat on the Moon.

Following its launch in July 2023, the Euclid scientific satellite has revealed its first high-definition images from its orbit around the L2 Lagrange point of the Sun-Earth system. Captured more than 10 billion light-years away, these images of exceptional quality are the first in a long series aimed at mapping the Universe in three dimensions.

Thales Alenia Space has also signed contracts for EGNOS V2 maintenance operations and for the development of the Galileo Second Generation (G2G) mission ground segment, offering state-of-the-art positioning, navigation and timing performance to over 4 billion users worldwide.

Defence and security market

Thales Alenia Space, in partnership with the European Space Agency, has signed two contracts for the creation of the IRIDE constellation, which promises to become a pioneering Earth observation program for Italy and Europe. In addition, Thales Alenia Space has signed a landmark agreement with PT Len Industri to supply the Indonesian Ministry of Defence with an advanced Earth observation constellation based on the new "All in One" optical and radar solution from Thales Alenia Space. Plus, the successful launch of the Syracuse 4B satellite reinforced Thales Alenia Space's position as a major player in military telecommunications.

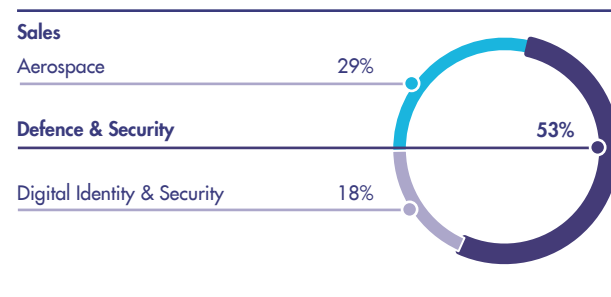
Thales Alenia Space is also involved in the European Commission's EuroHAPS project. The aim of this project is to develop stratospheric demonstrators such as the Stratobus by Thales Alenia Space, to enhance the intelligence, surveillance, observation and telecommunications capabilities of existing and future satellite solutions.

2.1.2 Defence and Security segment

2.1.2.1 Key figures

(in € millions)	2023	2022
Order book as of 31 December	35,247	30,971
Order intake	14,139	13,959
Sales	9,796	9,156
EBIT ^(a)	1,251	1,179
Consolidated headcount	35,397	32,824

(a) Non-GAAP indicator. See definition on page 40.



2.1.2.2 Secure Communications and Information Systems

2.1.2.2.1 General overview

The armed forces, security forces and essential operators rely on Thales for their inter-operable and secure information and telecommunications systems. Positioned at the heart of the Defence & Security continuum, the Group is involved in every aspect of the value chain, from equipment and systems to logistics support and related services. The solutions it provides meet the needs of markets where the use of new digital technologies such as G4 networks cryptography, cloud computing, artificial intelligence and big data is crucial. The Group is developing new digital platforms and new service models making full use of digital technologies.

The Secure Communications and Information Systems businesses are spread over five segments:

- **radio communications products:** For land, air and sea, Thales designs on-board and tactical radio communications systems, Identification Friend or Foe (IFF) systems, aeronautical radio navigation systems and solutions for communications electronic warfare. The armed forces of more than 50 countries around the world are equipped with Thales solutions. The Group is a major player in the development of inter-operable secure software-defined radio solutions, and is the prime contractor for the French Armed Forces' CONTACT program;

Operating segments

- networks and infrastructure systems:** Thales designs, supplies, deploys, supports and operates fixed and mobile communications systems for defence and security forces, international agencies and organizations, and critical infrastructure operators. Its resilient secure systems draw on a full range of military and commercial technology. In France, Thales is in charge of the renovation of La Défense's communication networks with the DESCARTES program, that of the State's strategic networks, and through the Astride program, notified in 2022, the design of the high-speed communication network of operational theaters for the French Army, a major asset for collaborative combat, as well as the operation of the information system of the headquarters of the French Ministry of the Armed Forces. In addition, Thales operates communication systems in operational theaters, as well as secure communication infrastructures for large European organizations. Thales also offers satellite communication ground systems in France through the Syracuse program, and also for export. Finally, Thales is involved in all the major naval programs currently underway: the FDI frigates in France and Greece, the T31 in the UK and the F126 in Germany, as well as the emblematic Charles de Gaulle aircraft carrier in France and the Queen Elizabeth aircraft carrier in the UK;
- protection systems:** as the European leader in the digitized battlefield, Thales develops collaborative combat systems and information command and intelligence systems for armed forces (C4ISR – Command, Control, Communications, Intelligence, Surveillance, Reconnaissance). Using this technology developed for its military customers (France, NATO, Export), the Group also responds to growing security needs for cities, critical infrastructure, airports and other particularly sensitive sites. All of these systems are intended to help make better and faster decisions, whether these decisions are automatic or made by operators;
- cyber defence solutions:** Thales is a major player in this field, and advises its customers on their cyber strategy upstream of their projects. Its services include training customer teams to combat cyber risks, or, in the event of a crisis, offering direct support in the identification and qualification of attacks and their remediation. Thanks to an evolving and in-depth knowledge of attacks gained from cyber threat intelligence, the Group helps its customers to better anticipate, detect and address cyberthreats. Thales operates 11 secure cyber security operations centers around the world and protects networks and data, especially sensitive or classified data, using high-grade cybersecurity products; critical information systems. The civil portion of these activities will be transferred to the Digital Identity and Security segment as of 1 January, 2024;
- Thales' expertise in critical information systems** makes it a major player in France, helping its customers work towards secured digital transformation. The Group primarily designs natively secured information systems through its software development and integration services, including in the context of its customers' secure transformation programs, and by outsourcing these systems, particularly as part of cloud hybridization projects.

2.1.2.2.2 Competitive position

In defence applications – radio communications, networks, and command and control – the main competitors are predominantly American: L3 Harris, Raytheon Technologies (RTX), and General Dynamics. The Israeli companies Elbit Systems and Rafael Advanced Defence Systems, and the Turkish company Aselsan are also competitors in the embedded communication control solutions segment. Software solution suppliers, such as the Danish company Systematic, and companies offering generalist information system integration, such as Atos and Sopra Steria, are also competitors. In Europe, our main competitors are Airbus, and more specifically in radio communications, Rhode & Schwarz, BAE Systems and Leonardo.

In security, Thales' competitors come primarily from the aeronautic and defence segment (Boeing, Northrop Grumman, Honeywell or Airbus), the equipment segment (Siemens and Johnson Controls), services (Ineo) and the information systems segment (IBM, Atos and Capgemini). The latter also compete with Thales in the critical information systems segment.

Finally, in cybersecurity, Thales competes with companies such as Orange Cyberdéfense in the commercial sector, Airbus and Secunet in the defence sector, and also Atos, Sopra Steria, and Capgemini in the digital services sector.

2.1.2.2.3 Significant events in 2023

In the field of **radio communication products**, the French CONTACT software radio program for land, air and naval forces made major advances in 2023. For the land component, a succession of field tests throughout the year enabled us to qualify a system version ready for deployment within the army. The signing of Amendment 10 to the contract at the end of the year also paves the way for the future. On the land side, this rider launches the next stage with the SJO25 (Small Join Operations) system version, which will prepare for future coalition deployments. On the aeronautical side, amendment 10 introduces, for radio equipment, the logic of multi-carrier development on all new platforms (HIL helicopters, mission aircraft, MALE UAVs, etc.), as well as significant upgrades to the management system for the benefit of aeronautical connectivity.

Significant radio contracts won in 2023 include the supply of more than 7,000 Combat Net Radios to the U.S. Army as part of its network modernization effort, a contract for 2,500 SquadNet soldier radios for the Austrian Army, the supply of tactical radios to Malaysia, the success of the SOTAS vehicle communications system in several European countries, and a major contract in Germany to supply several hundred Fastnet HD vehicle radios and SYNAPSH handheld radios.

In the field of networks and infrastructure systems, the SYRACUSE IV program - Protected Satellite Ground Segment for the French Armed Forces - made major advances, ensuring critical continuity of service for communications between the SYRACUSE 3A and 4A military telecommunications satellites, the entry into operational service of the first SYRACUSE IV ground system version, the commissioning of the first high-capacity naval station, and the delivery of new ground OTM ("On-the-Move") stations. Deployment of the 4G CONNECT private communications network is gathering pace, and has now been put into operation at a fifth nuclear power plant. The first Air Compact Modem21 have been delivered, enabling EURODRONE to provide secure, resilient broadband satellite communications. The design milestone for the Firefly system was successfully passed, validating the architecture and implementation choices and paving the way for delivery of this tactical cloud solution to NATO. In Egypt, as part of the RAMSES satellite communications project, the first connection was established between Kiel and Cairo, validating the chosen solution. In Qatar, the operations center for the satellite communications network was inaugurated in the presence of the Emir.

In terms of resilient networks, the throughput of the French armed forces' network infrastructure, DESCARTES, has been increased, and a 100th site has been networked. Strategic communications programs are on schedule. Thales will also be modernizing all high-frequency (HF) equipment for the various French forces with the ARCHIPÉL program. Last but not least, ANSSI, the French National Information Systems Security Agency, awarded Thales the CSPN (Certification de Sécurité de Premier Niveau) for its Nexium SafeCore secure virtualization platform.



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For ground-air networks, the first deployable secure communications subsystem (next-generation tactical control) was qualified. In the field of tactical data links, Thales was chosen as reference supplier for the integrated combat systems of the Polish Navy's new MIECZNIK frigates, and its next-generation link solution, TopLink, was selected. On the naval front, after a 3-week operational readiness training course (MECO) at dockside and then at sea, the crew of the Jacques Chevallier French force replenishment ship (BRF) successfully validated their qualification as part of the FLOTLOG program.

With regard to Services, the HUGO contract will provide adapted, reinforced and extended support for the presidential aircraft's communications system for the next ten years. Following the renewal of the BAR/SAPHIR contracts by the Direction de l'Administration Pénitentiaire (DAP), Thales retained the supply of electronic bracelets for monitoring prisoners and combating domestic violence. The Directorate of Fleet support service renewed its confidence in Thales, awarding it two of the four contracts to support the French Navy. FRG23, the contract to maintain the FREMM (multi-mission frigates) fleet of eight multi-mission frigates of the French Navy in operational condition to ensure their availability at sea was awarded, as well as the maintenance contract for HORIZON frigates. The Nexium Defence Cloud Node solution was integrated into the Armed Forces Information System in 2023. Finally, a contract was signed for the supply of spare parts and aeronautical consumables, as part of the LORCA program, which covers the maintenance of aircraft for the three French armed forces (land, air and sea).

With regard to protection systems, in the field of defence, the Group strengthened its position in the era of collaborative combat with the Combat Digital Platform: a solution that facilitates the collaborative engagement of land forces in the battlefield of the future. As part of the Scorpion program for the French Army, the Groupement Momentané d'Entreprises (GME), comprising Nexter, a KNDS company, Arquus and Thales, is meeting its contractual targets. The 500th GRIFFON multi-role armored vehicle and the 50th JAGUAR armored reconnaissance and combat vehicle, were presented to the French Defence Procurement Agency. The artillery observation vehicle (VOA) version of the GRIFFON has been qualified, and addendum 14 has been awarded to develop a next generation of Scorpion common vetronics (VCS-NG). Finally, in 2023 Artemis, a massive data processing and artificial intelligence solution, was implemented within the Military Intelligence Directorate.

In the field of security, Thales was chosen to supply security equipment and technologies for a world sporting event. Internationally, the Group signed a strategic agreement with the Royal Commission for AlUla to secure the heritage site and historic monuments of AlUla, in Saudi Arabia.

In the field of **cyberdefence**, after strengthening its activities in 2022 with the acquisition of S21sec and Excellium, two players in cybersecurity consulting, integration and managed services in Europe, Thales continued the international expansion of its cyber activities in 2023 with the acquisition of Tesseract, a key cybersecurity player in Australia and New Zealand. The year was also marked by the regrouping of activities in France through the creation of a Thales Cyber Solutions entity, the opening of new supervision centers (SOC) in Morocco and Singapore, and the inauguration of a new National Digital Exploitation Centre (NDEC) in Canada. The Group also won new contracts to supervise security for BPCE, a French banking and insurance group, and for Chantiers de l'Atlantique, a shipbuilding company. Thales was awarded all cyber contracts for the Galileo program in 2023, as well as the first export contract for Ercom, a Thales company and a key player in

data protection and secure communications in France. Finally, Thales won a contract in Germany this year for a high-security integrated device used to distribute and load cryptographic material, the Data Transfer Device III (DTD III).

Critical information systems: In 2023, Thales' digital activities recorded significant growth, with a number of commercial successes. The teams supported major digital transformation and cloud hybridization projects in France with data-related challenges. The company's positioning as a Premium brand and its reinforcement in the market contributed to the success of several major contracts, including the project to build the Plateforme d'Accès Internet de l'État - Nouvelle Génération (PFAI NG), steered by the Direction Interministérielle du Numérique (DINUM), which will enable the CNES project for the TRISHNA ground segment, a Franco-Indian program whose mission is to collect images of the Earth's surface in the solar and thermal infrared domains to measure plant water stress. Created in June 2022, S3NS, a company majority-owned by Thales, launched its first "local controls with S3NS" offering in February 2023. This offering already has around twenty customers in all segments, including Matmut, Club Med and Veolia's Birdz subsidiary. The development of the Trusted Cloud offering continues, with availability for the first customers scheduled for the end of 2024.

2.1.2.3 Land and air systems

2.1.2.3.1 General overview

In the field of defence, the Group offers high-performance solutions integrated at all levels of the value chain, from the supply of sub-systems to systems integration, including mission systems design and prime contractor services.

Thales specializes in integrated air defence and surveillance systems, including command and control systems. These systems are designed to protect the airspace, and are present in over 45 countries. As a systems integrator, Thales actively contributes to major international military programs such as the French Armed Forces' command and control system for aerospace operations (SCCOA), the Swiss air force's system for airspace surveillance and air operations (FLORAKO) and NATO's air command and control system (ACCS). Thales excels in the domains of systems integration, complex program management, real-time and non-real-time software, human-machine interfaces, and service-oriented architecture.

ThalesRaytheonSystems, a joint company owned by Thales and Raytheon, specializing in Integrated Air and Ballistic Missile Defence (IAMD) and Command and Control (C2) Systems. ThalesRaytheonSystems supplies NATO and its member countries with the Air Command and Control System (ACCS).

Thales offers a broad range of air defence systems: medium-range (SAMP/T), short-range and very short-range (RapidFire air defence cannon, ForceSHIELD ground-air systems and counter-UAV systems). The group also supplies the Lightweight Multirole Missiles (LMM) and StarStreak missiles.

Across all continents, Thales offers one of the widest ranges of radars: land, naval, civil and military, monitoring, air traffic management and fire control. The Group equips more than 70 countries with civil radars and more than 45 countries with military radars, with over 1,300 radars in service throughout the world.

In the field of **optronics**, which combines optical and electronic systems, the Group designs and manufactures components and systems for day and night surveillance, reconnaissance, protection, threat detection, and target acquisition on all types of land, sea (surface and sub-surface) or air platforms, for defence and security customers worldwide. Thales' expertise also applies to the civilian markets of high-end optics for the film industry and ultra-high-power lasers for space, scientific and industrial applications.

Thales high-power lasers (photonics) are on Mars, aboard NASA's Curiosity and Perseverance rovers, contributing every day to a better understanding of the soil of the Red Planet. More than a million laser shots have been fired at the Red Planet.

Based on the CPA (Chirped Pulse Amplification) technique that earned Gérard Mourou and Donna Strickland their Nobel Prize in Physics in 2018, Thales' laser systems are the most efficient in the world.

The most renowned research laboratories install Thales' systems to offer research teams the best tools for investigating the infinitesimal, and providing answers to the major challenges facing mankind today and in the future. Based on these scientific advances, Thales' lasers also enable the development of commercial solutions that will make the best medical imaging and the most sophisticated cancer treatments accessible to the greatest number of people. They should also enable the creation of a new energy sector in response to the challenges of energy transition in the face of climate change. Fusion energy - inertial confinement fusion, also known as inertial fusion or nuclear laser fusion - is based on an inexhaustible resource: Deuterium. It is carbon-neutral, safe, controllable, competitive and generates very little radioactive waste.

Thales designs, manufactures and supports **armored military vehicles** including the Hawkei and the Bushmaster. These vehicles offer armed forces outstanding protection, mobility and payload. Since 2005, Thales has produced over 1,200 Bushmasters, which have been deployed in operations in the Middle East, Africa, the Pacific Rim and Europe. The vehicles' open architecture systems provide highly standardized "plug and play" capability for on-board subsystems and products, increasing vehicle capability and performance whilst reducing size, weight and operator workload, and whole-life system costs.

In the area of **air traffic control and management**, Thales' offers include everything from conventional navigation assistance equipment to radars and air traffic control centers, and also include satellite surveillance and navigation systems, as well as airport management solutions. Thales has the largest installed base of equipment in the world. In addition, the Group has led the digital transformation that has taken place in the air traffic segment. Thales is developing solutions designed to integrate new vehicles such as UAVs into air traffic management, to optimize flows and protect sensitive infrastructure from malevolent UAVs. Thales covers the entire UAV ecosystem and offers solutions to protect the skies and limit threats from hostile civil or military UAVs.

Thales has set up Innovation Labs dedicated to air traffic management in Australia, Singapore and in France.

The Group plays a key role as an architect and integrator of the air traffic management systems of tomorrow, particularly through the OACI's "Global Air Navigation Plan - Aviation System Block Upgrades" initiative. Thales is the main industrial partner of the SESAR project in Europe and a key player in the NextGen program in the United States.

2.1.2.3.2 Competitive position

In the military sector, Thales is the top European supplier of multi-domain optronics, without any European competition in the area of airborne targeting pods used for combat. Its competitors are Lockheed Martin and Rafael. Know-how in this field is applied to both land and naval applications. In these segments, its main competitors are suppliers in North America (Raytheon, Lockheed Martin and Flir Systems) and Israel (primarily Elbit), as well as Safran, Leonardo and Hensoldt.

The protected vehicles systems market segment is dominated internationally by BAE Systems, General Dynamics, Rheinmetall Krauss-Maffei Wegmann and Nexter.

Thales is a leading provider of air operations surveillance and control systems. Its main competitors on this segment are the American groups Lockheed Martin and Raytheon, and Airbus, Indra and Saab in Europe.

Thales' main competitors for surface radars are the American groups Lockheed Martin, Northrop, Grumman and Raytheon, and in Europe, its competitors are Leonardo, Hensoldt, BAE Systems, Indra, Saab, and Elia.

Thales operates in Europe as an independent integrator both for its own and other suppliers' equipment for complex mission systems.

With over 40% of the world's airspace controlled by the TopSky-ATC system, and 8,000 navigation aids installed worldwide, Thales is a leader in the air traffic control system and civilian radar markets.

Other major players in the commercial sector are the US companies Leidos and Raytheon, European companies Indra and Leonardo (Selex) and, in some niche areas, Saab, Frequentis and Harris.

2.1.2.3.3 Significant events in 2023

In the field of **airspace protection**, Thales, in collaboration with CS Group, carried out its first tests of the PARADE system, notified by the DGA in 2022, to provide an anti-UAV capability in France. It is a modular, multi-mission system designed to securely detect, classify and neutralize micro- and mini-UAVs. PARADE may be used for the protection of fixed military sites, or projected in external operations (OPEX). It can also be used by the armed forces for the protection of events, and public and civil infrastructure, particularly during large gatherings.

For **surface radar activities**, Thales achieved numerous successes with its Ground Master surface radars. The Ukrainian Ministry of Defence entrusted Thales with the design of an air defence system to help protect Ukraine, including a Ground Master 200 (GM200) radar, a command and control center, a radio communications system and air threat designation terminals. The Ground Master will also equip the armed forces of Denmark and Malaysia.

The SMART-L multi-mission, long-range radar has enhanced the air surveillance capabilities of the Swedish armed forces. It has also been chosen by Eurosam to equip French and Italian Horizon-class anti-aircraft frigates.

As part of the **Vehicles and Tactical Systems**, in Australia, the Bushmaster made a particularly strong impact with the delivery of the first vehicles to New Zealand, and the signing of an agreement with Grupo Andrade for its introduction into the Mexican security and defence market. The Australian Prime Minister and Defence Minister praised the world-class manufacture of protective vehicles, which have saved the lives of Australian and allied forces.



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For **optronics activities**, Thales federated a European network of companies and research laboratories, and won the European Defence Fund's STORE call for projects, for a project aimed at optimizing the AI of imaging sensors for European defence.

In the **laser segment**, Thales also celebrated the 10th anniversary of its partnership with ELI-NP, the European laser research center in Romania dedicated to the investigation of laser-matter interactions. Designed, developed, installed and maintained by Thales, and operated jointly by Thales and ELI teams, the ELI-NP laser system is the most powerful in the world, capable of delivering 2 x 10 PW (million billion watts), equivalent to 10% of the Sun's power on Earth. In April 2023, the system delivered 10 PW laser pulses on a solid target for the first time in the world, paving the way for new insights into the infinitesimal.

For **civil optronics activities**, **Angénieux** (the Group's world-renowned brand of precision optics) launched a new optic in its EZ-Zoom series: EZ3-Zoom. Its IRO (Interchangeable Rear Optics) module optimizes performance by simplifying and increasing the efficiency of transitions between frame and Super35.

In **air surveillance**, Thales is to set up an air traffic management center of excellence in Singapore. The center will focus on the design and development of industrial applications for its world-leading TopSky-ATC air traffic management system. It will also offer regional air service providers opportunities for joint collaboration and innovation in the airspace field.

Thales will modernize Zambian air traffic control with its latest TopSky ATC solution. Reinforced by Datalink CPDLC and ADS-C solutions, Zambia's ATC centers will use data messages instead of voice radio, a development that will enhance flight safety, notably by mitigating the risk of degraded radio communications.

Thales is to supply 66 ground surveillance radars to enhance commercial flight safety in Brazil. These sensors will play a major role in optimizing air traffic, reducing fuel consumption and enhancing passenger safety, covering the whole of Brazil's continental airspace.

Thales and Drone XTR have signed a Memorandum of Understanding (MoU) to provide an integrated UAV detection solution. This solution is capable of detecting UAV intrusions and transmitting information (digital proof and pilot position) to alert the relevant authorities and neutralize the threat.

In **air mobility activities**, Thales and SMATSA, Serbia and Montenegro's Air Navigation Service Provider (ANSP), signed a new contract for software and hardware support services. This new contract includes new functional enhancements that will increase system interoperability and provide new decision-support tools for air traffic controllers managing Serbia-Montenegro's airspace.

Thales will extend the operational life of 13 navigation systems for the Royal Netherlands Air Force. This comprehensive modernization program will increase the safety, reliability and efficiency of ILS/DME systems, guaranteeing precision for military and civil aircraft, even in adverse weather conditions, and in compliance with NATO safety requirements.

Tawazun Council (the defence and security procurement authority for the UAE Armed Forces) and the General Civil Aviation Authority (GCAA) signed a MoU with Thales to create an air traffic management innovation laboratory in the United Arab Emirates to jointly develop a comprehensive air traffic flow management model.

2.1.2.4 Defence mission systems

2.1.2.4.1 General overview

Thales manufactures electronic combat, intelligence, surveillance, and reconnaissance systems, as well as naval surface and underwater combat systems.

For **airborne combat missions**, Thales produces, in cooperation with Dassault Aviation, radar systems and equipment for the Rafale and the Mirage 2000 fighter aircraft, and is developing these systems for future combat UAVs, as well as electronic warfare radar systems designed to detect threats and protect platforms.

For **intelligence, surveillance and reconnaissance missions**, Thales develops naval, ground and air patrol and surveillance solutions. Installed on board aircraft and naval platforms, these systems incorporate surveillance radars, acoustic subsystems, electronic warfare subsystems, and data measurement and linking equipment. Thales also designs complete electromagnetic information gathering systems, as well as UAV systems with intelligence, surveillance, reconnaissance and target acquisition capabilities.

In **naval surface warfare**, Thales offers comprehensive combat systems that incorporate on-board sensors (radar, sonar, electronic warfare, infrared sensors, etc.), weapon systems and communications and command equipment. Thales also has naval platform engineering and support capabilities.

In the field of **underwater warfare**, Thales offers a wide range of solutions, including the entire sonar suite for submarines, hull and towed sonars for surface ships, mine countermeasure systems, including naval UAVs, and acoustic sensors for underwater guidance.

2.1.2.4.2 Competitive position

Thales is one of the leading European players in electronic combat systems, competing with Leonardo, Saab, Hensoldt and Indra, and US companies Raytheon, Northrop Grumman, BAE Systems, and L3Harris.

In intelligence, surveillance and reconnaissance systems, its main competitors are Airbus, Leonardo, Hensoldt, Saab, Indra, Elbit, IAI, L3Harris, Safran and the China Aerospace Science and Technology Corporation.

In surface naval systems, Thales is one of the main European players alongside Saab, Leonardo, Lockheed Martin, Hanwha, and Terma.

In underwater warfare, Thales is one of Europe's main players along with Atlas Elektronik, Ultra Electronics, and newcomers Elbit, ECA, and Kraken. Across the Atlantic, Thales competes with Lockheed Martin, Raytheon, Northrop Grumman and L3Harris.

2.1.2.4.3 Significant events in 2023

Electronic combat systems

International interest in the Rafale continues to grow. In July, India announced it will be equipping its Navy with 26 Rafale aircraft. This selection opens negotiations which could end in 2024. In August, the second part of the Rafale contract for Indonesia (for a total of 42 aircraft), for 18 Rafale, came into effect. It completes the first part of the contract, which came into effect in September 2022, for 6 Rafale, making a total of 24 Rafale to be delivered to Indonesia. Finally, in December, France ordered 42 Rafale.

Operating segments

Preparations for the Rafale's F5 standard got underway following the DGA's notification in June of the contract to develop the new RBE2 XG combat radar. This radar will significantly enhance the Rafale's performance, enabling it to achieve unrivalled levels of detection and stealth. This will enable crews to maintain operational superiority even in a hostile and highly disturbed electromagnetic spectrum.

Program execution is proceeding according to plan. By the end of August, all the first 18 Rafale ordered by Greece had been delivered. The last 6 will be in 2024. In September, Croatia took delivery of its first Rafale in a series of twelve. Subsequent deliveries will continue until 2025. The year was also marked by the resumption of deliveries of 12 Rafale to France after a 4-year interruption, due to the desire, in conjunction with the French State, to meet the needs of export customers.

In the support sector and related services, the Door-to-Door contract was signed by India in March. It is intended for its Mirage 2000 fleet for a period of 5 years. The availability of the Mirage 2000 and Rafale fleets in France and abroad is in line with Group's commitments, in a context marked by an increase in support and related services business, due to the significant expansion of the Rafale fleet.

As part of the preparations for the future, the launch of the development of a connected sensors suite dedicated to the Future Combat Air System (FCAS) became operative. This phase, named 1B, was notified in December 2022 and will be conducted jointly at the European level with the industrial partners Indra and FCMS.

Surveillance and intelligence systems

In naval electronic warfare, the SENTINEL system has successfully achieved key milestones on various programs, notably for the French and Hellenic navies' future *Frégates de Défense et d'Intervention*. The HS Kimon frigate, the first FDI for the Hellenic Navy, equipped with this fully digital system, was launched in October. The production of systems for the other two frigates is on schedule. For SENTINEL, the year was also marked by the award of the PERSEUS label by the French Navy and DGA for innovative tests carried out on the aircraft carrier Charles de Gaulle during the Antares mission.

SENTINEL was also selected for the mid-life modernization of the electronic warfare system on Horizon class frigates currently in service with the French and Italian navies. This contract is a continuation of the agreements already initiated for the Horizon and FREMM frigate programs, and consolidates the collaboration established within SIGEN between Thales and Elettronica to jointly supply electronic warfare systems meeting the current and future operational requirements of these ships.

In the field of airborne electronic warfare, Thales self-protection solutions have been selected to equip various types of aircraft for France, including the Guépard, future light joint helicopters and the MRTT.

In the UAV sector, Thales and Schiebel won a contract from the UK Ministry of Defence to supply an aerial UAV system to provide Royal Navy warships with "eye in the sky" protection capabilities. The Peregrine program involves deploying a tactical rotary-wing UAV equipped with maritime surveillance sensors to protect a Type 23 frigate in operation. The program combines Schiebel's capabilities in the field of aerial UAV systems with a range of high-precision intelligence, monitoring and reconnaissance sensors and systems. Thales will act as prime contractor for the integrated systems. In August, factory acceptance of the system was achieved ahead of schedule, enabling us to move on to the next stage of first deliveries.

Surface naval systems

The highlight of 2023 was the contract for the mission continuation of the four new anti-submarine warfare frigates (ASWfs): two for the Royal Netherlands Navy and two for the Belgian Navy. These ships will be equipped with a mission system largely identical to that of the German F126, fostering international cooperation between navies at both operational and logistical levels.

The British Ministry of Defence is actively exporting Type 31 ships to other navies. In 2023, the Polish Navy selected the Type 31 design for its three new *Miecznik*-class frigates. Thales provides its Tacticos combat management system, system integration and the supply of sonars, infrared sensors and radar systems. Other export opportunities for the Type 31 are emerging.

In the UK, a sixth combat management system for the Type 31 frigates was ordered for integration at the Royal Navy's Portsmouth site.

For the large-scale F126 program for Germany, Thales subcontracts the supply of sub-systems to German manufacturers. Development is proceeding according to schedule and in cooperation with the end user.

In 2023, Thales also won a major in-service support contract for the Canadian Navy.

Following the award of several major contracts in recent years, the year 2023 was characterized by an intensification in the production of controlled systems.

With naval contracts in most Western European countries, Thales has become Europe's leading naval integrator.

Underwater warfare systems

In France, the *Direction Générale de l'Armement* (DGA) awarded Thales a contract to develop an innovative sonar suite for the 3rd generation (3G) nuclear-powered ballistic missile submarine (SNLE) program and the 2nd generation (2G) SNLE modernization program. This sonar suite boasts a number of technological breakthroughs, including powerful Big Data processing algorithms.

Thales was also selected by the DGA to equip seven new offshore patrol boats for the French Navy with a suite of sensors dedicated to underwater detection, surface air surveillance, and fire control and identification (IFF). The first of these patrol boats will enter service in 2027.

In addition, the Maintenance in Operational Condition (MCO) contract for the French Navy's FREMM multi-mission frigates, awarded by Naval Group to Thales, came into force in 2023 for a period of 7 years. This contract aims to ensure the operational availability of the various pieces of Thales equipment on board the eight FREMMs based in Brest and Toulon.

Thales was also awarded a contract by the DGA to maintain the French Navy's Horizon frigates (FDA), *Frégates Légères Furtives* (FLF) and the Charles de Gaulle aircraft carrier (PA CDG) in operational condition. Spread over eight years, with a firm four-year tranche already notified, this mission will be carried out jointly with Chantiers de l'Atlantique.

In the United States, Thales is under contract to produce the first two CAPTAS-4 sonars for the Constellation-class frigate (FFG) program. Three successive stages of Factory Acceptance Testing (FAT) for the first sonar were successfully completed during the year, and delivery of the first system took place in October, ahead of contractual schedule. Construction of a new industrial site in Pennsylvania was launched in 2023 to produce the next CAPTAS sonars for the FFG program.

In the UK, Thales won a 15-year support contract for almost all British surface ships and submarines. The aim of the MSET-Maritime Sensor Enhancement Team contract is to maximize platform availability and days at sea for the Royal Navy.

Thales inaugurated a new integrated services center at its naval base in La Spezia (Liguria), dedicated to the maintenance of sonar systems equipping the Italian Navy's mine-hunters and frigates. The opening of this service center demonstrates Thales' commitment to strengthening its naval services offering in close proximity to its customers.

New release, deployment and acoustic qualification tests for the SonoFlash acoustic buoy were carried out in 2023, notably from the ATL2 maritime patrol aircraft. The program calls for the delivery to France, by 2025, of a sovereign solution of acoustic buoys capable of interfacing with any type of aerial platform: maritime patrol

aircraft, helicopters and UAVs. Discussions are also underway with several leading export navies.

During NATO's REPMUS and Dynamic Messenger exercises in September 2023, Thales once again demonstrated its expertise in mission management and analysis systems, as well as collaborative electronic warfare systems. They enabled the forces to gain a comprehensive view of the mission and improve interoperability in the conduct of operations to control the seabed and coastal waters.

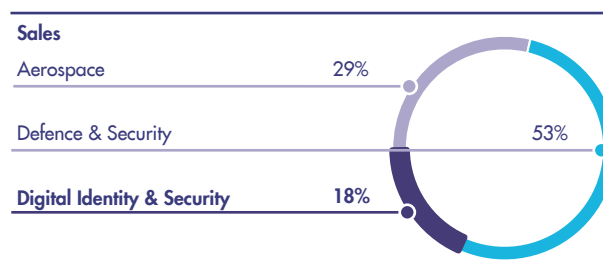
As part of the Franco-British MMCM UAV mine countermeasure program, tests continued in 2023 with the French and British navies. Thales successfully demonstrated the system's ability to locate, identify and neutralize mines at sea. Thales also delivered a Light Operations Center (e-POC) demonstrator to the French Navy in November 2023. In all, it took just six months to develop, integrate, test and deliver the demonstrator.

2.1.3 Digital Identity & Security segment

2.1.3.1 Key figures

(in € millions)	2023	2022
Order book at 31 December	659	632
Sales	3,347	3,618
EBIT ^(a)	508	494
Consolidated headcount	16,209	15,006

(a) Non-GAAP indicator. See definition on page 40.



2.1.3.2 Digital Identity & Security

2.1.3.2.1 General overview

Thales Digital Identity and Security (DIS) solutions secure the most critical assets of over 35,000 organizations: the identities of people and objects, the data and applications on which they rely.

Thales solutions include physical and digital identity creation and management, authentication (including biometrics), connectivity and data encryption. Customers include some of the world's largest corporations and governments.

Thales provides technologies for a more sustainable digital transformation, helping to make the world safer, greener and more inclusive. Committed to the development of Thales TrUE Technology (Transparent, Understandable, Ethical), Thales provides reliable digital identities, data confidentiality and cybersecurity for all. By 2023, 100% of new products were eco-designed, and the number of eco-friendly SIM cards (removable and eSIM) and payment cards reached 18%. Thales DIS was using 50% renewable energy at the end of 2022, reducing our environmental impact and that of our customers. Thales solutions support everyone's right to a legal identity. Thales has endeavored to make its solutions accessible to all, for example by providing a voice-activated payment card that is just as safe and easy to use for the visually impaired.

The global offering consists of several segments and sub-segments:

- **Smart cards and digital services:**
 - banking and payment services: payment card issuance solutions in digital and physical format, and online banking security,
 - mobile network connectivity solutions: authentication of users and devices to mobile networks,
 - connectivity and security solutions for the IoT, especially the automotive industry;
- **Cybersecurity:**
 - cloud security: identity and access management, data security,
 - software monetization: license management;
- **Biometrics:**
 - identity solutions and biometrics: national identity programs including secure identity documents,
 - identity verification solutions with our expertise in biometrics: border control, fluidity of movement, government identity, civil and electoral registers, etc,
 - forensics.

On December 4, 2023, Thales completed its acquisition of Imperva from Thoma Bravo, thus becoming a global leader in cybersecurity. With the arrival of Imperva, Thales' expanded cybersecurity solutions portfolio now offers a highly complementary combination of solutions to help customers secure data, applications and identities across their entire digital ecosystem:

- data security: Protect and control access to sensitive data anywhere, whether at rest, in motion or in use;
- application security: Unified protection for every application and API (Application Programming Interface) in the cloud, on-premise or in a hybrid model;
- identity and access management: smooth, secure and reliable access to digital applications and services for customers, employees and partners.

2.1.3.2.2 Competitive position

Thales is a world leader in cybersecurity, in a €34 billion market at the crossroads of secure identity and cybersecurity.

In 2023, 82% of sales came from bids in markets where Thales is world leader.

Thales' main competitors are Idemia, Giesecke & Devrient, Broadcom, Cloudflare and Varonis. Thales also has many smaller competitors in a number of niche or local markets.

Thales has the broadest portfolio of products combining identity management and data protection, enabling the creation of a circle of trust between people, connected objects and the digital services of companies and governments. This unique expertise is based on decades of experience, significant investments in R&D and more than 5,000 patents. It also draws on all of Thales' technological resources.

2.1.3.2.3 Significant events in 2023

Thales and Google Cloud teamed up to develop new data security capabilities based on generative AI, to enhance companies' ability to discover, classify and protect their most sensitive data. Thales was also named Google Cloud Technology Partner of the Year in the Security - Data Protection category.

In August 2023, Kuppingercole Analysts named Thales a global innovation and market leader in its Leadership Compass for Access Management and, in October 2023, Gartner® recognized Thales as a Visionary in the "Magic Quadrant"™ for Access Management.

Thales signed a contract with the US Government Publishing Office (GPO) to supply electronic passport covers for the next 10 years. Since 2005, Thales has been working with the GPO to provide secure technology and components, and has delivered over 127 million electronic covers.

In financial services, Thales confirms its commitment to offering greener payment solutions with the Ocean Plastic® card launched by Trust Bank. Each card, made from high-end recycled material, contains roughly the equivalent of a plastic bottle collected from polluted coastal areas.

In Turkey, Thales teamed up with digital financial services company Papara to offer a reliable and secure payment experience for the visually impaired, thanks to the voice payment card.

In the mobile market, Thales and Qualcomm launched the first secure iSIM certified by the GSMA (Global System for Mobile Communications), offering manufacturers of connected devices opportunities to save space and reduce manufacturing and supply chain costs, while maintaining first-rate security.

The accelerated adoption of eSIM, particularly in North America, led to more than double the number of transactions on Thales on-demand connectivity platforms. By 2023, Thales passed the milestone of 100 million cars connected with Thales automotive eSIMs.

2.1.4 Ground Transportation Systems (GTS) business

2.1.4.1 Key figures

(in € millions)	2023	2022
Order book at 31 December	5,200	4,335
Order intake	2,313	2,191
Sales	1,822	1,772
EBIT ^(a)	112	132
Consolidated number of employees	9,013	8,607

(a) Non-GAAP indicator. See definition on page 40.

2.1.4.2 Ground Transportation Systems

2.1.4.2.1 General overview

The Ground Transportation Systems (GTS) business is a global player in rail signaling and train control systems, telecommunications and supervision systems, and mobility and ticketing solutions. Its high-performance capabilities, steeped in the Group know-how in terms of critical information systems and cyber security, big data, the Internet of Things and artificial intelligence, means it is able to cover the needs of urban transport networks (metros, tramways) and main lines (conventional, high-speed, freight lines). All these technologies are key for more sustainable mobility. Around 8 billion passengers benefit from these technologies every year.

On August 4, 2021, **Thales signed an agreement with a view to selling this business to Hitachi Rail, for an estimated enterprise value of €1.66 billion.** The 2 Groups signed a Sale and Purchase Agreement on 10 February 2022. In October 2023, the UK Competition and Market Authority and then the European Commission approved the acquisition of Thales' ground transportation activities by Hitachi Rail.

Thanks to the strong technical, geographical and commercial complementarities between Hitachi Rail and GTS, this combination will allow more effective competition with vertically-integrated players, through improvements in purchasing procedures, and engineering and production capacities. In addition, it will offer GTS's employees new professional opportunities. This transaction will also help to better meet market requirements, whilst continuing to provide customers with high added value services, and stimulating investment and innovation in new markets. The sale is expected to be finalized in the first half of calendar year 2024.

2.1.4.2.2 Market trends and competitive position

Rail control - one of the most dynamic railway market segments - is estimated to achieve an annual growth rate of 3.4%, according to the latest UNIFE World Rail Market Study released in September 2022. The majority of the volume of activity is located in the GTS strongholds, Western Europe and Asia Pacific, accounting for more than 75% of the total market and offering good market perspectives. Overall, since the COVID-19 pandemic and in the years that followed, the railway market benefited from governmental stimuli and investment plans to boost the modal shift towards more green means of transportation, which positively impacted Thales Ground Transportation Systems activities.

In the **signalling sector**, GTS competes directly with global integrated players such as Siemens, Alstom and, to a lesser extent, Hitachi Rail, which all have expanded through external growth operations in recent years: Siemens' takeover of Invensys, Hitachi Rail's acquisition of Ansaldo Breda and Ansaldo STS, Alstom's acquisition of General Electric Signalling and Bombardier Transport, as well as with local companies in specific market niches. Other smaller players are seeking to strengthen their signalling capabilities, such as the Spanish company CAF or the Swiss firm Stadler, a rolling stock specialist, which recently invested in two local signalling players, BBR and BÄR Bahnsicherung.

The **communications and supervision market segment** is covered by traditional railway signaling players Alstom and Siemens, but also by local players, such as SICE, Almagiva, Indra and the Singaporean ST Engineering, which is seeking to expand on the export market.

Thales is also a recognized supplier in the **ticketing market**, and in the road toll and parking systems market, which offer promising potential thanks to the digitalization of offers. This market segment remains very fragmented, with traditional competitors such as Cubic, Conduent, Flowbird and Vix, but also newcomers from the IT sector, such as Atos, Capgemini, IBM, T-Systems, or Siemens, the latter expanding in digital market segments through investments in Hacon, Bytemark, Padam, Sqills.

Operating segments

2.1.4.2.3 Significant events in 2023

In the **United States**:

- the Metropolitan Transportation Authority (MTA) awarded Crosstown Partners, a consortium between Thales and TC Electric (TCE), a contract to supply modern urban signaling equipment for the Crosstown Line in New York, which connects Brooklyn and Queens across 21 stations and 10 miles, carrying tens of thousands of riders daily;
- Thales' subway signalling system offers superior connectivity to the residents of San Francisco & Chinatown, as the new Central Subway line entered revenue service on January 2023.

In **Europe**, many rail operators rely on Thales. Thales has not only continued to experience significant growth in the German market, but has also expanded its activities across other European nations:

- Thales has equipped the 110 km single-track line between Sopron and Szentgotthárd with its state-of-the-art European Train Control System (ETCS) Level 2, under contract with GYSEV (Győr-Sopron-Ebenfurt Railway), a Hungarian-Austrian railway company;
- in Denmark, with the R6 line commissioning (Holstebro-Esbjerg/Herning-Skjern), Thales has now completed more than 50% of the total renewal of the West Denmark ETCS;
- in France, Thales has been working for more than 20 years to renovate Operating Control Centers for the busiest lines of the RATP network in Paris. In 2023, Thales signed a Framework Agreement to upgrade and maintain the Operations Control Centers of 5 lines of the Paris metro;
- in Palermo, Italy, Thales provided signalling to all existing lines (1, 2, 3 and 4), as well as the Operations Control Centers and On-Board equipment. In 2023, Thales was awarded the signaling solution for the new Line C;
- Thales' technology plays a key role in Turkey's high speed lines and suburban networks: Thales plays a crucial role in the Ankara-Yerköy section, which connects the capital city to Sivas on the high-speed network. Additionally, Thales' railway signalling technology has been a key factor in the modernisation of the Gaziray suburban network. Moreover, Thales is responsible for maintaining the high-speed train line on the Sincan-Kosekoy section of the Ankara – Istanbul high-speed;
- in the Netherlands, Thales was awarded a contract for a free-flow tolling solution for the Blankenburg connection in the Netherlands by Emovis.

In **Spain**, Thales has been a prominent player in the high-speed rail market for more than 30 years, and is renowned for its high-tech expertise:

- Thales will maintain the systems installed on the high-speed line between Lérida and Figueras;
- the company is set to modernize the control system for two sections of the Huelva-Zafra railway line;
- it will upgrade the rail signalling system at the Vitoria-Gasteiz logistics platform in Jundiz, enhancing freight transport operations;
- In Cádiz, Thales will facilitate improvements in freight transportation;
- additionally, Thales has achieved International Railway Industry Standard (IRIS) certification, affirming its adherence to rigorous standards in design, manufacturing, and maintenance.

Thales is continuing its commitment to rail operators in **Egypt** and won 2 major contracts this year:

- the first one with Orascom Construction awarded by the Egyptian National Railways (ENR) for the modernisation of the double-track railway, linking the cities of Cairo, Giza and Beni Suef;
- the second one with the Colas Rail / Orascom joint venture to supply the Egypt's National Authority for Tunnels (NAT) with a modern public transportation system for the city of Alexandria.

Thales is recognized as a trusted partner for transport operators in **Asia**, where GTS won several contracts in 2023:

- in Thailand, Thales enhanced rail safety across 48 train stations;
- In Taiwan, Thales, in partnership with MiTAC Information Technology Corp. (MiTAC), has been selected to upgrade the Taipei Rapid Transit Corporation's ticketing system for multiple electronic payments. Thales also played an instrumental role in the successful opening of the full Kaohsiung Circular tramway line, by delivering its telecommunications and signalling solutions;
- Thales, in partnership with GOLONG (Golong International Technology Company Limited), provided an integrated electronic payment system for Hong Kong Tramways Limited (HKT);
- in China, 6 new lines relying on Thales SEC Transport entered into revenue. Thales SEC Transport was also awarded a contract to deliver signaling system for Nanchang Metro Line 1 and Line 2 extensions and has successfully completed Wuhan Metro Line 1 overhaul project;
- in Singapore, Thales signed a new contract with the Land Transport Authority (LTA) for the digitalization of the 2 depots on the North-South and East-West Lines (NSEWL).



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2.2 Research and innovation

Critical system design entails expertise in increasingly sophisticated technologies, in particular, detection, analysis and decision-making technologies. These innovative solutions serve its customers in the aeronautics, space, ground transportation, defence, security, and digital security markets.

Thales bases its vision of innovation on openness and partnership across multiple dimensions:

- a technological dimension thanks to collaboration with academic laboratories;
- an entrepreneurial dimension through work with SMEs and startups;
- a "market" dimension through co-innovation of usage with customers and their ecosystems.

2.2.1 Research and development, the key to competitiveness and growth

From research through to engineering, the Group's technical activities involve some 33,000 people. On the restricted scope of R&D, a key factor of competitiveness, Thales spent €1.108 billion on self-financed R&D in 2023, which represents 6% of its revenue.

A proportion of this budget is allocated to upstream research work, carried out at both Thales Research and Technology (TRT) laboratories and also at the Group's Competence Centers, to develop and mature:

- innovations across the technological spectrum, with a particular emphasis on sovereignty technologies which are important for customers in the countries where Thales is present;
- new system or product concepts;
- new critical information system engineering tools and methods.

2.2.2 The four key technical areas

Governance of key technology research and development is divided into four segments:

- **hardware technologies:** electronics, electromagnetism, quantum technologies, optronics, acoustics, radio-frequency techniques, expertise in thermal constraints, along with digital technologies to support design activities, such as simulation and digital twins;
- **software technology:** real-time embedded computing architectures, Edge-computing, distributed systems, cloud computing, digital platforms, cybersecurity;
- **information and algorithm sciences:** Artificial Intelligence, automated systems, human factors, quantum algorithms;
- **systems:** focused on functional and architectural system design, this segment provides support in terms of methodology, tooling processes and expertise and synthetic environments.

FOCUS 1

Saving resources, a concern that is already well established at Trixell

The Trixell joint venture between Thales, Philips Healthcare, and Siemens Healthineers produces solid-state electronic X-ray detectors for medical radiology, replacing traditional plastic-coated X-rays. These detectors operate using a panel containing Cesium Iodide (CsI).

The considerable increase in detector production has led Trixell to pay close attention to the optimal use of this raw material. As cesium is a mining resource under severe pressure, it is important to limit its consumption as part of a responsible environmental policy.

So, in 2023, Trixell launched a project to recycle CsI from its waste, in order to reintroduce it into the manufacturing process. Almost all of the CsI will then be used, reducing the amount of waste and generating financial savings that will help to rapidly recoup the investment.

Business review

Research and innovation

In all countries where it is present, Thales endeavors to build partnerships within innovation ecosystems, with academic partners, innovative companies, and manufacturers, to innovate together on usages, business models and technologies.

In 2023, Thales was again ranked by the prestigious journal Nature, in the category of “industry players with the greatest impact and contribution to science”, and is recognized as the leading European player and 11th worldwide in the field of physics. This international recognition of the level of Thales research and innovation underlines the excellence of the Group’s research teams, but is also the result of the close collaboration between Thales teams and the research and innovation ecosystems around the world (North America, Europe, India and the Middle East).

Thales Research & Technology (TRT), the international network of central laboratories, aims to build preferential relationships with academic partners.

The Singapore Center is associated with Nanyang Technological University, and with the CNRS, in one of the rare international joint units that has an industry partnership, and which has been in place since 2009.

In France, Thales has a number of strategic partnerships with the CNRS, the CEA, the École Polytechnique, and the Sorbonne University, to name but a few.

The most successful form of collaboration is the joint laboratory, as set up by Thales with the CNRS, with seven joint laboratories; with the CEA-LETI in connection with the III-V-Lab (EIG made up of Nokia, Thales and the CEA-LETI); with the CEA-LIST for artificial intelligence and the formal methods for the development of critical software, with the Sorbonne University in artificial intelligence, etc.

FOCUS 2

Compactness, frugality and performance on the menu of SiP electronics

In 2023, Thales Alenia Space and its partner Synergie-CAD created SiPack, a unique “System-in-Package” (SiP) production line.

Compactness, performance and energy efficiency are the main drivers of SiP technology. It consists of a compact assembly of electronic chips on a single substrate, bringing together in a single component the functions of a complete electronic board. SiPs are revolutionizing all the traditional fields of electronics: analog, digital, radio-frequency, photonics and their combinations.

SiPack brings together the know-how and capabilities of two partners for a wide range of markets, from aerospace and defence to automotive and medical. This alliance combines experience in space quality with operational efficiency for high-volume industrial markets.

In the United Kingdom, Thales has joined forces with several major British universities, through the TRT-UK research center, including strategic partnerships with the University of Southampton and the University of Bristol, along with a long-term relationship with Cranfield University. In the cyber sector, Thales UK has also set up a number of collaborations, including the Centre for Secure Information Technologies (CSIT), based at Queen’s University Belfast, and the London Office of Rapid Cybersecurity Advancement (LORCA).

In Canada, the Group is working on the development of artificial intelligence technologies, quantum computing applications, human-machine interactions, autonomous collaborative systems, and cybersecurity. This work is carried out within research ecosystems, notably in collaboration with IVADO (Institute for Data Valorization) of the University of Montreal, the University of Toronto, the University of Alberta, McGill University, Polytechnique Montreal, Laval University and the Quantum Institute of the University of Sherbrooke.

FOCUS 3

Battlefield robotics: Thales wins an important round

In 2023, Thales and its partners (SERA Ingénierie, H2X ecosystems, MC&Clic, Université de Technologie de Compiègne, and DUMA) won the Man-Machine Collaboration challenge proposed by the French Army on the theme of robotics hands down.

In just three hours and with three operators, the aim was to gather intelligence while neutralizing the traps. The team deployed a wide range of platforms, from swarming micro-UAVs to large-scale ground robots, to cope with diverse and unpredictable operational situations. On the basis of various criteria representative of an operational situation (omnipresence, anticipation, speed of execution, tactical rigor, fluidity of maneuver, resilience), the jury placed the Thales team in top spot on the podium.

In high-growth countries, Thales is developing research initiatives to complement its engineering facilities. In 2021, the Group set up a research team at its Bangalore site in India, in the Open Hardware architecture field. This team is already working with IIIT-Delhi (the Indraprastha Institute of Information Technology Delhi) and CMTI (Central Manufacturing Technology Institute, Bangalore).

For the past 8 years, Thales has been effectively facilitating startups. During this period, more than 2,000 startups have been referenced by Thales, and nearly 200 Proof of Concept exercises have been completed.

Training is also part of the Group’s strategic policy in its relationships with the academic world. The Group supports nearly 250 PhD students around the world. These students are working on subjects directly linked to Thales’ technical issues, making the group more attractive to young scientists.

2.2.3 A dynamic intellectual property management policy

Thales supports its R&D business with a strong intellectual property management policy.

The Group filed nearly 400 new patent applications in 2023. This volume reflects Thales’ interest in innovation, and the transformation of the results of research into competitive advantages.

Comprising over 20,500 patents and applications, the portfolio is regularly adapted to the requirements of the operational units, specifically to protect their market shares.

2.3 Report on operations and results

This section looks at the Group's financial performance in 2023. The analysis of its non-financial performance is presented in Chapter 5 of this document (pages 134 to 230).

2.3.1 Adjusted Key figures

In € millions, except earnings and dividend per share (in €)	2023	2022	Total change	Organic change
Order intake	23,132	23,551	-2%	+0.2%
Order book at end of period	45,251	40,957	+10%	+11%
Sales	18,428	17,569	+4.9%	+7.9%
EBIT ^(a)	2,132	1,935	+10.2%	+10.9%
as a % of sales	11.6 %	11.0 %	+0.6 pt	+1.0 pt
Adjusted net income, Group share ^(a)	1,768	1,556	+14%	
Adjusted net income, Group share, per share ^(a)	8.48	7.35	+15%	
Consolidated net income, Group share	1,023	1,121	-9%	
Free operating cash flow ^(a)	2,026	2,527	-502	
Net cash (debt) at end of period ^(a)	(4,000)	(35)	-3,965	
Dividend per share ^(b)	3.40	2.94	+0.46	

(a) Non-GAAP financial indicators. See definitions, section 2.3.2, page 40.

(b) Proposed at the Annual General Meeting on May 15, 2024.

In accordance with standard IFRS5, the financial data for the "Transport" operating segment for 2022 and 2023 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 the 2023 financial year was slightly down 2% compared with 2022, at **€23,132 million** but rose by 0.2% on an organic basis (i.e. at constant scope and exchange rates). As a reminder, in 2022 the Group benefited from signing a major contract for the supply of 80 Rafale aircraft to the United Arab Emirates. Sales momentum remained strong in 2023, with continued robust demand in the Defence & Security segment and a significant recovery in Aeronautics, particularly in aftermarket sales. The Group won a major £1.8 billion contract with the UK Ministry of Defence to ensure the long-term availability and resilience of Thales equipment on the UK fleet - the MSET (Maritime Sensor Enhancement Team) contract. At December 31, 2023, the consolidated **order book** stood at **€45 billion**, a new all-time high, up by €4.3 billion year-on-year.

Sales reached **€18,428 million**, up 4.9% from 2022 in total change, and up 7.9% in organic change, driven in particular by strong momentum in civil aeronautical activities.

For 2023, the Group posted **EBIT ⁽¹⁾ of €2,132 million** (11.6% of sales), compared with €1,935 million (11.0% of sales) in 2022, up 10.2% in total change, and 10.9% in organic change.

At **€1,768 million, adjusted net income, Group share ⁽¹⁾** was up 14% compared to 2022.

Consolidated net income, Group share, amounted to **€1,023 million**, down 9% from 2022. This decrease is due to a non-current charge of £349 million recorded in 2023 for the implementation of insurance coverage for its obligations under the Thales UK Pension Scheme as part of the agreement entered into with Rothesay in December 2023 concerning the transfer of these obligations.

The **free operating cash flow ⁽¹⁾** stood at **€2,026 million** compared to €2,527 million in 2022. The conversion ratio of adjusted net income, Group share to free operating cash flow was 115% (162% in 2022). This once again exceptional performance reflects the excellent order intake, phasing effects on cash inflows related to contract execution, and continued progress in the action taken since 2020 under the "CA\$H!" initiative.

In this context, the Board of Directors decided to propose the payment of a **dividend of €3.40** per share, corresponding to a distribution rate of 40% of the adjusted net income, Group share, per share, and up 16% compared with financial year 2022.

⁽¹⁾ Non-GAAP financial indicators. See definition below.

2.3.2 Presentation of financial information

Accounting principles

The accounting policies used to prepare the consolidated financial statements of the Thales Group comply with the International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union as of December 31, 2023.

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 income from operations plus the share in the 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 and other;
 - impairment of non-current assets;
 - change in fair value of derivative foreign exchange instruments (recognized in "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 IFRS 5, this aggregate 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 operating cash flow 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 aggregates 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 42 and 43.

Net cash (debt) corresponds to the difference between the sum of the "cash and cash equivalents" (including investment assets transferred from the UK pension fund) 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.

The **organic change** of a monetary indicator measures its evolution independently of the mechanical effects of changes in the Group's exchange rates and scope of consolidation. 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 the organic change in sales is detailed below.

• ORGANIC CHANGE IN SALES BY QUARTER

(In € millions)	Sales 2022	Exchange rate effect	Impact of disposals	Sales 2023	Impact of acquisitions	Total change	Organic change
1st quarter	3,730	(6)	103	4,026	+64	+7.9%	+9.4%
2nd quarter	4,526	(73)	96	4,690	+58	+3.6%	+6.3%
1st half year	8,256	(79)	199	8,716	+122	+5.6%	+7.7%
3rd quarter	4,042	(103)	91	4,138	+14	+2.4%	+7.2%
4th quarter	5,271	(73)	139	5,574	+70	+5.8%	+8.8%
FULL YEAR	17,569	(256)	429	18,428	+206	+4.9%	+7.9%



● **MAIN SCOPE EFFECTS ON SALES**

(In € millions)	Q1	Q2	Q3	Q4	2023
Acquisitions					
Aerospace	18	17	(11)		24
Ruag	18	17	(11)		24
Defence & Security	43	38	21		101
Advanced Acoustic Concepts	22	18			40
S21 Sec and Excellium	21	19	21		61
Digital Identity & Security	3	4	3	70	80
One Welcome	3	4	4		10
Tesseract				17	17
Imperva				53	53
Total acquisitions	64	58	14	70	206
Disposals					
Aerospace				(32)	(32)
Aeronautical electrical systems				(32)	(32)
Defence & Security	(6)	(8)	(8)	(1)	(23)
Other	(6)	(8)	(8)	(1)	(23)
Digital Identity & Security	(97)	(88)	(84)	(106)	(374)
Activities in Russia	(9)	(4)	1		(12)
Telit Cinterion	(88)	(85)	(86)	(103)	(362)
Other	1	1	1	(3)	0
Total disposals	(103)	(96)	(91)	(139)	(429)
Net impact	(39)	(38)	(77)	(69)	(223)

Please note that only the consolidated financial statements as of December 31, 2023 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 13 a) "Presentation of the financial statements" and Note 6.2 "Net cash (borrowings)", free operating cash flow from continuing operations, the definition and calculation of which are specified in Note 13 a) "Presentation of the financial statements" and 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 document.

The impact of these adjustment entries on the profit and loss accounts at December 31, 2023 and at December 31, 2022 is detailed in the tables on pages 42 and 43. The calculation of free operating cash flow is detailed on page 44.

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ADJUSTED INCOME STATEMENT, EBIT AND ADJUSTED NET INCOME - 2023

in € millions, except earnings per share (in €)

	Consolidated income statement 2023	Adjustments				Adjusted income statement 2023
		(1)	(2)	(3)	(4)	
Sales	18,428	—	—	—	—	18,428
Cost of sales	(13,662)	390	—	—	—	(13,272)
Research and development expenses	(1,108)	—	—	—	—	(1,108)
Marketing and selling expenses	(1,384)	—	—	—	—	(1,384)
General and administrative expenses	(621)	—	—	—	—	(621)
Restructuring costs	(91)	—	—	—	—	(91)
Income from operations	1,562	390	—	—	—	1,952
Share in net income of equity affiliates	147	32	—	—	—	180
Income from operations, including net income of equity affiliates	1,710	—	—	—	—	N/A
EBIT	N/A	422	—	—	—	2,132
Gain and losses on disposals of assets, changes in scope and other	(388)	—	388	—	—	—
Impairment of non-current assets	—	—	—	—	—	—
Net financial interest	2	—	—	—	—	2
Other financial income and expenses	(65)	—	—	28	—	(37)
Finance costs on pensions and other long-term employee benefits	(78)	—	—	—	2	(76)
Income tax	(252)	(97)	(14)	(5)	—	(370)
Effective income tax rate ^(a)	24.4%	—	—	—	—	20.1%
Net income from continuing operations	929	325	373	22	1	1,651
Net income from discontinued operations	74	14	6	11	—	105
Net income	1,003	339	380	33	1	1,756
Non-controlling interests	21	(8)	—	—	—	13
NET INCOME, GROUP SHARE	1,023	331	380	33	1	1,768
Average number of shares (thousands)	208,507	—	—	—	—	208,507
NET INCOME, GROUP SHARE PER SHARE (in €)	4.91	—	—	—	—	8.48

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

Adjustments:

- (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 gains or losses on long-term employee benefits.



● ADJUSTED INCOME STATEMENT, EBIT AND ADJUSTED NET INCOME - 2022

in € millions, except earnings per share (in €)

	Consolidated income statement 2022	Adjustments				Adjusted income statement 2022
		(1)	(2)	(3)	(4)	
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
Gain 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 ^(a)	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 euros)	5.29	—	—	—	—	7.35

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

Adjustments:

- (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 gains or losses on long-term employee benefits.

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• CALCULATION OF FREE OPERATING CASH FLOW

<i>(in millions of euros)</i>	2023	2022	Change
Operating cash flow before interest and tax	2,704	2,490	+215
+ Change in working capital and provisions for contingencies	173	966	-794
+ Payment of pension contributions, excluding contributions related to the reduction of the UK pension deficit	(103)	(137)	+33
+ Net financial interest received (paid)	11	(42)	+54
+ Income tax paid	(195)	(156)	-39
+ Net operating investments	(622)	(525)	-96
Free operating cash flow, continuing operations	1,968	2,595	-627
+ Free operating cash flow, discontinued operations	57	(68)	+125
Free operating cash flow	2,026	2,527	-502
+ Net balance of disposals (acquisitions) of subsidiaries and affiliates	(3,464)	(453)	-3,011
+ Contributions related to the reduction of the UK pension deficit	(1,078)	(95)	-983
+ Dividends paid	(634)	(563)	-70
+ Share buyback (program approved in March 2022)	(461)	(329)	n.s
+ New lease liabilities (IFRS 16)	(166)	(199)	+33
+ Other	(187)	(128)	-58
Change in net cash (debt)	(3,965)	760	-4,725
Net cash (debt) at start of period	(35)	(795)	+760
+ Change in net cash (debt)	(3,965)	760	-4,725
NET CASH (DEBT) AT END OF PERIOD	(4,000)	(35)	-3,965

2.3.3 Order intake

Order intake for the 2023 financial year totaled **€23,132 million**, slightly down by 2% from 2022 in total change, but up 0.2% at constant scope and exchange rates ⁽¹⁾. For the third consecutive year, the order intake was more than 20% higher than sales (book-to-

bill). The book-to-bill ratio was 1.26 (compared to 1.34 in 2022) and 1.31 excluding the Digital Identity & Security business, where the order intake is structurally very close to sales.

<i>(in millions of euros)</i>	2023	2022	Total change	Organic change
Aerospace	5,592	5,892	-5%	-5%
Defence & Security	14,139	13,959	+1%	+2%
Digital Identity & Security	3,342	3,616	-8%	+4%
TOTAL - OPERATING SEGMENTS	23,073	23,467	-2%	+0.3%
Other	58	84		
TOTAL	23,132	23,551	-2%	+0.2%
Of which mature markets ^(a)	18,683	16,305	+15%	+17%
Of which emerging markets ^(a)	4,449	7,245	-39%	-37%

(a) Mature markets: Europe, North America, Australia, New Zealand; emerging markets: all other countries.

Thales received **25 large orders with a unit value of over €100 million**, representing a total of **€7,764 million**:

- 3 large orders booked in Q1 2023:
 - the order of satellites for the Italian earth observation constellation IRIDE,
 - the order of a new tranche of the IHAB module for the lunar orbital station,
 - the order of a submarine subsystem for a military customer;
- 6 large orders booked in Q2 2023:
 - the order of an autonomous robotic vehicle for an In Orbit Servicing demonstration mission, on behalf of the Italian Space Agency (ASI),
 - three amendments to the contracts related to the Galileo European navigation satellites,
 - the order of a sensor suite and Above-Water Warfare System for the new Belgian and Dutch frigates,
 - an order linked to the production of Aster anti-air defence missiles for France,
 - the order by Indonesia of 13 GM400 Alpha radars and a Skyview Air Command and Control System,
 - an amendment to the contract for the supply and support of CONTACT next-generation tactical radios for the French Army;
- 3 large orders booked in Q3 2023:
 - an order for the ground mission segment and technical engineering support for the Galileo 2nd Generation program (G2G),
 - a contract for the mid-life upgrade of the French and Italian Horizon class frigates,

⁽¹⁾ Taking into account a positive currency effect of -€264 million and a positive net scope effect of -€210 million.



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- an export contract for the mid-life extension of a multifunctional radar system for a military client;
- 12 major orders were booked in Q4 2023 in addition to the £1.8 billion MSET contract in the UK mentioned above:
 - a contract with SOGITEC for the supply of simulation systems for the Emirates' Rafale pilot training center,
 - a contract to install next-generation in-flight entertainment systems on Emirates' future Boeing 777X fleet,
 - a contract for the supply of payloads for navigation satellites to a country in Asia,
 - notification by the French Defence Procurement Agency (DGA) of the fifth production phase of the Rafale program, for the supply of 42 aircraft intended for the French Air and Space Force,
 - a contract for the installation of the TACTICOS combat management system, sonars, air-surveillance and fire-control radars and 360° infrared sensor for the Polish Navy's MIECZNIK Frigate program,
 - entry into force of the second tranche of the order placed by Indonesia in 2022 for the purchase of 42 Rafale aircraft (18 aircraft),
 - a contract for the financing by the DGA of one of the development phases of the Rafale program to the F4 standard (covering certain functionalities of the RBE2 radar and the SPECTRA electronic warfare suite) and the development of the future RBE2 XG radar intended for the Rafale F5 standard,
 - an agreement with the Swedish Defence Materiel Administration (FMV) for the delivery and installation of SMART-L Multi Mission Fixed (MM/F) long-range radars,
 - the next phase in the renewal of several French Armed Forces radars and the order for a new Aerospace Operations Command and Control System under stage five of the SCCOA program,
 - a new contract under the French military telecommunications program Syracuse IV for the supply of "On-The-Move" satcom stations to be integrated into SCORPION armored vehicles (GRIFFON and SERVAL),

- a contract under the SCORPION/EBMR program (France's multi-role armored vehicle program) for the supply of on-board electronics for new vehicles ordered from the temporary consortium comprising Nexter, Arqus and Thales,
- a new amendment to the aeronautical component of the CONTACT contract (complete digital tactical and theater communications) with the DGA.

At **€15,368 million**, order intake with **a unit value of less than €100 million** was stable against 2022 with an increase of 0.1%, despite the transfer of IoT activities to Telit as of December 31, 2022, for a total of €374 million.

Order intake in the **Aerospace** segment totaled **€5,592 million** compared to €5,892 million in 2022 (-5% at constant scope and exchange rates). This decrease reflects two contrasting trends. On the one hand, strong sales activity in aeronautics activities (avionics and in-flight entertainment (IFE)), linked to a 32% increase in order intake in the civil aftermarket and the IFE Emirates contract mentioned above. On the other hand, while Thales Alenia Space recorded new commercial successes in observation (IRIDE, I-HAB) and navigation (Galileo), it did not record any new large orders in commercial telecommunications. At December 31, 2023, the segment's order book stood at **€9.3 billion**, up 2% from 2022.

At **€14,139 million** compared to €13,959 million in 2022, order intake in the **Defence & Security** segment set a new record (+2% at constant scope and exchange rates). The book-to-bill ratio was 1.44, above 1.2 for the fifth consecutive year. This high level is explained by the recording of 17 contracts of more than €100 million, including the MSET contract. The segment's order book consequently reached a new record at **€35.2 billion** (up 14%), corresponding to 3.6 years of sales, strengthening visibility for the years ahead.

At **3,342 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.

ORDER INTAKE BY DESTINATION (a) - 2023

(in millions of euros)	2023	2022	Total change	Organic change	2023 weighting as a %
France	6,132	6,504	-6%	-5%	27%
United Kingdom	3,095	1,100	+181%	+188%	13%
Rest of Europe	6,248	4,979	+25%	+28%	27%
Subtotal Europe	15,476	12,583	+23%	+25%	67%
United States and Canada	2,368	2,794	-15%	-13%	10%
Australia and New Zealand	839	927	-10%	+2%	4%
Total mature markets	18,683	16,305	+15%	+17%	81%
Asia	2,403	1,992	+21%	+27%	10%
Near and Middle East	1,246	4,378	-72%	-71%	5%
Rest of the world	799	875	-9%	-5%	3%
Total emerging markets	4,449	7,245	-39%	-37%	19%
TOTAL ALL MARKETS	23,132	23,551	-2%	+0.2%	100%

(a) Part of the "Asia" business has been reclassified under "Other European countries".

Geographically, order intake in mature markets rose sharply to €18,683 million (+17% at constant scope and exchange rates), benefiting in particular from the MSET contract in the United Kingdom.

Order intake in emerging markets amounted to €4,449 million, down 37% at constant scope and exchange rates, with a high basis for comparison in 2022 due to the Rafale contract in the United Arab Emirates.

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2.3.4 Sales

(in millions of euros)	2023	2022	Total change	Organic change
Aerospace	5,211	4,705	+10.7%	+11.7%
Defence & Security	9,796	9,156	+7.0%	+7.5%
Digital Identity & Security	3,347	3,618	-7.5%	+4.1%
Total - operating segments	18,353	17,478	+5.0%	+8.0%
Other	75	90	-16.6%	-12.2%
TOTAL	18,428	17,569	+4.9%	+7.9%
Of which mature markets ^(a)	14,615	13,567	+7.7%	+10.6%
Of which emerging markets ^(a)	3,814	4,002	-4.7%	-1.2%

(a) Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries.

Sales for the 2023 financial year totaled **€18,428 million**, compared to €17,569 million in 2022, up 4.9% in total change and 7.9% in organic terms (at constant scope and exchange rates ⁽¹⁾), driven particularly by the Aerospace segment.

Sales in the **Aerospace** segment totaled **€5,211 million**, up 10.7% from 2022 (+11.7% at constant scope and exchange rates). As for the order intake, momentum in this sector was mixed:

- organic growth in all avionics activities was above 20%, despite a decline in sales for the microwave tubes business. Civil aviation activities were particularly strong (organic growth of more than 30%), with the original equipment business benefiting from an increase in aircraft manufacturers' production rates, while aftermarket sales were driven by the recovery in air traffic;
- sales in the space segment were stable compared to 2022. OEN (Observation, Exploration and Navigation) activities posted a high-single digit increase in sales over the year, but commercial telecommunications (which account for one-third of sales in the Space segment) were affected by delays in the execution of several contracts due mainly to supply difficulties with the propulsion system. In addition, an overall fall in demand impacted the market for geostationary communications satellites in 2023.

Sales in the **Defence & Security** segment totaled **€9,796 million**, up 7.0% from 2022 (+7.5% at constant scope and exchange rates). This growth reflects the gradual increase in our production capacity as well as the dynamism of many product lines, in particular intelligence, surveillance and reconnaissance systems, critical information systems, integrated systems for airspace protection, surface radars, surface ship systems and cyber defence solutions. The Group had a record order book of nearly €35.2 billion (3.6 years of sales) at end-December 2023 to support its growth in the coming years.

At **€3,347 million**, sales in the **Digital Identity & Security** sector increased by 4.1% at constant scope and exchange rates (down 7.5% in total change following the transfer of IoT activities to Telit as of December 31, 2022). As expected, the second half of the year recorded a slight dip of 2.2% in organic growth compared to the second half of 2022, with two contrasting trends:

- high-single digit organic growth in digital activities (DIS segment excluding EMV payment cards ⁽²⁾ and SIM cards), mainly corresponding to cybersecurity solutions and biometrics,
- negative high-single digit organic growth against a high basis for comparison for EMV and SIM cards in the second half of 2022, with the decision having been made to preserve the profitability of these activities.

• SALES BY DESTINATION ^(a) - 2023

(in millions of euros)	2023	2022	Total change	Organic change	2023 weighting as a %
France	5,437	4,827	+12.6%	+13.4%	30%
United Kingdom	1,208	1,019	+18.5%	+21.1%	7%
Rest of Europe	4,578	4,348	+5.3%	+8.3%	25%
Subtotal Europe	11,223	10,194	+10.1%	+12.0%	61%
United States and Canada	2,581	2,415	+6.9%	+10.3%	14%
Australia and New Zealand	812	958	-15.3%	-5.3%	4%
Total mature markets	14,615	13,567	+7.7%	+10.6%	79%
Asia	1,728	1,822	-5.1%	+0.3%	9%
Near and Middle East	1,111	1,189	-6.5%	-5.6%	6%
Rest of the world	974	991	-1.7%	+1.5%	5%
Total emerging markets	3,814	4,002	-4.7%	-1.2%	21%
TOTAL ALL MARKETS	18,428	17,569	+4.9%	+7.9%	100%

(a) Part of the "Asia" business has been reclassified under "Other European countries".

Geographically, sales growth was stronger in mature markets (+10.6% on an organic basis), which posted double-digit growth, particularly in France, the United Kingdom and North America, while emerging markets posted a slight decline in organic growth of -1.2%.

⁽¹⁾ The calculation of the organic change in sales is shown on page 40.

⁽²⁾ Europay Mastercard Visa.

2.3.5 Adjusted net income

For 2023, the Group posted EBIT⁽¹⁾ of **€2,132 million**, or 11.6% of sales, compared to €1,935 million (11.0% of sales) in 2022.

EBIT (in millions of euros)	2023	2022	Total change	Organic change
Aerospace	371	235	+58.2%	+60.9%
As a % of sales	7.1%	5.0%	+210.0%	+220.0%
Defence & Security	1,251	1,179	+6.1%	+7.3%
As a % of sales	12.8%	12.9%	-10.0%	+4.0%
Digital Identity & Security	508	494	+2.7%	+1.5%
As a % of sales	15.2%	13.7%	+150.0%	+320.0%
Total – operating segments	2,130	1,908	+11.6%	+12.4%
As a % of sales	11.6%	10.9%	+70.0%	+110.0%
Other - excluding Naval Group	(89)	(93)		
Total – excluding Naval Group	2,041	1,816	+12.4%	+13.1%
As a % of sales	11.1%	10.3%		
Naval Group (share at 35%)	91	119		
TOTAL	2,132	1,935	+10.2%	+10.9%
As a % of sales	11.6%	11.0%		

The **Aerospace** segment recorded an EBIT of **€371 million** (7.1% of sales), compared with €235 million (5.0% of sales) in 2022. The rise in the sector's EBIT margin was driven by the avionics segment, where the margin was back to pre-covid level thanks to both positive volume and price effects. As mentioned above, the space segment is experiencing delays in the execution of several telecommunications contracts, mainly due to supply difficulties relating to the propulsion system. This accentuated the negative impact of inflation on the profitability of the space segment, which recorded an EBIT margin at break-even at December 31, 2023.

In the **Defence & Security** segment, EBIT stood at **€1,251 million**, compared to €1,179 million in 2022 (+7.3% at constant scope and exchange rates). The margin for this sector was 12.8%, compared to 12.9% in 2022.

At **€508 million** (15.2% of sales), EBIT in the **Digital Identity & Security** sector continued to grow sharply in absolute value and margin (+3.2 points), benefiting from the improved commercial margin arising from strong pricing, the impact of cost improvement plans and a scope effect (transfer to Telit of the IoT cellular product business as of December 31, 2022).

Excluding Naval Group, **unallocated EBIT** was stable at **-€89 million** compared with -€93 million in 2022, including, like last year, the reallocation of certain costs following the classification of Transport as a discontinued operation.

Naval Group's contribution to the Group's EBIT amounted to **€91 million** in 2023, compared with €119 million in 2022, which had recorded €45 million in non-recurring income related to the compensation agreement signed between Australia and Naval Group in 2022.

At **€2 million** compared with -€50 million in 2022, **net financial interest** mainly benefited from higher average cash level than in 2022, which was invested at higher interest rates. **Other adjusted financial income and expenses**⁽¹⁾ (-€37 million in 2023 versus -€34 million in 2022) were stable. The deterioration in the **adjusted financial expense on pensions and other long-term employee benefits**⁽¹⁾ (-€76 million versus -€35 million in 2022) reflects the sharp increase in discount rates, which was partially offset by the decrease in commitments.

At **€105 million** compared with €90 million in 2022, the **adjusted net income, Group share, from discontinued operations** reflects the strong operating performance of the Transport business and the reduction in the costs incurred to separate this activity from the rest of the Group in anticipation of its disposal.

As a result, **adjusted net income, Group share**⁽¹⁾ was **€1,768 million**, compared to €1,556 million in 2022, after an adjusted income tax charge⁽¹⁾ of -€370 million compared to -€331 million in 2022. At 20.1% in 2023 versus 20.6% in 2022, the effective tax rate was stable.

The **adjusted net income, Group share, per share**⁽¹⁾ amounted to €8.48, up **15%** from 2022 (€7.35).

⁽¹⁾ Non-GAAP financial indicator. See definition on page 40, and calculation on pages 42 and 43.

2.3.6 Consolidated net income

Income from operations

Income from operations amounted to **€1,562 million**, compared to €1,344 million in 2022, up 16.2%. This increase was due to a combination of positive effects: firstly, a 4.9% rise in sales, and a 0.5 point improvement in gross margin. Indirect costs as a percentage of sales fell slightly from 17.1% to 16.9%. Lastly, restructuring costs, at €91 million, were 7.2% lower than at December 31, 2022.

Income from operating activities

after share in net income of equity affiliates

Income from operating activities after share in net income of equity affiliates came to **€1,322 million**, compared to **€1,501 million** in 2022, down 12%. This negative trend is explained, on the one hand, by a slight decrease in the contribution of equity affiliates of €33 million (Naval Group's contribution falling from €119 million in 2022 to €91 million in 2023) and, on the other hand, by the non-current expense of £349 million recorded in 2023 following the agreement reached to insure all commitments under the main UK pension scheme (Thales UK Pension Scheme).

Net income, Group share

At **€1,023 million**, **consolidated net income, Group share** decreased by 9%, due to the above-mentioned non-current expense of £349 million.

2.3.7 Financial position at December 31, 2023

The **free operating cash flow** ⁽¹⁾ amounted to **€2,026 million** compared to €2,527 million in 2022. It included a contribution of €1,968 million from continuing operations and €57 million from discontinued operations. The conversion ratio of adjusted net income, Group share to free operating cash flow was 115% (162% in 2022). As in 2022, this once again exceptional performance reflects the excellent order intake, phasing effects on cash inflows related to contract execution, and continued progress in the action taken since 2020 under the "CA\$H!" initiative.

The **net balance of acquisitions and disposals of subsidiaries and affiliates** amounted to **-€3,464 million**. Under its acquisition strategy, the Group completed two acquisitions in 2023:

- Tesserent (on October 1, 2023), one of the leading cybersecurity players in Australia and New Zealand with sales of around €110 million in 2022 (see press releases of June 13, and October 4, 2023);
- Imperva (on December 4, 2023, earlier than expected), a leading cybersecurity company specialized in data and application security based in the United States and generating sales of around \$500 million in 2022 (see press releases of July 25, and December 4, 2023).

The Group has finalized the acquisition of Cobham Aerospace Communications in April 2024 (in accordance with the terms described in the press release published on July 25, 2023). In addition, the Group anticipates the completion of the sale of the Transport activity to Hitachi Rail in the first semester of 2024.

As part of the **share buyback program** covering a maximum of 3.5% of the capital announced in March 2022, 3,458,535 shares were repurchased during 2023, i.e. 1.6% of the share capital, for **€461 million**. This program ended March 31, 2024.

At December 31, 2023 **net debt** amounted to **€4,000 million** compared with €35 million at December 31, 2022. This increase reflects the impact of acquisitions and disposals for €3,464 million (€453 million in 2022), the exceptional contribution in connection with the transfer of pension obligations in the United Kingdom described above, including insurance costs for a total of €1,078 million (€95 million in 2022), the distribution of €634 million in dividends (€563 million in 2022), new lease liabilities for €166 million (€199 million in 2022), and the share buyback program.

Equity, Group share amounted to **€6,830 million** compared with €7,174 million at December 31, 2022. This decrease takes into account an actuarial expense of €267 million relating to the discounting of net pension obligations.

⁽¹⁾ Non-GAAP financial indicator. See definition, page 40.



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2.3.8 Proposed dividend

The Board of Directors decided to propose to the shareholders, who will convene at the Annual General Meeting on May 15, 2024, payment of a **dividend** of **€3.40** per share. This 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 21, 2024, and the payment date will be May 23, 2024. This dividend will be paid fully in cash and will amount to €2.60 per share, after deducting the interim dividend of €0.80 per share paid in December 2023.

2.3.9 Outlook

The medium-term outlook for all of the Group's major markets remains very robust. After a very strong year in aeronautics in 2023, the original equipment business should again be driven by the expected continued ramping-up of commercial aircraft production. Air traffic should also continue to rise, fostering further growth in the aftermarket, though at a slower pace than in 2023, which benefited from a catch-up effect. The space segment benefits from favorable growth prospects for most of its activities, in particular observation, exploration, navigation, military telecommunications and services. However, the commercial telecommunications business is facing challenges due to structurally weaker demand. For this reason, the Group is announcing a project of an adaptation plan at Thales Alenia Space concerning around 1,300 jobs, including 1,000 in France, which will be redeployed within the Group, with no forced departure. Those redeployments will take place over 2024 and 2025, in consultation with employee representative bodies. Over the same period, 7,000 recruitments are planned in France to address the expected strong growth in the Group's other business segments. This plan should restore sustainably the profitability of the space business with the objective of an EBIT margin of around 7% in the medium term while maintaining the skills needed to pursue commercial opportunities. Accordingly, the **Aerospace** segment should record organic growth in sales, but at a slower pace than in 2023.

The announced increases in the military budgets of the Group's major customers are continuing to drive demand in the defence sector. As a leading player in its various activities and with a geographical presence aligned with the most dynamic markets, the **Defence & Security** segment has an order book that is unprecedented in the Group's history. This segment will continue to grow in 2024 while maintaining an EBIT margin that is among the highest in the sector (around 13%).

Lastly, the **DIS** global business unit has an exceptional positioning in cybersecurity and digital identity. Its cybersecurity business was considerably strengthened in 2023, allowing Thales to offer the most comprehensive offering in data, applications and identity security.

After seeing its growth normalize in 2023 following a very strong year in 2022, organic growth should continue in 2024, in line with that recorded in 2023. The margin should further improve compared with the 2023 level of 14%, taking into account the transfer of cybersecurity services activities from the Defence & Security segment.

One of Thales' main priorities in 2024 is to successfully complete the integration of the two structuring acquisitions, namely Imperva and Cobham Aerospace Communications, these two activities will significantly strengthen the Group's business portfolio.

In response to this buoyant environment, the Group is continuing to invest to ramp up its production capacities. Net operating investments are expected to further increase, reaching around €720 million in 2024, after €622 million in 2023. Recruitment will remain strong in 2024 (around 8,500 recruitments planned after 10,900 in 2023 and 12,000 in 2022). This reflects the higher retention rate, which has returned to pre-Covid levels, and will be accompanied by the strengthening of skills development actions for engineers who have recently joined the Group.

Moreover, the Group will continue to monitor closely the persistent tensions in its supply chain.

Assuming there are no new major disruptions in the global economy, in the health context, or in the global supply chains, Thales has set the following targets for 2024:

- as in 2023, a **book-to-bill** ratio above 1;
- organic **sales** growth of between **+4% and +6%**, corresponding to sales in the range of €19.7 billion to €20.1 billion ⁽¹⁾;
- an **EBIT margin** ⁽²⁾ between **11.7% and 12.0%**, up 10 to 40 basis points from 2023.

Based on the outlook for 2024, particularly in terms of order intake and advance payments to be received, the Group sets its **cash conversion ratio** ⁽³⁾ target at close to 100% of adjusted net income, Group share.

⁽¹⁾ Based on February 2024 exchange rates and taking into account the completion of the Cobham Aerospace Communications acquisition in April 2024.

⁽²⁾ The EBIT margin forecast has been established and developed on a basis:

- comparable to historical financial information;
- consistent with the issuer's accounting policies.

⁽³⁾ Free operating cash flow divided by adjusted net income, Group share.

2.4 Investments

Targeted investment in R&D, in intangible assets and property plant and equipment, or as part of acquisitions and the purchase of equity interests, are all major factors advancing the Group's development strategy.

In accordance with IFRS5, the financial data for the operating segment "Transport" for 2022 and 2023 have been classified under "discontinued operations" following the entry into exclusive negotiations with Hitachi Rail with a view to selling this business. The details below for 2022 and 2023 therefore only concern continuing operations.

2.4.1 Investments in R&D

Research and development is one of the Group's core activities and is key to its differentiation and competitiveness. It involves almost 40% of the workforce. A description of the principal R&D areas can be found in section 2.2.2, on page 37.

The vast majority of R&D investment is recorded directly as expenses in the Group's profit and loss accounts. As described in Note 4.2 of the consolidated financial statements, the Group capitalized €20.2 million in development costs in 2023. As at December 31, 2023, the net value of capitalized development costs as fixed assets totaled only €42.0 million.

A significant portion of R&D investment is made as part of contracts with customers, particularly institutional space and military contracts. Only self-financed R&D expenditure is recorded separately in the profit and loss accounts.

In recent financial years, to support its strategic Ambition 10 plan, the Group has decided to step up its self-financed R&D expenditure, true strategic and distinctive asset. In 2021, this expenditure rose faster than sales. It reached 6.3% of sales, up 20 basis points compared to 2020. In 2022, pressure on recruitment led to a slight drop in their weight as a percentage of sales. In 2023, R&D expenditure grew at a rate close to that of sales.

(in € millions)	2021	2022	2023
Sales	16,192	17,569	18,428
R&D expenses shown on the IFRS income statement	1,027	1,064	1,108
Expenses excluded from the adjusted income statement	0	0	0
R&D expenses shown on the adjusted income statement	1,027	1,064	1,108
As a % of sales	6.3%	6.1%	6.0%

New areas of investment include edge and far edge computing, quantum sensors and communications, and new solutions for securing the cloud. Thales has also developed strong expertise in the field of trusted artificial intelligence for critical environments.

Over the next few years, the Group plans to maintain a high level of self-financed R&D expenditure, the weight of which could represent, in the medium term, around 6.5% of sales.

2.4.2 Operating investments

The Group's operating investments cover three main categories: technical and production investments, building investments and investments in information systems.

(in € millions)	2021	2022	2023
Sales	16,192	17,569	18,428
Acquisitions of intangible assets and property, plant and equipment	451	535	626
Disposals of intangible assets and property, plant and equipment	(5)	(9)	(4)
Net operating investments	446	525	622
As a % of sales	2.8%	3.0%	3.4%

Since 2021, capital expenditure has risen steadily, illustrating the Group's determination to equip itself with the resources needed to meet the strong growth prospects that lie ahead. In 2021, the increase in investments of almost 20% concerned in particular, technical and production investments. In 2022, net operating investments amounted to €525 million, up 17% from 2021. They also exceeded the previous record high (2019). The increase was mainly due to investments in buildings. Growth continued in 2023, mainly driven by investments in engineering and the ramp-up of production capacity.

In response to the buoyant environment in which it operates, the Group will continue to increase its net operating investments, which should reach around €720 million in 2024, after €622 million in 2023. These investments will be used to extend several industrial sites and purchase the production and engineering equipment needed to grow the Group's activity.

2.4.3 Acquisitions and equity investments

To support the Ambition 10 strategic plan, the Group is continuing its targeted acquisitions policy to strengthen its technology portfolio and boost its potential for growth. This strategy accelerated significantly with the acquisition of Gemalto which was announced in December 2017 and completed in 2019.

(in € millions)	2021	2022	2023	2021/2023 total
Net Investments in subsidiaries and affiliates	55	455	3,595	4,105
Net disposals of subsidiaries and affiliates	(2)	(2)	(132)	(136)
NET BALANCE OF ACQUISITIONS AND DISPOSALS	53	453	3,464	3,970

Acquisitions in 2021

The main acquisition completed by Thales in 2021 concerned the MOOG navigation aids business.

Acquisitions in 2022

The Group finalized 4 significant acquisitions in 2022: two cybersecurity companies, OneWelcome and Maxive (which includes the companies S21 Sec and Excellium), RUAG's simulation & training business, and the 51% stake it did not hold in Advanced Acoustic Concepts.

At the end of December 2022, Thales tendered its cellular IoT activity to Telit Cinterion in exchange for a 25% holding in the new entity. No entry was made in the statement of cash flows in respect of this transaction.

Acquisitions in 2023

Thales finalized two key acquisitions for 2023.

In October 2023, the Group completed the acquisition of Tesserent, one of the leading cybersecurity players in Australia and New Zealand, with sales of around €110 million in 2022.

In December 2023, Thales completed the acquisition of Imperva, a US-based cybersecurity leader specializing in data and application security, with sales of around \$500 million in 2022.

These two acquisitions place Thales among the world leaders in cybersecurity.

In October 2023, the Group also finalized the sale of its aircraft electrical systems business to Safran.

In April 2024, the Group has finalized the acquisition of Cobham Aerospace Communications, adding innovative secure digital cockpit communication solutions to its portfolio. The sale of the Transport business to Hitachi Rail is scheduled for the first half of 2024.

The Group reasserts its strategy of bolt-on type acquisitions to complement its geographic presence and its technologies portfolio, with a view to strengthening its positioning in its three major areas of business: aerospace, defence & security and digital identity & security. Thales has no plans to diversify into markets besides those in which it already operates.

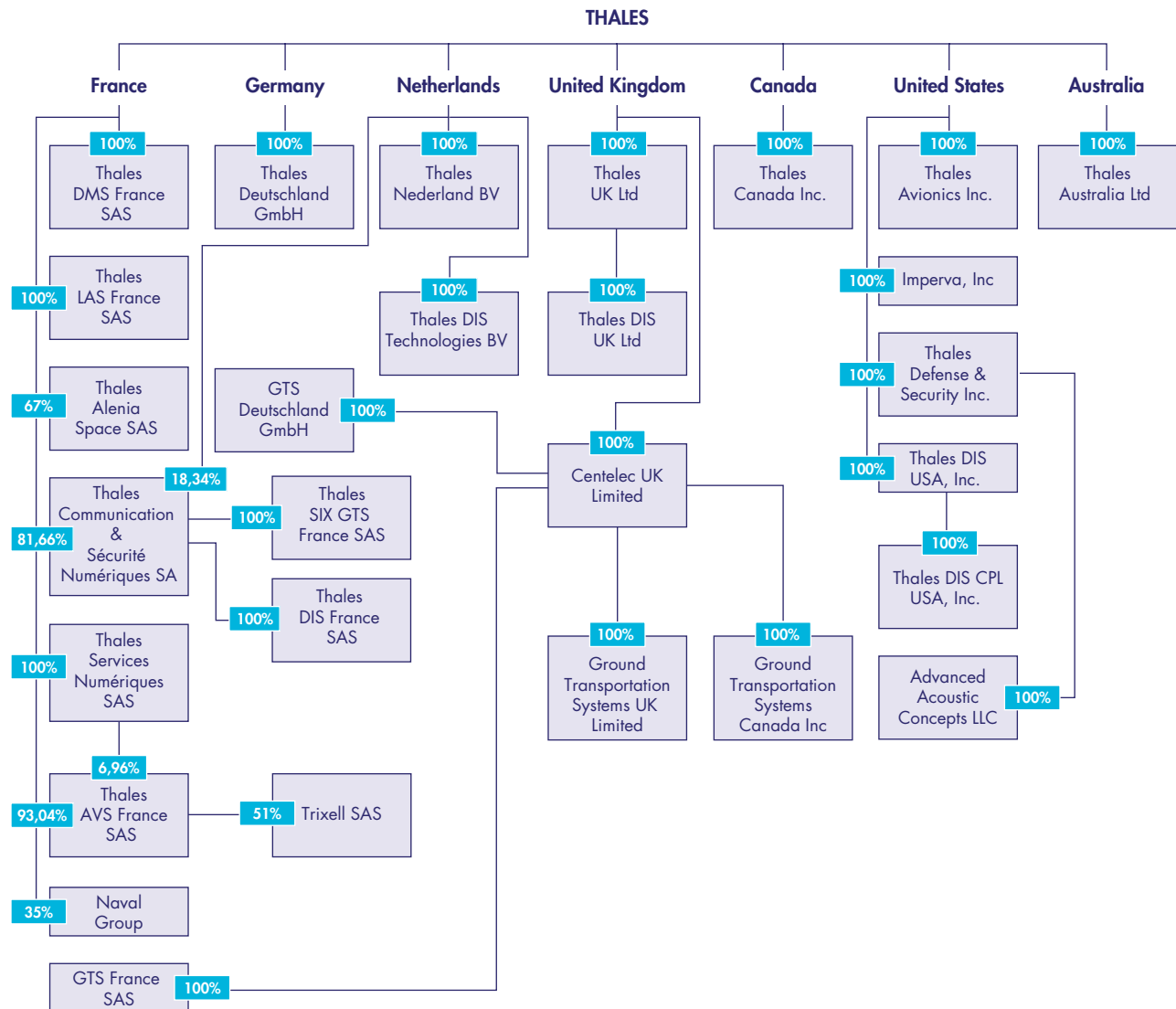
2.5 Organization of the Group

2.5.1 Relations between Thales and its subsidiaries

2.5.1.1 Simplified organization chart as of December 31, 2023

This simplified organizational chart shows, in the main countries where the Group is present, companies consolidated by global integration with sales representing over 0.5% of consolidated sales.

Equity affiliates are not shown in this simplified organizational chart (except for Naval Group).



2.5.1.2 Role of the Thales parent company within the Group

For Group companies, the Thales parent company handles the functions of a holding company:

- holding stocks in the Group's main subsidiaries;
- managing central functions: development of the Group strategy, commercial policy, legal and financial policy, operations control, human resources policy, communication;
- providing specialist assistance to the subsidiaries: contribution of expertise in legal, tax and financial matters, for which subsidiaries pay a fee;

- financing, cash flow and setting up guarantees, where applicable.

In addition to these functions, the Thales parent company carries on its own research business, described on pages 37 and following.

A list of main consolidated companies is shown below.



2.5.1.3 Financial flows between the Thales parent company and its subsidiaries

The Thales parent company receives the dividends paid by its subsidiaries, as approved by their respective Annual General Meetings of shareholders, and subject to the statutory and regulatory provisions applicable to them locally.

Apart from dividend payouts and collection of a fee for completion of shared services, the main financial flows between the Thales parent company and its subsidiaries concern cash pooling.

The subsidiaries' surplus cash is, as a general rule, placed with the parent company under a central cash pooling system. In return, the Thales parent company meets the cash flow requirements of the subsidiaries. It acts, on its own behalf and on behalf of the subsidiaries, on the financial markets in order to carry out the investments and borrowing necessary in the context of its cash pooling. Except in special cases, this system applies to all subsidiaries in which Thales has majority control.

2.5.2 Data about the main operational subsidiaries and main industrial sites

2.5.2.1 List of main consolidated companies

A list of main consolidated companies features in Note 15 of the Group's consolidated financial statements (page 296).

2.5.2.2 Main industrial sites

At the end of 2023, nineteen sites employed over 1,000 people:

December 31, 2023	Workforce	Method	Surface area (in m ²)
France			
Bordeaux	2,680	Owned/leased	65,100
Brest	1,814	Leased	60,900
Cannes	1,781	Owned/leased	63,300
Cholet	1,943	Leased	61,800
Élancourt	3,608	Leased	113,000
Gennevilliers	3,600	Leased	91,900
Limours	1,139	Leased	26,300
Meudon	1,214	Leased	23,100
Rungis	1,054	Leased	29,300
Sophia	1,104	Owned/leased	37,800
Toulouse	4,823	Owned/leased	162,800
Vélizy	3,703	Leased	88,200
United Kingdom			
Crawley	1,629	Leased	34,200
Netherlands			
Hengelo	2,050	Owned	56,700
Australia			
Sydney	1,139	Leased	79,600
Singapore			
Singapore	1,969	Owned/leased	30,500
Italy			
Rome	1,298	Leased	52,300
India			
Noida	1,242	Leased	14,000
Mexico			
Mexico city	1,160	Owned/Leased	22,200



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Risk factors, internal control and risk management

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Risk factors, internal control and risk management

Introduction

The Group supplies complex systems, products, and equipment which by their nature are often critically important to its government or corporate customers worldwide. It contends with three main types of risk: operational and strategic risk, legal and regulatory risk, and financial risk.

This chapter describes these risks and the environment in which they are managed, in accordance with Article L. 225-100-1-I (3° and 4°) and II and L. 22-10-35 of the French Commercial Code and Regulation (EU) 2017/1129 of June 14, 2017 revising the Prospectus Directive 2003/71 (EC) of November 4, 2003 (the Prospectus Regulation). It has also been prepared in consideration of the Guidelines on risk factors issued under the said Prospectus Regulation issued by the ESMA on October 1, 2019 (ESMA 31-62-1293 FR), with which the AMF has declared to comply as from December 4, 2019 and which it has commented on in the guide for the preparation of Prospectuses of July 28, 2023 (DOC AMF 2020-06) and in the guide for the preparation of Universal Registration Documents of January 5, 2022 (DOC AMF 2021-02). It was approved by the Board of Directors at its meeting on March 4, 2024. Some of the risks listed in this chapter are covered in the Group's Non-Financial Performance Statement and identified by the acronym "NFPS". The procedures for managing them are described in Chapter 5.

Thales is exposed to various risks and uncertainties which could affect its activities, business reputation, profitability, or ability to achieve its financial objectives. To address these risks and uncertainties, the Group:

- is committed to identifying sources of risks as early as possible in an effort to better control the consequences of those risks;
- relies on a proactive and coherent system of risk identification and management covering all of its functions and performs an annual mapping of the risks to which it is exposed.

The Group's risk management is consistent with the framework recommended by the AMF; it is a Thales management lever which helps to:

Create and preserve the value, assets, and reputation of the Group

Risk management identifies and analyzes the main threats and potential opportunities to which the Group is exposed. By anticipating the potential impact of these risks, it is intended to more effectively preserve the value, assets, and reputation of the Group.

The work allows residual risks, as estimated by the Group at the end of 2023 after the deployment of risk control resources and actions, to be ranked by criticality:

- significant;
- moderate;
- low.

The impact of each risk is combined with the likelihood of its occurrence or whether it is short, medium or long-term:

Low residual criticality	Moderate residual criticality	Significant residual criticality
• Protecting intellectual property • Liquidity, exchange rates, and customer credit • Investment management • Pension obligations	• Dependence on suppliers • Cybersecurity • Environment and climate • Compliance	• Economic, geopolitical and social environment • Competitive positioning of products and services • Contract execution • Attracting, developing, and retaining talent

Furthermore, for each of the risk types described above (operational and strategic risks, legal and regulatory risks, financial risks), the residual risk estimated by the Group to be the most critical at the end of 2023, following the deployment of risk control resources and actions, was put at the top of the list.

Secure the Group's decision-making and processes to help it achieve its objectives

Risk analysis is designed to identify the principal events and situations which could significantly impact the achievement of the Group's objectives. Controlling such risks helps to achieve those objectives.

Risk management is integral to the Group's decision-making and operational processes. It is one of the tools for steering and assisting in decision-making. It gives executives an objective and comprehensive vision of potential threats and opportunities to which the Group is exposed, enabling them to take measured and considered risks, and guiding them in their decisions on the allocation of human and financial resources.

Promote the consistency of action with the values of the Group

The Group's approach to risk management is consistent with its values, particularly with regard to the strict compliance of its business activities with national and international rules and legislation.

Involve the Group's employees in a shared vision of the main risks and make them aware of the risks inherent in their work

Thales applies its corporate risk management and internal control approach in the companies which it controls and which are fully consolidated. The Group's insurance policy (see section 3.4.1 b), which is centralized, covers the same scope.

These risk management and internal control processes contribute to the achievement of the Group's objectives without providing an absolute guarantee, in particular because of the limitations inherent in the uncertainties external to the Group or in the assessment of the cost/benefit ratio of actions leading to the acceptance of a certain level of risk.

This section sets out what Thales considered to be the main risks at end of 2023. It was prepared on the basis of the conclusions from the risk management, internal control, and internal audit work carried out by the Group in 2023. The results of this work were reviewed at the various meetings of the Risk Assessment Committee and the Risk Management Committee (see section 3.4.2) during the year as well as at meetings of the Audit and Accounts Committee held in 2023.



3.1 Operational and strategic risks

3.1.1 Risks related to the economic, geopolitical and social environment

Residual criticality: significant

Risk identification	Risk monitoring and management
A significant portion of Thales' business is with government customers, particularly in the defence markets in many countries. In these markets, public spending is dependent on political and economic factors and is therefore likely to fluctuate from one year to the next. A reduction in the budget resources of government customers could for example generate delays in order booking, contract execution or payments, or mean a cut in funding for research and development programs.	Thales has based its strategy on a balanced portfolio of activities on the defence and civilian markets.
A significant proportion of Thales' sales is subject to the risk of political instability in the countries in which the Group operates. The materialization of these risks may affect the Group's business and profitability.	The overall solidity of the portfolio is also underpinned by a large diversified order base with a unit value of usually less than €100 million.
In particular a change in government, a major political event, the development of protectionist policies, armed conflict, acts of terrorism, a sharp deterioration in the balance of payments, an increase in debt and interest rates, industrial action, strikes, protests, climatic events or pandemics in certain countries or market segments could lead to in particular: a significant drop in demand, a reassessment of needs or priorities, an alteration in competition conditions, a change in regulatory standards and requirements to be met, a hardening of export control rules, a ban on trading, a shortage of labor, components or materials, a ban on delivery, more restrictive currency control, impairment of assets, expropriation or the forced disposal of Thales' interest in a company, a security situation which prevents the Group from meeting its performance obligations, an unexpected breach of a contract or commitment, an unfair call of a bond or a guarantee, or the non-certification of documents required for payment.	The broad geographic spread of the Group's business, particularly through its international operations, ensures further diversification of its customer base.
In addition, the growing consideration of Environmental, Social and Governance criteria in investment decisions, reinforced by the emergence of new national, European and even international regulations (Corporate Sustainability Reporting Directive, Duty of Care), could restrict the base of financing available to the Group, potentially reducing demand for financial instruments issued by the Group and/or limiting access to the most favorable terms for external financing.	Thales manufactures and sells products in a very large number of countries and is able to adapt to varied or changing regulatory environments.
	Thales has set up teams that specialize in the financial engineering of contracts to identify and analyze the risks and to determine how they can be reduced. Thales can use public or private insurers in this context to cover the risk of contract interruption, or credit risk, or abusive bond calls. It can also make use of financial instruments such as notified or confirmed letters of credit, discounting receivables without recourse or export credit facilities.
	In line with its corporate purpose, Thales has placed CSR issues at the center of its strategy. The Group places particular emphasis on the contribution of its solutions to a safer, more environmentally friendly and more inclusive world, which also meets its customers' expectations. In 2023, Thales adopted a new corporate social responsibility policy for 2030.
	These initiatives are discussed in detail in Chapter 5 of this document.
	Furthermore, in 2023, in coordination with its peers, the Group continued to lobby various institutional players to have the essential contribution of defence and security activities to the geopolitical stability of democracies, and, in consequences, to sustainability issues.
	The Group's size and global presence give it access to a highly diversified financing base.

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Risk factors, internal control and risk management

Operational and strategic risks

3.1.2 Risks related to the competitive positioning of products and services

Residual criticality: significant

Risk identification	Risk monitoring and management
The Group's product and service lines must be periodically improved or redesigned to keep pace with market trends, technological developments, regulations and standards, and to improve competitiveness, in particular by offering modular architectures and variability that allow for adaptations to be made competitively so that each customer's specifications can be met. Poor anticipation of demand (volume, operating performance, target cost), poorly adapted design or business model, and inaccurate estimates of development costs and of time-to-market may lead to lower than expected sales or profitability, or to inventory write-downs for certain products or services. The markets in which Thales operates are sensitive to factors such as rapid changes in technologies, business models, or standards and regulations. Thus, in the field of civil telecommunications satellites, main operators have embarked on a multi-orbit strategy (combining low-orbit constellations and the renewal of geostationary fleets), which is affecting demand for geostationary satellites. Across all of the Group's product lines, digitization, while representing an important growth driver, could also lead to market disruptions, changes in business model or the emergence of new competitors. The Group therefore regularly acquires businesses to round out its technological portfolio or strengthen its presence in certain markets. The financial performance of the businesses acquired may not be in line with the assumptions on which their valuation and the investment decision were based. Furthermore, the integration of these businesses could prove more difficult and time-consuming than forecasted, without generating all the expected synergies, leading to a loss of talent or requiring greater mobilization of the teams concerned and management than anticipated. This could have a negative impact on the Group's results and financial situation.	The Global Business Units and Business Lines which are responsible for the product policy and R&D for their scopes are organized by market to achieve coherent management of innovation efforts and a consistent response to customer needs. Product line development is based on a dedicated procedure and organizational structure that are separate from bid and project management. The Group develops and provides its entities with methodologies, an environment, a range of systems, software and equipment appropriate to the different levels of complexity of its products and solutions. Every year the Group updates its strategic, industrial, and technological plans to ensure that supply matches demand, its product portfolios are relevant and competitive, it remains an expert in key technologies, and its industrial resources are optimized. The diversity of the Group's business activities, the depth of its technology portfolio, its openness to global innovation ecosystems (universities, startups, and incubators) and a targeted acquisition policy are strengthening its ability to adapt to the changes in its markets. In the field of civil telecommunications satellites, Thales Alenia Space is fully committed to keeping pace with changing demand, by providing recognized expertise and developing the technologies needed to keep pace with the next generation of constellations. In the digital domain, the Group has for several years now been pursuing an action plan structured around: ● expertise in key digital technologies by capitalizing on its R&D investments, and its acquisitions. In particular, the Group is continuing to systematically seek and exploit synergies between its traditional activities and those of the DIS Global Business Unit (formerly Gemalto); ● a constantly enriched service offering, thanks in particular to the use of secure digital platforms; ● the Digital Factory, integrated into the Engineering function to facilitate permeability between these disciplines, which also accelerates the digital transformation with its teams based in Paris, Montreal and Singapore; ● partnerships with customers to support their digital transformation. Finally, as part of the preparation of its strategic plans, the Group regularly analyzes the strategic positioning of its business portfolio. These analyses may lead to the acquisition or disposal of businesses. Prior to any proposed acquisition, the Group performs audits and due diligence, with the help of external advisors where necessary, in order to analyze the target's situation and determine its value. All acquisition projects are reviewed at each major stage of the transaction by the Group's management (Mergers & Acquisitions Committee) to confirm its interest and set the conditions for its completion. For each acquisition, an integration plan, structured around a dedicated Group instruction, is systematically defined, implemented and monitored by the M&A Committee. Major acquisitions are subject to internal audits within six months and then within two years of completion.



3.1.3 Risks related to contract execution

Residual criticality: significant

Risk identification	Risk monitoring and management
A significant proportion of Thales' business takes the form of long-term projects which are won in what is sometimes a highly competitive process. These projects: • present a very high degree of technological complexity, or even require the use, within the Group or by its subcontractors, of technologies whose maturity is not fully acquired at the start of the project; • must meet operational, regulatory, or contractual requirements which are extremely demanding, difficult to achieve or changing; • implement solutions with a complex technical architecture, such as a "system of systems"; • call on rare expert resources that are particularly in demand due to the growth of the Group's activities; • have to deal with development or supply uncertainties during the execution phase, which often lasts several years. Their contractual structure (project management of major systems, consortia, joint ventures, public/private partnerships, etc.) may also add constraints and complexity. While these contracts are generally entered into on the basis of a fixed lumpsum selling price, their term and actual development and manufacturing costs may significantly exceed what was estimated during the bidding phase, which in turn may adversely impact Thales' results and financial position. In addition, in the event of failure to achieve the required performance or meet the scheduled timetable, customers can sometimes demand payment of penalties or even terminate the contract. Since the most complex contracts run over several years, in accordance with current accounting standards, their economic contribution to the Group's results over a given year may be based on an estimate of the costs at completion, which can be corrected later.	Group bids and projects management is subject to a detailed risk assessment and management process, which is continually being enhanced: • A criticality ranking enables the corporate management of the operational entities (Business Lines, Global Business Units, Group corporate management) to monitor and approve bids and projects with the most risk attached to them. • During the bidding phase the management of commitments is helped by independent peer reviews and by the involvement of the functions Technical Engineering, Purchasing, Production, Legal and Contracts, Finance, and Quality. The solution being proposed is verified to ensure it meets the customer's requirements, is in line with a product policy, and is based on realistic assumptions, compatible with available resources. To reinforce this control, the validation processes for the technical and project reference documents (organization, project timeline, etc.) for each bid were brought together in 2023. • During the execution phase, regular reviews prepared according to a common format for the entire Group measure the technical, contractual, and financial progress of each contract; particular attention is paid to changes in costs on completion, risk management, and the implementation of corrective action plans.

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Risk factors, internal control and risk management

Operational and strategic risks

Risk identification

3.1.3 a) Industrial cooperation and offsets

Winning major contracts, in particular those in the defence sector, may be contingent in certain countries on making a commitment to implement local Industrial Cooperations & Offsets, which may be direct (execution of parts of the contract by local manufacturers), semi-direct (location in the customer country of Group activities which are not directly related to the execution of this contract), or indirect (local investments training industry, etc.) in domains outside Thales' principal business portfolio.

The Group's ability to factor the Industrial Cooperations & Offsets dimension into its proposals can also be a major source of differentiation, and as such have a decisive impact on its commercial success.

Non-fulfillment of contractual obligations by the requisite deadlines may expose the Group to penalties, the payment of which does not always release the obliger from its obligations. It can even compromise the Group's capacity to expand its activities in a given country.

Thales' order intake in countries that have implemented such a policy (particularly in India and the United Arab Emirates) has led to a significant increase in its Industrial Cooperation & Offsets commitments.

3.1.3 b) Customer satisfaction

Major dissatisfaction, for whatever reason (delivery delays, inadequate quality or performance, poor understanding of the issues involved, lack of proximity, etc.) and so on could damage confidence in Thales, harm its image, and cause it to lose market share.

Restoring the Group's image and positions could therefore require substantial investment and sales efforts.

Given that Thales operates in markets where the number of customers is sometimes structurally limited, the dissatisfaction of one customer could have even more significant consequences.

3.1.3 c) Inflation

In 2023, the general price inflation that appeared in 2022 as a result of a deterioration in the global economic environment following the Covid-19 pandemic and the Ukrainian crisis, remained at a high level, accompanied by a rise in interest rates.

As contractual provisions and anticipation measures vary according to customers and contracts, and although a majority of Thales' long-term contracts benefit from price revision clauses adapted to the situation, the Group's offers and projects have been exposed to a risk of margin deterioration due to a higher than expected increase in costs.

Risk monitoring and management

Thales units which export to a destination country with an Industrial Cooperation & Offsets policy are responsible for fulfilling the commitments entered into.

The Group has set up specific central organizations to:

- coordinate the direct Industrial Cooperation & Offsets policies exporting units and destination countries or regions;
- pilot certain semi-direct Industrial Cooperation & Offsets programs;
- ensure, through delegated units, that indirect Industrial Cooperation & Offsets commitments are implemented, a task that is entrusted to a permanent management structure: Thales International Offsets.

Changes in the policies of some of the Group's export markets towards higher value-added local production has led Thales to expand its local operations, for example, with Thales Emarat Technology in the United Arab Emirates or the STES JV with SAMI in Saudi Arabia.

Thales has introduced a system for gauging its customers' concerns at all times at a number of different levels:

- a sales network of Key Account Managers, who are in close proximity to customers and in ongoing dialog with them;
- a Quality & Customer Satisfaction organization which liaises directly with customer Quality representatives throughout the contracts;
- regular independent surveys to assess customer satisfaction and confidence and to take corrective action where necessary.

The global action plan initiated by Thales in 2022 continued into 2023:

- 1) coordinated negotiations with identified customers and suppliers continued;
- 2) Group employees were made aware of these challenges and the need to mobilize all the internal levers available to reduce their impact.

The progress of this action plan is regularly reviewed by the General Management of the business units and the Group.

Risk assessment during the bidding phase and contractual policies take the inflation risk into account.



3.1.4 Risks related to the Group's attractiveness and to talent development and retention

Residual criticality: significant

Risk identification	Risk monitoring and management
In a global context of high tension and volatility on the labor market, the Group's performance around the world in the short- and medium-term depends on its capacity to: - recruit talent with the technical skills that are particularly sought after and necessary for the execution of its activities, particularly in R&D and in the engineering, software and digital sectors; - retain employee loyalty by supporting their professional development, promoting their commitment and offering them a working environment that meets their expectations. If Thales were not sufficiently attractive, its development, sales and operating profitability could be negatively affected.	For many years, the Group has been developing an active human resources management policy to increase its attractiveness and promote the integration, retention and development of talent. This is described in section 5.3.2. To maintain and develop its attractiveness, in 2023, the Group also: - finalized the transformation of its Talent Acquisition organization, structured around five skills centers and teams of recruiters specialized by job type or business sector, to meet the Group's needs and support its growth; - deployed, wherever the Group is present, an "employer value proposition" in line with its corporate purpose; - increased the number of initiatives aimed at schools, universities and specific target schools to encourage vocations and attract talent; - in line with its objective to become a fully-fledged "learning company", enhanced its training offer and tools through the "learning channel" and academies dedicated to different jobs, functions and areas, to give employees easier access to the acquisition of new skills and to training programs and content adapted to the development of their jobs; - strengthened its actions to promote diversity and an inclusive culture, to increase the number of women in the workforce at all levels of the organization, and to provide its employees with a quality working environment and conditions.

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Risk factors, internal control and risk management

Operational and strategic risks

3.1.5 Risk of dependence on suppliers

Residual criticality: moderate

Risk identification	Risk monitoring and management
Purchasing spend represents a substantial portion of Thales' business, equaling almost half of its sales, whether in the areas of manufacturing, services, equipment, or subsystems Thales is therefore exposed to an excessive risk of dependence with respect to some of its suppliers, which could affect its performance and profitability. This excessive dependence can take several forms: • dependence on critical technology, particularly in the case of an exclusive supplier. Bringing on board an alternative source in the event that the supplier in question ceases trading could affect the Group's performance (e.g., in aerospace, where the time required to requalify a supplier and the associated cost could be considerable); • supply difficulties or additional costs: the concentration or imbalance between supply and demand in certain markets (e.g. electronic components and cards, energy, certain raw materials) may create supply tensions for Thales and its subcontractors, likely to affect the Group's performance, which would then be unable to obtain supplies at the expected cost or within the expected time period; • economic dependence, if Thales' share of purchases accounts for more than 50% of a supplier's revenue, making it necessary to qualify alternative sources. In addition, the global geopolitical and economic environment, inflation on energy and raw materials, labor shortages and the consequences of the pandemic may have weakened some of the Group's suppliers and subcontractors.	Faced with an excessive risk of dependence, Thales has introduced a number of preventative or corrective measures that are coordinated by the Purchasing Department: • searches for dual sources by technology family; • periodic buildup of adequate stock levels; • regular assessment of supplier markets to measure supply source concentration levels; • monitoring of the supplier commitment rate (amount of Thales' purchase orders relative to the supplier's annual sales): when that rate exceeds 50% for more than two consecutive years, an action plan coordinated with specifiers and internal users is drawn up to reduce it; • monitoring of the supplier's implementation of the risk control measures identified at the time of the supplier's selection. In addition to these measures, Thales has strengthened its supplier risk qualification and assessment and operational performance management processes; supplier evaluation audits cover a broader scope (quality control systems, industrial maturity, flow optimization, compliance with regulations, expertise in the business's technical and technological processes, financial soundness, fire safety, cybersecurity, etc.), allowing for more in-depth risk analysis. The result of these assessments is a list of so-called "critical" suppliers for which action plans are initiated, shared and systematically monitored. To improve the resilience of supply chains, Thales participates in sectoral initiatives to consolidate the aerospace ecosystem, notably in France with GIFAS, in order to encourage the emergence of national or European champions. The Group is a founding member of the "ACE Aéro Partenaires" investment fund created as part of the aerospace recovery plan. Faced with various supply tensions, particularly in the areas of electronic cards, raw materials and energy, Thales has adapted its internal organization to: • give its suppliers 12 to 18 months' visibility on future order volumes; • anticipate purchasing negotiations in order to secure deliveries and prices over the year 2024 by also incorporating the needs of its Tier 1 suppliers, for electronic components in particular; • diversify its sources of supply; • secure its access to energy by negotiating long-term electricity supply contracts.



3.1.6 “Cyber” risks

Residual criticality: moderate

Risk identification

Risk monitoring and management

3.1.6 a) Cybersecurity of the Group’s information systems

The Group operates – whether directly or through service providers – complex information systems and infrastructures that are essential to the smooth running of its commercial, industrial and financial processes. These information systems include management, development, and engineering systems as well as platforms operated on behalf of its customers. Their constant protection against malfunctions, malicious acts, or human errors is therefore fundamental.

The malfunction or failure of these systems may have:

- external causes (viruses or other malware or ransomware, computer hacking, network failures, unavailability due to a distributed denial of service (DDoS) attack, etc.);
- or internal causes (malicious acts, breaches of data confidentiality, human error or negligence, obsolescence).

Any such malfunction or failure can have an impact on the Group’s operations and its financial results. In the geopolitical climate of 2023, the trend of attacks is on the rise, and the attackers’ motivations could be linked to industrial espionage or to the desire to disrupt the Group’s operational activities through sabotage.

In the countries in which it operates, the Group defines and implements multi-year protection plans against cyber-sabotage, cyber-crime or cyber-espionage attacks, in order to identify and correct any potential vulnerabilities.

These plans are based on risk analyses and involve adapting existing protection measures or introducing new ones to cope with threats and avoid any temporary or permanent unavailability of part of the information systems. They are managed by a dedicated organization and include:

- regular audits carried out jointly or in close coordination between the Audit, Risks and Internal Control Department and the Information Systems Security Department. These assignments are designed to verify correct application of IT security policies and rules (passwords, patch management, network access control, etc.), simulate system hacking attempts and identify potential vulnerabilities, in order to adjust protection measures if necessary;
- align the security governance of the Group’s information systems with the ISO 27001 standard;
- strengthen and rationalize of the means of supervision and monitor against threats (“Cyber-security Operation Centers/ Centres de Gestion Opérationnelle de la Cybersécurité”);
- coordinate Cyber Threat Intelligence teams to monitor threats and developments in cybercriminals’ attack techniques/tactics;
- protect against the sharing or disclosure of sensitive and confidential data, through the deployment of a data loss detection and prevention system;
- pursue the “zero trust” model for all solutions and infrastructures installed on our sites or on the Cloud (management of a single, secure digital identity, security of privileged access, renewal of PKI (Public Key Infrastructure) certificates), and reinforcement of the authentication policy with multi-factor solutions (MFA);
- train and provide Partner Security Managers to assess and deal with cyber risks in support of project teams;
- continue the certification plan for information systems dedicated to sensitive environments;
- continue the cyber-risk awareness and preparedness program (cyber-crisis management procedures and exercises);
- implement communication and training initiatives to help employees to maintain the security of their IT systems;
- continue campaigns to raise awareness and assess the cybersecurity maturity of the Group’s key suppliers and partners.

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Risk factors, internal control and risk management

Operational and strategic risks

Risk identification

Risk monitoring and management

3.1.6 b) Cybersecurity of the products, systems, and solutions delivered

The Group designs, develops either alone or with partners and subcontractors, and delivers a large number of products and systems that are mission-critical and exposed to cyber threats.

The Group also designs, develops, and supplies systems or products with in-built cyber protection capabilities. It also provides cyber-protection services (e.g., monitoring for cyber attacks on customers' systems, auditing, and testing customers' cybersecurity systems).

In both cases, these products and systems might fail in the event of cyber attacks and result in malfunctions for customers.

The failure of these products and systems might impact the business activity of the product lines concerned, the Group's reputation, and hence its financial results.

Thales might not detect a security failure despite the tests that are performed.

Cyber protection products are generally subject to qualification under the auspices of third-party organizations, such as ANSSI, the French agency for information systems security in France. The assessments leading to such qualification are performed based on a security target approved by the regulator.

With regard to the systems designed and delivered by Thales, the Group has established the "Cyber-secured in Thales" project which aims to strengthen the cybersecurity of the existing systems as well as those in development on a regular basis.

The most critical and most exposed systems have been mapped resulting in the preparation of a plan for testing and remediation.

The teams responsible for cybersecurity services are regularly audited by certification bodies.

Finally, Thales is committed to adapting the cybersecurity of its products and services to new threats. This approach is implemented jointly with the French Ministry of the Armed Forces and through the signing of "Cybersecurity Agreements" with major industrial contractors, extended at the end of 2023 by the creation of a Conseil pour la Cybersécurité des Industries de l'Armement (Council for the Cybersecurity of Defence Industries).



3.1.7 Environmental risks (environment and climate)

Residual criticality: moderate

Risk identification

Risk monitoring and management

3.1.7 a) Environmental impacts related to the Group's business activities (NFPS)

The Group's activities may affect the environment through 1) the emissions they generate and the use of natural resources, or 2) in the event of an industrial accident. In addition, the use of the products and solutions provided by the Group, throughout their life cycle, contributes to 1) the production of atmospheric emissions, including greenhouse gases contributing to climate change, and 2) the production of end-of-life waste.

The industrial footprint of Thales sites and operations, which remains small, exposes the Group to only limited risk of potential sanctions or harm to its image, particularly if certain operations do not comply with the increasing number of laws and regulations in this area.

The Group's activities are likely to be affected by changes in energy costs, particularly in Europe.

The low-carbon strategy implemented by the Group for several years reflects its commitment to the fight against climate change and its desire to contribute to the drop in its emissions and those of its value chain. Despite the many initiatives already undertaken (see opposite), the Group may, however, be unable to fully achieve some of the stated objectives over the time frame it has set itself.

Risks induced by climate change (natural disasters, supply chain disruptions, economic instability, etc.) could have negative effects on the Group's ability to adapt, on its performance and on the resilience of its business model.

The Group constantly analyzes the environmental impact of its activities, considering regulatory, social, and technical developments and the sensitivity of the environments concerned. It also strives to optimize its operations as far as possible in order to limit its industrial footprint.

The Group has introduced an organization, processes, and tools to control the activities carried out at its industrial sites and to limit their environmental impact (see section 5.2.1).

For several years, the Group has implemented a process to assess and reduce its sites' exposure to natural disasters (see section 5.2.1.2) in order to reduce its vulnerability to the physical effects of climate change. In 2022, it also conducted an in-depth forward-looking analysis of the resilience of its subsidiaries to the physical risks associated with climate change and of its business models, in reference to the IPCC scenarios (see section 5.2.2.3).

Biodiversity protection is taken into account in the Group's environmental footprint reduction strategy (see section 5.2.5.2).

The Group has made quantified and measurable commitments to reduce its impact on the environment. In particular, it is pursuing a strategy to reduce its carbon footprint, with targets for 2030 aligned with the Paris Agreement. These targets were validated by the Science Based Target initiative in March 2023 (scopes 1, 2 and 3). This strategy for a low-carbon future is supported by detailed action plans in four areas: mobility, operations, purchasing and products.

The "operations" component is based on a renewable energy purchasing strategy and includes specific energy efficiency action plans (see section 5.2.2.2) that contribute to the Group's resilience in this regard. The "purchasing" component is reflected in the commitment of suppliers and subcontractors, particularly those with the highest emissions, to dedicated action plans to reduce their carbon footprint in line with the Group's stated trajectory.

Achievement of the Group's stated objectives is measured on a regular basis and is consolidated and published annually (see section 5.6).

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Risk identification

Risk monitoring and management

3.1.7 b) Impacts related to changes to regulations (NFPS)

The complexity and rapid evolution of environmental regulations, as well as non-financial reporting constraints, the increasing integration – by Group clients – of ESG criteria in calls for tenders, changes in societal expectations, or voluntary sector commitments could, in particular for products and solutions with long development cycles (e.g. aeronautics), disqualify technical solutions developed by the Group or its subcontractors.

This could give rise to a need to:

- qualify and implement alternative solutions;
- adjust supply chains;
- upgrade certain industrial facilities;
- commit to significant cost outlays and incur delays related to these changes;
- adopt new information collection and analysis tools and develop standardized quantification methods;
- develop a number of internal skills and resources.

Regulatory differences between countries make it more difficult to verify the compliance of marketed solutions, and could introduce a comparative disadvantage.

The Group's analyses of environmental risks are regularly updated based on a regulatory monitoring process covering European regulations and international conventions that considers new issues, customers' expectations and voluntary sector commitments. Specific attention is paid to regulatory developments relating to products and chemical substances (e.g. REACH in Europe), the circular economy, water, pollution, climate change, and biodiversity.

More generally, substances at risk of being banned or restricted for use are identified in order to implement alternative solutions in anticipation of regulatory deadlines (see section 5.2.5.3). This approach is integrated into the design of new products.

The regulatory differences are also factored into the design of the Group's products and solutions.

3.1.8 Risks related to investments

Residual criticality: low

Risk identification

Risk monitoring and management

Thales carries out some of its business through companies in which control is shared with, or exercised by, other partners. In 2023, the share in net income of equity affiliates accounted for around 8% of the Group EBIT.

A deterioration in the performance of these companies may impact the Group's results and financial position.

In the absence of exclusive control, Thales could be subject to decisions which are harmful to its interests.

Furthermore, the application of management rules and principles in these entities may differ from those adopted by Thales for entities over which it exerts exclusive control. Access to financial or operational data could be more limited than in the entities where Thales exercises exclusive control.

The Group aims to define appropriate governance methods by seeking to be represented on the Board of Directors (or a similar decision-making body) and more generally to negotiate contractual or governance provisions that are in Thales' best interests.



3.2 Legal and regulatory risks

3.2.1 Compliance

Residual criticality: moderate

Risk identification

3.2.1 a) Trade Compliance

Thales sells its products, solutions, and services across the world to a very large number of public and private customers.

Some of the Group's activities are subject to national or international regulations relating to export control, transfers of war hardware, and "dual-use" goods.

The Group's activities may also fall within the scope of certain economic sanctions or restrictive measures adopted against a country, territory or natural person or legal entity: freezing measures, embargoes, restrictions on the import or export of goods or technologies in particular.

Thales must be able to react quickly to implement, where appropriate, any restrictive measures applicable to its activities or clients.

Risk monitoring and management

In order to comply strictly with the regulations in force, the Group develops and deploys a Trade Compliance program based on the most demanding existing standards. This program covers the following two areas:

- compliance with national and international export control regulations;
- compliance with restrictive measures and international economic sanctions in force against countries, organizations or individuals.

It is based on the following principles:

- a set of instructions and guidelines published and regularly updated by the Group in the Chorus reference system;
- a structured and globally deployed Trade Compliance organization;
- training and awareness-raising sessions regularly conducted in all the business units concerned;
- the deployment of tools and specially designed IT solutions to automate control tasks and secure the Group's operations;
- a relationship of trust with the competent authorities in the countries in which Thales operates;
- regular audits by the Audit, Risks and Internal Control Department (DARCI).

Details of this program and the Group's Trade Compliance organization are set out in section 5.4.2.1 of this document.

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Risk factors, internal control and risk management

Legal and regulatory risks

Risk identification

3.2.1 b) Compliance with the rules of ethical business conduct (particularly anti-corruption and influence peddling) (NFPS)

Thales' business encompasses a variety of sectors in more than 60 countries.

Failure to comply with the laws and regulations applicable to ethical business conduct (which are increasingly extraterritorial in scope) and, in particular, the fight against corruption and influence peddling may have serious legal and financial consequences for the Group, and severely damage its reputation.

Risk monitoring and management

The Group's Anti-Corruption Compliance Program, which has been in place for many years, is continuously strengthened to prevent and detect the risks identified by the Group based on a specific mapping dedicated to the risks of corruption and influence peddling, as required by the French "Sapin II" legislation. This mapping was updated in 2022.

This compliance program has been developed by the Ethics & Integrity Department (DEI), validated by the Integrity and Compliance Committee (CIC) (see 3.4.2); and is implemented by the network of Chief Compliance Officers and Compliance Officers, under the supervision of the CIC.

In 2023, the ISO 37001 "Anti-bribery management systems" certification was 1) renewed for a scope comprising Thales SA, the companies it controls in France, and several subsidiaries of Thales International SAS (Thales EURAM, Thales AMEWA and Thales NSEA), the companies controlled by Thales UK Ltd in the United Kingdom and by Thales Nederland BV in the Netherlands, and 2) extended to two major countries of its international organization, Canada and the United States.

In 2024, the Group plans to renew this certification for a further three-year cycle (2024-2026) and to extend its scope to Germany and Australia.

In 2023, the Group continued rolling out its new Anti-Corruption Internal Control Manual (MCIA) and the Minimum Anti-Corruption Questionnaire (MAQ) specifically aimed at some 200 very small Group entities (small subsidiaries, representative offices, stable establishments, etc.).

In addition, external and internal audits are performed regularly to ensure strict compliance with Group rules and procedures on the prevention and detection of corruption and influence peddling.

The Group's corruption and influence peddling prevention and detection policy is described in section 5.4.2 of this document.

Risk identification

3.2.1 c) Compliance with competition rules

The Group's business activities are subject to numerous national and international regulations aimed in particular at combating anti-competitive practices, whether concerning suppliers, customers, partners, or the competitors themselves.

Infringement of these rules could lead to severe sanctions, such as fines, payment of damages, statutory prohibitions and criminal penalties. Such sanctions could also have a serious impact on the Group's reputation.

Risk monitoring and management

To prevent these risks, the Group regularly reinforces its compliance program, with a) a legal team dedicated to competition rules and to the analysis of sensitive agreements and projects, and b) an awareness policy based on guides, guidelines or procedures, as well as training for the most exposed activities and personnel (as resulting from a risk mapping).

This program covers all anti-competitive practices covered by national and international regulations, including those relating to (i) anti-competitive agreements (e.g. price fixing, market distribution, etc.), (ii) abuse of dominant position (e.g. abusive discrimination, rebates and rebates, etc.), (iii) control of concentrations and control of foreign investment, and (iv) State aid.

The program for compliance with competition rules put in place by the Group is detailed in section 5.4.2.1 of this document.



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Risk identification

Risk monitoring and management

3.2.1 d) Compliance with the rules relating to the Protection of Personal Data

Thales is exposed to the risk of noncompliance with the regulations concerning the protection of personal data and, more specifically, the European General Data Protection Regulation (GDPR) which came into force on May 25, 2018.

Like any entity based in the European Economic Area, Thales is impacted by this Regulation as a "data controller" when the Group has to process the personal data of its employees.

Thales is also impacted by this Regulation as a "data processor" when it has to process personal data on behalf of its customers.

Thales has deployed a compliance program, under the coordination of a Group Data Protection Officer (DPO) supported by a network of officers in the various functions and entities, the basis of which is a Group personal data protection policy applicable both when Thales is the data controller and when it is a data processor.

As part of this personal data protection strategy, Thales has, for example, introduced a personal data processing register, reviewed the Group's policy procedures, provided training for its employees, and put in place tools to ensure that the Regulation is correctly applied.

The Group's data protection compliance program is described in section 5.4.2.1.6 of this document.

3.2.2 Protecting intellectual property

Residual criticality: low

Risk identification

Risk monitoring and management

Given that it develops solutions with significant technological content, Thales is exposed to the risks of:

- infringement of its intellectual property rights;
- allegations of infringement of intellectual property rights belonging to third parties;
- dependence on technologies belonging to a third party;
- marketing of products incorporating key patents in the telecommunications field that could involve the infringement of intellectual property rights ("patent pools").

To monitor and manage intellectual property risks Thales relies on a governance structure comprising a network of Intellectual Property Managers (IPM) and IP legal officers who implement the policy decided at Group level and more particularly by the Technical Department.

Thales' intellectual property is protected by the enforcement of intellectual property rights (copyright, patents, trademarks domain names) and contractual rights.

To reduce the risk of reliance on critical third-party technologies, Thales has implemented a process to identify these technologies and manage each situation with a precise strategic Make/Team/Buy plan.

Given the nature of its activities and the specific features of its products, Thales conducts most of its research and development work in house and focuses on controlling the key technologies which are critical to the business.

Dedicated training programs, especially for new recruits, help foster a shared culture of intellectual property protection.

The Group covers itself against the risk of third-party actions for alleged infringement of their intellectual property rights by identifying and analyzing this risk in the context of its own patent filing procedures and/or when embarking on technical research or product development. In the event of a third-party claim against a Thales company, the legal and technical analysis of the allegedly infringing products and intellectual property rights are handled centrally by Thales experts with the assistance of specialist external consultants where needed.

3.3 Financial risks

3.3.1 Liquidity, exchange rates and customer credit

Residual criticality: low

Risk identification	Risk monitoring and management
3.3.1 a) Liquidity	
The Group's liquidity risk is the risk of it being unable to meet its cash needs out of its financial resources. In particular, it relates specifically to Thales' level of exposure to changes in the main market indicators that could lead to an increase in the cost of credit or even to a temporary limitation of access to external sources of financing.	The Group manages this risk by trying to anticipate its cash needs and ensures that these are covered by the Group's short-term and long-term financial resources, as follows: • shareholders' equity, detailed in Note 8 to the consolidated financial statements; • gross debt, particularly bonds, a detailed presentation of which, including a breakdown by maturity, is given in Note 6.2 to the consolidated financial statements; • a confirmed bank credit line totaling €1,500 million, not used as of December 31, 2023, maturing in 2028; • as well as a commercial paper program (NeuCP).
Risk identification	Risk monitoring and management
3.3.1 b) Exchange rates	
Due to the international nature of its business, Thales is exposed to the risk of exchange rate fluctuations. The main exposure arises from current business activity when some of the business is billed in a currency other than the functional currency of the entity bearing the related costs. To a lesser extent, cash pooling and the holding of net assets in countries outside the eurozone also expose the Group to a foreign exchange risk. The financial statements of Thales' subsidiaries located in countries where the functional currency is not the euro are translated into euros in the Group's consolidated financial statements. A fall in these currencies against the euro is likely to have a negative impact on the accounts. Its impact on profitability is limited however since the cost base of these subsidiaries is essentially in the same currency as their sales. The main currencies concerned are the pound sterling, the US dollar and the Australian dollar. In addition, for certain Group businesses, in particular in civil aviation, the US dollar ("USD") is the reference transaction currency. For activities performed outside the dollar zone, the fall in the USD against the functional currency of the entity concerned might negatively impact the Group's financial statements. Lastly, Thales is also exposed to an "indirect" dollar risk on contracts denominated in currencies other than the dollar. This occurs when the Group is bidding against companies that benefit from a cost base in dollars.	A significant portion of Thales' activity is naturally protected from foreign exchange rate fluctuations since more than 40% of its sales are generated in the euro zone, which is also the region where the Group conducts most of its manufacturing. When the US dollar is the transaction currency for business performed outside the dollar zone, a specific policy for hedging foreign exchange risk is implemented through market transactions (forwards and options). A similar approach is adopted when a customer requires a contract denominated in a currency other than the functional currency of the entity in question. Additional information can be found in Note 6.6 a) in the consolidated financial statements as of December 31, 2023.



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Risk identification

Risk monitoring and management

3.3.1 c) Customer credit

Credit risk relates to the risk that a party to a contract will default on its commitments or fail to pay what it owes.

Governmental customers account for around 60% of Thales' sales. Among the countries with which Thales works, some of them could present a significant credit risk which could for example lead them to suspend an order in production or render them unable to pay on delivery as agreed under the terms of the contract.

Less than 40% of Thales' sales come from non-government customers. These customers may encounter major and/or prolonged financial difficulties that could lead to payment defaults.

To limit its exposure to customer credit risk with respect to public-sector, state, or institutional customers, Thales takes out insurance with public export credit agencies (such as Bpifrance Assurance Export) or private insurers.

Additional information can be found in Note 6.6 b) to the consolidated financial statements as of December 31, 2023.

With regard to its non-governmental customers, Thales regularly reviews their ability to meet their obligations. If necessary, Thales may request bank guarantees or support from their parent company or use credit insurers.

Additional information can be found in Note 6.6 b) in the consolidated financial statements as of December 31, 2023.

3.3.2 Pension obligations

Residual criticality: low

Risk identification

Risk monitoring and management

Defined benefit pension plans are in place for certain Group employees, mainly in the United Kingdom, which are financed by the Group, under the provisions of the applicable national legislation.

Changing market parameters can lead to a substantial change, either up or down, in the amount of the shortfall, as well as the annual costs of defined benefit plans. The main sensitivity factors are as follows:

- the level of the discount rate for liabilities, with a decrease (or respectively increase) in this rate leading to an increase (or respectively decrease) in the latent shortfall;
- changes in the total return on investments;
- changes in the forecast inflation rate;
- a substantial modification in mortality tables;
- exchange rate fluctuations (mainly pound sterling against the euro).

The Group has signed an agreement with a leading UK insurer to cover all of its commitments under the Thales UK Pension Scheme as of December 1, 2023.

Under the terms of this agreement, Thales will transfer around £2.7 billion of its gross pension liabilities to the insurer, together with the corresponding plan investments. This operation guarantees benefits for all members of the plan, which includes defined-benefit obligations for 10,512 retirees and beneficiaries, as well as for 5,915 other members whose rights are deferred.

Additional information can be found in Note 9.3 to the consolidated financial statements as of December 31, 2023.

3.4 Risk control environment

3.4.1 Internal environment

In most of its activities, the Group is subject to a control environment imposed by its customers and regulatory authorities (Ministries for the Armed Forces, Defence or Industry, customer country authorities, civil aviation, etc.) which require demanding certifications and controls.

These specific constraints are in addition to legal obligations and are an integral part of the Group's control environment.

The Thales organization follows the internationally recognized "three lines of defence" model, which provides an effective way to improve risk management and control by clarifying key roles and duties. The management bodies and the General Management are the main stakeholders of these three lines of defence.

The first line of defence is the operational management functions that accommodate and manage risk, described in section a) below.

The second line of defence consists of functions that monitor risks (including risk assessment, financial control, security, quality, compliance, insurance), described in section b) below. The internal control system implemented within Thales is based on the COSO 2013 (Committee of Sponsoring Organizations of the Treadway Commission) and IFACI international standards; it aims to provide reasonable assurance on the achievement of the Group's objectives through:

- the effectiveness and efficiency of internal processes;
- internal control of accounting and finance:
 - to ensure the reliability of information used internally for steering and control purposes, and of published accounting and financial information,
 - to prevent the risk of fraud;
- legal compliance, which aims to ensure that regulatory obligations are met.

The third line of defence is the Internal Audit function, whose mission is to provide independent assurance, and which is described in section c) below.

a) The main operational players of risk management

As of December 31, 2023, the Thales organization is based on a two-dimensional matrix structure, Global Business Units (GBUs) and countries:

- Global Business Units are organized into Business Lines (BL) that cover a coherent range of products, solutions and services.
Globally, for the products, solutions and services entrusted to them, the Business Lines are responsible for strategy, product and marketing policy, competitiveness, customer access, contractual commitments, engineering, development, production, integration, quality and services, industrial organization, optimization of resources, and economic performance (contribution to operating income and cash generation).
- Each country manager is responsible for ensuring that all aspects of the Group's policy are properly implemented in the territory for which they are responsible, and for managing relations with local customers and partners.

The Group's main countries of operation (Australia, France, Germany, Netherlands, United Kingdom and United States/Canada) share responsibility for local offers and projects with Global Business Units. The Country Manager is involved in all decisions taken by Global Business Units regarding organization and appointment, or relating to offers, projects and competence centers of any kind in their territory. They are responsible for the development of human resources and the optimization of industrial resources. They are also responsible for Thales' institutional relations, as well as communications.

The head of each of the six main countries, excluding France, (see list above) reports to a "Non-Executive Chairman", appointed from among the Group's senior managers. This Non-Executive Chairman ensures cohesion between the country and headquarters, and acts as a liaison between the country manager and the Executive Committee of the Group.

In the rest of the world (other European countries, Africa, Latin America, Asia and the Middle East), the country or regional manager reports to the International Development Departments (DGDIs).

The Group defines common processes and internal delegation rules that reflect the sharing of responsibilities, provides entities with the corresponding tools, and organizes shared services.

These delegations are implemented within the legal entities and are coordinated by the countries.

The Group's management bodies include the Global Business Units, the countries and the functional departments and have overall responsibility for the Group's internal control system, relying in particular on internal processes and the work of the Risk Management Committee and the Risk Assessment Committee.

A key principle of the Group's governance is the accountability of the managers of the operating entities, who are responsible for implementing and maintaining the risk management system and the internal control system within their operating entities.

Lastly, certain strategic or cross-functional operations (e.g., Mergers and Acquisitions, Real Estate, etc.) are carried out exclusively by the central departments, which ensure the sharing, consistency and coordination of Group practices. A specific internal control system has been set up to manage the risks associated with these operations. Thus:

- total or partial acquisitions or disposals of businesses are the sole responsibility of the Group's General Management. Global Business Units propose projects at the periodic meetings of the Mergers and Acquisitions Committee, which is composed of the main central departments;
- all real estate transactions are the exclusive responsibility of the Group's Real Estate Department. The latter delegates certain operations, particularly outside France, either to a country organization or to a local company, while ensuring that they are supervised.

Since 2022, the entities in the Ground Transportation Systems (GTS) Global Business Unit have been gradually separated from the rest of the Group's activities pending their sale to Hitachi; the governance of these activities was adapted to this situation while ensuring strict compliance with the Group's rules, particularly in terms of compliance, transparency and cooperation between the various operational, functional and geographical divisions.



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b) The main internal control and risk monitoring functions

Operations and performance function

The Operations and Performance Department manages all the operational resources needed to carry out projects, ensure customer satisfaction and quality, and contribute to risk management. It validates the most sensitive offers with the Finance and Information Systems Department, according to defined criteria, and organizes reviews of projects deemed critical as needed. It oversees plans to strengthen the skills and certification of bid and project managers, deploys and improves bid costing and project management tools, and provides ad hoc assistance and support to Global Business Units and countries that request it. In each entity, the Operations Director coordinates the management of all business risks in close cooperation with the Legal & Contracts Director and the Finance Director of their unit.

Within this department, the Quality and Customer Satisfaction function defines the quality policy and objectives and initiates the customer satisfaction improvement process. It pilots the Chorus 2.0 process management framework, applicable to all Group entities. Its representatives in each operational entity carry out quality assurance activities for offers, projects and products, to ensure that contractual commitments are taken into account and fulfilled, and to secure the execution of operations.

The Thales reference system, Chorus 2.0, structured by process, defines the rules, practices and methods to be implemented by each Group entity. It also contains all the governance notes governing the organization and operation of the Group. It is accessible to all Group employees via the intranet.

Its modular architecture allows it to be adapted to the context of the activity; it is accompanied, at the level of each country and each entity, by local rules and practices.

Chorus 2.0 provides all Group companies with a common language and a unified set of management processes defining the roles, rules, practices and operating methods to be applied; it also aims to achieve uniform organizational alignment throughout the Group.

Chorus 2.0 structures the Group's internal control system and is naturally part of the guidelines used by the Audit, Risks and Internal Control Department.

Chorus 2.0 is an essential tool for each entity to have its management systems certified in terms of quality, health, safety and the environment and with regard to the norms and standards applicable to each activity.

Thales holds numerous certifications regarding the standards and regulations applicable to its various businesses: in terms of Quality, the Group is ISO 9001 certified for all its activities. A number of standard certifications can be added to this (non-exhaustive) list depending on the activity, such as AQAP 2110 (NATO quality reference in the defence sector), EN 9100 (European standard describing a quality assurance system for the aeronautics and space sectors) and civil airworthiness approvals (Part 21 subpart G for production activities, Part 145 for maintenance activities) and state airworthiness approvals (FRA21Z design approvals, EMAR/FRA21G production approvals, EMAR/FRA145 Maintenance Organization approvals, etc.), ISO 14001 and ISO 45001 (for Environment, Health & Safety at Work aspects), ISO 27001 (for Information Security Management System aspects), ISO 20000 (for Service Management System aspects), ISO 37001 (for the Anti-Bribery Management System aspects).

Thales is committed to a continuous improvement process: the Group has set up internal and external assessments, based on international standards, which enable it to identify and prioritize its potential continuous improvement needs and to monitor the associated action plans.

To develop the maturity of its operations, Thales has built a maturity model called Thales Integrated Maturity Systems (TIMS). This is the reference tool deployed by the Group to locally assess the maturity of its organization over a given scope (e.g. an entity, a project, a function). This maturity model is shared by the entire Group and covers all the processes of the Chorus 2.0 management system. Maturity assessments are entrusted to qualified assessors recognized within their disciplines, as well as to the quality managers of the operational entities.

Finance function

The Group's Finance Department is represented in each Global Business Unit, in each operating entity, and in each of the main countries by a Finance Director who reports functionally to it. The implementation of internal control over accounting and financial reporting is entrusted to these Finance Directors, who have local teams within their area of responsibility to ensure that financial information is prepared in compliance with internal control rules.

At the time of the closing of the annual and half-yearly financial statements, the General Managers and their Finance Directors issue a letter of affirmation to the Group's Finance Department, certifying the accuracy and completeness of the financial data submitted for consolidation.

Accounting and financial operations are managed by the Group's Finance Department. Its central organization includes:

- An accounting and consolidation function, which is responsible for the preparation and presentation of the Group's consolidated statements. The teams in charge of consolidation ensure that regulatory and normative changes are taken into account. They use a single consolidation software package, chosen from among the market standards, which enables accounting information from the various Group entities to be fed back to them, while guaranteeing controls on consistency at the source. The transfer of entries to the headquarters is only authorized after validation. Training sessions and expertise on the tool within the Group's consolidation teams ensure that the software is mastered. The Group's accounting and financial procedures, presented in Chorus 2.0, are applicable to all entities. In particular, they define:
 - the accounting rules and principles applicable to the preparation of consolidated financial statements under IFRS,
 - the hierarchy and levels of reporting required by the Group, financial cycles, the role of finance in operational processes and the management rules to be applied by Group entities,
 - the content and format of periodic reports,
 - the respective roles of the central teams and the teams within the entities in the conduct of treasury and financing operations and the procedures to be applied in terms of short-term cash management, the operation of the foreign exchange risk hedging system and the associated reporting rules.

The ICQ internal control questionnaire, completed by the Finance Departments (see the section on Business Risk Assessment and Internal Control Functions below) and the accompanying instructions, constitute a complementary reference framework and contribute both to making financial reporting more reliable and to preventing the risk of fraud.

The financial reporting system is based on these accounting and financial procedures, and the centralized consolidation process is supported by a single tool. The entity Finance Directors are responsible to the Group Finance Department for ensuring compliance with these procedures;

- a management control and budget function, which analyzes the Group's financial data and prepares monthly summaries with comparisons to the budget and to comparable periods in previous years. On this occasion, the financial forecasts for the half-year and the current year are reviewed and commented on in order to steer the activity towards the set objectives.

Monthly results are analyzed to identify budget variances and to update annual forecasts for order intake, sales, earnings and cash flow. This process, which is carried out within the entities, makes it possible to consolidate the vision of the Global Business Units and the Group and to identify, where necessary, the action plans required to achieve the objectives.

Annual budget targets are set in three stages:

- the Global Business Units draw up a strategic plan for a minimum period of four years, adjustable according to their business models, which is submitted for validation to the Group's General Management,
- in a second phase, each Global Business Unit, each major country of operation and the International Development Department present a detailed two-year budget plan to the Group's General Management. This plan is based on commercial assumptions set in advance by the sales departments, in line with the strategic plans of the Global Business Units,
- finally, the General Management sets the objectives of the Global Business Units, the major countries of operation and the International Development Department, ensuring overall consistency. The first year of the budget plan is then subject to monthly reporting, which serves as a reference for the Group's management;
- a treasury, financing and financial engineering function, which optimizes the financing of the Group and its contracts and manages the Group's financial risks (liquidity, foreign exchange, customer credit, pensions, etc.) on a centralized basis. In this context, the DTFI is responsible for financing the Group and its subsidiaries, managing the Group's cash positions in all currencies and offsetting cash surpluses and requirements. It also manages the Group's foreign exchange position and, in particular, hedges the foreign exchange risk of all entities. Lastly, this department coordinates and supervises the implementation of market guarantees, customer financing and, more generally, instruments designed to secure payments receivable and cover the group against the financial consequences of contract interruption;
- a tax function, which provides support to the operational entities, particularly with regard to applicable tax controls and in the context of tax audits. This function also monitors tax consolidations carried out within the Group and checks their overall consistency;
- an insurance function, responsible for implementing the insurance policy and managing insurable risks. This centralized Insurable Risk Management Department also ensures that the policy is implemented by Group companies.

The Group is covered against the financial consequences of accidental damage to property or persons by appropriate insurance policies taken out with leading international insurers and reinsurers.

The insurance policies taken out by the Group to cover these major risks relate to risks such as:

- property damage and consequential business interruption,
- transport of goods,
- assembly and testing,
- aeronautical liability, including aeronautical product liability, and hull insurance,
- space product liability,
- risks of damage to or by ships borne by the subsidiaries in their capacity as integrators of naval products,
- general civil liability,
- environmental liability,
- liability of corporate officers and managers,
- individual Accident - Repatriation Assistance for personnel on assignment,
- cyber risks.

The Group did not suffer any major losses during the year 2023.

The Group's policy is to obtain insurance coverage on the market at rates and within limits that it considers reasonable in relation to market conditions. Insurance covering major risks is limited by coverage ceilings; in addition, general exclusions for the entire market (e.g. asbestos risk) apply to Thales.

For property damage and consequential business interruption insurance, the maximum limit of coverage in 2023 is €1.3 billion. This limit takes into consideration the estimated maximum possible loss caused to a specific industrial site.

The levels of liability insurance coverage are based on the measurement of reasonably foreseeable risks to the Group identified in the risk maps carried out in the main activities and at Group level. These levels of coverage are also a function of the coverage capacities available in the insurance market. Insurance coverage for aviation liability commitments is the subject of a specific program.

The insurance industry depends on the financial markets, among other things. Also, there is no guarantee that Thales will be able to maintain current levels of insurance with similar financial conditions in the future.

In order to reduce exposure to insurance market volatility, major risk coverage is structured in two tiers:

- the Group's retention of claims through captive insurance and reinsurance companies, for property damage and consequential operating losses, cyber, transport, general civil liability, assembly & testing and space risks,
- the transfer to the insurance and reinsurance markets of the payment of catastrophic or high intensity claims.



At the same time, an active policy of prevention and protection of industrial sites aims to reduce the frequency and magnitude of accidental fire or explosion risks as well as to detect other exposures to natural or environmental disasters and the vulnerabilities of critical industrial facilities. In 2023, 57% of the insured values have been audited as "multi-hazard" by the insurers in the context of their visits to the main operational sites.

In application of the Group's processes, resources have been put in place to ensure that operations are maintained as effectively as possible and to minimize the consequences of an unforeseen event. A crisis management organization and tools make it possible to deal as effectively as possible with the immediate consequences of a catastrophic disaster and to take the necessary emergency measures.

In addition, a policy of prevention of critical supplier sites has been pursued, aimed at reducing the risk of operating losses for Thales due to an accidental incident occurring on their sites.

In addition, the Group continues to implement an insurance policy designed to cover the exposure of its employees in their professional activities. Finally, specific and/or local coverage is taken out to comply with current regulations or to meet the particular requirements of certain activities or projects, such as public-private partnership contracts.

Ethics & Integrity

Ethics & Integrity develops and updates the Anti-Corruption Compliance Program and other integrity programs. It prepares and proposes to the General Secretariat the key areas of other ethical and corporate responsibility policies on which the Group should position itself, in line with the values and priorities defined by the Group and anticipating changes in society and regulations. It prepares up and updates rules of conduct and internal procedures in these areas (Code of Conduct, Code of Ethics, Group instructions, charters, etc.).

It receives internal alerts sent via the Group's professional alert system and participates in their processing in accordance with the procedure established by the Group.

In general, it defines and implements the means to promote and disseminate a culture of ethics and integrity within the Group.

Legal and contracts function

The Legal and Contracts Department (LCD) is comprised of two organizations:

- **a corporate organization** serving the business units, drawing on legal experts in areas such as Mergers & Acquisitions, Litigation, Intellectual Property, etc.;
- **an organization of lawyers and Contract Managers** within the business units and responsible for providing expertise and support for contractual commitments (preparation of bids, contracts and agreements, and management of their contractual follow-up), and for implementing the Group's compliance program within the entities.

The Human Resources Department (HRD) also has a network of lawyers specialized in labor law who provide support to Group entities. LCD and HRD call on external legal firms if necessary.

With the exception of disputes relating to relations with employees and trade unions, which are handled by the Human Resources Department, disputes and litigation are handled by the Legal and Contracts Department.

Corporate risk assessment and internal control function

The Audit, Risks & Internal Control Department (DARCI) is responsible for developing and updating internal control assessment questionnaires (Yearly Attestation Letter (YAL) and Internal Control Questionnaire (ICQ)), and oversees the annual campaigns for responses to these questionnaires by business units. In 2023, DARCI also helped to extend and verify the Group-wide application of a) the Internal Anti-Corruption Internal Control Manual (MCIA), and b) the Minimum Anti-Corruption Questionnaire (MAQ).

- The YAL questionnaire: the risk scenarios for which local entities are responsible are certified annually by their management in the form of the YAL questionnaire, which is updated each year and completed by the directors of the business units and their management team. 147 such questionnaires were completed by the Group's business units in 2023. The responses to these questionnaires are analyzed by DARCI and the Risk Advisors network (see below). DARCI also verifies the sincerity and compliance of these declarations on a rotating basis: in 2023, 34 YAL questionnaires were subject to an internal audit.
- The ICQ questionnaire: based in particular on the recommendation of the French financial markets authority "Internal Control System: Reference Framework" and in liaison with its statutory auditors, the Group uses an internal control questionnaire (ICQ) for its financial community, focusing on the reliability of financial processes and fraud prevention. The questionnaire is updated on a regular basis. The ICQ is made up of internal control objectives linked to the Group's processes and accounting cycles (clients/suppliers/fixtures); it enables the entities to identify their areas for improvement, whether these are due to imperfectly achieved control objectives, incomplete implementation of controls or procedures to be reinforced. In 2023, 168 questionnaires, covering all business units and shared services, were sent out by DARCI and 1 ICQ questionnaire was audited. It should be noted that 12 control points on the ICQ questionnaire are systematically reviewed by DARCI during YAL audits.
- The Anti-Corruption Internal Control Manual (MCIA): this is organized to cover each of the corruption risks identified in a dedicated, periodically updated risk map, with three levels of control (level one: systematic operational control; level two: ex-post control on samples; level three: audit), involving numerous functions. In 2023, DARCI carried out an assignment to assess the implementation of this recent system.
- The QAM questionnaire: this is intended to prevent the risk of corruption and fraud within the Group's very small entities (representative offices, permanent establishments, small subsidiaries, remote teams, etc.). It comprises 10 control points and must be completed annually under the responsibility of the entity to which the very small entity in question is legally dependent. In 2023, the Group had around 200 active very small entities. The application of this system is verified particularly through YAL audits.

The Group has put in place a risk assessment process for all the activities and subsidiaries under its control. Each year, DARCI draws up and updates a chart of the main risks to which Thales is exposed, whether they are operational, strategic, compliance or financial. This mapping is organized by risk factors broken down into independent risk scenarios, measurable in terms of probability of occurrence and financial impact in relation to a common prudential rating scale, and each attributed to a single line of responsibility.

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The Group has appointed a Risk Advisor for each of these risk factors, responsible for overseeing the risk management system under the coordination of the Risk Assessment Committee: risk characterization, monitoring of major incidents, and monitoring of the implementation and continuous improvement of the control system.

Twice a year, DARCI also draws up risk maps by Global Business Unit and by Major Country; it also updates risk maps dedicated to cross-functional themes (Cybersecurity, GDPR, Corruption, etc.), in addition to the risks already identified and managed by operational management. The relevant operational and functional departments, the Quality Department and the Insurance Department are involved in this work.

The selection and planning of internal audits conducted by DARCI (see (c) below) are primarily based on these risk analyses.

c) Internal audit

DARCI ensures that risks are controlled and that an adequate level of internal control is maintained by carrying out audit and advisory missions. It can operate throughout the Group (Thales parent company and its controlled subsidiaries) as well as on non-controlled subsidiaries after agreement with the co-shareholders. Its scope of intervention covers all areas and processes (governance, administrative, accounting and financial, functional and operational). DARCI works in particular with the Audit and Accounts Committee, the Risk Management Committee, the Risk Supervision Committees, Group General Management and the statutory auditors.

Since 2006, DARCI has been continuously certified by the French Institute of Audit and Internal Control (IFACI), which ensures that its practices comply with international standards of the profession. In March 2023, a renewal audit conducted by IFACI based on its 2020 professional standards renewed this certification.

DARCI's interventions are governed by an Internal Audit charter which defines the basic principles of internal control and internal audit tasks, the scope and limits of its responsibilities and the forms of intervention with the entities. This charter was updated and submitted to the Audit and Accounts Committee for review in June 2023.

In 2023, 76 audit or advisory assignments, resulting from Group risk analyses and planned according to criteria presented to and validated by the Audit and Accounts Committee, were carried out by the DARCI teams. These tasks covered the following topics:

- operations: bids and projects, product policy, engineering and industry;
- compliance: anti-corruption, export control, information systems security, personal data protection;
- governance: organization, shared services, joint ventures, monitoring of acquisition operations;
- internal control: integrity audits of internal control questionnaires (YAL, ICQ, and Welcome audit).

3.4.2 Supervisory, monitoring and control bodies

Board of Directors

The Board of Directors controls the management of the Group, directly or through its committees. Detailed information on the organization Board of Directors' work, its rules of procedure and, more generally, its functioning and that of its committees, is provided in section 4.2.1.

Audit and Accounts Committee

The resources implemented and the actions taken to strengthen internal control, to identify and manage risks, as well as the results of the operation of these systems, are reviewed at meetings of this Committee of the Board of Directors. It also reviews, at least once a year, the mapping of the Group's main risks, drawing on the work of the Board of Directors' Strategic and CSR Committee to monitor non-financial risks.

The Audit and Accounts Committee met six times in 2023.

The Audit, Risks & Internal Control Department (DARCI) presents an annual audit plan to the Audit and Accounts Committee covering the various aspects of the Group's legal and regulatory compliance, internal control assessment and risk identification and management. This presentation is updated halfway through the year.

At the time of the annual closing of the accounts, the Chief Financial and Information Officer reports to the Audit and Accounts Committee on risk exposure and significant off-balance sheet commitments.



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Risk Management Committee

This Committee, chaired by the Chairman and Chief Executive Officer, is responsible for defining the level of risk acceptable to the Group, allocating responsibilities for monitoring and controlling these risks, defining the strategy for transferring certain risks to insurance, validating the Group's risk map and, more generally, ensuring the completeness of the risk assessment and management system with a view to controlling risks. It is based on the work of the Risk Assessment Committee. In 2023, this committee met three times.

Risk Assessment Committee

This committee is chaired by the Director of Audit, Risks and Internal Control (DARCI). It is responsible for analyzing losses and changes in threats, updating and prioritizing risk scenarios, ensuring that they are appropriated within the Group, drawing up risk maps and making recommendations to the Risk Management Committee to improve the Group's overall management and control of risks. In 2023, the Risk Assessment Committee met every half-year with each of the seven Global Business Units, and on one other occasion on a specific topic.

Integrity and Compliance Committee

Chaired by the Company Secretary, this Committee is composed of the directors in charge of the Ethics, Integrity and Corporate Responsibility, Legal and Contracts, and Audit, Risks and Internal Control departments. It meets at least once a month and its main task is to oversee the development, deployment, implementation, evaluation and updating of the Group's Integrity and Compliance Program. It is also responsible for assessing the criticality of internal alerts received within the Group and allegations of integrity and compliance violations brought to its attention. This committee met 14 times in 2023.

Corporate Social Responsibility (CSR) Committee

Established in early 2022 as part of the revision of corporate social responsibility (CSR) governance and the creation of a Corporate Social Responsibility Department (DRSE) within the Group, this committee, chaired by the Chairman and Chief Executive Officer, is a strategic decision-making body dedicated to CSR at Executive Committee level. Its role is to validate Thales' CSR policy, strategy and objectives, including the associated indicators and quantified targets. It ensures that the Group's strategy takes account of CSR goals and objectives, agrees on priorities and action plans to achieve these objectives, and periodically reviews progress. It also ensures that the resources, investments and resources committed to support the Group's CSR ambition and objectives are adequate. This committee met 4 times in 2023.

External audit and control of financial information

Each year, the Finance Department reviews the external audit instructions with the statutory auditors. It describes the various stages of intervention by the external auditors.

The consolidated companies are classified in three categories according to their size and the risks they may incur. They are subject to either an in-depth review, a limited review, or a review for statutory purposes.

In addition to their assessment of the financial statements, the statutory auditors also present recommendations to the Group's Management each year, in the context of the closing of the annual financial statements, concerning the improvement of internal control.



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Governance and compensation

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4.1 Composition of the Board of Directors as of December 31, 2023

4.1.1 Directors

4.1.1.1 Appointed by the General Meeting

PATRICE CAINE

(53 years old)

Chairman and Chief Executive Officer

Chairman of the Strategy & CSR Committee

Date of first appointment
12/23/2014

Current term expires
2026 AGM

Number of shares held

- 22,882 Thales shares (of which 18,182 are held personally in registered form and 4,700 are held through a holding company); and
- 109 through the Group savings plan.

Born on January 7, 1970, of French nationality. A graduate of the École Polytechnique and the École des Mines de Paris, Patrice Caine is an ingénieur en chef in the Corps des Mines. He began his career in 1992 with the pharmaceutical group Fournier before becoming a mergers and acquisitions and corporate strategy advisor at Chaterhouse Bank Limited in London.

From 1995 to 1998, he served simultaneously as head of mission for the Prefect of the Franche-Comté Region and as director of the Industrial Development and Energy Division at the Regional Directorate for Industry, Research, and the Environment (DRIRE).

From 1998 to 2000, he served on the Conseil Général des Mines, where he was responsible for human resources for the Corps des Mines. At that time, he was also responsible for training student engineers in the State technical corps at the École des Mines de Paris. From 2000 to 2002, he was technical advisor responsible for energy policy at the office of the Minister of the Economy, Finance, and Industry.

In 2002, Patrice Caine joined the Strategy Department at the Thales Group. He went on to hold management positions in various units – Aerospace and Naval, Communication, Navigation and Identification, Air Systems, Radio Communication Products, Networks and Infrastructure Systems, and Protection Systems.

In February 2013, Patrice Caine joined the Thales Executive Committee as Executive Vice President for Operations and Performance.

On December 23, 2014, he was appointed as Chairman and Chief Executive Officer of Thales by the Board of Directors.

He was awarded the National Defence Medal, bronze level. In 2014, he was named a Chevalier de l'Ordre national du Mérite [Knight of the National Order of Merit], and in 2017, a Chevalier de l'Ordre national de la Légion d'Honneur [Knight of the National Order of the Legion of Honor].

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: Director of Naval Group and of L'Oréal ⁽¹⁾, Vice Chairman of Gifas, Vice Chairman of France Industrie (Cercle de l'Industrie and Groupe des Fédérations Industrielles), Chairman of the Association Nationale de la Recherche et de la Technologie (ANRT), member of the Conseil National de l'Industrie and its Executive Committee.

Abroad: none.

Other positions held by Mr. Caine over the past five years

In France: none.

Abroad: none.

(1) Listed company.



CHARLES EDELSTENNE

(85 years old)

Director nominated by the Industrial Partner

Member of the Strategy & CSR Committee

Date of first appointment
05/19/2009

Current term expires
2026 AGM

Number of shares held
509 Thales shares

Born on January 9, 1938, Charles Edelstenne is a French national and a certified public accountant.

He spent his career at Dassault Aviation, where he started in 1960 as Director of the Financial Studies Department. He became the Company Secretary in 1975 and then Vice President for economic and financial affairs in 1986.

Between 2000 and 2012, he served as Chairman and Chief Executive Officer of Dassault Aviation ⁽¹⁾.

In January 2013, Charles Edelstenne was named CEO of Groupe Industriel Marcel Dassault GIMD, and then was named Chairman in May 2018.

He served as the Founder, Manager, and Chief Executive Officer of Dassault Systèmes, where he currently serves as Honorary Chairman and member of the Board of Directors.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: Chairman of Groupe Industriel Marcel Dassault SAS, Honorary Chairman and Director of Dassault Systèmes SE ⁽¹⁾, Honorary Chairman of Gifas, Director and Honorary Chairman of Dassault Aviation SA ⁽¹⁾, Chairman of Dassault Medias SAS and Chairman of its Board of Directors, Chairman of the Board of Directors of Groupe Figaro SASU, Chairman of Société du Figaro SAS, Director, member of the Compensation Committee and Chairman of the Governance Committee of Carrefour SA ⁽¹⁾, Chief Executive Officer of Dassault Wine Estates SASU, Chairman of Rond-Point Immobilier SAS, Manager of Rond-Point Investissement EURL, Manager of the Sociétés Civiles Arie et Arie 2, Nili et Nili 2, and Director of SICAV Monceau DUMAS.

Abroad: Chairman of the Board of Directors of SITAM Belgium SA, Director of Dassault Falcon Jet Corporation (USA).

Other positions held by Mr. Edelstenne over the past five years

In France: member of the Supervisory Board of Groupe Industriel Marcel Dassault SAS, director of Sogitec Industries SA until 2019, Chairman of Rond-Point Holding SAS until 2022 and manager of real estate investment company Maison Rouge until 2022.

(1) Listed company.

BERNARD FONTANA

(62 years old)

Director nominated by the Public Sector
(Article 6 of Ordinance No. 2014-948)

Member of the Audit and Accounts Committee

Date of first appointment
01/30/2018

Current term expires
2025 AGM

Number of shares held
Not required to hold the minimum number of Thales shares provided for in the articles of association (Article 6-VI of Ordinance No. 2014-948).

Born on March 11, 1961, Bernard Fontana is a French national and a graduate of the École Polytechnique and the École Nationale Supérieure des Techniques Avancées de Paris.

He began his career in 1987 as a weapons engineer with the SNPE group (formerly Société Nationale des Poudres et Explosifs), where he held various positions, including director of the fine chemicals business, strategic director for the chemicals business, and then director for North America. In 2001, he became a member of the Executive Committee of the SNPE Group, responsible for the chemical and industrial explosives business.

In 2004, he joined steel group ArcelorMittal as Vice President for human resources for the Flat Products Europe sector. In 2006, he became Executive Vice President of ArcelorMittal, responsible for the automotive sector and then for human resources. In 2010, he took over the management of the stainless steel division, which was listed on the stock exchange under the name Aperam, and of which he then became CEO.

In 2012, he became CEO of Holcim, a leader in the global cement industry, where he directed the merger with Lafarge. In September 2015, Bernard Fontana was appointed CEO of Areva NP. In July 2016, he was named Chairman of the group, renamed Framatome in 2018.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: CEO of Framatome. Member of the Governance Committee at GIFEN and Gifen Services.

Abroad: Director of SSAB (Sweden) ⁽¹⁾ and member of its Compensation Committee.

Other positions held by Mr. Fontana over the past five years

In France: Executive Vice President of Areva NP.

(1) Listed company.

Governance and compensation

Composition of the Board of Directors as of December 31, 2023

DELPHINE GENY-STEPHANN

(55 years old)

Director nominated by the Public Sector
(Article 6 of Ordinance No. 2014-948)

Date of first appointment
05/06/2021

Current term expires
2025 AGM

Number of shares held
200 Thales shares

Not required to hold the minimum number of Thales shares provided for in the articles of association (Article 6-VI of Ordinance No. 2014-948).

Born on November 19, 1968, a French national. Delphine Gény-Stephann is a graduate of the École Polytechnique, the École des ponts ParisTech, and the Collège des ingénieurs.

She began her career in 1994 at the Treasury Department of the Ministry of the Economy and Finance. From 1999 to 2005, she served as Head of Office at the Agence des participations de l'État. In 2005, Delphine Gény-Stephann joined the High Performance Materials division of the Saint-Gobain group as Development Director, later serving as Finance Director of the Ceramic Materials business. In 2013, she was appointed Director of External Venturing for the group, responsible for mergers and acquisitions for the Innovative Materials Sector. In 2014, she was named Director of Planning and Strategy for Compagnie de Saint-Gobain, a member of the Group's General Management Committee, before being named General Manager of the Silicon Carbide and Quartz business in 2017. She is also a member of the Board of Directors of Thales and served as a member of its Audit and Accounts Committee from November 2016 to November 2017.

At that time, she was appointed Secretary of State to the Minister of the Economy and Finance, a position she held until October 2018. She has been a consultant since 2019.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: Member of the Steering Committee of GENEIO Capital, member of the Supervisory Committee of Holding d'infrastructures des métiers de l'environnement (controlling entity of the Saur group), member of the EDF Board of Directors.

Abroad: Non-Executive Director of Eagle Genomics Ltd (UK).

Other positions held by Ms. Gény-Stephann over the past five years

In France: none.

Abroad: none.

PHILIPPE LÉPINAY

(70 years old)

Director representing employee shareholders

Member of the Strategy & CSR Committee

Date of first appointment
March 8, 2007, effective on the April 1, 2007

Current term expires
2025 AGM

Number of shares held

- 307 Thales shares;
- 712 Thales shares in the Group savings plan.

Not required to hold the minimum number of Thales shares provided for in the articles of association (Article L. 225-25 (3) of the French Commercial Code).

Born on December 3, 1953, Philippe Lépinay is a French national and holds an engineering degree from the Institut de marketing international, Université Paris VII.

Between 1977 and 1986, he held various sales and marketing positions at the Appalette & Tourtellier Systèmes, Radiall, and SOPEMEA groups.

In 1986, he joined Thales Electron Devices as an export sales engineer; in 2000, he became Director of Development at Thales Engineering & Consulting.

He joined Thales International in 2003. Since 2013, he has served as VP and Director of International Relations at Thales.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: Delegate for institutional relations at the Fédération française des associations d'actionnaires Salariés et anciens Salariés, Vice President of the Fédération des Associations d'actionnaires Salariés de Thales (FAST), member of the Supervisory Committee of the "Thales Employee Shareholding Fund" (FCPE), member of the Board of Directors of ENSOA (École Nationale des Sous-Officiers d'Active) and member of the Board of Directors of the Franco-Lebanese Chamber of Commerce.

Abroad: none.

Other positions held by Mr. Lépinay over the past five years

In France: President of the FAS, member of the Conseil d'orientation de la participation, de l'intéressement, de l'épargne salariale et de l'actionnariat salarié (COPIESAS).

Abroad: none.



EMMANUEL MOULIN ⁽¹⁾

(55 years old)

State Representative (appointed and renewed by decrees of November 2, 2020, June 1, 2021 and September 5, 2023), Director nominated by the Public Sector

(Article 4 of Ordinance No. 2014-948)

Member of the Strategy & CSR Committee

Member of the Governance and Compensation Committee

Date of first appointment
11/02/2020

Current term expires
2025 AGM

Number of shares held

The French State directly holds 2,060 Thales shares. Its representative, Emmanuel Moulin, isn't required to hold the minimum number of Thales shares provided for in the articles of association (section 5 of Ordinance No. 2014-948) and doesn't have any.

Born on October 22, 1968, Emmanuel Moulin is a French national and a graduate of Sciences-Po and Essec; he holds a master's degree in law from the Université Paris II, and graduated from ENA in 1996.

He then joined the French Treasury, where he served as an assistant in the Transport Office from 1996 to 1998, and then in the Political and Monetary Office from 1998 to 2000.

He was appointed as an alternate member of the Board of Directors of the World Bank in Washington before becoming the Company Secretary of the Paris Club from 2003 to 2005. He continued his career by becoming a senior banker at Citigroup in 2006, responsible for the public sector in France and Belgium.

In 2007, he was appointed Deputy Chief of Staff to Christine Lagarde, then Minister of the Economy, Finance, and Industry, where he was responsible for macroeconomic and financial affairs as well as European and international affairs.

He joined the Office of the President in June 2009 as economic advisor to President Nicolas Sarkozy. After his departure from the Élysée Palace in May 2012, he joined the Eurotunnel Group as Senior Vice President and then Executive Vice President as of January 1, 2014.

In February 2015, he was appointed CEO of the investment bank Mediobanca in Paris.

In May 2017, he became Chief of Staff to the Minister of Economy, Finance, and Recovery.

Since November 2, 2020, Emmanuel Moulin has served as Director General of the Treasury.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: none.

Abroad: none.

Other positions held by Mr. Moulin over the past five years

In France: none.

Abroad: none.

(1) By decree of January 24, 2024, Mr. Alexis Zajdenweber, Commissioner of State Holdings, succeeded Mr. Emmanuel Moulin as State representative on the Board of Directors. He also succeeded him as a member of the Strategy and CSR Committee and the Governance and Compensation Committee.

MARIANNA NITSCH

(55 years old)

Independent director

Date of first appointment
05/10/2023

Current term expires
2027 AGM

Number of shares held
500 Thales shares

Born on April 27, 1968, Marianna Nitsch, an Austrian citizen, holds a degree in law and social sciences from the University of Vienna, and a postgraduate diploma (DEA) in international economic law from Université Paris I. Marianna Nitsch began her career as an M&A business lawyer in Paris, from 1991 to 2001.

She then held positions in the International Legal and Compliance Departments of the Biogen Idec pharmaceutical group in Paris.

In 2007, she joined the General Electric group as General Counsel for real estate activities in France and then Europe, before becoming General Counsel and Compliance Director for all activities in Europe.

In 2013, she joined the Chanel group as General Secretary for the EMEA region, and in 2019 became General Counsel, Legal, Compliance and Public Affairs for the entire Chanel group, a member of the Executive Committee and Company Secretary. She chairs the Fondation Chanel France and is a member of the Board of Directors of the Fondation Chanel UK.

Marianna Nitsch is also involved in a number of associations in France and the UK in the luxury goods sector and for the protection and international promotion of intellectual property (member of the Board of Directors of Unifab and Walpole, and member of Comité Colbert's Advocacy and Public Policy Commission).

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: Vice-Chairwoman of the Supervisory Boards of Chanel SAS, Chanel Coordination, Chanel Parfums Beauté, and Ateliers de Verneuil-en-Halatte, President of the Chanel Foundation in France, Director of the French Association to promote and defend Intellectual Property (Unifab).

Abroad: Board member of the Chanel Foundation in the UK, Board member of Walpole (UK luxury industry association, equivalent of Comité Colbert).

Other positions held by Ms. Nitsch over the past five years

In France: none.

Abroad: none.

Governance and compensation

Composition of the Board of Directors as of December 31, 2023

ANNE RIGAIL

(54 years old)

Director nominated by the Public Sector
(Article 6 of Ordinance No. 2014-948)

Date of first appointment
05/06/2021

Current term expires
2025 AGM

Number of shares held

Not required to hold the minimum number of Thales shares provided for in the articles of association (Article 6-VI of Ordinance No. 2014-948).

Born on March 8, 1969, Anne Rigail is a French national and a graduate of the École des Mines de Paris. She joined Air Inter in 1991. In 1996, she was appointed Air France Customer Service Manager for the Paris-Orly office.

In 1999, she became Head of passenger and baggage connections at the Air France hub at Paris-Charles de Gaulle, then Head of customer and baggage products for Ground Operations.

She was named Director of Operations for the Paris-CDG hub in 2005, and then Director of the Paris-Charles de Gaulle hub in 2009.

She joined the Executive Committee in 2013 as Senior Vice President for Flight Service, responsible for Flight Attendants.

In 2017, she was appointed Senior Vice President for Customer Service. In this capacity, she oversees ground and in-flight products and services, including the design of Air France airport lounges, the configuration and modernization of cabins, and the deployment of in-flight connectivity.

On December 12, 2018, Anne Rigail was appointed CEO of Air France.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: none.

Abroad: none.

Other positions held by Ms. Rigail over the past five years

In France: President of the Fondation Air France since July 2019, member of the Board of Directors of EDF from May to December 2019.

Abroad: none.

LOÏC ROCARD

(51 years old)

Independent director

Chairman of the Governance and Compensation Committee

Date of first appointment
09/28/2023

Current term expires
2024 AGM

Number of shares held
500 Thales shares ⁽¹⁾.

Born on June 3, 1972, Loïc Rocard is a French national and a former student at the Polytechnique engineering school. He is also a graduate of the ENAC engineering school, and holds a degree in History from Paris IV Sorbonne and a Master of Science from the University of California at Berkeley.

He began his career in 1997 at Aéroports de Paris, where he worked for ten years. He was first Advisor to the Director of Flight Operations, then Operations Director for the Roissy Charles de Gaulle 2 terminals, before heading the airport's two automatic metro projects.

Loïc Rocard subsequently joined Vinci Group to manage rail concession projects, in particular the tender for Sud Europe Atlantique (the Tours-Bordeaux high speed line). In 2010, he became Operations Director of Cofiroute, before being appointed CEO in 2012.

From May 2014 to May 2017, Loïc Rocard was Advisor, Head of the Transport, Environment, Energy, Housing and Urban Planning Department in the French Prime Minister's Office.

Loïc Rocard is today the Chairman and CEO of TechnicAtome, a position he has held since May 2017.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: Director of LFB SA.

Abroad: none.

Other positions held by Mr. Rocard over the past five years

In France: none.

Abroad: none.

(1) These shares were acquired on March 8, 2024, i.e. within 6 months of the appointment as authorized by law.



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LOÏK SEGALEN

(63 years old)

Director nominated by the Industrial Partner

Member of the Audit and Accounts Committee

Date of first appointment
05/19/2009

Current term expires
2026 AGM

Number of shares held
509 Thales shares

Born on March 27, 1960, Loïk Segalen is a French national and a graduate of the École Centrale de Lyon and ESSEC.

He began his career in 1986 in the Finance Department of Dassault International.

He was named as a Financial advisor to the Vice President for economic and financial affairs at Dassault Aviation in 1990; he then served as a Deputy Director of this department from 1998 to 1999, after which was appointed a full Director of that department.

In January 2009, Loïk Segalen was appointed Managing Director for Economic and Financial Affairs at Dassault Aviation.

In September 2011, he was appointed Managing Director for Economic and Social Affairs at Dassault Aviation.

In January 2013, he became Deputy CEO of Dassault Aviation.

He is a member of the Management Committee of Dassault Aviation.

He is an Officier de l'Ordre National du Mérite [Officer of the National Order of Merit] and a Chevalier de l'Ordre National de la Légion d'honneur [Knight of the National Order of the Legion of Honor].

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: Deputy CEO of Dassault Aviation ⁽¹⁾, Vice President of Gifas.

Abroad: Director of Dassault Falcon Jet Corporation (USA) and of SITAM Belgium SA.

Other positions held by Mr. Segalen over the past five years

In France: Director of Sogitec Industries.

Abroad: director of Midway Aircraft Instrument Corporation (USA), director and Vice Chairman of Dassault International Inc (USA), director and member of the Audit Committee of Sabca ⁽¹⁾ and director of Sabca Limburg (Belgium).

(1) Listed company.

ANNE-CLAIRE TAITTINGER

(74 years old)

Independent Director

Chairman of the Audit and Accounts Committee

Date of first appointment
05/15/2012

Current term expires
2026 AGM

Number of shares held
612 Thales shares

Born on November 3, 1949, Anne-Claire Taittinger is a French national and a graduate of the Institut d'études Politiques de Paris. She holds a master's degree in urban sociology, a graduate degree in urban planning, and an MBA from HEC (CPA). She began her career in 1976 in the Caisse des Dépôts et Consignations group as head of urban planning operations at the Société centrale d'équipement du territoire.

In 1979, she joined the Louvre Group as the Company Secretary and then became Chairman and Chief Executive Officer of Compagnie Financière Deville. She successively served as Chairman and Chief Executive Officer of Compagnie Financière Leblanc and of Elm-Leblanc, Vice Chairman and Chief Executive Officer of the Deville industrial group, Chairman and Chief Executive Officer of Parfums Annick Goutal France USA, and then Chairman and Chief Executive Officer of Baccarat.

She became CEO and then Chairman of Société du Louvre in 1997. In 2002, she was named Chairman of Groupe Taittinger as well as CEO of its subsidiary Groupe du Louvre in the context of a separation of the roles of Chairman and the CEO. She stepped down as a Chief Executive Officer in July 2006, after having managed the sale of the Taittinger group to an investment fund in 2005.

Since September 2006, Anne-Claire Taittinger has been part of the pool investors acquiring Champagne Taittinger.

She became involved in the Women's Forum for the Economy and Society in 2004, where she was a co-founder and an investor.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: President of SAS Le Riffay.

Abroad: none.

Other positions held by Ms. Taittinger over the past five years

In France: until July 2018: Director and member of the Nomination and Compensation Committees of Carrefour ⁽¹⁾. Until 2022: Member of the Management Committee of SAS E-Attestation.

Abroad: none.

(1) Listed company.

Governance and compensation

Composition of the Board of Directors as of December 31, 2023

ANN TAYLOR

(76 years old)

Independent Director

Date of first appointment
05/15/2012

Current term expires
2026 AGM

Number of shares held
500 Thales shares

Born on July 2, 1947, Ann Taylor, a British national, was educated at the University of Bradford, where she earned a B.A. in Political Science and History, and at the University of Sheffield, where she earned an M.A. in Economic History.

In 1974, she was elected as the Member of Parliament for Bolton West, a seat she held until 1983.

Later she served as a Monitor with the Housing Corporation, and was a lecturer with the Hansard Society (a member of Birkbeck College) from 1983 to 1987.

In 1987, Ann Taylor was elected as the Labour Member of Parliament for Dewsbury. She was then appointed by Prime Minister Tony Blair as a Leader of the House of Commons in 1997 and 1998, and Government Chief Whip from 1998 to 2001. She participated in most government committees.

In May 1997, she became a Queen's (Privy Council) and was appointed its Lord President.

In 2001, she was named Chair of the Intelligence and Security Committee under the direct authority of the Prime Minister.

In 2005, she joined the House of Lords (as a Life Peer) where she is a representative to the Parliamentary Assembly of the Council of Europe (Political Committee) and the Western European Union (Defence Committee). She was a member of the NATO Parliamentary Assembly.

In 2007, Ann Taylor was a Minister in the British Government in the House of Lords. She was responsible for defence matters, including Minister for Defence Equipment and Support in 2007 and 2009, and Minister for Defence and International Security from 2008 to 2010.

Ann Taylor is currently a member of the House of Lords, where she chairs the Industry and Regulation Committee, and where she is a member of the Privileges and Procedure Committee and the Appointments Commission. She is also Chair of the Hansard Society for Parliamentary Democracy.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: none.

Abroad: participates in the advisory board of (advisory board) Thales UK Plc ⁽¹⁾.

Other positions held by Ms. Taylor over the past five years

In France: none.

Abroad: Chair of the Board and Pro-Chancellor of Bradford University.

(1) A Thales Group company.



ÉRIC TRAPPIER

(63 years old)

Director nominated by the Industrial Partner

Member of the Governance and Compensation Committee

Date of first appointment
05/19/2009

Current term expires
2026 AGM

Number of shares held
500 Thales shares

Born on June 1, 1960, Éric Trappier is a French national and a graduate of the École Sud Telecom (formerly known as the Institut National Telecom).

He began his career in 1984 at the Technical Division of Dassault Aviation (responsible for the development of ATL2 and Mirage 2000 systems).

In 1991, he became responsible for sales in India and Asia, and then the United Arab Emirates in 1996.

He was named Director of the Middle East and Africa region in 2000, Director of Military Exports in 2001, and Senior International Vice President in 2002.

In 2006, Eric Trappier was appointed Executive Vice President of Dassault Aviation.

He was appointed Chairman and Chief Executive Officer of Dassault Aviation in January 2013.

He is an Officier de l'Ordre national de la Légion d'honneur [Officer of the National Order of the Legion of Honor] and a Chevalier de l'Ordre national du Mérite [Knight of the National Order of Merit]. In 2022, he was awarded the Aeronautics medal.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: Chairman and Chief Executive Officer of Dassault Aviation ⁽¹⁾, President of the UIMM, Honorary Chairman of Gifas.

Abroad: Chairman of Dassault Falcon Jet Corporation (USA), member of the Board of Directors of ASD (Belgium), and Director of Dasbat Aviation LLC (United Arab Emirates).

Other positions held by Mr. Trappier over the past five years

In France: Director of Sogitec Industries (France), President of Gifas, Chairman of Cidef.

Abroad: Director and Chairman of Dassault International Inc. (USA), Chairman of the Defence Committee and then Chairman of ASD (Belgium). Chairman and director of Dassault Reliance Aerospace Limited (DRAL) (India).

(1) Listed company.

MARIE-FRANÇOISE WALBAUM

(73 years old)

Director nominated by the Industry Partner

Date of first appointment
09/17/2013

Current term expires
2026 AGM

Number of shares held
500 Thales shares

Born on March 18, 1950, Marie-Françoise Walbaum is a French national and holds degrees in economics and sociology from the Université Paris X.

She began her career in 1973 at BNP Paribas, where she held various retail banking and credit analysis positions until 1981. From 1981 to 1994, she successively held the positions of Project Leader at the General Inspection Department of BNP, CEO of SICAV, and CEO of the brokerage firm Patrick Dubouzet S.A. In 1994, she became head of listed and unlisted investments with a private equity portfolio at BNP Paribas, a company she left in the summer of 2012 after 39 years of service. Since that date, Marie-Françoise Walbaum has been professional board member.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: independent director of FFP - now Peugeot Invest ⁽¹⁾ (and Chair of the Finance and Audit Committee and Member of the Governance, Appointments and Compensation Committee) and of Imerys ⁽¹⁾ (and Chairman of the Appointments Committee and of the Compensation Committee), and member of the Supervisory Board of Isatis Capital.

Abroad: none.

Other positions held by Ms. Walbaum over the past five years

In France: independent director of Esso ⁽¹⁾ (and Chairman of the Audit Committee) until March 18, 2020.

Abroad: none.

(1) Listed company.

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Governance and compensation

Composition of the Board of Directors as of December 31, 2023

4.1.1.2 Employee representatives

ANNE-MARIE HUNOT-SCHMIT

(59 years old)

Director representing employees

Member of the Governance and Compensation Committee

Member of the Audit and Accounts Committee

Date of first appointment
12/09/2016

Current term expires
12/08/2024

Number of shares held

- 50 Thales shares;
- 144 Thales shares in the Group savings plan.

Not required to hold the minimum number of Thales shares provided for in the articles of association (Article L.225-25 (3) of the French Commercial Code).

Born on October 4, 1964, Anne-Marie Hunot-Schmit is a French national and holds a post-graduate degree in Applied Mathematics from the IAE in Paris. In addition, she is certified as a 'Company Director' by the IFA-Sciences Politiques Paris.

She joined Dassault Electronique in 1987 as a software developer and filed the first patent for a ground-based anti-collision system (GPWS/GCAS) before joining the first contract management team on the Mirage 2000-9 programs in 1998.

She joined Thales headquarters in 2007, where she was responsible for ethical standards in international trade before becoming head of price control.

From fall 2016, she was responsible for the financial control of bids and projects for the Land Transportation business. Between June 2020 and May 2022, she led the environmental risk assessment within the Group's HSE Department, and has since focused on her directorship and the two committees of which she is a member.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: none.
Abroad: none.

Other positions held by Ms. Hunot-Schmit over the past five years

In France: none.
Abroad: none.

NADINE RELIER-DAVID

(60 years old)

Director representing employees

Member of the Strategy & CSR Committee

Date of first appointment
05/11/2022

Current term expires
12/08/2024

Number of shares held

- 85 Thales shares in the Group savings plan.

Not required to hold the minimum number of Thales shares provided for in the articles of association (Article L. 225-25 (3) of the French Commercial Code).

Born on October 17, 1963, a French national, Nadine Relier-David began an apprenticeship contract with TRT in Brive-la-Gaillarde in 1987, since renamed Thomson TRT Défense, Thomson CSF and Thales SIX GTS France.

After obtaining a BTS in electronics, she held several positions in the production of communications equipment, followed by spares management in France and for export. In 2013, after following AFNOR training, she worked in auditing, purchasing, supplier performance and industrial management.

At the same time, she has been a magistrate at the social affairs court in Tulle since 2016, and has been on the Board of Directors of Aerocampus Aquitaine, an association in charge of an aeronautical and space campus, since 2017.

List of offices and other positions in French and foreign companies

Positions held in other companies

In France: none.
Abroad: none.

Other positions held by Ms. Relier-David over the past five years

In France: none.
Abroad: none.

To Thales' knowledge:

- There are no family ties between the members of the Board of Directors;
- no member of the Board of Directors has been convicted of fraud in the last five years;
- no member of the Board of Directors has participated as a director in a bankruptcy, receivership, liquidation, or court-ordered receivership^(a) during the last five years and no member has been the subject of an official public accusation and/or sanction pronounced by a statutory or regulatory authority;
- no Board Member has been prevented in the last five years by a court from acting as a member of a body dedicated to the administration management or supervision of an issuer or from being involved in the management or running of such a company's affairs;
- there is no potential conflict of interest between the private interests of its members and their duties towards Thales.

(a) With the exception of Ms. Delphine Gény-Stephann, non-executive director of Eagle Genomics Ltd, a UK-based company. This company was recently placed, at the request of its Board of Directors, under the UK Insolvency Act 1986 by the designation of two administrators, officially appointed by the High Court of Justice on March 20, 2024.

4.1.2 Other Participants in the Meetings of the Board of Directors (Without Voting Rights)

The following persons are invited to all meetings of the Board of Directors and attend them without voting rights, alongside the Secretary of the Board of Directors and the members of the General Management whom the Chairman invites to attend depending on the agenda:

Representative of the French State by virtue of its golden share

Emmanuel Chiva, 54 years old, Head of the French Defence Procurement Agency.

He was appointed by decree of the Minister of Economy and Finance on September 26, 2022.

Representing the French State on the Board of Directors of Thales, by virtue of the golden share according to Decree No. 97-190 of March 4, 1997 instituting a golden share for the benefit of the French State (see page 240 and under Article 10 of the Company's Articles).

Government Commissioner

Jean-Luc Sourdois, 63 years old, General Inspector of the Armed Forces.

Appointed Government Commissioner to Thales and its subsidiaries by decree of the Minister of Defence dated July 3, 2019, under the legal and regulatory provisions applying to companies holding contracts relating to war hardware or more generally engaged in the manufacture or trade of such hardware.

Representative of the Central Social and Economic Committee

Marielle Marichy, 59 years old, appointed⁽¹⁾ by the Central Economic and Social Committee (CSE) as its representative on the Thales Board of Directors, under Article L. 2323-65 of the Labor Code.

Statutory auditors

The law requires them to attend at least the meetings of the Board of Directors when accounts are being closed or reviewed, for at least the part relating to such accounts. In addition, they may, at the invitation of the Chairman, participate in other meetings of the Board when their presence is of particular value to the discussion. In the financial year 2023, the following were concerned:

- **Ernst & Young Audit**, represented by Jean-François Ginies, partner of the firm;
- **Mazars**, represented by Dominique Muller, partner of the firm.

⁽¹⁾ With effect from January 23, 2024, Mr. Sébastien Madelénat (44 years old) has succeeded Ms. Marielle Marichy as Thales SA's CSEC representative on the Board of Directors.

4.2 Corporate Governance

Under the law, the Company decided in 2008 to voluntarily refer to the Corporate Governance Code for listed companies established by Afep-Medef – the current version of which dates from December 2022 and can be referred to the AFEP website at <https://afep.com/wp-content/uploads/2022/12/Code-AFEP-MEDEF-version-de-decembre-2022.pdf> or at the Company's registered office.

“Comply or Explain” principle

The Company complies with the recommendations contained in the Afep-Medef code except for those concerning:

Heading	Afep-Medef	Thales March 4, 2024	Explanation
A. Independent directors (ratios):			
● Board of Directors	1/3 (controlled companies)	31%	To ensure the best possible balance and alignment between the representatives of the Public Sector and the Industrial Partner, the floating shareholders and the General Management, the shareholders' agreement concluded between the Public Sector and the Industrial Partner provides a framework for the composition of the Board of Directors and its Committees. To meet the highest standards of corporate governance, the Board of Directors has adopted a consistent approach in which directors appointed by the Annual General Meeting on the proposal of a shareholder (Public Sector or Industrial Partner), a category of shareholders (employees) or trade unions cannot be considered independent. This automatically results in a deviation from the provisions of the Afep-Medef code relating to the ratios of independent directors on the Board of Directors, the Audit and Accounts Committee and the Governance and Compensation Committee. The Company emphasizes, however, that the directors nominated on the proposal of the shareholders who are party to the shareholders' agreement are primarily motivated by the interests of the Company, in accordance with their fiduciary duties. Also, they play a leading role within the Board and its Committees, which benefits all shareholders. In addition, the balance of interests under the agreement and the different nature of the two shareholders (the French State on the one hand and a major industrial player on the other) ensures that all parameters likely to lead to the best decisions for the Company are taken into account. Let it also be noted that the Audit and Accounts Committee, along with the Governance and Compensation Committee, are chaired by independent directors within the meaning of the Afep-Medef code. In this regard, in anticipation of Anne-Claire Taittinger, Chairman of the Audit and Accounts Committee, reaching her twelve-year term of office on May 15, 2024, the Board of Directors, after discussion at its meeting on March 4, 2024, confirmed her status as an independent director ⁽¹⁾ . Finally, the Chairman of the Governance and Compensation Committee plays a central role in steering the assessment of the functioning of the Board of Directors and its Committees, thus guaranteeing the independence of the process.
● Audit and Accounts Committee	2/3	1/3	
● Governance and Compensation Committee	>50%	1/3	

(1) See details on page 95.



4.2.1 Composition, Organization and Operation of the Board of Directors

Reminder of the rules of the shareholders' agreement and composition of the Board of Directors

The Company is a public limited company with a Board of Directors. Under the terms of the shareholders' agreement between the Public Sector and the Industrial Partner (Dassault Aviation), as published by the AMF, the Board of Directors is composed of 16 directors, 14 of whom are appointed by the Annual General Meeting (or by decree), and 2 of whom are appointed by the trade unions in accordance with the law (Art. L. 225-27-1 and following of the French Commercial Code) and the Articles of Association (Article 10).

Of the 14 seats filled by the meeting or by decree, 4 are occupied by "External Personalities" chosen in consultation between the Public Sector and Dassault Aviation, 1 by the employee shareholder representative, and the other directors are proposed to the General Meeting by the Public Sector or appointed by decree (5) or proposed to the General Meeting by Dassault Aviation (4).

In addition, the shareholders' agreement states that the Chairman and Chief Executive Officer will be chosen based on a joint proposal by the Public Sector and Dassault Aviation (or the Chairman of the Board and the Chief Executive Officer if the functions are separated with the joint approval of the two shareholders) and that at least one director representing each of the parties must sit on each of the Committees of the Board.

SUMMARY OF INFORMATION RELATING TO DIRECTORS (PREPARED IN ACCORDANCE WITH APPENDIX III OF THE AFEP-MEDEF CODE)

Directors at December 31, 2023	Age	Gender	Nationality	Number of shares Thales	Number of terms of office held in other listed companies
Appointed by the General Meeting of Shareholders (13) or by decree (1)^(a)					
On the proposal of the Public Sector (5)					
Patrice Caine Chairman and Chief Executive Officer	53	M	French	22,991 ^(f)	1
Delphine Gény-Stephann ^(c)	55	F	French	200	0
Bernard Fontana ^(c)	62	M	French	0	1
The French State, represented by Mr. Emmanuel Moulin ^{(a) (d)}	55	M	French	2,060 ^(b)	0
Anne Rigail ^(c)	54	F	French	0	0
On the proposal of the Industrial Partner (Dassault Aviation) (4)					
Charles Edelstienne	85	M	French	509	3
Loïc Segalen	63	M	French	509	1
Éric Trappier	63	M	French	500	1
Marie-Françoise Walbaum	73	F	French	500	2
Representative of employee shareholders (1)					
Philippe Lépinay	70	M	French	1,019	0
External personalities (4)					
Marianna Nitsch Independent director ^(e)	55	F	Austrian	500	0
Loïc Rocard Independent director ^{(e) (g)}	51	M	French	500 ^(h)	0
Anne-Claire Taittinger Independent director ^(e)	74	F	French	612	0
Ann Taylor Independent director ^(e)	76	F	British	500	0
Appointed by the trade unions (2)					
Anne-Marie Hunot-Schmit	59	F	French	194	0
Nadine Relier-David	60	F	French	85	0

(a) Since September 5, 2023, the French State has appointed its representative on the Board directly by decree, without seeking the approval of the Annual General Meeting: see Note (d) below.

(b) The French State directly holds 2,060 Thales shares. Its representative, Emmanuel Moulin, is not required to hold any (Article 5 of Ordinance No. 2014-948) and does not hold any.

(c) Director(s) proposed by the French State (section 6 of Ordinance No. 2014-948).

(d) Following the takeover by the French State of the equity stake in TSA from EPIC Bpifrance, carried out on September 5, 2023, on the same day the French State appointed its representative on the Board by decree, Mr. Emmanuel Moulin, in application of Article 4-I paragraph 1 of Ordinance No. 2014-948, thereby terminating the State's directorship renewed by the Annual General Meeting of May 6, 2021, and of which Mr. Emmanuel Moulin had already been the permanent representative since November 2, 2020. By decree dated January 29, 2024, Mr. Alexis Zajdenweber succeeded Mr. Emmanuel Moulin as the State's new representative on the Board of Directors.

(e) Independence within the meaning of the Afep-Medef code, confirmed by the Board of Directors on March 4, 2024.

(f) Of which 4,700 shares are held through a holding company controlled by the person concerned.

(g) Director co-opted by the Board of Directors on September 28, 2023, succeeding Philippe Knoche who resigned with effect from July 6, 2023.

(h) These 500 shares were acquired on March 8, 2024, i.e. within 6 months of the appointment as authorized by law.

Governance and compensation

Corporate Governance

SUMMARY OF INFORMATION RELATING TO DIRECTORS (PREPARED IN ACCORDANCE WITH APPENDIX III OF THE AFEP-MEDEF CODE) (REST OF THE SUMMARY)

Directors at December 31, 2023	First appointed	Current Term		Committees*			Attendance in Financial year 2023					
		Starts	Ends	S&C	A&A	G&R	Number of meetings taken into account and attendance rates ^(b)					
									Boards		Committees	
Appointed by the Annual General Meeting (13) or by decree (1) ^(a)												
On the proposal of the Public Sector (5)												
Patrice Caine, Chairman and Chief Executive Officer	12/23/2014	05/11/2022	2026 AGO					9	100%	4	100%	
Delphine Gény-Stephann ^(c)	05/06/2021	05/06/2021	2025 AGO					9	100%	n/a	n/a	
Bernard Fontana ^(c)	01/30/2018	05/06/2021	2025 AGO					8	89%	6	100%	
The French State, represented by Mr. Emmanuel Moulin ^(d)	11/02/2020 ^(d)	Decree of 09/05/2023	09/04/2027					8	89%	9	82%	
Anne Rigail ^(c)	05/06/2021	05/06/2021	2025 AGO	CSR ^(g)				8	89%	2	100%	
On the proposal of the Industrial Partner (Dassault Aviation) (4)												
Charles Edelstenne	05/19/2009	05/11/2022	2026 AGO					9	100%	4	100%	
Loïc Segalen	05/19/2009	05/11/2022	2026 AGO					9	100%	6	100%	
Éric Trappier	05/19/2009	05/11/2022	2026 AGO					8	89%	7	100%	
Marie-Françoise Walbaum	09/17/2013	05/11/2022	2026 AGO	CSR ^(g)				9	100%	2	100%	
Representative of employee shareholders (1)												
Philippe Lépinay	04/01/2007	05/06/2021	2025 AGO					9	100%	4	100%	
External personalities (4)												
Marianna Nitsch Independent director ^(e)	05/10/2023	05/10/2023	2027 AGO					4	67% ^(h)	n/a	n/a	
Loïc Rocard Independent director ^{(e) (f)}	09/28/2023	09/28/2023	2024 AGO					1	100% ^(h)	1	100% ^(h)	
Anne-Claire Taittinger Independent director ^(e)	05/15/2012	05/11/2022	2026 AGO					9	100%	6	100%	
Ann Taylor Independent director ^(e)	05/15/2012	05/11/2022	2026 AGO					7	78%	n/a	n/a	
Appointed by the trade unions (2)												
Anne-Marie Hunot-Schmit	12/09/2016	12/09/2020	12/08/2024					8	89%	12	92%	
Nadine Relier-David	05/11/2022	05/11/2022	05/10/2026					9	100%	4	100%	

(a) Since September 5, 2023, the French State has appointed its representative on the Board directly by decree, without seeking the approval of the Annual General Meeting: see Note (d) below.

(b) Attendance is calculated in relation to the total number of meetings for which the director was in office on the respective Board or Committee. The attendance rate of directors who left office during 2023 was, for Mr. Philippe Knoche, 100% over the six meetings of the Board and the four meetings of the Governance and Compensation Committee, and, for Ms. Armelle de Madre, 100% over the three Board meetings held in 2023, until the termination of their duties.

(c) Director(s) proposed by the State (section 6 of Ordinance No. 2014-948).

(d) Following the takeover by the French State of the equity stake in TSA from EPIC Bpifrance, carried out on September 5, 2023, on the same day the French State appointed its representative on the Board by decree, Mr. Emmanuel Moulin, in application of Article 4-I paragraph 1 of Ordinance No. 2014-948, thereby terminating the State's directorship renewed by the Annual General Meeting of May 6, 2021, and of which Mr. Emmanuel Moulin had already been the permanent representative since November 2, 2020. By decree dated January 29, 2024, Mr. Alexis Zajdenweber succeeded Mr. Emmanuel Moulin as the State's new representative on the Board of Directors.

(e) Independence within the meaning of the Afep-Medef code, confirmed by the Board of Directors on March 4, 2024.

(f) Director co-opted by the Board of Directors on September 28, 2023 to succeed Philippe Knoche, who resigned with effect from July 6, 2023.

(g) Since early 2022, Ms. Anne Rigail and Ms. Marie-Françoise Walbaum have participated in meetings of the Strategy and CSR Committee for those agenda items with relevance for CSR.

(h) Percentages calculated on the basis of the number of meetings held since the start of the concerned parties' term of office during 2023.

* **Committees:** Strategy and CSR (S&C), Audit and Accounts (A&A) and Governance & Remuneration (G&R).

Status:  Member,  Chair.



● **CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES DURING THE FINANCIAL YEAR 2023
(PREPARED IN ACCORDANCE WITH APPENDIX III OF THE AFEP-MEDEF CODE)**

	Departures	Appointments	Reappointments
Board of Directors	Armelle de Madre Philippe Knoche	Marianna Nitsch Loïc Rocard	
Strategy and Corporate Social Responsibility Committee			
Audit and Accounts Committee			
Governance and Compensation Committee	Philippe Knoche	Loïc Rocard	

In compliance with the revised Afep-Medef code and the recommendation of the AMF, the biographical notes appearing in section 4.1.1 detail the list of offices held by members of the Board of Directors in Group companies and/or in listed companies, in France or abroad, and include information about their other activities, areas of expertise or experience.

The 2014 Annual General Meeting set the term of office for directors at four years.

The average age of the directors is 63.5 years as of December 31, 2023. At that time, in the absence of a specific provision in the Articles of Association, ordinary law applied to the age of directors:

- the number of directors over the age of 70 may not exceed one third of the directors in accordance with the French Commercial Code (Article L. 225-19 paragraph 2);
- the age limit for the Chairman is 65, under the French Commercial Code (Article L. 225-48).

Governance Procedures: non-separation

The Company is a public limited company with a Board of Directors and no separation of the functions of Chairman of the Board and Chief Executive Officer.

At the end of each term of office of the executive concerned, the Board considers whether it is appropriate to keep these functions combined or to separate them.

Therefore, when Mr. Patrice Caine was reappointed Chairman and Chief Executive Officer on May 23, 2018, the Board of Directors considered that the lack of separation didn't restrict the active and effective exercise of its control and monitoring mission. The responsibilities of the Board of Directors and the role of each of its Committees with the limits placed on the powers of the Chairman and Chief Executive Officer are clearly established (see in particular the excerpt from the Board's internal rules of procedure and section 4.2.6 below).

The Board confirmed this choice at its meeting of March 2, 2022, in anticipation of the renewal of Mr. Patrice Caine's term of office as Chairman and Chief Executive Officer at the end of the Annual General Meeting of May 11, 2022. It based its decision on the following reasons:

a) The appropriateness of this form of governance to the particularities of the Company's shareholder base

The appointment of a joint candidate by the Public Sector and the Industrial Partner ensures the maximum possible solidarity in the decisions taken by the governing bodies in the interest of the Company.

b) The appropriateness of this model of governance to the Company's operational needs

It allows the General Management and the Board of Directors to make better decisions, with the benefit of the respective skills of the General Management and the members of the Board of Directors, while facilitating rapid and efficient decision making. The relevance of the uniqueness of roles of the Chairman of the Board of Directors and Chief Executive Officer was particularly evident during the health crisis (see the Universal Registration Document 2020, page 87). In addition, the Board's performance is very satisfactory according to all directors, as evidenced by the assessments of the Board's operations carried out internally or by an external consultant (see page 94 for 2022 and page 101 for 2023).

c) The existence of effective control mechanisms of the General Management.

In fact, the powers of the Chairman and Chief Executive Officer are limited by the obligation to submit many transactions for formal approval by the Board of Directors. The annual budget, strategic plan, acquisitions, disposals of shareholdings or assets over €150 million, strategic alliance along with the technological and industrial cooperation agreements, are submitted systematically to the Board for approval. The shareholders' agreement states that a majority of directors representing the Industrial Partner must approve such decisions, and that transactions for an amount greater than €50 million which imply a change in the Group's strategy as previously approved by the Board (see page 237) must also be submitted to the Board of Directors.

Furthermore, the representatives of the two reference shareholders individually and collectively represent an effective counterweight to the Chairman and Chief Executive Officer on the Board of Directors.

In addition, more than half of the directors (excluding Patrice Caine) exercise or have exercised General Management functions in international groups operating in sectors as diverse as defence, aerospace, digital, energy or finance (see their biographies in section 4.1, pages 80 to 88) which adds considerable value to the discussions and decisions on the basis of the best expertise.

Finally, the work of the specialized committees – including the Audit and Accounts Committee, the Governance and Compensation Committee, of which the Chairman and Chief Executive Officer is not a member and which are chaired by independent directors – provides a free and independent view of issues that are fundamental to the Company.

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d) Other considerations

The review of the compensation of the Chairman and Chief Executive Officer is carried out, by Committee and then by the Board, without the presence of the individual concerned. This review takes place at the same time as the review of the annual financial statements.

Furthermore, since 2021, the Board of Directors has held at least one meeting per year without the presence of the Chairman and Chief Executive Officer, as required by its rules of procedure. This annual meeting is chaired by the Chairman of the Governance and Compensation Committee, who may propose restricting all or part of the meeting to certain directors. By guaranteeing the participants' freedom of expression, this meeting makes it possible to address various subjects related to current events, the Company and its governance. A session was held on June 29, 2023, bringing together all the directors other than the Chairman and Chief Executive Officer. The following topics were discussed in particular: the good quality of the Board's governance, acquisition projects, competition for talent and the Group's resilience to the global geopolitical environment. The Chairman of the Governance and Compensation Committee presented a summary of this to the Chairman and Chief Executive Officer.

Finally, the directors have the opportunity to exchange views during Board visits to Group sites, and in particular during the annual strategic Board meeting.

Increasing the presence of women on the Board of Directors

The objectives set by law No. 2011-103 of January 27, 2011, on balanced representation of men and women on boards of directors and supervisory boards and on gender equality in the workplace (minimum 40% of women and men among directors, excluding directors representing employees and employee shareholders), have been achieved since November 29, 2016.

As of December 31, 2023, the percentage of women on the Board of Directors was 46% (6 out of 13 directors), excluding the representatives of employees and employee shareholders, and 50% (8 out of 16 directors), including the directors representing employees and employee shareholders.

Independence of directors

According to its rules of procedure, the Board of Directors, based on the report of the Governance and Compensation Committee, conducted on March 4, 2024, its annual review of the situation of its members concerning the definition of and criteria for independent directors as specified by the Afep-Medef code.

The Board has decided to maintain the strict approach adopted in previous years: directors appointed by the Annual General Meeting on the proposal of a shareholder ("Public Sector" or "Industrial Partner") or a category of shareholders (employees), or appointed by trade unions may not be considered independent within the meaning of the Afep-Medef code. Under these conditions, only the "External Personalities," under the terms of the shareholders' agreement, can be declared independent (a maximum of 4 out of 16).

At its meeting of February 27, 2024, the Governance and Compensation Committee has carefully studied the responses to the detailed questionnaire sent to each of the "External Personalities" in early February 2024.

Of these, only Mr. Loïc Rocard was employed during 2023 by a group having business relations with Thales, namely Technicatome SA, of which Mr. Loïc Rocard is Chairman and Chief Executive Officer (see biography on page 84).

The Committee noted that the total amount of sales made by the Group with Technicatome was significantly lower than the threshold of 1% of Thales' sales, on the one hand, and of Technicatome's sales, on the other hand, this 1% threshold having been set by the Board as the materiality threshold in assessing whether or not the business relationship was significant.

Furthermore, after noting that Technicatome SA is 20.3% owned by Naval Group SA, itself 35% owned by Thales, the Committee concluded that this circumstance was not such as to call into question the independence of Mr. Loïc Rocard, insofar Thales does not hold any indirect cross-mandate in Technicatome: Indeed, Thales only holds a minority stake in Naval Group, which in turn holds a minority stake in Technicatome, whereas the Afep-Medef Code stipulates that cross-mandates must be held via a subsidiary. The Committee also considered that Mr. Loïc Rocard's concurrent holding of an executive office within a public company is not likely to call into question his independence; a statement to this effect was made to the Board by the representative of the French State.

On this basis, the Committee considered that there was nothing to compromise Mr. Rocard's freedom of judgement in the performance of his duties as a director of Thales and that there was therefore nothing to prevent the Board from declaring him an independent director.

The three other "External Personalities" directors indicated that they had no business relationship with the Company or its Group. The Committee's opinion is that their questionnaires do not contain any response calling for any restriction on the qualification of independent directors.

In accordance with the Afep-Medef code, the table below shows the independence criteria thus met by the directors concerned.

		Marianna Nitsch	Loïc Rocard	Anne-Claire Taittinger	Ann Taylor
Criterion 1	Employee corporate officer during the previous 5 years	✓	✓	✓	✓
Criterion 2	Cross-directorships	✓	✓	✓	✓
Criterion 3	Significant business relationship	✓	✓	✓	✓
Criterion 4	Family ties	✓	✓	✓	✓
Criterion 5	Auditor	✓	✓	✓	✓
Criterion 6	Term of office exceeding 12 years	✓	✓	✓	✓
Criterion 7	Status of non-executive officer	✓	✓	✓	✓
Criterion 8	Status of major shareholder	✓	✓	✓	✓

In the table above, ✓ means that the independence criterion is met and ✗ means it is not met.



In conclusion, on the recommendation of the Governance and Compensation Committee, the Board decided to declare Ms. Marianna Nitsch, Ms. Anne-Claire Taittinger, Ms. Ann Taylor and Mr. Loïc Rocard independent directors.

At March 4, 2024, the date the 2023 financial statements will be closed, the Board of Directors will have four independent directors, representing 31% of its members (excluding directors representing employees and employee shareholders, as specified by the Afep-Medef code). This proportion is slightly lower than the one-third recommended by the Code in controlled companies.

It is further specified that the Board of Directors meeting of March 4, 2024, having noted that on May 15, 2024 Anne-Claire Taittinger would have been a director of the Company for more than twelve years, decided to confirm in advance the status of this director as independent, in accordance with Article 10.4 of the Afep-Medef Code. In making this decision, the Board of Directors, on the recommendation of its Governance and Remuneration Committee, relied in particular on the following reasons relating to the particular situation of the Company and the director concerned:

- Anne-Claire Taittinger's experience as a company director and her extensive knowledge of Thales' global environment, enabling her to question and challenge General Management;
- her personality, independent judgment and critical thinking, which put her in a position to express positions that sometimes diverge from those of General Management or other directors;
- her many contributions to the Board's work, both as a director and as Chair of the Audit and Accounts Committee.

The Board will discuss, at least annually, whether to maintain Anne-Claire Taittinger's status as an independent director, and will report on this in each report on corporate governance.

Rules of procedure of the Board of Directors and the Committees

The internal rules of the Board of Directors, which were last revised by the Board on March 4, 2024, don't replace the legal and statutory provisions governing the Board of Directors and its Committees nor the Code of Ethics or the Code relating to insider information and trading in securities. For the provisions applicable to directors, all of these rules constitute a true Code of Ethics for directors (see in particular "Prevention of Insider Trading" below).

In addition to the specific provisions of the shareholders' agreement, the rules of procedure are based on best practices in terms of corporate governance, particularly those contained in the above-mentioned Afep-Medef code. The Governance and Compensation Committee is responsible for ensuring that they are periodically updated and for submitting any revisions it deems necessary to the Board.

The rules of procedure are organized into five chapters:

I) Members of the Board of Directors (composition of the Board, independence, availability, primary duty, transparency, confidentiality, compensation)

In particular, the rules of procedure state that:

- the members of the Board of Directors must inform the Chairman of all management or administrative offices entrusted to them;
- each Company representative must obtain the opinion of the Board of Directors before accepting a new corporate office in a listed company;

- directors must inform the Board of Directors of any situation involving a conflict of interest, even a potential conflict of interest. In this case, they must not attend the discussions and must not vote on the corresponding deliberation.

Also, they must inform the Chairman of any proposed agreement that directly or indirectly concerns them and that is likely under the French Commercial Code to require prior authorization by the Board of Directors.

In addition, directors must individually issue a declaration regarding the following:

- none of them has been convicted of fraud in the last five years;
- none has participated as an executive of a company that has been subject to bankruptcy, sequestration, liquidation, or receivership ⁽¹⁾ in the last five years, and none has been subject to official public censure and/or sanction by a statutory or regulatory authority;
- a court has prevented none from acting as a member of an administrative, management, or supervisory body of an issuer or from intervening in the administration or conduct of the affairs of an issuer in past five years;
- none of them has family ties with any member of the Board or the General Management;
- no potential conflict of interests exists between the positions held at Thales and their private interests or other positions held;
- each director declares that he or she is aware of the Group's anti-bribery policy, including the related policy and Code of Conduct, as reviewed by the Board of Directors and transmitted to all new directors.

II) Powers of the Board of Directors (representation and corporate interest, specific powers, shareholders' agreement)

The annual budget, the strategic plan, the appointment and dismissal of the Chairman and Chief Executive Officer (or the appointment of the Chairman and the Chief Executive Officer in the event of dissociation of these functions) acquisitions and disposals of equity interests or assets over €150 million (in terms of commitments or revenues), as well as strategic alliance and technological and industrial cooperation agreements, are systematically submitted to the Board for approval. Also, It is specified that the shareholders' agreement stipulates that a majority of the directors representing the industrial partner (Dassault Aviation) must approve these decisions.

Also, the Board of Directors is asked to approve transactions worth over €50 million whose implementation would imply a change in the Group's strategy, as previously approved by the Board.

III) Information for the Board of Directors (communication, training)

In particular, it is expected that:

- Board documents are sent to participants in a timely manner;
- the representative of the French State by virtue of the golden share, the Government Commissioner and the representative of the Central Economic and Social Committee receive all the documents sent to the directors and are called to all Board meetings;
- upon appointment, all new directors receive a folder containing useful documents for taking up their duties. They are also given an information session on the Company, its organization, and activities, led by the Group's principal executives. Subsequently, each director may request additional training.

⁽¹⁾ As an exception, see Delphine Gény-Stephann's situation on page 82 hereof.

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IV) Committees of the Board of Directors (constitution and powers, organization, information, Audit and Accounts Committee, Governance and Compensation Committee, Strategy and Corporate Social Responsibility Committee)

In addition to the powers of each Committee (see relevant sections below), it is specified that each Committee has the right to request from General Management any additional information it deems necessary to carry out its mission. The Board of Directors may, in exceptional cases, call on outside expertise.

By decision of the Board on March 4, 2024, the rules of procedure were amended following the entry into force of the new rules for monitoring and auditing sustainability information with effect from the 2024 financial year (see sections "Audit and Accounts Committee" and "Strategy and Corporate Social Responsibility Committee" below).

V) Operation of the Board of Directors (meetings, participation and representation, annual assessment, updating of the rules of procedure)

This chapter sets out the main procedures for convening, meeting, participating in, and evaluating the Board of Directors. There is provision for at least one annual meeting of the directors without the Chairman and Chief Executive Officer being present.

This part relating to the operation of the Board of Directors is the subject of the annual Statutory report in section 4.2.2 below.

Prevention of insider trading

To take into account any applicable regulations and the recommendations contained in the AMF, Thales has implemented a system of "blackout periods" or no trading periods: In addition to the periods for the annual and half-yearly financial statements (at least 30 calendar days in each case), two periods have been introduced for quarterly information (first and third quarters) of at least 15 days each. In all cases, the period includes the day following the day of publication of the financial press release.

The financial calendar for the first half of the following year (including the Annual General Meeting date) is posted on the Company's website after the third quarter financial press release. The calendar is updated for the whole year when the previous year's annual results are published.

The Company has informed the directors of their obligations to refrain from trading in Thales securities (and any related financial instruments) during the blackout periods relating to the annual, half-yearly financial statements and quarterly information (as defined by the Company). Also, they have to refrain from trading when they have access to privileged information (within the meaning of the regulations in force).

In addition, the directors have been informed of their reporting obligations to the AMF and the Company in respect of the transactions referred to in Article L. 621-18-2 of the French Monetary and Financial Code and of their obligation to inform the Company of the list of persons closely linked to them and to inform those persons of their own obligations.

Directors may if they wish consult the Company Secretary or the Secretary of the Board of Directors before dealing in any securities.

Obligation to hold a minimum number of shares

Under Article 10.3 of the Articles of Association, each director must hold at least 500 shares unless exempted by law. Also, the Chairman & Chief Executive Officer is subject to an obligation to retain shares that they hold as part of their long term compensation (see section 4.4.2.1 B).

Summary of transactions mentioned in Article L. 621-18-2 of the French Monetary and Financial Code carried out in 2023

The summary statement (under Article 223-26 of the AMF General Regulation) of the transactions referred to in Article L. 621-18-2 of the Monetary and Financial Code carried out in 2023 by the persons required to report is provided in section 4.6.

4.2.2 Report on the Board of Directors' Activities during the Financial Year 2023

Number of meetings and attendance rate

The Board of Directors met nine times in 2023. The average attendance of directors was 94%. Individual attendance rates are specified in section 4.2.1 above.

The statutory auditors are invited to attend meetings to review the interim and annual financial statements. Also, they may be invited to other Board meetings when a report on the work carried out by the Audit and Accounts Committee is presented, and their presence is likely to enrich the discussions.

Main topics covered

In addition to the recurring matters falling within the competence of the Board of Directors (annual budget and updated forecasts, closing of the consolidated and corporate annual financial statements and review of the consolidated half-year financial statements, determination of the remuneration package for the Chairman and for the Chief Executive Officer and setting the quantitative and qualitative criteria for their variable compensation, approval of the annual meeting documents and a notice to attend the Annual General Meeting, prior authorization, where applicable, of regulated commitments or agreements, the annual assessment of the functioning of the Board and its Committees, various delegations of authority to the Chairman and Chief Executive Officer and reports

on their use, annual review of the independence of Directors, etc.), the Board dealt with the following matters, on the basis of a Committee's report, where applicable:

- monitoring of the main strategic challenges of the Group's various business areas;
- acquisition of Imperva, Tesserent and Cobham Aerospacem Communications, as well as the study of other external growth opportunities;
- monitoring of the disposal of the Transport business;
- implementation of the annual LTI (long term incentive) plan with performance conditions, applicable to Group employees;
- attractiveness and talent retention within the Group and, more broadly, reviewing its human capital;
- outsourcing of the pension plan in the United Kingdom;
- changes in the regulatory framework for sustainability information;
- training on climate change issues (see "Training" section below);
- a review of the Group's greenhouse gas reduction targets, as validated by the SBTi;
- the updated program to combat corruption and influence peddling.



4.2.3 Preparatory Work for Board of Directors Meetings

Information for Directors

Board documents

Each year, a provisional timetable for meetings is drawn in the second half of the year for the following year.

The Board's rules of procedure have set the period for the notice of meeting and provision of documents at five working days, unless this is impossible or there is an emergency, and three days is considered a desirable minimum.

Each notice includes the agenda and the meeting documents (or at least the main points if the documents cannot be completed at the time of dispatch) and the draft minutes of the previous meeting, which is usually sent out initially within one month of each meeting. In some cases, additional material is sent to directors after the notice of meeting, or may even be handed out during the meeting, if the matter is urgent.

The directors are also sent a press review and a selection of financial analyses relating to the Company. National press releases are sent to them directly by e-mail.

The prior sending of documents by e-mail, which can be accessed on dedicated secure tablets, has enabled the time frame for provision to be optimized; the documents are then sent out in paper form to directors who request this.

Additional training

In accordance with the Board's rules of procedure, directors may ask to receive additional training.

In September 2023, the Board received several hours of training from a renowned climatologist and glaciologist and representatives of a leading insurer, during which the directors were made aware of the challenges of climate change as highlighted by the work of the IPCC, with a focus on the impacts already being felt by certain economic players. Directors were given prior access to an awareness-raising e-learning program covering the Climate training modules currently being rolled out across the Group.

Organization and operation of Board Committees

The Board of Directors has three Committees: an Audit and Accounts Committee, a Governance and Compensation Committee and a Strategy and Corporate Social Responsibility Committee.

Audit and Accounts Committee

The powers and duties of this Committee, which are reproduced in the Board's rules of procedure (Article 16), reflect, on the whole, the framework set out in the Ordinance of December 8, 2008 implementing Directive 2006/43/EC and are also compliant with EU Regulation No. 537/2014 of April 16, 2014.

By decision of the Board on March 4, 2024, the remit of this Committee was extended, with effect from the 2024 financial year, to include the tasks set out in Article L. 821-67 of the French Commercial Code concerning the monitoring and auditing of sustainability information. For the sake of clarity, these additions are underlined below.

The Audit and Accounts Committee acts under the responsibility of the Board of Directors. Without prejudice to the powers of the Board of Directors, it is specifically responsible for the following tasks:

- 1) it monitors the financial reporting process, as well as the sustainability reporting process and the process used to determine the information to be published in this regard and, where appropriate, makes recommendations to ensure its integrity;
- 2) it monitors the effectiveness of internal control and risk management systems, as well as the internal audit where applicable, with regard to procedures relating to the preparation and processing of accounting, financial and sustainability information;
- 3) it supervises the selection procedure for the statutory auditors and, where applicable, independent third-party bodies, and issues a recommendation to the Board of Directors on the statutory auditors and, where applicable, independent third-party bodies, proposed for appointment by the Annual General Meeting, including the renewal of their term of office;
- 4) it monitors the performance of statutory auditors and, where applicable, independent third-party bodies, taking into account the findings and conclusions of the French Audit Authority (Haute Autorité de l'Audit) following the audits carried out;
- 5) it satisfies itself of compliance by the statutory auditors and, where applicable, independent third-party bodies, with the conditions of independence prescribed by current regulations;
- 6) it approves, within the framework authorized by the Board of Directors, the provision by the statutory auditors and, where applicable, independent third-party bodies, or members of their respective networks, of services other than the certification of financial statements and sustainability information to the Company and the companies that it controls directly and indirectly. It reviews and validates related procedures and ensures their compliance;
- 7) it reviews the procedure for regularly assessing whether the agreements relating to ordinary transactions entered into under normal terms and conditions actually meet these conditions, in accordance with Article L. 22-10-12 of the French Commercial Code.

It consults the statutory auditors and, where applicable, the independent third-party bodies on:

- 1) their general program of work as well as the various sample tests they have performed;
- 2) changes that they believe should be made to the financial statements before they are published or to other accounting documents, as well as to the sustainability report, making any relevant comments on the assessment methods used in their preparation;
- 3) any irregularities and inaccuracies that they may have discovered;
- 4) conclusions resulting from the comments mentioned above and adjustments to the profits for the period compared to those of the previous period;
- 5) risks to their independence and the safeguards applied to mitigate these risks;
- 6) significant internal control weaknesses they may have identified regarding procedures relating to the preparation and processing of accounting and financial information and sustainability information.

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It receives from them each year:

- 1) a statement of independence;
- 2) an update of the information provided for their appointment, detailing the services provided by members of the network to which the statutory auditors and, where applicable, the independent third-party bodies belong, as well as services other than the certification of financial statements that they have provided;
- 3) the additional report under Article 11 of EU Regulation No. 537/2014.

Each year, it examines the budget for professional fees for the statutory auditors and, where applicable, the independent third-party bodies. It reviews and analyzes the fees paid to the statutory auditors and, where applicable, to independent third-party bodies in respect of the previous year.

The Committee relies in particular, for performing its duties, on the work of the Finance Department, the CSR Department and the Internal Audit Department. It approves the annual program of the Internal Audit Department and examines the activity reports. It is informed of the action plans implemented following the audits.

It takes note of the main characteristics of the risk management and internal control systems and the results of their operation. At least once a year, it reviews the mapping of the Group's main risks.

It annually reviews the draft of the chapter entitled "Risk factors, internal control and risk management" of the Universal Registration Document, before it is presented to the Board.

It reports regularly to the Board of Directors on its work and the results of the audit of the financial statements and sustainability information, on the way in which this audit has contributed to the integrity of the financial information and sustainability information, and on the role it has played in these processes. It informs the Board of Directors immediately of any problems encountered.

It also forwards the draft sustainability report and the mission report of the certification body, together with its recommendation, to the Strategic, Social and Environmental Responsibility Committee.

In addition, Committee members are able to have a discussion with the statutory auditors at the end of each meeting without any meeting secretary or company representatives being present.

On December 31, 2023, the members of the Committee were:

- Anne-Claire Taittinger, Chairwoman and independent director;
- Bernard Fontana;
- Anne-Marie Hunot-Schmit, director representing employees;
- Loik Segalen.

The composition of the Audit and Accounts Committee is consistent with the provisions of the French Commercial Code: the Committee members are all directors and at least one director, the Chair, in addition to being qualified as an independent director, has the requisite financial, accounting and statutory audit expertise (see Ms. Anne-Claire Taittinger's biographical notes on page 85).

However, the Committee is not composed of two thirds independent directors, as recommended by the Afep-Medef code, but only one-third (note that Ms. Frédérique Saint, the director representing employees, was not taken into account for this calculation pursuant to the Afep-Medef code). Under the shareholders' agreement, a representative of each of the two shareholders of the agreement sits on each Committee. In the case of the Audit and Accounts Committee, the representatives are Bernard Fontana, appointed on the proposal of the Public Sector, and Loik Segalen, appointed on the recommendation of Dassault Aviation (see page 90 for an explanation of this point).

The Committee met six times in 2023, with an attendance rate of 100%.

The statutory auditors, who are invited to all Committee meetings, are involved in all discussions, except when there is a conflict of interest (e.g., when examining the appointment or reappointment of statutory auditors or, from 2024, independently third-party bodies). Twice a year, they submit their report on the audit of the financial statements (annual and half-year) and specify the accounting options used and the highlights of their audit of the financial statements.

The Senior Executive Vice President, Finance and Information Systems, the Company Secretary and the Director of Audit, Risks & Internal Control are invited to all meetings, as well as the Group Financial Control Director and, occasionally, depending on the agenda, other representatives of the Finance Department, the CSR Department and the Group's Legal and Contracts Director.

In 2023, besides to the annual financial statements, the Committee also reviewed:

- the interim financial statements;
- the execution of complicated contracts and their accounting implications;
- the follow-up of the main disputes;
- the external audit plan and statutory auditors' fees;
- the selection process for statutory auditors, in view of the expiry of the current members of the Board at the Annual General Meetings to be held in 2025 and 2027;
- the organization of internal control, updates to the risk mapping, and assessment of the implementation of the annual audit plan;
- the audit plan for 2024;
- the evolution of cyber and corruption risks;
- changes in off-balance sheet bandwidth consumption commitments in the connectivity sector;
- the project to outsource the Group's pension commitments in the UK, implemented at the end of 2023;
- the statement to be made in respect of regulations relating to the environmental taxonomy, in coordination with the Strategy and Corporate Social Responsibility Committee;
- changes in the regulatory framework for sustainability information;
- the follow-up of the implementation of the regular assessment procedure for ongoing agreements in respect of 2022;
- the Board's report for 2022 covering risk factors, internal control and risk management.

During meetings more specifically devoted to audit and internal control, the Committee reviewed the reports of the Audit, Risks & Internal Control Department. It laid out its recommendations for the follow-up on assignments.

The Committee also reviewed the press releases relating to the financial results.

Following the meetings, which, in the case of the closing or examination of the financial statements, are held at least two (and wherever possible three) days prior to the Board meeting, a written report is produced and submitted to all directors at the next Board meeting. Pursuant to the AMF recommendation in its report on the Audit Committee of July 22, 2010, this report is systematically included or attached to the minutes of the next Board meeting after being approved by the Committee. This report sets out the main discussions within the Committee as well as the recommendations made to the Board.



Governance and Compensation Committee

In compliance with Article 17 of the Board's rules of procedure, the Governance and Compensation Committee has the task of examining:

- the compensation policy for the Company's senior executives;
- the compensation of the Chairman and Chief Executive Officer and any commitment concerning him, the compensation of the directors and, if applicable, that of other corporate officers;
- the proposed "LTI" plans (long-term incentive) which are submitted to the Board;
- the proposed employee share ownership schemes;
- candidates for external directors, regarding whom the two major shareholders hold consultations in accordance with the provisions of the aforementioned shareholders' agreement;
- at least once a year, the independence of the directors;
- and in general, any issues relating to the application of the Afep-Medef Corporate Governance Code for listed companies.

The Committee is also responsible for preparing the Board's assessment of its own performance (see section 4.2.4) and reporting on it to the Board in order to facilitate discussion.

On December 31, 2023, the members of the Committee were:

- Loïc Rocard, Chairman, independent director;
- Anne-Marie Hunot-Schmit, Director representing employees;
- Emmanuel Moulin (succeeded by Alexis Zajdenweber on February 1, 2024); and
- Éric Trappier.

The Committee met seven times in 2023, with an attendance rate of 92%.

The ratio of independent directors recommended by the Afep-Medef code (at least half) is not met, because it currently stands at one-third (the director representing employees, Ms. Frédérique Saint, is not included in this calculation pursuant to the Afep-Medef code). Under the shareholders' agreement, a representative of each of the two shareholders of the agreement sits on each Committee. In the case of the Governance and Compensation Committee, the representatives are Emmanuel Moulin, representative of the French State, appointed on the proposal of the Public Sector, and Eric Trappier, appointed on the proposal of Dassault Aviation (see page 90 for an explanation of this point).

The Senior Executive Vice President, Human Resources, and the Company Secretary are invited to all Committee meetings, and the Chairman and Chief Executive Officer is invited to some of the meetings, depending on the agenda or in cases where his presence could be of particular value to the discussion.

The items reviewed by the Committee in 2023 included:

- the review of the total compensation of the Chairman and Chief Executive Officer (ex post 2022 and compensation policy for 2023);
- the long-term incentive (LTI) policy for Group executives, its effectiveness in terms of retention and the preparation of a free share plan (AGA) with performance conditions and according to the level of responsibility of the beneficiaries;
- the independence of directors, and in particular that of "External Personalities," including the new Chairman of the Governance and Compensation Committee;

- the procedures for the annual evaluation of the operation of the Board of Directors and the report presented to the Board;
- the Board's report on corporate governance.

For all of these items, the Committee presented its recommendations to the Board: each meeting is recorded in a written report circulated to all directors at the next Board meeting. This report sets out the main discussions within the Committee as well as the recommendations made to the Board.

Strategy and Corporate Social Responsibility Committee

By decision of the Board of Directors on March 4, 2024, the remit of the Strategy and Corporate Social Responsibility (CSR) Committee was modified to take account of the Audit and Accounts Committee's new remit to monitor sustainability information. For the sake of clarity, these modifications are underlined below.

In accordance with the Board's amended rules of procedure, the main tasks of this Committee are to assess the Group's strategy in its key business segments and with respect to CSR, in particular:

- to examine the Group's strategic approaches in each of its major fields of operation, before these are submitted to the Board of Directors;
- to analyze the framework for submission of the budget and the three-year rolling plan to the Board, and to examine the proposed annual budget in the context of this plan;
- to analyze major acquisitions and asset disposal plans (over €150 million), as well as proposed strategic agreements or partnerships;
- to review the Group's CSR strategy, including significant sustainability issues, to monitor its results on an annual basis, and to provide the Governance and Compensation Committee with information enabling these objectives to be reflected in the compensation of the Chairman and Chief Executive Officer;
- to review the Group's draft sustainability report, with the assistance of the Audit and Accounts Committee, for recommendation to the Board.

At December 31, 2023, the Strategy and Corporate Social Responsibility Committee comprised:

- Patrice Caine, Chairman;
- Charles Edelstenne;
- Philippe Lépinay, Director representing employee shareholders;
- Emmanuel Moulin (succeeded by Alexis Zajdenweber on February 1, 2024);
- Nadine Relier-David, Director representing employees.

The Strategy and Corporate Social Responsibility Committee met four times in 2023, with an attendance rate of 96%, in particular to examine the 2023 budget, the proposed acquisitions and disposals, and follow-up of the disposal of the Transport business.

As decided by the Board following the 2021 assessment, Ms. Anne Rigail and Ms. Marie-Françoise Walbaum, as lead directors in CSR matters, attended the two meetings of the Strategy and Corporate Social Responsibility Committee in 2023 for the agenda items dealing with CSR issues, namely:

- the Non-Financial Performance Statement, as well as the environmental taxonomy statement;
- the CSR sections of the Corporate Governance Report 2022; and
- changes in the regulatory framework for sustainability information.

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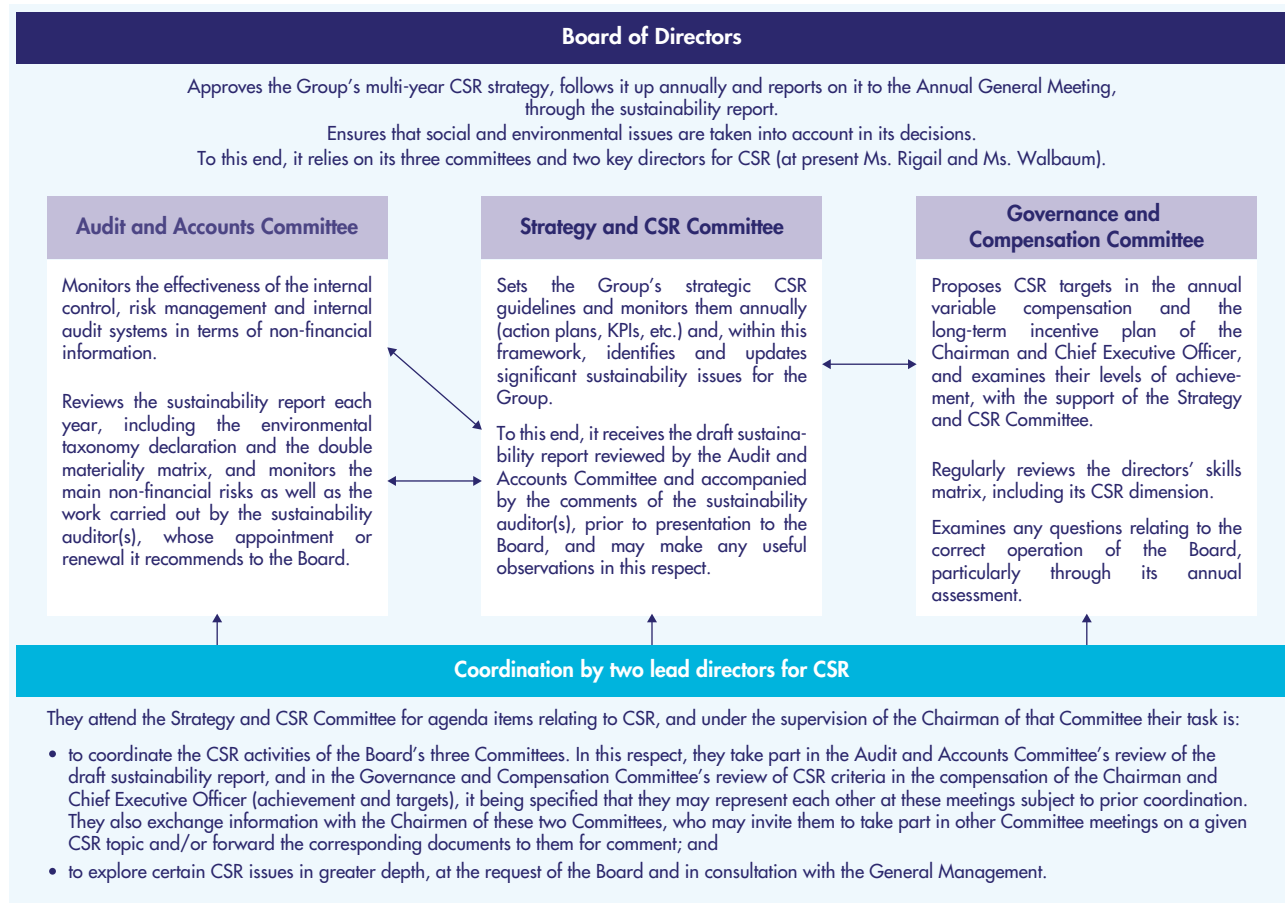
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They were also able to deepen their knowledge of the Group's CSR issues during several dedicated information sessions organized by the General Management at the beginning of 2023 and 2024.

The role of these two directors, which was formalized at the beginning of 2023 as part of the changes to the Board of Directors' CSR Governance, will be strengthened as from the 2024 financial year, as set out below.

In 2023, the Senior Executive Vice President of Finance & Information Systems, the Company Secretary, the Senior Executive Vice President of Operations & Performance, the Executive Vice President of Strategy and, for the CSR items on the agenda, the CSR Director, were invited to meetings by the Chair of the Committee. A written report was produced for each meeting and distributed to all directors where possible at the following Board meeting, with supporting documentation as applicable. This report sets out the main discussions within the Committee as well as the recommendations made to the Board.

● SUMMARY PRESENTATION OF THE BOARD'S CSR GOVERNANCE FROM 2024 ONWARDS





4.2.4 Assessment of the Board's performance

Each year, the Board assesses its operation either utilizing a formal self-assessment or an external assessment. In either case, the assessment is followed by a discussion with the Governance and Compensation Committee and then the Board.

The Chairman of the Governance and Compensation Committee, an independent director, plays a central role in steering the assessment process in order to guarantee its independence. In this regard:

- in the event of a formal internal assessment, he helps to prepare the questionnaire and draft the summary report for the Committee;
- in the event of an external evaluation, he prepares and participates in the tendering process (where applicable), reviews the draft questionnaires and/or discussion guide prepared by the consultant, and takes part in discussions with the consultant on the results of their work;
- in both cases, he presents the results of the assessment to the Board, in the form of the Committee's report.

After a 2021 assessment carried out with the support of an external consultant, an internal assessment was carried out in 2023, as in 2022, on the basis of a questionnaire drawn up in accordance with the above principles and focusing in particular on the areas for improvement identified in previous assessments. Any directors wishing to do so also had the opportunity to go into more detail in a meeting with the Company Secretary.

At the end of this assessment, the directors expressed their satisfaction with the quality of the Board's work and discussions.

They unanimously recognized that the time available for strategic discussions and the information provided to inform them had been well adapted, noting in particular the quality of the information provided in preparation for the study of the external growth

opportunities that led to the completion of the acquisitions of Imperva and the signing of an irrevocable agreement to acquire Cobham Aerospace Communications in 2024. They also noted a marked improvement in the Board's grasp of CSR issues, thanks in particular to the role played by the two lead independent directors in CSR matters, and to the training in climate issues given to the Board at the end of September 2023 (see "Training" section above). Some noted that the Board and its Strategy & Social and Corporate Responsibility Committee is set to become even more established with the increase in regulatory requirements resulting from the CSRD regulations, about which training needs have been expressed.

The directors also noted the relevance and diversity of the topics presented with regard to Human Resources issues.

Finally, they emphasized the quality of the information provided to the Board and its Committees, and of the organization of their meetings, noting a point for improvement with regard to the short deadlines sometimes given to directors to familiarize themselves with documents.

The 2022 assessment (see page 94 of the 2022 Universal Registration Document) highlighted the desire for the Board to be able to expand its skills in the areas of CSR, digital technology and knowledge of non-OECD countries and space, if the opportunity arises during future renewals and in compliance with the shareholders' agreement. This desire was confirmed by a majority of directors during this 2023 assessment.

Finally, the individual contribution of the directors was considered satisfactory, thanks in particular to the efficient use of specific skills within the Board and a working environment that facilitates the expression of opinions and the quality of contributions.

4.2.5 Diversity Policy of the Board of Directors and Gender Balance in Governing Bodies

Diversity Policy of the Board of Directors and its Committees (Information Referred to in Article L. 22-10-10, paragraph 2 of the French Commercial Code and in paragraph 7.2 of the Afep-Medef code)

The directors assessed the achievement of the Board's diversity targets initially set at its meeting on March 5, 2018 and subsequently confirmed, as well as their potential development for 2024.

Diversity target wording	Findings from 2023	Possible reassessment of the target for 2024
Varied and complementary expertise and experience within the Board	By virtue of their experience, the directors possess skills in all of the Group's business sectors (aerospace, defence, space and digital technology) as well as in key cross-disciplinary areas such as finance, industry and human resources. Refer to the director's skill matrix.	Target unchanged. The Board noted certain desirable skills during the assessment conducted in 2023
A balanced representation of men and women on the Board and its Committees	This target was considered met, given that 54% of Board members were men and 46% were women (excluding the directors representing employees and employee shareholders), the percentage of women members rising to 50% when the directors representing employees were taken into account.	Target unchanged
Balance in terms of seniority of directors	This target was considered met. The Board noted that directors with more than 8 years' seniority represent 50% of the Board, and that directors with less than 4 years' seniority represent 31%.	Target unchanged

As since 2020, the Board furthermore reiterated that these diversity targets should be taken into consideration when it comes to complying with the rules of the shareholders' agreement regarding the composition of the Board and its Committees.

The self-assessment of the Board's skills performed by directors on the basis of positions personally held throughout their career, is presented below in an aggregate, anonymized form. It attests to the diversity and complementarity of expertise and experience within the Board.

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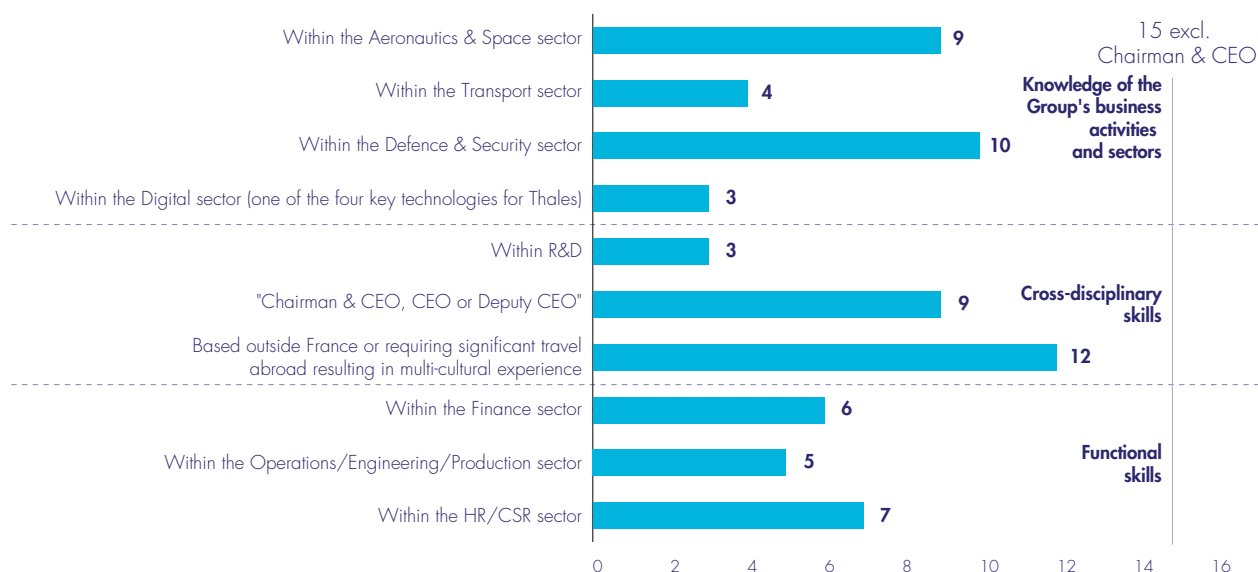
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● **SKILLS ASSESSED BY THE DIRECTORS BASED ON POSITIONS PERSONALLY HELD ^(a)**
(UP TO DATE AT MARCH 4, 2024)



(a) This list excludes the skills of the Chairman and Chief Executive Officer.

In the area of corporate social responsibility, the Board's collective expertise stems in particular from the directors' experience in the following areas, most of which is described in their biographies in section 4.1 above:

- Environment: offices as Chair or executive officers of groups with major decarbonization or environmental impact challenges, or contributing to their customers' decarbonization, or having created a CSR department or implemented CSR projects in this area;
- Social and societal: executive management of human resources, Chair of a sector employers' union, implementation of diversity and inclusion or occupational health and safety policies in international groups, secretary of employee representative bodies, active participation in an endowment fund or associations with an impact on society;
- Governance: offices as members of a Board CSR, governance, appointments, compensation or Audit Committee of listed companies (besides Thales) or a national parliamentary chamber, and having contributed to the increased handling of CSR matters;
- CSR regulations and finance: direct involvement in the drafting and negotiation of French legislation (Pacte law), participation in the introduction of sustainability-linked bonds.

The variety and depth of this experience enable the Board to address CSR issues with perspective, and to analyze them in depth by drawing on internal and external experts. In September 2023, the directors attended a training course on the challenges of climate change (see "Training" section above).

Gender balance on management bodies (information referred to in Article L. 22-10-10, paragraph 2 of the French Commercial Code and in paragraph 1.7 and 8 of the Afep-Medef code)

At the end of 2023, the Group's Executive Committee within the General Management structure comprised 3 women and 12 men. Women thus represent 20% of the Committee's membership, compared with 14.3% at the end of 2019, when it comprised of two women and 12 men.

At its meeting on March 30, 2022 upon the recommendation of its Strategy and Corporate Social Responsibility Committee and in accordance with the recommendations of the Afep-Medef code specified by the High Committee for Corporate Governance (HCGE) the Board of Directors decided on medium-term gender balance targets for the Group's management bodies:

- pursuing the two gender balance objectives set by the Board on February 9, 2021 for the period 2021-2023, i.e., 75% of Management Committees (GBUs, Business Lines, Major Countries, DGD, Group Executive Committee) to include at least three women, by 2023, and a target of 20% of women in levels of responsibility (pay grades) 10 to 12 ⁽¹⁾, also by 2023, corresponding to Ambition 10, the 10-year strategic plan. The General Management has decided to include the latter quantifiable criterion in the annual variable compensation for all of the Group's executives who are entitled (more than 479,000 employees);
- accelerating progress over the 2024-2026 period, with new targets over the period: 75% of Management Committees with at least 4 women by 2026 and 22.5% of women in levels of responsibility (pay grades) 10 to 12 by 2026.

The Group achieved its targets for 2023 and is well on track to meet those set for 2024-2026.

At the end of 2023, women accounted for 20.4% of employees in positions of highest responsibility (compared with 14.7% at the end of 2016 and 19.4% at the end of 2022) out of a population representing 13.5% of the total workforce, and 86.8% of the Group's Management Committees included at least three women (compared with 27% at the end of 2016 and 75.8% at the end of 2022); this percentage rose to 52.6% for Management Committees with at least four women (compared with 44% at the end of 2022).

To help achieve these objectives, Thales has established a new dynamic in terms of gender balance by defining a new action plan. This new action plan is structured around three main pillars:

- the implementation of a new partnership strategy with the education system to raise awareness of scientific careers among the younger generations and increase Thales' visibility among students in scientific and technological fields;

⁽¹⁾ The Group's internal classification has 12 pay grades, with 12 being the highest. The population of pay grades 10 to 12, which marginally exceeds the proportion provided for in Article L. 20-10-10 (2) of the French Commercial Code (10%), has been retained for the sake of homogeneity and consistency.



- a series of initiatives aimed at promoting inclusion within the Group, notably in the fight against sexism;
- career support for women, to identify them more effectively (Talent Review) and provide them with better support (specific leadership programs) with a view to their progression to the Group's senior management bodies.

Initiatives already underway were continued and strengthened in 2023: international mentoring program for women, talent reviews

dedicated to women organized at Executive Committee and GBU level, and partnerships with leading gender equality associations (Elles Bougent, Girls Code, Technovation, Air Emploi, Women in Tech, etc.).

These commitments and achievements are published in the Group's 2023 Non-Financial Performance Statement approved by the Board of Directors on the recommendation of its Strategy and Corporate Social Responsibility Committee, and are provided in section 5.

4.2.6 Restrictions on the Chief Executive Officer's Powers

Since December 23, 2014, Patrice Caine has served as Chairman and CEO, with the confirmation of the principle of non-separation by May 23, 2018 and March 2, 2022 board meetings, with no limitation of powers other than those stipulated in the applicable legislation with respect to the specific powers of the Board of Directors or the Annual General Meeting.

The powers of the Chief Executive Officer are furthermore restricted by the Board's rules of procedure which stipulate, as mentioned in section 4.2.1 above, that any acquisitions or disposals exceeding €150 million, or any transaction exceeding €50 million falling outside the Group strategy, are automatically submitted for Board approval. These restrictions were confirmed without amendment by the Board of Directors when the Chairman and Chief Executive Officer was reappointed at the Annual General Meeting on May 11, 2022.

4.2.7 Succession plan

The development of a succession plan for the Chairman and Chief Executive Officer takes into account the Company's specific governance requirements, insofar as the shareholders' agreement between the Public Sector and the Industrial Partner provides that the Chief Executive Officer is selected based on their joint proposal.

In this context, the process provided for in the event of an unannounced succession occurring (resignation, indisposition, death, etc.) or at the end of a term of office, after discussion with the two shareholders concerned, is as follows: the shareholders who are signatories to the shareholders' agreement meet before the planned

departure or, in the event of an unexpected event, soon after the occurrence of this event, in order to select a successor (or two successors if the functions are separated). Once they have established their joint position, they will inform the Chairman of the Board of Directors and the Chairman of the Governance and Compensation Committee before the Board of Directors meeting convened to decide on such proposal, and the Board of Directors will then decide on the proposal in accordance with its governance rules.

4.2.8 Other Information

Notice of Annual General Meetings and conditions for attendance

All shareholders, regardless of the number of shares they own, are entitled to take part in Annual General Meetings. They are sent a notice of meeting and business is transacted according to the law. The date and place of the meeting, the agenda and the draft resolutions of the meeting are published in the French official gazette (*Bulletin des annonces légales obligatoires, BALO*) at least 35 days prior to the date of the meeting, with the final notice of meeting being sent no later than 15 days before the meeting. The Board of Directors ensures, in the interests of all shareholders, that the period of notice for meetings is much longer than the minimum requirements.

At least 21 days prior to the Annual General Meeting, all documentation required by current regulations is provided on the Company's website (www.thalesgroup.com). It is available for shareholders at the registered office within the statutory deadline.

The date of the Annual General Meeting is published on the Company's website with at least six months' notice.

Participation in Annual General Meetings, in any form whatsoever, is conditional upon registration of the shares in accordance with the conditions and within the time limits provided for under the current regulations.

Shareholders may vote electronically.

Any shareholder who has already voted remotely or by proxy, or requested an admittance card or share ownership certificate, may sell all or some of their shares at any time.

However, in accordance with the regulations in force since January 1, 2015, should the intermediary account holder notify the Company of a disposal occurring before midnight (Paris time) on the second trading day prior to the Annual General Meeting, the Company will invalidate or modify the vote, proxy, admittance card or share ownership certificate, as the case may be.

No disposal or other operation carried out after midnight (Paris time) on the second trading day prior to the meeting, irrespective of the means used, is notified by the approved intermediary or taken into consideration by the Company, notwithstanding any agreement to the contrary.

The right to vote, and consequently the right to attend Annual General Meetings, belongs to the beneficial owner at Ordinary General Meetings, and to the bare legal owner at Extraordinary General Meetings. Owners of pledged shares retain their voting rights. Undivided co-owners of shares are represented at the Annual General Meetings by one of the co-owners or by a joint proxy who, in the event of disagreement, is appointed by the court at the request of the most diligent co-owner.

Each person present at the Annual General Meeting has one vote for each share owned or represented, without limitation, subject to the following provisions on the right to a double vote, and to the exceptions provided by law.

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Double voting rights

Shareholders who can prove that their shares have been registered in their name in the Company's share register (kept by Société Générale Securities Services, duly authorized for this purpose – see section 6.2.1), for at least two years without interruption, are entitled to double voting rights at Annual General Meetings for each share so held. Registered shares that have been granted to a shareholder as free shares in respect of shares they already hold with double voting rights attached are also entitled to double voting rights as soon as the shares have been granted.

Double voting rights automatically cease for any share that has been converted to a bearer share or transferred (except as a result of intestate or testamentary succession, the division of community property between spouses, or an inter vivos gift to a spouse or relative in the line of succession, as well as in the event of a transfer following a merger or demerger of a shareholder company).

Double voting rights may be canceled by a decision of an Extraordinary General Meeting, following approval by a Special General Meeting of shareholders entitled to double voting rights.

Under the articles of association, there is no limit on voting rights.

Key factors likely to have an impact in the event of a takeover bid

The structure of share ownership and the distribution of voting rights mean that Thales is unlikely to be affected by any takeover bid. Furthermore:

1. the two main shareholders (Dassault Aviation and TSA) have declared that they are acting in concert under a shareholders' agreement, the key terms of which are described in section 6.2.3.3, which stipulates in particular that the Chairman and Chief Executive Officer is chosen based on a joint proposal by the parties;
2. in the absence of termination on expiry of the contract on December 31, 2021, the agreement was tacitly renewed for another period of five years expiring on December 31, 2026. It may be tacitly renewed for five-year periods;
3. any crossing of the threshold of one-tenth or a multiple of one-tenth of the share capital or voting rights of the Company must first be approved by the Minister of the Economy;
4. in addition, under the conditions set by Decree No. 93-1296 of December 13, 1993, the Minister for the Economy may oppose decisions on the sale or the allocation as collateral of assets referred to in the appendix of Decree No. 97-190 of March 4, 1997 (see section 6.2.3.3.5).

General Meeting authorizations valid at December 31, 2023 for capital increases

(Table pursuant to Article L. 225-37-4 (3) of the French Commercial Code)

Annual General Meeting of May 11, 2022	Used by the Board of Directors	Observations
Issue of securities giving access to equity capital • With pre-emptive subscription rights (17th resolution): 53 million shares, €3 billion debt securities • Without pre-emptive subscription rights and with the possibility of a priority period (18th resolution): 20 million shares, €2 billion debt securities • Without pre-emptive subscription rights by means of a public offering referred to in Article L. 411-2 paragraph 1 of the French Monetary and Financial Code (19th resolution): 20 million shares, €2 billion debt securities • Possibility of green shoe over-allotment (20th resolution): Max 15% of the issues made specific to each resolution/type of transaction above Duration 26 months, until July 10, 2024	No use	Overall ceilings (22nd resolution): In shares: • 20 million shares for resolutions 18, 19, 20 and 21; • 60 million shares for resolutions 17, 18, 19, 20 and 21. In debt securities: • €2 billion debt securities for resolutions 18, 19 and 20; • €3 billion debt securities for resolutions 17, 18, 19 and 20.
Issuance of new shares in consideration for contributions of securities of third parties Limit of 21.3 million shares (21st resolution) Duration 26 months, until July 10, 2024	No use	
Issuance of new shares reserved for PEG (a Group savings plan) members Ceiling: 2 million shares (23rd resolution) Minimum discount: 30% for 5-year PEE and 40% if the shares are held for 10 years Duration 26 months, until July 10, 2024	No use	Note: employee shareholder transactions are now carried out on the basis of existing shares, previously purchased by the Company as part of a share buyback program.



Agreements between an executive or significant shareholder and a subsidiary

During the financial year 2023, no agreement was entered into, either directly or through an intermediary, between a corporate officer or shareholder holding more than 10% of the Company's share capital and another company in which Thales directly or indirectly holds more than half of the share capital, except for routine agreements entered into under normal conditions.

Procedure for the regular assessment of agreements relating to routine transactions and concluded under normal conditions

At its meeting of February 25, 2020, the Board of Directors approved, on the recommendation of its Governance and Compensation Committee and its Audit and Accounts Committee, the procedure for the regular assessment of agreements relating to routine transactions entered into under normal conditions.

This is part of an internal charter, the purpose of which is also to set out the methodology and procedure implemented to identify, qualify and process agreements entered into by Thales SA to which the provisions of Article L. 225-38 of the French Commercial Code are applicable (related-party agreements). This charter is not made public.

The procedure provides that, at the end of each calendar year, the main bodies concerned (in particular, the Company Secretary's Office and the Group Finance Department) review the information provided by the relevant departments when such agreements are entered into, modified, renewed or terminated, to analyze the normal nature of their conditions along with the relevance of the criteria used to establish them.

Under Article L. 22-10-12, paragraph 2 of the French Commercial Code, persons directly or indirectly involved in any of the agreements concerned do not participate in this assessment.

Furthermore, the procedure provides that, when preparing the annual financial statements, the General Management reports on the work mentioned above to the Audit and Accounts Committee, which reports to the Board.

Following this review, the Board of Directors may, on the recommendation of its Audit and Accounts Committee, determine the course of action to be taken with respect to agreements that no longer meet the aforementioned criteria, or revise said criteria or, more generally, the procedure itself, in order to take into account any changes in legislation or regulations and/or changes in market practices.

In addition, should this review lead to the conclusion that the prior authorization of the Board of Directors has been omitted for a given agreement, it will be proposed to the Board of Directors to ratify it before it is presented to the Annual General Meeting for approval after the fact, in accordance with the applicable texts, or to amend or even terminate it.

At its meeting on March 4, 2024, the Board of Directors reviewed the report of the Audit and Accounts Committee on the performance for the financial year 2023 of the procedure for the regular assessment of agreements relating to routine transactions and entered into under normal conditions.

The review identified 103 agreements for the financial year 2023 for Defence and Industry projects, R&D partnerships, project financing, transport or logistics, purchases of consumables, professional dues, or for the sale of a shareholding.

This review led to the conclusion that the aforementioned agreements remain routine and concluded under normal conditions, and that the criteria used by Thales SA to determine the agreements qualifying as such do not require any particular modification.

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4.3 General Management and Executive Committee

Executive Committee as of December 31, 2023



Patrice Caine
Chairman and CEO



Philippe Knoche
Senior Executive Vice
President, Operations
& Performance



Pascale Sourisse
Senior Executive Vice
President, International
Development



Clément de Villepin
Senior Executive Vice
President, Human
Resources



Pascal Bouchiat
Senior Executive Vice
President, Finance and
Information Systems



Isabelle Simon
Executive Vice
President, Group
Secretary and General
Council



Philippe Keryer
Executive Vice
President, Strategy,
Research, and
Technology



Alex Cresswell
Executive Vice President
of Thales UK



Christophe Salomon
Executive Vice
President, Secure
Communications and
Information Systems



Hervé Dammann
Executive Vice
President, Land &
Air Systems



Philippe Duhamel
Executive Vice
President, Defense
Mission Systems



Yannick Assouad
Executive Vice
President, Avionics



Hervé Derrey
Executive Vice
President, Space



Millar Crawford
Executive Vice
President, Ground
Transportation Systems



Philippe Vallée
Executive Vice
President, Digital
Identity and Security



4.4 Compensation of Corporate Officers

4.4.1 Information on the 2023 compensation of Corporate Officers

This section 4.4.1 presents the compensation paid or granted during the financial year 2023 to all corporate officers and, more generally, the information required by Article L. 22-10-9 I of the French Commercial Code. They are the subject of the 9th resolution presented to the Annual General Meeting of May 15, 2024. If this resolution is rejected, payment of the compensation granted to the directors in respect of the 2023 financial year will be suspended and the Board of Directors will submit to a new Annual General Meeting a draft resolution presenting a revised compensation policy, according to the conditions set out in Article L. 22-10-34 I of the French Commercial Code.

Subsection 4.4.1.1 sets out the fixed, variable and exceptional components of the total compensation and benefits in kind paid to the Chairman and Chief Executive Officer in the financial year 2023 or granted in respect of that year. They are the subject of the 8th resolution presented at this same Annual General Meeting. Payment of the Chairman and Chief Executive Officer's 2023 annual variable compensation and the payment of the performance units vested by him under the 2020 LTI Plan and the funding of his pension rights in respect of 2023 for his defined contribution plan are subject to the approval of this resolution.

4.4.1.1 2023 compensation of the Chairman and Chief Executive Officer

A. Annual fixed and variable compensation

Mr. Patrice Caine's annual fixed and variable compensation for 2023 was set under the compensation policy for the Chairman and Chief Executive Officer of Thales approved by the Annual General Meeting of May 10, 2023 (6th resolution).

It is composed of:

- a fixed compensation of €850,000 (gross amount);
- an annual variable compensation target of €850,000 if the objectives are met, capped at a maximum of €1,275,000 (150% of the target) if these objectives are exceeded.

The criteria for determining annual variable compensation are 75% financial and 25% non-financial. To compensate for outperformance on the financial criteria, the payment relating to these criteria may exceed the target up to 166.66%, which is not the case for the non-financial part, capped at 100%. Therefore, the annual variable compensation is capped at 150% of the target.

The possibility of requesting the return of the variable portion of the compensation is not provided for in the 2023 compensation policy for the Chairman and Chief Executive Officer.

(i) Financial criteria of the 2023 annual variable compensation

For the financial part, the criteria were EBIT (35%), order intake (20%), and free operating cash flow (20%). The table below shows the scales of achievement for these three financial criteria.

FINANCIAL CRITERIA OF THE 2023 ANNUAL VARIABLE COMPENSATION

Criteria	Weighting	Thresholds	Payment in % of target
EBIT	35%	If results ≤ 90% of the budgeted objective	0%
		If results = 100% of the budgeted objective	35%
		If results ≥ 110% of the budgeted objective	58.33%
Order intake	20%	If results ≤ 90% of the budgeted objective	0%
		If results = 100% of the budgeted objective	20%
		If results ≥ 110% of the budgeted objective	33.33%
Free operating cash flow	20%	If results ≤ budgeted objective -2% of budgeted sales	0%
		If results = 100% of the budgeted objective	20%
		If results ≥ budgeted objective +2% of budgeted sales	33.33%
TOTAL FINANCIAL CRITERIA	75%		

The definition and calculation of these criteria are set out in section 2.3.

Criterion	Weight	Achievement (in € millions)	Level of achievement
EBIT	35%	2,132	115.5%
Order intake	20%	23,132	166.7%
Free operating cash flow, continuing operations	20%	1,968	166.7%
Financial portion of annual variable compensation (as % of target)	75%		142.8%

At its meeting on March 4, 2024, the Board of Directors reviewed the results obtained for the financial criteria. EBIT for 2023 came in at €2,132 million, ahead of budget, thanks in particular to stronger-than-expected demand in the civil aeronautics aftermarket, as well as

the good performance of the Digital Identity & Security sector, whose margin reached a remarkable level for the second year running. This performance triggers a 115.5% payment on this criterion.

The Board also welcomed the Group's excellent sales momentum, with continued strong demand in the defence sector and a significant recovery in the civil aeronautics business, particularly in aftermarket sales. In 2023, the Group signed 25 major contracts (unit value in excess of €100 million), compared with 29 in 2022 and 21 in 2021. The entry into force of 17 major Defence & Security contracts, including the very large contract with the UK Ministry of Defence for the 15-year operational maintenance and obsolescence treatment of Thales equipment on the UK fleet, enabled orders in the sector to reach a new all-time high. At €23,132 million, order intake was more than 15% above budget, triggering a payment at the ceiling (166.66%) for this criterion.

Lastly, the Board noted the excellent level of free cash flow from continuing operations, €1,968 million, driven by strong order intake and the implementation of an additional plan to mobilize teams to improve cash flow generation. This level is clearly above the budget objective and triggers a ceiling payment (166.66%) on this criterion.

In total, considering the weighting of the three financial criteria, the Board noted that the financial portion of the annual variable compensation amounted to €910,261, or 143% of the target. This level reflects the Group's outstanding financial performance in 2023.

(ii) Non-financial criteria for annual variable compensation 2023

In accordance with the compensation policy mentioned above for the Chairman and Chief Executive Officer of Thales, his performance in 2023 has been evaluated based on the following four non-financial criteria:

Criterion	Weight	Achievement	Elements of assessment
Strategy Finalize ongoing disposals (Transport and aeronautical electrical systems) and pursue growth initiatives in the Group's core business	5%	97%	The Board noted that approvals had been obtained from the European Union competition authorities and the CMA (UK), and that the transaction was expected to be finalized in the first half of 2024. The Board welcomed the completion of the sale of the aeronautical electrical systems business on October 1, 2023. It promoted the significant strengthening of Thales' positioning based on its three pillars, both organically and inorganically. In fact, the Group enjoyed sustained organic growth (+7.9% at Group level) in the Defence & Security, Aerospace and Digital Identity & Security domains. In addition, three significant external growth operations were carried out: The \$3.7 billion acquisition of Imperva in data and application security, which was completed ahead of schedule on December 4, 2023. The acquisition of Cobham Aerospace Communications, a specialist in cockpit communications solutions, announced at the end of July 2023 and expected to close in the first half of 2024. Finally, the acquisition of Tesseract, a specialist in cybersecurity services in Australia, which was completed, as planned, in early October 2023.
Cross-functional operational initiatives and crisis management: Continue to manage the component crisis, paying particular attention to inflation, and strengthening supply chain resilience	5%	98%	The Board praised the Group's efforts to reduce the pressure on customer deliveries. The main pillars implemented were anticipating orders with critical suppliers and subcontractors, diversifying sources of supply and optimizing production processes. These efforts were once again highlighted by the Group's customers. Last but not least, the Board welcomed the inflation protection measures obtained for new contracts and offers.
Talent and human resources: Support the transformation plans for the Engineering/ Industry business lines and implement the global plan for strengthening and optimizing the Group's resources for talent	5%	100%	The Board noted the updating of job families and the definition of benchmark functions for all Group employees, as well as the creation of an internal skills identification and management system. It welcomed the ramp-up of the Academies (22 Academies launched by the end of December 2023) as well as the Engineering skills centers. Finally, it highlighted 10,900 new recruits by the end of December 2023, and the drop in the attrition rate worldwide.
CSR criteria accounting for 10%: - Four are broken down into four pillars, which were assessed in particular in the light of progress towards the quantified targets set out in chapter 5 of the 2022 Universal Registration Document, and in particular the quantified targets for 2023 in line with the Group's CSR strategy; - One objective based on the definition of a new CSR strategy for 2030.			
Diversity and inclusion: - Increase the representation of women in the Group's management bodies, with two quantifiable targets: 20% of women in senior management (pay grades 10 to 12) in 2023, 75% of Management Committees including at least three women in 2023	2.5%	100%	The Board was pleased to note that the targets set for the end of 2023 had been met and exceeded, with 20.4% of women occupying positions in categories LR 10 to 12, with 86.8% of Management Committees comprising at least three women. The Board welcomed the definition of a new action plan in July 2023 based on a new partnership strategy with the educational community, a series of initiatives aimed at rolling out an inclusive culture within the Group or career support for women. It noted the renewal of internal communication on gender diversity through the "Women in Tech" campaign and the distribution of "Women Inspiring Women" portraits of female role models within Thales. Finally, it noted the strengthening of partnerships with leading gender associations such as "Elles Bougent", "Girls Code" and "Technovation".



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Criterion	Weight	Achievement	Elements of assessment
Climate: continue to roll out the low-carbon Strategy to reduce emissions in line with the commitments made by the Group for 2023 and 2030, with a quantifiable target for 2023 to reduce operational CO₂ emissions by 35% in absolute terms compared to 2018,	2.5%	100%	The Board highlighted the reduction in Scope 1 and 2 emissions of more than 59% (-52% for operational emissions including business travel) compared with 2018, exceeding targets. This performance is the result of the reduction in energy consumption thanks in particular to the deployment of an energy efficiency plan and the acceleration of renewable energy supplies. It also praised initiatives aimed at integrating eco-design into new products, such as the launch of eco-design training for over 6,500 engineers by 2023. It also praised the Purchasing department's ongoing action plan concerning the most emissive suppliers. Finally, the Board welcomed several external recognitions Thales received in 2023: SBTi's validation in March of the Group's 2030 CO₂ emission reduction targets; Thales' inclusion in the Euronext CAC SBT 1.5 index in September; and last but not least, obtaining the CDP's "A" climate rating.
Health and safety in the workplace: Strengthen the occupational safety culture reduce the frequency of work-related accidents, with a quantifiable target for 2023 to reduce the frequency of accidents with time off work to below 1.50	2.5%	100%	The Board noted that the focus on safety in the workplace has been stepped up through specific action plans, including the deployment of "HSE masterclass" approaches and monthly monitoring of extended indicators by executive committees. It welcomed the 37% fall in the TFI (lost-time injury frequency rate) compared with 2018, reaching 1.40 at the end of December 2023 (over 12 months), exceeding the target of 1.50 set for 2023.
Compliance: Continue to strengthen compliance programs	2.5%	100%	The Board noted the continued strengthening of compliance programs, with the deployment and implementation of internal anti-corruption controls in the entities, and the revision of several governance instructions. It noted that, as in 2022, 100% of all potentially exposed employees to be trained in 2023, i.e., more than 8,000 people, had completed the anti-corruption training module. Finally, it noted that the ISO 37001 certification had been extended to Canada and the US.
Definition of a new CSR strategy			The Board welcomed the Group's renewed vision for sustainable development to 2030 and the acceleration of its ambition.

At its meeting on March 4, 2024, the Board of Directors reviewed the above criteria, taking into account the weighting of these four non-financial criteria, and therefore decided, on the recommendation of its Governance and Compensation Committee, to set the achievement level of these criteria at 99%, i.e., €210,375.

This review led the Board to decide, on the recommendation of the Governance and Compensations Committee, that the annual variable compensation to be paid in 2024 to Mr. Patrice Caine for financial year 2023 should amount to €1,120,636, representing 131.8% of the target annual variable compensation.

B. Long-term incentive plan

LTI Plan 2020

At its meeting on March 4, 2024, the Board of Directors noted that the Chairman and Chief Executive Officer's continued presence

requirement was met as set out in the long-term incentive plan granted on February 25, 2020. At its March 7, 2023 meeting, it had already noted the achievement levels of this plan. Subject to the approval of its 8th resolution by the Annual General Meeting of May 15, 2024, the Chairman and Chief Executive Officer will therefore receive 7,081 performance units valued at the average of the previous 20 closing stock market prices up to February 24, 2024, i.e., an amount of €960,963. Half of this amount will be paid in kind with Thales shares at the closing price on the day of the said Meeting, and the balance in cash.

LTI Plan 2021

On March 4, 2024, the Board of Directors also noted the achievement level of the performance conditions relating to the long-term incentive plan granted on March 03, 2021 (2021 LTI Plan).

Criterion	Weight	Realized	Level of achievement
Cumulative free operating cash flow 2021-2023	40%	€7.1 billion	100%
Average order intake for 2021-2023	40%	€22.8 billion	100%
Total Shareholder Return compared to a panel of European companies ^(a) Measurement based on performance at 12/31/2023 compared to 12/31/2020.	10%	+90.3%	63%
Total Shareholder Return compared to the Euro Stoxx index Measurement based on performance at 12/31/2023 compared to 12/31/2020.	10%	+90.3%	100%
TOTAL LEVEL ACHIEVED (in % of the maximum number of units)			96%

(a) The panel includes: Airbus, Atos, BAE Systems, Capgemini, Dassault Aviation, Leonardo, Rolls-Royce and Safran.

With respect to the free operating cash flow, the Board noted that the year 2023 ended an exceptional period with results significantly above what was targeted. As the free operating cash flow reached an unprecedented level in 2021 and 2022 as well as an excellent performance level in 2023, the achievement over the period exceeded the ceiling and therefore triggered a 100% payment on this criterion.

In terms of order intake, the Board noted an excellent sales performance throughout the period concerned. Here too, this outperformance over three years triggered a 100% payment on this criterion.

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Finally, the Board noted that the stock market performance of the Thales share with dividend reinvested was +90.26% over the 2021-2023 period. This trend reflects the rating of the Thales share price in 2022 and the continuation of its good performance in 2023. This level is aligned with the median of the panel of European companies considered, and above the median of the Euro Stoxx, which was limited to +23% over the period. The entry point of the highest quintile is +154% for the panel and +66.8% for the Euro Stoxx. These last two criteria therefore trigger payments at 63% and 100% of the maximum level respectively.

The 2021 LTI Plan will therefore result in the payment, in 2025, of 10,318 performance units to Mr. Patrice Caine, subject to compliance with the continued presence requirement and approval by the 2025 Annual General Meeting.

LTI Plan 2023

In accordance with the 10th resolution approved by the Annual General Meeting of May 10, 2023, the Board of Directors, at its meeting on July 20, 2023, granted the Chairman and Chief Executive Officer a maximum number of 11,000 2023 performance shares (2023 LTI Plan), representing 0.0052% of the share capital, corresponding to around 13% of the cumulative 0.04% capital ceiling authorized over a 38-month period. The number of shares definitively vested will depend on the degree of achievement, calculated over three financial years, of performance conditions related to free operating cash flow, organic sales growth, reduction of operational greenhouse gas emissions (CO₂e⁽¹⁾), and Thales' stock market performance, as detailed in section 4.4.1.4, table 6. Also, the acquisition is subject to a presence condition for four years (i.e., until July 20, 2027, inclusive), except in the event of death, disability, or retirement. Subject to these reservations, the number of shares definitively acquired will be determined at the 2026 Board of Directors' meeting called to approve the 2025 financial statements, and the allocation will take place on July 21, 2027.

C. Other Commitments

Supplementary pension plan of Mr. Patrice Caine, Executive corporate officer

Progressive and conditional deferred compensation until December 31, 2019

Prior to January 1, 2020, the Executive corporate Officer benefited from annual deferred compensation comprising two separate plans entitling him to progressive deferred compensation, the amount of which was determined using a points-based calculation method.

Patrice Caine acquired rights under the scheme for employees from 2011 to 2014, then from the scheme for corporate officers from 2015 to 2019. As of January 1, 2020, in accordance with the approval of the Annual General Meeting of May 6, 2020, this deferred compensation was terminated and the entitlements were fixed as at December 31, 2019. As such, the Chairman and Chief Executive Officer no longer acquires any new rights under these plans. From January 1, 2020, they were replaced by a defined contribution pension plan subject to Article 82 of the French General Tax Code.

The rules governing the progressive and conditional deferred compensation provided for a doubling of the annuity if the beneficiary remained a member of the Executive Committee for 10 years. As Patrice Caine had been a member of this Committee for seven years before the fixing of his rights (from 2013 to 2019), the company applied a multiplier of 1.7 to the annuity, in accordance with the texts in force, and deemed the condition of presence on the Executive Committee to have been met.

This plan (including the annuities and corresponding tax and social security charges) has been provisioned and funded by the company.

Employee scheme

The potential annual rights vested by the Chairman and Chief Executive Officer under the employee scheme amount to €10,260. Under the terms of the plan, this amount will be revalued in line with changes in the Agirc point, bringing the annual entitlement to €11,002.

This scheme complies with Article L. 137-11 of the Social Security Code and the vesting of rights is subject to the beneficiary completing his career in the company:

- to receive an annuity, the beneficiary must (i) prove he has received compensation from Thales exceeding eight times the social security ceiling in respect of at least one calendar year between October 1, 2007 and December 31, 2019, and (ii) complete his career with Thales. The plan was closed to new members on July 4, 2019;
- the vesting of rights was progressive and based on the gross compensation received by the beneficiary each year in respect of his paid employment. The plan was based on the Agirc supplementary pension scheme and its points-based calculation method. The vesting concerned the portion of the salary not covered by mandatory pension schemes, i.e. amounts in excess of eight times the annual social security ceiling (PASS);
- the calculation was made each year based on the compensation reported to the French social security collection fund (URSSAF) using the official annual amounts of the social security ceiling and the Agirc reference salary. The vesting base was equal to 20% of the portion of the salary between 8 times the PASS and a maximum of 32 times the PASS, which had the effect of limiting the annual amount vested to around €14,213;
- this base was then divided by the Agirc reference salary for the year (cost of acquiring one point) to obtain the number of points acquired for that year, then multiplied by the conversion factor arising from the merger of the Agirc and Arrco schemes (applicable only to the number of points awarded each year until December 31, 2018). The potential compensation payable was equal to the total number of points vested multiplied by the value of an Agirc point at December 31, 2019.

Corporate officers' scheme

The potential annual rights vested by the Chairman and Chief Executive Officer under the corporate officers' scheme amount to €101,528. Under the terms of the plan, this amount will be revalued in line with changes in the Agirc point, bringing the annual entitlement to €108,871.

Subject to the points below, the terms for vesting rights under the corporate officers' scheme are the same as those applicable to the employees' scheme as described above.

This scheme was based on defined contribution schemes but was not subject to Article L. 137-11 of the French Social Security Code insofar as payment was not subject to the beneficiary completing his or her career in the company.

However, this deferred compensation is only vested provided the beneficiary has completed a full term in office and has claimed his or her social security pension. In addition, entitlement on the retirement date remains conditional on the achievement of a performance condition: the average rate of achievement of the annual EBIT targets set by the Board for the corporate officer must be greater than or equal to 80% over the last three financial years ended before the date of termination of his or her term of office.

⁽¹⁾ CO₂e (CO₂ equivalent) is a unit created by the IPCC (Intergovernmental Panel on Climate Change). Its aim is to standardize the climatic effects of the various greenhouse gases. It is calculated on the basis of the global warming potential of the gas concerned over a period of time.



Defined contribution pension plan subject to Article 82 of the French General Tax Code from January 1, 2020

The Chairman and Chief Executive Officer benefits from a supplementary defined contribution pension scheme, subject to Article 82 of the French General Tax Code, the main features of which are described here:

- 1) title of the commitment under consideration: defined contribution pension plan;
- 2) reference to the provisions identifying the corresponding plan category: Article 82 of the French General Tax Code;
- 3) conditions for joining the scheme and other conditions applicable to benefit from it: beneficiaries are the corporate officers of Thales SA;
- 4) method for determining the reference compensation set by the scheme concerned and used to calculate beneficiaries' rights: the contribution base is comprised solely of the fixed compensation of the beneficiary in respect of his or her position as a corporate officer of Thales SA payable for the period from December 1 of the previous year to November 30 of the current year, subject to social security contributions as provided for in Article 242-1 of the Social Security Code, paid during the calendar year. The amounts taken into consideration are gross amounts, i.e. before deducting the various charges corresponding to employee contributions to social security and protection schemes of all types;
- 5) rate of vesting of rights: the scheme is funded annually;
- 6) existence of a limit, amount and method of calculation of any limit: not applicable, as the scheme is calculated as a percentage of compensation;
- 7) method of funding rights: contributions to the supplementary pension plan and flat rate amounts intended to offset the negative impact of tax and social security contributions on the net compensation are fully funded by the company. The beneficiary may, however, make personal voluntary contributions subject to the terms of the contract. If the beneficiary's term in office expires before November 30 of the current year, the contribution and flat rate sum will not be paid. The scheme provides for:
 - the payment by the company of an annual contribution to an external insurance company, equal to 32% of the gross fixed compensation actually received between December 1 of the previous year and November 30 of the year in question (i.e. fixed compensation subject to social security contributions subject to the terms set out in Article L. 242-1 of the French Social Security Code). The performance condition is determined as follows:
 - if annual variable compensation is <50% of target: no contribution is paid,
 - if annual variable compensation is between 50 and 80% of target = between 0 and 100% of contribution (linear),
 - if annual variable compensation is ≥ 80% of target = 100% of contribution;
 - the payment by the Company to the person concerned of an amount to compensate for the negative impact of this change on the latter's net compensation after contributions and income tax;
- 8) amount of the contribution and the supplementary payment at the end of the period:
 - if annual variable compensation is ≥ 80% of the target, the contribution amounts to €272,000,
 - as such, the gross amount of the supplementary payment totals €272,000;

- 9) corresponding tax and social security contributions payable by the company: The contributions or bonuses paid by the company in respect of Article 82 schemes are deductible from taxable income and are fully subject to social security contributions and charges.

At its meeting on March 4, 2024, the Board of Directors noted that the performance condition for payment of annual variable compensation in 2023 had been met, at 131.8% of target.

Subject to approval of the 8th resolution at the Annual General Meeting on May 15, 2024, the Company will finance the pension entitlements under the defined contribution plan described above in 2024.

Benefits and rights at the end of the term of office of Mr. Patrice Caine, Company representative

Severance pay

In accordance with the Afep-Medef code to which the Company has declared its adherence, an indemnity may be paid to Mr. Patrice Caine in the event that his term of office ends, except in the case of resignation, serious misconduct or gross negligence.

The amount of this severance pay is set at 12 months of his reference salary (fixed and variable compensation paid during the last 12 months of activity, excluding the long-term incentive plan). The Chairman and Chief Executive Officer resigned at the time of his appointment and no longer has an employment contract with the Company.

The payment of this severance pay is subject to the achievement of a performance criterion over the last three financial years: the average rate of achievement of the annual EBIT objectives set by the Board for the Company representative must be greater than or equal to 80%.

Private unemployment insurance

In addition, it was decided to take out private unemployment insurance with the same performance criteria as the severance pay. This provides for compensation for a period of one year and for an amount limited to the sum of the amounts corresponding to 70% of the portion of net taxable income below four times the annual social security ceiling (PASS) and 55% of the portion above, up to a limit of eight times the PASS. As of December 31, 2023, this private unemployment insurance would have represented an annual compensation equal to approximately €219,960, or 25.88% of the fixed compensation of the Chairman and Chief Executive Officer. The amount of the premium paid in respect of this benefit in kind amounted to €13,858 for 2023.

Other benefits in kind

In addition to this private unemployment insurance, Mr. Patrice Caine receives benefits in kind detailed in the table below summarizing the elements of his 2023 compensation.

D. Other information required under Article L. 22-10-9 I of the French Commercial Code

1) Equity ratios

Pay equity ratios measure changes in compensation disparities between the Company representative and employees. To increase their relevance, they have been calculated on the scope of the Group's French companies and not on that of the listed parent company alone. The latter was not selected because its workforce was not considered representative^[2].

^[2] By way of illustration, the 2023 ratio for the parent company amounts to 15 if it is calculated in relation to the mean of employees and to 27 if it is calculated in relation to the median. These ratios are lower than those of the France scope given the nature of the parent company's workforce (mainly executives).

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Consequently, these ratios were calculated as follows:

- the numerator is the compensation paid to the Company representative (fixed, annual variable, benefits in kind) or granted to him (LTI Plan) ⁽³⁾;
- in the denominator, compensation paid (fixed, variable annual, benefits in kind) or allocated (LTIP ⁽⁴⁾), based on a full-time equivalent, to active employees continuously present from January 1 to December 31, 2023, in the workforce of Group

companies having their registered office in France (Thales SA and companies under its exclusive control within the meaning of Article L. 233-16 II of the French Commercial Code). The staff of French and foreign branches of these companies is included in the calculation if they have more than 50 employees. Expatriates are excluded from the calculation base. For 2019, this compensation is calculated excluding Gemalto as the acquisition occurred during the year.

• TABLE OF RATIOS UNDER ARTICLE L. 22-10-9 I. 6° AND 7° OF THE FRENCH COMMERCIAL CODE

	2019	2020	2021	2022	2023
Compensation paid to the Company representative (in €)	1,918,536 ^(a)	2,013,177	1,701,718	2,832,658	2,837,494
Change in the compensation of the Company representative (in €)	+8%	+5%	-15%	+66%	—%
Mean compensation paid to employees (in €)	66,104	67,222	66,728	70,339	73,396
Change in mean employee compensation (in %)	0%	+2%	-1%	+5%	+4%
Ratio compared to mean employee compensation	29	30	26	40	39
Change in the ratio compared to the previous year (in %)	+8%	+4%	-15%	+58%	-4%
Ratio compared to median employee compensation	32	33	28	45	43
Change in the ratio compared to the previous year (in %)	+8%	+4%	-15%	+58%	-4%
Company performance: EBIT (in € millions)	2,008	1,352	1,649	1,935	2,132
Change compared to the previous year (in %)	+19%	-33%	+22%	+17%	+10%

(a) The long-term remuneration of the Company representative has been determined at fair value determined in accordance with IFRS. The valuation of the 2019 plan has been corrected based the 2020 Universal Registration Document, following a review by an actuary. The average ratio published in 2019 was 33 in 2019.

The decrease in ratios observed in 2021 is mainly due to the variable compensation paid in 2021 for 2020 (amount impacted by the Covid-19 crisis), which represents a greater weight for the Chairman and Chief Executive Officer than for eligible employees. In addition, unlike the Company's performance indicator (EBIT), the impact of the Covid-19 crisis is visible in the compensation "paid" in 2021 as set out in the table above.

Similarly, the increase in the ratio observed in 2022 reflects the level of variable compensation paid in 2022 for 2021, which is no longer affected by the Covid-19 crisis as was the variable compensation paid in 2021 for 2020. It also reflects the strengthening of the long-term component of compensation approved by the Annual General Meeting, whose IFRS valuation now reaches 100% of fixed compensation.

The decrease in the ratio observed in 2023 is mainly due to the stability of the compensation paid to the CEO between 2022 and 2023, while the average compensation paid to employees increased by 4.35% on average and 4% on median.

2) Contribution of the Chairman and Chief Executive Officer's 2023 compensation to long-term performance

In reviewing the 2023 variable compensation, the Board noted that its design offered balanced and straightforward incentives for both the achievement of the most critical dimensions of the annual budget (profitability, growth, cash generation) through the portion of annual variable compensation based on financial criteria and the achievement of value creation objectives over a longer time horizon (growth, cash generation, stock market performance), through the long-term incentive plan.

Following the Covid-19 crisis, which led to a very significant drop in the Chairman and Chief Executive Officer's annual variable compensation (down 47% between 2019 and 2020), this policy has made it possible to reward the Group's remarkable performance in terms of sales momentum and cash generation since 2021.

In addition, on an annual basis, variable annual compensation includes non-financial criteria to promote the successful achievement of annual or multi-annual strategic objectives and to take into account the social and environmental issues that are central to the Group's long-term performance. In this respect, the Board has expressed the wish for the executive's variable compensation to include more quantifiable CSR criteria, in both the short and long term, in order to reflect the Group's growing maturity and encourage its performance in this area.

Since 2022, the increased weighting of long-term compensation (LTI) in total compensation has helped to strengthen the incentives for the Chairman and Chief Executive Officer to maximize long-term value creation, and the introduction of a quantifiable Climate criterion in this long-term compensation has complemented the incentives already implemented in this area through annual variable compensation.

The fixed, variable and exceptional elements of the total compensation and benefits in kind paid in 2023 or granted under the same financial year to the Chairman and Chief Executive Officer, which will be submitted to a vote by the Annual General Meeting of May 15, 2024, according to Article L. 22-10-34, II of the French Commercial Code (8th resolution), are set out above and supplemented by the tables below, which have been prepared according to the Afep-Medef code. The compensation components are summarized in the table below.

⁽³⁾ The long-term incentive plan of the Company representative was determined at fair value determined in accordance with IFRS. The valuations of the 2018 and 2019 plans have been corrected since the 2020 Universal Registration Document, following their review by an actuary. The average ratios published in 2019 were 28 in 2018 and 33 in 2019.

⁽⁴⁾ The long-term incentive plan for employees was measured at fair value under IFRS 2 under the same accounting standards.



• **TABLE SUMMARIZING THE 2023 COMPENSATION ELEMENTS
FOR MR. PATRICE CAINE, PRESIDENT AND CHIEF EXECUTIVE OFFICER**

Elements of compensation	Policy approved by the Annual General Assembly on May 10, 2023	Paid for financial year 2023	Allocated to financial year 2023 (in amount or accounting value)
Fixed annual compensation	The policy provides an annual fixed compensation of €850,000.	€850,000	
Annual variable compensation	The policy provides a target annual variable compensation equal to €850,000. The criteria for setting are as follows: • up to 75% financial (see description above). The targets were set by the Board as part of the budget process but not made public for reasons of confidentiality; • non-financial for the balance, i.e., 25% of the variable compensation (see description above). In the event of outperformance on financial targets, variable compensation may reach a maximum of €1,275,000, i.e., 150% of the annual fixed compensation.		€1,120,636 ^(a)
Total annual compensation		€1,970,636 of which 56.9% is annual variable compensation and 43.1% is annual fixed compensation	
Multi-year variable compensation	None	—	—
Long-term compensation	2023 performance share plan (2023 LTI Plan) – The number of shares definitively vested will depend on the degree of achievement, calculated over three financial years, of performance conditions related to free operating cash flow, organic sales growth, reduction of operational greenhouse gas emissions (CO₂e), and Thales' stock market performance. Also, vesting is subject to a presence condition for four years (i.e., until July 20, 2026, inclusive), except in the event of death, disability, or retirement.	—	€849,868 ^(b)
Long-term compensation	2020 unit plan (2020 LTI Plan) – Number of performance units granted: 7081 The value of the units validated and vested is calculated according to the mean of the last 20 closing prices of the share recorded on February 24, 2024, i.e., €135.71. The payment of the validated and acquired units' value will be made half in cash and half in kind with Thales shares, subject to approval by the Annual General Meeting of May 15, 2024 (8th resolution).	€960,963 (amount definitively granted)	—

(a) The payment of Mr. Caine's 2023 annual variable compensation is subject to the approval of the 8th resolution of the Annual General Meeting of May 15, 2024.

(b) IFRS value at grant date of the performance units under the 2023 LTI Plan of the Chairman and Chief Executive Officer.

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Elements of compensation	Policy approved by the Annual General Assembly on May 10, 2023	Paid for financial year 2023	Allocated to financial year 2023 (in amount or accounting value)
Exceptional compensation	None	—	—
Non-compete clause	None	—	—
Compensation linked to taking office	None	—	—
Defined contribution pension plan	The Thales Company representative benefits from a defined contribution pension plan, the amount of which represents 32% of the fixed base salary actually paid from December 2022 to November 2023. The 2023 contribution is conditional upon the achievement of the performance conditions applicable to the annual variable compensation for the previous year and depends on the achievement of the following performance conditions: (i) if annual variable compensation is <50% of target: no contribution is paid; (ii) if annual variable compensation is between 50% and 80% of target = between 0 and 100% of contribution (linear calculation); (iii) if annual variable compensation is ≥ 80% of target = 100% of contribution. Check more details in section 4.4.1.1.C.		2023 contribution to the plan, paid by Thales to the insurer, on behalf of the Company representative: €272,000 Offsetting tax impact and expenses relating to the 2023 Plan Contribution: €272,000
Progressive and conditional deferred compensation until December 31, 2019	Prior to January 1, 2020, the Executive Corporate Officer benefited from progressive deferred compensation. As of January 1, 2020, in accordance with the approval of the Annual General Meeting of May 6, 2020, this deferred compensation was terminated and the entitlements were fixed as at December 31, 2019. The potential annual rights amount to €111,788 (€119,873 after revaluation). Entitlement to the annuity on the retirement date remains conditional on the achievement of a performance condition: the average rate of achievement of the annual EBIT targets set by the Board for the corporate officer must be greater than or equal to 80% over the last three financial years ended before the date of termination of his or her term of office. Check more details in section 4.4.1.1.C.		
Severance pay	An indemnity may be paid to Mr. Patrice Caine in the event of the termination of his corporate office, except in the event of resignation, serious misconduct or gross negligence and subject to the achievement of the same performance conditions as for the defined contribution pension plan. The amount of the indemnity is set at 12 months of his reference salary (fixed and variable compensation paid during the last 12 months of activity, excluding the long-term incentive plan). Check more details in section 4.4.1.1.C.	—	—
Compensation for serving as a director	By decision of the Board of Directors on March 7, 2023, Mr. Patrice Caine does not receive any compensation for serving as a director, which the Company retains.	—	—
Benefits of any kind	Mr. Patrice Caine is entitled to: - the services of a chauffeur-driven car for his business travel; - external legal and tax assistance; - a private unemployment insurance, the benefit of which is subject to the achievement of the same performance conditions as those stipulated for the severance pay. Check more details in section 4.4.1.1.C. Additionally, he is covered by the French employee benefit plan, an annual medical check-up as provided to Thales senior executives, and a directors' and officers' liability insurance^(a).	€3,987 €20,363 €13,858	

(a) The company's expenses for pension and health insurance benefits in the financial year 2023 amount to €5,899. Liability insurance is a collective insurance, and the cost cannot be individualized.



4.4.1.2 2023 compensation of other corporate officers

A. Principles of directors' compensation

The total amount of remuneration distributed among the directors (and any non-voting directors) for services rendered to the Board, including remuneration owed to Committee members for their participation in these Committees, is set at €600,000 per year and has been unchanged since 2008. The Board decided that the directors would receive:

- for services to the Board, fixed compensation of €14,000 per year (*prorata temporis* in the event of an appointment or of a resignation during the year) adjusted down if necessary to respect the total budget (see below), and variable compensation based on attendance at meetings amounting to €2,500 per meeting;
- for services to the Committees, compensation (entirely variable), based on attendance of €1,250 per meeting, with the Chairman of each Committee receiving an additional €2,000 per year (prorated based on the number of meetings chaired, if applicable);
- directors who are not members of the Strategic and CSR Committee who have been designated by the Board to participate in the meetings of this Committee for the CSR subject(s) on the agenda also receive €1,250 per meeting.

If, on account of the high number of meetings (variable compensation being paid first), the total amount of €600,000 per financial year (gross amount before any deductions) is likely to be exceeded, the fixed component of directors' compensation is reduced in order to remain within the annual budget approved by shareholders.

The Chairman and Chief Executive Officer does not receive any compensation in respect of his position as the Chairman the Board of Directors and as a director.

The two lead directors in CSR matters each receive variable compensation of €1,250 per meeting of the Strategy & CSR Committee, which they attend to discuss the CSR item on the agenda.

B. Directors' compensation for the 2023 financial year

For 2023, the fixed portion of this compensation amounts to €10,950 for each director. The directors' compensation amounts to a total (gross amount before any deductions and withholdings) of €599,329 (compared with €599,250 in respect of 2022). This amount includes compensation not collected by the Chairman and Chief Executive Officer in his capacity as a director and as the Chairman of the Strategy and CSR Committee, which the Company retains. This compensation was paid in full in January 2024. As recommended by the Afep-Medef code, of the total of €558,879 actually paid, the variable portion is the majority and amounts to €397,179 (approximately 71% of the total).

For information purposes, the gross amount (before any withholding or deduction) paid during the year 2023 (after possible retention by the Company) and constituting the compensation due for the year 2022 amounted to €559,000.

The appendix No. 3 table relating to directors' compensation was created according to the Afep-Medef code, giving compensation details for each director (see section 4.4.1.4 below).

4.4.1.3 Compliance with the recommendations of the Afep-Medef code

Recommendations of the Afep-Medef code	Thales provisions for Mr. Patrice Caine, Company representative
Severance pay	
Only in case of forced departure	Yes
Performance conditions over 2 years	Performance conditions over the last three financial years
Maximum amount: two years of compensation (fixed + variable)	12 months of reference salary (fixed and variable compensation paid during the last 12 months of activity, excluding the long-term incentive plan)
Defined contribution pension plan	
Performance conditions	(i) if annual variable compensation is <50% of target: no contribution is paid; (ii) if annual variable compensation is between 50 and 80% of target = between 0 and 100% of contribution (linear); (iii) if annual variable compensation is ≥ 80% of target = 100% of contribution.

4.4.1.4 Summary tables created according the Afep-Medef code

• TABLE 1: SUMMARY OF COMPENSATION, OPTIONS AND SHARES GRANTED TO THE COMPANY REPRESENTATIVE

(in thousands of euros)	2023	2022
Patrice Caine, Chairman and Chief Executive Officer		
Compensation granted for the financial year (detailed in Table 2)	2,008.8	2,019.8
Valuation of options granted during the financial year	–	–
Valuation of performance shares granted during the financial year	849.9 ^(a)	–
Valuation of performance units granted during the financial year		849.9 ^(b)
TOTAL	2,858.7	2,869.7

(a) IFRS value at grant date of performance units under the Chairman and Chief Executive Officer's 2023 LTI Plan. It is specified that, subject to approval by the General Meeting of May 15, 2024, the 7,081 performance units under the 2020 LTI Plan, for which the continued presence requirement has been met, will also be paid out, corresponding to an amount of €960,963.

(b) IFRS value at grant date of performance units under the Chairman and Chief Executive Officer's 2022 LTI Plan.

Governance and compensation

Compensation of Corporate Officers

● TABLE 2: SUMMARY OF THE COMPENSATION OF THE COMPANY REPRESENTATIVE

(in thousands of euros)	2023		2022	
	Due in respect of the financial year	Paid during the financial year	Due in respect of the financial year	Paid during the financial year
Patrice Caine, Chairman and Chief Executive Officer				
Fixed compensation	850.0	850.0	850.0	850.0
Variable compensation ^(a)	1,120.6	1,119.6	1,119.6	1,115.8
Exceptional compensation	—	—	—	—
Compensation for serving as a director ^(b)	—	—	—	—
Benefits in kind ^(c)	38.2	38.2	50.2	50.2
TOTAL PATRICE CAINE	2,008.8	2,007.8	2,019.8	2,016.0

(a) Cf. section 4.4.1.1 on the assessment of the 2023 variable compensation.

(b) Does not receive any compensation for his position as a director or for his participation in the Strategy and CSR Committee. This compensation is retained by the Company (decision of the Board of Directors on March 7, 2023). The amount of the compensation calculated and not paid to Mr. Patrice Caine for 2023 following these decisions amounts to €40,450.

(c) The Company representative benefits from the services of a chauffeur-driven car, external legal and tax assistance, and private unemployment insurance.

● TABLE 3: COMPENSATION RECEIVED BY NON-EXECUTIVE CORPORATE OFFICERS (GROSS AMOUNTS BEFORE ANY WITHHOLDING TAX AND/OR ANY DEDUCTION)

Beneficiary (gross amounts in euros)	Granted in respect of financial year 2023	Variable share/total (%)	Granted in respect of financial year 2022 and paid in 2023	Paid during the financial year 2022 ^(a)	Notes
L. Broseta (until 05/06/21)	0	—%	0	11,629	(c)
Ch. Edelstenne	38,450	72%	35,750	39,500	
B. Fontana	32,682	72%	33,575	33,575	
D. Gény-Stephann	28,432	67%	28,262	16,632	(c)
Ph. Knoche (until 07/06/23)	26,723	79%	40,250	40,250	
Ph. Lépinay	38,450	72%	38,250	39,500	(b)
A. de Madre (until 05/10/23)	11,370	66%	30,750	30,750	
M. Nitsch (from 05/10/23)	17,080	59%	0	0	(c)
A. Rigail	28,432	60%	28,262	14,507	(c)
L. Rocard (as of 09/28/23)	6,856	59%	0	0	
D. de Sahuguet d'Amarzit (until 05/06/2021)	0	—%	0	11,629	(c)
L. Segalen	40,950	73%	37,000	39,500	
A.-C. Taittinger	42,950	75%	41,500	39,000	
A. Taylor	28,450	62%	25,750	30,750	
E. Trappier	39,700	72%	38,250	35,750	
M.-F. Walbaum	35,950	63%	35,750	33,250	
Inter CFE-CGC (A.-M. Hunot-Schmit)	45,950	76%	44,500	39,500	
FGMM-CFDT (N. Relier-David) from 05/11/2022	38,450	72%	21,562	0	(c)
FGMM-CFDT (F. Sainct) until 05/11/2022	0	—%	19,188	44,500	(c)
Treasury Accountant – Ordinance No. 2014-948 (D. Gény-Stephann + B. Fontana + E. Moulin + A. Rigail + D. de Sahuguet d'Amarzit + L. Broseta)	58,004		60,401	57,528	
TOTAL GROSS COMPENSATION PAID	558,879	71%	559,000	557,750	(d)

(a) Since the decision of the Board of Directors on February 27, 2017, directors' compensation has been paid annually. Therefore, the payments made in 2022 correspond to the sum of the fixed and variable shares of the directors' compensation for the financial year 2021. Those made in 2023 correspond to the sum of the fixed and variable shares for the financial year 2022.

(b) Mr. Philippe Lépinay has informed the Company that he paid €3,500 in 2023 to the Association du Personnel Actionnaire de Thales (APAT).

(c) Amounts determined prorata temporis.

(d) These amounts do not include compensation not received by the Company representative (and retained by the Company) in respect of his position as a director. By including this last amount, the gross amount of directors' fees granted for the 2022 and 2023 financial years is €599,250 and €599,329 respectively, which remains below the annual budget (€600,000) authorized by the Annual General Meeting.



● **TABLE 4: SHARE SUBSCRIPTION/PURCHASE OPTIONS GRANTED DURING THE FINANCIAL YEAR TO THE COMPANY REPRESENTATIVE BY THE ISSUER OR BY ANY GROUP COMPANY**

None. Since 2012, the Company no longer grants share/purchase subscription options.

● **TABLE 5: SHARE SUBSCRIPTION/PURCHASE OPTIONS EXERCISED BY THE COMPANY REPRESENTATIVE DURING THE FINANCIAL YEAR**

None.

● **TABLE 6: PERFORMANCE SHARES GRANTED DURING THE FINANCIAL YEAR TO THE COMPANY REPRESENTATIVE BY THE ISSUER OR BY ANY GROUP COMPANY**

Under the 2023 compensation policy approved by the Annual General Meeting of May 10, 2023, in its 6th resolution and the authorization to grant free shares to the concerned party approved in its 10th resolution, Mr. Patrice Caine was granted a long-term incentive plan for the 2023 financial year in the form of performance shares. The main conditions are listed below.

Senior executive's name	Date of the plan	Maximum number of performance shares	Acquisition conditions
Patrice Caine	07/20/2023	11,000	Units vested after a vesting period of four years and subject to performance conditions at July 20, 2023

● **CRITERIA AND WEIGHTINGS OF LONG-TERM INCENTIVE PLAN (2023 LTI PLAN)**

Criteria LTI 2023	Weighting	Objectives	Thresholds	Payment in % of the target's total
Cumulative free operating cash flow over the period 2023-2025	35%	Floor: 90% x (budget 23 + budget 24 + budget 25) Target: budget 23 + budget 24 + budget 25 Ceiling: 120% x (budget 23 + budget 24 + budget 25)	If results < floor	0%
			If results = floor	17.5% (1,203 shares)
			If results = target	35% (2,406 shares)
			If results ≥ period's ceiling	56% 3,850 shares
Organic sales growth 2023-2025 (compound annual growth rate, CAGR)	35%	Floor: 90% x CAGR (budget 23 + budget 24 + budget 25) Target: CAGR (budget 23 + budget 24 + budget 25) Ceiling: 120% x CAGR (budget 23 + budget 24 + budget 25)	If results < floor	0%
			If results = floor	17.5% 1,203 shares
			If results = target	35% 2,406 shares
			If results ≥ period ceiling	56% 3,850 shares
Reduction of operational greenhouse gas emissions (CO₂e)^(a) Absolute value 2025 compared to 2018 (at constant scope)	10%	Floor: -36.83% Target: -38.75% Ceiling: -40.78%	If results < floor	0%
			If results = floor	5% 344 shares
			If results = target	10% 688 shares
			If results ≥ period ceiling	16% 1,100 shares
Total Shareholder Return compared to the Stoxx Europe Total Market Aerospace & Defence index - Measurement based on performance at 12/31/2025	10%	Floor: median of the Stoxx Europe Total Market Aerospace & Defence index Ceiling: highest quintile of the index	If TSR < index median	0%
			If TSR = median's index	10% 688 shares
			If TSR is in the highest quintile of the index	16% 1,100 shares
			Linear variation between the median and the entry point of the highest quintile	
Total Shareholder Return compared to CAC 40 Measurement based on performance at 12/31/2025 compared to 12/31/2022.	10%	Floor: median of CAC 40 Ceiling: highest quintile of the panel	If TSR < panel's median	0%
			If TSR = panel's median	10% 688 shares
			If TSR is in the highest quintile of the panel	16% 1,100 shares
			Linear variation between the median and the entry point of the highest quintile	

(a) Scope 1 + Scope 2 + Scope 3 "Business travel".

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● **TABLE 7: PERFORMANCE SHARES OR UNITS THAT BECAME AVAILABLE TO THE COMPANY REPRESENTATIVE DURING THE FINANCIAL YEAR**

As indicated in Tables 1 and 6, Mr. Patrice Caine's compensation as a Company representative includes performance shares as of the financial year 2023.

In accordance with the 4th resolution approved by the Annual General Meeting of May 10, 2023, on May 11, 2023, the Chairman and Chief Executive Officer was paid 5,760 performance units valued on the basis of the 20 latest closing share prices before February 24, 2022, i.e., an amount of €715,724. Half of this amount was paid in kind with Thales shares at the closing price on the day of the said Meeting, and the balance in cash.

● **TABLE 8: PAST GRANTS OF SHARE SUBSCRIPTION AND/OR PURCHASE OPTIONS TO THE COMPANY REPRESENTATIVE**

None. Mr. Patrice Caine has not received any share subscription and/or purchase options during his term of office.

● **TABLE 9: PAST AWARDS OF PERFORMANCE UNITS TO THE COMPANY REPRESENTATIVE**

Senior executive's name	Award year	Number of units allocated	Acquisition conditions
Patrice Caine	2017	3,840	Units vested after a vesting period of four years and subject to performance conditions over the period 2017-2019. The achievement of the performance level is presented in the 2019 Universal Registration Document, page 93. The units granted were transferred in accordance with the conditions set out in the 2020 Universal Registration Document, page 94.
Patrice Caine	2018	2,277	Units vested after a vesting period of four years and subject to performance conditions over the period 2018-2020. The achievement of the performance level is presented in the 2020 Universal Registration Document, page 95. The units granted were transferred in accordance with the conditions set out in the 2021 Universal Registration Document, page 98.
Patrice Caine	2019	5,760	Units vested after a vesting period of four years and subject to performance conditions over the period 2019-2021. The details of the other conditions are shown in the 2018 Universal Registration Document, page 97. The number of units and specific parameters of the 2019 LTI Plan have been adjusted following the approval by the Annual General Meeting of May 6, 2021 of its 6th resolution (cf. section 4.4.2 of the 2020 Universal Registration Document, page 104). The achievement of the performance level is presented in the 2021 Universal Registration Document, page 98. The units granted were transferred in accordance with the conditions set out in the 2022 Universal Registration Document, page 102.
Patrice Caine	2020	7,081	Units vested after a vesting period of four years and subject to performance conditions over the period 2020-2022. The number of units and specific parameters of the 2020 LTI Plan have been adjusted following the approval by the Annual General Meeting of May 6, 2021 of its 7th resolution (cf. section 4.4.2 of the 2020 Universal Registration Document, page 104). Details of the other conditions can be found in the 2020 Universal Registration Document, page 105 and 106. Finally, the floors and ceilings were further adjusted by the Board on March 2, 2022, following the classification of the Transport operating segment as a discontinued business (see section 4.4.1.1.B of the 2021 Universal Registration Document, page 99).
Patrice Caine	2021	10318	Units vested after a vesting period of four years and subject to performance conditions over the period 2021-2023. Details of the other conditions can be found in the 2020 Universal Registration Document, page 110. Achievement of the performance level is presented above in section 4.4.1.1.B.
Patrice Caine	2022	14,080 (maximum)	Units vested after a vesting period of four years and subject to performance conditions over the period 2022-2024. Details of the other conditions can be found in the 2021 Universal Registration Document, page 111.



TABLE 10: SUMMARY TABLE OF THE COMPANY REPRESENTATIVE'S MULTI-YEAR VARIABLE COMPENSATION

None.

TABLE 11

Company representative	Patrice Caine
Start date of current term ^(a)	May 11, 2022
End of current term	2026 AGM
Employment contract	No
Supplementary pension scheme	Yes ^(c)
Indemnities or benefits due or likely to be due as a result of termination or change of duties	Yes ^{(b) (c)}
Indemnity relating to a non-competition clause	No

(a) Patrice Caine was initially appointed Chairman and Chief Executive Officer on December 23, 2014.

(b) For more details see section 4.4.1.1 C above "Benefits and rights upon the termination of office".

(c) For more details, see section 4.4.1.1.C above "Supplementary pension plan of Mr. Patrice Caine, Executive Corporate officer".

4.4.2 Compensation policy for Corporate Officers representatives for the 2024 financial year

In accordance with Article L. 22-10-8 of the French Commercial Code, this section 4.4.2 presents the compensation policy applicable to corporate officers.

Sections 4.4.2.1 and 4.4.2.2 set out the remuneration policies applicable to the Chairman and Chief Executive Officer and for Directors, respectively, from the financial year 2024, which will be submitted for approval to the Annual General Meeting of May 15, 2024 (10th and 11th resolutions). If the 10th resolution is approved:

- in accordance with Article L. 22-10-8 of the French Commercial Code, the compensation policy in section 4.4.2.1 will apply to the Chairman and Chief Executive Officer as from the financial year 2024, subject to possible revision at a subsequent Annual General Meeting deliberating on the same subject;
- in accordance with the compensation policy, the elements of the total compensation and benefits of any kind for the Chairman and Chief Executive Officer paid during the 2024 financial year or granted for the same financial year will be submitted to a vote of the shareholders at the General Meeting called to approve the financial statements for the 2024 financial year, pursuant to Articles L. 22-10-9 and L. 22-10-34 I. and II. of the French Commercial Code, which moreover stipulate that the payment of variable and exceptional items is subject to the approval of the General Meeting.

If the 11th resolution is approved, under Article L. 22-10-8 of the French Commercial Code, the compensation policy presented in section 4.4.2.2 will apply to the directors from the 2024 financial year, subject to possible revision at a subsequent Annual General Meeting ruling on the same subject.

Process to establish the compensation policy for Company representatives

The Governance and Compensation Committee steers this process in accordance with the internal regulations of the Board of Directors.

To design the compensation policy for the Chairman and Chief Executive Officer, the Governance and Compensation Committee takes into consideration several parameters: salary policy for Group executives and employees, analyses prepared by an outside consultant, practices of comparable companies, strategic priorities, shareholders' point of view, recommendations of proxy-voting firms, stakeholder comments, changes in the Afep-Medef code, etc. Also, it considers the rate of achievement of financial and non-financial objectives in past years and the budget for the coming year. Through its Chairman, the Governance and Compensation Committee obtains all relevant information from the Human Resources Department, particularly concerning changes in salary practices within the Group, and from the other departments involved in establishing the policy (the Finance Department and the Company Secretary). Lastly, to measure the achievement of CSR objectives, and to set targets in this area, it relies on the findings and recommendations of the Strategy & CSR Committee, and on the work of the two lead directors in CSR matters who participate in the corresponding agenda item of the Governance and Compensation Committee.

The Governance and Compensation Committee issues recommendations to the Board of Directors. After examination, the Board submits its decision to the vote of the Annual General Meeting. Changes are only effective after the approval by the Annual General Meeting.

An independent director chairs the Governance and Compensation Committee. He can also call on an external consultant. Finally, the Chairman and Chief Executive Officer never participates in deliberations or votes in the Board of Directors on his own compensation.

When it deems it necessary, and in particular to take into account changes in the Afep-Medef code, the Governance and Compensation Committee studies whether it is appropriate to change the compensation policy for directors.

4.4.2.1 Compensation policy for the Chairman and Chief Executive Officer for the financial year 2024

The Board of Directors, based on the recommendation of its Governance and Compensation Committee, which met on February 1 and 23, 2024 and March 7, 2023, adopted this compensation policy for the Chairman and Chief Executive Officer for 2023.

A. General framework

Compensation for the Chairman and Chief Executive Officer includes the following items:

- an annual fixed compensation;
- an annual variable remuneration whose target is equal to 100% of the fixed compensation, based on a combination of financial and non-financial criteria. The weight of the financial criteria is dominant;
- a long-term incentive plan (LTIP) linked to the value of the Thales share, in the form of performance shares; it is specified that the variable compensation of the Company representative systematically includes one or more criteria linked to corporate social and environmental responsibility in its annual or long-term component;
- severance pay ⁽¹⁾;
- a private unemployment insurance ⁽¹⁾;
- a supplementary pension plan with several components ⁽¹⁾;
- legal and tax assistance;
- the same health insurance coverage as for senior executives;
- liability insurance for Company representatives;
- reimbursement of business expenses in accordance with Thales rules;
- an annual health check-up, like other Thales senior executives;
- the services of a chauffeur-driven car.

The Company adheres to the principles set out in the Afep-Medef code (section 26.1), according to which, in particular:

- the compensation of the Company representative must be competitive, tailored to the company's strategy and context. Also, it must promote its performance and competitiveness over the medium and long term and make it possible to attract, retain and motivate a high-performance executive;
- the following principles are considered when setting such remuneration: comprehensiveness, the balance between the elements of compensation, consistency with the company's other executives and employees, the intelligibility of the rules (simple, stable, and transparent), and balance against the company's corporate interest, market practices, the executive's performance, and the views of other stakeholders.

The compensation of Executive Committee members and most of the Group's senior managers is composed of a fixed part, an annual variable part, and a Long-Term Incentive Plan (LTIP). The respective proportion of each component is established by taking into account the level of responsibility of each position, and the compensation studies carried out in the various national markets where Thales operates.

Thus, for the Chairman and Chief Executive Officer, these components are proportionate and balance out as follows:

- the fixed part is established considering the level of responsibilities and on benchmark compensation studies for comparable profiles;
- the target annual variable compensation is equal to 100% of the fixed compensation; the maximum cap for this annual variable compensation is 150% of fixed compensation;
- the value at grant date of the target long-term compensation may not exceed 100% of fixed compensation; this ceiling will be raised to 120% of fixed compensation if the 10th resolution of the Annual General Meeting of May 15, 2024 is approved.

Long-term compensation is based on the achievement of demanding performance criteria at the end of a three-year period. It vests in a single instalment at the end of a four-year period. Most of the long-term incentive is subject to internal performance criteria linked to strategic objectives laid down by the Board that take into account the objectives communicated to financial markets (if they exist).

The Chairman and Chief Executive Officer is also obliged to retain the Thales shares received as follows:

- with regard to shares resulting from the unit-linked plans from which he has benefited in his capacity as Chairman and Chief Executive Officer, shares equal to 50% of the net gain after tax from the LTIP, until he has built up a portfolio of shares equivalent to one year's fixed salary,
- with regard to shares under free share plans which he has received in his capacity as Chairman and Chief Executive Officer, 30% of the shares vested, until he has built up a portfolio of shares equivalent to one year's fixed salary, then 10% of the shares vested beyond that. In this respect, to calculate compliance with this one-year fixed salary requirement, shares resulting from unit-based plans subject to retention obligations will be added to the shares resulting from free share plans that are also subject to this obligation.

These retention obligations will apply throughout the duration of his or her duties as corporate officer.

The Chairman and Chief Executive Officer also benefits from a supplementary pension plan described in section 4.4.2.1.B.d, which includes several components.

Lastly, severance payments to the Chairman and Chief Executive Officer may only be made in the event of forced departure, subject to the achievement of performance conditions over three financial years. They are capped at 12 months of reference salary (fixed and variable compensation paid during the last 12 months of activity, excluding LTIP). This amount is lower than the recommendations of the Afep-Medef code.

Pursuant to the Afep-Medef code (section 26.1.2), the rules for determining the Chairman and CEO's compensation should be stable and the performance criteria used should be, to the greatest extent possible, long lasting. In principle, fixed compensation should only be reviewed at relatively long intervals (section 26.3.1 of the Afep-Medef code).

The compensation policy for the Chairman and Chief Executive Officer provides for a plan applicable to exceptional circumstances (see section 4.4.2.1.B.f).

⁽¹⁾ Other compensation subject to performance conditions.



B. Detailed compensation policy for the Chairman and Chief Executive Officer

a) Overall compensation structure

At its meeting on March 4, 2024, the Board of Directors, acting on the recommendations of the Governance and Compensation Committee, decided to change the compensation policy for the Chairman and Chief Executive Officer, justifying its decision on the desire to make this compensation more competitive and in line with market practices in view of the Group's growth and changes in its business scope, while strengthening the alignment between the interests of shareholders and those of the executive.

In its decision, the Board of Directors also took into account the approval rate of 99.81% of the items mentioned in I of Article L. 22-10-9 of the French Commercial Code (5th resolution) and the approval rate of 98.03% of the compensation policy of the Chairman and Chief Executive Officer by the Annual General Meeting of May 10, 2023 (6th resolution).

The main changes envisaged in relation to the compensation policy for the Chairman and Chief Executive Officer adopted by the Annual General Meeting of May 10, 2023 are as follows, the reasons for and terms and conditions of which are detailed in the sections below:

Summary of changes proposed to the Annual General Meeting of May 15, 2024 (compared to the policy approved by the Annual General Meeting on May 10, 2023)	
Annual fixed compensation	● Increase in fixed annual compensation from €850,000 to €1,000,000
Annual variable compensation	● Increased weighting of CSR criteria from 10% to 15%, with a corresponding 5% reduction in other non-financial criteria
	● Outperformance option conditional, for all financial criteria for 2024, on the achievement of a Group EBIT target
Long-term incentive plan LTI Plan 2024	● Target allocation increased from 100% to 120% of annual fixed compensation, and maximum allocation increased from 160% to 180% of annual fixed compensation
	● Weighting of CSR criteria increased from 10% to 20%, with the addition of a Gender Balance criterion within the management bodies accounting for 10%, and corresponding reduction of the internal criteria of organic growth in sales and free cash flow from operations to 5% each
Other components of compensation	● Unchanged

The Board of Directors gave the following reasons for its decision:

- the Group's transformation, since 2015 and more particularly since the acquisition of Gemalto in 2019, in areas with a strong technological and digital component, through organic growth and timely acquisitions that have enabled it to acquire global standing in several fields (defence, cyber-security, etc.).
Over the years, this situation has reduced the competitiveness of the Chairman and Chief Executive Officer's compensation compared with that of his peers in the CAC 40 index, but also with that of executives in SBF 120 companies operating in comparable "Industrial" sectors (i.e., defence, aviation, automotive, etc.). In this respect, a comparative study carried out by an independent third-party firm highlighted that the compensation of the Chairman and Chief Executive Officer was 18% below the top quartile of CAC 40 companies.
In its analysis, the Board also took into account the moderate nature of the most recent increase in the Chairman and Chief Executive Officer's fixed annual compensation, carried out at the time of his renewal at the Annual General Meeting in 2022, i.e. +6% compared with the previous increase dating from 2019, the year in which Gemalto was acquired;
- the desire to increase the weighting of corporate social responsibility (CSR) criteria to bring them into line with market practices, thus reaffirming the Group's determination to implement a strong and ambitious strategy in this area. In this respect, the Board was informed that the weighting adopted by Thales for CSR criteria in the annual variable compensation of its executive officer, i.e. 10% for short-term and long-term compensation, was below the CAC 40 benchmarks, for which 15% is a minimum in both cases;
- the desire to strengthen the target level of long-term variable compensation (LTI), in order to align the interests of shareholders and the Chairman and Chief Executive Officer more closely over the long term, while at the same time maintaining the competitiveness of its overall compensation structure in relation to all CAC 40 companies, as well as SBF 120 companies operating in the "Industrial" sector, in which the weight of LTI represents 40% to 44% of overall compensation, whereas that of Thales currently represents only 33%;

- the desire to promote profitable growth against a backdrop of strong growth in order intake.

Therefore, the Board of Directors decided to:

- increase the fixed compensation of the Chairman and Chief Executive Officer from €850,000 to €1,000,000;
- maintain the relative weighting of target annual variable compensation (100% of annual fixed compensation), and its maximum (150% of annual fixed compensation) in the event of overachievement of targets, while making the outperformance option on financial criteria subject to achievement of a Group profitability target (EBIT) for 2024;
- increase the relative weighting of long-term variable compensation (LTI) in relation to other compensation components, by raising it from a target level of 100% to 120% of annual fixed compensation, and a maximum level of 160% to 180% thereof (i.e. 150% of the target amount);
- increase the weighting of CSR criteria in short-term variable compensation from 10% to 15%, and in long-term variable compensation from 10% to 20%, with a corresponding reduction in the weighting of other internal criteria.

All these changes are described below in the section dealing with the various components of the compensation structure for the Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer benefits from an LTI plan in the form of performance shares.

In accordance with its previous practice, the Board doesn't apply any deferral period to the payment of the remuneration of the Chairman and Chief Executive Officer, other than that provided for in section L. 22-10-34 of the French Commercial Code, under which the Chairman and Chief Executive Officer's variable annual remuneration for 2024 will be paid after approval by the shareholders at the 2025 General Meeting.

Finally, the compensation policy doesn't provide the possibility of asking the Chairman and Chief Executive Officer to return his annual variable compensation or his LTI.

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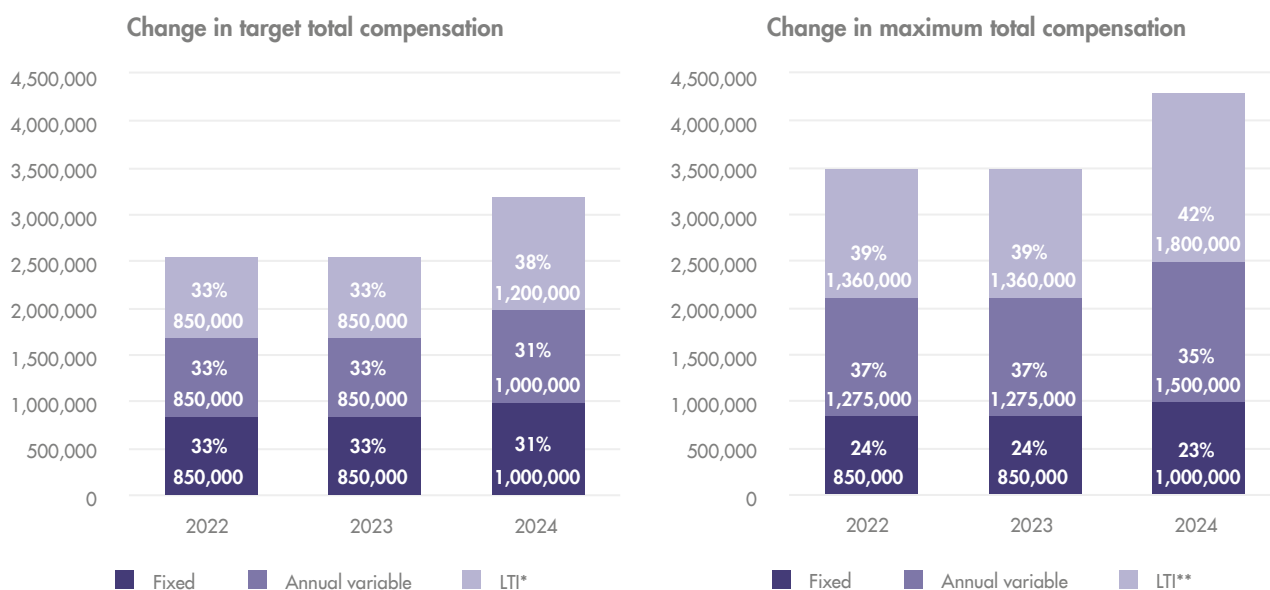
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Governance and compensation

Compensation of Corporate Officers

In summary, the fixed, annual variable and long-term shares of compensation are allocated as follows.



* Valuation of LTI plans at target in euros based on their IFRS fair value at the date of their allotment.

** Corresponds to 150% of target valuation, as presented in the graph on the left.

Rationale for the policy and its criteria

For annual and long-term variable compensation, the Board has set thresholds and performance criteria that contribute to the objectives of the compensation policy. In fact, the financial criteria (EBIT, order intake, organic sales growth, free operating cash flow) are key indicators of the Group's performance and competitiveness. The Climate and Gender Balance criteria included in the LTI (reduction in operational emissions and proportion of women in senior management (pay grades 10 to 12) correspond to the indicators on which the Group has set itself long-term targets, and for which it has both the largest scope for action and the most mature valuation methodologies. In addition, these criteria are consistent with those used in the compensation policy for other Group executives and employees. The thresholds have been positioned to reinforce the incentives to exceed budgetary targets. Regarding long-term compensation, the purpose is to stimulate the Group's development over the long term and accelerate the CSR roadmap. Lastly, the Board wished to pay attention to the clarity and stability of the calculation rules.

The Board noted that this total compensation policy provides clear and balanced incentives simultaneously to achieve the most critical dimensions of the annual budget (profitability, growth, cash generation), through variable yearly compensation, and to meet value creation targets over a longer horizon (growth, cash generation, stock market performance, environmental and social performance), through a long-term compensation. In addition, the Board considered it essential to complement this financial approach with the inclusion, on an annual basis, of non-financial criteria to promote annual or multi-year strategic objectives and reinforce the consideration of social and environmental issues that are central to the Group's long-term development.

Also, the Board emphasized that this remuneration policy contributes to the Group's business development strategy. Incentives for developing new business (variable remuneration linked to order intake or organic sales growth) are balanced by incentives to achieve profitability (EBIT and free operating cash flow), both for the current year (annual variable compensation) and in the medium term (LTI computed over three years).

Finally, the balance between annual and long-term variable components ensures that the compensation policy contributes to the Group's sustainability by minimizing the incentive to achieve annual objectives at the expense of medium-term development. With this in mind, the Board has decided to submit to the Annual General Meeting of May 15, 2024 a proposal to increase the target level of long-term variable compensation (LTI) from 100% to 120% of fixed annual compensation, and its maximum level from 160% to 180% of fixed annual compensation.

Also, the Board noted that the other elements of remuneration (defined contribution pension plan, severance pay, private unemployment insurance, benefits in kind) contribute to the competitiveness of the remuneration policy, which is designed to attract, retain and motivate a high-performing executive. These three objectives serve both the Group's corporate interest and its long-term development.

b) Criteria for determining the 2024 annual variable compensation

As in 2023, the criteria for determining annual variable compensation are 75% financial and 25% non-financial. To reward the outperformance on financial criteria, the payment relating to these criteria may exceed the target up to 125% of the annual fixed compensation, which isn't the case for the non-financial part, which remains capped at 25%. Therefore, the annual variable compensation is capped at 150% of the target.

(i) Financial criteria for 2024

The Board of Directors decided to maintain the same financial criteria and weightings as those used to determine the 2023 variable compensation, namely:

- EBIT for 35%;
- order intake for 20%;
- free operating cash flow for 20%.

For each criterion, annual variable compensation will only be paid if a demanding threshold is reached. For the first two criteria (EBIT and order intake), no amount is due when the actual figure reported is less than or equal to 90% of the target. For free operating cash flow, no amount is due when the actual figure reported is below the budgeted objective by more than 2% of targeted budgeted sales.



For 2024, the ability to outperform on these financial criteria for annual variable compensation will be conditional on achieving the profitability target (Group EBIT) set by the Board of Directors (see budgeted target below).

The trigger ranges for each of the financial criteria are unchanged from 2023 and are detailed below:

Financial criteria for annual variable compensation	Weighting	Thresholds	Payment as a % of the target
EBIT	35%	If results $\leq$ 90% of the budgeted objective	0%
		If results = 100% of the budgeted objective	35.00%
		If results $\geq$ 110% of the budgeted objective	58.33%
Order intake	20%	If results $\leq$ 90% of the budgeted objective	0%
		If results = 100% of the budgeted objective	20.00%
		If results $\geq$ 110% of the budgeted objective	33.33% *
Free operating cash flow	20%	If results $\geq$ budgeted objective 2% of budgeted sales	0%
		If results = 100% of the budgeted objective	20.00%
		If results $\geq$ budgeted objective 2% of budgeted sales	33.33% *
TOTAL FINANCIAL CRITERIA	75%		

* For 2024, the ability to outperform on these two criteria is subject to achievement of the Group EBIT target (set by the Board of Directors) used for the financial criterion linked to this aggregate.

The definition and calculation of these criteria are set out in section 2.3 of the 2023 Universal Registration Document.

As in previous years, the targets for each financial criteria correspond to those in the Group's annual budget approved by the Board of Directors. For confidentiality reasons, the exact objectives underlying these financial criteria cannot be disclosed.

The quantified levels of achievement for each financial criterion will be detailed retrospectively in the 2024 Universal Registration Document.

(ii) Non-financial criteria for 2024

For 2024, the Board has decided to maintain the overall weighting of non-financial criteria, i.e. 25%, while increasing the weighting of the criterion linked to Corporate Social Responsibility (CSR) from 10% to 15% of target variable compensation, in order to reflect the importance of this field in the Group's strategy.

It has therefore decided to retain the following four non-financial criteria:

- strategy (3%): pursue growth initiatives in the core business, as well as potential specific strategic reviews;
- cross-functional operational actions (3%): integrate recent acquisitions (Imperva, Tesserent and Cobham Aerospace Communications) and realize their synergies, continue to manage the ramp-up of business, particularly in the Aerospace and Defence sectors, continue to strengthen the resilience of the supply chain, relaunch the "Ca\$H" plan with a particular focus on inventory management;
- talent and human resources (4%): coordinate and monitor resources as planned for 2024, structure the "learning company" project and its initial implementation, promote employee commitment and experience;
- CSR criteria (15%): This is broken down according to the three pillars of the Group's new medium-term CSR strategy through three ambitious and quantifiable criteria, each accounting for 5% of the total:
 - the first pillar focuses on the planet, and includes among its objectives the aim of consolidating the deployment of the low-carbon Policy to reduce CO₂ emissions. The two 2024 targets for this pillar are:

- (i) a 50% reduction in absolute CO₂ emissions for Scopes 1 and 2 compared with 2018, and
- (ii) an 8% reduction in absolute CO₂ emissions for Scope 3 "use of products" compared with 2018.

These targets are voluntary and ambitious for two reasons:

- firstly, they are fully in line with the Group's trajectory to reduce greenhouse gas emissions by 2030, validated after a thorough and exhaustive review process by the Science Based Targets Initiative (SBTi), an independent body that defines and promotes best practices in the fight against global warming, as being in line with a 1.5 °C trajectory,
- secondly, they are expressed in absolute terms, which implies that the Group is reducing its carbon footprint even though its business has increased significantly since the 2018 reference year in markets that are forecast to grow;
- the second pillar focuses on society. For this pillar, the two 2024 objectives focus on raising awareness of climate change and digital security:
 - (i) climate change awareness: training in 2024 on a voluntary basis in the "Thales Climate Passport" for 50% of managers (pay grades 8-12) representing 26,000 employees, it being specified that a campaign of this scale is being conducted for the first time, and
 - (ii) digital security: specific actions on project-dedicated computer networks (BMN) and reinforcement of security policy;
- the third pillar concerns employees, with priority given to gender balance in order to promote continuous growth in the proportion of women in the Group's management bodies. The 2024 objective is for 60% of Management Committees to include at least four women ⁽²⁾. This is an ambitious target insofar as, on the one hand, women are under-represented in the engineering training programs that supply the Group's workforce (on this point, see the explanation given below regarding the Gender Balance target in long-term compensation) and, on the other hand, the successful achievement of this target may be affected by internal mobility or departures during the year.

⁽²⁾ As well as the Group Executive Committee, this includes the Management Committees of the GBUs, the Business Lines, the major countries where the Group operates, and the DGDI (covering the other countries where the Group operates), a total of 38 committees. As of December 31, 2023, 52.6% of Management Committees were composed of at least 4 women.

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c) 2024 Long-Term Incentive Plan (LTI Plan or LTIP)

The LTIP is designed to reward the Chairman and Chief Executive Officer based on the Group's long-term performance. In accordance with the Afep-Medef code (see section 26.1.2), the performance and employment conditions applicable to this plan are based on those applicable to the LTI plans of Executive Committee members and other senior Group executives who are beneficiaries (see section 6.2.3.5.1), without said conditions being identical. In this regard, notably, only the Chairman and Chief Executive Officer's LTI plan includes an external financial criterion linked to Thales's stock market performance, which is justified by his corporate office.

For the two internal performance criteria, the Board of Directors decided to maintain a three-year measure based on average (for organic sales growth) or cumulative (for the free operating cash flow) achievement of the annual budget targets.

The 2024 LTI Plan will take the form of performance shares (hereinafter referred to as "LTI").

At target, the value (IFRS) at the time of the allotment of the 2024 LTI Plan will be equal to 120% of the fixed compensation. At the ceiling, the number of LTIs allocated will correspond to 180% of fixed compensation.

The LTIs are subject to a four-year vesting period. The number of LTIs definitively vested in 2028 will depend on the level of achievement of performance conditions measured over three financial years (2024/2026).

(i) Performance criteria for the LTI 2024 plan

For this 2024 LTI Plan, the Board of Directors, on the recommendation of the Governance and Compensation Committee, has decided to confirm the criteria applied to the 2023 LTI Plan, having noted that they remain demanding and aligned with the Group's main long-term value-creation drivers, by adding a CSR/Gender Balance criterion to strengthen the CSR criteria linked to the Chairman and Chief Executive Officer's long-term variable compensation, which will thus be raised from 10% to 20% overall.

The LTI 2024 Plan will therefore be subject to four objectives, all of which are quantifiable:

- 30% based on a business growth target, measured by the organic revenue compound annual growth rate (CAGR) for the period 2024/2026;
- 30% based on a competitiveness objective, measured in terms of cumulative operating free cash flow over the period 2024/2026;
- 20% on CSR objectives. These are in line with the Group's long-term CSR strategy, and complement the objectives associated with short-term variable compensation, which are the levers for achieving them. They are assessed:

- half (10%) on the reduction of Scope 1 and 2 CO₂ emissions by 2026 in absolute terms and measured with reference to the level observed in 2018 and on a like-for-like basis; this CSR criterion is directly linked to the Group's performance in reducing CO₂ emissions. The floor and target objectives for 2026 have been set at -48% and -50% respectively compared with 2018. The demanding nature of these levels of achievement results from the fact that they are expressed in absolute terms and are in line with the trajectory "validated" by SBTi for these Scopes on the basis of the 1.5 °C scenario (see explanation above on the climate objective in annual variable compensation),
- half (10%) on the Gender Balance of management bodies determined by the proportion of women in positions of responsibility (pay grades 10 to 12 ⁽³⁾), which constitutes the new objective of this LTI 2024 Plan. The achievement levels for this objective, determined in line with the Group's long-term strategy in this area, have been set for 2026 at 21.75% and 22.50% respectively for the minimum and target levels. These figures, compared with the 20.4% figure at 12/31/2023, are ambitious on two counts. In France, women account for 33.3% of engineering students, but there is a wide disparity between biology and chemistry programs ⁽⁴⁾, where women account for over half of all students, and "electronics" and "IT" programs, where the proportion of women is well below 20% ⁽⁵⁾. However, it is these latter disciplines that supply the bulk of the Group's workforce. In addition, Thales has a strong presence in other countries where women are under-represented in engineering training (USA 22%, UK 21.5%, Germany 20.3%, Netherlands 19%);
- the measurement of Scope 1 and 2 CO₂ emissions (according to the methodology set out for 2023 in section 5.5.1.2), as well as that of the proportion of women in positions of responsibility (pay grades 10 to 12), will be reviewed by the statutory auditor in charge of certifying sustainability information, who will be required to provide limited assurance, thereby guaranteeing the quality of this measurement;
- 20% based on Thales's stock market performance measured by the Total Shareholder Return (including the reinvested dividend). The calculation is made on the performance as of December 31, 2026, compared to that of December 31, 2023, evaluated:
 - half (10%), compared to the Stoxx Europe total market Aerospace & Defence index members as of December 31, 2026,
 - the other half (10%) in relation to the CAC 40 Index members as of December 31, 2026.

⁽³⁾ The Group's internal classification has 12 pay grades, with 12 being the highest. At December 31, 2023, 10,919 staff were employed at pay grades 10 to 12.

⁽⁴⁾ Gender Equality Barometer 2022, Conférence des Grandes Ecoles.

⁽⁵⁾ Les femmes dans les métiers scientifiques et de l'ingénierie, Etat des lieux et perspectives, Etude Topics, 2022.



(ii) Thresholds and objectives attached to the 2024 LTI Plan performance criteria

The thresholds and objectives, set in a demanding and motivating manner by the Board, are as follows:

LTI 2024 Plan criteria	Weighting	Objectives	Thresholds	Payment as a % of target total
Cumulative free operating cash flow over the period 2024-2026	30%	Floor: 90% x (budget 24 + budget 25 + budget 26) Target: budget 24 + budget 25 + budget 26 Ceiling: 120% x (budget 24 + budget 25 + budget 26)	If results < floor	0%
			If results = floor	15%
			If results = target	30%
			If results ≥ period ceiling	45%
			Linear variation between floor and target, and between target and ceiling	
Organic sales growth 2024-2026 (Compound annual growth rate, CAGR)	30%	Floor: 90% x CAGR (budget 24 + budget 25 + budget 26) Target: CAGR (budget 24 + budget 25 + budget 26) Ceiling: 120% x CAGR (budget 24 + budget 25 + budget 26)	If results < floor	0%
			If results = floor	15%
			If results = target	30%
			If results ≥ period ceiling	45%
			Linear variation between floor and target, and between target and ceiling	
Reduction in Scope 1 and 2 greenhouse gas emissions (CO ₂ e) ^(a) Absolute value 2026 compared to 2018 (at constant scope)	10%	Floor: -48% Target: -50% Ceiling: -52%	If results < floor	0%
			If results = floor	5%
			If results = target	10%
			If results ≥ period ceiling	15%
			Linear variation between floor and target, and between target and ceiling	
Share of women in senior management (pay grades 10-12) 2026 value	10%	Floor: 21.75% Target: 22.5% Ceiling: 23.25%	If results < floor	0%
			If results = floor	5%
			If results = target	10%
			If results ≥ period ceiling	15%
			Linear variation between floor and target, and between target and ceiling	
Total Shareholder Return compared to the Stoxx Europe Total Market Aerospace & Defence index - Measurement performed on performance on 12/31/2026 compared with 12/31/2023	10%	Floor: median of the Stoxx Europe Total Market Aerospace & Defence index Ceiling: highest quintile of the index	If TSR < index median	0%
			If TSR = median's index	10%
			If TSR is in the highest quintile of the index	15%
			Linear variation between median and the highest quintile entry point	
Total Shareholder Return compared to the CAC 40 index - Measurement performed on performance on 12/31/2026 compared with 12/31/2023	10%	Floor: median of CAC 40 Ceiling: highest quintile of the index	If TSR < index median	0%
			If TSR = median's index	10%
			If TSR is in the highest quintile of the index	15%
			Linear variation between median and the highest quintile entry point	

(a) Scope 1, Scope 2.

For the free operating cash flow and organic sales growth criteria, the targets will correspond to the cumulative amounts (for free operating cash flow) or the compound annual growth rates (for organic sales growth) set out in the Group's annual budgets approved by the Board of Directors in 2024, 2025 and 2026 for the corresponding financial years.

At the end of the 2026 financial year, the Board of Directors will determine the extent to which these performance conditions have been met, and the number of shares that may be definitively acquired. The shares will vest definitively, subject to the condition of presence and except in the event of death or disability, four years after the date of grant by the Board of Directors.

(iii) Additional 2024 LTIP vesting criteria conditions

If he should leave the Group during the vesting period, all performance unit entitlements shall be forfeited. Entitlement shall only be maintained in the event of death, disability or retirement.

The Chairman and CEO must hold the Thales shares delivered to him:

- with regard to shares resulting from the unitlinked plans from which he has benefited in his capacity as Chairman and Chief Executive Officer, up to 50% of the net gain after tax from the corresponding LTI Plans, until he has built up a portfolio of shares equivalent to one year's fixed salary;

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- with regard to shares under free plans which he has received in his capacity as Chairman and Chief Executive Officer, up to 30% of the shares vested, until he has built up a portfolio of shares equivalent to one year's fixed salary, then up to 10% of the shares vested beyond that; in this respect it is specified that, for compliance with this one-year fixed salary requirement, shares resulting from unit-based plans subject to holding obligations will be added to the shares resulting from free share plans that are also subject to this obligation.

These retention obligations will apply throughout the duration of his or her duties as corporate officer.

In accordance with section 26.3.3 of the Afep-Medef code and the Internal Code on Insider Trading, the Chairman and CEO has undertaken not to use any hedging instruments in relation to his risk exposure on any shares or performance units he holds.

d) Supplementary pension scheme

Following the approval by the Annual General Meeting of May 6, 2020, the Chairman and Chief Executive Officer benefits from two supplementary pension schemes: one in the form of progressive and conditional deferred compensation prior to December 31, 2019, and the other in the form of a supplementary defined-contribution pension, subject to Article 82 of the French General Tax Code, set up to provide the beneficiary with a pension annuity that is substantially equivalent to the previous progressive and conditional deferred compensation scheme.

(i) Progressive and conditional deferred compensation prior to December 31, 2019

Prior to January 1, 2020, the Chairman and Chief Executive Officer benefited from a scheme giving entitlement to progressive deferred compensation, the amount of which was determined according to a points-based allocation method identical to that provided for by the supplementary collective pension scheme in place within Thales for Group executives whose compensation exceeded the Agirc contribution ceiling.

More specifically, Patrice Caine has acquired potential rights:

- for the period from 2011 to 2014, under the Thales Employee Plan;
- for the period from 2015 to 2019, under the Rules applicable to Thales' Corporate Officers.

As of January 1, 2020, in accordance with the approval of the Annual General Meeting of May 6, 2020, this deferred compensation was terminated and the entitlements under the two aforementioned schemes were fixed as at December 31, 2019. As such, the Chairman and Chief Executive Officer has no longer acquired any new rights under these plans since that date.

The fixed rights acquired under the Thales Employee Plan amount to €10,260 (€11,002 after revaluation). This is subject to the provisions of Article L. 137-11 of the French Social Security Code. As a result, the payment of the annuity is subject to a condition of completion of the career in the company.

The fixed rights acquired under the scheme applicable to Thales' corporate officers amount to €101,528 (€108,871 after revaluation). (for more information on this point, see 4.4.1.1 C).

The scheme applicable to Thales' corporate officers does not fall under the provisions of Article L. 137-11 of the French Social Security Code. However, the benefit of the annuity on the day of retirement remains conditional on the achievement of a performance condition: the average rate of achievement of the annual EBIT targets set by the Board for the corporate officer must be greater than or equal to 80% over the last three financial years ended before the date of termination of his or her term of office. The fulfillment of this

performance condition will be assessed by the Board at the time of the departure of the corporate officer.

The plan regulations provided for a doubling of the annuity for officers who remain a member of the Executive Committee for 10 years. As Patrice Caine had been a member of this Committee for seven years before the date of fixing of rights (from 2013 to 2019), the Board of Directors applied a coefficient of 1.7 to this annuity, in accordance with the texts in force, and deemed the condition of presence on the Executive Committee to have been met.

(ii) Defined contribution pension plan for the Chairman and Chief Executive Officer

Following the decision of the Annual General Meeting of May 6, 2020, the Chairman and Chief Executive Officer benefits from a defined contribution pension plan provided by an external insurer and financed by the Company, which allows an annuity or lump sum payment (Article 82 of the French General Tax Code).

For a given year, the Company contributes 32% of the fixed base compensation actually received by the Company representative between December 1 of the previous year and November 30 of the year in question. In addition, the Company pays the concerned party an equivalent amount to offset the impact of the salary and income tax expenses due by the premium paid by the Company.

Following the approval of the 10th resolution by the Annual General Meeting of May 6, 2021 (section 4.4.3.1.B page 112 of the 2020 Universal Registration Document), this defined contribution plan is not conditional on continued presence in the company at the time of retirement, and its payment is conditional on the achievement of a performance condition recorded in respect of financial year N-1 determined as follows:

- if annual variable compensation is <50% of target: no contribution is paid;
- if annual variable compensation is between 50 and 80% of target = between 0 and 100% of contribution (linear);
- if annual variable compensation is ≥ 80% of target = 100% of contribution.

Accordingly, payments are made after the Annual General Meeting has noted that the performance conditions applicable to variable compensation for financial year N-1 have been met.

e) Other Elements of the Compensation of the Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer benefits from two other compensation components described in section 4.4.1.1, as follows:

(i) Severance pay

In accordance with the Afep-Medef code to which the Company has declared its adherence, an indemnity may be paid to Mr. Patrice Caine in the event that his term of office ends, except in the case of resignation, serious misconduct or gross negligence.

The amount of this severance pay is set at 12 months of his reference salary (fixed and variable compensation paid during the last 12 months of activity, excluding the long-term incentive plan). The Chairman and Chief Executive Officer resigned at the time of his appointment and no longer has an employment contract with the Company.

The payment of this severance pay is subject to the achievement of a performance criterion over the last three financial years: the average rate of achievement of the annual EBIT objectives set by the Board for the Company representative must be greater than or equal to 80%.



(ii) Private unemployment insurance

The beneficiary is entitled to private unemployment insurance with the same performance criteria as the severance pay. This provides for compensation for a period of one year and for an amount limited to the sum of the amounts corresponding to 70% of the portion of net taxable income below four times the annual social security ceiling (PASS) and 55% of the portion above, up to a limit of eight times the PASS.

In addition, the Chairman and Chief Executive Officer receives the following other items of compensation, also unchanged from 2023:

- legal and tax advice;
- private healthcare benefits identical to those offered to senior executives;
- company representatives' civil liability insurance;
- reimbursement of business expenses in accordance with Thales rules;
- an annual health check-up, like other Thales senior executives;
- the services of a chauffeur-driven car.

The Chairman and Chief Executive Officer doesn't receive any compensation for his position as a director of Thales. He has no service contract with Thales SA or one of the companies controlled by it, within the meaning of Article L. 233-16 II or III of the French Commercial Code.

For more information, please refer to section 4.4.1.1.

f) Exceptional events

This section describes the measures envisaged in case of an exceptional event.

In the event of (i) a transaction that significantly changes the Group's scope of consolidation, or (ii) the occurrence of circumstances or events outside the Company that have a significant impact on the Group and could not have been foreseen at the time of approval of this compensation policy by the Board of Directors for presentation to the Annual General Meeting, the Board of Directors reserves the right to exercise its discretionary power to adjust upwards or downwards one or more of the parameters attached to the performance criteria (weighting, triggering thresholds, objectives, targets, etc.) of the annual or long-term variable compensation (LTIP) of the Company representative. This will ensure that the results of the application of the said criteria reflect both the performance of the Company representative and that of the Group. Following the same logic, the Board of Directors may adjust the trigger levels, objectives and targets in the event of changes in accounting standards.

These adjustments will be determined by the Board of Directors on the recommendation of its Governance and Compensation Committee and disclosed on the Company's website.

It should be noted that this option is different from that provided for in Article L. 22-10-8-III paragraph 2 of the French Commercial Code.

No provision has been made for the Board of Directors to depart from this compensation policy in the event of exceptional events other than those mentioned above.

4.4.2.2 Compensation policy for directors for financial year 2024

At its meeting on March 4, 2024, the Board of Directors, on the recommendation of the Governance and Compensation Committee, decided to change, with effect from 2024, the compensation policy for directors approved by the Annual General Meeting of May 10, 2023 (7th resolution).

a) Reassessment of directors' compensation structure

The Board first noted that directors' compensation had not been re-evaluated for 15 years, resulting in a significant discrepancy with market practices, particularly among CAC 40 companies. In this respect, the Board took note of a comparison (based on the AFEP study of July 2023) of directors' annual compensation, showing that that of Thales directors was around €38,000 gross, compared with an average of €95,000 and a median of €86,000 among CAC 40 companies.

The Board then decided to reassess this compensation structure in order to:

- be able to attract high-caliber directors in a competitive environment, ahead of changes in the composition of the Board;
- reflect the increased responsibilities of directors and the growing workload of the Board and its Committees over the past 15 years;
- further strengthen the variable portion of remuneration by recognizing the value of face-to-face meetings, the work of Committee Chairmen and that of the two lead directors in CSR matters; and
- enable new directors to fulfill their statutory obligation (unless exempted by law) to acquire and hold 500 shares with one year's gross compensation.

Subject to approval of the 11th resolution by the Annual General Meeting of May 15, 2024, the Board has decided to:

- raise the total compensation package for directors from €600,000 to €1,200,000, as this would represent an increase of slightly less than 5% per annum over the 15 years with no increase;
- raise variable compensation for attendance at Board meetings from €2,500 to €5,000 per meeting, and for attendance at Committee meetings from €1,250 to €2,500 per meeting;
- replace, for Committee chairs, the additional fixed annual portion of €2,000 with a doubling of the variable portion for each Committee meeting chaired;
- apply a 25% reduction for remote participation to all variable portions thus adjusted (Boards, Committees, Committee chairs);
- raise the maximum fixed portion per director from €14,000 to €20,000; and
- apply the same compensation principles as other Committee members for Committee meetings attended by the lead directors in CSR matters.

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These changes, which are subject to the approval of the Annual General Meeting of May 15, 2024 (11th resolution), are reflected in sections b) and c) below which, subject to this reservation, will constitute the compensation policy for directors as from the 2024 financial year:

b) Annual compensation

The total amount of compensation distributed among the directors (and any non-voting directors) for services rendered to the Board, including compensation owed to Committee members for their participation in these Committees, is set at €1,200,000 per year.

Directors receive:

- for services to the Board, fixed compensation of €20,000 per year (prorata temporis in the event of an appointment or of a resignation during the year) adjusted down if necessary to respect the total budget (see below), and variable compensation based on attendance at meetings amounting to €5,000 per meeting;
- for services to the Committees, compensation (entirely variable), based on attendance of €2,500 per meeting, with the Chairman of each Committee receiving an additional €2,500 per meeting chaired;
- the directors appointed by the Board as lead directors in CSR matters also receive €2,500 per meeting of one of the three specialized committees in which they participate for the CSR topic(s) on the agenda;
- the above variable amounts per meeting are subject to a 25% reduction if the director participates remotely.

Censors, if any, receive compensation that is entirely variable, based on attendance at meetings and amounting to €2,500 (or less, if the Board so decides) per meeting;

If, on account of the high number of meetings (variable compensation being paid first), the total amount of €1,200,000 per financial year (gross amount before any deductions) is likely to be exceeded, the fixed component of directors' compensation is

reduced in order to remain within the annual budget approved by shareholders.

The Chairman and CEO does not receive any compensation in respect of his office as director.

In accordance with the recommendations of the Afep-Medef code, this structure was set up so that the variable component makes up most of the directors' compensation. Directors are therefore encouraged to observe strict attendance at meetings, which is essential if they are to carry out their duties effectively.

No provision has been made for the possibility of requesting that directors return the variable component of their compensation.

c) Exceptional compensation

In accordance with Article L. 225-46 of the French Commercial Code, additional compensation may be allocated to directors outside the authorized annual budget of €1,200,000 on an exceptional basis by decision of the Board in the following cases:

- pursuant to the Board's rules of procedure, the Chairman may request that specific committees be set up to study a proposed transaction, such as the signature of a major contract or the completion of an investment or divestment, for which the referral to one of the standing committees does not seem the best way for such transaction to be appraised and subsequently voted on by the Board. In such cases, the Board of Directors may decide to grant its members exceptional compensation in the form of a flat fee pro-rated for the meetings attended;
- the Board may also entrust specific tasks to a director and decide to grant him or her exceptional compensation commensurate with the work performed.

This exceptional compensation, where applicable, will be subject to the provisions of Articles L. 225-38 to L. 225-42 of the French Commercial Code.



4.5 Compensation of other Officers

The total compensation paid in 2023 to Executive Committee members, excluding the Chairman and Chief Executive Officer, represents a total of €15,982 thousand. It includes a variable

portion of 43.6% for 2023. As for the Chairman and Chief Executive Officer, the variable portion is indexed to financial and non-financial performance criteria.

• DETAILS OF THE SALARIES PAID TO THE EXECUTIVE COMMITTEE (EXCLUDING THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER) IN 2022 AND 2023

(in thousands of euros)	2023	2022
	Paid during the financial year	Paid during the financial year
Executive Committee (excluding the Chairman and CEO)		
Fixed compensation	6,526	6,040
Variable compensation	6,972	5,156
Defined contribution pension	2,432	2,544
Severance payment	—	—
Benefits in kind	52	54
Total before employer social contributions	15,982	13,794
Employer social contributions	5,496	4,623
TOTAL EXPENSE	21,478	18,417

Starting in 2020, members of the Executive Committee benefit from a defined contribution pension whose contribution paid by Thales to the insurer is considered a benefit in kind.

Additionally, at the end of December 2023, 252,176 performance shares and 31,617 phantoms shares were granted to members of the Executive Committee other than the Chairman & Chief Executive Officer. The breakdown by grant date and their detailed characteristics, as well as any options exercised, are provided in section 6.2.3.5 (page 242). The summary statement of transactions carried out by officers, directors, etc. and linked persons is shown in section 4.6. page 130.

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4.6 Summary statement of transactions mentioned in Article L. 621-18-2 of the French Monetary and Financial Code carried out in 2023

In accordance with Article 223-26 of the General Regulations of the French financial markets authority (AMF).

To the Company's knowledge the following declarations have been sent to the AMF by persons required to file a declaration ⁽¹⁾, for publication on its website (<http://www.amf-france.org>):

Senior executive's name	Financial instrument	Type of transaction	Total transaction amount (in euros)	Unit price (in euros)
French State - Agence des participations de l'État	Share	Reversal of allocation of securities to EPIC Bpifrance	—	—
Dassault Aviation (personne liée à Eric Trappier)	Share	Acquisition	17 577 161	130,91
	Share	Acquisition	12 587 961	131,38
	Share	Acquisition	14 031 156	133,77
	Share	Acquisition	9 973 739	134,83
	Share	Acquisition	13 724 834	136,01
	Share	Acquisition	13 476 880	136,43
	Share	Acquisition	21 690 472	135,92
	Share	Acquisition	12 225 531	133,37
	Share	Acquisition	10 766 167	134,46
	Share	Acquisition	9 312 282	135,80
	Share	Acquisition	21 911 487	136,92
	Share	Acquisition	13 796 510	138,34
	Share	Acquisition	29 838 137	136,64
	Share	Acquisition	12 212 698	135,84
	Share	Acquisition	4 065 446	139,78
	Share	Acquisition	9 922 257	139,92
	Share	Acquisition	639 119	134,81
	Share	Acquisition	721 772	134,84
	Share	Acquisition	160 380	135,00
	Share	Acquisition	32 516 443	137,09
	Share	Acquisition	8 823 328	138,91
	Share	Acquisition	29 739 638	137,59
	Share	Acquisition	1 882 748	135,93
Pascal Bouchiat	Share	Free share acquisition ^(b)	—	—
Patrice Caine	Share	Payment in kind ^(a)	357 746	138,50
Alexander Cresswell	Share	Disposal	261 141	138,32
	Share	Free share acquisition ^(b)	—	—
	Share	Disposal	275 701	132,74

⁽¹⁾ These are persons required to file a declaration pursuant to Article L. 621-18-2 a), b) and c) of the French Monetary and Financial Code. The persons referred to in Article L. 621-18-2 b) of the French Monetary and Financial Code include the members of the Executive Committee.

Senior executive's name	Financial instrument	Type of transaction	Total transaction amount (in euros)	Unit price (in euros)
Marc Darmon	Share	Disposal	273 636	132,00
	Share	Disposal	138 000	138,00
	Share	Disposal	209 850	139,90
	Share	Disposal	142 000	142,00
	Share	Disposal	268 000	134,00
	Share	Disposal	69 500	139,00
	Share	Disposal	208 575	139,05
	Share	Disposal	66 640	140,00
	Share	Disposal	213 360	140,00
	Share	Free share acquisition ^(b)	—	—
	Share	Disposal	209 850	139,90
Hervé Derrey	Share	Free share acquisition ^(b)	—	—
Philippe Duhamel	Share	Free share acquisition ^(b)	—	—
Jean-Loïc Galle	Share	Disposal	347 424	132,00
	Share	Free share acquisition ^(b)	—	—
	Share	Disposal	364 000	140,00
Philippe Keryer	Share	Free share acquisition ^(b)	—	—
Marianna Nitsch	Action	Disposal	67 332	134,66
Isabelle Simon	Action	Free share acquisition ^(b)	—	—
Pascale Sourisse	Action	Free share acquisition ^(b)	—	—
Philippe Vallée	Action	Free share acquisition ^(b)	—	—

(a) Payment made partly in kind with Thales shares of the value of units granted under the LTI Plan and subject to performance conditions.

(b) Acquisition price: €131.45.



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Corporate responsibility and non-financial performance

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5.1 A corporate responsibility policy to support sustainable economic growth

"Ambitious and proactive, our CSR policy is both aligned with the Group's business strategy, and perfectly consistent with its purpose: "Building a future we can all trust". In 2023, we met or exceeded all the key multi-year milestones of our CSR objectives, as defined in 2019 and revised upwards in 2021. Against a backdrop of growing challenges, this performance has led us to further raise our ambitions and commitments for 2030."

Isabelle Simon,
Company Secretary, Thales

5.1.1 CSR issues and strategy

Thales has been proactively implementing an ambitious corporate responsibility policy for over twenty years. Based on the highest international standards, it contributes directly to implementing the Group's purpose: "Building a future we can all trust."

Thales' CSR strategy is based on two pillars: on the one hand, the Group's ambition is to maximize the contribution of its portfolio of solutions to a world that is "safer, more respectful of the environment and more inclusive"; on the other hand, Thales has set itself ambitious objectives in four key priority areas —climate, diversity and inclusion, ethics and integrity, and health and safety at work— to which precise quantitative targets have been assigned.

2023 was a pivotal year in the implementation of this strategy. It marked the end of a structuring phase, followed by a sharp acceleration, as well as the end of a cycle of multi-year objectives launched in 2019. The results have been extremely positive, with all objectives met and some exceeded. This excellent performance is reflected in the constant improvement in assessments by non-financial agencies.

But 2023 also saw a sharp rise in the stakes involved in CSR issues worldwide. On the climate front, with record temperatures worldwide and average warming over 1.5 °C compared with the pre-industrial age. This phenomenon resulted in extreme climatic events with major human and material costs. From a geopolitical point of view, the proliferation of conflicts brought the fundamental need to protect populations back to the forefront. Finally, on an ethical level, 2023 was marked by the massive development of artificial intelligence technologies, including in Thales'activities, raising concerns and questions.

Against this backdrop, in 2023 the Group redefined its CSR roadmap, raising its level of ambition in terms of societal and environmental contribution and developing a new program for the period 2024-2030.

5.1.1.1 Contributing to a safer, more environmentally friendly and more inclusive world

Thales' ambition is to play an active role in building a more responsible and sustainable world, in line with its purpose: "Building a future we can all trust".

To this end, Thales is mobilizing its capacity for innovation throughout its business portfolio in the service of sustainable performance. Thanks to its cutting-edge technical skills, its 33,000 employees involved in R&D, and its high-level scientific expertise, Thales has a role to play in developing technologies that contribute to a safer world, a world that is more respectful of the environment and more inclusive:

- Safer, through high-tech equipment that gives sovereign states the means to protect their territory and population.
 - Highlights of 2023 include the success of the GM200 and GM400 surveillance radar systems, which enable many countries to monitor their airspace;
 - and the Group's growing expertise in cybersecurity. Thales has become one of the five world leaders in this field, following the acquisition of the American company Imperva.
- More respectful of the environment, thanks to a range of solutions that help to reduce our customers' ecological footprint, or to better observe environmental phenomena.
 - In civil aviation, for example, Airbus' adoption of the PureFlyt flight management system will reduce the impact of air transportation by optimizing aircraft trajectories;
 - In space, Thales has won a major contract for the implementation in 2023 of the IRIDE constellation, a pioneering Earth observation program.
- More inclusive: the Group is committed to providing responsible products and services that strengthen the trust of users and service providers alike.
 - For example, the introduction of the True Biometrics range contributes to the advent of transparent, comprehensible and ethical biometric technologies, aimed in particular at eliminating the risk of discriminatory bias.



5.1.1.2 Achievements and highlights of 2023

In 2023, the Group met or exceeded all the targets it had set itself for the four pillars of its CSR policy (climate, diversity and inclusion, ethics and integrity, and health and safety at work) to which it had publicly committed at the investor day dedicated to these themes in October 2021:

STRATEGY FOR A LOW-CARBON FUTURE	DIVERSITY & INCLUSION	ETHICS & INTEGRITY	WORKPLACE HEALTH & SAFETY
> Reduction of operational ⁽¹⁾ CO₂ emissions - 35 % 2023 - 50 % 2030 NET ZERO 2040 Absolute reduction compared with reference year 2018 > 100% of new developments incorporate eco-design ✓ > The SBTi validated 2030 CO₂ reduction targets ✓	> Management committees 75 % 2023 with at least three women > Women in management positions 20 % 2023	> Anti-corruption 100 % 2023 Exposed persons trained every two years > Extension of ISO 37001 certification ✓	> Accidents at work - 30 % 2023 Reduction in the lost-time accident frequency rate compared with reference year 2018

(1) Scope 1 + Scope 2 + Scope 3 Business Travel

✓ Objectives achieved in 2023.

- Climate: the strategy for a low-carbon future deployed since 2019 bore fruit, with a reduction in greenhouse gas emissions in all scopes in 2023, and in particular a 52% drop in "operational" emissions (Scopes 1 and 2 and business travel), significantly exceeding the target set (-35%); in addition, the emissions reduction trajectory between now and 2030 was validated by the Science Based Targets Initiative (SBTi) in line with the Group's commitment;
- Diversity and inclusion: the Group exceeded its two objectives, with 20.4% of women in management positions and 86.8% of management committees having at least three women;
- Ethics and integrity: 100% of the people targeted by the 2023 training campaign on the prevention of corruption and influence peddling were trained;
- Occupational health and safety: the lost-time accident frequency rate fell sharply (-36.7%) compared with 2018, exceeding the 30% reduction target.

These excellent results are the culmination of numerous initiatives structured and deployed by the Group, as well as the commitment of all its employees.

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5 Corporate responsibility and non-financial performance

A corporate responsibility policy to support sustainable economic growth

The table below presents a selection of CSR milestones for 2023, together with the United Nations Sustainable Development Goals (SDGs) to which they directly contribute.

CSR milestones for 2023	SDGs concerned
In March 2023, the independent Science Based Targets Initiative (SBTi) approved Thales' greenhouse gas emissions reduction objectives for 2030. This confirms the compatibility of these objectives with the Paris climate agreement. In September, Thales joined the CAC SBT 1.5 index, launched in January 2023 by Euronext.	
Singapore's Trust Bank and Thales launch the Ocean Plastic® bank card. The card is made from recycled plastic bottles collected from polluted coastal areas.	 
To mark World Recycling Day, held every year on March 18, Thales carried out an initial assessment of the "Green Initiative" collaborative platform, launched in 2022. The platform brings together 2,275 Group employees to acquire, donate and exchange professional equipment between Thales sites in France. Thales launches the "Frugal by Design" internal competition, aimed at encouraging the development of innovative solutions to reduce the environmental footprint of the Group's products.	
In 2023, Thales recruited more than 10,900 employees to support its strong growth momentum. Most of these new hires were in research and development (40%) and manufacturing (20%).	
Thales Alenia Space wins the 2023 Randstad Employer Brand Award. The Randstad Employer Brand Awards recognize the companies perceived by potential candidates as most attractive as employers.	
Thales joins the Working with Cancer initiative. Through this inter-company initiative, the Group is committed to setting up awareness programs and support measures for employees affected by this disease.	 
In June, on the occasion of the Paris Air Show at Le Bourget, Thales brought together over a hundred strategic suppliers to discuss the challenges of decarbonizing the value chain.	 
Thales defined its new vision and ambitions for 2030. At the heart of the Group's strategy, these commitments aim to make Thales a leader in sustainable development in its markets by 2030.	



5.1.1.3 A CSR policy recognized by non-financial rating agencies and banking partners

Thales' CSR commitments and performance have been assessed for many years by the main extra-financial rating agencies.

In 2023, the great majority of these assessments view Thales as one of the best performing companies in its sector as regards commitment to CSR. For example, the Group has an A rating on climate from CDP. Similarly, EcoVadis' assessment places Thales among the top 1% in the aerospace and defence sector (Platinum medal). Finally, the Group was selected by Euronext Paris for inclusion in the CAC SBTi 1.5 index.

ESG Agencies	Agency descriptions	Thales positioning	Scores/Evaluations		
			2021	2022	2023
Bloomberg	Bloomberg's proprietary model is based on a framework and sustainability and industry research and analysis in order to standardize data, eliminate bias and fill disclosure gaps.	In analysis	N/A	56.6/100	58.3/100
Maddyness RSCE 2023 CAC40	Corporate Scientific Responsibility (CSaR) is an indicator for assessing the effectiveness of organizations in the area of scientific research. Each company is allocated a score based on five main criteria: the effectiveness of the research, employment of researchers, contribution to knowledge, promoting science in the value chain, contribution to scientific culture in society, and commitment to the environment	Each company was subjected to rigorous review and rating based on listed criteria by a committee composed of scientists, journalists and experts. Thales shares top spot in this new ranking with a score of 79/100, the average score for CAC 40 companies being 40/100.	N/A	N/A	79/100
CDP Climate	CDP is an international non-profit organization, which manages the global environmental reporting system for companies, investors, public authorities, cities, states and regions. CDP holds the world's biggest environmental database. CDP scores are used to guide investment and procurement decisions, with a view to promoting an economy that is zero-carbon, sustainable and resilient.	With its A rating, Thales is one of the respondents that have reached the "leadership" level (the highest)	A-	A-	A
CDP water	Access to water, along with climate change, is one of the crucial issues of the 21st century. According to OECD data, by 2030 47% of the world's population is expected to be affected by water shortage. Faced with this crisis, which is accelerating year after year with changing consumption patterns and the direct effects of climate change, the CDP has been producing a survey since 2010 dedicated to this theme.	For its first assessment, Thales received a B- and as such is in the "management" range. This rating is higher than the European regional average (C) and the average for the electrical and electronic equipment sector (C).	N/A	N/A	B-
Ecovadis	EcoVadis is the global standard for CSR assessments and is distinguished by the quality of its analysis of ESG policy implementation in companies.	Thales is ranked among the top 1% of the best-performing companies among all those evaluated by Ecovadis (Platinum medal)	N/A	71/100	79/100

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ESG Agencies	Agency descriptions	Thales positioning	Scores/Evaluations		
			2021	2022	2023
Gaia	EthiFinance ESG Ratings assesses the companies it covers according to a reference framework of around 120 criteria, divided into four pillars: Environment, Social, Governance and External Stakeholders. The agency updates its rating reference system every year, in order to take account of regulatory changes and integrate the emerging ESG issues at stake.	Thales outperforms the 76 companies in its sector (manufacturing) with an average score of 48/100.	62/100	57/100	65/100
ISS ESG	ISS ESG assesses the ESG risks of corporate portfolios through ESG ratings based on data and analysis.	Thales has Prime status, awarded to companies whose ESG performance is above the sector-specific Prime threshold, meaning that they meet ambitious requirements in terms of absolute performance.	C	C+	C+
Moody's	Moody's ESG Solutions is a world leader in ESG assessments, data, research, indices and analyses.	Thales' Moody's rating has been steadily evolving for several years, placing the Group on the doorstep of the CAC40 ESG.	57/100	61/100	62/100
MSCI	MSCI's ESG ratings aim to measure a company's management of pertinent ESG risks and opportunities from the financial point of view.	As a supplier of defence and security solutions, Thales is less exposed to the risks associated with product safety issues than its peers. The agency considers that Thales has the best and latest practices in the field of product quality management.	A	BBB	A
FTSE Russell	With over 20 years' experience in the field of environmental, social and governance (ESG) data, FTSE Russell provides investors with the data models and tools necessary to understand the ESG risks and opportunities associated with a company's operations and products	With an initial rating of 3.9/5, Thales ranks in the top 15% of its sector.	N/A	N/A	3.9/5
Refinitiv	Refinitiv creates ESG scores designed to measure companies' ESG performance, commitment and effectiveness.	Thales ranks 33rd out of 133 in the aerospace and defence sector. This score indicates an excellent relative ESG performance and a high degree of transparency.	N/A	54/100	60/100
S&P Global	S&P's Corporate Sustainability Assessment (CSA) index compares companies in 61 sectors using questionnaires evaluating a set of cross-industry and sectoral questions. On the basis of their performance, companies are given scores ranging from 0 to 100 and percentile rankings for around 20 sustainability criteria that are financially relevant in economic terms,	Thales again completed the CSA questionnaire after a three-year pause. The new evaluation criteria, based exclusively on public information, will enable Thales in particular to move ahead in communicating its actions.	N/A	N/A	51/100
Sustainalytics	Sustainalytics assesses the ESG risk of companies. As a result, the lower the result, the lower the estimate of this risk.	Sustainalytics notes that the diversity of Thales' portfolio of products and services leads to substantial exposure to quality and safety issues, but that this is offset by a strong management system, Thales having put forceful initiatives in place for its main ESG issues (human capital development, learning opportunities, programs on quality, safety and diversity).	27.7	28.7	26.8

These assessments are those transmitted by the non-financial rating agencies at the time the document was drafted (March 2024). They may change over time, even retrospectively, to take account of methodological developments.



5.1.1.4 Definition in 2023 of a stronger CSR ambition and a new program for 2030

5.1.1.4.1 A forward-looking, collaborative approach

To define its CSR ambition for 2030, the Group conducted a forward-looking analysis of the major sustainability trends and challenges, from the standpoint of technology, human resources, geopolitics and the economy. This process was completed by an analysis of best practices in the sector, as well as the expectations and challenges specific to the Group's markets. The results of the double materiality analysis carried out as part of the preparation for the CSRD (see section 5.1.6) were also taken into account.

In addition, in order to deepen this reflection while keeping as close as possible to the present and future realities of its customers and the different ecosystems in which Thales operates, several workshops were organized with internal experts within the Group's Global Business Units and transversal functions.

This work involved more than 500 employees from all the Group's Global Business Units and countries of operation, in order to take account of their expectations and encourage their commitment. A network of CSR ambassadors, made up of young employees around the world who are particularly committed to these issues, has also been called on to question and help advance the planned orientations.

This forward-looking, collaborative approach has enabled us to shape a CSR vision and ambition in line with the Group's genetic make-up and its challenges.

5.1.1.4.2 A renewed vision

As a player in the defence and high-tech sector, Thales has a duty to respond to the most critical societal challenges, and has a role to play in making the world safer, greener and more inclusive.

The Group's strategy is underpinned by the conviction that building a sustainable future requires concern for the security and stability of sovereign states, even in times of peace. Peace is one of humanity's

fundamental needs, alongside issues such as health, access to water and energy. Our economies and societies need to find a development model that can guarantee these vital elements while staying within planetary limits. It is a question of finding the "safe space" for the future of humanity, between the social foundations and the environmental ceiling, as theorized by economist Kate Raworth.

It is between these two frontiers that Thales wishes to place its activities: the Group intends to act to respect the planet's limits, while working to strengthen the resilience of societies and foster their economic prosperity. Thales has therefore chosen to place the protection of our societies and their future at the heart of its CSR approach.

Technologies will play a key role in meeting tomorrow's major challenges. Thanks to its positioning and the central role played by R&D in its activities, Thales has tremendous assets to mobilize science and technology for the benefit of today's citizens and future generations.

5.1.1.4.3 Greater ambition and a new CSR program for 2030

Aware of its responsibilities and backed by the assets at its disposal, Thales has set itself the goal of becoming the leader in sustainable development in its markets by 2030.

To support this ambition, the Group has designed a new CSR program for the period 2024-2030. It will enable the Group to develop and measure the positive contribution it wishes to make for the benefit of societies, the planet and its employees. The program is structured around these three pillars:

- Societies: Thales wants to use technology to help build more responsible and sustainable societies;
- Planet: Thales is committed to changing the way it operates to better respect the planet's limits;
- Employees: Thales aims to build an inclusive and attractive professional working environment in which each person can give of his or her best.

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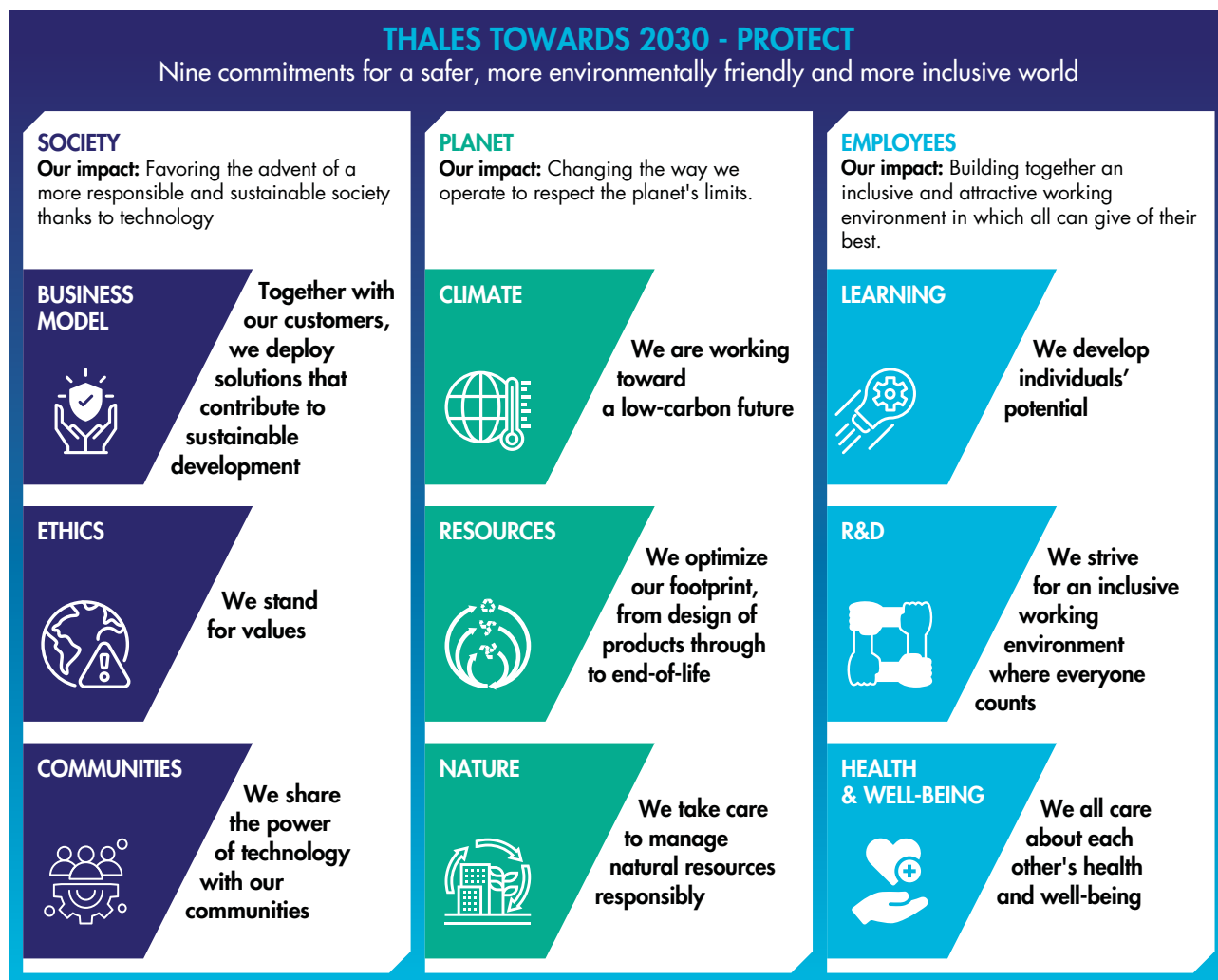
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5 Corporate responsibility and non-financial performance

A corporate responsibility policy to support sustainable economic growth

These three pillars of the Group's new CSR program are themselves each made up of three commitments, giving a total of nine key commitments:



A roadmap and action plans, currently being finalized, underpin each of these nine commitments. They are intended to guide the Group's efforts and ensure steady, concrete progress over the period 2024 to 2030.

The proportion of CSR criteria in variable compensation will increase from 10% in 2023 to 15% in 2024. This change will concern eligible employees (around 63% of the workforce, almost 51,000 people) and, subject to approval of the 10th resolution by the Annual General Meeting of May 15, 2024, the Chairman and Chief Executive Officer. These criteria will be raised from 10% to 20% for long-term incentive (LTI) plans for eligible executives and, subject to the same proviso, for the Chairman and Chief Executive Officer.

For 2024, the Group has identified four priority actions with an impact on society, the planet and employees. These priorities are associated with quantified objectives that will be included in the CSR

criteria for the 2024 variable compensation of the Chairman and Chief Executive Officer (see section 4.4.1) and Group employees eligible for variable compensation:

- Society: Raising employee awareness of climate change through the Thales Climate Passport (see section 5.2.1.2.5) and strengthening digital security;
- Planet: Consolidation of the deployment of the low-carbon Policy to reduce emissions in line with the Group's 2030 commitments (see section 5.2.2.1);
- Employees: Continued growth in the proportion of women in management bodies, in line with the 2026 targets set by the Board of Directors (see section 5.3.3.3.2).

Work will continue in 2024 to define the quantitative targets for 2030 associated with the nine commitments of the new program, as well as intermediate milestones.



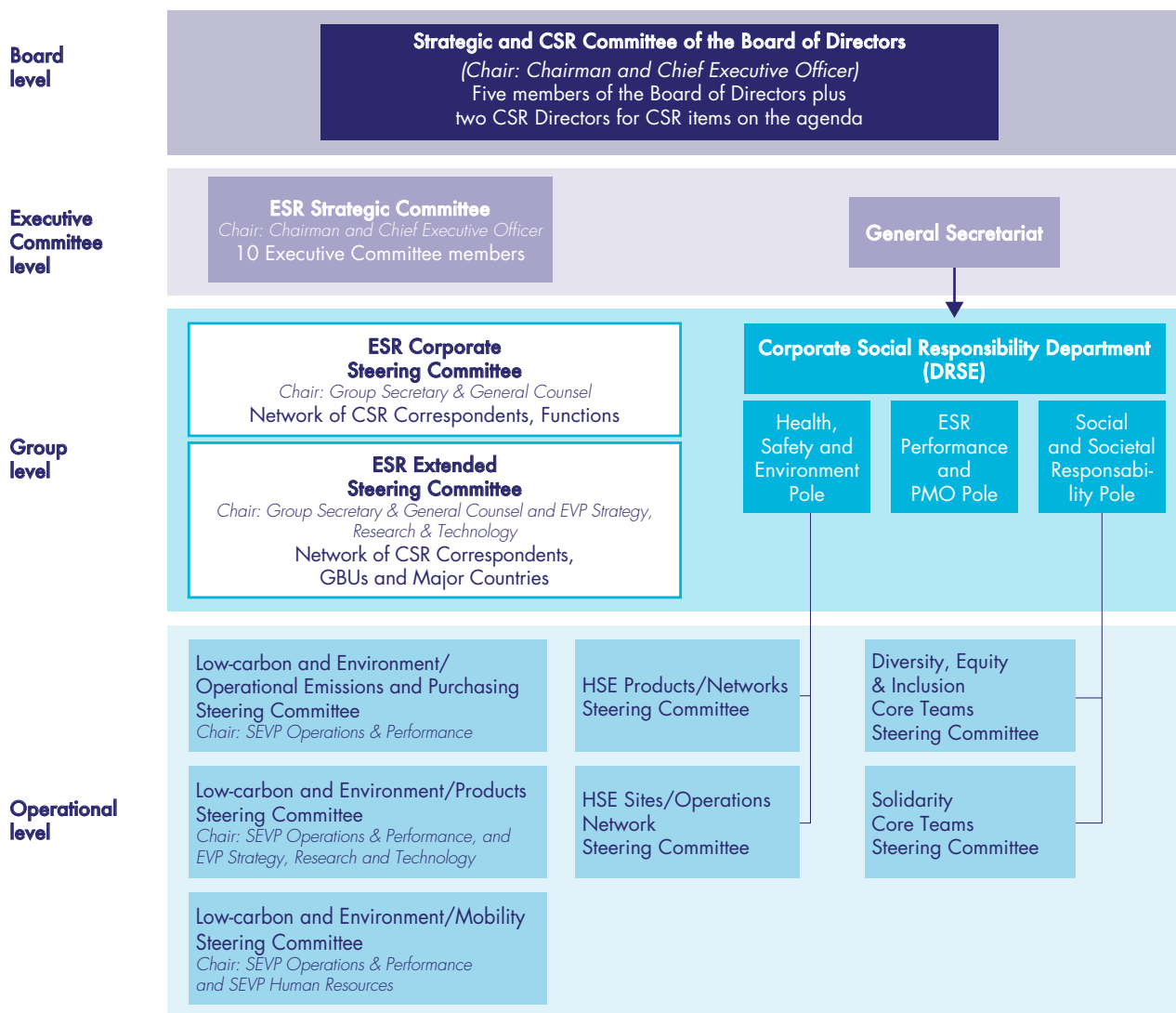
5.1.2 CSR governance to accelerate sustainable transformation

In 2022, Thales' CSR governance was strengthened with the creation of a specific department attached to the General Secretariat and new bodies dedicated to CSR issues. This development reflects the strategic importance of the subject for Thales' present and future.

The new central, integrated CSR department is supported by a network of correspondents throughout the Group, with the aim of combining strategic vision, technical expertise, local integration and operational performance. Reporting to a CSR Director, it comprises two areas of expertise: Environment, Health and Safety, and Corporate Social Responsibility.

These hubs are made up of qualified experts who draw up and manage CSR policy road maps and coordinate networks deployed within Global Business Units, countries and central functions. The "CSR Performance and Project Management Office" provides the tools, methods and elements of monitoring and anticipation to ensure compliance with applicable CSR regulations and to promote the effectiveness of Thales' CSR policy, its strategic relevance, internal commitment and external recognition.

The CSR governance model ensures strategic and operational alignment at all levels of the company.



Several bodies are involved in steering the Group's CSR actions.

Board of Directors' specialized committee

At the Board of Directors level, the Strategic and CSR Committee is responsible for reviewing the Group's CSR strategy and for monitoring its results on an annual basis. This committee of the Board comprises five directors including the Chairman and Chief Executive Officer, who chairs it. Since 2022, two key directors for CSR have been attending meetings of the Strategy and CSR Committee for agenda items dealing with social and environmental responsibility issues, and coordinating the action of other Board Committees in the field of CSR.

CSR strategic decision-making body at the executive level

Chaired by the Chairman and Chief Executive Officer and with meetings held at least once a quarter organized by the CSR Director, the CSR Strategic Committee is made up of ten members of the Executive Committee. Its mission is to validate the strategy and objectives of Thales' CSR policy, as well as the associated indicators and targets. It approves priorities and action plans for achieving CSR objectives, and periodically reviews progress. It also ensures that the resources and investments committed to support Thales' CSR ambition and objectives are adequate.

5 Corporate responsibility and non-financial performance

A corporate responsibility policy to support sustainable economic growth

Cross-functional CSR policy steering and coordination bodies

CSR is rolled out at all levels within the Group, in both the business (Global Business Units/product lines) and geographical (country, region, sites) dimensions.

The Corporate CSR Steering Committee, chaired by the Group Secretary, brings together the CSR correspondents of the corporate functions and the heads of the CSR Department. Its mission is to develop and share key CSR issues, priorities and initiatives and periodically evaluate the deployment of roadmaps in relation to objectives.

The CSR Network Steering Committee, chaired by the Company Secretary jointly with the Executive Vice President, Strategy, Marketing & Technology, is made up of the Directors of the CSR Department, the “Strategy and Marketing” Vice Presidents of the Global Business Units and major countries who are the CSR correspondents in their businesses and regions, and whose role is to deploy CSR actions from a primarily strategic and operational standpoint.

Other operational bodies have been set up to deal with specific issues (see section 5.2.1.1).

Finally, there are governance bodies for issues not directly covered by the CSR department (such as integrity and compliance policy, purchasing policy and certain aspects of human resources policy), and these are detailed in the other sections of this document.

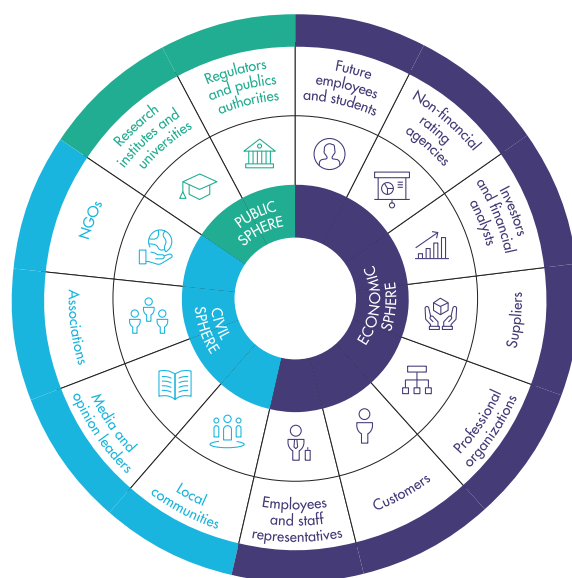
5.1.3 Maintaining ongoing dialog with key stakeholders

Convinced that decision-making is enriched by the sharing of different points of view, Thales encourages the development of active relations with all its stakeholders and strives to take their expectations into account in defining and implementing its CSR strategy.

For each category of stakeholder, Thales develops a policy of appropriate, structured dialog, depending on their expectations and issues, thereby implementing its corporate purpose: “Building a future we can all trust”. This exchange, coordinated by the departments concerned by each issue, enables the Group to share its policies and action plans and validate their pertinence.

The departments responsible for dialog with one or more of our stakeholders took part in the work carried out by Thales in 2023 to draw up a double materiality matrix (see section 5.1.6).

MAIN CATEGORIES OF THALES’ STAKEHOLDERS





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Stakeholders	Relations maintained	Examples in 2023
Departments in charge of dialog		
Employees HR DEPARTMENT	With over 80,000 employees worldwide, 40% of them dedicated to R&D, human resources are essential to the Group's performance. Thales has developed a number of dialog mechanisms based on proximity, to ensure well-being in the workplace and to listen to employees' concerns on an ongoing basis.	In 2023, the Group conducted its second engagement survey, the results of which are shared internally in order to implement the necessary action plans for points identified as requiring improvement (see section 5.3.3.5)
Customers and end-users Quality and Marketing Departments	The Group is always ready to listen to its customers and users of its solutions. The Group's current and future success is based on a lasting relationship of trust with its customers, the result of the ongoing commitment of its teams and a particularly demanding safety and security policy.	See section 5.4.3.1
National and international regulators and authorities Public Affairs Department	Thales operates in highly regulated sectors. The Group maintains close relations with the authorities and ensures that it complies strictly with all applicable regulations.	- Regular meetings with parliamentarians and members of the governments of the countries in which Thales operates. - Deployment of a transparent and responsible lobbying policy. See section 5.4.2.7
Suppliers Procurement Department	Amounts paid to Thales' suppliers are equal to the half of the Group's annual revenues. Thales establishes mutually cooperative relationships with its partners, based on trust and the sharing of the Group's ambitions and CSR strategy, in order to maintain a high-performance supply chain.	See section 5.4.3.2
Investors and analysts Investor Relations Department	Thales strives to provide the financial markets with accurate, precise and sincere financial information, in compliance with applicable regulations. In this context, the Investor Relations Department implements a whole range of communication tools for investors and financial analysts.	- Regular communication with investors and analysts through the organization of a roadshow; - Numerous participations in investor meetings on CSR issues; - Publication of the URD and Integrated Report in electronic formats for easier sharing.
Non-financial rating agencies CSR Department	Non-financial rating agencies play an increasingly important role in assessing Thales' CSR policy. The Group has strengthened its teams in order to better meet their expectations and strengthen relations with their analysts. The aim of this approach is to discuss Thales' CSR issues in greater depth and on a more regular basis.	Appointment of a Director of "Non-Financial Reporting and Performance." See section 5.1.1.3
Professional organizations CSR Department	Thales is a member of numerous national and regional professional associations. In this way, it helps to build common approaches to major CSR issues.	The Group participates in the work of the IAEG (International Aerospace Environmental Group), GIFAS (French Aerospace Industries Association) and the ASD (European Aerospace, Security and Defence Industries Association). Within AFEP (French Association of Private Enterprises) and Medef, France's biggest employer federation, the Group has taken part in numerous consultations organized by the European Union on CSR issues.
Future employees HR DEPARTMENT	It is the men and women of Thales who, thanks to their "human intelligence", enable the Group to develop the best innovations. For many years, Thales has maintained strong and regular relations with the world of teaching and universities. This approach is essential to meet the growing challenges of recruitment.	Thales is placed second in the Universum ranking of preferred companies of engineering students in France (2022). See section 5.3.2.1
Research institutes and universities R&T Department	In all countries where it is present, Thales endeavors to build partnerships within innovation ecosystems, with academic partners, innovating companies, and manufacturers, to innovate together on usages, business models and technologies and so to increase its effect on local communities.	See section 2.2.1
NGOs and civil society CSR Department	Through the Thales Solidarity program, the Group supports numerous associations in three priority areas: education and insertion in the workforce, digital citizenship and environmental protection. These actions thus contribute to the development of Thales' relations with its local stakeholders.	See section 5.4.6.3

Stakeholders	Relations maintained	Examples in 2023
Departments in charge of dialog		
Media <i>Communication Department</i>	Thales is committed to developing trusting and transparent relations with the media in the countries and territories where the Group is established.	Thales organizes around three visits a month to its industrial sites, with the local, national and international press, as well as elected representatives and schools. In 2023, more than 80,000 articles citing Thales were published in media around the world.
Local communities and residents <i>CSR Department</i>	At each of its sites, Thales pays particular attention to relations with local communities and residents. The Group ensures that its industrial activities take into account the CSR issues of the ecosystem in which it operates.	See section 5.4.6.

5.1.4 A steadfast commitment to the United Nations' sustainable development goals

A signatory of the United Nations Global Compact for 20 years, Thales has been continuously involved since 2015 in promoting the United Nations' Sustainable Development Goals (SDGs). Seven of these are particularly relevant and a priority for the Group:

- SDG 13: Climate Action;
- SDG 12: Responsible Consumption and Production;

- SDG 5: Gender Equality;
- SDG 8: Decent Work and Economic Growth;
- SDG 4: Quality Education;
- SDG 9: Industry, Innovation and Infrastructure;
- SDG 16: Peace, Justice and Strong Institutions.

The table below illustrates the contribution of the Group's actions to achieving these seven SDGs by 2023.

SDG	Policies	Actions / Results 2023
	Take urgent action to combat climate change and its repercussions;	52.1% reduction in Operational CO ₂ emissions (Scopes 1 and 2 and Scope 3 "Business travel") compared to 2018; 36% reduction in Scope 3 CO ₂ emissions ("purchases of goods and services" and "use of products and services sold") compared to 2018.
	Establish sustainable consumption and production patterns;	6,599 engineers trained in eco-design.
	End all forms of discrimination against women and girls worldwide;	20.4% women in management positions; 86.8% of Management Committees with at least three women.
	Promote sustained, shared and sustainable economic growth, full and productive employment and decent work for all;	19 hours of training per employee; 36.7% reduction in lost-time accident rate compared to 2018.
	Ensure equal access to quality education for all, and promote lifelong learning opportunities;	In 2023, more than 15,000 young people were made aware of the challenges posed by and careers available in Technology through Thales Solidarity.
	Build a resilient infrastructure, promoting sustainable industrialization that benefits all, and fostering innovation;	€1,107 million devoted to R&D. Partnerships with numerous research organizations and universities around the world.
	Significantly reduce corruption and bribery in all their forms	100% of employees exposed to corruption risks trained.



5.1.5 Thales' Non-Financial Performance Statement

5.1.5.1 Risks taken into account in the context of the Non-Financial Performance Statement

In 2018, to identify the main non-financial risks disclosed in the Non-Financial Performance Statement (NFPS), Thales conducted a risk identification and mapping exercise with the participation of the Group's main support functions and the assistance of an external consulting firm.

In 2023, this working group met again to assess changes in these risks and any discrepancies identified with the results of the double materiality analysis carried out in the context of the CSRD (see section 5.1.6). This work showed that the results of the double materiality analysis did not call into question the main risks published

in the NFPS. Consequently, it was decided not to modify the NFPS risks, as this statement will be replaced from next year by the implementation of the CSRD.

The six risks selected on that basis relate to:

- diversity and inclusion;
- workplace health and safety;
- impacts of the Group's activities on the environment and biodiversity;
- impacts of regulatory changes;
- compliance with rules of business ethics (in particular the fight against corruption and influence peddling);
- vigilance regarding suppliers' compliance with corporate responsibility issues.

5.1.5.1.1 Risks relating to diversity and inclusion issues

Risk identification

In a more globalized cultural and technological environment, increasing team diversity and developing a more inclusive corporate culture are key ways to support innovation, creativity and performance thanks to a broader range of approaches, perspectives, and ideas. A lack of diversity in its teams could affect Thales' ability to respond to changes in its stakeholders' expectations and thus have a negative effect on its competitiveness and profitability.

Risk monitoring and management

Since 2016, proactive targets have been set Group-wide to strengthen diversity and inclusion in the broad sense. These targets are regularly monitored. The governance of this policy was strengthened in 2022 (see section 5.3.3).

5.1.5.1.2 Risks linked to occupational health & safety issues

Risk identification

Certain activities carried out under Thales' responsibility, on its own facilities or on external sites, may expose its employees, subcontractors or other parties (industrial partners, customers, visitors) to various physical health and safety risks (for example electrical and chemical risks, or risks related to electromagnetic radiation). Risks are heightened for unusual activities in terms of occurrence (exceptional activity, specific maintenance) or in terms of working conditions (night work, large number of people simultaneously present on a site, cramped premises, land or ship construction sites), despite compliance with the regulatory provisions relating to the working environment and industrial safety.

Particularly risky activities are subject to additional provisions. The lack of control of these provisions and/or the inadequacy of the measures implemented in terms of quality, quantity or time, could expose the Group to financial or administrative sanctions, impair its operational performance, lead to cost overruns, render it liable and/or damage its reputation and image.

In addition, the Group's activities may be significantly affected by a national, regional, or even a global biological crisis (pandemic) or physical one (volcanic eruption, earthquake, tsunami, hurricane, etc.)

Risk monitoring and management

Thales has set up a dedicated organization covering sites, Global Business Units and product lines and legal entities, in order to prevent, mitigate or eliminate the risks linked to occupational health and safety on the Group's sites as well as on external sites. Cross-functional, multidisciplinary steering committees (see section 5.3.4) are responsible for:

- regular assessments of the risks to which employees and the various other parties involved may be exposed;
- specific analyses of the risks linked to the substances and products handled;
- implementing concrete actions to prevent health and safety risks in the workplace and to improve the quality of employees' life and well-being at work (see Chapter 5.3.4.2);
- anticipating major crisis situations that may occur on a national, regional, or global scale.

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5 Corporate responsibility and non-financial performance

A corporate responsibility policy to support sustainable economic growth

5.1.5.1.3 Environmental impacts related to the Group's business activities (NFPS)

Risk identification	Risk monitoring and management
The Group's activities may affect the environment through 1) the emissions they generate and the use of natural resources, or 2) in the event of an industrial accident. In addition, the use of the products and solutions provided by the Group, throughout their life cycle, contributes to 1) the production of atmospheric emissions, including greenhouse gases contributing to climate change, and 2) the production of end-of-life waste. The industrial footprint of Thales sites and operations, which remains small, exposes the Group to only limited risk of potential sanctions or harm to its image, particularly if certain operations do not comply with the increasing number of laws and regulations in this area. The Group's activities are likely to be affected by changes in energy costs, particularly in Europe. The low-carbon strategy implemented by the Group for several years reflects its commitment to the fight against climate change and its desire to contribute to the drop in its emissions and those of its value chain. Despite the many initiatives already undertaken (see opposite), the Group may, however, be unable to fully achieve some of the stated objectives over the time frame it has set itself. Risks induced by climate change (natural disasters, supply chain disruptions, economic instability, etc.) could have negative effects on the Group's ability to adapt, on its performance and on the resilience of its business model.	The Group constantly analyzes the environmental impact of its activities, considering regulatory, social, and technical developments and the sensitivity of the environments concerned. It also strives to optimize its operations as far as possible in order to limit its industrial footprint. The Group has introduced an organization, processes, and tools to control the activities carried out at its industrial sites and to limit their environmental impact (see section 5.2.1). For several years, the Group has implemented a process to assess and reduce its sites' exposure to natural disasters (see section 5.2.1.2) in order to reduce its vulnerability to the physical effects of climate change. In 2022, it also conducted an in-depth forward-looking analysis of the resilience of its subsidiaries to the physical risks associated with climate change and of its business models, in reference to the IPCC scenarios (see section 5.2.2.3). Biodiversity protection is taken into account in the Group's environmental footprint reduction strategy (see section 5.2.5.2). The Group has made quantified and measurable commitments to reduce its impact on the environment. In particular, it is pursuing a strategy to reduce its carbon footprint, with targets for 2030 aligned with the Paris Agreement. These targets were validated by the Science Based Target initiative in March 2023 (scopes 1, 2 and 3). This strategy for a low-carbon future is supported by detailed action plans in four areas: mobility, operations, purchasing and products. The "operations" component is based on a renewable energy purchasing strategy and includes specific energy efficiency action plans (see section 5.2.2.2) that contribute to the Group's resilience in this regard. The "purchasing" component is reflected in the commitment of suppliers and subcontractors, particularly those with the highest emissions, to dedicated action plans to reduce their carbon footprint in line with the Group's stated trajectory. Achievement of the Group's stated objectives is measured on a regular basis and is consolidated and published annually (see section 5.6).



5.1.5.1.4 Impacts related to changes to regulations (NFPS)

Risk identification	Risk monitoring and management
The complexity and rapid evolution of environmental regulations, as well as non-financial reporting constraints, the increasing integration – by Group clients – of ESG criteria in calls for tenders, changes in societal expectations, or voluntary sector commitments could, in particular for products and solutions with long development cycles (e.g. aeronautics), disqualify technical solutions developed by the Group or its subcontractors. This could give rise to a need to: • qualify and implement alternative solutions; • adjust supply chains; • upgrade certain industrial facilities; • commit to significant cost outlays and incur delays related to these changes; • adopt new information collection and analysis tools and develop standardized quantification methods; • develop a number of internal skills and resources. Regulatory differences between countries make it more difficult to verify the compliance of marketed solutions, and could introduce a comparative disadvantage.	The Group's analyses of environmental risks are regularly updated based on a regulatory monitoring process covering European regulations and international conventions that considers new issues, customers' expectations and voluntary sector commitments. Specific attention is paid to regulatory developments relating to products and chemical substances (e.g. REACH in Europe), the circular economy, water, pollution, climate change, and biodiversity. More generally, substances at risk of being banned or restricted for use are identified in order to implement alternative solutions in anticipation of regulatory deadlines (see section 5.2.5.3). This approach is integrated into the design of new products. The regulatory differences are also factored into the design of the Group's products and solutions.

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5.1.5.1.5 Compliance with the rules of ethical business conduct (particularly anti-corruption and influence peddling) (NFPS)

Risk identification	Risk monitoring and management
Thales’ business encompasses a variety of sectors in more than 60 countries. Failure to comply with the laws and regulations applicable to ethical business conduct (which are increasingly extraterritorial in scope) and, in particular, the fight against corruption and influence peddling may have serious legal and financial consequences for the Group, and severely damage its reputation.	The Group’s Anti-Corruption Compliance Program, which has been in place for many years, is continuously strengthened to prevent and detect the risks identified by the Group based on a specific mapping dedicated to the risks of corruption and influence peddling, as required by the French “Sapin II” legislation. This mapping was updated in 2022. This compliance program has been developed by the Ethics & Integrity Department (DEI), validated by the Integrity and Compliance Committee (CIC) (see 3.4.2); and is implemented by the network of Chief Compliance Officers and Compliance Officers, under the supervision of the CIC. In 2023, the ISO 37001 “Anti-bribery management systems” certification was 1) renewed for a scope comprising Thales SA, the companies it controls in France, and several subsidiaries of Thales International SAS (Thales EURAM, Thales AMEWA and Thales NSEA), the companies controlled by Thales UK Ltd in the United Kingdom and by Thales Nederland BV in the Netherlands, and 2) extended to two major countries of its international organization, Canada and the United States. In 2024, the Group plans to renew this certification for a further three-year cycle (2024-2026) and to extend its scope to Germany and Australia. In 2023, the Group continued rolling out its new Anti-Corruption Internal Control Manual (MCIA) and the Minimum Anti-Corruption Questionnaire (MAQ) specifically aimed at some 200 very small Group entities (small subsidiaries, representative offices, stable establishments, etc.). In addition, external and internal audits are performed regularly to ensure strict compliance with Group rules and procedures on the prevention and detection of corruption and influence peddling. The Group’s corruption and influence peddling prevention and detection policy is described in section 5.4.2 of this document.



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5.1.5.1.6 Vigilance concerning supplier compliance with corporate responsibility issues

Risk identification

The Group's purchases represent 50% of its annual revenues. They are made worldwide from around 17,000 active suppliers of all sizes, many of whom have their own subcontracting chains. Despite the Group's increased vigilance, it is difficult to guarantee that all stakeholders in the supply chain will be fully compliant with laws relating to social, environmental, and ethical responsibility.

Should any supplier fail to comply with laws relating to social, environmental, and ethical responsibility, it might affect the Group's business activity, image, and profitability.

Risk monitoring and management

Monitoring and management of this risk are included in the Duty of Care Plan (see section 5.4.4) in application of law No. 2017-399 of March 27, 2017 on the Duty of Care of parent companies and contracting companies.

Based on the mapping and hierarchization of risks carried out by the Group, risk prevention and mitigation measures are deployed. Suppliers identified as high risk are required to self-assess using a specific questionnaire from the EcoVadis non-financial rating agency (see 5.4.4.3.3.3). Depending on the scores obtained and the points for improvement observed, action plans are defined.

The aim is to encourage suppliers to improve their CSR practices and to support them in doing so. If the supplier refuses to participate in this process or to implement the required actions, Thales may decide not to select the supplier or to terminate the commercial relationship.

5.1.5.2 Other subjects covered by the Non-Financial Performance Statement

The update of Article L. 225-102-1 III paragraph 2 of the French Commercial Code in August 2023, stipulates that the non-financial performance statement must include information relating to:

- the impact on climate change of the company's activities and the use of the goods and services it produces, and its commitment to sustainable development and the circular economy;
- the fight against food waste and food insecurity, respect for animal welfare and for responsible, fair and sustainable food;
- collective agreements concluded in the company and their impact on the economic performance of the company and the working conditions of its employees;
- actions to promote the link between the nation and the armed forces and support commitment to the reserves;
- actions to combat discrimination and promote diversity and measures taken in favor of people with disabilities;
- actions to promote the practice of physical activities and sports.

Information on the impact on climate change includes direct and indirect greenhouse gas emissions linked to upstream and downstream transportation activities, and must be accompanied by an action plan to reduce these emissions, in particular through the use of rail and river transportation, as well as electro-mobility and biofuels with a virtuous energy and carbon balance.

However, Thales does not provide information on the following subjects, which are considered insignificant with regard to the Group's activities:

- societal commitments to combat food insecurity;
- societal commitments to respect animal welfare;
- societal commitments in favor of responsible, equitable and sustainable food.

On these subjects, see the concordance table in section 5.8.5.

5.1.5.3 Non-financial performance scorecard

Topic/risk	Policies	Key performance indicator	2021 results	2022 results	2023 results
1. Diversity & Inclusion	Thales’ commitment: Bring out the best in everyone. <i>“At Thales, I work in teams that are open to diversity and that value our differences and backgrounds.”</i> <i>Being a global leader with a strong local presence means embracing diversity in all its forms: gender, age, origin, and nationality. A truly diverse global organization has an additional advantage when it comes to competitiveness and attracting and retaining top local talent. Diversity stimulates innovation and creativity thanks to a broad range of approaches, perspectives, and ideas. Inclusion, which presupposes the acceptance of diversity and recognition of its importance, improves Thales’ collective performance.</i>	Percentage of women in top positions 2023 target: 20%	18.9%	19.4%	20.4%
		Percentage of Management Committees with at least three female members 2023 target: 75%	71.0%	76.0%	86.8%
2. Workplace health and safety	Thales’ commitment: Be attentive to everyone <i>“At Thales, my manager trusts me: he empowers me and monitors my well-being.”</i> <i>“At Thales, I have all the resources and support I need to maintain a healthy work-life balance.”</i> Providing a safe, healthy work environment: <i>“Thales is committed to providing a safe and healthy working environment for its employees at its own sites and at external</i>	Absenteeism rate	3.03%	2.85%	2.53%
		Frequency rate of accidents at work 2023 target: 1.55	1.66	1.53	1.40
		Severity rate of accidents at work	0.043	0.050	0.048
		Percentage of employees working at an ISO 45001 certified site;	81%	84%	78%
3. Environmental impacts of the Group’s activities	Thales’ commitment: <i>“Thales is committed to safeguarding the environment by limiting impacts (energy, climate, natural resources, etc.) and preventing pollution risks.”</i>	Reduction of operational emissions ^(a) Absolute value compared with 2018 2023 target: -35%	-36%	-40%	-52%
		Reduction of other emissions ^(b) Absolute value compared with 2018	-33%	-32%	-36%
		Recycling rate of non-hazardous waste ^(c)	70%	73%	69%
		Percentage of employees working at an ISO 14001 certified site;	84%	83%	78%
4. Impacts of regulatory changes	Thales’ commitment: <i>“Thales is committed to designing, purchasing, producing, and providing solutions, products, and services that meet health, safety, and environmental requirements.”</i>	New developments incorporating eco-design	84%	83%	100%
		Percentage of Product Line Architects and Product Line Managers trained in or made aware of eco-design.	63%	100%	94%



Topic/risk	Policies	Key performance indicator	2021 results	2022 results	2023 results
5. Compliance with rules of business ethics (in particular the fight against corruption and influence peddling)	Thales' commitment: Zero tolerance of corruption <i>"Ethical conduct, integrity, and compliance with regulations must be the rule for all Group employees throughout the world and at all levels of the company."</i> <i>(Extract from the Code of Ethics)</i>	Number of operational entities that have conducted a local assessment/mapping of corruption risks	153	151	147 ^(e)
		Anti-corruption training ^(d)	6,774	6,176	8,037
		Multi-year objective: training of 100% of the populations concerned	100%	100%	100%
		Alerts received via the Group's whistleblowing system, including admissible alerts relating to allegations of corruption ^(e)	44 1	41 6	49 4
6. Vigilance concerning supplier compliance with corporate responsibility issues	Thales' commitment: Persuade all its suppliers to support its approach to corporate responsibility Thales requires its suppliers to comply with commitments relating to Human Rights, labor standards, and environmental protection.	Percentage of new suppliers committed to the principles of Thales' new Integrity & Corporate Responsibility Charter: 2023 target: 100%	97% ^(a)	99%	99%
		Percentage of existing suppliers assessed among those considered as "at risk" according to the Duty of Care mapping.	59%	97%	N/A ^(d)
		2023 target: 100%			

(a) Operational emissions: Internal operations (Scopes 1, 2, and 3 - "business travel").

(b) Other emissions: Scope 3 "purchased goods and services" and "use of sold services and goods".

(c) Excluding exceptional waste.

(d) Given the change in the evaluation process and the third party in charge of it in 2023, the data required to calculate this KPI are not available for the year under review. For information, in June 2023 Thales joined the global aerospace and defence industry supply chain assessment program proposed by the IAEG (International Aerospace Environmental Group). A new indicator will be defined in 2024.

(e) The number of operating entities concerned varies according to the context (sale/disposal of businesses, merger of entities). See section 3.4.1 for details of internal control processes.

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5.1.6 Preparing to implement the European Corporate Sustainability Reporting Directive (CSRD)

As a tool assisting strategic decision-making allowing sustainability issues (or CSR stakes) for a company to be hierarchized, the double materiality analysis is the first step towards compliance with the new Directive (EU) 2022/2464 on Corporate Sustainability Reporting (the CSRD).

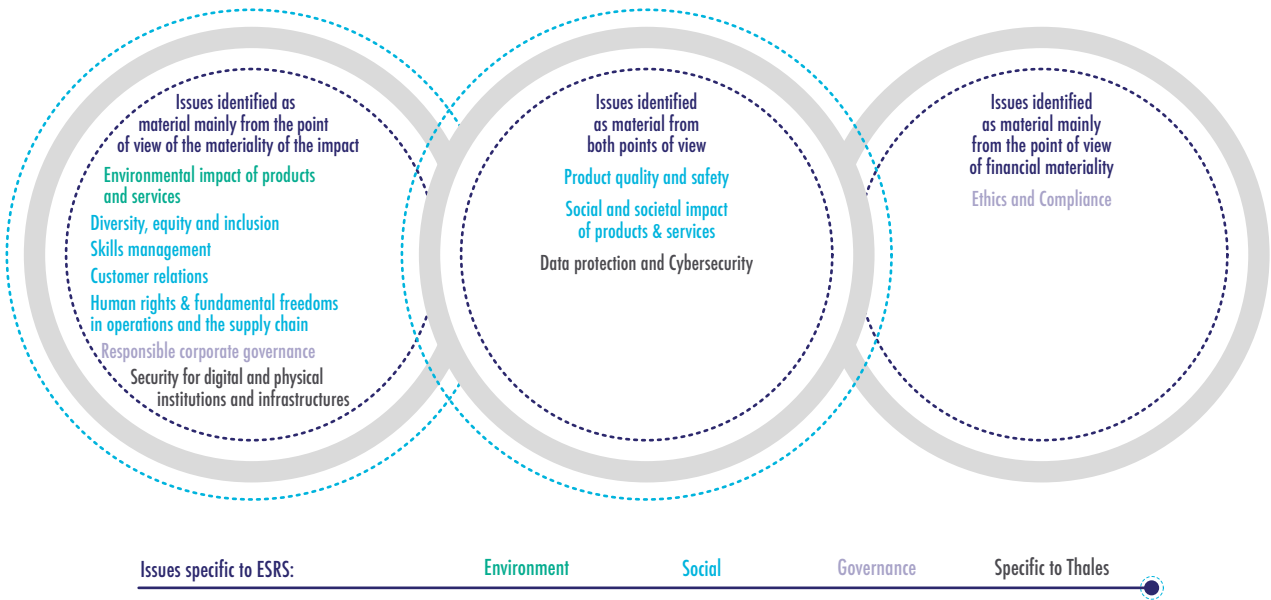
Thus, the scope of mandatory sustainability reporting for Thales in 2025 will relate to 2024 data, standards and publication data corresponding to subjects assessed as material according to a double materiality analysis: taking into account the priority impacts - positive or negative - of the Group's activity on its ecosystem (impact materiality) and the financial risks and opportunities attached to the company's sustainability issues (financial materiality).

In 2023, Thales carried out this double materiality analysis in order to better anticipate the future European sustainability reporting, which will consist of 12 specific standards, the ESRS (European Sustainability Reporting Standards).

As a result of this analysis, Thales identified 20 CSR issues, 11 of which are considered material and will constitute the scope of mandatory sustainability reporting for six ESRS standards within the meaning of the CSRD.

Thales has decided to publish a list of these material issues starting this year, in order to make the transition to the new sustainability reporting. At the same time, an analysis is under way concerning data on low-materiality issues (excluded from the scope of mandatory publication), which could be published voluntarily to ensure continuity of information for the reader.

● THALES' MATERIAL ISSUES



On the basis of this matrix, Thales has carried out a gap assessment for 2023 between the elements of the current reporting (NFPS) and those expected in the future sustainability report (CSRD), considering the issues classified as material. The results of this gap analysis will enable us to pursue, in 2024, the actions required to implement the future sustainability report. This applies in particular to quantitative data collection and qualitative content, sustainability reporting tools, data governance and internal control.



5.2 Our commitments and actions for the planet

5.2.1 Management and governance of environmental issues

5.2.1.1 Governance of Health, safety and environment

Operational management of environmental issues is the responsibility of the HSE (Health, Safety and Environment) unit of the Group's CSR department, set up in 2022 (see section 5.1.2). Its mission is to draw up and formalize Thales' Environment, Health and Safety policy and associated action plans, and to ensure their deployment. Its scope includes, for the Group as a whole:

- implementation and monitoring of the Group's environmental and climate policies (on external sites and work sites, and for industrial operations (products/projects));
- personal health, particularly with regard to employees' or third parties' risk of exposure (respectively "hygiene" and "environmental health");
- personal safety in the face of technological or technical risks (installations, equipment) related to the activities carried out.

This unit is supported by two operational networks within the Group:

- a network of "HSE site/operations coordinators" in countries and entities where the Group has operational activities (including external sites);

- a network of "HSE products and projects" coordinators in the Global Business Units and product lines, including representatives in cross-functional positions (product policies, engineering, industry, purchasing, services, bids and projects, etc.).

The deployment of the HSE policy is organized through the HSE Steering Committees, which provide their expertise to implement local and international risk prevention and control standards. These Committees define the guidelines and annual action plans to be implemented and allow experiences to be capitalized on to improve Thales' HSE culture. They meet quarterly for the "HSE sites and operations" network and bimonthly for the "HSE products and projects" network. The Group's operational and transversal functions are involved as necessary in this overall coordination action to ensure the consistency of HSE risk prevention policies.

Thales' environmental policies are monitored by three "low-carbon and environmental" steering committees. They review the road maps of the Group's program. Priorities, key initiatives and best practices are shared, and corrective action is decided on in the event of deployment difficulties.

GOVERNANCE OF THE STRATEGY FOR A LOW-CARBON FUTURE

Strategic committee	Group CSR Steering committees			
Steering committee	Management of the Low-carbon and Environmental Strategy			
	Operations	Purchases	Mobility*	Products
Sponsors	Operations and Performance		Human Resources Operations and Performance	Strategy, Marketing and Technology Operations and Performance
Scope	Scopes 1 & 2	Scope 3		
Support functions	Purchasing (energy) HSE Operations Operations Real estate	Responsible purchasing Purchasing segments Country purchases	Group CSR Mobility management Compensation & benefits Travel & vehicle policy	Group CSR Strategy/R&T Product policy Engineering Operations HSE Products
Frequency	Twice a year			

* Excluding emissions included in Scope 1 (mobile combustion - vehicles owned or controlled by the company)

- the Low-carbon and Environment / Operations and Purchasing Steering Committee is chaired by the Senior Executive Vice President, Operations and Performance;
- the Low-carbon and Environment / Mobility Steering Committee is chaired jointly by the Senior Executive Vice President for Human Resources and the Senior Executive Vice President for Operations and Performance;
- the Low-carbon and Environment/Products Steering Committee is chaired by the Executive Vice President for Strategy, Marketing and Technology and the Senior Executive Vice President for Operations and Performance.

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Corporate responsibility and non-financial performance

Our commitments and actions for the planet

5.2.1.2 Management of environmental impacts, risks and opportunities

5.2.1.2.1 Prevention and continuous improvement process

Thales has integrated the control of environmental impacts and risks into its management frame of reference at Group level, Chorus, which is accessible to all employees.

The Chorus frame of reference requires the implementation of this environmental management system for all sites and organizations to ensure the control and limitation of environmental risks and impacts of operational activities (buildings, industrial tools, equipment, work sites), the supply chain (purchasing, supplier audits) and products and services offered (product policy, design, offers, projects and services).

This environmental management system defines best practices and methodological guidelines and specifies the rules that must be followed at all levels of the organization. It also sets out the risk management and accident alert procedures.

The environmental management system is regularly updated to take account of changes in environmental regulations applicable to the Group's activities. The environmental management system roadmap is reviewed annually with the Group's quality department. This review covers the issues at stake, SWOT analysis, and the analysis of indicators and improvements for the coming year. In 2023, 123 sites were ISO 14001 certified, compared with 127 in 2022, and 78.2% of the Group's employees work at a site certified according to the ISO 14001 standard (83.4% in 2022), which includes, among other things, the management of the environmental impact of products. This decrease is mainly due to the change in the Group's scope of consolidation in 2023, with the withdrawal of sites linked to Ground Transportation Systems (GTS) ⁽¹⁾ and the integration of new sites following acquisitions.

Each year, audits are carried out by the Group's internal audit teams ("TIMS"⁽²⁾ audits to assess the maturity of the management system), by external auditors (in the context of ISO 14001 certification), or through risk prevention visits (environmental engineering and fire protection) made by insurers.

In addition, the "eHSE" risk management software suite deployed throughout the Group has been adapted to changes in the ISO 14001 standard so as to constitute an effective support to the sites. This facilitates reporting, the taking into account of the risks and opportunities linked to the environmental analysis, and the monitoring of the effectiveness of the actions and the associated resources. This software suite also gives all Thales entities the possibility of reporting and recording environmental incidents and accidents and managing remediation action plans in a standardized manner.

5.2.1.2.2 Controlling industrial risks

Worldwide, only six Group sites present significant industrial risks: four are classified as "Seveso" in Europe (one as "upper tier" and three as "lower-tier") and two sites in Australia are classified as "high industrial risk".

Safety management systems (including a major accident prevention policy, an internal operations plan, a hazard study and associated risk management scenarios) are implemented and inspected regularly by the national HSE coordinators and by the supervisory authorities, in accordance with applicable regulations. These risks are covered by specific procedures for prevention, accident

management and complaints handling. Using the accident reporting module in the "eHSE" software suite enables us to identify the precise nature of accidents, analyze them, take management and prevention measures, and share feedback.

The analysis of risks related to industrial and technological procedures likely to affect facilities and people (with operational, reputational, financial, or business continuity impacts) was updated in 2022 via the Group Risk Assessment Committee. This analysis aims to:

- verify the proper control of operations with regard to technological risks, the exposure of individuals and the continuation of these operations;
- ensure compliance of activities and updating of risk scenarios;
- incorporate the necessary changes in processes with regard to development challenges.

In 2023, only seven environmental incidents occurred within the Group, with no significant impact on people or the environment.

5.2.1.2.3 Environmental risk mapping

Thales' risk mapping includes an environmental component that covers risk factors related to climate change, the Group's activities and changes in environmental standards in the countries where the Group operates.

The analysis of environmental risks likely to affect human health, the environment and Thales' reputational and financial impacts, ability to continue certain activities - is reviewed periodically, taking into account changes in the Group's activities, scientific and technical advances in environmental matters, and the emergence of new issues and legislation. It is rounded out by including the opportunities associated with these changes. The materiality of risks and opportunities is validated by the Thales Risk Steering Committee.

In 2023 the Group commissioned AXA Climate to carry out a study of the vulnerability of all its sites to climate risks at the 2030 and 2050 horizons, in order to identify the most exposed sites (see section 5.2.2.3).

5.2.1.2.4 Materiality of environmental impacts

The analysis of the materiality of the Group's environmental impacts is part of the analysis of the impacts of Thales' activity (see section 5.1.6). Only the environmental impact of products and services is considered as material by the Group.

5.2.1.2.5 Awareness-raising, training, and participation of employees

The members of the HSE network meet at a conference once a year. In 2023, the major themes addressed during the two-day event included the integration of HSE requirements in the value chain, biodiversity and the low-carbon strategy. The content of these conferences is accessible to all Thales employees, which helps to raise awareness of these complex issues.

The CSR department also takes part in various conventions organized by the other functions (such as supplier conferences, product seminars and operations seminars), to explain the Group's commitments. The aim is to give visibility to the management of CSR performance compared with Thales objectives, as well as to operational action plans and their link with all Group processes.

⁽¹⁾ Activity not pursued and therefore not taken into account, in line with financial indicators.

⁽²⁾ Thales Integrated Maturity Systems: HSE maturity assessment system deployed in all entities since 2017.



Online training modules are available to introduce employees to the basics of environmental risk control, whether on general topics such as eco-responsibility or more specific ones such as managing chemical products, labeling hazardous products or issues relating to climate change. Since 2020, the Group has been running eco-design awareness programs, and in 2023 it launched a new training course (see box in section 5.2.3.2.2).

In addition, in 2023, Thales developed an initial "business line" e-learning module on conflict minerals, aimed at the Group's various players, with the aim of raising awareness and training them in the associated environmental compliance risks. In 2024, Thales plans to develop new modules on other environmental topics covered by regulations or specific customer requests in calls for tender or B2B contracts.

Motivating employees through internal challenges

In 2023, the Technical and Engineering Departments set up an internal competition called "Frugal by Design", to encourage employees to work on innovative solutions to make Thales products and services more frugal, with a reduced environmental footprint. Over 60 projects were submitted, six of which were selected for final presentation to a panel of judges chaired by the Group's Chief Technical Officer and Senior Vice President Engineering.

Thales' global teams are also committed to protecting the environment through voluntary local actions. The year 2023 was marked in particular by the organization of "Clean Up Challenges" and "Clean Up Days", participation in recycling projects and the deployment of numerous biodiversity initiatives at participating Group sites.

In another example, during Thales' Sustainable Development Week, the "Green Initiative" prize was awarded for the best initiative organized to promote the reuse of professional equipment and strengthen the circular economy throughout the Group.

Making innovative training courses available

Thales included the "Climate Fresco", the "Digital Fresco", the "Eco-design Fresco" and the "Biodiversity Fresco" in its training catalog. Other training courses of the same type can be organized if there is sufficient demand. These activities take place on site or during special events (seminars and conventions). By the end of 2023, over 2,706 employees had taken part in frescoes as part of their professional activities.

Thales also made the "Thales Climate Passport" training program available to all its employees in 2023, enabling them to better understand and take action on climate change. The Group has set itself the target of having 50% of Thales managers and engineers complete this training in 2024 (more than 26,000 employees).

5.2.1.2.6 Environmental disputes and alerts

In 2023, Thales was not involved in any environmental litigation that resulted in the payment of compensation, and no site was the subject of an environmental complaint from the authorities or third parties. At December 31, 2023, provisions for environmental risks amounted to €8.7 million at Group level.

5.2.2 Combating climate change and promoting energy efficiency

5.2.2.1 Governance of the strategy for a low-carbon future

The governance of the strategy for a low-carbon future is described in section 5.2.1.1.

5.2.2.2 Strategy of combating climate change and energy sobriety

With regard to the climate, Thales defined a low-carbon policy in 2019 with quantified commitments revised upwards in 2021:

- Reduce operational emissions (Scopes 1 and 2 and Scope 3 - business travel) by 50% in absolute terms by 2030 compared to 2018 (with an intermediate step to 35% in 2023), and achieve "Net Zero" by 2040;

- Reduce emissions from the value chain (Scope 3), with a target of -15% in absolute terms by 2030 compared to 2018 for emissions linked to the purchase of goods and services and those linked to the use of its products (with an intermediate stage of -7% in 2023).

In 2023, Thales' emissions reduction trajectory to 2030 was validated by the Science Based Targets Initiative (SBTi), confirming its alignment with the Paris Agreement:

- absolute reduction of 50.4% in Scopes 1 and 2 CO₂ emissions compared to 2018 (target aligned with the 1.5 °C trajectory);
- 15% absolute reduction in Scope 3 CO₂ emissions linked to employee mobility, purchases of goods and services, and products and services sold, compared to 2018.

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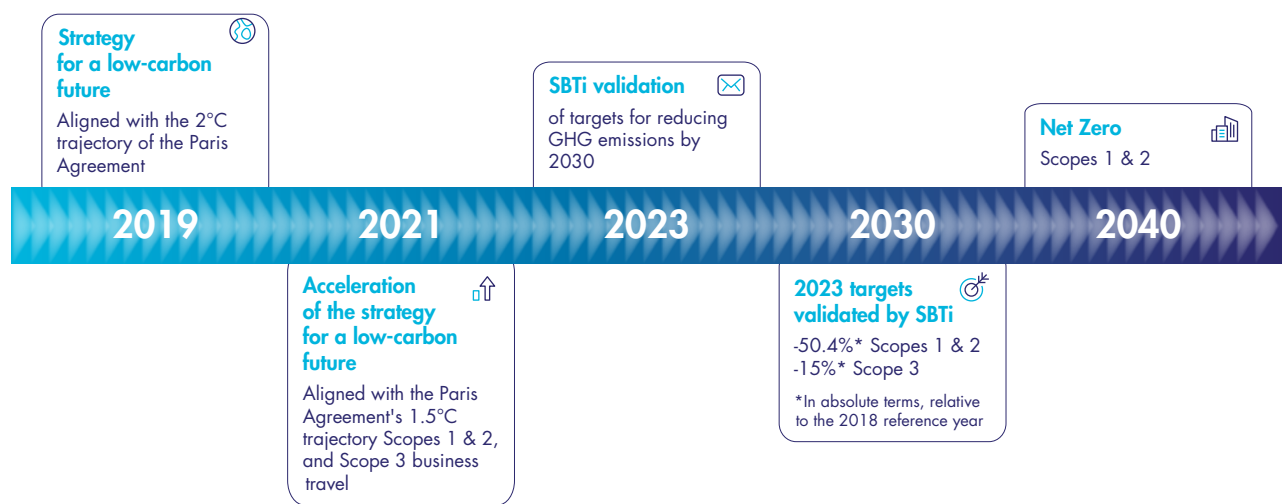
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SUMMARY OF THE MAIN COMMITMENTS AND OBJECTIVES OF THE STRATEGY FOR A LOW-CARBON FUTURE ⁽¹⁾



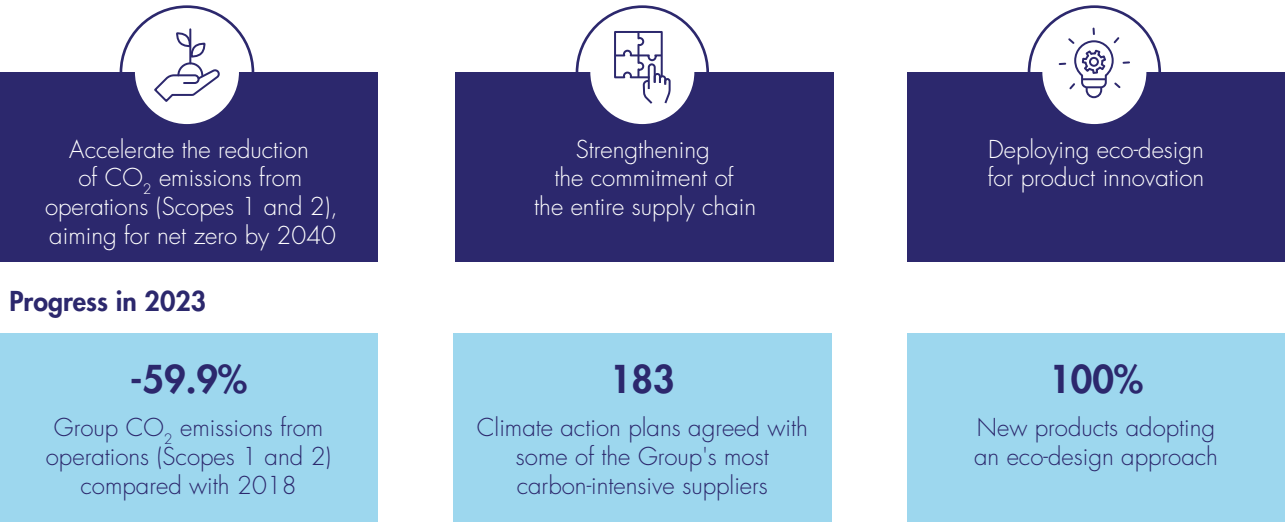
The table below shows the link between the reduction targets set out in the strategy for a low-carbon future and the main levers for achieving them (see sections 5.2.2.4 and 5.2.2.5):

Thales' 2030 CO₂ emissions reduction targets validated by the SBTi

In absolute terms compared with 2018 (base year submitted to the SBTi)



Thales' strategy for a low-carbon future



⁽¹⁾ In absolute value and compared to 2018.



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In committing to reduce the carbon footprint of its entire value chain, Thales demonstrates that it:

- contributes significantly to the ambitious objectives of decarbonizing aviation;
- supports the energy transition of the armed forces;
- promotes a responsible space ecosystem and sustainable space travel;
- optimizes the energy efficiency of the digital world through the development of digital solutions that are "frugal by design."

A table of correspondence between the elements of the low-carbon future policy and the elements of the TCFD⁽²⁾ can be found in section 5.6.1.

A bank loan linked to the Group's climate objectives (Climate-linked revolving credit facility)

The bank loan agreement signed by Thales with 17 international banks in 2020 and amended in 2021 incorporates the Group's carbon emissions reduction targets (Scopes 1, 2, and 3). In practice, this means that its interest rate is adjusted down or up each year (bonus or malus) depending on whether or not these objectives are met. The Group's low-carbon ambitions and their alignment with a 1.5 °C trajectory have been very well received by the Group's banks, and have helped to optimize financing terms. In 2023, the Group, having achieved its CO₂ reduction targets, decided to allocate the bonus resulting from this performance to its Thales Solidarity Endowment Fund.

5.2.2.3 Adaptation to climate change

Climate-related impacts, risks and opportunities have been integrated into Thales' strategic thinking, in particular by means of:

- identification of market risks and opportunities and the associated financial benefits and issues (via a study carried out by Carbone 4 in 2022 and presented to the Group Executive Committee);
- assessing the resilience of Group assets to the physical risks associated with climate change (AXA Climate study finalized in early 2023).

The climate change adaptation initiative set in motion aims to reduce Thales' current and future vulnerability to the physical effects of climate change, such as natural disasters (storms and floods, for example), fires and the growing scarcity of natural resources.

With the support of specialist partners, the Group is pursuing its active risk prevention engineering policy. In particular, risks likely to generate a major loss affecting people or the environment and/or significantly affecting the value chain (fire, machine breakdown, etc.) are monitored.

As part of a preventive approach, Thales' Insurance Department has drawn up and is piloting a plan to visit sites with a view to reducing the likelihood of accidents of any kind occurring and limiting the consequences of any potential incidents.

In addition to the risks associated with Thales' activities and natural disasters, those relating to adaptation to climate change (such as forest fires, water stress, floods, storms and violent winds, the consequences of deforestation and the disruption of wildlife habitats) are analyzed and reassessed, in order to reduce the Group's exposure and vulnerability.

In 2023, 79 sites (out of a total of 283 sites) benefited from a prevention visit, and Thales did not suffer any loss due to climatic phenomena or natural disasters.

The assessment of the resilience of the Group's assets to the physical risks associated with climate change was carried out on the basis of two scenarios defined by the IPCC (SSP2-4.5 and SSP5-8.5) for two time horizons (2030 and 2050). It concludes that the Group's portfolio of assets is robust, and that of the 365 locations covered, only 11 are assessed as very high risk and 35 as high risk under the most pessimistic scenario in terms of greenhouse gas emissions (SSP5-8.5). Rising temperatures and flooding are identified as the main perils for the sites at risk. A process involving three pilot sites was launched in 2023 to define a methodology that will enable the sites concerned to draw up an adaptation plan from 2024 onwards.

5.2.2.4 Reducing the Group's Scopes 1 and 2 emissions

Thales' commitments to reducing Scopes 1 and 2 CO₂ emissions, in line with the 1.5 °C trajectory, have been validated by the SBTi.

The reduction of operational emissions is mainly achieved by activating the following three levers:

- reducing the energy consumption and emissions of buildings;
- securing the supply of energy from renewable sources;
- replacing high-emission refrigerants.

Performance in 2023 is shown in the table below:

(In thousands of metric tons of CO ₂)		2018	2022	2023	Change 2018/2023	2023 target	2030 target	2040 target
Scopes 1 & 2 emissions								
Scope 1	Energy and substance-related emissions	76	66	61	-20.0%			
	of which substance-related emissions	25	27	24	-3.5%			
Scope 2	Location-based electricity-related emissions	166	139	127	-23.4%			
	Market-based ^(a) electricity-related emissions	166	76	36	-78.2%			
Scopes 1 & 2	Location-based	242	205	188	-22.3%			
	Market-based ^(a)	242	141	97	-59.9%	-35%	-50.4%	Net Zero

(a) Figures obtained by applying Thales' methodology, taking into account renewable energy only where there is a specific eligible contract.

⁽²⁾ Task Force on Climate-Related Financial Disclosures.

“Market-based” emissions are those calculated on the basis of the average emission factor of the supplier from which Thales buys its electricity; they are therefore very low if Thales buys its electricity from a “green” energy supplier. “Location-based” emissions take as their reference the average emission factors of the country where the Thales site is located, and are therefore independent of the type of supplier.

Scopes 1 and 2 emissions were reduced by 59.9% in 2023 compared to 2018 (emissions calculated in accordance with the market-based method used to define and monitor our SBTi targets). This excellent performance was achieved by means of the continued reduction in direct emissions (-7.4% between 2022 and 2023), and the actions undertaken in terms of energy consumption (improved energy efficiency, increased use of renewable energies, etc.) described in section 5.2.3.4. The Group's performance is noteworthy, quite apart from the use of electricity from renewable sources, with a 23.4% reduction in Scope 2 emissions compared to 2018 calculated using the location-based method and an 8.6% reduction between 2022 and 2023.

The reduction in direct (Scope 1) emissions was achieved by cutting consumption of fuels from non-renewable sources (-5.3% between 2022 and 2023) and by reducing substance-related emissions (-10.9% between 2022 and 2023).

Maintaining this level of performance in absolute terms is therefore the challenge for the coming years, given the Group's growth prospects.

5.2.2.4.1 Reducing energy consumption and related emissions

For several years, Thales has been gradually reducing its energy consumption and the GHG emissions associated with its activities. This progress is based on the following actions:

- reducing the energy consumption of buildings through insulation work and the use of more energy-efficient buildings;
- replacing the equipment that consumes the most energy;
- implementing heat recovery processes;
- optimizing airflow in clean rooms;
- installing solar panels on the sites.

Energy audits are regularly carried out on the most energy-intensive sites to identify reduction actions. In 2022, an energy frugality coordination unit was created to deal with the energy crisis and accelerate the reduction of energy needs at French sites. An energy frugality and efficiency plan was then launched in 2023 in France and in the Group's 10 biggest consumer countries. The actions implemented in 2023 led to a 4% reduction in electricity consumption and a 4% reduction in gas consumption between 2022 and 2023 at Group level.

Evolution of energy consumption (in MWh)

Thanks to the progress made, Thales' total energy consumption was reduced by 13.6% between 2018 and 2023, with a decrease of 4.1% between 2022 and 2023.

Emissions linked to the consumption of energy from fossil sources (natural gas, fuel oil, coal) continued to fall in 2023: their reduction has now reached 28.1% compared to 2018. It was 4.9% between 2022 and 2023.

In 2023, 24.1% of the Group's sites were ISO 50001 certified (energy management system). In addition, 19 sites, employing 15% of the Group's workforce, obtained environmental performance certification for buildings (HQE ⁽³⁾, BREEAM ⁽⁴⁾, etc.).

5.2.2.4.2 Reducing electricity-related emissions thanks to electricity from renewable sources

(in MWh)	2018	2022	2023	Change 2022/2023
Electricity consumption	706,365	646,621	620,979	-4%
Total share of electricity from renewable sources (%)	23%	75%	90%	+15.3 pts
Proportion of renewable electricity bundled with guarantees of origin	0%	93%	96%	+3.3 pts
Proportion of renewable electricity linked to PPAs (Power Purchase Agreements)	0%	1.9%	1.3%	- 0.6 pt
Proportion of renewable electricity linked to self-consumption	0%	0.85%	0.86%	+0.0 pt

The Group is also committed to a strategy of purchasing renewable energy. In 2023, the proportion of renewable electricity used increased by more than 15 points relative to 2022 to reach 90%.

Since 2022, 75% of gas needs in France have been covered by a supply of renewable biogas.

In 2023, 127 sites (including 100% of the sites in France, the UK, the Netherlands, the Thales Alenia Space sites in Italy and Thales DIS) had a specific contract for the supply of electricity from renewable sources.

The electricity generated through self-production and therefore self-consumed on site has increased by more than 20 times compared to 2020, reaching 4,789 MWh. Six sites (Toulouse, Cannes, the new l'Aquila site, Tres Cantos, Barcelona and Templecombe) have been

equipped with photovoltaic panels since 2020, and further panels were installed in 2023 at the Toulouse site.

Reduce emissions from high-emission refrigerants (Kyoto Protocol substances)

In addition to energy, products with a high global warming potential, used mainly in refrigeration systems, are subject to detailed action plans. Many sites have continued to replace high-emission refrigerants with equipment containing lower-emission fluids. They have also put in place action plans to limit leaks and even to replace less efficient equipment. As a result in 2023 substance-related emissions were 10.9% lower than in 2022.

⁽³⁾ High Environmental Quality.
⁽⁴⁾ Building Research Establishment Environmental Assessment Method.



5.2.2.5 Reducing Scope 3 emissions footprint

The Group's Scope 3 emissions relate to employee mobility, purchases of goods and services, and products and services sold. In 2019, Thales committed to reducing emissions of these last two categories by 7% by 2023 and 15% by 2030, in absolute terms compared to 2018. These targets, in line with a 1.5 °C trajectory, have been validated by the SBTi.

(In thousands of metric tons of CO ₂)	2018	2022	2023	Change 2018/2023	2030 target
Climate					
Scope 3 emissions	12,760	8,728	8,184	-35.9%	-15%
Of which emissions related to purchases of goods and services (Scope 3) ^{(a) (c)}	2,334	2,716	2,444	4.7%	
Including emissions related to the use of products and services sold (Scope 3) ^{(a) (b)}	10,228	5,863	5,577	-45.5%	
of which emissions related to employee mobility	198	149	163	-17.5%	

(a) After removal of the GTS Global Business Unit.

(b) After integration of modeling improvements in 2021.

(c) With improved accuracy of calculation and restatement for inflation

5.2.2.5.1 Reducing emissions associated with the purchase of goods and services

The Group's sustainable procurement policy fully integrates Thales' low-carbon future strategy. In this respect, taking climate change into account is one of our six commitments for sustainable procurement (see section 5.4.3.2).

Improve the accuracy of calculations of purchasing-related emissions in order to better manage reductions

This past year, Thales improved the accuracy of the calculation of emissions linked to its purchases of goods and services ⁽⁵⁾. Firstly, the proportion of emissions measured using the quantity-based method rose. Secondly, the granularity of emissions assessed using a spend-based approach increased significantly: following interviews with managers of the Group's procurement categories, emissions data for spending on goods and services were refined and the number of emission factors used was increased eightfold, significantly enhancing the quality of the evaluations. For the sake of consistency, emissions for previous years and the reference year (2018) have been reassessed using this mixed methodology combining monetary data and physical quantities.

This exercise enabled us to make significant gains in terms of the accuracy of our procurement carbon footprint, and also improved the mapping of sources of emissions within the procurement segmentation (electronics, systems and equipment, mechanical, general purchasing, IS/IT and support services, engineering and customer support services).

In 2023, emissions linked to the purchase of goods and services represented 2.444 million metric tons of CO₂, an increase of 4.7% on 2018. This increase is correlated with the increase in procurement volumes (22% between 2018 and 2023), which in turn is linked to the growth of the Group's various activities. The calculations are performed using emission factors associated with each of the Group's procurement categories, combining monetary and quantitative methodologies; they have also been restated in order to neutralize the effect of inflation on the figures for financial year 2023.

Develop a collaborative approach with Group suppliers

This approach is a prerequisite for resolutely engaging the Group's most emission-intensive suppliers, with the eventual aim of collecting actual CO₂ emissions data from suppliers.

In October 2021, Thales committed to defining quantified, milestone-based action plans with 150 of its main suppliers by the end of 2023. In 2023, more than 180 action plans were validated with suppliers. We first identified the levers for action in order to build up a library of resources to be activated for each procurement category. This enabled us to encourage suppliers to implement short-, medium- and long-term road maps.

Reinforcing CSR in tendering processes

Taking account of the CSR dimension in tender processes is a key factor in transforming supply chains. In 2023, a new supplier selection criterion entitled "Non-financial performance - CSR" was defined and now counts towards the evaluation score. It enables us to highlight the CSR commitments made by suppliers, such as the elements that help reduce their CO₂ emissions, or the eco-designed solutions they offer.

Raising team awareness

At the same time, awareness-raising sessions on climate issues were organized for the Group's purchasing teams, using educational tools such as the "The Climate Fresk". Since these workshops were first rolled out, over 500 procurement department employees have taken part.

A training program was also set up for the procurement function to enhance knowledge and skills in decarbonization and supplier motivation. The first training courses were held in 2023, and a wider roll-out will take place in 2024.

The network of low-carbon procurement points of contact, set up within the procurement organization in 2022, continues to develop. In 2023, a seminar bringing together these points of contact increased the momentum for sharing the low-carbon solutions proposed, relaying key messages and bringing up relevant initiatives that could be shared throughout the Group.

Deploying new practices

To reduce greenhouse gas emissions linked to downstream transportation activities, Thales favors sea freight whenever possible. For example, satellites and associated equipment were sent by ship at least four times to Kourou and Port Canaveral in 2023. Furthermore, when the characteristics of the product to be delivered allow it, Thales prefers to use lighter eco-designed packaging, thereby reducing the weight to be transported and therefore the intensity of transportation.

⁽⁵⁾ Interviews were conducted with procurement category managers, enabling us to refine expenditure data and gain access to quantitative data for certain categories. The number of emission factors was increased eightfold, thanks to new market databases such as Ecoinvent, EPA and Exiobase for emissions in categories calculated using monetary methodology, and for those in other categories calculated using activity-based methodology.

Corporate responsibility and non-financial performance

Our commitments and actions for the planet

5.2.2.5.2 Reducing emissions from products and services sold

In 2023, Thales continued to refine its modeling of CO₂ emissions resulting from the use phases of products and services sold. The Group is convinced of the importance of setting targets and implementing action plans to reduce emissions during the use phases of its products. For most products, these represent the majority of emissions generated throughout their life cycle.

In order to update the calculations and models related to the platforms, the associated emission factors were updated in 2023 based on accessible public data ^[6].

In parallel with this, Thales' Global Business Units updated their road maps for reducing CO₂ emissions, identifying priority products and the work to be undertaken to meet the objectives defined for 2023 and 2030.

CO₂ emissions linked to the use phase of products put on the market in 2023 are estimated at 5.58 million metric tons of CO₂, down by 5% on 2022 and 45% on 2018 (10.23 million metric tons). This calculation retroactively includes the scope of the worldwide DIS (Digital Identity & Security) business for its hardware, and takes into account the sale of the Group's transportation business.

The sharp drop observed compared with the 2018 reference year is explained by variations in activity in all sectors and by technological improvements to products and solutions. It was also due to lower sales to aircraft manufacturers, partly due to the consequences of the COVID-19 pandemic. These activities picked up again in 2022 and 2023, but the recovery remains uneven in terms of customers and types of product.

The Group's innovation policies help to reduce emissions linked to the products and services it sells. These actions are described in section 5.2.2.3.

5.2.2.5.3 Reducing the emissions footprint linked to employees' mobility

Thales is implementing a wide-ranging action plan to reduce emissions linked to employee travel, whether on business trips, using company cars or commuting to and from work.

Business trips

The business travel policy was updated in January 2023 to meet carbon footprint reduction targets and control costs, while continuing to ensure the safety and well-being of employees on the move. This policy was applied in 2023 in France and in the Group's main countries. Deployment will continue in other countries during 2024.

In 2023, emissions from business travel are assessed at 52,000 metric tons of CO₂, up by 16.8% on 2022 but down by 25.1% compared to 2018. The observed increase is explained by the return to normal activity after more than two years (2020, 2021, first quarter of 2022) during which travel was very limited due to the pandemic. This trend is in line with Thales's stated ambition to control the impact of business travel.

Company car policy

The company car policy was introduced in 2022. It meets the objectives of reducing the carbon footprint and ensuring the safety of employees on the move. It is applied in the Group's major countries and will be rolled out in the other countries in 2024. This deployment takes into account legal and tax provisions, practices and the relevance of the local energy mix.

For Thales, the European countries account for more than 85% of the company car fleet, with a split of 70% company vehicles and 30% service vehicles. The Group's partners have been asked to update their catalogs of vehicles according to each use, with the goal of significantly reducing the associated carbon footprint. Thus diesel cars can be included in the catalog only exceptionally, taking into account the country's energy mix and when the annual mileage is greater than 45,000 kilometers per year, with a CO₂ emission limit.

New orders for take-home company cars show a significant increase in hybrid electric vehicles, plug-in hybrid electric vehicles (PHEVs) and pure electric vehicles (EVs), from 53% in 2022 to 61% in 2023. In 2023, these orders therefore account for more than half of the Group's total orders for company vehicles, and this trend is also observed for service vehicles.

Commuting

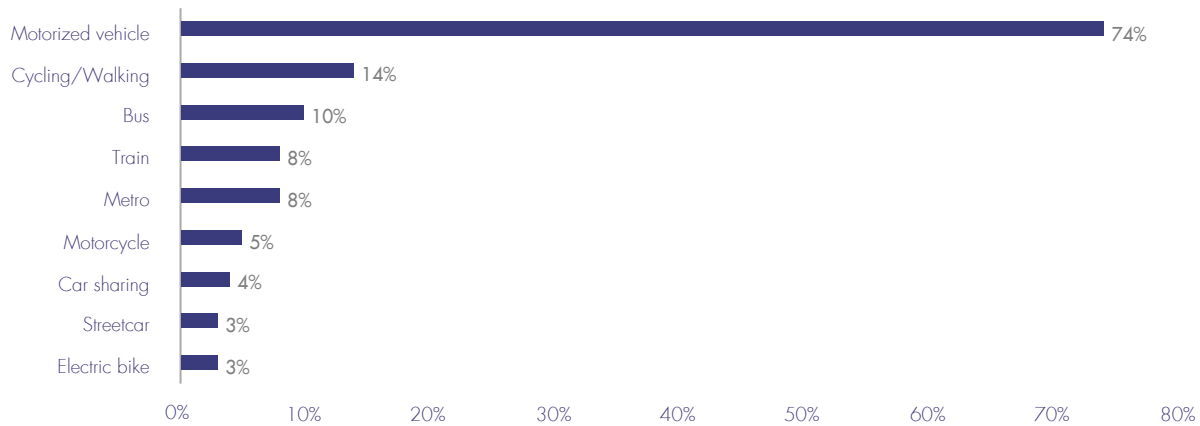
For several years now, Thales has been involved in a process of reflection to encourage the decarbonization of home-work journeys. In 2021, the Group launched a survey of commuting habits among all its employees. The results of this survey show that the annual carbon footprint for all means of transportation combined is 93,000 metric tons of CO₂ for 569 million kilometers traveled, or an average of 1.15 metric tons of CO₂ per year per employee. France and the six major countries (Germany, Netherlands, UK, US, Canada and Australia) have a footprint of 70,000 metric tons of CO₂, consistent with the number of employees in these countries.

Each site has the autonomy to undertake the most appropriate initiatives depending on the geographical location of the site and the proximity of public transport, while taking into account the safety of employees (for example, the existence of bicycle paths in the vicinity of the sites).

^[6] It should be noted that some corrections were made to the technical characteristics of products, with an insignificant impact on the results. In order to ensure comparability of data, the calculations relating to the phases of use of products and services sold were updated for previous years.



● USE OF TRANSPORTATION MODES FOR COMMUTING TO AND FROM WORK



(Results of the 2021 travel habits survey — The sum is greater than 100% as several means of transportation may be used for a single trip).

5.2.3 Innovation in the service of the environment

5.2.3.1 Governance of innovation in the service of the environment

Sustainable innovation is an integral part of the strategy and product policies of the Group's Global Business Units. Eco-design is integrated into the Research, Technology and Innovation process, particularly in the description of R&T challenges and technical reviews.

The CSR Strategy Committee, chaired by the Chairman and CEO, reviews innovation projects and sustainable business activities carried out by Group entities to monitor and guide initiatives in favor of sustainable products and services.

To implement this approach, the Group also mobilizes other governance processes and functions, such as the Low-carbon and Environment - Product committee (see section 5.2.1.1), the marketing network and the eco-design community led by the engineering business lines (see box section 5.2.3.2.2).

5.2.3.2 Policy of innovation in the service of the environment

Thales' innovation policy for sustainable solutions is based on two complementary components:

- growing the portfolio of products and services that bring sustainability solutions (e.g. decarbonization and better knowledge of the environmental impacts of their activity) to the Group's customers;
- designing and producing products and services more responsibly and sustainably.

Responding to the issues of sustainable development with innovative products and services

Thales has set up procedures and tools to identify market opportunities and innovations with a high CSR impact. To achieve this, the Group relies on a transversal approach among its Global Business Units, complemented by permanent connections to external ecosystems (partners, startups, external experts, potential customers, etc.).

In addition, the Group develops and can mobilize in-house expertise units, such as the Thales digital factory and the Design centers, to design new sustainable products and services that meet customers' environmental concerns.

Designing and producing responsibly and sustainably

Thales is committed to developing environmentally responsible products and systems that meet various needs:

- reducing the Group's environmental impact and meeting its commitments;
- complying with and anticipating environmental regulations, so as to manage obsolescence and control the associated industrial risk;
- creating value for customers through innovative sustainable solutions.

This approach includes in particular aspects relating to climate change (see section 5.2.2.2), circularity (see section 5.2.4) and pollution and hazardous substances (see section 5.2.5.3). The three guidelines selected are:

- consideration of the environment throughout the product's lifecycle;
- the development of features to improve customers' environmental performance;
- the development of products that strengthen the control and understanding of environmental issues.

5.2.3.2.1 Consideration of the entire product life cycle in the design process

Thales designs products with a very long lifespan - for example, a radar system has a useful life of over 30 years - and whose performance can be improved throughout this period, either through software upgrades or retrofits.

Thales has defined a simplified life-cycle environmental assessment approach to inform choices and decisions during the development phase, without the need for detailed product definition. The aim is to be able to integrate environmental aspects into design choices as early as possible, when technical specifications may still be subject to change. If customers so wish, a detailed life cycle assessment (LCA) is carried out by Thales at the end of product development, providing a baseline for subsequent developments.

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Life cycle analyses carried out on various products in recent years have identified two main areas for reducing the environmental impact of products:

- substitution of hazardous substances in products and production processes;
- reduction of CO₂ emissions during their use phase, thanks to their long service life combined with high utilization rates.

These analyses also show that actions to reduce CO₂ emissions generally lead to a reduction in other environmental impacts.

Some examples of product life cycle analyses

Thales carries out LCAs on products with specific life profiles such as satellites at the request of the European Space Agency (ESA). In addition, Thales has worked with a partner to draw up a methodological guide for carrying out simplified LCAs adapted to space products, piloted in 2023 on Dynasat and Space Inspire.

For products embedded on mobile platforms, this involves taking into account the mass moved by these products and, to a lesser extent, their energy consumption. For fixed-location products, energy consumption is the most important parameter. Reducing impact therefore depends both on the Group's ability to reduce their intensity through product design and on its customers' ability to reduce the energy intensity of the platforms on which these products are mounted.

For a limited number of products with a short life cycle in the use phase, and concerning consumer applications, for example bank cards or SIM cards and associated peripherals, the LCAs associated with relevant environmental indicators show that the production phase generates the most significant impact. It is therefore at this stage of the life cycle that efforts to reduce environmental impact are focused, through the development of circularity (in particular through the use of recycled materials) and the reduction of the quantities of materials used.

Managing product end-of-life to control environmental footprint and safety

With regard to the end of life of products, and more specifically for the small proportion of them falling within the scope of application of the Directive on waste electrical and electronic equipment (WEEE) ⁽¹⁾, the Thales entities concerned join eco-organizations in order to comply with their regulatory obligations.

However, because most Thales equipment contains strategically sensitive components and/or data, many customers prefer to discard them, lock them in warehouses or destroy them themselves. However, to meet the expectations of some of them, the Group makes dismantling offers adapted to the various situations. Recycling is at the intersection of three priorities: ensuring safety and security, protecting the environment and unlocking the economic value of waste.

For example, Thales has dismantled some forty laser designator pods ⁽²⁾ to recycle rare minerals and more conventional metals.

5.2.3.2.2 Developing eco-design to combine operational and environmental performance

To be part of a long-term approach, taking environmental issues into account in product development must go hand in hand with value creation for Thales and its customers. This involves for example improving operating conditions, reducing total cost of ownership, and optimizing product end-of-life management.

The Group's frame of reference for the development of solutions includes verification points specific to the various design stages, to ensure the inclusion of these environmental requirements, whether they stem from current regulations, customer requirements or the priorities defined by the Group. This frame of reference was rounded out in 2023 by an instruction entitled "Eco-design in engineering", which defines the roles, basic rules and ways of taking eco-design into account during the various phases of product development. Changes to the frame of reference and associated resources (tools and documents) are the subject of communication and awareness-raising campaigns.

The work carried out in recent years to characterize the main Thales products has led to the identification of two priority areas for improvement:

- the use of sustainable resources in the design and manufacture of products, particularly as regards the exclusion of hazardous substances, the choice of materials, quantities of material, the use of recycled raw materials, and product recyclability;
- the reduction of energy consumption and CO₂ emissions for products in the use phase.

These requirements are relayed to suppliers of equipment and components that Thales assembles on its sites. Manufacturing processes are also subject to optimization measures to limit material losses, debris, and waste quantities.

The growing importance of eco-design in Thales

To strengthen exchanges and enhance skills in this area, an Eco-design Community, led by Engineering at Group level, was set up in 2023, and a network of 107 eco-design points of contact was deployed in the Group's Engineering Competence Centers. A new training program was developed and rolled out in 2023 for the engineering function, raising this community's awareness of the basic rules of eco-design based on the principle of frugality.

The Group is also developing, in-house, methods and tools suitable for these activities, thus helping designers and product architects make eco-responsible choices at the various stages of specification and design of products and services, to capitalize on available environmental information, and to ensure that the solutions chosen comply with regulatory requirements.

5.2.3.3 Performance indicators

In 2023, 6,599 engineering employees were trained in eco-design.

All Product Line Architects, Product Line Managers, Design Authorities and Product Design Authorities had received eco-design training by the end of 2022.

All the actions described above enabled us to attain a rate of 100% in terms of new developments incorporating the eco-design approach in 2023.

⁽¹⁾ Directive 2012/19/EU.

⁽²⁾ Equipment for combat aircraft.



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5.2.4 Reduce, reuse and recycle waste

5.2.4.1 Policy and action plan

For waste management, Thales applies the “3Rs” rule: reduce, re-use and recycle. Various associated measures make it possible to reduce the production of waste and to improve its processing: reduction of packaging, the implementation of equipment exchange platforms (Green Initiative Project), the selective collection of waste, the search for recycling channels or optimal treatment channels as well as awareness-raising to encourage changes in behavior (elimination of plastic, printing policy, reuse of cardboard and other packaging).

Thales works with its packaging suppliers to reduce the environmental impact of flows to its customers, in particular by improving the design of its packaging, making greater use of low-impact materials and optimizing external dimensions and weight of the solutions selected. Reusable packaging solutions for spare flows are deployed on a large scale. The use of these various levers is regularly monitored and measured using a certified tool provided by the Group's main packaging supplier.

Finally, Thales constantly strives to identify new recycling channels, optimized treatment processes and even circular economy solutions. For example, the Ecosphere project initiated for one of Thales' business sectors, which was piloted in 2023, makes it possible to use plastic waste to meet industrial needs.

5.2.4.2 Performance

	2021	2022	2023	2023 target
Natural resources				
Recycling rate of non-hazardous waste (excluding exceptional waste) ^(a)	70%	73%	69%	75%

(a) Exceptional waste refers to waste produced outside the Group's normal activities, for example during construction works.

Total non-hazardous waste production (excluding exceptional waste) was down by 18.6% on 2022 and by almost 11.3% on 2018; this was largely due to the reduction in quantities of packaging and paper waste, and also to the reduction, by more than 3,400 metric tons, in the quantity of sludge produced by one of our sites, between 2022 and 2023.

The actions carried out in 2023 led to a non-hazardous waste recovery rate (excluding exceptional waste) of 88.3%, a significant increase on 2018 (74.9%). In contrast, the recycling rate for non-hazardous waste (excluding exceptional waste) was 69.1% in

2023, down slightly on 2022 (72.7%) but up sharply on 2018 (53.3%). In 2021 and 2022, maintenance operations at one of the Group's sites generated a significant amount of non-hazardous waste, which was composted (and therefore included in the recycling rate).

Finally, the rate of landfilling of non-hazardous waste decreased between 2018 and 2023 from 21.6% to 9.5% (excluding exceptional waste).

● PRODUCTION OF HAZARDOUS AND NON-HAZARDOUS WASTE (excluding exceptional waste)

	2018	2022	2023	2018/2023
Total waste (in metric tons)	21090	22891	19355	-8.2%
Hazardous waste (in metric tons)	3431	3647	3699	+7.8%
Non-hazardous waste (in metric tons)	17659	19244	15656	-11.3%
Non-hazardous waste intensity (kg/person)	218	269	224	+2.9%

Particular attention is paid to the management of hazardous waste. Dedicated collection and storage areas are in place to facilitate its management before disposal. The quantity of hazardous waste remained virtually stable between 2022 and 2023, despite growth in activity.

In addition, the recycling rate for hazardous waste is down sharply (27.4% in 2023 versus 35.4% in 2018), due in particular to a change in the treatment applied to chemicals (which are now processed by incineration with energy recovery), as well as oils and solvents. This decline is partly limited by an increase in the recycling rate for WEEE and batteries, the quantity of which rose between 2018 and 2023.

Finally, for the majority of Thales sites, the management of company dining facilities is entrusted to catering companies, and the Group therefore has no direct impact on food waste. Nevertheless, as with all its partners, Thales is working with these companies to implement responsible solutions for processing and encouraging the reduction of food waste. As a result, between 2018 and 2023, the amount of catering waste in the Group's total non-hazardous waste production decreased by 2.4 percentage points to 6.5%.

This improvement can be attributed to the awareness-raising actions carried out by the Group's service providers with employees and the development of anti-waste programs.

5.2.5 Preserving nature by acting in favor of water and biodiversity

Governance of Thales'CSR policy on biodiversity, the preservation of aquatic resources, the fight against pollution and the limitation of industrial emissions is integrated into the governance of health, safety and the environment (see 5.2.1.1).

5.2.5.1 Water conservation

5.2.5.1.1 Water conservation policy

For over 20 years, Thales has been preserving the quality and availability of water. This policy is based on:

- Reducing and stabilizing the Group's water requirements.
The Group has taken steps to reduce its use of water, notably by renovating and monitoring pipes, setting up centralized network management systems and replacing high-consumption equipment. In 15 years, this program has generated a significant reduction in Thales' water requirements, which have now stabilized.
The Group has set itself the target of not increasing the amount of water it withdraws (apart from geothermal needs).
Risks related to the management and availability of water have not been identified as material at Group level (see section 5.1.6).

- Analysis of the vulnerability of Group sites to water-related risks.
The study carried out by AXA XL Risk Consulting in 2021 identified sites located in water-stressed zones. Water consumption at sites located in areas of high water stress (with a WRI⁽¹⁾ score of over 3) accounted for 1.6% of the Group's total water consumption in 2023. However, in view of climate change, projections to 2040 show a significant increase in the number of water-stressed areas. For example, 21 sites experienced periods of water restrictions in 2023 compared to 19 sites in 2022 and six sites in 2018.
- Group-wide mapping of the water cycle.
This mapping, carried out with the aim of better controlling the management of water resources, led to the overhaul of water indicators in order to improve reporting on the subject and to be aligned with the demands of the CDP's water program. Thales responds to the CDP's Water Security questionnaire, which assesses the extent to which current and future water management risks are taken into account, in terms of both strategy and use. In July 2023, the Water Security questionnaire was submitted for the first time and a B- score was obtained (score announced on February 6, 2024), a score above the sector average.

5.2.5.1.2 Action plans and performance indicators

	2021	2022	2023	2022/2023	Target
Water					
Water withdrawal excluding geothermal use (thousands of m³)	1,567	1,479	1,510	2,1%	No increase in withdrawals (excluding use of geothermal energy)

In 2023, the total quantity of water abstracted (excluding geothermal use) amounted to 1,510,000 m³, down 12.1% on 2018. This reduction confirms the collective effort of all sites, including the Mulwala site (Australia) which, because of its industrial activities and processes, accounts for 33.4% of the Group's water withdrawals. Its water withdrawals decreased by 11.1% between 2018 and 2023.

The total quantity of water abstracted also includes specific uses for geothermal energy, representing 849,213 m³, up by 9.7% on 2022. This increase is in line with the Group's strategy to develop the use of renewable energies.

Some examples of water conservation initiatives in Thales

- In California, where water availability is very limited due to shortages, fires and constant climate change, one of the Group's sites has implemented an action plan based on several levers such as: the construction of a visual dashboard to identify external leaks and significant changes in monthly water consumption, which supports daily plant inspections to identify any leaks; the use of reclaimed or recycled water when available; and regular communication on the value of water conservation;
- In France, a site specializing in the design and manufacture of components and subsystems for imaging solutions has made significant investments to optimize its water consumption (retrofit of a system for recycling and reusing chemical wastewater). At the end of 2023, another site also launched the installation of an evapo-concentrator to recover non-concentrated effluent from the surface treatment workshop for reuse in the industrial process (projected gains: between 550 and 600 m³ per year.) This system will have the dual benefit of reducing water withdrawals and of no longer discharging effluent into the sewer system;
- The Montreal site has made a number of changes to reduce the use of water resources, notably by installing more economical sanitary fittings and sensors to prevent the automatic watering of lawns in the event of rain, coupled with a reduction in the frequency of watering.

⁽¹⁾ World Resources Institute.



5.2.5.2 Biodiversity and ecosystems

5.2.5.2.1 Policy for the preservation of biodiversity and ecosystems

• Mapping of biodiversity-related risks

As long ago as 2006, an inventory of sites located near or within protected natural areas was drawn up to measure and monitor the impact of the Group's activities on biodiversity. In 2022, in order to be in line with international initiatives, an additional study was carried out using ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) to assess the dependencies and impacts of the Group's activities on biodiversity. These studies have enabled us to assess the Group's impact on biodiversity as low (see section 5.1.6).

At the end of 2023, the Group launched a pilot project to quantify the biodiversity footprint of one of its activities. Results are expected in 2024.

• Deployment of local biodiversity initiatives

For new projects, depending on location and environmental sensitivity, the Group carries out biodiversity impact assessments and applies the "Avoid, Reduce, Compensate (ARC)" principle.

Fauna and flora inventories are also carried out on a voluntary basis as part of the biodiversity preservation measure. Revegetation projects and management measures more favorable to biodiversity are also implemented. In 2024, five pilot sites are scheduled to implement a biodiversity action plan, which will include an ecological diagnosis by an expert and the definition and implementation of actions to address local biodiversity issues.

• Employee training and awareness-raising

Thales encourages its employees to take steps to protect and enhance species and their habitats. To support these activities, employee awareness-raising initiatives are deployed throughout the Group. Thus, in 2023, a training module on Biodiversity was integrated into the Thales Climate Passport, conferences on biodiversity, open to all employees, were organized by the Group, and the HSE France network hosted "Biodiversity Frescoes" (over 100 participants).

5.2.5.2.2 Action plans and performance indicators

Numerous projects are carried out in partnership with local environmental protection authorities or organizations (such as the French National Forestry Office, communities of communes, or local environmental associations), demonstrating the importance that Thales places on exchanges with local communities on these subjects of biodiversity preservation.

Some sites, such as Mulwala and Benalla in Australia (winners in the Asia-Pacific region of the "Biodiversity Challenge" organized internally by Thales in 2022), are located in protected areas and have implemented a habitat management plan. This plan aims first to identify threatened species by carrying out environmental inventories, and then, in the second phase, to fight against the spread of invasive species by planting exclusively native species. These projects are also based on voluntary local measures to combat the fragmentation of natural habitats. A hundred trees have been planted on the Benalla site, and the concept of cellular grazing ^[2] is being applied on the Mulwala site.

As part of its real estate projects, the Group rigorously integrates biodiversity monitoring and management in line with its obligations. In France, for example, for the construction site of the new Thales establishment in the Cholet region, ecological monitoring was carried out with the support of an expert firm in this field.

5.2.5.3 Combating hazardous substances: obsolescence and substitution

The growing number and constant evolution of environmental regulations concerning hazardous substances are leading to restrictions or even bans on the use or presence of certain hazardous substances in products. This situation entails a growing risk of production or maintenance stoppages for certain products or equipment, or the need to partly or totally redesign some of them.

This is why Thales has implemented a proactive approach based on anticipating risks and taking the necessary action to control them throughout the product life cycle, right from the upstream phase ^[3]. The Group pays particular attention to technologies involving substances on the Candidate List, Annexes XIV and XVII of the REACH ^[4] Regulation, but also those referred to in other texts such as the RoHS ^[5] and WEEE ^[6] Directives, the POP ^[7] and ODS ^[8] Regulations in Europe and international conventions on this subject.

To control the risk of obsolescence, Thales has implemented **substitution plans** or **solutions for eliminating substances** whenever possible (with associated product re-design). To this end, substitution studies are carried out - either in-house or with the help of industrial partners - to assess the performance of alternative solutions, as well as the robustness of the industrial processes used. These analyses ensure that the products manufactured comply with technical requirements. The redesign of products and their interfaces as well as the resizing of industrial tools can take several years.

^[2] Cellular grazing is a rotational grazing technique characterized by very short times (1 to 2 days per cell) for animals on small paddocks.

^[3] This approach is based on centralized regulatory oversight of a constantly expanding scope, the summaries of which are distributed in the form of alerts based on the priority and criticality of the issues. It includes the collection of data relating to the substances directly concerned by the regulations and which are present in the manufacturing processes and in the components and sub-assemblies used in the products and solutions developed. All these data are centralized in a database accessible to all Group entities, as well as in PLM (Product Lifecycle Management) and ERP (Enterprise Resource Planning) tools. An in-house analysis tool enables all this information to be cross-referenced to ensure regulatory compliance of processes, products and services. It also enables the performance of the impact analyses essential to anticipating the risks of obsolescence and eco-responsible management.

^[4] REACH: Regulation (EC) No. 1907/2006 of 18 December 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and the restrictions applicable to these substances.

^[5] RoHS: Restriction of Hazardous Substances in electrical and electronic equipment - Directive 2011/65/EU of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment.

^[6] WEEE: Waste Electrical and Electronic Equipment - Directive 2012/19/EU of 4 July 2012 on waste electrical and electronic equipment.

^[7] POP: Persistent Organic Pollutants - Regulation (EU) 2019/1021 of 20 June 2019 on persistent organic pollutants.

^[8] ODS: Ozone Depleting Substances - Regulation (EC) No. 1005/2009 of 16 September 2009 on substances that deplete the ozone layer.

Special case of chromates

Thales began researching alternative processes for more than 30 industrial processes used for its applications by its subcontractors in 2013. Since 2013 the Group has spent more than €12 million on this work and on implementing replacement processes in equipment and systems. An organization bringing together technical experts, industry and purchasing at Group and entity level has been set up to ensure compliance with regulatory deadlines, with reinforced monitoring of actions following the cancellation of certain REACH authorization dossiers for these substances. The outcome of these actions is the securing of "industrial switch-overs" and suppliers'

ability to meet project requirements. If necessary, buffer stocks of items are built up to manage the transition and avoid supply shortages.

Other substances

The Group assesses exposure to other substances such as lead, PFAS (perfluoroalkylated and polyfluoroalkylated substances), bisphenol A and cadmium. Whenever necessary, studies are carried out to find alternative solutions. This represents an average annual investment of around €3 million over the past four years.

5.2.5.4 Combating industrial emissions

5.2.5.4.1 Policy to limit industrial emissions

For over 20 years, Thales has been committed to a voluntary and responsible approach to reducing its environmental impact, and consequently to preventing pollution and limiting industrial emissions.

Industrial wastewater emissions	Thales' activities generate little industrial wastewater. The Group monitors and, where necessary, treats these effluents before discharge - in compliance with local authority authorizations - either via a sewer system or into the natural environment. The Group also works to optimize industrial processes and recycle water for reuse in industrial processes wherever possible.
Industrial air emissions (excluding refrigerant fluids)	Thales' activities do not generally give rise to atmospheric emissions, except for those from a few specific industrial sites or those linked to the operation of the sites (in particular, heating). On the few sites in question, industrial air emissions are channeled and treated when necessary (filters, scrubbers, etc.) and regularly monitored. These are basically solvents. The sites concerned are always looking for technical solutions to treat atmospheric emissions or replace solvents with products that have less impact.
Fight against noise and odor nuisance	Thales' activities generate very little noise or odor pollution. Actions are nevertheless being taken to limit them. Refrigeration systems are among the biggest noise emitters, and precautions are taken to limit their impact. Sound levels are periodically checked. The few sites affected by noise due to their activities are equipped with acoustic attenuation devices or have made adjustments to the time slots when noisy activities take place. In addition, the increasing use of computer simulation systems helps to reduce noise, for example in pyrotechnical tests.

In the area of historical pollution, the Group monitors and manages these situations and the associated risks responsibly. Few Thales sites are affected by these situations, which are mainly due to long-standing industrial practices, often outside the Group (as a result of acquisitions). Thales' objective in this area remains to ensure the health and safety of people, and to minimize the impact on the environment.

Any new situation identified as a pollution risk or as proven pollution is subject to a rigorous investigation process overseen by external expert companies. Appropriate treatments are implemented when available techniques permit. The aim is to reduce environmental impact as much as possible, giving priority to in situ treatments.

Pollution management is monitored by the local entities concerned with the support of the Group's central HSE team, in coordination with Thales' legal experts involved in environmental issues. Operational teams are also involved, in close coordination with the relevant supervisory authorities (such as environmental agencies, DREAL ⁽⁹⁾, the ARS ⁽¹⁰⁾ or prefectures).

⁽⁹⁾ Regional Directorate for the Environment, Development and Housing.
⁽¹⁰⁾ Regional Health Agency.



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5.2.5.4.2 Action plans and performance indicators

Industrial wastewater emissions	Thales' activities discharged 566,656 m ³ of industrial water in 2023. Eight sites account for 97% of these discharges, 63% of which are from the Mulwala site in Australia. Throughout the Group, these discharges have decreased by 9.9% compared to 2018, as a result of optimization measures, constant modernization of facilities and recycling and reuse of this water.
Industrial atmospheric emissions (excluding refrigerants)	1,223 metric tons of solvents were used in 2023. Just eight of the 91 sites concerned account for 90% of solvent purchases. The Mulwala site alone accounts for 82% of these purchases and 76% of the related atmospheric emissions, due to its manufacture of propellants, which requires a large quantity of solvents (mostly consumed in the chemical reactions). Although the Mulwala site has increased its production capacity, industrial atmospheric emissions associated with solvents have risen by 10% between 2018 and 2023, and by 60% between 2022 and 2023.
Fight against noise and odor nuisance	Only seven of the Group's sites report generating odor nuisance. These are odors caused by evaporation basins or industrial water treatment systems, or by the use of solvents and paints in manufacturing processes. Appropriate measures have been implemented to reduce this nuisance: cleaning, installation of paddle wheels to increase dissolved oxygen levels, reduction in use, installation of suction and discharge treatment equipment, use of specific protective equipment for operators. At Group level, 39 sites report generating noise pollution at the edge of their site.

5.2.6 European environmental taxonomy

This section is published pursuant to Regulation (EU) 2020/852 of 18 June 2020 and its delegated acts, on the establishment of a framework to facilitate sustainable investment.

The regulation and its delegated acts require Thales to publish, on the basis of its accounts at December 31, 2023, the turnover, operating expenses (OpEx) and capital expenditure (CapEx) relating to:

- group activities eligible for and aligned with the first two environmental objectives of the green taxonomy, namely climate change mitigation and adaptation;
- group activities eligible for the first two objectives, which were not eligible until now (broadening of the scope of the taxonomy);
- group activities eligible for the four new objectives: the sustainable use and protection of aquatic and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

Some of the products, solutions and services designed by Thales contribute major benefits to the fight against global warming, such as avionics solutions that optimize aircraft trajectory and therefore fuel consumption.

The list of Thales' activities eligible for climate targets has grown with the extension of the scope to include aeronautical activities. In addition, electrical and electronic equipment manufacturing activities are eligible for the objective of transition to a circular economy. Thales' contribution in this area is significant, given the lifespan of the products manufactured and their repairability, taken into account in the original design. None of Thales' activities are eligible for the other three new objectives (water, pollution and biodiversity).

Significant events in 2023

In addition to the strong growth in the taxonomy eligibility of Thales' activities (from 0% to 69% of turnover and from 19% to 35% of CapEx), the 2023 statement shows, compared with 2022, an improvement in alignment rates thanks to the implementation of actions aimed at making activities and investments more sustainable (vehicle fleet, real estate work, data processing in particular).

Internal reporting processes for the taxonomy have been strengthened, and this effort will be continued in 2024.

Finally, certain activities are doubly eligible for different taxonomy objectives (aircraft manufacturing and electrical and electronic equipment manufacturing) and are the subject of dedicated reporting, each activity having been assigned to a single objective (see appendix).

Corporate responsibility and non-financial performance

Our commitments and actions for the planet

The activities for which Thales carried out an eligibility and alignment analysis at December 31, 2023 are listed below:

Objective*	Activity number	Name of activity according to Annex 1 of the EU Delegated Act	Corresponding eligible Thales activities	Reported indicators	
				Turnover	CapEx
CCM	7.2	Renovation of existing buildings	Work carried out in purchased or rented buildings, greater than or equal to 25% of the surface area or 25% of the value of the property		X
CCM	7.3	Installation, maintenance and repair of energy efficiency equipment	Insulation work, replacement of windows, doors, lamps, taps, air conditioning or heating systems		X
CCM	7.4	Installation, maintenance and repair of charging stations for electric vehicles in buildings	Charging stations installed in parking lots		X
CCM	7.5	Installation, maintenance and repair of instruments and devices related to building energy performance	Installation, maintenance and repair of thermostats, smart meters, etc.		X
CCM	7.6	Installation, maintenance and repair of renewable energy technologies	Installation, maintenance and repair of photovoltaic panels, heat pumps, etc.		X
CCM	7.7	Acquisition and ownership of buildings	Purchased or leased buildings (IFRS 16)		X
CCM	6.5	Transport by motorcycles, private passenger cars and light commercial vehicles	Group employees' take-home company cars		X
CCM	8.1	Data processing, hosting and related activities	- Data centers - Cybersecurity	X	X

* CCM: Climate Change Mitigation; CE: Circular Economy.

The activities for which Thales carried out an eligibility analysis at December 31, 2023 are listed below:

Objective*	Activity number	Name of activity according to Annex 1 of the EU Delegated Act	Corresponding eligible Thales activities	Reported indicators	
				Turnover	CapEx
CCM	3.21	Aircraft manufacturing	- Flight avionics: flight controls, on-board computers, navigation and positioning systems - EEE installed on other equipment: flight avionics, aircraft electrification, software, etc. - Air traffic management (ATM) and avionics solutions that optimize aircraft trajectory and reduce the fuel consumed by air transport by up to 10%;	X	X
CE	1.2	Manufacture of electrical and electronic equipment	- Stand-alone EEE: Radio communication products, identity verification systems, in-flight entertainment equipment (IFE) - Flight simulators, which meet training needs with an extremely small carbon footprint; - Medical (radiology detectors) - Radar/sonar systems - Scientific instruments including scientific and industrial lasers - Zoom lenses - Earth observation satellites, whose data are essential for understanding phenomena related to global warming; - Satellite navigation solutions: at the heart of programs such as Galileo and EGNOS, Thales Alenia Space is at the forefront of satellite navigation in Europe. These projects are essential building blocks for optimizing sea, air and land travel. - Weapons systems / missile electronics	X	X
CE	5.1	Repair, refurbishment and re-manufacturing	Repairs to equipment for activities corresponding to 1.2	X	X
CE	5.2	Sale of spare parts	Sale of spare parts for 1.2 equipment	X	
CE	5.3	Preparation for reuse of end-of-life products and components	Preparation for some equipment from 1.2		
CE	5.4	Sale of used goods	Sale of used goods from 1.2	X	
CE	5.5	Products as a service		X	
CE	3.2	Renovation of existing buildings	Work carried out in purchased or rented buildings, greater than or equal to 25% of the surface area or 25% of the value of the property		

* CCM: Climate Change Mitigation; CE: Circular Economy.



5.2.6.1 Methods used by Thales for the application of the green taxonomy

With respect to the calculation of the aggregates required by the Green Taxonomy Regulations for determining eligibility, as described in the delegated act:

- the scope of consolidation is identical to that used in the consolidated financial statements;
- the methodology for determining the base (denominator) is as follows:
 - the denominator used is consolidated turnover for the year ended December 31, 2023 under IFRS, i.e. excluding intra-group transactions and the Global Transport Business,
 - operating expenses used in the denominator are non-customer-financed research and development costs as reported in the consolidated income statement, maintenance of property, plant and equipment, and short-term rental expenses as reported in the costs by nature of the Group's legal entities,
 - the capital expenditure used in the denominator is the acquisition of tangible and intangible fixed assets (information systems, technical expenditure (engineering), production and services, real estate and capitalized development costs, etc.), acquisitions of rights of use under leasing contracts for eligible projects, expenditure on business vehicle leasing contracts for the year ended December 31, 2023 and the fixed assets of companies acquired during 2023 (Imperva and Tesseract);
- the source of the data reported is as follows:
 - the values of turnover, operating expenses and property, plant and equipment and intangible assets come from the companies' information systems;
- the methodology for determining eligible and aligned amounts (numerator) is as follows:
 - revenue is defined as turnover excluding intra-Group sales of eligible activities considered individually,
 - regarding operating expenses, these are expenses associated with eligible activities (in the sense of sales),
 - acquisitions of property, plant and equipment and intangible assets concern:
 - either real estate investments,
 - or acquisitions of rights to use under leases relating to eligible activities (IFRS 16 debt excluding decreases linked to early termination, renegotiation or a reduction in indexation),
 - or operating investments related to eligible activities (in the sense of turnover).

Thales has decided to apply the following analysis thresholds when publishing data:

- for turnover, an analysis threshold of 1% of the Group's turnover was applied to each eligible activity, whether dedicated to a Business Line or cross-functional to several of them;
- for capital expenditure, a threshold of €100,000 was applied per investment. For capital expenditure related to real estate, in accordance with current regulations, Thales did not take into account industrial and modular buildings in its analyses. For "mixed" buildings (hosting both industrial and office activities), only those with an office space of more than 1,000 m² were taken into account. In this case, the amounts included in the calculation of capital expenditure were determined in proportion to the total surface area. This methodology is identical to that used for the statement published in 2023.

5.2.6.2 Application of the green taxonomy for Thales

5.2.6.2.1 Eligibility analysis

Turnover, operating expenses and tangible and intangible fixed assets have been calculated with care to avoid double counting. Each product/project has been allocated to a specific activity, and real estate expenditure has been handled separately by the Real Estate function for the Group as a whole.

5.2.6.2.1.1 Eligibility of turnover

As was the case for the statement published in 2023, the eligibility analysis was carried out on the managed services spread across the Business Lines of the Digital Identity and Security (DIS) Global Business Unit, as well as the Secure Information and Communications Systems (SIX) Global Business Unit falling within the scope of the cross-functional activity "data processing, hosting and related activities" (CCM 8.1) for the climate change mitigation objective.

In the texts published in 2023, new activities have been designated as eligible:

- the aerospace industry is integrating the objective of climate change mitigation with, for the Group, air traffic control solutions, flight management and piloting equipment, measuring instruments (altitude, angle of incidence, etc.) and positioning instruments (inertia, GPS, etc.) and display and control screens, for different types of aircraft (Commercial, Military, Helicopters, etc.);
- the manufacture and maintenance of electrical and electronic equipment is now eligible for the transition to a circular economy with in particular radio communication products, identity verification systems, inflight entertainment equipment (IFE), flight simulators, radiology equipment, radar systems, scientific lasers and observation satellites.

To this end, an eligibility analysis was carried out on the activities listed in the new delegated acts:

- by the teams in charge of the Group's product policy and HSE, then;
- by the product, HSE and Finance teams of each Global Business Unit in order to:
 - determine whether the activities of each product line meet regulatory definitions,
 - estimate the corresponding turnover based on information available in ERP systems.

The following Thales activities were identified as eligible in 2023:

- for the climate change mitigation objective (see details of activities in section 5.5.7):
 - Manufacturing of aircraft (CCM 3.21);
- for the objective of transition to a circular economy (see details of activities in section 5.5.7):
 - manufacture of electrical and electronic equipment (CE 1.2),
 - repair, reconditioning and re-manufacturing (CE 5.1),
 - sale of spare parts (CE 5.2),
 - preparation for repair (CE 5.3),
 - sale of second-hand goods (EC 5.4),
 - products as services and other circular service models focused on use and results (CE 5.5),
 - renovation of existing buildings (CE 3.2).

After analysis, it turns out that the turnover of activities 5.2, 5.4 and 5.5 are below the threshold that Thales has set for its declarations, and that there is no eligible turnover for activities 5.3 and 3.2.

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5.2.6.2.1.2 Eligibility of capital expenditure

In view of the low materiality of OpEx meeting the taxonomy's restrictive definition compared with the Group's consolidated operating expenses (unfunded research and development, asset maintenance and short-term leasing), no analysis has been carried out on the eligibility and alignment of these expenses. Nonetheless, in 2023, the Group spent money to contribute to climate change mitigation. Examples of such expenditure include the introduction of a digital environmental training tool (CSR Learning Academy) to raise employee awareness of climate issues, and all the work relating to the definition and deployment of the new CSR program currently under way.

5.2.6.2.1.3 Eligibility of capital expenditure

In accordance with the Taxonomy Regulation, the fixed assets of companies acquired during the year (Imperva and Tesserent) have been included in the CapEx base. Given their inclusion at the end of the year, a macroscopic analysis was carried out on this perimeter, which identified the stock relating to IFRS 16 debt as eligible.

With regard to capital expenditure, the Group considered the following activities for the climate change mitigation objective:

- real estate activities managed centrally for the entire Group, given their cross-functional nature:
 - renovation of existing buildings (CCM 7.2),
 - installation, maintenance and repair of energy efficiency equipment (CCM 7.3),
 - installation, maintenance and repair of charging stations for electric vehicles in buildings (CCM 7.4),
 - installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings (CCM 7.5),
 - installation, maintenance and repair of renewable energy technologies (CCM 7.6),
 - Acquisition and ownership of buildings (CCM 7.7).

After analysis, it appeared that there was no eligible CapEx for activity 7.2 and that for activity 7.4 was below the threshold set by Thales;

- the data processing activities of the Global Business Units concerned (DIS and SIX):
 - data processing, hosting and related activities (CCM 8.1);
- the aircraft manufacturing activities of the Avionics Global Business Unit (AVS):
 - manufacturing of aircraft (CCM 3.21);
- take-home company cars provided to Group executives:
 - Transport by motorcycles, private passenger cars and light commercial vehicles (CCM 6.5).

For the purpose of the transition to a circular economy, electrical and electronic equipment manufacturing activities have been considered eligible in all the Group's Global Business Units:

- manufacture of electrical and electronic equipment (CE 1.2);
- repair, refurbishment and re-manufacturing (CE 5.1).

5.2.6.2.1.4 Double eligibility (turnover and CapEx)

Given the new taxonomy perimeters, some Thales activities are eligible for both "manufacture of aircraft" (CCM 3.21) and "manufacture of electrical and electronic equipment" (CE 1.2). They are declared under "manufacture of aircraft" (CCM 3.21) by the Avionics (AVS) Global Business Unit and under "manufacture of electrical and electronic equipment" by the Secure Information and Communication Systems (SIX) Global Business Unit. They are

declared in both categories under the multi-eligibility format (see Appendix).

5.2.6.2.2 Alignment analysis

Alignment is based on (i) compliance with the substantial contribution criteria, (ii) compliance with the principle of "do no significant harm" (DNSH) and (iii) compliance with the Minimum Guarantees.

As operating expenses are non-material, the alignment analysis focused on capital expenditure and turnover, with the exception of aeronautical activities and activities meeting the objective of a transition to a circular economy, for which the alignment analysis will be carried out in 2025 for the 2024 financial year.

5.2.6.2.2.1 Meeting substantial contribution criteria

For certain activities, compliance with these criteria is intrinsic to the notion of eligibility (vehicles, etc.). For other activities, including support activities (maintenance, repair, etc.), which require a more detailed analysis, the verifications were carried out in compliance with the recommendations of the delegated taxonomy acts, for each eligible activity, by the operational teams of the Global Business Units and Functions concerned.

• installation, maintenance and repair of energy efficiency equipment (CCM 7.3)

The Group has an active and ongoing policy of maintaining and renovating its real estate portfolio. The analysis, which focused mainly on LED lights, confirmed that Thales fully meets the substantial contribution criteria for this activity.

• Installation, maintenance and repair of charging stations for electric vehicles in buildings (CCM 7.4)

The Group has an active policy of encouraging the use of more sustainable vehicles. To this end, it has set up a number of recharging stations, notably in the parking lots of its new head office. However, as the unit amounts are below the threshold set by Thales, no activity is declared in this respect in 2023.

• Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings (CCM 7.5)

This mainly corresponds to the replacement of TBM/CTM (Technical Building Management/Centralized Technical Management) systems. Thales made sure with its suppliers that the products and components used met the substantial contribution criteria for this activity.

• Installation, maintenance and repair of renewable energy technologies (CCM 7.6)

This mainly involves the installation of solar panels at Thales sites, for which the text does not provide a substantial contribution criterion.

• Acquisition and ownership of buildings (CCM 7.7)

To conduct the alignment analysis, Thales took into account the existence of Energy Performance A Diagnostics (or equivalent in the European Union) or, failing this, ensured that the building analyzed was included in the 15% of the most efficient national or regional real estate portfolio in terms of operational primary energy consumption (data obtained by Thales via specialized third parties in the absence of existing certifications).

Thales has set itself the goal of re-leasing only buildings whose characteristics meet the substantial contribution criteria of the Taxonomy. However, given that the majority of real estate investment expenditure relates to lease renewals, it appears that only a small part (16%) of eligible capital expenditure for this acquisition and building ownership activity meets these substantial contribution criteria.



In 2023, the construction of buildings complying with substantial contribution rules on two Group sites generated CapEx in line with the surface areas occupied by tertiary activities.

• **Transport by motorcycles, private passenger cars and light commercial vehicles (CCM 6.5)**

Thales has implemented a new Group policy in favor of the selection of more environmentally friendly vehicles. The Group's new service provider carries out its own analysis of compliance with the substantial contribution criteria for the fleet it manages, and forwards the information to Thales. However, there is still one international contract for which the Group does not have the information required for analysis.

• **Data processing, hosting and related activities (CCM 8.1)**

To carry out the analysis, Thales took into account the existence of the European code of conduct on data center energy efficiency to assess whether the criteria for substantial contribution had been met. The activity meets the criteria for substantial contribution when it implements all the relevant practices listed as expected practices in their most recent version, with verification by an independent third party every three years. At the end of 2023, two of the Group's data centers (Elancourt and Toulouse) had signed up to the European code of conduct, but neither of them is as yet aligned. In view of the planned work on the cooling system, at least one data center will be aligned during financial year 2024.

5.2.6.2.2.2 Compliance with the principle of "do no significant harm" (DNSH)

• **DNSH "adaptation to climate change" cross-functional to all of the above-mentioned activities**

In order to be aligned, in addition to meeting the substantial contribution criteria, all eligible activities identified by Thales require compliance with the principle of "do no significant harm" in order to adapt to climate change.

To do this, in 2023 Thales conducted an assessment of the physical risks and vulnerability of its sites linked to climate change as recommended by the Delegated Regulation (Annex A), with the help of an external provider.

This study of the vulnerability of the Group's assets (365 sites studied) to all the physical risks associated with climate change was carried out in order to:

- assess current and future exposure;
- identify the sites most affected and the risks with the biggest impacts;
- propose the generic areas of adaptation solutions.

It has been drawn up in line with green taxonomy definitions (cold wave, heat wave, extreme temperature, forest fire, flood, drought, landslide, storm, etc.). This study takes into account two climate change scenarios defined by the IPCC (SSP2-4.5 and SSP5-8.5 for two time horizons (2030 and 2050).

This study concludes that the Group's asset portfolio is robust in the face of physical risks related to climate change. Of the 365 locations covered, only eleven are assessed as having a very high prospective risk and 35 as having a high risk. Heat waves, floods and landslides are identified as the main perils at the

Group level. A process involving three pilot sites was begun in 2023 to define a methodology that will support the sites concerned in drawing up an adaptation plan from 2024 onwards.

Any work carried out on the 46 sites concerned is considered non-aligned until their respective adaptation plans have been drawn up.

• **DNSH "pollution";**

- For the analysis of the activity of installing, maintaining and repairing energy efficiency equipment (CCM 7.3):

To ensure compliance with this specific DNSH, which deals with pollution prevention and control, Thales relied on its responsible purchasing policy, which commits all its suppliers to essential environmental, social and governance objectives (see section 5.4.3.2).

- For vehicle activity analysis (CCM 6.5):

The analysis was carried out by the service provider who manages the main vehicle fleet in the context of its own Taxonomy statement.

• **DNSH "Transition to a circular economy";**

For analysis of data processing activity (CCM 8.1):

Processes have evolved to systematically take eco-design into account in developments, and a dedicated training plan is currently being rolled out to all Group engineers. There is also a waste management plan for electrical and electronic equipment.

• **DNSH "Sustainable use and protection of water and marine resources".**

- For analysis of data processing activity (CCM 8.1):

Where applicable, an analysis of the quality of water points affected by Thales' infrastructures has been carried out.

5.2.6.2.2.3 Compliance with the Minimum Safeguards

The implementation of the minimum safeguards set out in Article 18 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment was also verified via:

- the commitments made by the Group under the United Nations Global Compact (see sections 5.1.4 and 5.4.2.1);
- the Group's integrity and compliance policy (see section 5.4.2), including fair competition. Thales makes its employees aware of the importance of complying with applicable competition laws and regulations. (see section 5.4.2.2.4);
- the Duty of Care plan aimed at preventing serious violations of human rights and fundamental freedoms, the health and safety of individuals and the environment, resulting from the activities of the Company and those of the companies it directly or indirectly controls, as well as from the activities of subcontractors or suppliers with whom it has an established business relationship, when these activities are related to that relationship (see section 5.4.4);
- tax policy: the role of Thales tax governance is to ensure that tax rules in all countries in which the Group operates are rigorously applied (see section 5.4.2.2.8).

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5.2.6.2.2.4 Conclusion of the alignment analysis of Thales' taxonomy-eligible activities for financial year 2023

Objective*	Activity number	Name of activity according to Annex 1 of the EU Delegated Act	Corresponding eligible Thales activities	Reported indicators		Substantial contribution	DNSH*						Minimum requirements
				Turnover	CapEx		CCM	Adapt*	Water	CE	Poll*	Biodiv	
CCM	7.3	Installation, maintenance and repair of energy efficiency equipment	Insulation work, replacement of windows, doors, lamps, fittings, air conditioning or heating systems		X	●		●	N/A	N/A	●	N/A	●
CCM	7.5	Installation, maintenance and repair of instruments and devices related to building energy performance	Installation, maintenance and repair of thermostats, smart meters, etc.		X	●		●	N/A	N/A	N/A	N/A	●
CCM	7.6	Installation, maintenance and repair of renewable energy technologies	Installation, maintenance and repair of photovoltaic panels, heat pumps, etc.		X	●		●	N/A	N/A	N/A	N/A	●
CCM	7.7	Acquisition and ownership of buildings	Purchased or leased buildings (IFRS 16)		X	●		●	N/A	N/A	N/A	N/A	●
CCM	6.5	Transport by motorcycles, private passenger cars and light commercial vehicles	Take-home company cars for Group employees		X	●		●	N/A	●	●	N/A	●
CCM	8.1	Data processing, hosting and related activities	- Data centers - Cybersecurity	X	X	●		●	●	●	N/A	N/A	●
* CCM: Climate Change Mitigation; CE: Circular Economy.								●	OK		●	Partial	



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5.2.6.3 Results of the application of the Taxonomy for Thales

Given the scope of activities now covered by the analysis, Thales estimates its turnover eligible for the taxonomy regulations in force on December 31, 2023, at 69% of its consolidated turnover for 2023 (€12,708 million), of which €10,410 million in electrical and electronic equipment (manufacturing and support), €1,827 million in aircraft manufacturing and €414 million in data processing activities.

As this year's alignment analysis focused only on activities eligible for climate targets, without taking into account aeronautics, a newly-eligible activity, the aligned turnover is 0%. (€57 million). This concerns 100% of the Data Processing activities (CCM 8.1) of Thales Digital Services (within the Secured Information and Communication Systems (SIX) Global Business Unit).

As previously mentioned, given the low materiality of OpEx meeting the taxonomy's restrictive definition in relation to the Group's consolidated operating expenses, no analysis has been carried out on the eligibility and alignment of these operating expenses.

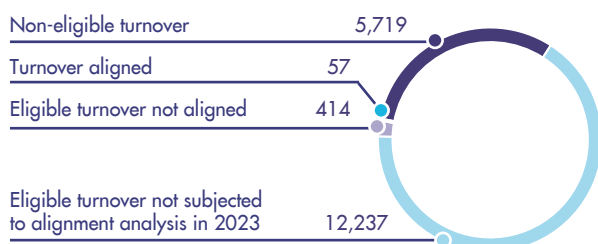
The Group estimates its 2023 capital expenditure eligible under the taxonomy regulations in force at December 31, 2023 at €318 million, i.e. 35% of its 2023 capital expenditure (€900 million including acquisitions, IFRS 16 debt excluding terminations and the fixed asset inventory of the Group's acquisitions in 2023: Imperva and Tesserent). This figure is significantly higher than that declared in 2023 (19%), given the inclusion of investments in electrical and electronic equipment and aeronautical equipment.

Of this eligible CapEx, €59 million is aligned according to the criteria of the Green Taxonomy, representing 7% of total CapEx. The discrepancy between the eligibility and alignment of this CapEx is due to the fact that it corresponds in part to:

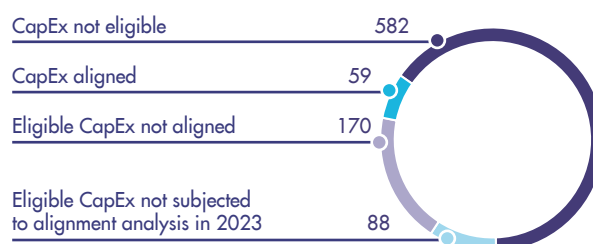
- new eligible activities for which the alignment analysis will not be carried out until 2025 in respect of the 2024 financial year;
- lease renewals for premises that do not meet the criteria for a substantial contribution (energy performance criteria);
- data processing equipment installed in data centers that do not yet meet the criteria for a substantial cooling contribution. Work is planned to meet the expectations of the European code of conduct;
- company vehicles for which Thales does not have information from the service provider who manages part of the international fleet;
- the few vehicles not aligned with DNSH pollution;
- the fixed assets of companies acquired during the year (Imperva and Tesserent), for which, in the absence of detailed information, no alignment has been declared.

For the 2024 financial year, Thales will have to report the complete eligible and aligned indicators, on all activities of the six environmental objectives, and the system will be integrated into the publication obligations determined by the Corporate Sustainability Reporting Directive (CSRD). Analyses of reporting tools and internal controls will be carried out in 2024. 2023 Taxonomy data release tables are presented on appendix 8.8.

Thales 2023 turnover



CapEx Thales 2023





	GROUP	France	United Kingdom	Germany	Netherlands	United States	Canada	Australia	Europe	Latin America	Asia Pacific & Eurasia	Africa & Middle East
Women	22,170	10,543	1,489	445	453	1,275	345	974	2,858	1,186	2,314	288
Men	58,637	29,749	4,917	1,553	2,140	3,353	829	3,064	7,230	1,245	3,628	929
Other	54	5	23	1	0	4	3	9	11	2	0	0
Not declared	40	2	0	2	0	0	1	3	16	7	1	4
TOTAL	80,901	40,299	6,429	2,001	2,593	4,632	1,178	4,050	10,115	2,440	5,943	1,221

(CSRD table)

In 2023, 12,532 new employees joined Thales and 7,216 employees left the Group.

The overall attrition rate in 2023 is 9% ⁽¹⁾.

	TOTAL	WOMEN	MEN	OTHER
Number of employees leaving the company in 2023	7,216	2,238	4,916	6
Overall attrition rate	9.0%	10.1%	8.5%	11.7%

The Group's employment policy has always been characterized by the desire to create long-term jobs and to limit the use of short-term contracts (fixed-term contracts and temporary staff). As a result, 97% of the workforce are on permanent contracts, and 94% are full-time.

	GROUP			France		
	Women	Men	Other	Women	Men	Other
Number of part-time	22,170	58,637	54	10,543	29,749	5
Number of employees on permanent contracts	21,039	57,698	53	10,258	29,441	5
Number of employees on fixed-term contracts	1,131	939	1	285	308	0
Number of full-time employees	19,521	56,689	49	8,718	28,536	5
Number of part-time employees	2,649	1,948	5	1,825	1,213	0

	United Kingdom			Germany			Netherlands			United States			Canada			Australia		
	Women	Men	Other	Women	Men	Other	Women	Men	Other	Women	Men	Other	Women	Men	Other	Women	Men	Other
Number of employees	1,489	4,917	23	445	1,553	1	453	2,140	0	1,275	3,353	0	345	829	3	974	3,064	9
Number of employees on permanent contracts	1,461	4,882	23	425	1,507	1	392	1,966	0	1,275	3,353	0	342	826	3	925	2,964	8
Number of employees on fixed-term contracts	28	35	0	20	46	0	61	174	0	0	0	0	3	3	0	49	100	1
Number of full-time employees	1,295	4,761	20	314	1,477	1	268	1,893	0	1,265	3,344	0	335	816	3	884	2,994	7
Number of part-time employees	194	156	3	131	76	0	185	247	0	10	9	0	10	13	0	90	70	2

	Europe (Other)			Latin America			Asia Pacific & Eurasia			Africa & Middle East		
	Women	Men	Other	Women	Men	Other	Women	Men	Other	Women	Men	Other
Number of part-time	2,858	7230	11	1,186	1,245	2	2,314	3,628	0	288	929	0
Number of employees on permanent contracts	2,719	7102	11	1,186	1,245	2	1,769	3,490	0	287	922	0
Number of employees on fixed-term contracts	139	128	0	0	0	0	545	138	0	1	7	0
Number of full-time employees	2,662	7074	11	1,186	1,245	2	2,307	3,620	0	287	929	0
Number of part-time employees	196	156	0	0	0	0	7	8	0	1	0	0

⁽¹⁾ This rate is calculated by taking into account the total number of employees who have left the company, divided by the average number of employees over the year in question, as mentioned in the methodological note (see section 5.5).

5.3.2 Strengthening the Group’s appeal

5.3.2.1 Recruitment

In a highly competitive global recruitment environment, particularly in certain scientific and engineering fields, Thales is keen to attract the best talent, in all its diversity, in order to maintain its technological leadership and growth.

5.3.2.1.1 Governance

Under the responsibility of the HR Operations department, Thales has set up a global governance structure for the Talent Acquisition department ,in order to deploy its recruitment ambitions and objectives across all its activities and countries of operation. The Talent Acquisition teams are structured along geographical lines - with five competence centers corresponding to five geographical regions: Europe, the Middle East and Africa, India, America and Asia-Pacific - and according to a business logic, with recruiters specialized by job type or business sector.

The Talent Acquisition organization is aligned with the organization of operational activities, to best serve the Group's development. In France, the Group has also set up a new organization dedicated to relations with schools and the recruitment of interns, apprentices and CIFRE⁽¹⁾ students. The Group's aim is to strengthen links with education systems in the countries where it operates, in order to develop teaching methods, train future generations and recruit the best talent once they have graduated.

5.3.2.1.2 Policies

The Group has structured its attractiveness policy along the following lines:

- promoting scientific careers among young people, especially young women, throughout the world;
- the implementation of a specific communication strategy on the Group's businesses and their evolution, in terms of artificial intelligence, big data, cybersecurity, connectivity and quantum technology;
- deploying local communication strategies to become an employer of choice for people with highly skilled profiles in countries where the Group is less well known;
- active participation in major events such as the Paris Air Show at Le Bourget, the Devovx conferences and the Avalon Airshow, in connection with our activities and recruitment visibility needs.

5.3.2.1.3 Action plans and performance indicators

5.3.2.1.3.1 The Thales employer brand

Redefined in 2022, the Thales employer brand was rolled out worldwide in 2023. It takes the form of an “employer value proposition” that puts people at the heart of our activities and is aligned with the Group's raison d'être. It reflects the fact that it is the men and women of Thales who, through their intelligence, enable the Group to develop the best innovations for its customers.

This value proposition is based on three pillars: technological know-how, attention paid to employees' equilibrium, and the varied and attractive long-term career paths on offer. It emphasizes commitments in terms of social and environmental responsibility, while highlighting the technological dimension, which remains an essential differentiator for candidates.

The Group is pursuing its strategy of presence on social networks in order to improve its visibility and attractiveness, especially with its recruitment targets. At the end of 2023, 1,310,000 people worldwide were following the Group's news on LinkedIn (compared with 550,000 in 2019).

Furthermore, the new “Careers with Thales” website gives greater visibility to the Group's wide range of business lines and its various activities while improving applicants' experience in the recruitment processes. The “Careers” website generates almost a million visitors a year.

These initiatives contribute to spreading the Group's reputation as an employer and its positioning in the various French and international rankings as one of the preferred companies for employees and new graduates.

By way of illustration:

- Thales is placed second in the Universum ranking of preferred companies of engineering students in France ⁽²⁾;
- the Universum 2023 ranking places Thales fourth in the ranking of desirable employers for both men and women;
- Thales is also ranked fourth in the Universum ranking of the most attractive companies for Engineers in France ⁽²⁾;
- Thales in Romania is the tenth most sought-after company of Romanian IT professionals.

		Group			France		
		Women	Men	Other	Women	Men	Other
Recruitments ^(a)	In number	3,882	8,555	17	1,991	4,211	0
	In percentage	31.2 %	68.7 %	0.1 %	32.1 %	67.9 %	0 %

		Large countries			Other countries		
		Women	Men	Other	Women	Men	Other
Recruitments ^(a)	In number	786	2,343	8	1,105	2,001	9
	In percentage	25.1%	74.7%	0.3%	35.5%	64.2%	0.3%

(a) This includes hires on permanent and fixed-term contracts, as well as work-study contracts, as mentioned in the methodological note (section 5.5). Percentages are calculated on the basis of declared genders.

⁽¹⁾ Industrial research training agreements.
⁽²⁾ Source: Universum in 2022.



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5.3.2.1.3.2 Sparking interest in callings

In 2023, Thales strengthened its partnerships with schools and universities, in France and abroad, to promote the professional integration of young people and attract future employees. In particular, the Group took part in initiatives promoting diversity and inclusion (forums, round tables and conferences):

- 172 schools were approached, including 78 targeted as priorities;
- 23 new partnership agreements were signed, including seven during the Paris Air Show;
- Two promotional sponsorships were set up;
- 50 technical projects were entrusted to groups of students from the Group's target schools.

Thales took part in 323 events in 2023.

Thales strengthened its partnership with the "Article 1" association which helps students from under-privileged backgrounds in France to be accompanied by professionals in their studies, in their search for internships, and throughout their professional orientation. Eighty mentoring pairs were set up in 2023 and 23 additional mentors were trained to support students.

The Group has signed a partnership agreement with the "Tous en Stage" association, the aim of which is to enable some twenty young people to discover a wide range of professions in the space of a week, through an inter-company work placement. In all, 4,000 students, 200 secondary schools and 150 partner companies took part in these discovery activities in 2023.

In France, Thales continued its engagement with the "Elles Bougent" association, which aims to attract young women to engineering careers. Thus, 510 mentors and relays, Group employees, spread across all sites convey their enthusiasm for their specialties and encourage young women — college and high-school students — in their career choices. Meetings are organized at each site during national events such as Industry Week and the Innovatec Challenge, and Thales also takes part in local initiatives (round tables, forums, school talks, etc.).

Nearly 200 Thales employees, alumni of partner schools, play a key role as brand ambassadors for students. In 2023, these ambassadors were particularly active, taking part in:

- more than 300 face-to-face and virtual events for schools and universities (220 events in 2022, 200 in 2021);
- 120 recruitment forums (110 forums in 2021);
- the Paris Airshow at Le Bourget, which brought together 5,000 students from partner schools.

5.3.2.2 Talent development

Thales' success and sustainable performance depend on the company's ability to anticipate transformations and changes in the organization of work and business lines, to retain and support talented people in their professional development, and to value employees on a daily basis. For learning and development activities, the aim is to promote the acquisition of skills essential to Thales' growth. The Group's ambition is to become a true learning organization.

5.3.2.2.1 Governance

The governance of talent development is shared between several departments, all of which report to the Group's Human Resources department:

- the Human Resources Operations Department, whose mission is to support the transformation of professional families by anticipating the skills required for each job and each professional family;
- the Talent Department, whose aim is to identify the managers and experts needed for the Group's performance, ensure their development and prepare their succession;
- the Learning, Culture, Diversity and Inclusion department is responsible for learning and the professional development of employees;
- the Compensation and Benefits department, responsible for defining and implementing the Group's international mobility policy.

5.3.2.2.2 Policies

Thales anticipates the skills required for each job, enabling each employee to secure his or her professional development through access to training, as well as having better visibility of career paths and mobility opportunities. This helps to protect jobs, while also taking into account the strategic, economic and industrial choices made by the Group.

There are three dimensions to the "Leadership@Thales" model: "Imagine tomorrow", "Build today" and "Together". These three aspects are broken down into six skills that are essential to Thales' collective performance.

Thales is convinced that construction of a successful career path starts from the moment an employee is hired and continues throughout his or her career, integrating learning at every stage of the employee's professional development. The challenge is to give people the opportunity to learn continuously, in different ways, and always on the common foundation of Thales culture, in accordance with the principle "Learn every day, in every way, in a one Thales Culture".

There are thus three objectives:

- to support the deployment of the Group's strategy, and in particular its growth and transformation projects;
- to take account of employees' individual aspirations in terms of career development, mobility (including internationally), and the acquisition of new skills;
- to define and deploy a common language within the Group, ensuring that employees understand and adhere to it. The subjects of diversity and inclusion, leadership, digital transformation and engagement are an integral part of this culture.

By definition, the Group's talent development policies benefit all its employees.

5.3.2.2.3 Action plans and performance indicators

To keep pace with changes in local and global markets and employee expectations, Thales has set up a dynamic, forward-looking skills management system for each of the Group's 20 professional families.

In 2023, the transformation of these professional families continued, with a view to better defining or identifying new jobs, in line with Thales' internal developments and market realities. This work also directly supports recruitment and learning practices.

The aim of our learning offering is to provide an optimal user experience, an ecosystem ensuring access to training for all, and digital platforms capable of ensuring greater effectiveness. In 2023, the number of employees benefiting from training continued to rise,

with 1,503,211 hours of training provided, up by 51.2% on 2022 (994,158 hours).

	Women	Men	Total
% of employees trained in 2023	87%	89%	89%

(ESRS table)

	Non-executives (LR0-6)			Executives (LR7-9)			Senior executives (LR10-12)		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Average number of training hours per category of employee	11.8	13.4	12.7	19.4	18.1	18.4	20.3	14.9	16

The "LearningAndCulture@Thales" department has put in place "learning channels" organized by professional family, by major business area and by country. These learning channels serve as a guide for employees and managers to the most suitable training courses for each function and field. The courses on offer are designed to support Thales' transformations and ambitions as closely as possible. In all, 11 "function academies" and 11 "domain academies" were set up during the year.

In 2023, the digital training offering was further enriched. In 2023, online learning represented 32% of total training hours in the Group, and the number of digital learning hours in France was 91% higher than in 2022.

19,800 employees received more than 132,000 hours of digital training via the UdeMy training platform dedicated to engineering

The development of cross-functional learning content continued, and contributed greatly to the dissemination of a common language within the Group, by dealing with various subjects:

- 100% of target employees, more than 8,000, were trained in corruption prevention;
- 17,619 employees were trained in personal data protection;
- 68% of new arrivals completed all or part of the "OnBoardingU" induction training.

Training for sustainable development

Thales has launched a program to change design habits within the engineering community and encourage the adoption of eco-design principles.

At the heart of the system is a fun digital training course, available in French and English, presented as a challenge to build a boat according to the principles of eco-design (frugality, circularity and harmlessness). Using video sequences shot in the wilds, learners have to help a character inspired by Robinson Crusoe who has left his island. Combining games and quizzes, this innovative learning process tests its teachings at each stage.

The target of 4,000 engineers trained by the end of 2023 was comfortably exceeded, with 6,599 employees having taken the course.

This program is an example of a new approach to learning, emphasizing the learner's experience while enabling a real upskilling and effective large-scale deployment.

Thales has set up four internal learning programs, offered to employees identified as having high potential, according to their level of experience. The Talent Accelerator program is aimed at employees just starting out on their careers with the Group. The Leading for Results program is aimed at employees who are about to reach the first executive level. The Senior Leadership program is designed for senior executives who wish to pursue their career development towards greater responsibility. Last but not least, the Executive Leadership Expedition program targets the highest levels of responsibility.

In total, in 2023, 318 employees took part in one of the four selective programs offered by Thales, 35.8% of them women.

To support employees in their professional development, the Group has introduced a policy of individualized follow-up through "check-in" interviews with managers. These discussions cover professional objectives and progress, feedback from colleagues, development needs and workload.

In 2023 more than 93.2% of the Group's employees were thus able to define their annual objectives with their manager.

In addition, the "check-in" interviews give employees the opportunity to tell their managers about their needs in terms of professional development and learning to steer their careers over the long term.

	Women	Men	Other	Total
% of employees who have benefited from regular performance and career development evaluations	97%	98%	95%	97%

(ESRS tables)

An attractive mobility and expatriation policy

Through its dynamic international mobility policy, Thales meets the operational needs and wishes of employees, particularly young people, to enrich their career path with experience abroad. The Group thus offers employees long or short-term postings, depending on the needs of operational activities. It also enables some of them to benefit from temporary international experience through the "Career Plus" program. Lastly, employees aged between 18 and 28 can go on a 6 to 24-month volunteering assignment abroad under the "VIE" program. (The word "vie" means "life" and the acronym VIE stands for "Volontariat International en Entreprise" or Corporate International Voluntary Service).

At the end of 2023, the Group had 650 employees from 29 different countries working abroad under the international mobility scheme. Expatriate employees are assigned to 60 destination countries, mainly in Europe, the Middle East and the Asia-Pacific region.



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Civilian and military reserves

As a National Defence partner, the Group actively supports its reservist employees, who have a dual role, civilian and military. In France, an agreement between the Ministry of the Armed Forces and Thales to support the military reserve policy was signed in 2006 and renewed in 2017. The Group grants its 200 reservist employees in France 20 days a year to devote to the activities of their respective units, without deduction of salary, as well as special social protection during these periods.

In addition, special arrangements are made for operations to reinforce internal security or military operations.

5.3.2.3 Recognizing employee performance

Thales aims to offer fair and competitive compensation to all its employees. The Group also guarantees all its employees the minimum wage set by local law or applicable collective agreements.

5.3.2.3.1 Governance

The mission of the Compensation and Benefits department is to draw up a global compensation policy ensuring that all employees worldwide enjoy a consistent range of benefits, taking into account local economic situations. This approach also contributes to the Group's attractiveness and talent retention.

The Compensation and Benefits department also facilitates international mobility, in support of the Group's international development and activities in the countries where it operates. It relies on a network of correspondents in each country to guarantee the right level of expertise and the correct adaptation of the Group's policies, complying with the legislation and requirements of each country and market.

5.3.2.3.2 Policies

As a key component of its social policy, the Group's compensation and benefits policy is based on transparency, fairness and dialog. Four principles are at the heart of this policy:

- the application of fair, market-competitive compensation;
- recognition of each employee's performance, including over the long term;
- the involvement of employees in the Group's results;
- promotion of employee savings and shareholding.

5.3.2.3.3 Action plans and performance indicators

In all the countries where the Group operates, the base salary of each employee is generally significantly higher than the legal minimum wage in force. Thales conducts annual compensation surveys, by country and by business, to ensure that overall compensation is in line with market trends.

Total payroll amounted to €8,328 million ⁽³⁾ in 2023 (compared with €7,545 million in 2022). In France, compensation, which includes both individual and collective increases resulting from negotiations with the social partners, rose by more than 5.81% in 2023.

5.3.2.3.3.1 Recognizing individual employee performance, including over the long term

In 2023, more than 63% of the Group's employees received variable compensation. Since 2021, variable compensation has broken down as follows: 40% depends on the level of achievement of individual objectives, 10% on the achievement of Thales CSR objectives and 50% is linked to the economic objectives of the Group and its entities. The 10% of variable compensation linked to the achievement of CSR objectives reflects the four main pillars of the Group's CSR strategy:

- diversity and inclusion (for 2.5%);
- prevention and combating of corruption and influence peddling (2.5%);
- health and safety at work (2.5%);
- climate and low-carbon strategy (2.5%).

In 2023, Thales achieved 100% of its CSR objectives.

Medium-term loyalty programs have also been put in place for 1,879 Group technicians, engineers and executives. In addition, 1,174 senior executives in 27 countries benefited from a long-term variable compensation plan, subject to performance conditions assessed over three years and a four-year condition of presence. 848 French senior executives benefited from a free share plan ⁽⁴⁾ and 328 non-French managers benefited from a "phantom" share plan (whereby the monetary equivalents of Thales shares are awarded).

5.3.2.3.3.2 Profit-sharing and incentive schemes

In order to strengthen the loyalty of employees beyond their local entity and demonstrate solidarity among the French entities of the Group, as well as to give employees more of a stake in its results, development, and improved performance, the Group has entered into pooled profit-sharing and incentive agreements.

A new three-year profit-sharing agreement was signed with the social partners on June 21, 2023, applicable from the 2023 financial year.

(€ millions)	2019	2020	2021	2022	2023
Amount distributed as profit-sharing	36.4	80.3	60.8	77	80
Of which share of Thales, parent company	1.09	2.4	1.7	2.2	0
Amount distributed as part of incentive programs	42.6	27.2	11.6	27	37
Of which share of Thales, parent company	1.2	0.8	0.3	0.7	5.7

5.3.2.3.3.3 Employee savings and shareholding

In France, all employees benefit from an employee savings scheme organized around:

- a Group savings plan (PEG) with assets totaling approximately €430 million at December 31, 2023, excluding employee shareholding. The mutual fund for employee shareholders is the main framework within which the Group's employees hold company shares under the Group savings plan (PEG). Assets under management (Thales shares) in this fund total €452 million on behalf of 29,390 unit holders;
- a Collective Company Retirement savings plan (PERECO) set up in 2021 following negotiations with the unions. This scheme, which has replaced the PERCO collective retirement savings plan, allows employees to build up savings for their retirement. In this framework, employees will receive a matching contribution from the company according to their seniority. At December 31, 2023, assets under management in the PERECO amounted to €677 million on behalf of 49,636 unit holders.

⁽³⁾ Excluding "Transport" activity.

⁽⁴⁾ After approval of the plan by the Board of Directors on July 20, 2023.

The sums invested in the FCPE solidarity funds represent 25% of the total funds invested by employees in these two schemes.

At December 31, 2023, the participation of employees and former employees in the capital of Thales, all forms of ownership together (FCPE, direct shareholding and shares resulting from free share plans), amounted to 2.91% of the share capital.

Promote diversity and an inclusive culture

Thales operates in an ever-changing international and multicultural environment. Promoting diversity is key to ensuring the Group's collective performance.

A "learning channel" was set up to bring together the Group's fundamental principles of diversity, equity, inclusion and solidarity. Other inspiring resources relating, for example, to cognitive diversity and prejudice are also available. To date, 26 modules are available in several languages and various formats (e-learning, lectures, videos, podcasts and collaborative workshops).

Governance

To help build a more inclusive professional world, Thales relies on the "Social and Societal Responsibility" department, which reports to the CSR department and the "Learning, Culture, Diversity and Inclusion" department. This cluster works in collaboration with an international network of Diversity and Inclusion correspondents within the various entities, functions and countries; it also leads the "Together@Thales" community, launched in October 2023. More than 400 employees committed to diversity, equity, inclusion and solidarity are members of this new community, which will allow best practices to be shared and the Group's actions in these areas to be relayed.

Thales has also put in place communication tools to publicize the actions it takes at Group and country level. Employees have access to a wide range of resources to help them better understand the issues at stake in these areas, and to facilitate the transition to action. In September 2023, the Group set up a new intranet dedicated to social and societal responsibility, with the ambition of raising awareness of the department and its actions, and relaying the various initiatives implemented.

Policy

The Group's policy on diversity, fairness and inclusion is based on its observation, throughout the company's history, of diversity as an essential source of innovation, creativity and therefore of sustainable performance. This policy is based on two main pillars:

As part of its long-standing commitment to promoting gender equality in the workplace, Thales signed a European agreement in 2009 that sets out commitments in all areas of gender equality: recruitment, career development, equal pay and work-life balance.

- promoting diversity, in all its forms, as a source of innovation, creativity and performance;
 - working towards inclusion by creating the conditions for a working environment in which everyone feels at home, respected as regards differences and at the same time respectful of the singularity of others, and thus able to contribute collectively to the Group's challenges.

In 2016, Thales made ambitious long-term commitments regarding the recruitment of women and their presence in high-level positions, particularly on management committees. These commitments are reviewed periodically to raise the level of ambition. The targets set in 2021 for women's access to positions of responsibility were to achieve by 2023:

Action plans and performance indicators

Initiatives to promote an inclusive culture

- In 2023, team awareness-raising and training, particularly with regard to non-discrimination and unconscious bias, were actively pursued:

At its meeting on March 30, 2022, the Board of Directors decided to set new targets for the 2024-2026 period, reflecting an acceleration in its trajectory, namely: 22.5% women in NR10 to 12 by the end of 2026 and 75% of management committees with at least four women by 2026 ^[2].

	2020	2021	2022	2023	Objectives 2026
Proportion of women in senior management (grades NR10 to 12)	18.0%	18.9%	19.4%	20.4%	22.5%
Proportion of executive committees with at least three women	68%	71%	75.6%	86.8%	75% of management committees to have at least four women.

In 2023, the members of the Group's Executive Committee met for a seminar dedicated to gender diversity at Thales, with the aim of accelerating the feminization of the Group, in all countries, all business lines and at all levels of the organization. Particular attention was paid to the engineering professions.

These objectives were attained in 2023.

^[1] As well as the Group Executive Committee, this includes the management committees of the GBUs, the Business Lines, the major countries where the Group operates, and the DGDl (covering the other countries where the Group operates), a total of 38 committees.

^[2] At December 31, 2023, 52.6% of Management Committees had at least four women.



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At this seminar, all the members of the Executive Committee got together to define the areas of work and approve the initiatives proposed by the Group's managers and employees, following a consultation process lasting several months.

The Executive Committee thus defined a new gender diversity action plan for Thales. This new action plan, which will enable the Group to achieve its ambitions, focuses on three main areas:

- the implementation of a new partnership strategy with the educational community to raise awareness of scientific careers among the younger generations and increase Thales' visibility among students in scientific and technological fields;
- a series of initiatives aimed at deploying an inclusive culture within the Group, notably as regards the fight against sexism;
- support for women's careers, to better identify and accompany women as they rise through the Group's management ranks.

It also provides for the continuation and reinforcement of initiatives already under way, notably:

constant vigilance to ensure equal rights for men and women:

Each year in France, Group companies publish their "Professional Equality Index" on gender equality. In 2023, 13 of the 22 companies scored 85 points or more.

	2021	2022	2023
Weighted average of the index	83.5	87.5	89.7

In the UK, the Gender Pay Gap Report was published in 2023, in respect of the year 2022, for the sixth year. It shows a steady decline in the average and median pay gap between women and men.

The Australian Government's Workplace Gender Equality Agency (WGEA) has certified Thales in Australia as an "Employer of Choice for Gender Equality" following an audit of all its gender equality policies.

Increased communication campaigns around female role models:

In 2023, Thales strengthened its communication around female role models by launching a new communication campaign called "#WomenInspiringWomen". These profiles, circulated within the Group and on social networks, aim to help current and future generations to identify themselves and find their place in the field of STEM34 (science, technology, engineering and mathematics). Four profiles of inspiring women were broadcast in 2023.

Raising team awareness of the benefits of gender diversity:

Awareness-raising and training sessions are organized by the Group and its operating units to make all teams aware of the benefits of gender diversity in terms of performance and innovation.

	Total	France	Major countries of operation	Other countries of operation
Number of women recruited in 2023	3,882	1,991	786	1,105
<i>In percentages</i>	31.2%	32.1%	25.1%	35.5%
Number of women in the workforce	22,170	10,543	4,981	6,646
<i>In percentages</i>	27.4%	26.2%	23.9%	33.7%
Number of women among non-executives	7,807	3,256	1,374	3,177
<i>In percentages</i>	42.4%	39.7%	34.5%	51.1%
Number of women engineers and executives	11,342	5,723	2,621	2,998
<i>In percentages</i>	23.5%	23.2%	21.5%	26.2%
Number of women in senior positions	2,232	1,564	401	267
<i>In percentages</i>	20.4%	21.1%	17.9%	20.9%

* Percentages are calculated on the basis of the gender declared.

New impetus for the sixth edition of the International Mentoring Program for Women: this new edition of the mentoring program brought together "mentees" from all functions and backgrounds. For the first time in 2023, all members of the Executive Committee and the Group's top executives were mentors. These meetings are also an opportunity to set up "reverse mentoring" schemes, and enable managers to become aware of the expectations of younger professionals. In all, 100 mentoring pairs were established Group-wide in 2023.

The pursuit of leadership programs within the operating entities: Local mentoring initiatives have been developed both within countries and within the Group's businesses. Various leadership programs dedicated to women are implemented in the Thales entities around the world. In 2023, the DGDI organization set up a new leadership program for female employees with between three and five years' experience.

Dedicated Talent Review at Group Executive Committee level: In 2023, the Executive Committee carried out a talent review dedicated to female employees holding positions at the highest levels of responsibility within the Group's various Global Business Units, major countries and functions. These talent reviews enable us to support these high-potential women in their career paths, so that they become the next generation of Thales leaders.

		Group		France		Major countries where the Group operates		Other countries where the Group operates	
		Women	Men	Women	Men	Women	Men	Women	Men
Breakdown of senior executives by gender ^(a)	In Number	2,232	8,687	1,564	5,839	401	1,839	267	1,009
	As a %	20.4%	79.6%	21.1%	78.9%	17.9%	82.1%	20.9%	79.1%

(ESRS table)

(a) "Senior executives" refers to levels NR10 to 12, corresponding to the highest levels of responsibility within the Group.

Support for the Group's 50 gender diversity networks: The WiTh ("We In Thales") gender diversity network plays an active role in the career development of women. Coordinated at Group level and in certain major regions such as France, America and Asia, the network is divided into 50 local networks, each of which is managed on a site-by-site basis. More than 4,000 men and women belonged to this network in 2023. Through the WiTh network, Thales is also a partner of the "Cercle Inter'Elles", an association bringing together the diversity networks of 16 companies in the technology and scientific sector with the aim of creating conditions conducive to gender balance in these sectors, at all levels of organizations.

5.3.3.3.3 Employees with disabilities

Integrating and retaining employees with disabilities is one of Thales'priorities in terms of Diversity and Inclusion. The Group's long-standing policy in this area means that it is often cited as a benchmark player in the field.

In France, "Mission Insertion", a body dedicated to facilitating the employment of people with disabilities, aims to welcome employees with special needs, to favor their employability and to help them integrate into the company. A three-year 2021/2023 collective agreement in favor of persons with disabilities and integrating all of Thales' entities was signed unanimously by the trade unions and approved by the French administrative authorities. It defines a global support policy.

Thanks to Thales' efforts over time, the employment rate of people with disabilities in France remains above 6% ⁽³⁾ and continues to rise.

	2020	2021	2022
Employment rate of people with disabilities in France	6.36%	6.69%	6.83%

As part of its partnership with the Université Paris-Est Créteil (UPEC), Thales contributed to the creation of the UPEC Partnership Foundation, which since June 2021 has been offering a chair in "Disability, Autonomy, Employment, and Health at Work." In 2020, Thales initiated a cycle of digital training for its disability reference persons in partnership with UPEC. By December 31, 2023, 43 "disability points of contact" had graduated from this training program.

Thales has also continued steps to become certified according to the AFNOR X 50-783 "Organismes Handi-accueillants" (disability-friendly organizations) standard for all its sites in France. As such, at the end of 2023, all 44 French sites were working toward this certification.

The Group also continued its participation in the "HUGO" ⁽⁴⁾ program, which aims to provide training and work-study recruitment for young people with disabilities in the software industry. In 2023, partnerships with actors in the sheltered sector allowed us to maintain a volume of purchases from and subcontracting to specialized work centers for people with disabilities (EAs) and sheltered employment centers (ESAT) of more than €4 million.

Every year, Thales takes an active part in the European Week for the Employment of People with Disabilities, "Duo Day", "Reverse Duo Day" and the International Day of Persons with Disabilities.

5.3.3.3.4 The LGBT+ community

Thales has a long-standing commitment to the inclusion of lesbian, gay, bisexual and trans-gender people, as well as all minorities of gender and sexual orientation, so that all employees can be themselves in their working environment.

In 2023, Thales renewed its signature of the "LGBT+ Commitment Charter" with the association l'Autre Cercle, a leading player in France, which plays a pioneering role in the inclusion of LGBT+ people in the professional world.

An online training course and a booklet on LGBT+ inclusion are available in several languages on the Group intranet, and are also regularly relayed in internal communications. In 2023, on the occasion of World Day Against Homophobia and Transphobia, and during Pride Month, the Group reaffirmed its commitment to combating discrimination related to sexual orientation and gender identity.

Thales supports networks of committed employees that bring together a community of employees sensitive to the situation of LGBT+ people and help combat discrimination based on sexual orientation or gender identity. This is particularly true of the AGA-THA-LES association, which is actively involved in France.

Numerous initiatives are also organized in the countries where the Group operates. As an example, an inter-company webinar was organized in France in 2023 at the initiative of Thales to empower every employee to work towards the inclusion of the LGBT+ community. In the UK, Thales sponsored the Pride March organized in Crawley, the Group's main base in the country, to express its support for the LGBT+ community.

Thales Australia was recognized as a "Bronze Tier Employer" in 2023 by the Australian Workplace Equality Index (AWEI), Australia's benchmark for LGBTQ inclusion in the workplace, which uses a national employee survey to assess the overall impact of inclusion initiatives on organizational culture.

⁽³⁾ The new terms and conditions resulting from law No. 2018-771 of September 5, 2018 on the freedom to choose one's working future no longer allow the use of subcontracting to specialized work centers for people with disabilities (EAs), sheltered employment centers (ESATs) or self-employed persons with disabilities to be counted. Only the direct employment of workers with disabilities is taken into account in determining the employment rate.

⁽⁴⁾ The "Handi U Go" program is a voluntary initiative by a group of companies supported by Polytech Marseille.



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5.3.3.3.5 Cognitive diversity

Cognitive diversity, also known as neurological diversity, refers to all people with neurological or psychological functions that deviate from the norm (people with autism, hypersensitivity, specific language or learning disorders, or giftedness). Thales wants to raise awareness of all these forms of cognitive diversity and their particularities, to enable employees to understand each other and learn to work and live better together. For many years, Thales has been supporting the actions of the various networks organized within the Group to work on these issues.

A webinar was organized in France to familiarize employees with all forms of cognitive diversity. The UK is particularly active in these areas: in 2023, Thales allocated internal resources to determine the needs of the employees concerned and their colleagues, and to adjust internal processes to their specificities wherever possible. Thales is also committed to the "Neurodiversity in Business" initiative, which aims to help large companies recruit and support employees with neurodiversity in the professional environment.

5.3.3.3.6 Generational diversity

The Group strives to maintain a wide and balanced representation of age groups in its workforce, as it is convinced of the benefit of complementary experiences and intergenerational dialog. The Group pursues a dynamic policy of integrating young people into the workplace, and considers internships and apprenticeships to be the main means of recruiting young people. In 2023, the Group maintained its commitment by entering into 1,708 work-study contracts in France and 1,459 internship agreements. At the global level, 4,349 young people were offered an internship or a work-study contract.

Thales also pursues a proactive policy with regard to more experienced, "senior" employees. Its objectives are to prevent all forms of age discrimination and to support the professional development of these groups, against a backdrop of rapidly changing organizations and evolving corporate cultures. Through Group collective agreements, people in these groups benefit from arrangements allowing them to envisage their career development by benefiting from the means to adapt their duties or working conditions to their personal situation.

Breakdown of headcount by age groups		Less than 30 years old			30-50 years old			Over 50		
		Women	Men	Other	Women	Men	Other	Women	Men	Other
		In Number	In Number	In Number	In Number	In Number	In Number	In Number	In Number	In Number
	In Number	3,398	8,170	16	12,138	29,778	26	6,622	20,664	12
	As a %	29.3%	70.5%	0.1%	28.9%	71.0%	0%	24.3%	75.7%	0%

(ESRS table)

5.3.3.3.7 Ethnic and cultural diversity

With a presence in all regions of the world and with 141 nationalities in its workforce, Thales is an international and multicultural Group. This diversity is seen as a source of wealth and strength, providing a better understanding of the ecosystems in which the Group operates. Several initiatives are implemented every year to create an inclusive environment where dialog and interaction between employees from different cultures are sources of innovation.

In the UK, in 2023, Thales, along with 900 other organizations, signed the "Race at Work Charter", an initiative for equal employment and career development opportunities for communities of African, Asian and other origins, and against all forms of harassment or bullying.

In Australia, since the launch of the first reconciliation action plan in 2019, Thales has been working to improve living conditions and opportunities for Aboriginal and Torres Strait Islander communities. In September 2022, a new 2022-2024 Reconciliation Action Plan (RAP) was developed, with the aim of strengthening ties with Aboriginal communities, continuing to offer career opportunities to young people and continuing to raise awareness of the subject among all Australians.

5.3.3.4 Pursuing a high-quality social dialog

The quality of social dialog is a key factor in the Group's performance; it is also a privileged vector for deploying its strategy and supporting its business activities and transformations. Quality social dialog creates the conditions for economic and social performance, by placing employees at the heart of collective bargaining.

5.3.3.4.1 Governance

The quality and effectiveness of social dialog depends on involving and regularly informing employees, employee representatives, HR and managers about the role and benefits of social dialog.

At European level, this social dialog is coordinated by a European Works Council.

In France, the mission of the "Social Relations and HR France" department is to coordinate social dialog in an anticipatory and shared manner with stakeholders. The aim of this dialog is to support the social transformations linked to Group strategy, and to develop innovative, attractive social policies adapted to the economic context. This approach is supported by a network of labor relations managers in each GBU, who implement the Group's labor relations policy at local level. In addition, each legal entity has its own employee relations manager, in liaison with local representative bodies. This organization makes it possible to establish a social dialog as close as possible to employees and their activities within the entities. The inter-center coordinators, who represent the trade unions, are the main contacts for management in the conduct of negotiations, and contribute to the quality of social dialog within the Group by liaising with the various entities. In the various Group entities based in France, employee representation is structured around the central and site-based Social and Economic Committees (which have replaced the former Works Councils) as well as a network of local representatives. Sites with more than 50 employees also have a Health, Safety, and Working Conditions Committee. The structure of these bodies is the result of collective bargaining.

5.3.3.4.2 Policies implemented

The main themes of social dialog are:

- the operational, economic and social management of the strategy of Thales and its entities;
- anticipating changes in jobs and skills;
- employee development and professional fulfillment;
- supporting transformations in work and activities;
- working conditions, quality of life at work and employee well-being.

5 Corporate responsibility and non-financial performance

Our commitments and actions for our employees

The social dialog bodies set up (notably at Group level, in Europe and in France) support Thales in deploying a series of social measures in favor of its employees. They are also key partners in discussions on the Group's strategic, economic and industrial priorities.

The agreement concerning the European Works Council, in place since 1993, also provides for the organization of discussion and information meetings at the level of each GBU to enable members of the EWC to discuss transnational strategic and social prospects. The work of these committees is reported on at the board meetings. It currently has 39 members from eleven European countries ⁽⁵⁾, representing over 71% of Thales' workforce.

The measures resulting from the agreements negotiated with the social partners form the basis for health and working conditions, employee benefits, professional equality, disability, end-of-career and provident schemes. They are regularly updated to harmonize and consolidate the social guarantees offered to employees.

Lastly, whether at Group level or locally, the staff representative bodies are regularly informed and/or consulted on Thales' reorganization plans according to the methods provided by the regulations and agreements applicable in the relevant countries.

5.3.3.4.3 Action plans and performance indicators

During 2023, the main Thales entities in France organized a seminar bringing together those involved in social dialog — in particular union organizations and members of management — in order to replicate, at local level, the seminar held at the end of 2022 at Group level. These seminars provided an opportunity to share observations on the functioning of social dialog, to agree on respective expectations, and to jointly define issues and priority themes.

The European Works Council met six times in 2023 (two plenary meetings and four board meetings) to discuss, among other things, the continuation of the planned sale of the transportation business, Thales' economic and financial outlook, Group strategy and research and development policy.

The year 2023 will also be marked by several structuring agreements signed by Thales' social partners in France:

- a new Group profit-sharing agreement signed unanimously on June 21, 2023 by the representative trade unions and applicable for the 2023, 2024 and 2025 financial years; this agreement improves Thales employees' profit-sharing rights by modifying the rules for capping each entity's contributions to the total amount of distributable profit-sharing;
- a Group agreement relating to the deployment of the new collective bargaining agreement for the metallurgy industry, signed on January 4, 2023; this agreement organizes and provides joint support for the deployment of the new professional classifications and the alignment of existing collective bargaining provisions;
- a Group agreement on working hours and organization signed unanimously by the representative trade unions on November 20, 2023; this agreement provides all Thales companies with a common frame of reference on working hours for executives by means of a fixed annual 214 days of work; this agreement enables employees to adjust their working hours, values seniority and supports the employment of seniors and the integration of young employees.

In 2023, more than 65 business and site collective agreements were signed in the Group's various French entities.

The social partners supported Thales' transformations by being associated with business acquisition and disposal projects. The proposed acquisitions of Cobham Aerospace Communication, Imperva and Tesserent were thus presented to the European and Group Works Councils. The planned sale of Thales' transportation business also led the social partners to meet several times, as in 2021 and 2022 at the levels of the EWC and of the representative bodies of the countries concerned.

Internationally, all Group entities comply with ILO ⁽⁶⁾ conventions on trade union rights and collective bargaining ⁽⁷⁾. At the end of 2023, 80% of Group employees worldwide were covered by collective agreements.

⁽⁵⁾ France, United Kingdom, Germany, Italy, Netherlands, Spain, Belgium, Austria, Portugal, Norway and Switzerland.

⁽⁶⁾ International Labor Organization.

⁽⁷⁾ Conventions Nos. 87, the Freedom of Association and Protection of the Right to Organize Convention and 98, the Right to Organize and Collective Bargaining Convention.



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Coverage rate	EEA employees in countries with more than 50 employees	Non-EEA employees in countries with more than 50 employees
0 - 19%	Luxembourg Poland Czech Republic Romania	Argentina Canada Colombia Egypt United Arab Emirates United States Hong Kong India Israel Japan South Korea Malaysia Morocco Oman Philippines Saudi Arabia South Africa Taiwan Thailand Turkey
20 - 39%		China Singapore
40 - 59%		Mexico
60 - 79%		Finland
80 - 100%	Germany Belgium Spain France Italy Norway Netherlands Portugal Sweden United Kingdom	Australia Brazil Switzerland

(ESRS table)

5.3.3.5 Engagement survey

Lasting employee commitment, a strong employer-employee relationship, the ability of individuals to succeed, and the creation of a culture and environment that promote well-being all pre-suppose that employees have the opportunity to contribute, to express themselves, to share their convictions and give their opinions to build the Thales of tomorrow.

5.3.3.5.1 Policies implemented

Thales encourages everyone to express their views through a global engagement survey organized every two years. The survey covers a wide range of topics, including leadership, ethics, the environment, compensation, quality of life at work, and diversity and inclusion. Open-ended questions allow employees to express what they like about the company and what they would like to see improved.

This survey enables us to measure the long-term commitment of our employees, to assess changes in their perception of the issues addressed, and also to benchmark our performance against the average responses of companies in the same sector or country. It is on the basis of the results of this survey that managers, supported by the HR teams of the various Group entities, communicate the results of the survey, identify the strong points on which to build, and implement action plans and corrective measures for points in need of improvement.

5.3.3.5.2 Action plans and performance indicators

The engagement survey carried out in June 2023 was organized via a platform accessible in 13 languages and for three weeks by all Group employees ⁽⁸⁾, on a voluntary and anonymous basis. 55 questions were put to employees, covering 12 topics ⁽⁹⁾. The results of the 2023 survey are as follows:

- a higher participation rate, with almost 75% of respondents (compared with 61% in the survey conducted in 2021); the Group attained its objective of 70% participation;
- a global commitment rate of 79%, up by 3 percentage points on 2021;
- of the 12 survey themes, eight received a favorable response rate (over 75% positive responses), notably the following categories: "Collaboration" (82%), "My Manager" (81%), "Ethics and Compliance" (80%), "Diversity and Inclusion" (80%).

New questions were added to adapt the survey to the situation in 2023, notably including questions on hybrid working and the environment. The results of the survey were quickly made available to over 5,000 managers so that they could share them with their teams.

⁽⁸⁾ Permanent and fixed-term contracts with more than three months' seniority

⁽⁹⁾ Sustainable Commitment, Collaboration, My Manager, Operational Effectiveness, Professional Development, Compensation & Benefits, Ethics & Compliance, Environment, Diversity & Inclusion, Health & Safety & Quality of Life at Work, Hybrid Working, Leadership.

Corporate responsibility and non-financial performance

Our commitments and actions for our employees

5.3.4 Providing a safe, high-quality work environment

Thales is responsible for ensuring the health and safety of its employees at all its sites, and for providing a safe, healthy and calm working environment, conducive to a lasting commitment and respectful of a good work-life balance for employees.

5.3.4.1 High-quality working conditions

5.3.4.1.1 Governance

Employee protection, which includes health and safety, occupational medical monitoring, prevention of psycho-social risks, quality of life and well-being at work, is the shared responsibility of the HSE "Health and Safety at Work" and Human Resources departments.

The Occupational Health and Prevention Service harmonizes occupational health policies and strengthens the resources dedicated to the prevention and monitoring of employees' occupational health in France. It reports to the Human Resources department, and the occupational physician who heads it also coordinates all health services in the various countries where Thales operates.

5.3.4.1.2 Policies implemented

The conditions in which employees work are a decisive factor in ensuring a good quality of life at work. They contribute to employee fulfillment and motivation at work, and to the company's performance. Since drawing up its Code of Ethics in 2001, Thales has been committed to ensuring a safe and healthy working environment for all its employees, in compliance with the legal provisions in force, through the monitoring of procedures, the prevention of health and occupational risks, and staff training.

5.3.4.1.3 Action plans and performance indicators

5.3.4.1.3.1 Work-life balance

In 2023 the Group continued the Smart Working approach which meets the threefold objective of accelerating the Group's competitiveness and collective performance, offering flexibility in terms of when, where, and how we work, and lastly, improving well-being at work and the balance between working and personal life for our employees.

Awareness-raising sessions on the right to disconnect are open to all Group employees. By means of a training program entitled "The manager, a key player in the quality of life at work", managers were made aware of their leading role in the quality of working life and of the importance of properly implementing employees' right to disconnect.

Thales encourages the practice of physical activity and sports by its employees, providing them with the necessary equipment (gyms, changing rooms, showers, etc.) and by organizing awareness-raising sessions on the importance of regular physical activity. The Social and Economic Committees of the Group entities in France also pay part of the costs incurred by employees in carrying out the sports activities of their choice.

5.3.4.1.3.2 Promoting parenthood

In 2023, the entities in the countries where the Group operates continued or improved their actions in the area of parenting.

Various parenting support systems have been set up in different countries. In France, for example, employees are offered day nursery places or emergency childcare solutions. 487 children of employees benefited from a day nursery place in 2023 (compared with 489 in 2022 and 444 in 2021).

In 2023, Thales Australia also developed numerous initiatives in this area, and in particular received certification as a "Family Inclusive Workplace", resulting from its collaboration with UNICEF and Parents at Work on the "Family Friendly Workplaces" program.

5.3.4.1.3.3 Combating harassment and sexist behavior

Thales is resolutely committed to fighting all forms of sexism and applies a zero tolerance principle in this area. The Group is a partner in the #StOpE inter-company initiative, which brings together 199 organizations committed to combating routine sexism in the workplace. Numerous actions were taken in France and other countries to prevent sexism, such as mandatory training for managers, a communication kit, an expression wall and conferences. In parallel with this, an online awareness-raising module, available in French and English, is accessible to all Group employees.

A digital alert platform, accessible 24/7, is available to Group employees around the world, enabling them to report any instances of harassment or discrimination (see section 5.4.2.1.2).

In France, Thales has more than 120 "sexual harassment and sexist behavior" points of contact who represent management and social and economic committees. The Group provides the managerial and HR teams with a guide defining the procedure for dealing with reports of situations that may indicate harassment or violence at work.

5.3.4.2 A policy of risk prevention and employee protection

5.3.4.2.1 Governance

The governance of the Group's Health & Safety policy is described in section 5.2.1.1.

5.3.4.2.2 Policies and action plan

The Group's health and safety policy is based on two pillars:

- providing the company's employees and personnel working on its sites or on external work sites under its responsibility with a safe and healthy working environment;
- designing, purchasing, producing and delivering eco-designed solutions, products and services that meet health, safety, and environmental protection requirements.

5.3.4.2.2.1 Integrating health and safety policy into core processes

Thales has integrated the management of risks related to workplace safety into its Group frame of reference, which is accessible to all employees in all entities worldwide. The HSE process requires all sites to implement a safety management system to avoid and manage risks, while complying with the general principles of prevention.

- verify compliance of the activities carried out and products used or put on the market, and ensure the continued compliance of facilities;
- ensure that employees are not exposed to certain risks, or failing that at least reduce and manage them;
- monitor the availability of collective and individual protective equipment for residual risks that cannot be avoided;



- ensure that the Group's activities are not likely to harm people and/or the environment through technological accidents;
- analyze and anticipate the impact of new regulations;
- make sure instructions and procedures are fully appropriated by external collaborators and partners, including through the organization of emergency scenario drills;
- integrate health and safety aspects into management on the ground.

5.3.4.2.2.2 Emphasis on the culture of safety

In 2019 the Group defined a "Culture of Safety" roadmap covering a period of four years. The first three years of implementation of this initiative enabled a significant improvement in the Group's performance through:

- strengthening leadership support and the acceptance by all employees of the importance of HSE issues via "HSE Masterclass" sessions to be rolled out in all management committees of the organizations in all countries;
- supporting teams in implementing best practices on the ground.

All Global Business Unit management committees have been trained to take greater account of health and safety on a day-to-day basis. This program continues throughout the management chain, supported by HSE coordinators and all HSE teams on site. The main areas for operational improvement are the implementation of "safety visits" and the reporting and handling of "near misses" and dangerous situations.

Aspects relating to the quality of life and well-being at work, including the prevention of psycho-social risks, are closely coordinated with the Group's HR department, and with the prevention and occupational health services. In some countries, such as Australia (via the "Thrive@Thales" program) and the UK (with the "Wellbeing Strategy"), initiatives to address issues of well-being at work are being implemented.

Moreover, since 2021, for employees eligible for variable compensation, the Group has included 10% of Group CSR objectives, of which 2.5% for health and safety performance (see section 5.3.2.3.3).

5.3.4.2.2.3 Safety training and raising risk awareness

Knowledge of operational risks and the associated prevention measures is essential for enabling managers and employees to maintain not only the right level of vigilance, but also their awareness of risks, measures for controlling these risks, and their appropriation of the best practices to adopt. Thales' Human Resources and HSE organizations implement and maintain training courses on occupational health and safety for all Group employees. These training courses are supplemented by programs linked to specific needs identified on the sites.

With the support of training modules, internal trainers, HSE managers or specialized external bodies ensure that skills relating to health and safety are maintained in Thales.

All these training courses cover:

- workplace safety (induction and training for the position, fire, first responders);
- risks encountered (electrical, chemical, radiation, ergonomic, psycho-social);
- tools (risk analyses, regulatory monitoring, reference frameworks, audit and inspection techniques);
- safety management and good practices.

To improve support for managers and employees on HSE issues, the Group strengthened its specific training program for HSE coordinators in 2020, in order to develop their operational coordination skills, with particular attention being given to support for local managers.

Regular awareness-raising and communication initiatives, defined and rolled out locally, enable all employees' degree of appropriation and risk-awareness to be maintained. Generic topics such as the risks associated with slip and fall accidents or workstation ergonomics are covered.

5.3.4.3 Performance

The action plan embarked upon in 2019 on the Group's safety culture continued to bear fruit in 2023, with a lost-time injury frequency rate of 1.40 per million hours worked, a very significant 36.7% improvement on 2018.

Over and above the frequency of work-related accidents with lost time, the Group focuses its prevention efforts on avoiding serious accidents that could have consequences for its employees. The workplace accident severity rate, which represents the number of working days lost as a result of a workplace accident per 1,000 hours worked, was 0.048, representing a 10% decrease on 2018.

The HSE managers support the operational teams to ensure consistency and monitoring on the ground, based on the ISO 45001 management standard.

At December 31, 2023, 78.5% of the Group's workforce worldwide were working at a site or in an organization that was ISO 45001 certified.

Occupational health and safety performance (NFPS)

Percentage of employees working at ISO 45001 certified sites:
78.5% in 2023

1

2

3

4

5

6

7

8

Change in number of employees working at an ISO 45001 certified site ⁽¹⁾

Monitoring of performance and continuous improvement

	2023 target	2018	2021	2022	2023	Change 2018/2023
Accidents at work						
Frequency rate of accidents at work with time lost (FR1 of Thales employees)	1.55	2.21	1.66	1.53	1.40	-36.7%
Change in severity rate of accidents at work		0.053	0.043	0.050	0.048	-10%
ISO 45001 certification						
Percentage of employees working at an ISO 14001 certified site OHSAS 18001/ISO 45001			80.9%	83.7%	78.5%	

Certified sites carry out internal audits enabling continuous sharing of best practices and improvement to the HSE management systems. The surveillance audits by external bodies provide external oversight.

The Group has strengthened its internal tools by setting up the Thales Integrated Maturity System (TIMS) to assess HSE maturity, implemented in all entities since 2017. This reinforces the HSE culture and the involvement of managers and employees, in order to improve the Group's performance and that of its partners. Self-assessments of the maturity of HSE management systems are carried out on all industrial sites and are reinforced by evaluations performed by a team of senior internal auditors. Their work enables sites to be assessed against an annual roadmap.

⁽¹⁾ 2018: not including Gemalto; 2020 and 2021: including Gemalto.



5.4 Our commitments and actions for society

5.4.1 Building a sustainable society based on trust

The products and services offered by Thales are designed and developed to meet the sustainability needs of its customers. Societal sustainability to prevent and counter threats in the civil and military spheres, in the physical and digital worlds. Environmental sustainability too, to help decarbonize the activities of the Group's customers and reduce their impact on the planet and the living world. The Group aims to combine these two aspects of sustainability to give concrete expression to its *raison d'être*: "Building a future we can all trust". To achieve this, Thales relies on its know-how and the added value it brings to its markets, through the development and mastery of cutting-edge, reliable and responsible technologies.

Today, however, the role of defence in the sustainability of European society is recognized at the highest level of the Union. In November 2023, Europe's defence ministers called for "ensuring that EU level policies facilitate access to both public and private finance for the defence sector" and "that its unique societal role, way of operating, and missions are duly taken into account when sustainable finance policies, regulations, reporting requirements, and standards are developed and applied to the EDTIB"⁽²⁾.

This position has been welcomed by industry associations such as ASD⁽³⁾ and GIFAS⁽⁴⁾, and reflects a gradually growing awareness on the part of European authorities.

5.4.1.1 Defence for a sustainable society

"There can be no sustainability without stability."

Patrice Caine
Chairman and Chief Executive Officer of Thales

Achieving the UN's Sustainable Development Goals requires peaceful, stable and secure societies and states. In a context of heightened geopolitical tensions, the role of the defence sector thus becomes decisive.

In strengthening their defence and sovereignty capabilities, the European Union and its members have introduced regulations that could lead to the exclusion of the defence sector from the scope of sustainable finance.

With over 59% of European assets now managed by funds classified as sustainable according to the EU's Sustainable Finance Disclosure Regulation (SFDR)⁽¹⁾, European investors' sectoral exclusion of defence has significant consequences for companies in this sector. It can affect their valuation, restrict their access to capital markets and turn away European investors in favor of non-Europeans. Between 2015 and 2023, the proportion of investors from continental Europe (excluding France) in the Thales Group's free float has fallen by almost ten points.

5.4.1.2 For ethical and frugal digital technology

5.4.1.2.1 Ethical digital technology

Digital technologies are causing major upheavals in our societies. They hold out the promise of social and technological progress as well as raising concerns about the potential consequences of their use for the environment and individual freedoms.

Thanks to its R&D organization, Thales is helping to define the technological landscape of tomorrow's companies. The solutions that the Group develops thus have an impact on the lives of millions of people around the world.

Aware of this responsibility, Thales has drawn up a Digital Ethics Charter, a document that expresses its desire to contribute to a safer world, by reinforcing the safety and security of its digital solutions. It also reflects our commitment to a more environmentally-friendly world, thanks to digital technologies. Finally, it places people at the heart of digital technologies, to make the world more inclusive and supportive.

These principles apply to all Group employees and guide the design of digital products and services.

The guidelines of the Thales Digital Ethics Charter

Maintaining human control of artificial intelligence systems Designing explainable artificial intelligence systems

Safer	- Take data confidentiality issues into account right from the design stage - Going ever further in the safety and resilience of our solutions
Greener	- Harnessing the potential of digital technology to combat climate change - Favoring a frugal approach to data - Systematize eco-design
More Inclusive	- Combating discriminatory bias in digital technologies - Promoting inclusion through digital technologies - Develop an understanding of digital issues within the company

⁽¹⁾ Morningstar Report, SFDR Article 8 and Article 9 Funds: Q4 2023 in Review, January 25, 2024.

⁽²⁾ European Defence Agency — https://eda.europa.eu/docs/default-source/news/20231114_jointstatement_accessstofinance.pdf.

⁽³⁾ AeroSpace and Defence Industries Association of Europe.

⁽⁴⁾ French Aerospace Industries Association.

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5.4.1.2.2 Digital frugality

Digital equipment and networks account for 4% of GHG emissions worldwide, and 10% of the electricity consumed in France ⁽⁵⁾. In 2020, the journal Nature ⁽⁶⁾ estimated that information technology and artificial intelligence accounted for around 1% of global energy consumption, a figure that is set to rise to 20% by 2030.

Aware of this growing challenge, Thales has placed the notion of frugality at the heart of its technological developments. This starts with the implementation of a systematic eco-design policy. This policy aims to limit a product's footprint throughout its life cycle, by reducing its energy consumption, raw material consumption and GHG emissions (see section 5.3.2.2.2). This approach involves reducing product weight and volume, and facilitating recycling.

Thales' commitment also implies a frugal approach to data management, particularly for data-intensive technologies such as artificial intelligence. The Group favors smart data rather than big data approaches. The aim is to give priority to the quality of the data processed or transmitted, rather than to their volume. To this end, the Group is developing edge computing, which aims to process the information received as close as possible to the sensors, thereby reducing the volume of information transmitted and speeding up decision-making.

In addition, the Group is implementing approaches that drastically reduce the energy footprint of AI algorithms. This is the case with model compression, which enables algorithms to be run efficiently on less powerful devices. The same applies to transfer learning techniques based on an AI model pre-trained on a similar task, thereby reducing the time and resources needed to train new models.

5.4.1.2.3 Responsible artificial intelligence

The "TrUE" (Transparent, Understandable and Ethical) approach to AI embodies Thales' commitments in the field of artificial intelligence. It is based on four sets of fundamental principles:

- validity, which ensures that an AI-based system does exactly what it is supposed to do, no less and no more;
- transparency and explicability, which provide users with understandable justifications and explanations appropriate to the context;
- security and reliability, ensuring safety, robustness and resilience to adverse conditions, such as scams and cyber-attacks;
- responsibility and ethics, ensuring that AI-based systems comply with ethical, legal and regulatory frameworks (including rules on data confidentiality and the protection of sensitive information). The Group is committed to ensuring that the human element is always taken into account when using products that involve AI.

The TrUE AI approach is also applied in the field of biometrics, with the implementation of a TrUE Biometrics approach that incorporates these key principles.

5.4.1.3 Solutions for more sustainable mobility

The free movement of people and goods is essential to the proper functioning of the economy and the development of states. The availability of reliable, safe and environmentally-friendly means of transportation is therefore an important sustainability issue. In 2021, transportation accounted for 24% of GHG emissions, including 3% for the global aviation sector ⁽⁷⁾.

5.4.1.3.1 Reducing the airline industry's carbon footprint

Against this backdrop, in 2021 the entire global aviation industry, through IATA ⁽⁸⁾, adopted a roadmap to achieve carbon neutrality by 2050 ⁽⁹⁾. Thales commits to this approach by:

- Making lighter, more energy-efficient equipment and materials available.
Weight and energy consumption have the greatest impact on CO₂ emissions in the aviation sector. By developing lighter, more energy-efficient equipment and materials, while at the same time guaranteeing equivalent or even greater safety and security, Thales enables aircraft manufacturers to lighten their aircraft and thus reduce their environmental footprint.
- Optimizing aircraft trajectories.

Drawing on decades of experience and customer relationships in air traffic management and avionics, Thales offers innovative tools to optimize aircraft trajectories. Deployable in the short term, these solutions would generate significant fuel savings and result in the avoidance of an average of 10% of CO₂ emissions. These tools also help to limit the non-CO₂ effects of aircraft, such as condensation trails.

5.4.1.3.2 Developing simulation solutions

Thales designs civil and military simulators that help reduce the carbon footprint of transportation. They reduce the number of flight hours required for pilot training and thus avoid the corresponding GHG emissions. The increasing use of AI is helping to make simulations more and more realistic. For example, Helisim, a joint venture between Thales, Airbus Helicopters and Défense Conseil International specializing in helicopter flight simulator training, estimates that it has avoided the release of over 12,000 metric tons of CO₂ into the atmosphere since its creation in 2000 (just over 18 grams of CO₂ per second) ⁽¹⁰⁾.

5.4.1.3.3 More efficient mobility

The implementation of smarter, greener and more sustainable mobility also relies on the contribution of navigation satellites to traffic fluidity and management. These navigation activities represent about one third of the turnover of the Observation, Exploration and Navigation product line of Thales Alenia Space.

⁽⁵⁾ ADEME, April 2022 — <https://infos.ademe.fr/magazine-avril-2022/laits-et-chiffres/numerique-quel-impact-environnemental/>

⁽⁶⁾ Vinuesa, Ricardo, et al. "The role of artificial intelligence in achieving the Sustainable Development Goals." *Nature communications* 11.1 (2020): 1-10.

⁽⁷⁾ Source: International Energy Agency, 2021.

⁽⁸⁾ International Air Transport Association.

⁽⁹⁾ <https://www.iata.org/en/programs/environment/flynetzero/>

⁽¹⁰⁾ <https://www.helisim.com/>



Geolocation can also be used to precisely identify people likely to be in a dangerous situation, such as shipwreck victims. Satellite navigation is also useful at some airports, to support pilots during take-off and landing. These systems can be used for a wide range of applications, such as tracking ships at sea, search and rescue, agriculture and those relating to the Internet of Things (IoT).

5.4.1.3.4 Better understanding of climatic phenomena

The satellites designed by Thales and the associated Earth observation instruments provide a wealth of information on climatic phenomena and territorial changes (such as CO₂ emissions, forest extent and coastline delimitation). Notably, solutions of Thales Alenia Space are on board five of the six new-generation Copernicus

missions. These satellites will be used to measure atmospheric carbon dioxide emissions produced by human activity, monitor the thickness of pack ice and the snow covering it, support new optimized services for the sustainable management of agriculture and biodiversity, observe sea surface temperature and salinity as well as pack ice concentration, and enhance land monitoring and emergency management services.

These forecast data are invaluable to the scientific community and to regional and international climate organizations. They feed into climate evolution models and improve our understanding of phenomena, enabling us to better anticipate and react to climatic events and design better policies and actions to combat climate change. (see section 5.2.2).

5.4.2 A demanding policy of ethics, integrity and compliance

The main principles of Thales' ethics, integrity and compliance policy are set out in the documents "Code of Ethics", "Anti-Corruption Policy" and "Code of Conduct: prevention of corruption and influence peddling", available on the Group's website.

5.4.2.1 Integrity and compliance at the heart of the Thales business model

Conducting business with integrity and in compliance with applicable regulations is imperative for Thales in order to preserve its reputation, its competitiveness and the sustainability of its activities.

The Group must comply with an ever-increasing number of regulations (some with extraterritorial scope), norms and standards to meet the heightened expectations of all its stakeholders. These include customers, employees, partners, investors, financial and non-financial institutions, non-governmental organizations, and civil society in general.

The Group's Integrity and Compliance Program covers the following four areas:

- the prevention of corruption and influence peddling and related areas of integrity, such as fraud prevention, money laundering, conflicts of interest and insider trading;
- trade compliance: export controls and compliance with international embargoes and economic sanctions;
- competition law;
- protection of personal data.

The Group has set up a dedicated governance structure and a whistle-blowing system that encourages its employees and stakeholders (such as contractors and suppliers) to report any conduct or situation that contravenes internal rules or legal or regulatory provisions (see section 5.4.2.1.2).

As part of its drive for continuous improvement, the Group participates in various professional bodies, both national, such as MEDEF⁽¹⁾ and GIFAS⁽²⁾ and international, such as the ICC (International Chamber of Commerce), IFBEC (International Forum on Business Ethical Conduct, created by members of the Aerospace Industries Association of America (AIA)) and ASD dealing with business ethics. Thales is also active in intergovernmental working groups such as the OECD and the United Nations.

5.4.2.1.1 Governance dedicated to the integrity and compliance program

Thales' Integrity and Compliance program is managed by the Integrity and Compliance Committee (ICC).

This committee, chaired by the Group General Secretary, is made up of the heads of the Ethics & Integrity Department, the legal & Contracts Department and the Audit, Risks and Internal Control Department.

The committee is responsible for steering, developing, deploying, implementing, evaluating and updating the Integrity and Compliance program.

It relies on a network of 18 Chief Compliance Officers and 120 Compliance Officers to carry out its mission.

The Integrity and Compliance Committee meets monthly and, whenever necessary at the request of one of its members.

The Group General Secretary reports periodically on the committee's activities to the Executive Committee, the Risk Management Committee, the Board of Directors, the Audit and Accounts Committee and the Board of Directors' Strategy and Corporate Social Responsibility Committee.

5.4.2.1.2 A secure and accessible whistle-blowing system

Thales has set up a digital platform dedicated to the collection and processing of whistle-blowing alerts ("Thales Alert Lines"), which ensures the confidentiality, traceability and follow-up of whistle-blowing alerts in a secure space. This system is open to employees, external and occasional workers and third parties (such as members of personnel of a client, supplier or co-contractor of the Group).

This digital platform dedicated to the collection and processing of alerts coexists with a dedicated Group-level alert line and several alert lines for foreign countries, specifically the USA, Canada, the UK, the Netherlands, Germany and Australia, as well as French, Spanish, Italian and Portuguese entities with more than 250 employees.

⁽¹⁾ Medef: Mouvement des Entreprises de France, France's largest employer federation.

⁽²⁾ GIFAS: French Aerospace Industries Association.

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This system makes it possible to transmit any whistle-blowing alert falling within the scope of the law of December 9, 2016 on transparency, the fight against corruption and the modernization of economic life (known as the Sapin II law) and the law of March 27, 2017 on the Duty of Care (human rights, fundamental freedoms, personal health/safety, the environment) of parent and client companies (known as the Duty of Care law).

It also provides for the possibility of transmitting alerts relating to conduct or situations that run counter to the Code of Ethics, the Code of Conduct, and more generally to events or facts contrary to the Group's integrity and compliance policy.

The admissibility of each report transmitted via the Alert Platform is examined collectively by an Alert Monitoring Committee (at Group or local level) within 15 calendar days of its receipt.

Thales also undertakes not to sanction, dismiss, or discriminate against any Group employee due to a report made in good faith relating to facts falling within the scope of the internal alert system. Similarly, the Group ensures that the identity of the whistleblower, the person(s) involved, and the information collected by any person responsible for collecting or processing the reports are kept confidential.

In 2023, the Group alert system received 49 alerts (compared with 41 in 2022, 44 in 2021, 25 in 2020 and 34 in 2019).

Of these 49 alerts received, 25 were considered admissible by the Group-level Alert Monitoring Committee.

These 25 alerts declared admissible were assigned by their authors to the following categories:

- 13 alerts concerned allegations of harassment, discrimination or violence in the workplace;
- four concerned allegations of corruption or influence peddling;
- two related to potential conflicts of interest;
- one concerned an allegation of non-compliance with trade rules;
- two concerned allegations of fraud;
- two concerned issues related to information security and protection;
- one concerned the "Human Rights" category.

Among the four alerts declared admissible that related (according to their authors) to alleged acts of corruption or influence peddling:

- one alert was closed without action;
- one alert was closed with an action plan following an internal investigation that identified non-compliance with a procedure but did not support the aforementioned allegations;
- two alerts were still being processed at the date of publication of this document.

5.4.2.1.3 The fight against corruption and influence peddling

Corruption, influence peddling and other integrity offenses (such as fraud, money laundering, conflicts of interest, insider trading, etc.) represent major risks exposing companies, their employees, and their managers to civil and criminal sanctions that could seriously harm their reputation.

The fight against corruption and influence peddling is fully integrated into the governance of the Group's Integrity and Compliance program (see section above).

The Group's Executive Management and Board of Directors are committed to zero tolerance of corruption and influence peddling.

Towards the end of the 1990s, Thales put in place a policy to prevent the risks of corruption, which is continuously being improved. This policy has been evaluated and its provisions readjusted to incorporate the latest requirements of the "Sapin II" law⁽³⁾.

In March 2021, Thales also obtained ISO 37001:2016 certification for Anti-bribery management systems from AFNOR, the French standards organization, in recognition of the robustness and implementation of its anti-corruption and influence-peddling system and the very strong support of its senior management.

Certification was issued with the scope covering Thales SA and the companies it controls in France, as well as some international subsidiaries of Thales International SAS (Thales EURAM Thales AMEWA and Thales NSEA).

The ISO 37001 certification was renewed and successively extended to the UK and the Netherlands in 2022, and to the USA and Canada in 2023.

In 2024, the Group will comply with a new renewal audit for a new three-year ISO certification cycle (2024-2026) and extend the scope of certification to two new major countries, Germany and Australia.

The principles of ISO 37001 certification: Anti-bribery management system:

Obtainment:

This certification is granted only to companies able to demonstrate that they have in place an anti-bribery management system (ABMS) that:

- is structured and robust;
- includes a rigorous risk identification, prevention, control and treatment system;
- is effective and complies with the most demanding international standards;
- is supported by strong managerial commitment.

Benefits:

- a globally recognized anti-corruption benchmark;
- strengthens the confidence of customers, banks, shareholders and investors;
- part of a continuous improvement process.

The Group's anti-corruption compliance program is based on several pillars:

- **First pillar: governance and managerial commitment.**

The Chairman and CEO of Thales regularly reaffirms his personal commitment, and that of the Group, to implementing a zero tolerance policy in terms of integrity and compliance. In May 2023, he addressed 1,178 of the Group's top executives (three times as many as in 2020) as part of a managerial commitment campaign incorporating the four pillars of the Integrity and Compliance program. Senior executives thus reaffirmed their personal commitment to implementing a zero tolerance policy in terms of integrity and compliance.

⁽³⁾ Law No. 2016-1691 of December 9, 2016 on transparency, the fight against corruption and the modernization of economic life, published in the Official French State Gazette of December 10, 2016.



Since 2020, key executives have signed a formal individual commitment to preventing corruption and influence peddling.

- **Second pillar: specific mapping of corruption and influence peddling risks.**

This work was carried out in line with the Group's general risk mapping methodology.

Updated every two years, the latest version of this mapping (in 2022) has enabled us to update the scope of the risks considered and the associated action plan.

No changes to the Integrity and Compliance program were required on this occasion.

- **Third pillar: rigorous risk management**

The risk management approach is organized into several phases: risk prevention, detection and remediation.

a) Risk prevention

Risk prevention is based on a Code of Conduct, training courses and an assessment of the integrity of third parties.

- **A Code of Conduct.**

The Code of Conduct is a continuation of the commitments made in the Code of Ethics, and aims to explain the issues at stake in a clear and simple manner, and to recall and illustrate the various types of behavior to be avoided. It also suggests answers and solutions to be adopted in certain situations.

In 2022, the Code of Conduct was the subject of a campaign to persuade all Thales executives to commit personally to the Code: nearly 2,427 executives signed it in this context, 100% of the target population.

In addition, since January 2022, all new Group employees, as well as those who change positions through internal mobility, are required to sign it - as well as the Code of Ethics - and to declare any situation, potential or proven, of conflict of interest.

- **A training system** for the prevention of corruption and influence peddling.

The Group has set itself the objectives of training all potentially exposed employees within six months of their joining or of their internal transfer, and of repeating the training of exposed employees at least every two years.

To this end, specific training courses have been set up, adapted to the anti-corruption compliance program. The mapping of the most exposed functions, in line with the mapping of corruption and influence peddling risks, is reviewed every year.

The training system for the prevention of corruption and influence peddling is based on three types of training:

- an online anti-corruption module (general e-Learning) for all employees whose functions are exposed;
- a face-to-face training module for employees in the most exposed functions;
- online training modules (thematic) for employees who have been trained for more than two years.

In 2023, 8,037 potentially exposed employees were trained, representing 100% of the target population; 5,718 of them took the general e-Learning course, 903 attended face-to-face training and 1,416 took the thematic e-Learning course.

Since January 2022, these training courses have also been available to all (non-exposed) employees via the "u-Learn" platform. Employees can follow them voluntarily or by decision of their management. Thus in 2023 an additional 5,315 employees were trained. In total, since 2018, Thales has trained more than 46,000 employees, both exposed and unexposed, in preventing the risk of corruption and influence peddling.

- **A system for assessing the integrity of third parties** (customers, suppliers, subcontractors and partners).

This approach is based on the definition of risk profiles by category, and incorporates preventive measures proportionate to the risks, which all Group entities must observe in the context of a business relationship with a third party. The challenge is to avoid any direct or indirect involvement in acts of corruption or influence peddling. These procedures cover, in particular, the training of all business partners (Business Advisors and Key Industrial Partners) on the prevention of corruption, as well as the commitment of each supplier to train its employees and executives, particularly those holding the functions most exposed.

b) Risk detection

The Group has a whistle-blowing system and a control system comprising accounting controls on the one hand and internal controls and assessments on the other:

- **A whistle-blowing system** at Group level (see section 5.4.2.1.2).

This system is open to employees, external and occasional workers and third parties (such as members of personnel of a client, supplier or co-contractor of the Group).

- **An internal control and assessment** system for compliance measures.

This system meets the requirements of the Sapin II law and the latest recommendations of the French Anti-Corruption Agency (AFA), and comprises internal controls and assessments, including accounting controls. These are designed to ensure the correctness, fairness and accuracy of financial and accounting information. They help prevent and detect the risks of corruption, influence peddling, fraud and money laundering.

This control and internal audit system comprises three levels of control:

- 1st level: preventive controls carried out at the time of decision making or implementation of operations to make sure that the tasks inherent in an operational or support process have been carried out in accordance with the procedures laid down by the Group;
- 2nd level: ex post checks to detect any anomalies. They are conducted on all or part of the decisions made and/or operations carried out. The purpose of these checks is to ensure that first-level controls are being carried out, at predefined or random intervals;
- 3rd level: checks designed to ensure that the control system complies with the requirements set by the Group and is efficient. These controls are random and are based on internal audits conducted by the Audit, Risks and Internal Control Department (DARCI) or external audits.

c) Risk remediation

The Group implements appropriate remedial actions and disciplinary measures.

At least once a year, the Integrity and Compliance Committee carries out a review of the management and handling of instances of non-compliance to steer the Group's anti-corruption management system and measure its effectiveness: it reviews, in particular, changes in the Group's external and internal circumstances and those of its stakeholders, managerial commitment, and assesses the risks of corruption and influence peddling, the achievement of the anti-corruption management system's objectives using monitoring and performance indicators, the management of instances of non-compliance, the measurement of the effectiveness of the anti-corruption management system, and whether the human and material resources available to support the Group's actions in preventing and detecting corruption and influence peddling are adequate.

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5.4.2.1.4 Combating anti-competitive practices

The fight against anti-competitive practices is the subject of a specific compliance program (antitrust compliance program), an integral part of the Thales Integrity and Compliance program.

5.4.2.1.4.1 Governance

The antitrust compliance program is validated by the Integrity and Compliance Committee. This program applies to all Group subsidiaries and controlled companies. It is deployed by a team of experts in competition law, who coordinate and lead a network of over thirty points of contact from the Legal and Contracts department, whose mission is to ensure compliance with these rules within their respective areas of responsibility.

5.4.2.1.4.2 Policies, action plan and indicators

This program is based on the following principles:

- a public commitment to zero tolerance, individually renewed in 2023 by the CEO and 1,178 Thales executives, on all compliance pillars including compliance with competition rules;
- a risk map of anti-competitive practices targeting the main risk situations that each business line may face, and proposing appropriate action plans;
- a general policy detailing the content of the program for compliance with competition law as well as internal detection and prevention processes and mechanisms. This policy is complemented by a set of guides, instructions and brochures by theme;
- a training and awareness-raising program on competition rules aimed at all exposed employees. Training is provided through virtual or face-to-face sessions, as well as an online module dedicated to compliance with competition rules;
- a Group-level whistle-blowing system (see section 5.4.2.1.2).

5.4.2.1.5 Trade compliance

Thales strictly complies with all applicable regulations on export control and economic sanctions. To this end, the Group has drawn up and implemented a Trade Compliance program, which forms an integral part of the Integrity and Compliance program.

5.4.2.1.5.1 Governance

The Trade Compliance department, which reports to the Group's Legal and Contracts department, draws up the Trade Compliance program under the guidance of the Group's Integrity and Compliance Committee.

Deployed as a matrix in the various business units according to the sensitivity of their activities, Thales' Trade Compliance organization reports functionally to the Group Trade Compliance Officer (GTCO). The GTCO relies on a network of around 150 Trade Compliance Officers (TCOs) and Trade Compliance Managers (TCMs) appointed within the Legal and Contracts Department of the business units concerned (Country or Global Business Units).

5.4.2.1.5.2 Trade Compliance policies

The trade compliance policy has two components:

- Compliance with export control regulations.
Some of the Group's activities fall under national or international regulations relating to export control, transfers of war hardware and "dual-use" goods. These regulations prohibit any export or transfer of the goods, technologies and services concerned

without the prior agreement of the competent national or regional authorities; these regulations also prohibit the re-export, re-transfer or resale to anyone else of goods, technologies and services exported in this way, thanks to the compulsory signature of End-User Certificates (EUCs) by authorized end-users.

- Compliance with international economic sanctions, defined as all financial or commercial restrictive measures adopted against a country, territory, or any natural or legal person (such as freezing measures, prohibitions on the provision of funds or economic resources, embargoes, restrictions on the import or export of goods or technologies).

5.4.2.1.5.3 Action plan and indicators

The trade compliance program deployed by Thales is based on the following pillars:

- a set of instructions and guidelines published and regularly updated by the Group;
- a structured and globally deployed Trade Compliance organization, comprising some 150 experts;
- training and awareness-raising sessions delivered every year in all business units concerned;
- the deployment of IT solutions and tools to automate control tasks and secure the Group's operations;
- audits carried out by the Audit, Risks and Internal Control department (DARCI).

This program applies to all subsidiaries and companies controlled by the Group, in France and abroad, and serves as a reference for all BUs in drawing up their own compliance programs. The aim is to guarantee the Group's commitment to conducting its business in compliance with all applicable regulations.

5.4.2.1.5.4 A regularly audited compliance program

Thales' Trade Compliance program is the subject of a sub-process of the Group's management frame of reference, Chorus. As a sub-process of the process entitled "Legally securing operations and defending the company's rights", its aim is to continuously improve the Group's practices and make it a benchmark player.

This sub-process, which is linked to the process entitled "Mapping enterprise risk, assessing internal control and auditing", enables the Quality department and the Audit, Risks and Internal Control department to regularly audit the existence, relevance and effective implementation of the trade compliance programs of the Group's entities. Two audits of BUs (countries or GBUs) are thus carried out each year by the Audit, Risks and Internal Control department, in addition to the internal control assessment questionnaires (Yearly Attestation Letter (YAL) and Internal Control Questionnaire (ICQ)).

Ex ante and ex post checks on Thales' activities that are subject to national and international export control regulations are carried out systematically by the competent authorities in all the countries in which the Group operates.

Thus in France, checks are carried out on parts every six months for each company exporting military or similar goods. On-site checks on parts are also carried out by the competent authorities in all countries from which Thales exports controlled products or technologies (such as France, the United States, the United Kingdom and the Netherlands). In particular, these checks are designed to ensure strict compliance with export authorizations issued, and to verify that EUCs have been signed in advance by authorized end-users.



5.4.2.1.6 Personal data protection

5.4.2.1.6.1 Governance

Protection of personal data is a major issue for the Thales Group.

The Group has set up a system of governance led by the Group Data Protection Officer (DPO), who relies on a network of 60 correspondents at Group level and their relays (450 people) in the various Group functions, countries and entities. The aim here is to create the finest possible mesh and cover the entire organization.

The DPO, who reports to the Group's Legal & Contracts department, draws up the Personal Data Compliance program under the supervision of the Group's Integrity and Compliance committee (see section 5.4.2.1.1).

5.4.2.1.6.2 Policies, action plans and indicators

Thales' compliance with both Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the General Data Protection Regulation (GDPR)) and with national provisions on the same subject, is essential. To achieve this compliance objective, the Group has set up a program based on eight pillars:

- governance based on a DPO who relies on a network of correspondents;
- the Group personal data protection policy applicable to all Group entities worldwide; To facilitate deployment of the compliance program and meet regulatory requirements, Thales has introduced standard clauses on personal data protection for purchase and sales contracts, as well as standard information for data subjects. Binding Corporate Rules were approved by the CNIL, the French Data Protection Agency, on December 21, 2023 and will be deployed in 2024;
- the personal data processing register, deployed throughout the Group via a global compliance tool. It is used to analyze and manage requests to exercise the rights of data subjects and any personal data breaches. In 2023, over 100 requests to exercise rights were received and processed;
- impact analyses of the processing of personal data carried out on behalf of the Group and of its customers as controller or processor;
- The transfer of personal data, particularly outside the EEA ⁽⁴⁾ in accordance with the European Commission's adequacy decision on the EU-US Data Privacy Framework;
- the large-scale training initiative conducted in 2023 by e-learning for all Group employees worldwide to acquire the right reflexes in terms of personal data protection under the GDPR. More than 17,600 employees have validated their course, in addition to the 891 people who followed an expert course;
- communication, to disseminate a culture of personal data protection, through the Group intranet, quarterly network meetings and Group-level information (for example, the DPO's reminder of the importance of training on personal data protection);
- the performance of internal controls and audits several times a year to ensure the effective deployment of the compliance program.

The DPO and his team work closely with other Group functions such as the Head of Information Systems Security and Engineering to ensure that the protection of personal data is taken into account by everyone both from a legal point of view as well as from the technical and organizational points of view.

5.4.2.1.7 Lobbying and interest representation

Thales prohibits all financing of political activities, even in countries where such financing is authorized and regulated by law, and undertakes to comply strictly with the principle of political neutrality.

5.4.2.1.7.1 Governance

The Vice President for Institutional Relations oversees the interest representation activities of Thales SA and Thales France. She reports hierarchically to the Group's Chairman and CEO. Interest representatives in other Group countries carry out their activities under the responsibility of country directors, who report to Thales' Executive Committee. Lastly, the interest representative of Thales Alenia Space, a joint venture with Leonardo, reports to the Chairman and CEO of Thales Alenia Space, who is also Executive Vice President Space of Thales and a member of the Executive Committee.

5.4.2.1.7.2 Policies, action plan and indicators

Thales' interest representation activities cover issues related to the Group's markets: aerospace, defence and security, digital identity and security. In addition to these main areas, there are a number of cross-functional themes, such as industrial policy, research and innovation.

Thales carries out its interest representation activities at national and supranational levels, in compliance with the local regulations in force, in particular the provisions of Article 25 of the Sapin II law in France, which ensure the transparency of relations between interest representatives and the French public authorities.

In France, Thales has been registered since 2017 in the public register of interest representatives of the High Authority for the Transparency of Public Life (HATVP), to which it annually reports its activities falling within the scope of the Sapin II law.

Thales is also registered in the European Transparency Register, which lists interest representation activities with European institutions.

The Group generally declares all its interest representation actions, whenever required by national law, as is the case in the United States for example, in accordance with the obligations imposed by the Lobbying Disclosure Act.

The Group also reports its entire interest representation budget, particularly for France, the European Union, the United States and Canada. Over the course of financial year 2023, the Group incurred expenses in a range of €500,000 to €600,000 for Thales SA and €200,000 to €300,000 for Thales Alenia Space France. These amounts cover a portion of the salaries of Thales' interest representatives, their expense reports, gifts and invitations to public decision-makers, event expenses, and expenses incurred with professional federations. The expenses recorded in the European Transparency Register fell within a range of €300,000 to €400,000, with France and the rest of Europe combined accounting for 64% of the Group's order intake.

⁽⁴⁾ European Economic Area.

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Lastly, Thales has a Responsible Lobbying Charter, which sets out the rules and commitments to be respected when conducting activities involving interest representation by or on behalf of the Group, particularly in the context of trade groupings or associations. This Charter is public and available on the website. These rules complement the provisions of the Code of Ethics and the Code of Conduct - Prevention of corruption and influence peddling, as well as all the procedures of the Integrity and Compliance program (see section 5.4.2). In addition, the Group has produced a practical guide on ethical and reporting obligations applicable in France. It is intended for all employees (regardless of their status and contract type) engaged in interest representation actions with French public officials.

5.4.2.1.8 Tax policy

As an international group, Thales pays substantial taxes and duties in many countries. Strict compliance with tax regulations in all the countries in which the Group operates is fundamental.

5.4.2.1.8.1 Governance

The role of tax governance is to ensure the implementation of the Group's tax policy. It ensures that the tax rules of all the countries in which Thales operates are rigorously applied. It also monitors tax developments and their correct implementation, particularly in terms of international taxation.

Tax governance is organized by the Group Tax Director, who reports to the Senior Executive Vice President for Finance and Information Systems, who is a member of the Group Executive Committee. It covers two major areas: project governance and implementation, and compliance governance.

- Tax governance of projects involves integrating the tax dimension into the thinking and design of solutions, as well as into the implementation of the solutions chosen by the Group;
- As far as compliance governance is concerned, compliance with tax regulations in each country (tax declarations, payment of taxes) is the responsibility of the country's Finance Departments. The local Finance Departments work closely with the central tax department, particularly on international tax issues and complex local questions. Where necessary, the Group's tax department and country finance departments are assisted by tax consultancy firms in order to apply the Group's tax policy correctly.

5.4.2.1.8.2 Policies, action plan and indicators

Thales' tax policy is a global policy applicable to all countries and incorporating the Group's ethical rules, including the fight against tax evasion.

The Group rigorously applies tax rules and is committed to complying with local regulations, international treaties and the directives of international organizations.

The Group's taxation is directly linked to its business strategy and activities. The only purposes of the Group's establishments abroad are to develop its business or meet operational requirements. In addition, the Group scrupulously complies with the transfer pricing principles laid down by the OECD.

In 2022, Thales signed a partnership agreement with the French tax authorities whereby the Group continuously and transparently discusses the tax implications of economic and financial events affecting it.

Tax risk is fully integrated into the risk analysis role of the Audit, Risks and Internal Control department and is one of the internal control assessment items of the Yearly Attestation Letter. (see section 3.4.1).

5.4.2.2 A strong focus on human rights

Every year since 2003, as part of its commitment to the United Nations Global Compact, Thales has reaffirmed its support for the Compact's 10 fundamental principles, which include human rights. As such, it is formally committed to advancing these principles within its sphere of influence and value chain (see section 5.1.4), and to integrating them into the Group's strategy, culture and day-to-day operations.

In September 2020, Thales was a signatory to the "Statement from Business Leaders for Renewed Global Cooperation" initiated by the United Nations Global Compact at the opening of the 75th session of the UN General Assembly. In signing this, Thales committed to:

- demonstrating ethical leadership and good governance through strategies, policies, operations and relationships based on values and on the most demanding standards when engaging with all stakeholders;
- investing in addressing systemic inequities and injustices through inclusive, participatory and representative decision making at all levels of the company;
- working with the United Nations, governments and civil society to strengthen access to justice, ensure accountability and transparency, provide legal security, promote equality and respect Human Rights.

In 2023, the Chairman and CEO signed, on behalf of Thales, the "Manifesto of the United Nations Global Compact Network France" for a new private-sector impetus around the goals of sustainable development. This commitment reflects the importance of the SDGs for the Group, as demonstrated by their inclusion in Thales' CSR strategy (see section 5.1.4).

Since 2019, Thales has been a member of the "Entreprises pour les droits de l'Homme" (Businesses for Human Rights) association. It is a forum for discussion, work and proposals for better integration of human rights into corporate policies and practices, through the implementation of vigilance procedures. Through this association, Thales participated in several training workshops on measuring the impact of human rights policies as well as working groups involving various stakeholders (unions, NGOs, experts, etc.).

Thales pays close attention to the impact of its own activities - and those in its value chain - on human rights. The purpose of implementing the vigilance plan (see section 5.4.5) is to identify, prevent, and limit potential serious violations of human rights and fundamental freedoms either in Thales or its partners. Thales therefore closely monitors issues such as the fight against forced labor, child labor, and all forms of discrimination in the workplace (see section 5.3.3.4.3).

A large proportion of Thales' business is subject to strict trade compliance regulations at regional, national or European level. These regulations contribute to the protection of the national security of democratic states as well as to the fight against the proliferation of weapons of mass destruction. In order to comply, Thales has established a global organization and continuously strengthens its internal measures and procedures (see section 5.4.2.1.5). On this subject, Thales and the European aerospace and defence industry supported the United Nations Arms Trade Treaty, which came into force at the end of 2014.



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Thales does not design, produce or sell controversial weapons⁽⁵⁾ or nuclear weapons. In June 2022, Thales also stopped selling and producing weapons using white phosphorus in line with its commitments made in 2019. This decision is a proactive response to the expectations of some of its stakeholders, including NGOs and investment funds.

In the field of facial recognition, a particularly sensitive subject, special attention is paid to the solutions proposed and to the risks of serious infringements of human rights and fundamental freedoms. In this respect, the Group decided in 2022 to stop offering real-time identification solutions for mass surveillance (see section 5.4.1.2).

In addition, Thales has a policy of preventing the risks of serious violations of human rights and fundamental freedoms that could result from the misuse of its products and services.

Through these commitments, the Group confirms the attention it gives to compliance with the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the main ILO conventions (see section 5.3.3.4.3) in all its activities.

5.4.3 Attention to the entire value chain

5.4.3.1 Customer satisfaction at the heart of Thales' concerns

The very nature of Thales' business implies a high level of trust in the relations that the Group maintains with its customers.

5.4.3.1.1 Governance of customer relations

In terms of customer relations, Thales' organization is characterized by a global presence, with local sales and operational capabilities in six major countries and through the International Development General Management, which covers more than 60 countries. It is supported by:

- a global network of strategic and key accounts, supported by cross-functional account teams. Each one is led by an Account Manager (AM) under the sponsorship of an Account Executive Sponsor (AES). These teams are responsible for managing customer relations across the Group's various organizations and activities. The list of strategic and key accounts is validated each year by the Group Executive Committee, as are the appointments of strategic account managers;
- product lines building a strategy and product offer, systems and services tailored to the needs and strategic development of markets and customers;
- a marketing organization that ensures consistency between the offering and the needs of markets and customers;
- project and support teams prepared to respond to contractual requirements and operational needs, working in close collaboration with customers and partners;
- a Quality and Customer Satisfaction organization under the governance of the Operations and Performance General Management, at the service of our teams and looking after our customers' interests.

5.4.3.1.2 Policy, action plan and indicators

For Thales, the evaluation of its customers' satisfaction and trust is a key indicator of its operational performance and a real driver of progress. The Group has set up a worldwide customer relations quality management system, based on:

- a series of satisfaction surveys carried out every 18 months to 2 years;
- a network of independent consultants who visit customers in some 100 countries to assess relations;

- a centralized digital platform collecting customer data and feedback;
- indicators and analyses for different market sectors, types of customers and product lines;
- action plans organized by account managers to respond to the specific issues of each customer;
- cross-functional analyses to detect weak points and highlight strong points and differentiating features of the Group as well as customers' recurring expectations, in order to drive performance plans;
- visits to customers to share the results of this assessment, implement corrective actions and monitor developments.

The main indicator for measuring, comparing and tracking customer satisfaction over time is CSAT⁽⁶⁾, the proportion of customers surveyed who say they are satisfied or very satisfied. The results of the 2022-2023 survey showed that 73% of Thales customers who responded were satisfied or very satisfied with the Group's services (this figure is stable compared with the 2021-2022 period).

5.4.3.2 Deploying a sustainable procurement policy

Thales designs and manufactures integrated solutions using equipment, sub-systems and full systems that are, for the most part, developed with the help of external partners. Purchases in 2023 amounted to €9.2 billion, or 50% of Group turnover. Of this total, 83% came from France, the rest of Europe and North America, reflecting the Group's industrial footprint.

Supply chain quality and reliability are therefore essential components of the Thales business model.

2023 FIGURES

Geographical area	%
France	46
Europe	31
North America	7
Rest of world	16
TOTAL	100

⁽⁵⁾ The notion of controversial weapons is precisely defined by the SFDR and the CSRD.

⁽⁶⁾ Customer satisfaction.



● Two Group KPIs measure Responsible Purchasing performance

KPI – Performance

Sustainable Procurement indicators (NFPS)	2020	2021	2022	2023	2023 target
Percentage of new suppliers committed to the principles of Thales' Integrity and Corporate Responsibility Charter:	91%	97%	99%	99%	100%
Percentage of suppliers assessed among those considered as "at risk" according to the Duty of Care mapping ^(a) .	24%	59%	97%	N/A	100%

(a) Given the change in the evaluation process and of the third party in charge of it in 2023, the data required to calculate this KPI are not available for the year under review. For information, in June 2023 Thales joined the global aerospace and defence industry supply chain assessment program proposed by the IAEG (International Aerospace Environmental Group). A new indicator will be defined in 2024.

5.4.3.2.3 Quality relationships with partners

Thales establishes relationships of mutual cooperation with its partners based on reciprocal loyalty, which in the context of the procurement process involves respecting:

- transparency concerning the rules of selection used;
- fair treatment of companies during the tendering process;
- the development of balanced relationships based on trust and respect;
- a commitment to apply the terms negotiated;
- a guarantee of neutrality and independence in the relationships between Thales and its suppliers.

These balanced relationships of trust are based specifically on the Responsible Supplier Relations and Procurement charter ⁽⁷⁾, which Thales signed in 2010. For this purpose, the Group has also appointed an internal mediator for suppliers with the aim of avoiding or resolving as quickly as possible any conflicts; this mediator's actions are also in line with the initiatives carried out by the GIFAS mediator for the aerospace sector.

In 2021, Thales had its certification under the Responsible Supplier Relations and Procurement charter renewed for three years. This label is consistent with the international standard ISO EN 20400, which aims to combine corporate social responsibility (CSR) and responsible procurement. Its key criteria are regularly reviewed. The latest review performed in December 2023 concluded positively, given the level of performance on key criteria and the progress made.

Payment terms: efforts bolstered by innovative solutions proposed by Pacte PME, an association of SMEs

The fourth edition of the Altares barometer for Pacte PME ⁽⁸⁾ on the payment behavior of major accounts relative to other companies was published in Q3, 2023. It shows that, on average, 77% of payments are made on time; this average rises to 79% for Pacte PME key accounts, of which Thales is one. These results underline both the increased attention paid by large companies to the financial health of their SME suppliers, and their willingness to improve their internal procedures to pay them more quickly.

To this end, Pacte PME has published a best practice guide, based on 23 recommendations, for major groups and their SME suppliers.

Cyber-risk prevention for a resilient relationship

Thales is committed to supporting its suppliers in dealing with the risks of cyber-attacks through a program to raise awareness and share best practices (see section 5.4.3.3.2).

5.4.3.2.4 Encouraging innovation through procurement

Procurement plays an increasingly important role in Thales' innovation process, mobilizing the expertise of its supplier ecosystem.

Information-sharing reviews on current and future technological developments between Thales and its strategic suppliers are organized on a regular basis.

At the same time, Thales has for several years been adapting its purchasing process to facilitate access to startups, and regular exchanges between Procurement and Technical Departments are organized with regard to young innovative companies.

At the end of 2023, Thales was in contact with over 1,000 innovative startups and SMEs listed in the Technical Department's collaborative tool. In addition, 241 PoCs (Proofs of Concept) involving startups have already been completed. In 2023, Thales decided to support the government's "Je choisis la French Tech" initiative and has thus committed to:

- appointing a "startup point of contact" in the Group procurement department;
- applying its accelerated procurement process for startups;
- referencing startups and significantly increasing collaborations with them;
- organizing events to put Group buyers in touch with startups; Thales prepares these events in conjunction with "La Place Stratégique", an association that helps the business development of ten young companies supported at trade fairs (Milipol or Forum Innovation Défense);
- participating in "Je choisis la French Tech" events.

The year 2023 also saw some fifteen concrete collaborations with startups, notably at trade shows such as Sofins, Spring, the Paris Airshow (with GIFAS' StartAir program), Vivattech and La French Tech Paris-Saclay.

The AI@Centech program, based in Montreal and deployed transversally at Group scale, continues to issue calls for projects. Since 2019, the program has helped raise US\$35 million to accelerate selected startups each year.

In 2023, the Market Intelligence and Innovation unit, created within the procurement team in 2022, strengthened the traceability, evaluation and promotion of suppliers' innovation potential. This may involve new technologies and the extension of their applications, the implementation of a new process or the reduction of a product's environmental footprint.

⁽⁷⁾ Charter established by the Business Mediator of the Ministry of the Economy and the National Procurement Council (CNA) in France.

⁽⁸⁾ <https://pactepme.org/>

5.4.3.3 Aeronautical product safety and cybersecurity policy

5.4.3.3.1 Safety and security of aeronautical products and solutions

5.4.3.3.1.1 Governance of the safety and security of our aeronautical products

The safety organization for aeronautical products is the responsibility of the Avionics GBU's Quality department, supported by quality and safety relays in the Group entities concerned.

Analysis committees comprising engineering, operational safety and cybersecurity experts meet every week to assess the impact of incident reports on flight safety and decide on the action to be taken.

Committees of senior management, safety officers, quality management and technical management are organized on a quarterly basis. They are responsible for overseeing aviation safety-related activities. The maturity of the safety management system is regularly assessed. A Safety & Security Review Board, presided over by the Managing Director of the Avionics Global Business Unit, periodically reviews the key indicators for product safety and decides on improvements.

5.4.3.3.1.2 Air safety: policy and action plan

Thales contributes to aviation safety in two areas, namely avionics and air traffic management:

- in the avionics sector, Thales is responsible for designing, manufacturing and maintaining flight systems that are crucial for aviation safety and UAV operation. Thales also provides services that contribute to flight safety to civil and military air operators;
- in the area of air traffic management, the Group offers more ecological, more effective and safer solutions by designing, manufacturing and maintaining air traffic management systems, monitoring equipment and navigational aids.

Thales has demonstrated its capabilities and validated its procedures in order to obtain the necessary approvals from the relevant civil and military authorities ⁽⁹⁾. These certifications are monitored internally by the quality department and externally by the competent administrative and regulatory authorities.

The products designed by Thales are certified either in the context of certification according to the type of aircraft (which is the responsibility of the aircraft manufacturer) or by the country authority, either directly by the EASA ⁽¹⁰⁾ or the DGA ⁽¹¹⁾ when generic equipment certification is required.

Air traffic management products designed by Thales meet the requirements set by civil and military air navigation service providers as well as the European interoperability regulations ((CE) 2018/1139).

During the certification process, products and solutions developed by Thales have to meet the certification regulations set for the aircraft that apply to its onboard systems and equipment. These regulations also apply to protection against any cybersecurity threats.

To ensure compliance of electronic and logistical materials with EASA requirements, a Design Assurance Level (DAL) is applied according to their level of critical importance. There are five DAL levels, DAL A being the most stringent. The process of safety analysis and allocation of the DAL is carried out in accordance with the principles of the ED79/ ARP4754 and ED135/ARP4761 standards. The implementation of these DALs at the level of each item of equipment is specified by the ED80/DO254 standards for electronic materials and ED12/DO178 for logistics. A level of cybersecurity assurance is also requested and implemented according to the criticality level, known as SAL (Security Assurance Level) according to three levels as defined in ED203A/DO254A.

As part of its drone operator activity, Thales has embarked upon the process of obtaining a Light Unmanned Aircraft Operator Certificate (LUC) in order to obtain privileges from the authorities for specific operations.

For air traffic management, demonstration of compliance is based on the analyses carried out in accordance with methods recognized internationally by air navigation services (Eurocontrol's Safety Assessment Methodology or the U.S. Department of Defence's MIL-STD-882E).

As a major player in aeronautics and air traffic management, Thales, along with other aeronautical manufacturers, is also involved in regulatory work led by the civil and military aviation authorities (EASA ⁽¹²⁾ in Europe, the FAA ⁽¹³⁾ in the U.S., DGAC ⁽¹⁴⁾ and DGA (Defence Procurement Agency) in France) but also in standardization work in organizations such as EUROCAE ⁽¹⁵⁾, RTCA ⁽¹⁶⁾ and SAE DGA in France.

Members of the Avionics GBU management team are personally committed to deploying and enforcing the safety policy. The Group's aeronautical entities have set up a global safety management system (SMS) in compliance with Commission Implementing Regulation (EU) 2021/1963 and Commission Delegated Regulation (EU) 2022/201. This enables us to develop a strong aviation safety culture among all our employees, at all levels of the organization.

This policy covers all aspects of security, from operational safety (anti-default) to cybersecurity (anti-malware).

In order to promote an environment of trust and individual responsibility for safety issues, the Group commits to protecting from disciplinary measures any person who spontaneously and immediately reports any violation of safety rules and procedures committed involuntarily. To this end, all employees (internal and external) can report any event likely to have an impact on flight safety by sending a message to a dedicated e-mail address.

This safety culture extends to the entire aeronautics industrial chain, throughout the product life cycle. One example is the signing of a safety charter with Airbus, which promotes the development of a proactive and transparent culture of exchange in the field of safety, and a fair and just culture. This encourages employees to raise any concerns they may have on the subject immediately. This safety culture is underpinned by regular training and communication. Finally, Thales is a founding member of the ECCSA (European Center for CyberSecurity in Aviation) created by EASA to enable the airlines, aircraft manufacturers, and airports to help each other and improve flight safety together.

⁽⁹⁾ Based on the following regulations: design (EU Part21 Subpart O, FRA21 O and Z), production (EU Part21 Subpart G, FRA21), maintenance (Part145: EU, US, China), Database (EU Part DAT).

⁽¹⁰⁾ EASA: European Union Aviation Safety Agency.

⁽¹¹⁾ Direction Générale de l'Armement, the French Defence Procurement Agency.

⁽¹²⁾ European Aviation Safety Agency.

⁽¹³⁾ Federal Aviation Administration.

⁽¹⁴⁾ French Civil Aviation Authority.

⁽¹⁵⁾ European Organization for Civil Aviation Equipment.

⁽¹⁶⁾ RTCA: Radio Technical Commission for Aeronautics.



Thales is also committed to supporting national commissions of inquiry if one of its products is involved in a serious accident or incident.

5.4.3.3.1.3 Indicators

More than a million Thales devices are in service in the global fleet of civil and military aircraft, and about 100,000 devices are supplied and installed in aircraft annually.

About a hundred incidents linked to aeronautical product safety are analyzed and handled annually by Thales.

In 2022, Thales signed up as a strategic partner of IATA (International Air Transport Association) in the cybersecurity program.

In 2023, the authorities issued Airworthiness Directives in respect of three Thales products. In accordance with the requirements of the regulator, these products were modified on all relative platforms within the stipulated deadlines.

5.4.3.3.2 Deploying an effective cybersecurity policy

A Group survey of 3,000 information systems and security professionals in 18 countries, published in the Thales Data Threat Report 2023, showed that 48% of them reported an increase in ransomware attacks. The challenge is crucial, and Thales is responding with a comprehensive approach to IT security, taking into account technological, human, organizational and procedural aspects to ensure that all its information systems and those of its customers are protected against digital threats.

5.4.3.3.2.1 Cybersecurity governance

Thales information systems security relies on multidisciplinary teams involved in areas such as security auditing, risk and vulnerability management, awareness-raising and training, incident response and crisis management. It also relies on an organization composed of Information Systems Security Managers (ISSMs). They act in coordination and support the securing of solutions and projects, notably by leading a community made up of several hundred cybersecurity experts.

The Group Information Systems Security Director reports to the Chief Information Officer.

5.4.3.3.2.2 Policies

The deployment of the Group's cybersecurity policy is based on:

- **Ongoing awareness-raising and training of the teams**

An online training program covering all aspects of cybersecurity is available to all employees, and in-house training sessions for cyber engineers have been organized.

In 2023, over 23,000 employees attended awareness-raising sessions.

- **Improved incident handling**

Detection capabilities to assess cyber-risks and respond to alerts have been enhanced to ensure continuous global monitoring (35 threat hunting campaigns, 550 incidents handled by the CERT⁽¹⁷⁾ in 2023).

Thales is an active member of professional and inter-professional circles whose aim is to share information on threats that have arisen or are imminent. Thales' CERT takes part in InterCERT France, the CCIA (Arms Manufacturers Cybersecurity Council), the CCTA (Air Transport Cybersecurity Council), the FIRST (Forum of Incident Response and Security Teams), and the Aviation ISAC (Information Sharing and Analysis Center), among others.

- **Deployment of a "zero trust" model**

The application of the "zero trust" model through the design and implementation of security principles for infrastructures and solutions, and the reinforcement of the authentication policy, has resulted in the continued deployment of multi-factor authentication solutions.

- **Strict protection against the sharing or exposure of sensitive and confidential data**

80,500 employees use our document labeling tools, protected by "Data Loss Prevention" controls, representing more than 4.9 million pieces of data analyzed every month.

5.4.3.3.2.3 Action plans and indicators

The Thales Cybersecurity organization ensures the security of the Group's information systems, as well as information exchanges with customers, suppliers and all the Group's partners. This approach takes into account the entire digital landscape of the organization and its exchanges with its partners, to manage risks comprehensively. It expresses itself through several strategic activities, such as:

- updating and supervision of ISS policy and governance in compliance with ISO 27001;
- periodic in-depth security audits to assess the resilience of infrastructures in the face of threats (doubling the number of audits carried out in 2023);
- assessment of the cybersecurity maturity of the supply chain and key industrial partners ("Cyberprocurement" program, which assessed over 200 key partners); and around 100 Key Industrial Partners (KIPs);
- assessing the security maturity of Business Managed Networks (development and production platforms) in line with security requirements, including national ones (internal "Reveal Cyber Strength" program);
- proactive identification of vulnerabilities and risks, followed by implementation of preventive and corrective measures;
- support for project teams in assessing cybersecurity risks and the security controls to be implemented;
- supporting the integration of cybersecurity solutions for the Group's customers and partners;
- deployment of specific solutions to protect digital and physical assets within the Group and for systems and products sold by Thales, such as the Data Loss Prevention and Identity & Access Management solution;
- monitoring and sharing a global vision of cyber-threats within the Group, and defining the most appropriate responses ("Cyberwatch" distribution and "Cyber Threat Intelligence" network);
- the development of cybersecurity awareness-raising programs and regular training sessions to reinforce the security posture of all employees;
- helping employees to identify and prevent risky situations in their work environment (raising awareness of cyber emergency procedures and providing a reporting and decision support solution: more than 29,000 suspicious e-mails reported in 2023, including 11,000 classified as dangerous);
- strengthening the emergency response team to react quickly and effectively in the event of a major incident, minimizing the impact. This team is also involved in the management of security flaws and alerts that may affect Thales' information systems and products (a central Computer Emergency Response Team (CERT) and one for each of the major countries: CVE (common vulnerabilities and exposure) registration authority, full member of FIRST, member of Trusted Introducer).

⁽¹⁷⁾ CERT: Computer Emergency Response Team.

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These initiatives and daily activities contribute to a dynamic, proactive and adaptive security culture at Thales, which strengthens the protection of the Group's internal activities and data, as well as confidence in exchanges with stakeholders.

As a trusted partner, the Group is committed to continuously monitoring threats and providing services and digital environments that comply with regulations, particularly in terms of protecting sensitive data. Thales' experts in this field are the first day-to-day

users of the solutions developed for their customers and partners: secure communication exchange platforms such as Cryptobox / Cryptosmart / Citadel, the SOC by Thales Cyber Solutions, hardware security modules (HSMs).

The acquisition of new companies, such as Tesserent and Imperva in 2023, reinforces Thales' position as a world leader in application and data security.

5.4.4 Duty of Care Plan

The Law No. 2017-399 of March 27, 2017 on the Duty of Care of parent and client companies, requires the establishment and effective implementation of a Duty of Care Plan.

This plan must describe the "reasonable vigilance measures to identify risks and prevent serious violations of Human Rights and fundamental freedoms, the health and safety of individuals and the environment, resulting from the activities of the company and those of the companies it directly or indirectly controls, as well as from the activities of subcontractors or suppliers with whom it has an established business relationship, when these activities are related to that relationship."

Thales has long been committed to implementing a responsible social and environmental policy, both within its own activities and with its main stakeholders. As a result, Thales strives to continuously improve its vigilance plan in line with best practices.

5.4.4.1 Governance

The Group's Duty of Care plan is defined by the CSR Department (see section 5.1.2) with the support of the Audit, Risk and Internal Control Department (DARCI), the Human Resources Department, the Procurement Department and the Legal and Contracts Department.

5.4.4.2 Mapping of risks under the Duty of Care

The Audit, Risks and Internal Control Department carried out the 2022 mapping of risks covered by the Duty of Care with the help of a specialized external service provider. It was inspired by the best practices of companies in similar sectors.

The Audit, Risks and Internal Control Department thus identified, analyzed and prioritized the risks relating to the Duty of Care in connection with:

- the activities of Thales S.A. and the companies it directly or indirectly controls;
- the activities of subcontractors or suppliers with whom we have an established business relationship.

To this end, numerous interviews were conducted within the Group with operational, functional and regional managers. The work also took into account the findings of internal audits and the analysis of the alerts log.

This 2022 mapping of residual net risks related to the Duty of Care is summarized in the table below.



DUTY OF CARE RISK MATRIX

Affected persons or scopes		Thales employees		Subcontractor/Supplier/Service Provider employees			Local communities/Environment			
		On Thales sites	On external/customer sites	On Thales sites	On supplier & subcontractor sites	On external/customer sites	Around Thales sites	Around customer sites	Other local communities	Air, Land, Water Space, Biodiversity
	Disclosure or theft of personal data	●	●	●						
	Failure of our suppliers to respect basic human rights			●	●	●				
	Discrimination	●	●	●	●	●				
	Use of conflict minerals by our subcontractors								●	●
	Accidents at work	●	●	●	●	●				
	Safety of persons in high-risk countries	●	●	●		●				
	Insufficient control of energy consumption									●
	Poor management of hazardous products or waste; environmental pollution	●	●	●	●	●	●	●		●
	Unawareness/under-use of the Group whistleblowing system	●	●	●	●	●	●	●	●	●



Human Rights and Fundamental Freedoms



Health/Safety



Environment

There are no risks considered as "high".

Risks are identified and ranked by importance and possible impact on employees of the Group, its subcontractors and suppliers and on local communities and the environment. There are no risks considered as "high".

This map will be updated in 2024 to take into account any changes in identified risks or the emergence of new ones.

5.4.4.3 Procedures for the regular assessment of the situation and actions taken by Thales to mitigate risks or prevent serious attacks

5.4.4.3.1 Policies put in place vis-à-vis Thales employees and mitigation actions

5.4.4.3.1.1 Governance

The monitoring of regular assessment procedures and actions to mitigate the risks of serious violations of human rights and fundamental freedoms, health and safety of individuals with regard to Thales employees is carried out by three departments:

- the Human Resources Department for risks relating to working conditions;

- the Security Department for risks relating to personal security in high-risk countries;
- the CSR Department for risks relating to the environment and to health and safety in the workplace (see section 5.1.2).

5.4.4.3.1.2 Mitigation policies and actions and monitoring of measures implemented

- Forced labor, child labor: Thales deploys a zero tolerance policy. Thales uses the ILO⁽¹⁾ definitions to categorize forced labor (Fundamental Convention 29) as well as child labor (ILO Convention 138 on Minimum Age and ILO Convention 182 on the Worst Forms of Child Labor);
- Disclosure of theft of personal data: as one of the world's leading cybersecurity companies, Thales pays particular attention to protecting its IT networks and the data they host. Thales has defined and implemented a personal data protection compliance program that meets the requirements of the GDPR. The cybersecurity and personal data protection policies are presented in sections 5.4.4.2 and 5.4.2.2.6 respectively;
- Discrimination: Thales has a policy against all forms of discrimination, and favors diversity and inclusion in the Group (see section 5.3.3);
- Occupational health and safety: a policy for the prevention of risks linked to occupational health and safety is implemented at each of the Group's sites, as well as on external work sites (see section 5.3.4);

⁽¹⁾ ILO: International Labor Organization.

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- Safety of persons in high-risk countries: the Group's Safety Department defines the safety measures to be put in place and carries out permanent monitoring and individual follow-up with employees on professional assignment. No employee may travel to a country that is considered "sensitive" without the approval of the Security Department;
- Group alert (whistle-blowing) system: the effectiveness of the vigilance plan depends in part on the alert system set up at Group level. This system is open to employees, external and occasional workers and third parties (such as members of personnel of a client or supplier of the Group). The Group ensures that the system is easily accessible online and guarantees that all alerts are routed to persons capable of handling them (see section 5.4.2.1.2);
- Management of dangerous products and waste: the production of dangerous waste by the Group is limited, representing just 17% of the total production of waste treated in appropriate channels. Thales is continuing its efforts to optimize waste management and anticipate the gradual substitution of hazardous substances (see section 5.2.4).

5.4.4.3.2 Policies implemented vis-à-vis local communities potentially exposed to the Group's activities

5.4.4.3.2.1 Governance

Procedures for regularly assessing and measures to mitigate risks of serious harm to the environment, violations of human rights and fundamental freedoms, and harm to the health and safety of local communities potentially exposed to the Group's operations are defined and monitored by the CSR department.

5.4.4.3.2.2 Mitigation policies and actions and monitoring of measures implemented

The mitigation policies and actions implemented are described in this Universal Registration Document in line with the Group's commitment.

- Conflict minerals: Thales applies Regulation (EU) 2017/821 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas (see section 5.4.3.2);
- Energy consumption: For some years now Thales has applied a strong policy in favor of energy from renewable sources. Furthermore, in 2022, the Group set up and implemented a sobriety plan (see section 5.2.2.2);
- Whistle-blowing system: it gives external stakeholders the opportunity to report alerts related to the Group's activities (see section 5.4.2.1.2);
- Management of hazardous products or waste: the Group has a policy of anticipating and responsibly managing its pollution risks (see section 5.2.4).

5.4.4.3.3 Policies in place with respect to subcontractors or suppliers with whom an established business relationship is maintained

5.4.4.3.3.1 Governance

Policies to mitigate the risks of serious violations of human rights and fundamental freedoms, the health and safety of persons and the environment vis-à-vis subcontractors or suppliers with whom an established commercial relationship is maintained are defined and implemented by the Procurement Department in collaboration with the departments concerned (CSR Department, HR Department).

5.4.4.3.3.2 Risk assessment of suppliers and subcontractors

The procurement department has set up a procedure to identify the suppliers and subcontractors most at risk. This procedure is based on three criteria: the type of purchase made, the country where the supplier or subcontractor is registered, and the purchase volume committed with it by Thales.

5.4.4.3.3.3 Risk hierarchization and prevention measures

The combination of these various criteria has made it possible to target the suppliers and subcontractors most at risk and to concentrate Thales' available resources on them.

Evaluation measures

Thales has chosen to call on the expertise of a specialized third-party international organization to assess the subcontractors and suppliers identified as most at risk.

In 2023, Thales signed a partnership agreement with EcoVadis as part of a sector initiative led by the International Aerospace Environmental Group (IAEG). The IAEG is a not-for-profit industry association with 50 members representing 70% of the global aerospace and defence sector. The IAEG works together to find solutions to the environmental and CSR challenges facing the aerospace industry. Since its creation in 2007, EcoVadis has become the world's largest recognized provider of CSR assessments, building an international network of over 100,000 assessed companies. Thales intends to take advantage of EcoVadis' expertise and this sector-wide initiative to further improve the effectiveness of its responsible purchasing policy.

Risk mitigation actions and monitoring of implemented measures

Following assessments, suppliers and subcontractors may be asked to implement mitigation plans, and on-site audits may be carried out.

Support of Group Procurement

The Group's procurement teams are on hand to provide guidance and advice to suppliers and subcontractors.

A guide has been drawn up and made available to the Group's buyers for this purpose. Action plans are included in the supplier's file in the Group Purchasing supplier database to be shared and monitored with buyers. If the supplier or subcontractor refuses to participate in the assessment process, or if it does not take appropriate steps to implement the required corrective actions, Thales may decide, depending on the particular case, either not to select it during its consultations or to discontinue its business relations. From 2021 to 2023, Thales terminated its business relations with some 50 referenced suppliers and subcontractors on these grounds.

The procedures for regular assessment of the situation of suppliers and subcontractors under the Duty of Care, along with the procedures for assessing their integrity, are part of the compliance policy of the Group's Purchasing sector.

Thales' Integrity & Corporate Responsibility Charter for Partners and Suppliers

All suppliers and subcontractors of Thales are obliged to sign the Partners' and Suppliers' Integrity and Corporate Responsibility Charter in the qualification phase and before entering into any agreement.

This charter, the terms of which were reviewed in 2019, particularly on the basis of the Code of Conduct of the International Forum on Business Ethical Conduct (IFBEC), incorporates precise commitments expected from Thales' suppliers and subcontractors in terms of human rights, environmental protection and personal health and safety.

The number of new suppliers signing this charter is measured by an indicator described in section 5.4.3.2.2.



FOCUS

The Coperniic program, co-constructed by Thales and Vinci Facilities, establishes a benchmark for facility management services at Thales sites

This program covers the maintenance in operational condition of all Thales premises (heating and cooling systems, high and low voltage systems, elevators, building management systems), as well as occupant services (reception, mail and parcel management, cleaning, compliance with regulatory inspections and maintenance operations).

This model has been implemented in France, the UK, Germany, the Netherlands and Italy since 2022.

Coperniic integrates the Corporate Social Responsibility dimension through four levers:

- The contractual terms require not only strict compliance with labor legislation, but also the limitation to a strict minimum of the use of staggered and split working hours for housekeeping staff, and the inclusion of people with disabilities. In France, for example, the value of services provided in 2023 by people with disabilities amounted to €1 million.
- Not only do the specifications comply with the various regulations applicable to waste sorting and recovery, but they also allow us to anticipate these regulations by concluding recovery contracts with innovative SMEs. A double sorting system is used to maximize waste recovery. Full traceability of movements through qualitative and quantitative reporting are required.
- As for energy, the energy performance contract implemented in France allowed us to save more than 48 GWh and 5,400 metric tons equivalent of CO₂ in 2023, representing savings of more than €6.5 million. In total, this contract has saved over 173 GWh since its inception in 2019 (data validated by external auditors). This represents a saving of 16% on tertiary consumption at 36 Thales sites in France. To date, this is the largest energy performance contract in the private sector.
- Finally, Coperniic is a service relationship contract between beneficiaries and providers, inviting each party to co-produce the performance of services, through a mutual assessment of their relevance and the conditions under which they are provided.

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5.4.4.4 Mechanism for alerts and collection of reports relating to the existence or creation of risks (whistle-blowing system)

The scope of application of the Thales whistle-blowing system includes internal and external alerts falling within the scope of application of law No. 016/1691 of December 9, 2016 on transparency, the fight against corruption and modernization of the economy and law No. 2017-399 of March 27, 2017 on the Duty of Care of parent and client companies.

This system is described in section 5.4.2.1.2.

5.4.4.5 Overview and prospects of the vigilance plan

For several years now, Thales has been committed to implementing a socially and environmentally responsible policy within its own activities and with its main stakeholders.

The implementation of the vigilance plan has enabled Thales to discuss these issues with its peers and numerous stakeholders, by participating in several working groups within professional organizations (such as AFEF, Medef and GIFAS) or specific associations (such as the United Nations Global Compact and "Entreprises pour les Droits Humains" (Businesses for Human Rights)). This work and these exchanges are essential for Thales' continuous improvement in this field.

Since 2017 when the law on the Duty of Care was promulgated, Thales has reviewed and deepened its vigilance approach in order to ensure its relevance to and consistency with the risks identified and their development. As part of its drive for continuous improvement and alignment with industry best practices, Thales intends to further strengthen its vigilance plan in 2024.

5.4.5 A Group committed to its communities

In a context of rapidly evolving technologies, the Group strives to pass on its passion for innovation to a wide range of audiences.

Through the Thales Solidarity endowment fund (see section 5.4.6.3), its contribution to teaching and research chairs (section 5.4.6.4), its purchasing policy in favor of SMEs, and the actions of its subsidiary G ris (see section 5.4.6.2), Thales deploys numerous actions in favor of its ecosystem, territories and civil society.

5.4.5.1 Thales, a partner in the social economy with the Thales Solidarity program

Thanks to the Thales Solidarity program, over fifty partners in the social and solidarity economy were supported in 2023 in a dozen countries.

5.4.5.1.1 Policy of Thales Solidarity

The Thales Solidarity program coordinates the Group's solidarity actions around priority paths and common criteria in order to strengthen its societal impact.

The program is based on three pillars:

- the endowment fund;
- initiatives supported by Thales entities around the world;
- the commitment of employees, via a Core Team of 22 correspondents, in charge of deploying and promoting Thales Solidarity in Global Business Units and countries, as well as coordinating a community of relays and volunteers at the Group's sites.

Until 2023, the actions of the Thales Solidarity program were structured around three areas of commitment which placed technology and innovation at the service of:

- education and professional integration;
- digital citizenship;
- and environmental protection.

In 2023, the Group decided to review the focus of the Thales Solidarity program in order to align it with Thales' new strategic direction, which aims to create a world of trust through science and technology. It was therefore decided that, from 2024 onwards, the main mission of the program would be to stimulate interest in science and technology among as many people as possible, particularly the younger generations, and to encourage and support vocations in these fields.

5.4.5.1.2 Governance of the endowment fund

The endowment fund finances and supports innovative projects of general interest that respond to one of the three commitment paths defined in the program. Guaranteeing the soundness of projects and the proper use of funds, the fund contributes to disseminating an analysis and monitoring methodology within the Group as well as an improved understanding of societal issues.

The fund's Board of Directors, chaired by the Chairman and CEO of Thales, comprises five other Group directors, including three members of the Executive Committee. It validates the strategic priorities and relies on a strategic committee made up of 10 employees representing the main professional families. This Committee is responsible for reviewing applications and selecting

projects to finance. It meets at least twice a year and whenever the statutory auditor so requests, at the invitation of the Chairman or at the request of at least one-third of the directors in office.

5.4.5.1.3 Action plan and indicators

5.4.5.1.3.1 Projects financed in 2023

In 2023, the endowment fund selected and financed five new projects in the program's three areas of commitment:

- two projects to help women and young people find jobs in the digital sector:
 - in 2023/24 the Thales Digital Women Fellowship project helped 15 young women from underprivileged areas of Dakar, Senegal, towards socio-professional integration through the acquisition of digital skills,
 - in France, the "Digigreen" project trained seven young people for three months in ecological transition professions, using digital tools. This project is run by an association called "Semer l'Avenir,  cole de la Transition  cologique" ("Sowing the Future, Ecological Transition School"), which supports young people who have dropped out of school and left the system;
- two partnerships on digital citizenship and the discovery of digital professions:
 - in partnership with E-Enfance, an association working to protect children on the Internet and educate them about digital citizenship, we are developing and enhancing the functionalities of the 3018 application for reporting harassment situations, to strengthen the capacity for rapid and comprehensive care of young victims,
 - the "Future of Tech" project aims to raise awareness among 4,000 French college and high-school students of responsible practices and digital professions, through a two-hour immersive workshop;
- the "Capsule" project of the "Under the Pole" program, on the theme of environmental protection:

Supported by the Antipodes association, "Under the Pole" is an underwater exploration program combining scientific research, education and research and development. The "Capsule" project aims to use the underwater habitat at great depths to revolutionize the observation of marine environments, by facilitating diving and increasing study time.

5.4.5.1.3.2 The commitment of Group entities around the world

The initiatives supported under the Thales Solidarity program in 2023 were:

In the UK, Thales supports a strategic approach to STEM (science, technology, engineering and mathematics) education, with the ambition of eventually diversifying the talent pool in these fields. By focusing on schools and young people from under-represented backgrounds, this approach aims to encourage young people to continue their studies and work in the STEM field.

In North America, Thales supports the Technovation Challenge, an international competition for girls aged 10 to 18, which aims to develop their entrepreneurial skills in the field of technology. In STEM education, Thales also sponsored "Career Day" at American Airlines' CR Smith Museum in the Dallas-Fort Worth area.



In Brazil, a new class of 12 young people from underprivileged backgrounds took part in the “Formare” vocational training program, organized by the Iochpe Foundation, with voluntary contributions from Thales employees. The Group has also financed several associations via a tax scheme (Passatempo Educativo). In addition, Thales and the CEAP Foundation have provided STEM training for around 4,000 teenagers. Thales employees have volunteered for several of these projects as mentors, educators, facilitators and speakers.

In Colombia, Thales renewed its partnership with EducaMás, for vocational training in programming. This initiative relies heavily on the mentoring of participants by Group employees.

In India, Thales continued to support Tomorrow’s Foundation’s digital Life Project for Youth (LP4Y), a professional and social inclusion program for young people aged 17 to 24 living in extreme poverty and suffering from exclusion.

In Singapore, in collaboration with Halogen, a youth support association, students from two secondary schools visited Thales maintenance and production sites.

Solidarity actions in favor of humanitarian emergencies:

Following the earthquakes in Turkey and Syria in February 2023, Thales Türkiye immediately made a donation to Afad, a local first aid organization, and Thales UK supported two initiatives, Global Giving UK and the White Helmets, which support stricken populations. Employee financial donation campaigns, supported by Thales, have been launched in Spain for humanitarian aid NGO CESAL and in France for the Fondation de France. Collections in aid of the Red Cross were also organized in the United States, Canada and Singapore. In total, Thales raised over €63,000 in donations for the relief effort in Turkey, including nearly €15,000 from employees. In addition, in-kind donations were collected in Central Europe and Mexico.

Following the September 2023 earthquake in Morocco, local Thales teams mobilized to provide support to the stricken population, and Thales in Morocco immediately made a donation of €15,000 to the sovereign fund set up by the local government. In France, a collection of donations from employees was organized for the Fondation de France, with a matching contribution from the Thales Solidarity Endowment Fund. A total of €16,980 was donated to the foundation. These donations contributed to the deployment of essential actions, including shelter and psychological support for victims, as well as sustainable reconstruction actions.

5.4.5.1.3.3 Employee commitment to the public interest

Volunteer missions to share skills

Group employees are encouraged to engage in volunteer missions to support partner associations or their beneficiaries. They share their technical skills, know-how, and experience in the working world.

In France, since 2020, this commitment has been made easier by an online platform where the various initiatives are presented and updated regularly.

In the United Kingdom, Thales offers each employee 24 hours of volunteering and 80 hours for young people at the beginning of their career. In 2023, this program gained momentum, with over 1,303 employees volunteering their time and 17,518 hours logged by the end of October - a 130% increase since its launch in 2021.

In Latin America, 94 employee volunteers provided 900 hours of administrative and technical training to 12 students in the “Formare” vocational training program.

Supporting employee generosity

Employees can collect goods or funds on a one-off basis for local associations, or on an ongoing basis to support partner organizations over the long term.

In France, since 2016 the “**arrondi sur salaire**” (“salary round-down”) program designed by the social and solidarity enterprise microDON has enabled every employee to support an outreach project by donating the centimes from their salary each month. 100% of the donations are donated to the associations after being matched by the Group up to the amount of the employees’ donations, with a limit of €200,000. At the end of 2023, this innovative solidarity tool had 4,650 micro-donors in the Group’s French companies and resulted in €374,000 being donated to 10 associations in accordance with employees’ choices.

“**Giving Tuesday**”, the worldwide day of generosity, solidarity and commitment, was celebrated for the third year in the Thales Group on November 28: 46 sites in 11 countries organized solidarity activities such as food drives, collections of hygiene products, toys, clothes and books for the underprivileged, as well as meetings with solidarity associations.

5.4.5.2 Contributing to society through teaching and research chairs

5.4.5.2.1 Chair on responsible digital identity

In 2019 Thales joined forces with Télécom ParisTech to create an international research chair dedicated to responsible digital identity. Its work is organized around three lines of research: the study of weak signals on digital identity with a multidisciplinary approach in social and technical sciences, the study of uses and misappropriations by users from diverse cultural, social and demographic backgrounds, and lastly the analysis of acceptability in a user-centric approach.

By participating in this Chair, Thales aims to play a role in the public debate, and to feed its own thinking and strategy on these subjects. The aim is to contribute to global, forward-looking thinking that goes beyond purely technological aspects.

After three years of operation, the growing interest in research subjects and the quality of the work produced led Thales to renew its commitment in 2022 for an additional three years. Docaposte and Bouygues Telecom also joined the project as sponsors.

5.4.5.2.2 Major Contemporary Strategic Issues Chair

Developed under the aegis of the Saint Cyr Foundation, in partnership with the University of Paris Sorbonne and the Saint Cyr Military School, the main objective of the Major Contemporary Strategic Issues (GESCI) Chair is to raise awareness among students of these educational institutions of current and future geopolitical changes and their consequences for European and French strategic positions. The role of the chair is to facilitate the invitation of French and international experts through the organization of conferences and symposiums. Since the beginning of 2021, these symposiums have been made available live and recorded on social media, thus reaching a very large audience.

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5.4.5.2.3 Chair of Defence Economics (ECODEF)

In France, hosted by the IHEDN Endowment Fund and led by a scientific council composed of renowned economists and experts from the French Defence Procurement Agency (DGA) and SGA (French General Secretariat for Administration), the ECODEF Chair aims to study the economic impact of the defence sector through the production of scientific works and the organization of conferences. Following the health crisis, the chair started to contribute to the reflections of the Ministry of the Armed Forces in the context of the recovery plan and the military programming law. The Chair continues these contributions.

5.4.5.2.4 Defence and Aerospace Chair

In the context of the Bordeaux University Foundation, the Defence and Aerospace Chair, in which the Institute of Political Studies of Bordeaux and the University of Bordeaux cooperate, is responsible for disseminating research and training on strategic, operational, economic and industrial issues related to defence and aerospace. It develops innovative training programs (creation of introductory, ongoing, and specialized training programs), research (work on conflict between powers and on the defence space), and the dissemination of knowledge (by means of articles and conferences for example). Its approach is global and integrates the study of conflict situations, national, European and allied security strategies, operational positions and commitments, and breakthrough military technologies.

5.4.5.3 A responsible purchasing policy *vis-à-vis* communities

Even though Thales deploys procurement strategies on a global scale, the Group is aware of its local responsibility, since in certain regions it is often a major employer or customer. Thales pays particular attention to the public and private players in the ecosystems in which it participates.

In this context, the Procurement Department is rolling out support measures for SMEs at the regional, national and international levels, so that they can benefit from Thales' sales force as well as its knowledge of the markets and local environments.

5.4.5.3.1 A strong, long-term relationship with French SMEs

In France, Thales has been a founding member of the Pacte PME association since 2010, and its support actions are a concrete expression of its commitment and territorial policy.

The signing of the "Action PME" agreement with the French Ministry of the Armed Forces in 2019 aims to improve information for SMEs, develop experimentation, pursue partnerships forged during upstream studies, offer export support and promote startups.

Finally, Thales is involved in 21 projects, selected in mid-2023 and financed by the European Defence Fund (EDF) 2022. A total of 115 different European SMEs are involved in these 21 projects (150 SME participations, some of them taking part in several projects). The aim of the EDF is to discover new potential partners throughout Europe. SMEs bring specialized expertise and agility to the projects in which they participate.

In 2023, the Group acquired nearly €2.9 billion worth of products and services from more than 4,000 SMEs and mid-caps in France, or nearly 68% of the total of its national purchases.

5.4.5.3.2 International programs and initiatives

In the UK, in 2023, Thales continued its support for local SMEs, alongside the British Ministry of Defence. The Group takes part in the "Meet the Buyer" event at the DSEI (Defence Security Equipment International) trade show, and in the conference organized by the "Make UK" association.

A UK SME Champion has been designated by Thales to join the new SME Working Group in the Defence Suppliers Forum, which brings together the Ministry, SMEs, defence project managers and industry associations.

Thales also participates in working groups such as the ADPG (Aerospace & Defence Procurement Group) and ADS (Aerospace, Defence, Security & Space). A mapping of commitments to UK SMEs has been carried out to identify suppliers and measure the economic impact on local areas. In 2023, Thales acquired products and services for more than €200 million from 690 SMEs and mid-caps, or nearly 31% of the total of its UK purchases.

In Australia, Thales has been an active participant in the Australian government's Global Supply Chain (GSC) program since 2010. GSC is an important part of Australia's defence industrial policy; most of the major defence companies operating in Australia, including Thales, are encouraged to work with the local industrial fabric (particularly SMEs) to help them seize export opportunities.

The role of the Thales team within the GSC program is to translate and share the Group's material, technical and strategic expectations with prospective suppliers. In this support program, Thales has chosen to focus on resolutely innovative suppliers, startups and academic institutions.

Since the Group joined the program, over 200 contracts have been signed with 50 Australian companies. One example of specific results is that of Laserdyne, a company based on Australia's Gold Coast, which has been supplying its laser telemetry product to Thales Netherlands for over eight years, for integration in maritime surveillance systems (Mirador and Stir2).

5.4.5.3.3 An inclusive procurement policy

Thales is determined to implement its social solidarity and inclusion commitments in a way that takes account of local specificities and the particularities of the economic fabric.

In France, specialized work centers for people with disabilities (EAs) and sheltered employment centers (ESATs) are key players at the core of the social and solidarity economy. Thales has been working with these companies for many years, for industrial subcontracting, general purchasing and, since 2022, machinery purchasing.

This commitment has been underpinned for over 20 years by the Group's agreement in favor of people with disabilities, and gives rise to regular exchanges with the Human Resources Department and Thales' disability representatives in the employment areas where our sites are located.

In 2022, Thales strengthened its partnership with the GESAT Network ⁽¹⁾ association, which helps the Procurement teams to qualify EAs and ESATs. Requests for information, accompanied by a description of the requirements of each of the Group's fields (e.g.: repair, reuse, reconditioning or dismantling of electronic equipment, or IS/IT services) enable us to identify the EAs or ESATs capable of meeting them, thanks to their investments, their experience and the skills of their teams.

⁽¹⁾ The GESAT Network is a player in the Social and Solidarity Economy and for 40 years has facilitated meetings between EAs and ESATs and their future private or public clients.



By means of events (in-house seminars or conventions with our partners), buyers and suppliers were encouraged in 2023 to develop co-contracting with EAs and ESATs.

In the UK, in 2023, as a signatory to the Race at Work Charter (see section 5.3.3.3.7), Thales is committed to including companies run by people from ethnic minorities in the supply chain.

Finally, at Group level, in 2023 Thales deployed a new non-financial selection criterion which values proposals that incorporate solutions in favor of inclusion in consultations and bid evaluation.

5.4.5.4 A player committed to its communities via G ris

Since 1982, in order to implement a responsible regional policy, Thales has had a regional economic development company in France: G ris Consultants SAS. Internally, it contributes to the roll-out of the Group's Anticipation Agreement, and externally, it carries out missions imposed by the French government on major companies undergoing restructuring to maintain plants in local areas and create new long-term industrial jobs.

5.4.5.4.1 Regional policy

For many years, Thales has contributed to the appeal of the regions in which it operates. This relies in particular on a policy based on in-depth knowledge of these territories. Quality partnerships with local economic and social players, as well as with representatives of local community institutions and services, are also essential.

This policy, defined in a Group agreement designed to promote career development and employment through anticipatory initiatives, is based on three priority lines of action:

- maintenance and development of skills;
- integration of young people, education and training;
- co-development of the industrial fabric and open innovation.

5.4.5.4.2 Governance of G ris

G ris Consultants SAS is a "soci t  par actions simplifi e" (simplified joint-stock company) whose sole shareholder is the Thales Group, which appoints its Chairman and CEO.

In addition to the Chairman, the CEO and the CFO of G ris (himself an accountant within the Thales corporate structure), the G ris Board of Directors is made up of qualified Group employees appointed each year. They come mainly from the Human Resources Departments of the Thales Group's Global Business Units. G ris' accounts are audited and certified annually by a statutory auditor.

The Chairman convenes an annual meeting of the Board of Directors, at which the company's performance and accounts are presented.

5.4.5.4.3 Action plan and indicators

Three categories of action need to be distinguished. Two of these relate to the Anticipation Agreement: those carried out on an ongoing basis under the GPEC ("Gestion Pr visionnelle des Emplois et Comp tences" - forward-looking management of jobs and skills) scheme, and the specific ones relating to GAE ("Gestion Active de l'Emploi" - active job management) decided upon in Global Business Units that are experiencing a short-term cyclical and structural drop in workload.

Ongoing actions under the Anticipation Agreement

On an ongoing basis, G ris provides support for employees setting up or taking over businesses (51 new projects in 2023, 15 of which received financial assistance for a total of  340,000). In addition, in 2023, G ris organized its periodic "Coup de Pouce" ("Lend a Hand") competition, in which four projects were awarded prizes, for a total of  60,000.

G ris also runs an inter-company solidarity and cooperation scheme called "PassComp tences", which supports the development of promising SMEs or startups by making available expert volunteer employees of major companies. G ris' nationally-recognized expertise in this field serves as a benchmark for the Skills Transfer experiment that the France-Industrie association, in association with BPI France, has been promoting since 2022 among its member companies and deep tech startups.

Finally, G ris coordinates Thales' "Ing nieurs Pour l' cole" (Engineers for School) network (IPE), which will have 20 employees by January 2024 among the 80 IPEs managed by the eponymous association. This association assigns Thales employees to carry out structuring projects on the theme of the professional integration of young people in local education authorities and with the French Ministry of Education's General Directorate of Teaching in Schools.

Specific actions under the Anticipation Agreement

G ris provides direct support to the Group's French entities implementing "Gestions Actives de l'Emploi" (Active Employment Measures) (GAE). This can involve such things as site reindustrialization, internal mobility, with gateways between occupations or business lines, or moves to other regions; but also economic development initiatives to encourage the emergence of a sector; or lastly, initiatives to make regions more attractive, through relations with educational establishments at all levels.

In this way, G ris has demonstrated the feasibility of re-industrializing the Thales DIS Pont-Audemer site and defined a plan for professional retraining in the manufacture of high value-added printed circuit board assemblies (PCBAs). G ris is actively contributing to its operational implementation, which will take until the end of 2025.

As part of the "France 2030" strategy, and under the impetus of the Strategic Healthcare Industries and Technologies Sector Committee (CSF-ITS) and Thales management, since early 2022 G ris has been leading the Proxiimed project, which aims to create a medical imaging industry by setting up a third-party site shared with all the local and national players involved: university hospital centers, laboratories, manufacturers, training organizations and patient committees.

G ris is also involved in the Thales Talent Acquisition department's initiative in the Cholet region, where the fast-expanding Thales SIX site is located, aiming to develop partnerships with local educational establishments in order to broaden recruitment practices (particularly towards Bachelor's degree levels) and improve Thales' attractiveness to young people.

Action to develop industrial employment

Since its creation, G ris has contributed to the development of industrial employment in French SMEs through the many missions it has carried out to revitalize areas affected by plant closures and mass lay-offs. These missions, run in conjunction with the public authorities and major restructuring companies subject to legal obligations, created 450 new industrial jobs in 2023, bringing the total to almost 7,500 permanent jobs created over the past 15 years in more than 1,500 SMEs/VSEs.

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5.5 Methodologies

5.5.1 Reporting methodology for environmental data

5.5.1.1 Organization of environmental reporting

Source data for environmental reporting are collected:

- by the HSE Sites & Operations network as regards data on sites where Thales operates;
- by the HSE Projects and Products network as regards data on solutions or products sold;
- by the central Purchasing function as regards data on the carbon footprint of purchased products.

Sites & Operations

Environmental data relating to Thales' own activities are collected using a dedicated reporting tool. The basic reporting unit is the establishment (footprint of a legal entity on a site). The annual reporting campaign includes several questionnaires. It takes place over the months of December and January, depending on the nature of the information collected (qualitative data in December, quantitative data in January). After submission by the contributors from each establishment, the questionnaires are reviewed and validated by the coordinators in charge of this perimeter. The data are then reviewed and consolidated by the central CSR team.

Purchases

The Purchasing department's contribution to environmental reporting concerns exclusively the calculation of the carbon footprint. Purchases made during the year are structured by sub-category, each sub-category being associated with a specific emission factor. Amounts purchased by sub-category are available in the centralized Purchasing tool. The data taken into account are those for all purchases made over the year. Excluded are only those purchases for which carbon emissions are counted specifically (energy and substances used on site, employee mobility).

Products sold

The data needed to calculate the carbon footprint of products sold (direct and indirect emissions) are collected through the HSE products and projects network. The data are verified and consolidated by the HSE product coordinator of the Global Business Unit concerned, then forwarded to the central team for global consolidation and publication of results.

Mobility

Data on employee mobility are collected as follows:

- with regard to home/work travel, a survey was carried out in 2021 to characterize employees' home/work travel patterns and estimate the carbon footprint of this travel;
- as regards company vehicles and short or long-term rentals, as well as rail and air travel in connection with employee assignments, the data are supplied to Thales by subcontractors for whom a Group-wide framework agreement is in place;
- data relating to local services are entered using the Sites & Operations environmental data reporting tool.

5.5.1.2 Methodology for calculating the carbon footprint

The calculation of Thales' carbon footprint covers Scopes 1, 2 and 3:

- Scopes 1 and 2: carbon footprint of sites where Thales operates and vehicles owned by Thales;
- Scope 3 Products: carbon footprint of products and services sold (direct emissions linked to the energy consumption of these products or indirect emissions linked to the increased energy consumption of the platforms on which these products are transported or shipped);
- Scope 3 Purchasing: carbon footprint of products and services purchased;
- Scope 3 Mobility: carbon footprint linked to employee mobility (home/work travel - company vehicles not owned by Thales - travel by rental car, train or airplane on missions).

The carbon footprint associated with transporting products bought or sold is included in the calculation of Scope 3 Purchasing.

For Scope 2, the carbon footprint calculation method used by the Group is a hybrid method based on the following principle:

- application of the location-based method for facilities without a specific contract for the supply of renewable electricity. The country's average energy mix is then taken into account;
- where a renewable electricity supply is guaranteed by an eligible contract for the reduction of CO₂ emissions, the CO₂ emissions linked to the portion of renewable electricity covered by this contract are considered to be zero. For the remainder of electricity consumption, emissions are calculated on the basis of the residual mix emission factor if available, and the total mix emission factor otherwise.

There are four types of eligible contract: contracts with unbundled guarantees of origin, contracts with bundled guarantees of origin, power purchase agreements (PPAs) and self-consumption (solar or wind generation).

The emission factors used to calculate the Group's carbon footprint are updated annually to take account of changes in the energy mix of production in the countries/regions where the Group operates and in the electricity purchasing contracts signed by the Group and changes in inflation for spend-based emission factors.

5.5.1.3 Scope of consolidation

The scope of consolidation includes all financially consolidated companies, without excluding Products Sold or Mobility as far as Purchasing is concerned.

In the Sites & Operations scope, the following establishments are eligible for environmental reporting:

Establishments for which Thales has operational control above the following thresholds:

- tertiary establishment > = 100 employees;
- semi-industrial plant > = 50 employees;
- industrial plants irrespective of the number of employees.



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When a non-eligible facility is located on the same site as an eligible facility, its results are included in the reporting of the eligible facility.

In addition, certain non-eligible establishments may choose to participate in environmental reporting in order to improve their local management.

In order to facilitate performance comparison, the consolidation scope also includes eligible sites over the 2018/2022 period (2018 being the reference year for the Group's environmental targets) whose activity has been transferred to another site or has fallen below the eligibility threshold.

Disposals and acquisitions:

- in the case of business disposals, previous years' data are recalculated, excluding the establishments concerned;
- in the case of acquisitions, eligible facilities of acquired companies are included in environmental reporting after one full financial year. The results for the reference year are re-evaluated

for this new perimeter on the basis of the data available at the time of integration.

5.5.1.4 Indicators

Environmental indicators are regularly reviewed to take account of regulatory changes and the Group's strategic objectives, as well as feedback from previous years and developments in the relevant science and techniques.

Detailed descriptions of environmental indicators are available in the reporting tool as regards Sites & Operations data.

For intensity indicators (relative to turnover), the turnover figure used is the current year's total for the financial reporting scope. For the purposes of performance comparison, turnover of previous years is also brought back to the same scope (corrected figures established by the Finance function).

5.5.2 Reporting methodology for social data

5.5.2.1 Social reporting method

The social section of the Universal Registration Document is a key source of information on social data, social policies implemented, practices and actions that are part of the Group's social responsibility, and their impact. It reflects its international dimension. The information in this document presents the situation of the Group at December 31, 2023.

5.5.2.2 Organization and methodology

In 2023, feedback was provided via the WorkDay digital platform. Country Human Resources Managers were asked to verify that the data in the local payroll systems or in their local WorkDay tool was accurate and up to date beforehand. The information in this Universal Registration Document was then extracted centrally. As some companies are not part of the WorkDay tool, a quantitative and qualitative questionnaire including all the indicators presented in this document is sent to the Human Resources Directors/HR Correspondents of the companies or countries concerned, as applicable.

The country Human Resources Directors of all Group entities are also questioned on the basis of a qualitative and quantitative questionnaire containing indicators which, if they are in line with current legislation, are also based on indicators proposed by Directive (EU) 2022/2464 of 14 December 2022⁽¹⁾.

All the data was sent to the Group's Human Resources Department for consolidation, where it was checked for consistency and the relevant section of the Universal Registration Document was prepared.

5.5.2.3 Scope

The definition of the companies taken into consideration for the preparation of the Universal Registration Document has not been changed this year and is consistent with the IFRS 10 and 11 financial consolidation standards. The managed headcount reported at December 31, 2023 therefore includes the headcount of only those companies controlled by Thales pursuant to the provisions of Article L233-3 of the French Commercial Code, as well as companies that meet these criteria but are below the financial consolidation thresholds.

The employees attached to the Group's Transportation activity, which is currently being sold at the date of publication of this document, are also taken into account for the purposes of the Universal Registration Document.

For greater transparency, the social data contained in the Universal Registration Document should be assessed in relation to the scope of the headcount covered by the responses. For each figure, the scope table for the verification of figures mentions the percentage of staff covered.

5.5.2.4 Clarifications

The workforce figures shown in the URD include all employees in each country, regardless of the nature of their contract (fixed-term or open-ended, full-time or part-time). They do not take into account apprenticeship and vocational training contracts (although the number of contracts concluded in this regard is indicated in the recruitment section), employees on unpaid leave, employees on sick leave (of more than three months), employees on parental leave and employees on notice not working at December 31 of the year in question.

⁽¹⁾ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards corporate sustainability reporting.

Employees on maternity leave at December 31 of the reporting year are not included in the active workforce. However, they are taken into account when calculating the indicator relating to the percentage of women at the highest levels of responsibility.

The total number of recruitments includes work-study contracts signed in 2023, but does not include any conversions of fixed-term contracts or apprenticeship contracts to open-ended contracts during the year. It does not include the conclusion of internship agreements, International Business Volunteer (VIE) and CIFRE (Conventions Industrielles de Formation par la Recherche) or the transition from active to inactive employee status and vice versa.

The total number of employees leaving the company includes resignations, all dismissals (economic and personal), contractual terminations, retirements, deaths and other types of termination, as well as the end of fixed-term contracts.

The turnover rate corresponds to the total number of departures in relation to the average workforce for the reporting year, as defined by the provisions of Directive (EU) 2022/2464 on corporate sustainability reporting.

The number of non-French employees and expatriates in the French teams takes into account non-French employees working in France with a French contract or on an international assignment in France.

For the calculation of the percentage of Management Committees with at least three women, the Executive Committee of the Group, the Management Committees of Global Business Units, the major countries/regions (North America, United Kingdom, Australia, Germany, Netherlands) and the International Development Departments (DGDIs), as well as those of the Business Lines are taken into account.

Included in the "Highest responsibility" category are employees at responsibility levels 10 to 12. This concept meets the disclosure requirements of EU Directive 2022/2464 as supplemented by Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 on the distribution of senior management ^[2].

The percentage of women in the highest positions of responsibility is a measure of the percentage of women in positions of responsibility levels 10 to 12, as a percentage of the total number of employees in positions of that level.

The average number of hours of training per employee is the total number of hours of training divided by the number of Thales employees employed at December 31 of the reporting year.

Data on absenteeism and the frequency and severity of workplace accidents have been calculated on the basis of the number of days theoretically worked in each country, and on the basis of the active workforce as well as inactive paid employees (unpaid employees on long-term sick leave are therefore not included in the calculation of this indicator). Temporary workers, as well as holders of apprenticeship or professionalization contracts and internship or research agreements, are included in the workforce for the purposes of determining frequency and severity rates. These figures are based on a reconciliation of the data entered in the Human Resources Department and the Health, Safety and Environment Department's reporting tools.

The overall absenteeism rate is the percentage of days lost due to any type of disability, whether work-related or not, compared to the number of days theoretically worked in each country. Authorized absences such as annual leave, study leave, maternity/paternity leave or family leave are excluded. Absences for which the employee is no longer paid by Thales are also excluded.

The frequency rate is the number of accidents with lost time during the year, multiplied by 1,000,000 and compared to the number of hours theoretically worked during the year.

The severity rate is the number of days lost due to occupational accidents multiplied by 1,000 and compared to the number of hours theoretically worked during the year.

The employment rate of workers with disabilities is the total number of beneficiary units as declared in the Mandatory Declaration of Employment of Workers with Disabilities in France.

^[2] Disclosure requirement S1-9 - Diversity metrics.



5.6 Summary table of social and environmental indicators

5.6.1 Social indicators

Topic	KPI	Unit	Baseline 2018 (excluding GTS)	Earnings 2022 (excluding GTS)	Earnings 2023 (excluding GTS)	2023 vs. 2022	2023 vs. 2018
HEALTH AND SAFETY	Number of losttime accidents at work (recognized by the authorities)		236	189	181	-4%	-23%
	Number of accidents at work with no lost time (recognized by the authorities)		318	213	242	14%	-24%
	Number of days lost		5,719	6,136	6,201	1%	8%
	Frequency rate of accidents with lost time		2.21	1.53	1.40	-8%	-37%
	Frequency rate of reportable accidents with or without lost time		5.17	3.24	3.27	1%	-37%
	Severity rate of accidents with lost time		0.0532	0.0495	0.0479	-3%	-10%
	Number of occupational illnesses recognized by health authorities		16	5	4	-1	-12
	Number of fatalities relating to accidents at work or occupational illness		0	0	2	2	2
CERTIFICATIONS	Number of ISO 45001 certified sites		111	123	121	-2	10
	Percentage of employees working at ISO 45001 certified sites	%		83.7	78.5	-5.2 pts	

	GROUP	France	United Kingdom	Germany	Netherlands	United States	Canada	Australia	Europe	Latin America	Asia Pacific & Eurasia	Africa & Middle East
Women	22,170	10,543	1,489	445	453	1,275	345	974	2,858	1,186	2,314	288
Men	58,637	29,749	4,917	1,553	2,140	3,353	829	3,064	7,230	1,245	3,628	929
Other	54	5	23	1	0	4	3	9	11	2	0	0
Not declared	40	2	0	2	0	0	1	3	16	7	1	4
TOTAL	80,901	40,299	6,429	2,001	2,593	4,632	1,178	4,050	10,115	2,440	5,943	1,221

	TOTAL	WOMEN	MEN	OTHER
Number of employees leaving the company in 2023	7,216	2,238	4,916	6
Overall attrition rate	9.0%	10.1%	8.5%	11.7%

	GROUP			France			Canada			Australia		
	Women	Men	Other	Women	Men	Other	Women	Men	Other	Women	Men	Other
Number of part-time	22,170	58,637	54	10,543	29,749	5	345	829	3	974	3,064	9
Number of employees on permanent contracts	21,039	57,698	53	10,258	29,441	5	342	826	3	925	2,964	8
Number of employees on fixed-term contracts	1,131	939	1	285	308	0	3	3	0	49	100	1
Number of full-time employees	19,521	56,689	49	8,718	28,536	5	335	816	3	884	2,994	7
Number of part-time employees	2,649	1,948	5	1,825	1,213	0	10	13	0	90	70	2

	United Kingdom			Germany			Netherlands			United States		
	Women	Men	Other	Women	Men	Other	Women	Men	Other	Women	Men	Other
Number of part-time	1,489	4,917	23	445	1,553	1	453	2,140	0	1,275	3,353	0
Number of employees on permanent contracts	1,461	4,882	23	425	1,507	1	392	1,966	0	1,275	3,353	0
Number of employees on fixed-term contracts	28	35	0	20	46	0	61	174	0	0	0	0
Number of full-time employees	1,295	4,761	20	314	1,477	1	268	1,893	0	1,265	3,344	0
Number of part-time employees	194	156	3	131	76	0	185	247	0	10	9	0

	Europe (Other)			Latin America			Asia Pacific & Eurasia			Africa & Middle East		
	Women	Men	Other	Women	Men	Other	Women	Men	Other	Women	Men	Other
Number of part-time	2,858	7,230	11	1,186	1,245	2	2,314	3,628	0	288	929	0
Number of employees on permanent contracts	2,719	7,102	11	1,186	1,245	2	1,769	3,490	0	287	922	0
Number of employees on fixed-term contracts	139	128	0	0	0	0	545	138	0	1	7	0
Number of full-time employees	2,662	7,074	11	1,186	1,245	2	2,307	3,620	0	287	929	0
Number of part-time employees	196	156	0	0	0	0	7	8	0	1	0	0

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RECRUITMENTS

	Group			France			Major countries of operation			Other countries of operation		
	Women	Men	Other	Women	Men	Other	Women	Men	Other	Women	Men	Other
In number	3,882	8,555	17	1,991	4,211	0	786	2,343	8	1,105	2,001	9
In percentages	31.20%	68.70%	0.10%	32.10%	67.90%	0%	25.10%	74.70%	0.30%	35.50%	64.20%	0%

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% OF EMPLOYEES TRAINED IN 2023

Women	Men	Total
87%	89%	89%

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% OF EMPLOYEES WHO HAVE BENEFITING FROM REGULAR PERFORMANCE AND CAREER DEVELOPMENT EVALUATIONS

Women	Men	Other	Total
97%	98%	95%	97%

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AVERAGE NUMBER OF TRAINING HOURS PER CATEGORY OF EMPLOYEE

Non-executives (LR0-6)			Executives (LR7-9)			Senior executives (LR10-12)		
Women	Men	Total	Women	Men	Total	Women	Men	Total
11.8	13.4	12.7	19.4	18.1	18.4	20.3	14.9	16

	Total	France	Major countries of operation	Other countries of operation
Number of women recruited in 2023 <i>(in percentages)</i>	3,882 31.2%	1,991 32.1%	786 25.1%	1,105 35.5%
Number of women in the workforce <i>(in percentages)</i>	22,170 27.4%	10,543 26.2%	4,981 23.9%	6,646 33.7%
Number of women among non-executives <i>(in percentages)</i>	7,807 42.4%	3,256 39.7%	1,374 34.5%	3,177 51.1%
Number of women engineers and executives <i>(in percentages)</i>	11,342 23.5%	5,723 23.2%	2,621 21.5%	2,998 26.2%
Number of women in senior positions <i>(in percentages)</i>	2,232 20.4%	1,564 21.1%	401 17.9%	267 20.9%



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	2020	2021	2022	2023	Objectives 2026
Proportion of women in senior management (grades NR10 to 12)	18.0%	18.9%	19.4%	20.4%	22.50%
Proportion of Management Committees including at least three women	68%	71.0%	75.6%	86.8%	75% of management committees to have at least four women
<i>In % (vs. declared gender)</i>	Group	France	Major countries where the Group operates	Other countries where the Group operates	
Women recruited ^(a) in 2023	31.2%	32.1%	25.1%	35.5%	
% of women in the workforce	27.4%	26.2%	23.9%	33.8%	
Number of women among non-executives (LR 0-6)	42.4%	39.7%	34.5%	51.1%	
Women Engineers and Executives (LR 7-9)	23.5%	23.2%	21.5%	26.2%	
Women in top positions (LR 10-12)	20.4%	21.1%	17.9%	20.9%	
Women on the Executive Committee	0.252	N/A	N/A	N/A	

(a) Permanent contracts, fixed-term contracts, apprenticeships.

● BREAKDOWN OF SENIOR EXECUTIVES* BY GENDER

	Group		France		Major countries of operation		Other countries of operation	
	Women	Men	Women	Men	Women	Men	Women	Men
In number	2,232	8,687	1,564	5,839	401	1,839	267	1,009
As a %	20.4%	79.6%	21.1%	78.9%	17.9%	82.1%	20.9%	79.1%

● EMPLOYMENT RATE OF PEOPLE WITH DISABILITIES IN FRANCE

	2020	2021	2022
	6.36%	6.69%	6.83%

● BREAKDOWN OF HEADCOUNT BY AGE GROUPS

	Less than 30 years old			30-50 years old			Over 50	
	Women	Men	Other	Women	Men	Other	Women	Men
In number	3,398	8,170	16	12,138	29,778	26	6,622	20,664
As a %	29.3%	70.5%	0.1%	28.9%	71.0%	0.1%	24.3%	75.7%

5 Corporate responsibility and non-financial performance

Summary table of social and environmental indicators

Coverage rate	EEA employees in countries with more than 50 employees	Non-EEA employees in countries with more than 50 employees
0 - 19%	Luxembourg	Argentina
	Poland	Canada
	Czech Republic	Colombia
	Romania	Egypt
		United Arab Emirates
		United States
		Hong Kong
		India
		Israel
		Japan
		South Korea
		Malaysia
		Morocco
		Oman
		Philippines
		Saudi Arabia
		South Africa
		Taiwan
		Thailand
		Turkey
20 - 39%		China
		Singapore
40 - 59%		Mexico
60 - 79%		Finland
80 - 100%	Germany	Australia
	Belgium	Brazil
	Spain	Switzerland
	France	
	Italy	
	Norway	
	Netherlands	
	Portugal	
	Sweden	
	United Kingdom	



5.6.2 Environmental indicators

The 2023 environmental reporting scope is identical to that of the financial reporting scope, excluding activities in the process of being divested. For the purposes of performance comparison, results for

previous years have also been brought back to the same scope, and therefore differ from the results published for 2022.

Topic	KPI	Unit	2018	2022	2023	2023 vs. 2022	2023 vs. 2018
WASTE	Production of non-dangerous waste (excluding exceptional waste)	metric tons	17,659	19,244	15,656	-18.6%	-11.3%
	per person	kg/pers.	218	269	224	-16.9%	2.9%
	Production of hazardous waste (excluding exceptional waste, WEEE, SF6, NF3 and explosives)	metric tons	3,431	3,647	3,699	1.4%	7.8%
	Total waste production (excluding exceptional waste)	metric tons	21,090	22,891	19,355	-15.4%	-8.2%
	Per € million of turnover	metric tons per € million	1.30	1.30	1.05	-19.4%	-19.2%
	Production of exceptional waste	metric tons	721	3,598	4,886	35.8%	577.9%
	Quantity of non-hazardous waste (excluding exceptional waste) recycled	metric tons	9,412	13,988	10,817	-22.7%	14.9%
	Recycling rate of non-hazardous waste (excluding exceptional waste)	%	53.3	72.7	69.1	-3.6 pts	+15.8 pts
	Quantity of non-hazardous waste (excluding exceptional waste) incinerated with energy recovery	metric tons	3,806	2,656	3,014	13.5%	-20.8%
	Recycling rate of non-hazardous waste (excluding exceptional waste)	%	74.9	86.5	88.3	+1.9 pt	+13.5 pts
	Quantity of hazardous waste recycled (excluding exceptional waste, WEEE, SF6, NF3, explosives)	metric tons	1,228	1,020	1,024	0.3%	-16.6%
	Atmospheric emissions (solvents)	metric tons	369	254	406	59.9%	10.0%
ATMOSPHERIC EMISSIONS	NOx emissions	metric tons of NOx	58	52	50	-3.8%	-13.2%
	SO2 emissions	metric tons of SO2	1.3	1.4	1.5	14.5%	14.8%
	Atmospheric emissions (solvents)	metric tons	369	254	406	59.9%	10.0%
WATER	Water withdrawals (excluding use for geothermal energy)	thousands of m ³	1,718	1,479	1,510	2.1%	-12.1%
	Per € million of turnover	m ³ /€ million	106	84	82	-2.7%	-22.6%
	Water withdrawals (total)	thousands of m ³	2,254	2,253	2,359	4.7%	4.7%
	Per € million of turnover	m ³ /€ million	139	128	128	-0.2%	-7.8%
	Industrial wastewater emissions	thousands of m ³	629	604	567	-6.2%	-9.9%
ENERGY	Total energy consumption	MWh	1,007,125	906,591	869,855	-4.1%	-13.6%
	Per € million of turnover	MWh/€ million	62.0	51.6	47.2	-8.5%	-23.9%
	Electricity consumption	MWh	706,365	646,621	620,979	-4.0%	-12.1%
	Proportion of electricity from renewable sources	%	23.3	74.8	90.1	+15.3 pts	+66.8 pts
	proportion of electricity from renewable sources bundled with guarantees of origin	%	0.0	92.6	96.0	+3.3 pts	+96.0 pts
	proportion of electricity from renewable sources linked to PPAs (Power Purchase Agreements)	%	0.0	1.9	1.3	-0.6 pt	+1.3 pt
	Proportion of electricity linked to self-consumption	%	0.00	0.85	0.86	+0.0 pt	+0.9 pt
	Fuel consumption	MWh	271,949	240,557	230,769	-4.1%	-15.1%
	of which gas consumption	MWh	255,762	229,047	219,826	-4.0%	-14.1%
	Share of electricity from renewable sources	%	0.0	19.1	20.1	+1 pt	+20.1 pts
	Share of biogas in gas consumption	%	0.0	20.0	21.1	+1 pt	+21.1 pts
	Heat and steam consumption	MWh	28,811	19,413	18,107	-6.7%	-37.2%

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Topic	KPI	Unit	2018	2022	2023	2023 vs. 2022	2023 vs. 2018
GREENHOUSE GAS EMISSIONS	Total Scope 1	thousands of metric tons of CO ₂	76	66	61	-7.4%	-20.0%
	of which substance-related emissions	thousands of metric tons of CO ₂	25	27	24	-10.9%	-3.5%
	Total Scope 2 location-based	thousands of metric tons of CO ₂	166	139	127	-8.6%	-23.4%
	Total Scope 2 market-based (Thales methodology)	thousands of metric tons of CO ₂	166	76	36	-51.9%	-78.2%
	Total Scope 1 and 2 location-based	thousands of metric tons of CO ₂	242	205	188	-8.2%	-22.3%
	Total Scope 1 and 2 market-based (Thales methodology)	thousands of metric tons of CO ₂	242	141	97	-31.2%	-59.9%
	Total Scope 3	thousands of metric tons of CO ₂	12,760	8,728	8,184	-6.2%	-35.9%
	CO ₂ emissions associated with the purchase of goods and services	thousands of metric tons of CO ₂	2,334	2,716	2,444	-10.0%	4.7%
	CO ₂ emissions associated with the use phase of products put on the market	thousands of metric tons of CO ₂	10,228	5,863	5,577	-4.9%	-45.5%
	of which direct emissions	thousands of metric tons of CO ₂	2,760	1,687	1,420	-15.8%	-48.6%
	of which indirect emissions	thousands of metric tons of CO ₂	7,468	4,176	4,157	-0.5%	-44.3%
	CO ₂ emissions from business travel	thousands of metric tons of CO ₂	70	45	52	16.8%	-25.1%
	CO ₂ emissions from company vehicles	thousands of metric tons of CO ₂	18	17	18	10.0%	0.8%
	CO ₂ emissions from commuting to and from work	thousands of metric tons of CO ₂	110	88	93	5.6%	-15.6%
	Total Scope 1, 2 (location-based) and 3	thousands of metric tons of CO ₂	13,002	8,933	8,373	-6.3%	-35.6%
	Total Scope 1, 2 (market-based, Thales methodology) and 3	thousands of metric tons of CO ₂	13,002	8,869	8,281	-6.6%	-36.3%
	Total Scope 1, 2 (location-based) and 3 Per € million of turnover	metric tons of CO ₂ /€ million	801	508	454	-10.6%	-43.3%
	Total Scope 1, 2 (market-based) and 3 Per € million of turnover	metric tons of CO ₂ /€ million	801	505	449	-11.0%	-43.9%
ECO-DESIGN	Number of engineering staff trained in eco-design				6,599		
CERTIFICATIONS	Number of ISO 14001 certified sites		124	127	123	-4	-1
	Number of ISO 50001 certified sites		32	27	27	0	-5
	Percentage of employees working at ISO 14001 certified sites	%		83.4	78.2	-5.2 pts	
	Percentage of industrial sites certified ISO 50001	%		23.8	24.1	+0.3 pt	
GENERAL CHARACTERISTICS	Number of employees working at sites covered by environmental reporting		70,555	72,417	72,106	-0.4%	2.2%
	% of total employees	%		94.5	89.1	-5.4 pts	



5.7 Report of the independent third party organization on the consolidated non-financial performance statement included in the management report

This is a free translation into English of the independent third-party organization's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2023

To the shareholders,

In our capacity as independent third-party organization, member of Mazars Group and accredited by COFRAC Inspection under number 3-1095 (list of accredited sites and their scope of accreditation available on www.cofrac.fr), we have performed work to provide a reasoned opinion that expresses a limited level of assurance on the historical information (observed and extrapolated) of the consolidated extra-financial performance statement (hereinafter the "Information" and "Statement" respectively), prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), for the financial year ended December 31, 2023, presented in the management report of the Thales group (hereinafter the "Entity") in application of the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the Commercial Code.

Conclusion

Based on the procedures we performed, as described in the "Nature and scope of our work" and the evidence we collected, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Preparation of the non-financial performance statement

The lack of a commonly used framework or established practice on which to base the assessment and evaluation of information allows for the use of alternative accepted methodologies that may affect comparability between entities and over time.

The Statement has been prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement.

Restrictions due to the preparation of the Information

The Information may contain inherent uncertainty about the state of scientific or economic knowledge and the quality of external data used. Some of the Information is dependent on the methodological choices, assumptions and/or estimates made in preparing the information and presented in the Statement.

The Entity's responsibility

The Board of Directors is responsible for:

- selecting or setting appropriate criteria for the preparation of the Information;
- preparing the Statement with reference to legal and regulatory requirements, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators and also, the Information required by Article 8 of Regulation (EU) 2020/852 (EU Taxonomy);
- and implementing internal control procedures deemed necessary to the preparation of information, free from material misstatements, whether due to fraud or error.

Responsibility of the independent third-party organization

Based on our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of Information (observed or extrapolated) provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

We conducted our work in order to provide a reasoned opinion expressing a limited level of assurance on the historical, observed and extrapolated information.

As it is our responsibility to express an independent conclusion on the Information prepared by management, we are not authorized to be involved in the preparation of such Information, as this could compromise our independence.

This is not our responsibility to express an opinion on:

- the entity's compliance with other applicable legal and regulatory requirements (in particular with regard to the Information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the due diligence plan and the fight against corruption and tax evasion);
- the truthfulness of the Information provided for in Article 8 of Regulation (EU) 2020/852 (EU Taxonomy);
- the compliance of products and services with applicable regulations.

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Corporate responsibility and non-financial performance

Report of the independent third party organization on the consolidated non-financial performance statement included in the management report

Regulatory provisions and applicable professional standards

The work described below was performed with reference to the provisions of articles A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000 ⁽¹⁾ (revised).

This report has been prepared in accordance with the RSE_SQ_Programme de vérification_DPEF.

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and the professional doctrine of the French National Association of Auditors.

Means and resources

Our work was carried out by a team of 13 people between October 2023 and March 2024 and during 15 weeks.

We conducted twenty interviews with the people responsible for preparing the Statement, representing the CSR Department, the Legal and Human Resources Department, the Health, Safety and Environment Department, the Audit, Risks and Internal Control Department and the Purchasing Department.

Nature and scope of our work

We planned and performed our work considering the risks of significant misstatement of the Information.

We estimate that the procedures we have carried out in the exercise of our professional judgment enable us to provide a limited assurance conclusion:

- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, when appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- we verified that the Statement provides the Information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the Information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including when relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
 - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and;
 - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix 1. Concerning certain risks "Compliance with rules concerning business ethics", "Vigilance over suppliers' compliance with corporate responsibility issues" and "Impacts related to changes in regulations", our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities ⁽²⁾;
- we verified that the Statement covers the scope of consolidation, i.e., all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;
- we obtained an understanding of internal control and risk management procedures implemented by the entity and assessed the data collection process to ensure the completeness and fairness of the Information;

⁽¹⁾ ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information

⁽²⁾ **Social information:** legal entities of Thales France; legal entities of Thales Italy.

Environmental information: Thales Land Mulwala (Australia); DIS Curitiba; SGF Gennevilliers; LAS Elancourt; DIS Vantaa; AVS France MIS Vélizy; TAS Cannes; Templecombe Hub; Thales Nederlands B.V. (Hengelo) – Waste indicators only.

Corporate information: Contributing departments at Group level.



Report of the independent third party organization on the consolidated non-financial performance statement included in the management report

- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
 - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 20% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We are convinced that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Executed at Paris-La Défense, March 4, 2024
Independent third party

Mazars SAS

Edwige REY

Associée RSE & Développement Durable

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Corporate responsibility and non-financial performance

Report of the independent third party organization on the consolidated non-financial performance statement included in the management report

Appendix 1: Information considered most important

Qualitative information (actions and results) in relation to the main risks

- Diversity and Inclusion;
- Workplace health and safety;
- Environmental and biodiversity impacts related to the Group's activities;
- Impacts related to changes in regulations;
- Compliance with rules of ethical business conduct (particularly anticorruption and influence peddling);
- Vigilance concerning supplier compliance with corporate responsibility issues.

Quantitative indicators including key performance indicators

Social information	• Total workforce
	• Percentage of women recruited
	• Percentage of women in top positions
	• Percentage of Management Committees with at least 3 women
	• Absenteeism rate
	• Share of layoffs in total number of employees leaving
Corporate information	• Average number of training hours per employee in the Group
	• Operational entities that have conducted a corruption risk assessment
	• Percentage of employees trained in the fight against corruption
	• Alerts received via the Group's alert system
	• Percentage of new suppliers committed to the principles of Thales' new Integrity & Corporate Responsibility Charter
HSE information	• Percentage of suppliers assessed among those considered as "at risk" according to the Duty of Care mapping
	• Frequency rate of work-related accidents with lost time (Thales employees)
	• Severity rate of accidents at work (Thales employees)
	• Percentage of employees working at an ISO 45 001 certified site
	• Reduction of operational GHG emissions (scopes 1, 2 and 3 – business travel)
	• Reduction of other GHG emissions (scope 3 – purchases of goods and services, use of products and services sold, and commuting of employees)
	• Recycling rate of non-hazardous waste
	• Percentage of employees working at an ISO 14 001 certified site
	• New developments integrating eco-design
	• Percentage of Product Line Architects, Product Line Managers, trained in or made aware of eco-design



5.8 TCFD, SASB, GRI, SFDR cross-reference tables

5.8.1 Cross-reference table of TCFD recommendations

TCFD recommendation	Corresponding section of the Universal Registration Document
Board of Directors oversight:	
Describe the control that the Board of Directors exercises over climate-related risks and opportunities	5.1.2 "CSR governance to accelerate sustainable transformation"
Identify the risks and opportunities:	
Please describe the short, medium and long-term climate-related risks and opportunities	5.2.1.2 Management of environmental impacts, risks and opportunities
Impact on investment strategy:	
Describe the impact of climate-related risks and opportunities on the investment strategy	5.2.1.2.4 Materiality of environmental impacts
Resilience of the investment strategy: Please provide details of the resilience of the investment strategy, considering different climate scenarios, including a 2 °C or lower scenario	5.2.1.2 Management of environmental impacts, risks and opportunities
Evaluating the risks:	
Please describe your risk management processes for identifying, assessing and managing climate-related risks	5.2.1.2.4 Environmental risk mapping
Managing risks:	
Please describe the processes for managing climate-related risks	5.2.1 Management and governance of environmental issues
Integrating risks:	
Please describe how climate-related risks are integrated into risk management processes	5.2.1.2 Management of environmental impacts, risks and opportunities
Use of indicators:	
Please provide information on the indicators used to assess climate-related risks and opportunities in the investment strategy and risk management process	5.5.1 Reporting methodology for environmental data
Measuring GHG emissions:	
Please provide information on greenhouse gas (GHG) emissions and related risks under Scopes 1 and 2, and where applicable, Scope 3	5.2.2 Combating climate change and promoting energy efficiency
Setting targets:	
Please provide information on the targets set for managing climate-related risks and opportunities, and the results that have been achieved in pursuing these targets	5.2.2 Combating climate change and promoting energy efficiency

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5.8.2 SASB correspondence table

Topic	Indicator	2023 data	Unit	SASB ref.
Energy management	Total energy consumption	3131478	GJ	RT-AE-130a.1
	Proportion of renewable electricity	90	% (electricity)	RT-AE-130a.2
	Proportion of energy from the grid	99	%	RT-AE-130a.3
Management of hazardous waste	Proportion of hazardous waste recycled	28	%	RT-AE-150a.1
	Number and total quantity of reportable spills	0		RT-AE-150a.2
	of which quantity recovered	0		
Data security	Number of data breaches	Not reported		RT-AE-230a.1
	of which involving confidential information (proportion)			
	Description of the approach to identifying and responding to data security risks in the company's (1) operations and (2) products	See sections 3.1.6 and 5.4.3.3.2		RT-AE-230a.2
Product safety	Number of recalls issued	Not reported		RT-AE-250a.1
	of which total number of units recalled			
	Number of counterfeit parts detected	Not reported		RT-AE-250a.2
	of which percentage avoided			
	Number of airworthiness notices received	3		RT-AE-250a.3
	total units affected	Several hundred		
Fuel economy and emissions in use phase	Total financial losses resulting from legal proceedings related to product safety	Not reported		RT-AE-250a.4
	Turnover in respect of products/services that contribute to the reduction of CO ₂ emissions	Approximately 20%		RT-AE-410a.1
	Description of the strategy to reduce fuel consumption and greenhouse gas (GHG) emissions from products.	See section 5.2.2		RT-AE-410a.2
Supply of materials	Description of risk management for the use of critical materials	See sections 5.2.4 and 5.4.3.2.2		RT-AE-440a.1
Business Ethics	Total financial losses as a result of legal proceedings associated with incidents of corruption and/or illicit international trafficking	0		RT-AE-510a.1
	Turnover of defence activities in countries where the Transparency International 2023 anti-corruption index is below 30.	< 0.1 %	As a % of total sales 2023	RT-AE-510a.2
	Discussion of business ethics risk management processes throughout the value chain	See section 5.4.2		RT-AE-510a.3



5.8.3 GRI cross-reference table

GRI INDEX

• GRI 102: GENERAL INFORMATION

Code	Description	Location
102-1	Name of the organization.	Cover page
102-2	A description of the organization's activities.	2.1 Operating segments
102-3	The geographical location of the organization's headquarters.	6.1 General information about the company
102-4	The number of countries in which the organization is present and the names of the countries where it has significant operations.	5.6.1 Social indicators 2.5 Organization of the Group
102-5	The nature of the capital and the legal form.	6.1 General information about the company
102-6	Markets served, including: geographic locations where products and services are offered; industry sectors; types of customers and beneficiaries.	Group Profile 2.1 Operating segments
102-7	Total number of employees; number of business locations; net sales; total capitalization broken down into debt and equity.	5.6.1 Social indicators 2.5.2 Data about the main operational subsidiaries and main industrial sites Note 2: Segment Information Note 10 Current operating assets and liabilities
102-8	Total number of employees by employment contract, gender and region, and by job type.	5.6.1 Social indicators
102-9	A description of the organization's supply chain.	Business model 5.1.5.1 Risks taken into account in the context of the NFPS
102-10	Significant changes in the organization's size, structure, ownership or supply chain.	Group profile
102-11	Application of the principle of precaution or the preventive approach.	5.1.5.1 Risks taken into account in the context of the NFPS 5.4.4 Vigilance Plan
102-12	A list of externally developed charters, principles or other initiatives to which the organization adheres or which it endorses.	UN Guiding Principles on Business and Human Rights, OECD Guidelines for multinational enterprises on responsible business, UN Global Compact, etc.
102-13	A list of key memberships in associations, as well as national and international advocacy organizations.	Thales is member of many national and international professional associations such as the UN Global Compact, the International Chamber of Commerce, The IFBEC (International Forum of Business Ethical Standards) and Business at OECD.
102-14	A statement from the most senior decision maker in the organization regarding the importance of sustainability to the organization.	Integrated Report 2023/2024
102-16	A description of the organization's values, principles, standards and rules of conduct.	5.4.2 "A demanding policy of ethics, integrity and compliance" (see website)
102-18	The governance structure of the organization.	4.1 Composition of the Board of Directors
102-40	A list of stakeholder groups involved with the organization.	5.1.3 Maintaining ongoing dialog with key stakeholders
102-41	The percentage of total employees covered by collective bargaining agreements.	5.6.1 Social indicators
102-42	The basis for identifying and selecting the stakeholders to be involved.	5.1.3 Maintaining ongoing dialog with key stakeholders 5.1.6 Preparing to implement the European Corporate Sustainability Reporting Directive (CSRD)
102-43	The organization's approach to stakeholder engagement.	5.1.3 Maintaining ongoing dialog with key stakeholders 5.1.6 Preparing to implement the European Corporate Sustainability Reporting Directive (CSRD)
102-44	The major issues and concerns that were raised during the course of stakeholder engagement.	5.1.6 Preparing to implement the European Corporate Sustainability Reporting Directive (CSRD)
102-45	A list of all entities included in the consolidated financial statements of the organization.	2.3.4 Sales

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Code	Description	Location
102-46	An explanation of the process for defining the content of the report and the scope of the issue.	Chapter 3 “Risk factors, internal control and risk management” 5.1 A corporate responsibility policy to support sustainable economic growth
6.1	The organization should include an explanation of how the materiality principle is applied to identify relevant issues.	5.1.6 Preparing to implement the European Corporate Sustainability Reporting Directive (CSRD)
102-47	A list of relevant issues identified during the process of defining the content of the report.	5.1.6 Preparing to implement the European Corporate Sustainability Reporting Directive (CSRD)
102-48	The effect of any restatements of information provided in previous reports and the reasons for these restatements.	No change to the measurement method, the nature of the company's activities or the reporting method used
102-49	Significant changes from previous reporting periods in the list of relevant issues and the scope of issues.	No significant change
102-50	The reporting period for the information provided.	January 1, 2023 to December 31, 2023
102-51	The date of the most recent previous report.	The last report was filed with the French financial market authority (AMF) on April 3, 2023
102-52	Reporting cycle.	Yearly
102-53	The designated point of contact for questions about the report or its contents.	ir@thalesgroup.com
102-56	A description of the organization’s current policy and practice with respect to external verification of the report	5.7 Report of the independent third party organization on the consolidated non-financial performance statement included in the management report



GRI 302: ENERGY

Code	Description	Location
302-1	Energy consumption within the organization	5.2.2.2 Strategy of combating climate change and energy sobriety
302-2	Energy consumption outside the organization	5.2.2.5 Reducing Scope 3 emissions footprint
302-3	Energy intensity	5.2.2.2 Strategy of combating climate change and energy sobriety
302-4	Reduction of energy consumption	5.2.2.2 Strategy of combating climate change and energy sobriety
302-5	Reduction of energy requirements, products and services	5.2.2.5 Reducing Scope 3 emissions footprint

GRI 303: WATER

Code	Description	Location
303-1	Interaction with water as a shared resource	5.2.5.1 Water conservation
303-2	Management of impacts related to wastewater disposal	5.2.5.1 Water conservation
303-4	Water disposal	5.2.5.1 Water conservation
303-5	Water consumption	5.2.5.1 Water conservation

GRI 304: BIODIVERSITY

Code	Description	Location
304-2	Significant impacts of activities, products and services on biodiversity	5.2.5.2 Biodiversity and ecosystems
304-3	Protected or restored habitats	5.2.5.2 Biodiversity and ecosystems

GRI 305: EMISSIONS

Code	Description	Location
305-1	Direct GHG emissions (Scope 1)	5.2.2.4 Reducing the Group's Scopes 1 and 2 emissions
305-2	Indirect energy-related GHG emissions (Scope 2)	5.2.2.4 Reducing the Group's Scopes 1 and 2 emissions
305-3	Other indirect GHG emissions (Scope 3)	5.2.2.5 Reducing Scope 3 emissions footprint
305-4	GHG emissions by intensity	5.2.2. Combating climate change and promoting energy efficiency
305-5	Reduction of GHG emissions	5.2.2. Combating climate change and promoting energy efficiency

GRI 306: WASTE

Code	Description	Location
305-1	Waste production and significant impacts related to waste	5.2.4 Reduce, reuse and recycle waste
305-2	Management of significant impacts related to waste	5.2.4 Reduce, reuse and recycle waste
305-3	Waste generated	5.2.4 Reduce, reuse and recycle waste
305-4	Waste not disposed of	5.2.4 Reduce, reuse and recycle waste
305-5	Waste disposed of	5.2.4 Reduce, reuse and recycle waste

GRI 401: EMPLOYMENT

Code	Description	Location
401-1	The total number of employees and the rate of recruitment of new employees during the reporting period, by age group, gender and region.	5.6.1 Social indicators
	The total number of employees and the rate of employee turnover during the reporting period, by age group, gender and region.	5.6.1 Social indicators
401-2	Standard benefits provided to the organization's full-time employees, but not to temporary or part-time employees, by major business locations.	5.3.4 Providing a safe, high-quality work environment

GRI 402: EMPLOYEE/MANAGEMENT RELATIONS

Code	Description	Location
402-1	The minimum number of weeks' notice generally provided to employees and their representatives prior to the implementation of significant operational changes that may significantly affect them.	Group transformations

GRI 404: TRAINING AND EDUCATION

Code	Description	Location
404-1	The average number of hours of training that the organization's employees attended during the reporting period, by: gender; occupational category.	5.3.1 Developing all the Group's talents
404-2	Type and scope of programs implemented and assistance provided to upgrade employee skills.	5.3.1 Developing all the Group's talents
404-3	The percentage of the total number of employees by gender and professional category who received a performance and career development review during the reporting period.	5.3.1 Developing all the Group's talents

GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES

Code	Description	Location
405-1	The percentage of individuals on the organization's governance bodies in each of the following diversity categories: gender; age group: under 30, 30-50, and over 50; and other diversity indicators (such as minorities or vulnerable groups), if applicable.	4.1 Composition of the Board of Directors as of December 31, 2023



5.8.4 Correspondence table of SFDR adverse criteria

Indicator	Unit	2022	2023
Environmental indicators			
GHG emissions	Scope 1 (thousands of metric tons of CO ₂)	66	61
	Scope 2 (thousands of metric tons of CO ₂)	76	36
	Scope 3 (thousands of metric tons of CO ₂)	8728	8184
	Total GHG emissions (thousands of metric tons of CO ₂)	8933	8373
Carbon footprint	Carbon footprint	Not applicable	Not applicable
GHG intensity	GHG intensity (metric tons per €m)	505	449
Exposure to fossil fuel companies	Share of investment in companies active in the fossil fuel sector	0	0
Share of non-renewable energy consumption and production	Share of energy consumption and production from non-renewable energy sources compared to that from renewable energy sources (% of total energy sources)	33.2%	30.3%
Energy intensity by sector with a high climate impact	Energy consumption in GWh per € million of turnover	0,052	0.047
Activities with a negative impact on biodiversity sensitive areas	Sites located in or near biodiversity sensitive areas, if the activities of these companies have a negative impact on these areas.	N/A	N/A
Water discharge	Industrial water discharges (thousands of m ³)	604	567
Ratio of hazardous waste and radioactive waste	Metric tons of hazardous waste and radioactive waste produced	3,647	3,699
Social and societal indicators			
Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises	Participation in violations of the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises.	No	No
Lack of compliance processes and mechanisms to monitor compliance with the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises	Lack of a policy to monitor compliance with the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises, or any complainthandling mechanisms or other mechanisms to address such violations.	No	No
Non-corrected pay gap between men and women	Non-corrected average pay gap between men and women	N/A	N/A
Diversity within governance bodies	Average ratio of women to men in the governance bodies of the companies concerned (% of total number of members)	50%	50%
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons or biological weapons)	Participation in the manufacture or sale of controversial weapons.	No	No

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5.8.5 Cross-reference table for the Non-Financial Performance Statement

Elements of the Non-Financial Performance Statement	section of the 2023 URD
Business model	1
Main non-financial risks	5.1.5.1
Result of the policies applied by the Company or the Group including key performance indicators	5.1.5.3
Combating corruption	
Description of the risk regarding "compliance with rules concerning business ethics (in particular, the fight against corruption and influence peddling)"	5.1.5.1.5 and 5.4.2.1
Policies applied, due diligence procedures and results	5.4.2.1.3
Respect for Human Rights:	
Description of the risk	5.4.2.2
Policies, due diligence procedures and results	5.4.2.2 and 5.4.4
Social and societal consequences	
Description of the risk related to "diversity and inclusion"	5.3.3
Diversity and inclusion policies, due diligence procedures and results	5.3.3.3
Description of the risk related to the "protection of employee health and safety"	5.3.4
Policies, due diligence procedures and results related to the protection of employee health and safety	5.3.4.2
Description of the risk related to "vigilance regarding suppliers' compliance with corporate responsibility issues"	5.1.5.1.6 and 5.4.3.2
Policies, due diligence procedures and results related to regarding suppliers' compliance with corporate responsibility issues.	5.4.4.3.3
Other required information:	
Collective agreements concluded at the company and their impact on the economic performance of the company and the working conditions of employees	5.3.3.4
Measures to combat discrimination and promote diversity and measures taken in favor of people with disabilities	5.3.3.3.3
Actions to promote the practice of physical activities and sports	5.3.4.1.3
Fight against tax evasion	5.4.2.1.8
Fight against food waste, food insecurity, respect for animal welfare, responsible, fair and sustainable food	This information is not relevant in view of the Group's activities, which are not involved in industrial food production or consumption cycles
Actions to promote the link between the nation and the army and support commitment to the reserves	5.3.2.2.3
Description of the risk related to the "environmental impacts related to the Group's activities"	
Policies, due diligence procedures and results relating to the environmental impacts of the Group's activities	5.4.4
Description of the risk related to "anticipation of environmental standards in product design"	5.2.5.3
Policies, due diligence procedures and results for anticipating environmental standards in product design	5.2.5.3
Other required information:	
Consequences of the Company's activity and the use of the goods and services it produces on climate change	5.2.2.5
Circular economy	5.2.3.2
Action plan to reduce emissions linked to upstream and downstream transportation, in particular through the use of rail and river transportation, electro-mobility and biofuels.	5.2.2.5.1
Certification by the independent third-party organization on the information contained in the NFPS	5.7



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Company and share capital

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6.1 General information about the company

Company name

Thales

Legal structure

Thales is a public limited company with a Board of Directors. It is governed by French law, particularly the French Commercial Code and certain provisions of the amended law on privatization of August 6, 1986, as the French State owns more than 20% of the share capital.

Registered office

4, rue de la Verrerie - 92190 Meudon - France. Phone number: +33 (0)1 87 72 36 37.

Registration

No. 552 059 024 in the Nanterre Trade and Companies Register; APE Code: 7010 Z.

Legal Entity Identifier LEI: 529900FNDVTQJOWPZ19.

Term

Initially incorporated on February 11, 1918 for 99 years, the Company's term was extended by the Annual General Meeting of May 24, 2013. The expiration date is now May 23, 2112.

Thales' objects and purposes

The corporate purpose is, directly or indirectly, in all countries:

1. the design, construction, installation, maintenance, operation, manufacture, purchase, sale, exchange, supply, or hire of all equipment, tools, stations, appliances, finished or semi-finished products, materials, substances, components, systems, devices, processes, and in general, all products relating to electronic applications in any domain;
2. for this purpose, the registration, purchase, sale, exchange, supply, concession, or use of all business and manufacturing patents, licenses, and trademarks;
3. the research, obtaining, acquisition, disposal, exchange, supply, hire, or use of all concessions or undertakings, whether private or public, training of staff, and the provision of all services related to the above objects;
4. the formation of any company or association or investment in any form whatsoever in any company or undertaking having a similar or related purpose to that of the Company;
5. and, in general, all commercial, industrial, financial, and movable or immovable property transactions that relate directly or indirectly to the aforementioned activities.

Financial year

The Company's financial year covers a period of 12 calendar months from January 1 to December 31.

Corporate documents and information about the Company can be consulted at the Group Secretary and General Counsel's office at the Company's registered office.

Distribution of profits as per the articles of association

Profits are distributed in compliance with current legislation. Under the Articles of Association, the Annual General Meeting called to approve the financial statements for the previous financial year is empowered to grant each shareholder the option to receive payment of all or part of the dividend distributed, either in cash or in shares.

Notifications concerning the crossing of statutory thresholds

Any natural person or legal entity owning a number of shares equal to or exceeding 1% of the share capital (but not voting rights) or any multiple thereof is required to inform the Company of the total number of shares held within five trading days of the date on which this threshold is exceeded.

This obligation to inform the Company applies under the same conditions when the number of shares held falls below one of the thresholds mentioned in the previous paragraph.

In the event of failure to comply with this obligation, the shareholder shall be deprived of the voting rights attached to any shares exceeding the first undeclared threshold, subject to the conditions and limitations defined by law.

As part of its regulated information, every month, the Company publishes on its website the number of shares comprising the capital and the total number of voting rights attached – based on all threshold excesses (statutory and legal).

Annual General Meeting: notice of meetings and conditions for attendance, double voting rights and exercise of voting rights

Information on these sections can be found in Chapter 4 – Governance and compensation, section 4.2.8.



6.2 Share capital and shareholders

6.2.1 Information on the distribution of capital issued

On December 31, 2023, following a capital reduction operation carried out with effect from March 13, 2023, the share capital was equal to €630,630,420 divided into 210,210,140 shares with a nominal value of €3.

Under the applicable regulations, the Company publishes on its website (www.thalesgroup.com) each month the information about the total number of voting rights (theoretical and exercisable) and the number of shares making up the share capital. It forwards this information to a press agency.

The applicable laws govern changes in share capital and shareholders' rights.

Shares in the Company may be held in either registered or bearer form at the shareholder's discretion. The share register is maintained by Société Générale (Securities and Exchange Department – 32, rue du Champ de Tir – BP 81 236 – 44312 Nantes Cedex – France).

The share capital is fully paid up. It includes a golden share resulting from the conversion of an ordinary share belonging to the French State, decided by Decree No. 97-190 of March 4, 1997, under the privatization law of August 6, 1986 (see page 240).

6.2.1.1 Changes in the share capital over the last five financial years

Date	Type of transaction	Acquisition, issue and merger premiums (€)	Number of shares created/ canceled	Nominal amount of the changes in capital (€)	Amount of share capital (€)	Aggregate number of shares making up the capital
12/31/18		4,068,146,411			639,312,243	213,104,081
Financial year 2019	Exercise of stock subscription options	6,192,050	213,425	640,275		
12/31/19		4,074,338,461			639,952,518	213,317,506
Financial year 2020	Exercise of stock subscription options	1,130,870	48,452	145,356		
12/31/20		4,075,469,331			640,097,874	213,365,958
Financial year 2021	Exercise of stock subscription options	1,058,492	45,351	136,053		
12/31/21		4,076,527,823			640,233,927	213,411,309
Financial year 2022	Exercise of stock subscription options	0	0	0		
12/31/22		4,076,527,823			640,233,927	213,411,309
Financial year 2023	Capital reduction by cancellation of shares	-370,950,601	-3,201,169	-9,603,507		
12/31/23		3,705,577,222			630,630,420	210,210,140

6.2.1.2 Changes in the distribution of capital and voting rights over the last three financial years

As of December 31, 2023, the total number of exercisable voting rights amounted to 303,590,362. This includes double voting rights attached to shares that have been registered for at least two years under the conditions set out in the Articles of Association (see section 4.2.8).

As previously mentioned, the number of shares and voting rights (theoretical and exercisable) is published monthly on the Company's website (www.thalesgroup.com, "Investors/Regulatory information").

	Situation as of 12/31/23			Situation as of 12/31/22			Situation as of 12/31/21		
	Equities	% of capital	% of voting rights	Equities	% of capital	% of voting rights	Equities	% of capital	% of voting rights
T.S.A.	54,786,654	26.06%	36.09%	54,786,654	25.67%	35.15%	54,786,654	25.67%	34.75%
French state (including 1 golden share)	2,060	—%	—%	2,060	—%	—%	2,060	—%	—%
Public sector ^(a)	54,788,714	26.06%	36.09%	54,788,714	25.67%	35.15%	54,788,714	25.67%	34.75%
Dassault Aviation ^(b)	54,750,000	26.05%	29.92%	52,531,431	24.62%	29.92%	52,531,431	24.62%	29.79%
Thales	3,541,786	1.68%	—%	3,277,303	1.53%	—%	493,175	0.23%	—%
Employees ^(c)	6,109,028	2.91%	3.84%	6,330,466	2.97%	3.81%	6,899,087	3.23%	3.99%
Other shareholders	91,020,612	43.30%	30.15%	96,483,395	45.21%	31.12%	98,698,902	46.25%	31.47%
TOTAL	210,210,140	100%	100%	213,411,309	100%	100%	213,411,309	100%	100%

(a) Under the terms of the Shareholders' Agreement with Dassault Aviation (the "Industrial Partner"), the "Public Sector" is represented by TSA, excluding the French State directly. Since January 29, 2018, the public institution EPIC Bpifrance has held all TSA capital, apart from one preferred share held by the French State. EPIC Bpifrance and the French State have also agreed to consult with TSA under the terms and conditions described in AMF Notice No. 218C0137 of January 16, 2018. All Thales shares held directly and indirectly by the French State have been in directly registered form for more than two years and thus have a double voting right as at December 31, 2023.

(b) Dassault Aviation holds 44,372,918 directly registered shares, of which 36,069,349 have been held for more than two years and therefore have double voting rights as of December 31, 2023, and also holds 10,377,082 bearer shares.

(c) This line shows total employee share ownership. For information purposes, since law No. 2019-486 of May 22, 2019, employee share ownership within the meaning of the French Commercial Code (Article L. 225-102) excludes shares granted free of charge under the LTI Plans prior to 2016 (in the absence of an amendment to the bylaws to include such shares) and amounted, as at December 31, 2023, to 4,870,934 shares and 9,188,903 voting rights, i.e., 2.32% of the capital stock and 3.03% of the exercisable voting rights, respectively.

6.2.1.3 Main transactions that changed the distribution of capital over the last five financial years

During the year 2019, the number of treasury shares increased as a result of the following transactions:

- 730,000 shares were purchased on the market;
- 906,402 shares were purchased under a liquidity contract;
- 993,676 shares were sold under a liquidity contract;
- 223,640 shares were assigned as free shares;
- 506,515 shares were sold to employees under the 2019 employee shareholding plan.

As of December 31, 2019, the company held 560,866 treasury shares, representing 0.26% of the capital.

During the year 2020, the number of treasury shares increased as a result of the following transactions:

- 180,000 shares were purchased on the market;
- 1,310,502 shares were purchased under a liquidity contract;
- 1,285,002 shares were sold under a liquidity contract;
- 226,125 shares were assigned as free shares;
- 42,645 shares were sold to employees under the 2019 employee shareholding plan.

As of December 31, 2020, the company held 497,596 treasury shares, representing 0.23% of the capital.

During the year 2021, the number of treasury shares was reduced by the following transactions:

- 790,000 shares were purchased on the market;
- 1,413,610 shares were purchased under a liquidity contract;
- 1,494,365 shares were sold under a liquidity contract;

- 150,130 shares were assigned as free shares;
- 563,536 shares were sold to employees under the 2021 employee shareholding plan.

As of December 31, 2021, the company held 493,175 treasury shares, representing 0.23% of the capital.

During the year 2022, the number of treasury shares was reduced by the following transactions:

- 2,995,104 shares were purchased on the market;
- 735,314 shares were purchased under a liquidity contract;
- 781,117 shares were sold under a liquidity contract;
- 129,067 shares were assigned as free shares;
- 36,106 shares were sold to employees under the 2021 employee shareholding plan.

As of December 31, 2022, the company held 3,277,303 treasury shares, representing 1.53% of the capital.

During the year 2023, the number of treasury shares increased as a result of the following transactions:

- 3,713,535 shares were purchased on the market;
- 591,432 shares were purchased under a liquidity contract;
- 621,129 shares were sold under a liquidity contract;
- 218,186 shares were assigned as free shares;
- 0 shares were sold to employees under the 2021 employee shareholding plan;
- 3,201,169 shares were cancelled as part of the capital reduction.

As of December 31, 2023, treasury shares thus represented 3,541,786 shares or 1.68% of the capital.



6.2.2 Potential capital

6.2.2.1 Maximum potential capital as of December 31, 2023

As of December 31, 2023 there were no outstanding securities giving immediate or future access to the share capital. The maximum potential capital on December 31, 2023 is therefore equal to the outstanding share capital of 210,210,140 shares.

6.2.2.2 Outstanding securities giving access to share capital (bonds, warrants, and options)

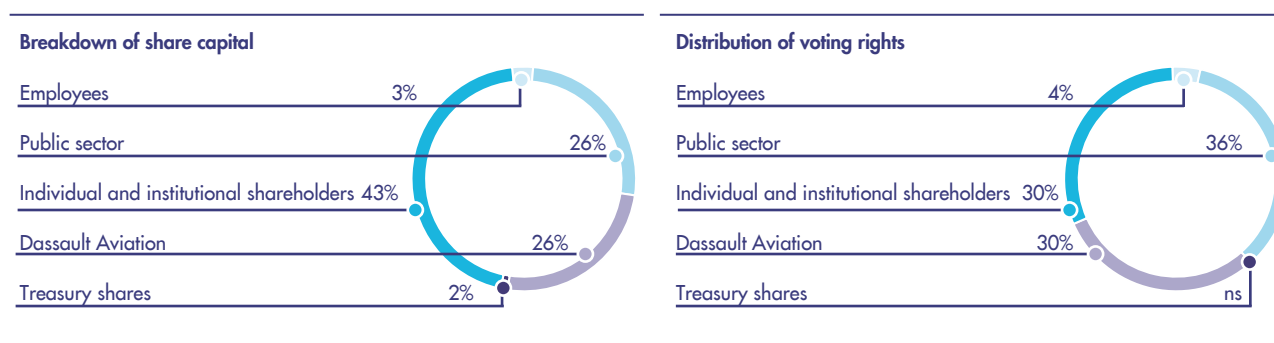
Share purchase and subscription options (stock options)

As of December 31, 2023, all share purchase and subscription option plans have expired.

Thales decided to stop granting options in 2012.

6.2.3 Shareholders

6.2.3.1 Breakdown at December 31, 2023



6.2.3.2 Shareholders acting in concert

6.2.3.2.1 "Public Sector" (TSA)

TSA is a holding company wholly owned as of December 31, 2023 by EPIC Bpifrance, with the exception of one preferred share kept by the French State. TSA directly holds 54,786,654 Thales shares.

The French State directly owns 2,060 shares, including one "golden share", which gives it the main rights ⁽¹⁾ described in section 6.2.3.3.5.

6.2.3.2.2 "Industrial Partner" (Dassault Aviation)

Dassault Aviation, whose shares are listed on the Euronext Paris stock market, is a public limited company that holds 26.05% of the share capital of Thales, i.e., 54,750,000 Thales shares as of December 31, 2023.

Dassault Aviation is controlled by Groupe Industriel Marcel Dassault (GIMD), which, at December 31, 2023, held 64.31% of the share capital and 79.26% of the exercisable voting rights of Dassault Aviation.

6.2.3.3 Shareholders' agreement, agreement on the protection of strategic national interests, specific agreement, and golden share

Through the signature of an "endorsement agreement" concluded with the French State in the presence of Alcatel-Lucent, in 2009, Dassault Aviation assumed the rights and obligations of Alcatel-Lucent, subject to certain adaptations, by endorsing the agreements concluded on December 28, 2006 - namely the shareholders' agreement and the agreement on the protection of national strategic interests in Thales ⁽²⁾.

6.2.3.3.1 Shareholders' agreement between the "Public Sector" and the "Industrial Partner"

The shareholders' agreement governing the relationship between the Public Sector and the Industrial Partner within Thales was concluded on December 28, 2006 by TSA and Alcatel-Lucent and came into force on the date of completion of the Alcatel-Lucent Participations contribution, i.e., January 5, 2007.

⁽¹⁾ Under Article 3 of Decree No. 97-190 of March 4, 1997.

⁽²⁾ See Decision No. 207C0013 of January 2, 2007 published in the Bulletin des annonces légales obligatoires of January 5, 2007.

Company and share capital

Share capital and shareholders

This pact was signed pursuant to the cooperation agreement concluded on December 1, 2006, between Thales, Alcatel-Lucent, and TSA, which replaced the previous cooperation agreement concluded on November 18, 1999, between Alcatel, Thales, and GMD^[3]. This agreement essentially adopted the provisions of the shareholder agreement entered into on April 14, 1998, which it replaced^[4].

On May 19, 2009, when Dassault Aviation acquired the Thales shares previously owned by Alcatel-Lucent, an agreement took effect under which Dassault Aviation endorsed the existing shareholders' agreement between Alcatel-Lucent and the Public Sector, subject to amendments. The agreement under which TSA and Dassault Aviation act in concert concerning Thales under Article L. 233-10 of the French Commercial Code, TSA having a majority within the concert, sets out the following provisions^[5]:

Members of the executive bodies of Thales

The Thales Board of Directors, composed of 16 members, must, as of December 31, 2023, respect the following distribution:

- 5 members nominated by the Public Sector;
- 4 members nominated by Dassault Aviation;
- 2 employee representatives;
- 1 employee shareholder representative;
- 4 external individuals selected jointly by the Public Sector and Dassault Aviation.

The number of directors appointed upon proposal by Dassault Aviation may not be higher than the number of directors appointed upon proposal by the Public Sector. The number of directors for each shall be at least equal to the greater of the following two numbers: (i) the number of directors other than employee representatives and outside persons, multiplied by the percentage of Thales shares held by Dassault Aviation, in relation to the sum of the holdings of the Public Sector and Dassault Aviation, and (ii) the number of directors representing employees.

Should Dassault Aviation's shareholding exceed that of the Public Sector, the parties to the agreement will increase the total number of Thales directors from 16 to 17, so as to be represented by five directors each.

The Chairman and Chief Executive Officer is chosen on the basis of a joint nomination by the parties.

Furthermore, the parties have agreed that in the event of a change of Chairman and Chief Executive Officer in accordance with the terms of the shareholders' agreement, they do not intend to propose as a candidate any employee, manager, or senior executive belonging to the Dassault group or having recently left this group.

Finally, it is specified that at least one director representing each of the parties must sit on each of the committees of the Thales Board of Directors.

Decisions to be submitted to the Thales Board of Directors

The parties undertake to submit for mandatory approval by the majority of the Directors representing Dassault Aviation decisions of the Thales Board of Directors relating, in particular, to the appointment and dismissal of the Chairman and Chief Executive Officer, the adoption of the annual budget and the multi-year strategic plan, and significant acquisitions and disposals of shareholdings or assets in excess of €150 million, as well as strategic alliance agreements on technological and industrial cooperation.

However, Dassault Aviation has expressly undertaken to forgo the exercise of the veto right under the agreement over some of Thales' strategic operations; this decision concerns a series of potential acquisitions or disposals. In return, the Public Sector has waived its right to terminate the agreement in the event of a persistent disagreement regarding a strategic operation likely to harm its strategic interests^[6].

Should Dassault Aviation exercise its veto right with respect to the appointment of the Chairman and Chief Executive Officer after a consultation period of three months, either of the parties may terminate the agreement.

Shareholder interests

Dassault Aviation must hold at least 15% of the share capital and voting rights in Thales and remain the largest private shareholder in Thales. The Public Sector must take whatever measures are required to enable Dassault Aviation to comply with this undertaking.

The Public Sector undertakes to restrict its shareholding to 49.9% of Thales' capital and voting rights.

Term of the shareholders' agreement

In the absence of termination, on expiry of the contract on December 31, 2021, the agreement was tacitly renewed for another period of five years, expiring on December 31, 2026. It may be tacitly renewed for further five-year periods.

The agreement will be automatically terminated and the concerted action between TSA and Dassault Aviation will also automatically cease should one of the parties commit, without prior consultation with the other party, an action which creates an obligation to make a public offer for Thales.

Option of unilateral termination of the agreement and agreement to sell to the Public Sector

The Public Sector has the option of terminating the agreement and asking Dassault Aviation to suspend the exercise of the voting rights that it holds above a threshold of 10% or to reduce its shareholding to less than 10% of Thales' capital in the event of:

- a serious breach by Dassault Aviation of its obligations that would substantially compromise the protection of the strategic interests of the French State, given that said obligations are subject to an "agreement on the protection of strategic national interests in Thales" (see below);
- a change in control of Dassault Aviation.

^[3] Published in the *Journal Officiel de la République Française* of December 12, 2006 (see the *Journal Officiel* website: www.journal-officiel.gouv.fr) in accordance with the provisions of Article 1 (1) of Decree 93-1041 of September 3, 1993 and pursuant to the aforementioned law No. 86-912 of August 6, 1986.

^[4] This agreement is presented in the appendix to the report of Thales' Board of Directors to the Extraordinary Annual General Meeting of January 5, 2007, registered by the AMF on December 19, 2006 under number E.06-194 (available on the AMF website).

^[5] With respect to the plan to separate the functions of Chief Executive Officer and Chairman, an amendment to the Thales shareholders' agreement was concluded between the Public Sector and Dassault Aviation on April 7, 2015, aimed at modifying the shareholders' agreement such that the Thales Board of Directors has 18 members, including 6 nominated by the Public Sector, 5 by the Industrial Partner (Dassault Aviation), 2 employee representatives, 1 employee shareholder representative, and 4 outside individuals. As the plan to separate the functions of Chief Executive Officer and Chairman did not succeed, the Shareholders' Agreement was reinstated in its initial version of May 19, 2009, by means of amendment 2, signed on May 13, 2015, and the provisions of the Agreement therefore remain unchanged. For more details on these amendments, refer to D&I 215C0404 of April 7, 2015 and D&I 215C0643 of May 15, 2015, published on the AMF's website.

^[6] Acquisitions or disposals identified by the French State as having potentially significant importance with regard to its strategic defence interests and aimed at strengthening the industrial and technological defence base in France.



In this respect, Dassault Aviation irrevocably and definitively grants the Public Sector a promise to sell all of the shares held by Dassault Aviation if it is determined that Dassault Aviation's shareholding in Thales has remained above 10% of Thales' capital within six months of the Public Sector's request to reduce its stake.

The Public Sector ⁽⁷⁾ was bound by an undertaking to hold a stake in Thales, granting it at least 10% of the voting rights. This commitment expired on December 31, 2014 ⁽⁸⁾.

6.2.3.3.2 Agreement on the protection of strategic national interests

In addition, on May 19, 2009, Dassault Aviation endorsed the "agreement on the protection of national strategic interests in Thales," concluded on December 28, 2006, between Alcatel-Lucent and the French State, in the presence of TSA. This endorsement gives rise to the following obligations for Dassault Aviation:

- Dassault Aviation's registered office and operational headquarters must remain in France;
- directors of Thales nominated by Dassault Aviation must be nationals of the European Union;
- access to sensitive information concerning Thales is strictly controlled within Dassault Aviation;
- managers who are responsible for Dassault Aviation's holdings in Thales are French nationals;
- Dassault Aviation uses its best endeavors to prevent any action or influence in the governance and businesses of Thales by foreign national interests. In this respect, in the event of (i) a serious and unremedied breach by Dassault Aviation of its obligations under the agreement on the protection of strategic national interests, or if it emerges that the application of a foreign law by Dassault Aviation creates constraints for Thales that substantially compromise the protection of the strategic interests of the French State, or (ii) a change in control within Dassault Aviation contrary to the strategic interests of the Public Sector, the Public Sector may:
 - terminate the rights that Dassault Aviation enjoys under the shareholders' agreement; and if it deems it necessary,
 - ask Dassault Aviation either to suspend the exercise of any voting rights it holds in excess of 10%, or
 - to reduce its shareholding to less than 10% of Thales' capital through the disposal of shares on the market (under conditions consistent with its financial interests and market constraints). At the end of a six-month period from the date on which it was asked to reduce its shareholding, if the shareholding of Dassault Aviation is still in excess of 10% of Thales' capital, the French State may proceed with the aforementioned undertaking to sell.

6.2.3.3.3 Crossing of thresholds and declaration of intent

- Following the substitution of Alcatel-Lucent Participations by Dassault Aviation, within the concert formed with the Public Sector vis-à-vis Thales and the disposal of Thales shares owned by GIMD to Dassault Aviation on May 19, 2009, the latter exceeded jointly with the Public Sector the thresholds of 25% of the voting rights, 1/3 of the capital and voting rights, and 50% of the voting rights of Thales, and on May 20, 2009 the threshold of 50% of the capital of Thales.

On May 20, 2009, the Public Sector together with Dassault Aviation exceeded the threshold of 50% of the capital of Thales.

These changes were granted dispensation from the obligation to submit a proposal for a public offer. This decision is reproduced in Decision 208C2115 of November 27, 2008 and published in the Bulletin officiel des annonces légales (BALO) of December 1st 2008.

It is available on the BALO website <https://www.journal-officiel.gouv.fr/balo/index.php>.

- Dassault Aviation declared ⁽⁹⁾ that on July 9, 2012, it had individually exceeded the threshold of 25% of the voting rights and that, on that date, it individually held 52,531,431 Thales shares, representing 86,531,431 voting rights, i.e., 25.96% of the capital and 29.33% of the voting rights.

This threshold was crossed due to the allocation of double voting rights to Dassault Aviation on a portion of its shareholding.

- Dassault Aviation declared ⁽¹⁰⁾ that on January 13, 2016, it "dropped below the threshold of 25% of the Company's capital and that it individually held 52,531,431 Thales shares, representing 87,185,780 voting rights, i.e., 24.90% of the Company's capital and 28.59% of its voting rights".

Also, Dassault Aviation revealed that it crossed this threshold due to increasing the total number of Thales shares and voting rights. On this occasion, the concert party formed by TSA (Public Sector) and Dassault Aviation had not exceeded any thresholds.

- On January 15, 2018, the State and EPIC Bpifrance entered into an allocation agreement under which the State decided to allocate EPIC Bpifrance with 109,999,999 TSA shares, representing 99.99% of this company's capital (the State retaining one TSA share), it being recalled that TSA holds 54,786,654 Thales shares representing 109,573,308 voting rights.

This allocation agreement provides, in particular, for EPIC Bpifrance to act in concert with the French State with regard to TSA, and through TSA alongside the French State to act in concert with Dassault Aviation vis-à-vis Thales.

EPIC Bpifrance's exceeding in concert the 30% threshold of Thales' capital and voting rights was the subject of a prior decision by the AMF to waive the obligation to file a public offering. This was reproduced in Decision No. 217C0137 dated January 16, 2018.

- Following the completion of the allocation on January 29, 2018, EPIC Bpifrance declared ⁽¹¹⁾ that it had, in concert with the French State, indirectly exceeded the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 1/3, and 50% of the share capital and voting rights of Thales, through the intermediary of TSA, which acts in concert with Dassault Aviation. On this occasion, EPIC Bpifrance indirectly crossed, on January 29, 2018, via the intermediary of TSA, the thresholds of 5%, 10%, 15%, 20%, and 25% of the capital and voting rights and 1/3 of the voting rights of the Company. The disclosure mentioned, in particular, that this transaction did not modify the terms and conditions of the concert between TSA and Dassault Aviation or the percentages of the joint stake in the capital and voting rights of Thales, that the French State remains the dominant party within this concert, and that, in accordance with the allocation agreement, EPIC Bpifrance will not ask to be represented on the Thales Board of Directors, such that the representation of the French State and Dassault Aviation on said Board will remain unchanged.

⁽⁷⁾ TSA and Sofivision, within the meaning of AMF Decision No. 208C2115. TSA absorbed Sofivision in the second half of 2012.

⁽⁸⁾ See AMF Decision No. 208C2115, dated November 27, 2008, published in the Bulletin officiel des annonces légales (BALO) of December 1, 2008 and available on the AMF website. "The Public Sector will undertake to retain, after the agreement has reached its normal expiry date, a shareholding in Thales, giving it at least 10% of the voting rights until the earliest of the following three dates: (i) December 31, 2014, (ii) three years from the termination of the agreement, (iii) the date on which Dassault Aviation ceases to hold at least 15% of the share capital of Thales."

⁽⁹⁾ See AMF Decision No. 212C0909 of July 12, 2012, available on the AMF website.

⁽¹⁰⁾ See AMF Decision No. 216C0199 of January 20, 2016, available on the AMF website.

⁽¹¹⁾ See AMF Decision No. 218C0345 of February 6, 2018, available on the AMF website.

- Dassault Aviation declared ⁽¹²⁾ that on July 25, 2023, it had exceeded the threshold of 25% of the Company's capital and that it individually held 52,665,702 Thales shares, representing 91,295,051 voting rights, or 25.05% of the Company's capital and 29.49% of its voting rights. Dassault Aviation also indicated that this threshold crossing was the result of an acquisition of Thales shares on the market and that, on this occasion, the concert formed by (i) EPIC Bpifrance in concert with the French State indirectly through TSA and (ii) Dassault Aviation did not cross any thresholds. In accordance with applicable regulations, the statement mentioned Dassault Aviation's intentions for the following six months, and in particular that:

- Dassault Aviation intended to pursue the acquisition of additional Thales shares depending on market opportunities and, in any event respecting the French State's continued predominance within the concert;
- Dassault Aviation had no intention of acquiring sole control of Thales, given that the concert already held such control, nor of requesting a change in the distribution of the number of directors within Thales.

- On September 5, 2023, as a result of the French State's taking over all 109,999,999 TSA shares from EPIC Bpifrance, the concert between the French State and EPIC Bpifrance in TSA came to an end. On this occasion, EPIC Bpifrance ⁽¹³⁾ declared that, on the same date, it had, in concert with the French State and indirectly through TSA, acting in concert with Dassault Aviation vis-à-vis Thales, crossed below the thresholds of 50%, 1/3, 30%, 25%, 20%, 15%, 10% and 5% of the Company's capital and voting rights, and no longer held any shares in the Company. On this occasion, EPIC Bpifrance, through the intermediary of TSA, indirectly fell below the thresholds of 1/3 of the voting rights and 25%, 20%, 15%, 10% and 5% of the capital and voting rights of the Company. In particular, the declaration states that this transaction does not modify the terms and conditions of the concert between TSA and Dassault Aviation or the participation of this concert in Thales.

6.2.3.3.4 Specific agreement

On December 28, 2006, the French State (the Ministry of Defence and Ministry of the Economy) and Thales signed an agreement to give the French State control not only over the transfer of assets already mentioned in the appendix to Decree No. 97-190 of March 4, 1997 but also over shares in Thales Alenia Space SAS, (hereinafter referred to as the "Strategic Asset"). The main elements of this agreement are as follows:

a) Where the Strategic Asset is a company (the "Strategic Company")

- Any proposed transfer of shares in the Strategic Company to a third party, such that the third party exceeds the threshold of 33.3% of the share capital.
- Any proposed transfer of shares in the Company that directly or indirectly controls the Strategic Company to a third party, such that the third party exceeds the threshold of 33.3% of the share capital.

b) Where the Strategic Asset is an isolated asset, an unincorporated division or branch of the business (the "Strategic Division")

- Any proposed transfer of shares in the Company that owns the Strategic Division to a third party, such that the third party exceeds the threshold of 33.3% of the share capital.
- Any proposed transfer of shares in the Company that directly or indirectly controls the company referred to in the previous paragraph to a third party, such that the third party exceeds the threshold of 33.3% of the share capital.

c) Any proposed transfer of sensitive assets to a third party

d) And any proposal intended to confer or having the effect of conferring particular rights on a third party

Shall be disclosed to the French State, which undertakes to issue its acceptance or refusal decision within thirty (30) working days from receiving said notification. Failure by the French State to communicate its decision during said time signifies acceptance of the proposed transaction.

6.2.3.3.5 Golden share held by the French State and other restrictions related to foreign investments in France

The golden share held by the French State ⁽¹⁴⁾ entitles it to the following rights:

- "Any increase in the direct or indirect holding of securities, irrespective of the nature or legal form, beyond a threshold of one-tenth or a multiple thereof of the capital or voting rights of the Company by any natural person or legal entity, whether acting alone or in concert, must be approved in advance by the Minister for the Economy (...);"
- "Upon the proposal of the Minister of Defence, a representative of the French State appointed by decree sits on the Board of Directors of the Company as a non-voting director";
- "(...) decisions to dispose of or assign by way of guarantee the assets specified in the appendix to this decree may be opposed."

As of December 31, 2023, these assets consisted of the majority of the share capital in the following companies:

Thales DMS France SAS, Thales (Wigmore Street) Ltd, Thales SIX GTS France SAS, Thales IAS France SAS, Thales Nederland BV, Thales AVS France SAS, Thales Underwater Systems NV.

In addition, as a result of some of Thales' activities, particularly in the defence sector, shareholders and investors may be subject to certain restrictions applicable to foreign investments in France in accordance with Article L. 151-3 of the French Monetary and Financial Code and Article 10 of law No. 86-912 of August 6, 1986 on the terms and conditions of privatization.

6.2.3.4 Treasury Shares

As of December 31, 2023, Thales held 3,541,786 of its treasury shares (1.68% of the share capital), i.e., the balance of the shares acquired and sold on the stock market or otherwise, under the authorizations granted to the Board of Directors by the Annual General Meeting, as described below.

Treasury shares are not subject to any restrictions and are freely transferable.

6.2.3.4.1 Authorization to trade in the Company's shares

In its delegation of authority to the Chairman and Chief Executive Officer for transactions in treasury shares, on March 2, 2022, the Board of Directors set the maximum buyback price at €140, subject to the adoption of the share buyback resolution by the Annual General Meeting of May 11, 2022. On March 7, 2023, the Board of Directors decided to increase this maximum buyback price to €190 from May 11, 2023, subject to adopting the share buyback resolution by the Annual General Meeting of May 10, 2023.

⁽¹²⁾ See AMF Decision No. 223C1198 of July 28, 2023, available on the AMF website.

⁽¹³⁾ See AMF Decision No. 223C1384 of September 7, 2023, available on the AMF website.

⁽¹⁴⁾ Under Article 3 of Decree No. 97-190 of March 4, 1997.



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The transactions carried out in 2023 show a net purchase of 264,483 treasury shares, the details of which are as follows:

- purchase of shares on the market for cancellation (3,458,535);
- purchase of shares on the market to meet commitments to deliver free shares (218,186);
- delivery to beneficiaries of free shares and 2021 employee shareholding transaction (218,186);
- liquidity contract, net sales for the period: (-29,697) shares;
- cancellation of 3,201,169 shares as part of the capital reduction.

6.2.3.4.2 Authority to cancel Company shares

The authorization granted to the Board of Directors by the Annual General Meeting of May 17, 2005, for a period of twenty-four months, to cancel, on one or more occasions, the shares held by the Company, up to a limit of 10% of the share capital, as part of an authorization to buy back its own shares, was renewed by the Annual General Meetings of May 16, 2007, May 15, 2009, May 18, 2011, May 24, 2013, May 13, 2015, May 17, 2017, May 15, 2019, May 6, 2021, and May 10, 2023.

The Board of Directors, acting under the authorization granted by the Annual General Meeting of May 6, 2021, decided to cancel, with effect on March 13, 2023, 3,201,169 treasury shares, i.e., 1.5% of the share capital, that were acquired in the framework of the share buyback program decided on during its meeting of March 2, 2022. It is contemplated that the remaining 4,268,227 shares acquired under the share buyback program decided at the Board meeting of March 2, 2022 (see section 6.2.3.4.3.1 below) and not yet cancelled, corresponding to around 2% of the share capital, be cancelled, upon decision by the Board of Directors during the final quarter of 2024.

6.2.3.4.3 Share buyback program⁽¹⁵⁾

6.2.3.4.3.1 Description of the buyback program approved by the Annual General Meeting of May 10, 2023

- Maximum portion of capital subject to repurchase: 10% of the share capital, on the buyback date.
- Maximum theoretical number of shares that may be repurchased (indicative, given the number of shares making up the share capital as at December 31, 2023): 21,021,014.
- Maximum theoretical amount of the program: €3,993,992,660⁽¹⁶⁾.
- Maximum unit purchase price: €190.

The objectives of the share buyback program which was approved by Annual General Meeting of May 10, 2023 are as follows:

- to sell or allocate shares or rights attached to securities, particularly when share purchase options are exercised or existing free shares are allocated, or when shares are sold and/or supplemented under an employee shareholding scheme transaction on existing shares, or in the event of allocations in any shape or form, to employees and executives of the Company and/or related companies, and to the Company representative, under the conditions defined by the applicable legal provisions in force;
- to retain shares for later use in connection with acquisitions, mergers, demergers or contributions;
- to implement market practices accepted by the French financial markets authority, such as buy or sell transactions under a liquidity

contract entered into with an investment services provider and in accordance with the Code of Ethics recognized by the French financial markets authority (AMF);

- to cancel shares in accordance with an Annual General Meeting resolution in force; and
- more generally, with a view to carrying out any operation in accordance with the regulations in force.

Duration of the program: eighteen months from the Annual General Meeting of May 10, 2023, i.e., no later than November 9, 2024.

Thales has repurchased shares based on the authorization granted by the Annual General Meeting of May 10, 2023, in particular in the context of the two significant contracts described below.

Liquidity contract

In November 2004, Thales entered into a liquidity contract in accordance with the AFEI Code of Conduct, in order to regulate share trading. The contract was amended to comply with the AFEI Code of Conduct appended to the AMF decision of March 22 2005, and since January 2019 with AMF Decision No. 2018-01 of July 2, 2018 establishing liquidity contracts on equity securities as an accepted market practice.

Share buyback mandate

Considering the outlook for growth and cash generation, as well as the Group's rapid net debt reduction, the Board of Directors decided on March 2, 2022 to implement a share buyback program concerning a maximum of 3.5% of the capital (approximately 7.5 million shares). This program started on April 4, 2022 and was completed on schedule at the end of March 2024.

To this end, Thales signed a share purchase contract with an investment services provider. The Group may suspend or interrupt the implementation of this program, particularly due to market circumstances.

In this context, Dassault Aviation has informed Thales of its intent to stay below the threshold of 30% of voting rights, and that, in consequence, it will carry out the necessary conversions from registered to bearer shares.

The shares purchased under this program are intended to be canceled. Thus, a first cancellation operation was carried out on 3,201,169 shares, i.e., 1.5% of the share capital, with effect on March 13, 2023 (cf. section 6.2.3.4.2 hereof).

6.2.3.4.3.2 Trading in Company shares during the 2023 financial year

In 2023, Thales traded in Company shares as part of its share buyback program, established in accordance with the AMF General Regulations (Article 241-1 et seq.).

These transactions were carried out within the framework of the share buyback program approved by the Annual General Meeting of May 11, 2022 for transactions carried out between January 1, 2023 and May 10, 2023, and in accordance with the authorization given by the Annual General Meeting of May 10, 2023 for transactions carried out between May 11, 2023 and December 31, 2023.

As of January 1, 2023, Thales held 3,277,303 treasury shares, or 1.53% of the capital, and 3,541,786 shares as of December 31, 2023.

⁽¹⁵⁾ This program was implemented on the basis of the authorization granted by the Annual General Meeting of May 6, 2021 (resolution No. 12), and then continued on the basis of the authorization granted by the Annual General Meetings of May 11, 2022 (resolution No. 15) and of May 10, 2023 (resolution No. 8). It will continue on the basis of resolution No. 12 submitted to the Annual General Meeting of May 15, 2024, subject to its adoption. (see section 6.2.3.4.3.3 below).

⁽¹⁶⁾ As disclosed publicly on March 13 and 16, 2023, and considering, on the one hand, the capital reduction carried out on 1.5% of the share capital and, on the other hand, treasury shares amounting to 704,884 shares after that operation.

Breakdown of treasury shares by objective at December 31, 2023

The total number of shares held at this date is 3,541,786, representing 1.68% of Thales' share capital. The breakdown by objective was as follows:

Disposal or allotment of shares to Group employees and directors as stipulated by law, particularly when share purchase options are exercised or existing free shares are allotted	475,071
Treasury shares for cancellation	3,022,470
Regulation of the market price by a liquidity contract drawn up in accordance with the AFEI Code of Conduct	44,245

Market value of the treasury shares at December 31, 2023

€474,422,234.70 at the closing price at December 31, 2023, i.e., €133.95.

	Aggregate gross amounts from January 1, 2023 to December 31, 2023	
	Purchases	Sales
Number of shares	4,304,967	621,129
Average transaction price (in euros), including possible discounts and free shares	133.43	134.25
Amounts (in euros)	574,419,320	83,387,893

Thales did not make use of derivatives (futures sales) as part of this buyback program.

6.2.3.4.3.3 Description of the buyback program proposed to the Annual General Meeting of May 15, 2024

- Maximum portion of capital subject to repurchase: 10% of the share capital, on the buyback date.
- Maximum theoretical number of shares that may be repurchased (indicative, given the number of shares making up the share capital as at December 31, 2023): 21,021,014.
- Maximum theoretical amount of the program: €3,993,992,660.
- Maximum unit purchase price: €190.

The objectives of the share buyback program proposed to the Annual General Meeting of May 15, 2024 are as follows:

- to sell or allocate shares or rights attached to securities, particularly when share purchase options are exercised or existing free shares are allocated, or when shares are sold and/or supplemented under an employee shareholding scheme transaction on existing shares, or in the event of allocations in any shape or form, to employees and executives of the Company and/or related companies, and to the Company's executive corporate officer, under the conditions defined by the applicable legal provisions in force;
- to retain shares for later use in connection with acquisitions, mergers, demergers or contributions;
- enable the operation of the Thales share market by an investment service provider within the framework of a liquidity contract in accordance with market practice accepted by the French financial markets authority (AMF);
- the cancellation of all or part of the shares thus repurchased;

This program is also intended to enable the implementation of any market practice which may be accepted by the Financial Markets Authority, and more generally, the carrying out of any other operation in compliance with the regulations in force, of which the Company will inform its shareholders by means of a press release.

Duration of the program: 18 months from the Annual General Meeting of May 15, 2024, i.e. no later than November 14, 2025.

Subject to the approval by the Annual General Meeting of the above proposed share buyback program, the Company intends to continue the liquidity contract mentioned in section 6.2.3.4.3.1 above. Moreover, the share buyback program decided by the Board on March 2, 2022, concerning a maximum of 3.5% of the capital (see page 227 of the 2022 Universal Registration

Document, "share buyback mandate" section), was completed for this amount, as planned, by the end of March 2024.

6.2.3.5 Free shares, unit, or phantom shares plans subject or not subject to performance conditions

The Group regularly grants its employees and executives free shares as part of its performance management policy for Group employees. These various plans are described below.

6.2.3.5.1 Allotment of free shares**Allotments of free shares and/or performance shares**

In 2023, with the approval of the Annual General Meeting, the Board of Directors set up a fifteenth free share allotment plan.

The Chairman and Chief Executive Officer (the sole Executive corporate officer) is not eligible for this plan.

The allocation of July 20, 2023 is characterized as follows:

Shares subject to performance conditions

- Based on the 2022 plan, four criteria are used: EBIT, free operating cash flow, organic sales growth and the reduction of operational greenhouse gas emissions, each of which accounts for 40%, 25%, 25% and 10%, respectively.
- Performance conditions are calculated in tranches over three consecutive years: 2024, 2025 and 2026.
- Shares may be validated in tranches of one-third, once the Board of Directors has approved the Group's consolidated financial statements for the three financial years concerned.
- The number of shares vested will not exceed the number of shares initially awarded.
- All designated beneficiaries of the plan are awarded shares validated at the end of a four-year vesting period, subject to compliance with the employment conditions stipulated in the plan's rules.



Date of Board decision	07/20/2023	06/30/2022	07/01/2021	11/24/2020
	Performance shares	Performance shares	Performance shares	Performance shares
Number of beneficiaries at grant date	848	815	850	957
Share price at grant date (in euros)	€138.55	€116	€86.04	€79.6
Number of shares awarded	286,010	268,555	303,360	375,235
Balance of free shares as of 12/31/2022	—	267,485	297,010	361,785
Cancellation of allotments in the financial year 2023	310	4,515	4,520	3,970
Adjustment	—	—	—	—
Early allotments during the 2023 financial year ^(a)	—	195	850	750
Number of shares delivered on expiry of the plan	N/A	N/A	N/A	N/A
Balance of free shares, net of cancellations and early allotments as of 12/31/2023	285,700	262,680	289,580	351,715
Number of beneficiaries remaining as of 12/31/2023	847	797	808	898
Vesting period	from 07/20/2023 to 07/20/2027	from 06/30/2022 to 06/30/2026	from 07/01/2021 to 07/01/2025	from 11/24/2020 to 11/24/2024

(a) Due to the death of beneficiaries.

Allotment of shares in financial year 2023

Ten largest share awards to employees during the financial year	Number of shares awarded	Share price on the date of award	Plan's date
Shares subject to performance conditions	53,650	€138.55	07/20/2023

During the financial year 2023, the allotment of shares subject to performance conditions to employees of the Company or its subsidiaries (excluding Thales executive officers) was between 125 and 7,200 shares.

6.2.3.5.2 Allotment of units or units subject to performance conditions indexed to the Thales share price

No plan for the allotment of units was set up for employees in 2023.

6.2.3.5.3 Allotment of phantom shares or phantom shares subject to performance conditions indexed to the Thales share price

In July 2023, a phantom share plan based on the Thales share price was implemented for certain international employees. This plan is equivalent to the performance-based free share plans offered to employees in France.

Through this plan, 328 people received 87,970 phantom shares under the same performance conditions as the free shares awarded on the same date.

6.2.3.5.4 Validation of performance conditions for financial year 2023

Stock option, unit and phantom share plans subject to performance conditions	Validation of 1st third of share award		Validation of 2nd third of share award		Validation of final 3rd of share award	
	Reference year	% of performance conditions achieved	Reference year	% of performance conditions achieved	Reference year	% of performance conditions achieved
11/25/20	2021	100%	2022	100%	2023	100%
07/01/21	2022	100%	2023	100%	2024	—%
06/30/22	2023	100%	2024	—%	2025	—%
07/20/23	2024	—%	2025	—%	2026	—%

6.2.3.6 Shares Owned by the Public

The Company is entitled to obtain information at any time, under the conditions provided for by law, on the identity and quantum of the shareholding of holders of bearer securities representing, immediately or in the future, a fraction of its share capital (the "Identifiable Bearer Security" or "IBS" Procedure).

Based on the results of the "ICC" surveys carried out at the end of the year with Euroclear France and the information on employee shareholding available to the Company, the breakdown of shares held by the public can be estimated as follows:

(in thousands of shares)	12/31/23	12/31/22
French institutional investors	16,490	18,366
Non-resident institutions	64,063	68,179
Others (brokerage firms, etc.)	2,130	2,125
Employee share purchase plan	6,109	6,330
Individual shareholders and associations ^(a)	7,404	7,201
Not identified	934	612
Subtotal (all holders)	97,130	102,814
TOTAL NUMBER OF SHARES	210,210	213,411

(a) Mainly French residents.

	As a % of total capital		As a % of free-floating capital (excluding treasury shares)	
	12/31/23	12/31/22	12/31/23	12/31/22
French institutional investors	7.8	8.6	17.0	17.9
Non-resident institutions	30.5	32.0	66.0	66.3
Others (brokerage firms, etc.)	1.0	1.0	2.2	2.0
Employee share purchase plan	2.9	3.0	6.3	6.2
Individual shareholders and associations	3.5	3.4	7.6	7.0
Not identified	0.4	0.3	0.9	0.6
ALL HOLDERS	46.2	48.2	100	100

• GEOGRAPHIC BREAKDOWN OF INSTITUTIONAL INVESTORS

12/31/2023	Number of shares held (in thousands)	As a % of total share capital	As a % of free-floating capital	Number of investors
France	16,490	7.8	18.1	94
Continental Europe (excluding France)	7,450	3.5	8.2	144
North America	41,758	19.9	45.9	144
United Kingdom & Ireland	12,235	5.8	13.4	81
Rest of the world	2,620	1.3	2.9	65
TOTAL	80,553	38.3	88.5	528

6.2.3.7 Employee Shareholdings as of December 31, 2023

As of December 31, 2023, employees and former employees of the Group held 6,109,028 Thales shares, representing 2.91% of the capital (and 3.84% of the exercisable voting rights) ^(d).

Holding by country	In number of shares	As a % of employee share ownership	As a % of capital	Related voting rights as a % of total exercisable voting rights
Shares held through the Group savings plan PEG in France and worldwide (two dedicated funds ^(a))	3,872,228	63.39%	1.84%	2.54%
Shares held through the Group savings plan PEG in the Netherlands (one dedicated fund ^(b))	77,069	1.26%	0.04%	0.05%
Shares held through a trust – SIP ^(c) – United Kingdom	207,329	3.39%	0.10%	0.07%
Directly held shares – United States	72,241	1.18%	0.03%	0.02%
Shares held directly – France and world	158,484	2.59%	0.08%	0.10%
Shares held directly through allotments of free shares (Article L. 225-197-1 of the French Commercial Code) – France and world	1,721,677 ^(e)	28.18%	0.82%	1.05%
Total number of shares held by current or former employees ^(d)	6,109,028	100%	2.91%	3.84%
TOTAL SHARE CAPITAL	210,210,140	–	–	–

(a) "Actions Thales" and "World Classic" funds.

(b) "Netherlands Classic" funds.

(c) FCPE equivalents.

(d) This line shows total employee share ownership. For information purposes, since law No. 2019-486 of May 22, 2019, employee share ownership within the meaning of the French Commercial Code (Article L. 225-102) excludes shares granted free of charge under the LTI Plans prior to 2016 (in the absence of an amendment to the bylaws to include such shares) and amounted, as at December 31, 2023, to 4,870,934 shares and 9,188,903 voting rights, i.e., 2.32% of the capital stock and 3.03% of the exercisable voting rights, respectively.

(e) This number of shares includes the 2014 and 2015 LTI performance unit plans delivered in 2018 and 2019.



6.3 Related-party agreements

6.3.1 Commitments and agreements authorized after year-end

The Board of Directors has not authorized any new commitments or agreements since the closing date.

6.3.2 Commitments and agreements authorized in 2023

No new related-party commitments or agreements were authorized by the Board of Directors pursuant to Article R. 225-30 (1) of the French Commercial Code in 2023.

6.3.3 Agreements authorized during previous financial years

The agreements authorized by the Board of Directors and approved by the Annual General Meeting in previous financial years that continued to be performed in 2023 have been disclosed to the statutory auditors in accordance with the applicable regulations.

GIE Software République (agreement approved by the Annual General Meeting of May 11, 2022):

On January 27, 2022, Thales SA took part in the creation of an economic interest grouping (EIG) without capital, called "Software République", with several partner companies, including Dassault Systèmes SE (a company which shares a common director with Thales SA, Mr. Charles Edelstenne), and which is in the interest of Thales SA, in that it promotes the launch of innovative projects in the field of connected mobility.

For financial year 2023, Thales SA paid this Economic Interest Grouping a total of 156,000 euros (including VAT) in annual dues and project costs.

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6.3.4 Statutory auditors' report on related-party agreements

Annual General Meeting held to approve the financial statements for the year ended December 31, 2023

To the Annual General Meeting of Thales,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*) of the continuation of the implementation, during the year ended December 31, 2023, of the agreements previously approved by the annual general meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

Agreements submitted for approval to the Annual General Meeting

We hereby inform you that we have not been notified of any agreements authorized and concluded during the year ended December 31, 2023 to be submitted to the Annual General Meeting for approval in accordance with Article L. 225-38 of the French Commercial Code (*Code de commerce*).

Agreements previously approved by the Annual General Meeting

In accordance with Article R. 225-30 of the French Commercial Code (*Code de commerce*), we have been notified that the implementation of the following agreements, which were approved by the annual general meeting in prior years, continued during the year ended December 31, 2023.

- **With Software République, an E.I.G**

Person concerned

Mr Charles Edelstenne, Chairman of the Board of Directors of Dassault Systèmes SE and member of the Board of Directors of your company, partners of the E.I.G.

Nature, purpose, and conditions

On January 27, 2022, your Company participated in the creation of an economic interest grouping without capital, called "Software République", with several partner companies, including Dassault Systèmes SE.

For the 2023 financial year, your Company paid this economic interest grouping the cumulative sum of €156,000 including all taxes as an annual contribution and to cover the costs of the project.

Paris-La Défense, March 4 2024

The Statutory Auditors
French original signed by

MAZARS

Dominique Muller
Ariane Mignon

ERNST & YOUNG Audit

Jean-François Ginies
Vincent Gauthier



6.4 Stock market information and financial communication

6.4.1 Thales shares

6.4.1.1 Listing market

Thales shares are listed on the Euronext Paris (compartment A), a regulated market. They are eligible for the Deferred Settlement Service (DSS).

ISIN Code: FR0000121329

Reuters: TCFP.PA

Bloomberg: HO FP

6.4.1.2 Index listing

As of December 31, 2023, Thales shares are included in the following main indexes:

- Euronext Paris Indices: CAC 40, SBF 120, SBF 250, CAC Large 60, CAC All-Shares and CAC SBT 1.5;
- International Indices: DJ Euro Stoxx, FTSEurofirst 300.

6.4.1.3 Share price and trading volumes on Euronext Paris

6.4.1.3.1 Monthly data from January 2022 to December 2023

	Number of sessions	Number of shares traded	Capital traded (in millions of euros)	Average daily trading volume	Average weighted price (€)	Highest price (€)	Lowest price (€)	Closing price (€)
FY 2023								
January	22	7,295,482	858.1	331,613	117.62	124.85	112.40	121.40
February	20	7,037,189	885.9	351,859	125.89	135.50	116.70	132.20
March	23	7,672,043	1,011.8	333,567	131.88	138.25	126.45	136.35
Q1 2023	65	22,004,714	2,755.8	338,534	125.24	138.25	112.40	136.35
April	18	4,533,401	633.8	251,856	139.80	144.15	135.40	138.40
May	22	5,007,753	677.8	227,625	135.34	142.10	130.30	130.30
June	22	4,776,906	635.4	217,132	133.01	137.55	126.55	137.20
Q2 2023	62	14,318,060	1,946.9	230,936	135.98	144.15	126.55	137.20
July	21	4,691,294	631.3	223,395	134.58	140.20	128.80	135.95
August	23	4,511,859	605.4	196,168	134.17	139.00	128.35	134.80
September	21	4,054,773	553.8	193,084	136.58	140.95	130.80	133.10
Q3 2023	65	13,257,926	1,790.5	203,968	135.05	140.95	128.35	133.10
October	22	5,820,650	803.7	264,575	138.08	145.70	126.65	139.15
November	22	5,102,680	703.8	231,940	137.93	142.10	133.95	136.95
December	19	4,276,456	581.5	225,077	135.97	140.30	133.60	133.95
Q4 2023	63	15,199,786	2,089.0	241,266	137.44	145.70	126.65	133.95
FY 2023	255	64,780,486	8,582.0	254,041	132.48	145.70	112.40	133.95

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	Number of sessions	Number of shares traded	Capital traded (in millions of euros)	Average daily trading volume	Average weighted price (€)	Highest price (€)	Lowest price (€)	Closing price (€)
FY 2022								
January	21	7,233,243	581.2	344,440	80.36	84.20	74.92	81.44
February	20	10,418,970	919.7	520,949	88.27	106.60	77.56	102.90
March	23	23,256,733	2,601.5	1,011,162	111.86	123.10	99.10	113.95
Q1 2022	64	40,908,946	4,102.4	639,202	100.28	123.10	74.92	113.95
April	19	10,481,349	1,276.7	551,650	121.81	131.15	111.85	122.00
May	22	8,931,708	1,046.5	405,987	117.17	127.75	112.25	113.60
June	22	7,753,171	885.1	352,417	114.16	118.45	110.10	117.05
Q2 2022	63	27,166,228	3,208.3	431,210	118.10	131.15	110.10	117.05
July	21	7,532,926	903.4	358,711	119.93	125.70	110.10	121.35
August	23	4,299,312	532.9	186,927	123.95	128.55	118.40	120.15
September	22	6,861,550	791.3	311,889	115.32	123.65	108.15	113.00
Q3 2022	66	18,693,788	2,227.6	283,239	119.16	128.55	108.15	113.00
October	21	6,634,504	775.3	315,929	116.87	129.65	109.00	128.65
November	22	7,787,939	942.4	353,997	121.01	129.60	111.30	122.15
December	21	5,506,164	661.8	262,198	120.20	123.70	116.30	119.30
Q4 2022	64	19,928,607	2,379.6	311,384	119.40	129.65	109.00	119.30
FY 2022	257	106,697,569	11,918.0	415,166	111.70	131.15	74.92	119.30

6.4.1.3.2 Annual data for 2022 and 2023

• PRICE AND PERFORMANCE TRENDS

	2023	2022
Closing price (€)	133.95	119.30
Session high (€)	145.70	131.15
Session low (€)	112.40	74.92
Weighted average price (€)	132.48	111.70
Dividend paid for the previous year (€)	2.94	2.56
Total return for the year (TSR) ^(a) (in %)	+14.8%	+63.1%
Change in Thales share price over the period (in %)	+12.3%	+59.5%
Change in the CAC 40 over the period (in %)	+16.5%	(9.5%)

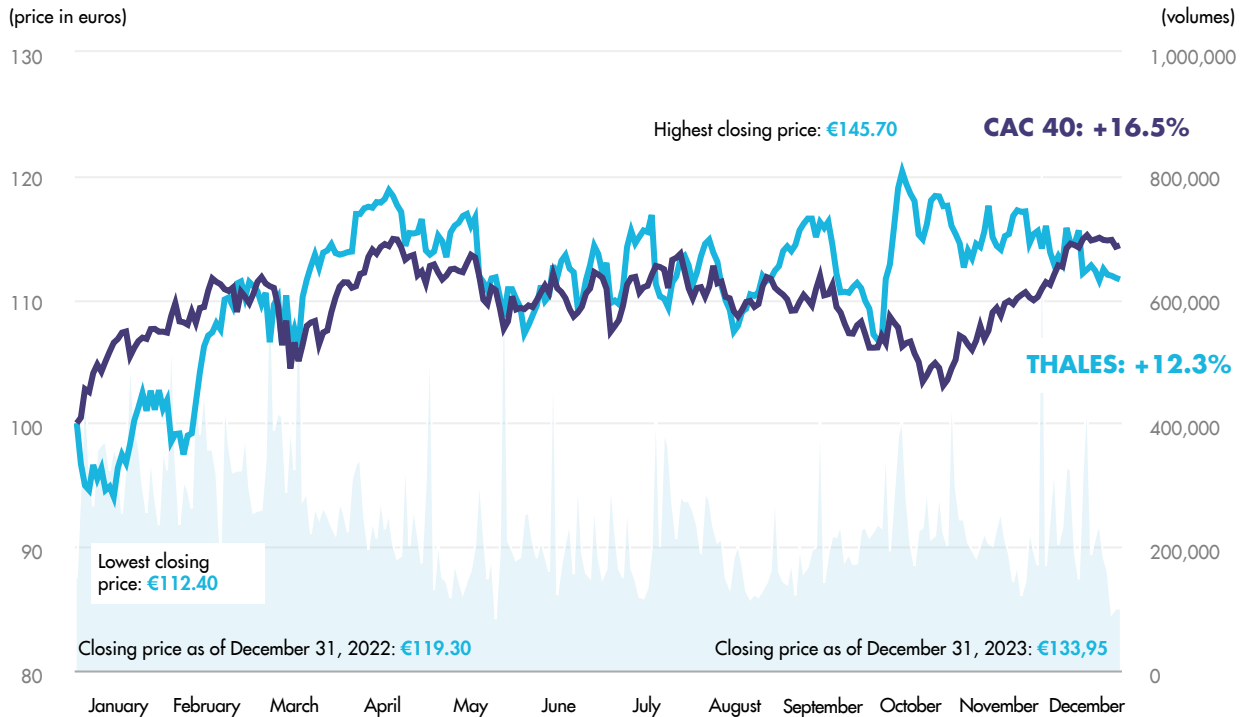
(a) Total Shareholder Return: differential between annual closing prices, plus the dividend paid during the year (for the previous financial year), relative to the initial price.

	2023	2022
Average number of shares traded per session (thousands)	254	415
Total number of shares traded during the period (millions)	65	107
Total capital traded during the period (€m)	8,582	11,918
Monthly average number of shares traded (thousands)	5,398	8,891
Average monthly capital traded (€m)	715	993
Total number of shares comprising the capital (period-end, in millions)	210	213



6.4.1.3.3 Chart and comments on changes in the price and trading volumes from January 1, 2023 to December 31, 2023

• PRICE AND VOLUMES TRADED FROM JANUARY 1, 2023 To December 31, 2023



Comments on share price in 2022 and 2023

- The market recorded good performance in **2023**, with the CAC 40 up by 16.5%. Thales shares underperformed slightly compared to the index (+12.3% over the year), having benefited from a major re-rating of defence companies in 2022.
- The market recorded a contrasting performance in **2022**, with the CAC 40 down 9.5%. Thales shares were the top performers in the index (+59.5% for the year), thanks to the quality of Thales results and the re-rating of defence-exposed stocks.

Comments on traded volume in 2022 and 2023

- **2023** showed a slowdown in terms of securities traded, with 65 million securities traded over 12 months (a 39% decrease). Trading volumes slowed relative to 2022 from the second quarter onwards, and stabilized over the rest of the year.
- **2022** showed an upturn in terms of shares traded, with 107 million shares traded over 12 months (a 36% increase). There were occasional peak trading days, in particular in late February to mid-March 2022, following the invasion of Ukraine by Russia.

6.4.1.4 Dividend and distribution policy

Dividends are paid to the holders of shares in accordance with the law. The Company uses the Euroclear direct payment procedure.

The Annual General Meeting of May 10, 2023 approved the distribution of a dividend of €2.94 per share.

Per-unit dividend information is provided below, it being specified that dividends paid for 2020, 2021 and 2022 may be eligible for an allowance under the conditions provided for by the French General Tax Code (Article 158-3 2):

• DIVIDENDS PAID FOR THE PAST FOUR YEARS

(in € million)	2023 ^(a)	2022	2021	2020
Dividend	3.40	2.94	2.56	1.76

(a) Subject to the approval of the Annual General Meeting on May 15, 2024.

6.4.2 Financial communication policy

6.4.2.1 General Overview

Thales' policy is to provide its shareholders with regular, clear, and transparent information, in compliance with the financial reporting rules and practices on disseminating information applicable to listed companies.

In addition to this Universal Registration Document filed with the French financial markets authority AMF, which includes details of all the consolidated financial statements and associated analysis, business activities and results by operating segments, the main statutory information about the Company, and its corporate responsibility policy, Thales also publishes an interim report as well as press releases. Other publications include an integrated report and a social report, providing a detailed description of its commitments and achievements in these areas.

All Thales' information documents, presentations, and financial press releases are available on the Thales website at www.thalesgroup.com.

Thales also holds briefings for the financial community by teleconference, where appropriate, particularly when announcing results, annual and interim financial statements, and quarterly information, as well as important strategic or financial operations.

Regular meetings between Thales executives and institutional investors are held in Europe and North America, typically as part of periodic roadshows, "Investor Days" (Capital Markets Day) or visits to operational sites to present the Group's activities and strategy in greater detail.

Thales also regularly exchanges information on its corporate social responsibility policy with the Socially Responsible Investor (SRI) community. These reports cover corporate social and environmental governance and international trade issues, especially regarding anti-corruption measures and control over the export of defence equipment and technologies as well as dual-use goods and technologies.

The first Capital Markets Day dedicated to ESG (Environmental, Social, and Governance criteria) was held in October 2021.

Finally, Thales also maintains an ongoing dialog with international financial analysts and institutional investors in order to provide them with information about the Group's business activities and strategy.

6.4.2.2 Provisional financial reporting calendar for 2024

April 30	Q1 2024 financial information
May 15	Annual General Meeting of Shareholders
July 23	H1 2024 consolidated results
October 23	Q3 2024 financial information
November 14	Capital Markets Day

6.4.2.3 Contacts

Investor Relations Department

4, rue de la Verrerie
92190 Meudon - France
e-mail: ir@thalesgroup.com

6.4.2.4 Documents on display

Thales' articles of association, minutes of the Annual General Meetings and Board of Directors' reports to the General Meetings, statutory auditors' reports, financial statements for the last three financial years, and, more generally, all documents provided or made available to shareholders under the law may be viewed at Thales' registered office.

Some of these documents are also available on the Group's website (<https://www.thalesgroup.com/fr/investor/information-reglementee>).

6.4.3 Other market securities

As of December 31, 2023, nine of the Group's bonds are listed. Their amounts and main characteristics are shown in Note 6.2 of the consolidated financial statements, page 270.



6.5 History

1893

Compagnie Française Thomson-Houston (CFTH) established to exploit the patents of the US company Thomson-Houston Electric Corp. in France in the field of power generation and transport.

1918

Compagnie Générale de Télégraphie Sans Fil (CSF), a pioneer in broadcasting electro-acoustics and radar technology, established.

1968

Birth of Thomson-CSF with the merger of CSF and the electronics business of Thomson-Brandt.

1982

Thomson-CSF nationalized.

1983

Disposal of civil telecommunications business to Compagnie Générale d'Électricité (now Alcatel-Lucent).

1987

Sale of the medical imaging activities (CGR) to General Electric and establishment of SGS-Thomson by merging the semiconductor business with that of the Italian company SGS.

1989

Acquisition of the defence electronics business of the Philips group.

1997

Disposal of the stake in SGS-Thomson (now STMicroelectronics).

1998

Thomson-CSF privatized; Alcatel and Groupe Industriel Marcel Dassault GIMD contribute assets and become shareholders. Creation of Alcatel Space, owned by Thomson-CSF (49%) and Alcatel (51%) and combining the space business of Alcatel, Aerospatiale, and Thomson-CSF.

1999

Acquisition of 100% of the capital of Sextant Avionique, an avionics joint venture between Thomson-CSF and Aerospatiale (now Airbus).

2000

Takeover of Racal electronics in the United Kingdom. Thomson-CSF is renamed Thales.

2001

Thales sells its stake in Alcatel Space.

2007

Acquisition of Alcatel-Lucent's Transport & Security, Space activities and sale to DCNS (now Naval Group) of the surface naval activities in France. At the same time, a 25% stake in DCNS (now Naval Group) was acquired from the French State.

2009

Acquisition by Dassault Aviation of the Thales shares held by Alcatel-Lucent and GIMD. Dassault Aviation becomes a shareholder of Thales with a 26% stake in the Company.

2011

Increase to 35% of the stake in DCNS (now Naval Group).

2014

Launch of the "Ambition 10" strategic plan.

2019

Gemalto acquisition completed on April 2, 2019.

2021

Announcement of the divestment of the Transport business to Hitachi.

2023

Acquisition of the US cybersecurity company Imperva as well as announcement of the acquisition of the French company Cobham Aerospace Communications.

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7 > Financial statements

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7.1 Consolidated financial statements

7.1.1 Consolidated profit and loss account

<i>(in € millions)</i>	Notes	2023	2022
Sales	Note 2	18,428.4	17,568.8
Cost of sales		(13,662.0)	(13,113.4)
Research and development expenses		(1,107.7)	(1,063.6)
Marketing and selling expenses		(1,384.0)	(1,350.4)
General and administrative expenses		(621.0)	(598.5)
Restructuring costs	Note 10.3	(91.4)	(98.5)
Income from operations	Note 2	1,562.3	1,344.4
Disposal of assets, changes in scope of consolidation and other	Note 3.2	(387.9)	(23.9)
Impairment on non-current fixed assets	Note 4.1	—	—
Income of operating activities before share in net income of equity affiliates		1,174.4	1,320.5
Share in net income of equity affiliates	Note 5.1	147.4	180.0
Income of operating activities after share in net income of equity affiliates		1,321.8	1,500.5
Financial interests on gross debt		(159.6)	(75.9)
Financial interests on cash and cash equivalents		161.4	25.8
Interest expense, net	Note 6.1	1.8	(50.1)
Other financial expenses	Note 6.1	(65.0)	(98.5)
Finance costs on pensions and other employee benefits	Note 9.3	(77.8)	(4.9)
Income tax	Note 7.1	(252.2)	(225.1)
Net income relating to continued operations		928.6	1,121.9
Net income relating to discontinued operations	Note 1.3	74.3	9.1
NET INCOME		1,002.9	1,131.0
Shareholders of the parent company		1,023.4	1,120.6
Of which: net income relating to continued operations, Group share		949.1	1,111.5
Of which: net income relating to discontinued operations, Group share		74.3	9.1
Non-controlling interests		(20.5)	10.4
Basic earnings per share <i>(in euros)</i>	Note 8.2	4.91	5.29
Diluted earnings per share <i>(in euros)</i>	Note 8.2	4.89	5.28

Segment information (including EBIT calculation) is detailed in Note 2.1.



7.1.2 Consolidated statement of comprehensive income

(in € millions)		2023			2022		
		Group share	Non-controlling interests	Total	Group share	Non-controlling interests	Total
NET INCOME		1,023.4	(20.5)	1,002.9	1,120.6	10.4	1,131.0
Translation adjustments	Note 8.1	(95.2)	(0.9)	(96.1)	(10.5)	3.9	(6.6)
Cash flow hedge	Note 8.1	47.8	6.5	54.3	(12.2)	(4.8)	(17.0)
Equity affiliates	Note 5.1	19.0	—	19.0	(18.7)	—	(18.7)
Discontinued operations		9.9	—	9.9	(19.8)	—	(19.8)
Items that may be reclassified to income		(18.5)	5.6	(12.9)	(61.2)	(0.9)	(62.1)
Actuarial gains (losses) on pensions	Note 9.3	(262.6)	(4.0)	(266.6)	457.1	10.7	467.8
Financial assets at fair value		(3.1)	(0.2)	(3.3)	(30.3)	(13.5)	(43.8)
Deferred tax	Note 7.2	28.0	1.0	29.0	(58.8)	(2.8)	(61.6)
Equity affiliates	Note 5.1	(3.7)	—	(3.7)	23.3	—	23.3
Discontinued operations		(14.4)	—	(14.4)	146.9	—	146.9
Items that will not be reclassified to income		(255.8)	(3.2)	(259.0)	538.2	(5.6)	532.6
Other comprehensive income (loss) for the period		(274.3)	2.4	(271.9)	477.0	(6.5)	470.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		749.1	(18.1)	731.0	1,597.6	3.9	1,601.5

7.1.3 Consolidated statement of changes in equity

(in € millions)	Number of shares outstanding (thousands)	Share capital	Additional paid-in capital	Retained earnings	Cash flow hedge	Cumulative translation adjustment	Treasury shares	Group share	Non-controlling interests	Total equity
AT 1st JANUARY 2022	212,918	640.2	4,076.6	2,116.8	(104.7)	(216.9)	(37.7)	6,474.3	244.4	6,718.7
Net income	—	—	—	1,120.6	—	—	—	1,120.6	10.4	1,131.0
Other comprehensive income (loss)	—	—	—	538.2	(19.9)	(41.3)	—	477.0	(6.5)	470.5
Total comprehensive income for 2022	—	—	—	1,658.8	(19.9)	(41.3)	—	1,597.6	3.9	1,601.5
Parent company dividend distribution	—	—	—	(563.4)	—	—	—	(563.4)	—	(563.4)
Third-party share in dividend paid by subsidiaries	—	—	—	—	—	—	—	—	(41.7)	(41.7)
Share-based payments	—	—	—	22.8	—	—	—	22.8	—	22.8
(Acquisitions)/disposals of treasury shares	(2,784)	—	—	(4.6)	—	—	(344.6)	(349.2)	—	(349.2)
Other	—	—	—	(8.1)	—	(0.1)	—	(8.2)	1.0	(7.2)
AT 31 DECEMBER 2022	210,134	640.2	4,076.6	3,222.3	(124.6)	(258.3)	(382.3)	7,173.9	207.6	7,381.5
Net income	—	—	—	1,023.4	—	—	—	1,023.4	(20.5)	1,002.9
Other comprehensive income (loss)	—	—	—	(255.8)	92.2	(110.7)	—	(274.3)	2.4	(271.9)
Total comprehensive income for 2023	—	—	—	767.6	92.2	(110.7)	—	749.1	(18.1)	731.0
Parent company dividend distribution	—	—	—	(633.7)	—	—	—	(633.7)	—	(633.7)
Third-party share in dividend paid by subsidiaries	—	—	—	—	—	—	—	—	(49.3)	(49.3)
Share-based payments	—	—	—	24.4	—	—	—	24.4	—	24.4
(Acquisitions)/disposals of treasury shares	(3,466)	—	—	(16.4)	—	—	(474.6)	(491.0)	—	(491.0)
Capital reduction through cancellation of shares ^(a)	—	(9.6)	(371.0)	—	—	—	380.6	—	—	—
Other	—	—	—	8.1	—	(0.8)	—	7.3	(1.2)	6.1
AT 31 DECEMBER 2023	206,668	630.6	3,705.6	3,372.3	(32.4)	(369.8)	(476.3)	6,830.0	139.0	6,969.0

(a) On March 08, 2023, the Board of Directors decided to reduce Thales's share capital by cancelling 3,201,169 of its own registered shares, i.e. 1.5% of the share capital, with effect from March 13, 2023. These shares were bought back between April 1, 2022 and February 15, 2023, as part of the share buyback program announced on March 3, 2022.

Retained earnings include actuarial gains and losses on pension obligations amounting to -€1,421.7 million at end 2022 and -€491.6 million at end 2023.

7.1.4 Consolidated balance sheet

Assets

(in € millions)	Notes	31/12/23	31/12/22
Goodwill	Note 4.1	8,939.6	5,470.0
Other intangible assets, net	Note 4.2	1,288.1	1,565.8
Property, plant and equipment, net	Note 4.2	3,596.1	3,478.9
Investments in equity affiliates	Note 5	1,648.4	1,589.3
Non-consolidated investments	Note 6.4	129.2	127.2
Other non-current financial assets	Note 6.4	343.9	132.8
Deferred tax assets	Note 7.3	1,183.3	1,043.0
NON-CURRENT ASSETS		17,128.6	13,407.0
Inventories and work in progress	Note 10.1	4,250.8	3,672.3
Contract assets	Note 10.2	2,897.0	2,410.5
Advances to suppliers	Note 10	786.4	641.9
Accounts, notes and other current receivables	Note 10.4	6,269.1	5,810.1
Current derivatives – assets	Note 6.6	133.4	172.6
Current tax receivables	Note 7.3	194.3	194.7
Current financial assets	Note 6.2	112.2	221.3
Cash and cash equivalents	Note 6.2	3,979.9	5,099.6
Assets held for sale	Note 1.3	3,034.0	2,790.5
CURRENT ASSETS		21,657.1	21,013.5
TOTAL ASSETS		38,785.7	34,420.5

Equity and liabilities

(in € millions)	Notes	31/12/23	31/12/22
Capital, additional paid-in capital and other reserves		7,676.1	7,814.5
Cumulative translation adjustment		(369.8)	(258.3)
Treasury shares		(476.3)	(382.3)
Total attributable to shareholders of the parent company		6,830.0	7,173.9
Non-controlling interests		139.0	207.6
TOTAL EQUITY	Note 8.1	6,969.0	7,381.5
Long-term loans and borrowings	Note 6.2	5,720.3	3,991.1
Non-current derivatives – liabilities	Note 6.6	—	1.0
Pensions and other long-term employee benefits	Note 9.3	1,552.5	1,907.7
Deferred tax liabilities	Note 7.3	319.4	396.6
NON-CURRENT LIABILITIES		7,592.2	6,296.4
Contract liabilities	Note 10.2	9,788.6	8,313.6
Reserves for contingencies	Note 10.3	1,726.7	1,752.0
Accounts, notes and other current payables	Note 10.4	7,644.1	6,918.7
Current derivatives – liabilities	Note 6.6	187.8	328.2
Current tax payables	Note 7.3	220.5	168.2
Short-term loans and borrowings	Note 6.2	2,713.3	1,480.3
Liabilities held for sale	Note 1.3	1,943.5	1,781.6
CURRENT LIABILITIES		24,224.5	20,742.6
TOTAL EQUITY AND LIABILITIES		38,785.7	34,420.5



7.1.5 Consolidated statement of cash flows

(in € millions)	Notes	2023	2022
NET INCOME		1,002.9	1,131.0
Less, net income relating to discontinued operations		(74.3)	(9.1)
Net income relating to continued operations		928.6	1,121.9
Add (deduct):			
Income tax expense (gain)		252.2	225.1
Net interest expenses		(1.8)	50.1
Share in net income of equity affiliates	Note 5.1	(147.4)	(180.0)
Dividends received from equity affiliates	Note 5.1	123.7	60.8
Depreciation and amortisation of PPE and intangible assets	Note 4.2	1,045.1	1,058.8
Impairment on non-current fixed assets	Note 4.1	—	—
Provisions for pensions and other employee benefits	Note 9.3	170.6	163.7
Loss (gain) on disposal of assets, change in scope of consolidation and other	Note 3.2	387.9	23.9
Provisions for restructuring, net	Note 10.3	(15.6)	(52.1)
Other items		(39.0)	17.3
Operating cash flows before working capital changes, interest and tax		2,704.3	2,489.5
Change in working capital and reserves for contingencies	Note 10	172.7	966.4
Cash contributions to pension plans and other long-term employee benefits, o.w.:	Note 9.3	(1,181.5)	(231.8)
• UK deficit payment and buy-in		(1,078.2)	(95.1)
• Recurring contributions/benefits		(103.3)	(136.7)
Interest paid		(147.5)	(69.0)
Interest received		158.8	26.6
Income tax paid		(195.4)	(156.3)
Net cash flow from operating activities related to continued activities		1,511.4	3,025.4
Net cash flow from operating activities related to discontinued activities		85.0	(30.6)
NET CASH FLOW FROM OPERATING ACTIVITIES	- I -	1,596.4	2,994.8
Acquisitions of property, plant and equipment and intangible assets	Note 4.2	(625.6)	(534.6)
Disposals of property, plant and equipment and intangible assets	Note 4.2	4.1	9.2
Net operating investments		(621.5)	(525.4)
Acquisitions of subsidiaries and affiliates	Note 6.3	(3,578.7)	(417.8)
Disposals of subsidiaries and affiliates	Note 6.3	131.5	2.0
Cash of acquired/disposed subsidiaries		20.9	26.9
Decrease (increase) in loans and non-current financial assets		(18.5)	(3.9)
Decrease (increase) in current financial assets		(80.9)	(213.3)
Net financial investments		(3,525.7)	(606.1)
Net cash flow used in investing activities related to continued activities		(4,147.2)	(1,131.5)
Net cash flow used in investing activities related to discontinued activities		(86.0)	(39.0)
NET CASH FLOW USED IN INVESTING ACTIVITIES	- II -	(4,233.2)	(1,170.5)
Parent company dividend distribution	Note 8.1	(633.7)	(563.4)
Third party share in dividend distribution of subsidiaries		(49.3)	(41.7)
Purchase of treasury shares		(491.0)	(350.7)
Issuance of debt		3,654.7	90.7
Repayment of debt		(908.7)	(786.9)
Net cash flow from financing activities related to continued activities		1,572.0	(1,652.0)
Net cash flow from financing activities related to discontinued activities		19.1	(96.8)
NET CASH FLOW FROM FINANCING ACTIVITIES	- III -	1,591.1	(1,748.8)
Exchange rate variation relating to continued operations	-IV-	(56.3)	2.7
Exchange rate variation relating to discontinued operations	-V-	12.6	1.8
CHANGE IN CASH AND CASH EQUIVALENTS (Note 6.2-b)	I+II+III+IV+V	(1,089.4)	80.0
Of which, continued activities		(1,120.1)	244.6
Of which, discontinued activities		30.7	(164.6)

The Group's net debt position and variation are presented in Notes 6.2 and 6.3.

7.1.6 Notes to the consolidated financial statements

All monetary amounts included in these notes are expressed in millions of euros.

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Note 1. Accounting standards framework

Thales' consolidated financial statements for the year ending December 31, 2023 were approved and authorized for issue by its Board of Directors on March 4, 2024. In accordance with French law, the financial statements will be deemed final once they have been adopted by the shareholders of the Group at the Annual General Meeting to be held on May 15, 2024.

Thales (parent company) is a French publicly traded joint-stock company (*société anonyme*) registered with the Nanterre Trade and Company Register under number 552 059 024.

1.1 Basis of preparation for the 2023 consolidated financial statements

Thales' consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union at December 31, 2023.

These accounting policies, as described in Note 13, are similar to those applied by the Group for the year ending December 31, 2022.

Pension reform in France, voted for in April 2023, will notably raise the retirement age from 62 to 64. As a result, the Group has adjusted the assumptions used for actuarial valuations of retirement benefits. The impact on the financial statements is not material.

The "Pillar 2" reform of international taxation drawn up by the OECD, aimed in particular at establishing a minimum tax rate of 15%, and was adopted on December 29, 2023 as part of the French Finance Act. It will come into force in France as from the financial year beginning January 1, 2024.

Because of its sales level, the Group falls within the scope of this reform.

On May 23, 2023, the International Accounting Standards Board (IASB) published amendments to IAS 12 "Income Taxes", which provide for a mandatory and temporary exemption from recognition of the deferred taxes associated with this top-up tax in the financial statements, as well as specific disclosures to be included in the notes to the financial statements.

The exception for non-recognition of deferred taxes related to Pillar 2 provided for in the amendments to IAS 12 "Income Taxes" has been applied.

Based on the estimates made for the years 2022 and 2023, the Group does not expect any material impact on the financial statements.

The amendments to existing standards IAS 1 and IFRS statement practice 2 (disclosure of accounting policies), IAS 8 (definition of accounting estimates) and IAS 12 (deferred taxes on assets and liabilities arising from the same transaction) have no impact on the Group's consolidated financial statements.

1.2 New standards mandatory after December 31, 2023

The texts adopted by the IASB and applicable after December 31, 2023 are the following:

- amendments to IAS 1: Non-current liabilities with covenants;
- amendments to IAS 1: Classification of liabilities as current and non-current;
- amendments to IFRS 16: Lease liabilities in a Sale and Leaseback;

- amendments to IAS 21: Effect of changes in foreign exchange rates - lack of exchangeability;
- amendments to IAS 7 and IFRS 7: Supplier finance arrangements.

These amendments should not impact the Group significantly.

1.3 Classification of Transportation business as "discontinued operations"

On August 3, 2021, Thales entered into exclusive negotiations with Hitachi Rail in order to sell the global Transport business segment for an enterprise value of €1.66 billion. The groups signed a Sale and Purchase Agreement on February 10, 2022. The Group has finalized the separation of activities in the process of being sold.

To date, discussions with the European Commission's DG Competition and the UK Competition Authority (CMA) are still ongoing. The transaction is expected to close in the first half of 2024.

In accordance with IFRS 5 standard "Non-current assets held for sale and discontinued operations", the Group has reclassified the financial statements of this business segment under "discontinued operations".

For each of the published periods, the impacts of this classification on the Group's financial statements are as follows:

- assets and liabilities held for sale are reported on dedicated lines in the balance sheet. In accordance with IFRS 5, intra-group transactions remain eliminated;
- net income of the Transport business is reported on a single line of the income statement under "Net income relating to discontinued operations";
- in the consolidated statement of cash flows, net cash flows from operating, investing and financing activities relating to the Transport business are reported on a separate line.

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Financial information relating to discontinued operations:

Profit & Loss	2023	2022
Sales	1,821.8	1,772.4
Income of operating activities before share in net income of equity affiliates	93.3	9.1
Share in net income of equity affiliates	2.5	3.5
Financial result	(13.4)	(8.1)
Income tax	(8.1)	4.6
Net income	74.3	9.1

Sales correspond to the contribution of the Transport business to consolidated sales. Intra-group flows are not significant.

Income of operating activities excludes the Group's corporate costs, which will no longer be re-invoiced to the Transport business after the transaction. Net income relating to continued operations is reduced accordingly.

This line mainly includes costs directly associated with the transaction (advisory fees, employee retention plans implemented as part of the transaction, carve-out costs, etc.). In accordance with IFRS 5, it also includes the cancellation of the depreciation and amortization of the PPE and intangible assets of the Transport business, as reported in income from operations.

Cash-flows	2023	2022
Net cash flow from operating activities	85.0	(30.6)
Net cash flow used in investing activities	(86.0)	(39.0)
Net cash flow from financing activities	19.1	(96.8)
Exchange rates and other	12.6	1.8
Change in cash and cash equivalents	30.7	(164.6)

Net cash flow from operating activities	2023	2022
Net cash flow from operating activities	85.0	(30.6)
Less: UK deficit payment	1.8	3.2
CAPEX	(29.4)	(40.5)
Operating free cash flow	57.4	(67.9)

Asset	31/12/23	31/12/22
Goodwill	879.8	879.8
PPE and intangible assets	252.4	207.7
Non-current financial assets	55.1	48.6
Deferred tax assets	27.8	23.6
Working capital - assets	1,590.4	1,432.1
Current financial assets	1.1	1.9
Cash and cash equivalents	227.4	196.8
Assets held for sale	3,034.0	2,790.5
Net cash (debt)	152.0	119.9

Liabilities	31/12/23	31/12/22
Long-term loans and borrowings	50.6	50.8
Pensions	113.4	92.4
Other non-current liabilities	11.4	23.9
Working capital - liabilities	1,742.2	1,586.5
Short-term loans and borrowings	25.9	28.0
Liabilities held for sale	1,943.5	1,781.6

As of December 31, 2023, the cumulative amount recognized in other comprehensive income that may be reclassified to income and relating to discontinued operations is:

- -€15.6 million for the translation adjustment;
- -€2.1 million for cash flow hedge.

Accumulated actuarial gains and losses relating to pension obligations amounted to -€77.8 million.

1.4 Main sources of estimates

The preparation of the Group's consolidated financial statements involves making estimates and assumptions that have an impact on the assessment of the Group's performance and its consolidated assets and liabilities. These estimates are based on past experience and factor in the economic conditions prevailing at the end of the reporting period and any information available as of the date at which the financial statements are prepared. The judgments and estimates used by the Group to prepare the financial statements take into account the current assessment of risks induced by climate change, whether physical, regulatory, or related to customer expectations and sector commitments. In today's global economic environment, the degree of volatility and subsequent lack of visibility are particularly high. Future facts and circumstances could lead to changes in these estimates or assumptions which could affect the Group's financial situation, profit and loss and/or cash flows, notably with regard to:

Recognition of revenue over time (Note 10)

A significant proportion of Thales' business is carried out in the form of long-term projects, sometimes obtained in a highly competitive environment.

These projects may:

- present a very high degree of technological complexity;
- have to meet very demanding operational, regulatory or contractual requirements, which may be difficult to achieve, or may evolve over time;
- face development or supply contingencies during the execution phase, which often lasts several years.

Their contractual structure (prime contractor for large systems, consortium, joint venture, public-private partnership, etc.) can also add constraints and complexity.

When these contracts are concluded on the basis of a fixed, lump-sum selling price, their actual duration and cost of development and implementation are likely to be significantly higher than estimated in the bid phase, with a negative impact on Thales' results and financial position. Moreover, in the event of failure to meet performance or schedule targets, customers may sometimes demand payment of penalties, or even terminate the contract.

The recognition of sales and margins relating to these contracts at the end of an accounting period depends mainly on:

- estimated sales and margins on completion, including provisions for technical and commercial risks;
- costs incurred to date in relation to estimated total costs on completion.

Monitoring of costs incurred to date and estimates of figures at completion are based, for each contract, on the Group's internal systems and procedures, with Project Managers playing a key role. These estimates are reviewed regularly by the Operations and Finance departments, under the supervision of the Group's corporate management, particularly at each end of period reporting.

Litigation (Note 10.3 and 11)

The Group conducts its business in France and abroad in complex, evolving legal and regulatory environments. As a result, it is exposed to technical and commercial disputes. The Group regularly identifies and reviews all current commercial, civil or criminal litigation and pre-litigation, and recognizes any accounting provisions that it considers to be reasonable. Uncertainties concerning litigation in progress are described in Note 11.

Business combinations

Business combinations are accounted for in accordance with the purchase accounting method described in Note 13-b: thus, on the date of the takeover of a company, the acquiree's identifiable assets and liabilities are measured at their fair value. These valuations are performed by independent experts who base their work on assumptions and must estimate the effects of future events, which are uncertain at the acquisition date.

Goodwill (Note 4.1)

Goodwill is subject to impairment tests. The recoverable amount of goodwill is assessed based on forecasts extracted from the strategic plans prepared in accordance with Group procedures. Sensitivity tests are carried out on key assumptions in order to lend greater weight to the conclusions reached.

Pensions and other long-term employee benefits (Note 9.3)

Pensions and other long-term employee benefit commitments are estimated on statistical and actuarial bases in accordance with the policies outlined in Note 13-k. Actuarial assumptions made by the Group (discount rates, inflation rate, mortality tables, etc.) are reviewed each year with the actuaries.

Deferred tax assets (Note 7)

Deferred tax assets are recognized for tax loss carry-forwards and temporary differences between the book value and the tax value of assets and liabilities. The recoverability of these assets is assessed on the basis of forecasts of future tax results of the tax entities over a period of three to five years, the entity's history of tax losses, past non-recurring items and tax strategies specific to each country.

Note 2. Segment information

2.1 Commercial activity and EBIT by segment

In order to monitor the operating and financial performance of the entities, the Group's management regularly considers certain key non-GAAP indicators as defined in Note 13-a, which enable them to exclude certain non-operating and non-recurring items.

In particular, EBIT, presented by business segment below, corresponds to income from operations plus the share in net income of equity affiliates, excluding expenses related to business combinations (amortization of acquisition-related assets (PPA) and other expenses directly linked to business combinations).

2023	Aerospace	Defence & Security	Digital I&S	Other	Thales
Order book – non-Group at 31/12	9,272.0	35,247.0	658.6	73.7	45,251.3
Order intake – non-Group	5,591.7	14,139.2	3,342.4	58.4	23,131.7
Sales – non-Group	5,210.5	9,795.6	3,346.9	75.4	18,428.4
Sales – intersegment	127.7	386.0	75.5	(589.2)	—
Total sales	5,338.2	10,181.6	3,422.4	(513.8)	18,428.4
EBIT	371.1	1,251.4	507.6	2.0	2,132.1
• of which: Naval Group	—	—	—	91.2	91.2
• excluding Naval Group	371.1	1,251.4	507.6	(89.2)	2,040.9
Capital expenditures ^(a)	162.8	230.9	80.7	151.2	625.6
Depreciation and amortization ^(a)	102.4	153.8	81.7	112.5	450.4

2022	Aerospace	Defence & Security	Digital I&S	Other	Thales
Order book – non-Group at 31/12	9,224.2	30,970.8	632.2	130.0	40,957.2
Order intake – non-Group	5,892.2	13,959.2	3,615.5	83.6	23,550.5
Sales – non-Group	4,704.8	9,156.0	3,617.6	90.4	17,568.8
Sales – intersegment	101.8	365.5	65.4	(532.7)	—
Total sales	4,806.6	9,521.5	3,683.0	(442.3)	17,568.8
EBIT	234.6	1,179.5	494.2	26.3	1,934.6
• of which: Naval Group	—	—	—	118.8	118.8
• excluding Naval Group	234.6	1,179.5	494.2	(92.5)	1,815.8
Capital expenditures ^(a)	135.0	175.2	90.7	133.7	534.6
Depreciation and amortization ^(a)	107.5	152.2	92.4	118.2	470.3

(a) Excluding PPA and IFRS 16.

Business segment are presented in Note 13-a.

In 2023, sales include €162.5 million (€113.4 million in 2022) in other income, mainly subsidies and patent royalties.

Order book, order intake and sales included in the "Other" column relate to corporate activities (Thales parent company, Thales Global Services, Group R&D centers, facilities management), and to the elimination of transactions between business segments.

Unallocated EBIT includes the Group's share (35%) in the net income of Naval Group, corporate income from operations which is not assigned to segments, and the cost of vacant premises. Other costs (mainly the costs of foreign holding companies not invoiced) are reallocated to business segments proportionally to their respective non-Group sales.

At the end of 2023, the order book stood at €45,251.3 million. Around 70% of this amount is expected to convert into sales within three years.

The reconciliation between income from operations and EBIT is analyzed as follows:

	2023	2022
Income from operations	1,562.3	1,344.4
Less, amortisation of acquisition-related assets (PPA):	380.3	381.1
• Intangible assets	357.3	358.1
• Property, plant and equipment	23.0	23.0
Less, expenses directly linked to business combinations	9.7	—
Share in net income of equity from affiliates	147.4	180.0
Less, PPA amortisation related to equity affiliates entities	32.4	29.1
EBIT	2,132.1	1,934.6

2.2 Sales by country of destination

2023	Aerospace	Defence & Security	Digital I&S	Other	Thales
Country of destination:					
Europe	3,497.2	6,714.7	964.4	46.2	11,222.5
North America	788.1	722.5	1,063.7	6.4	2,580.7
Australia and New Zealand	46.6	716.8	48.3	—	811.7
Total mature markets	4,331.9	8,154.0	2,076.4	52.6	14,614.9
Emerging markets ^(a)	878.6	1,641.6	1,270.5	22.8	3,813.5
TOTAL	5,210.5	9,795.6	3,346.9	75.4	18,428.4
Revenue recognition method:					
Over time	3,171.5	8,208.9	742.8	55.2	12,178.4
At a point in time	2,039.0	1,586.7	2,604.1	20.2	6,250.0
TOTAL	5,210.5	9,795.6	3,346.9	75.4	18,428.4

2022	Aerospace	Defence & Security	Digital I&S	Other	Thales
Country of destination:					
Europe	3,281.9	5,767.5	1,098.2	46.3	10,193.9
North America	656.1	630.7	1,121.8	6.1	2,414.7
Australia and New Zealand	44.0	829.3	85.0	—	958.3
Total mature markets	3,982.0	7,227.5	2,305.0	52.4	13,566.9
Emerging markets ^(a)	722.9	1,928.5	1,312.6	37.9	4,001.9
TOTAL	4,704.9	9,156.0	3,617.6	90.3	17,568.8
Revenue recognition method:					
Over time	2,964.4	7,326.2	700.9	49.6	11,041.1
At a point in time	1,740.5	1,829.8	2,916.7	40.7	6,527.7
TOTAL	4,704.9	9,156.0	3,617.6	90.3	17,568.8

(a) Emerging markets: all countries outside Europe, North America, Australia and New Zealand.

In 2023, the Group's business is balanced between civilian customers for 48% and military customers for 52% (same as 2022).

Note 3. Impact of changes in scope of consolidation

3.1 Main changes in scope of consolidation

a) Year 2023

In early October 2023, Thales sold its aeronautical electrical systems activities to Safran Electrical & Power. By 2022, this business had generated sales of around €145 million. The business has not been consolidated since that date.

In mid-October 2023, Thales finalized the acquisition of Tesserent, one of the leading cybersecurity players in Australia and New Zealand, for an amount of AUD 182.9 million (€112 million). This activity had generated 2022 sales of around €110 million. The business has been consolidated in the Group's accounts since October 2023.

At the beginning of December 2023, Thales finalized the acquisition of Imperva, a cybersecurity company specializing in data and

application security based in the United States, for an amount of €3.434 billion. This activity has generated a 2022 sales of around USD 500 million. The activity has been consolidated in the Group's accounts since December 1, 2023.

With the addition of Imperva, Thales' expanded cybersecurity portfolio now offers a highly complementary combination of solutions to help customers secure applications, data and identities across their entire digital ecosystem.

Purchase price allocation will be carried out during the first half of 2024, enabling in particular the value of acquired technologies and customer relationships to be identified.

b) Year 2022

At the beginning of May 2022, Thales finalized the acquisition of the Simulation and Training business of Ruag for an amount of CHF 113.7 million. This activity generated a turnover of around €90 million in 2021. The activity has been consolidated in the Group's accounts since May 1, 2022.

In July 2022, the Group finalized the agreement with Leonardo to take control of the Advanced Acoustic Concepts joint venture, of which Thales previously held 49%. This joint venture had generated a turnover of around €70 million in 2021. In the consolidated accounts, this operation resulted in a revaluation result of the previously held share of €33 million, then a taking of control of the company.

At the beginning of October 2022, Thales finalized the acquisition of OneWelcome, the European leader in customer identity and access management, for €95.5 million. The activity has been consolidated in the Group's accounts since that date.

In October 2022, Thales acquired the companies S21sec and Excellium, two major players in cybersecurity consulting, integration and managed services in Europe, for €98.3 million. S21sec and Excellium generated a combined turnover of €59 million in 2021. The activity has been consolidated in the Group's accounts since October 1, 2022.

At the end of December 2022, Thales brought its business dedicated to cellular IoT products to Telit Cinterion, in exchange for a 25% stake in Telit Cinterion. This participation has been accounted for using the equity method in the Group's accounts since that date.

3.2 Disposal of assets, changes in scope of consolidation and other

	2023	2022
Disposal of investments	85.5	(13.7)
Acquisition and disposal-related fees	(60.4)	(17.3)
Disposal of real estate and other tangible and intangible assets	(6.3)	(1.5)
Impact of settlements/amendments to pensions plans (Note 9)	(402.9)	(29.4)
Litigation ^(a)	(3.8)	38.0
TOTAL	(387.9)	(23.9)

(a) In 2022, this line includes a compensation received as a result of a settlement agreement relating to a former dispute.



Note 4. Property, plant and equipment and intangible assets

4.1 Goodwill

a) Change in goodwill

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs corresponding to Thales' Global Business Units (GBU):

	01/01/23	Acquisitions	Disposals	Reclassification	Exchange rate & other	31/12/23
Avionics ^(a)	443.6	15.0	(15.0)	—	(0.4)	443.2
Space	492.1	—	—	—	1.7	493.8
Secured Communications and Information Systems ^(b)	777.2	(22.9)	—	—	(3.7)	750.6
Land and Air Systems	322.6	—	—	—	(0.6)	322.0
Defence Mission Systems	508.6	—	—	—	(3.4)	505.2
Digital Identity & Security ^(e)	2,925.9	3,571.7	—	—	(72.8)	6,424.8
TOTAL	5,470.0	3,563.8	(15.0)	—	(79.2)	8,939.6

	01/01/22	Acquisitions	Disposals	Assets held for sale	Exchange rate & other	31/12/22
Avionics ^(a)	365.9	77.8	—	—	(0.1)	443.6
Space	491.8	—	—	—	0.3	492.1
Secured Communications and Information Systems ^(b)	721.4	123.9	—	(67.6)	(0.5)	777.2
Land and Air Systems ^(c)	341.4	(21.1)	—	—	2.3	322.6
Defence Mission Systems ^(d)	458.7	50.6	—	—	(0.7)	508.6
Digital Identity & Security ^(e)	2,823.7	101.2	(76.0)	67.6	9.4	2,925.9
TOTAL	5,202.9	332.4	(76.0)	—	10.7	5,470.0

(a) The preliminary purchase price allocation for the Ruag Training & Simulation business, acquired in May 2022, was finalized in 2023. The aircraft electrical systems business was sold to Safran Electrical & Power in early October 2023.

(b) The preliminary purchase price allocation for S21sec and Excellium, acquired in October 2022, was carried out in the first half of 2023.

(c) The purchase price allocation for Moog's navigation business, acquired in December 2021, was finalized at the end of 2022.

(d) The purchase price allocation for Advanced Acoustic Concepts, acquired in July 2022, was finalized at the end of 2022.

(e) The cellular IoT products business was sold at the end of 2022 to Telit in exchange for a 25% stake in the new company Telit Cinterion.

The preliminary purchase price allocation for OneWelcome, acquired in October 2022, was carried out in the first half of 2023 (€40.8m).

In 2023, this amount includes Imperva new goodwill (€3,466.5 million), and Tesserent new goodwill (€142.0 million). The purchase price allocation will be carried out in 2024.

b) Impairment tests

Goodwill as well as cash-generating units (CGUs) are subject to annual impairment tests in accordance with the Group's budgetary timetable. All other intangible assets and property, plant and equipment are tested at the CGU level.

For these tests, the value in use is based on discounted future operating cash flows over a three-year period and a terminal value. In certain specific cases (recent acquisitions, non-typical annual results, etc.), the terminal value is based on forecasts over an appropriate period of time.

At the end of 2023, cash flows utilized for the tests came from the budget prepared for the following two years, established in accordance with Group procedures, and extended over the next year. These cash flows reflect management's best estimate in the current economic context. At the end of 2023, impairment tests were performed using a discount rate assumption of 8% (same as at the end of 2022) for all CGUs, the specific risks of the CGUs being taken into account in the projections.

The assumptions used for business growth and terminal value are based on a reasonable approach specific to each sector (terminal value generally based on the average income from operations over the three years, growth rate limited to 2%). In the case of the Avionics business, revenue projections have been built on the assumption that air traffic will return to pre-crisis levels in 2024.

On the basis of the values in use, the Group also tested the sensitivity of all other CGUs to changes in key assumptions. Taken individually, an increase by 1 point of the discount rate, a decrease by 1 point of the growth rate or a decrease by 2 points in operating profitability over the standard year would not lead to the recognition of any impairment loss.

Furthermore, as part of its low-carbon strategy, the Group is implementing action plans aimed at reducing operational CO₂ emissions, accelerating innovation, and generalizing ecodesign initiatives. The potential impact of these initiatives on cash flows has been integrated into the relevant CGU business plans for the requirements of impairment tests. Based on the analyses conducted as part of the Group's internal work on climate change, the Group has not identified any significant climate-related risk, whose financial consequences would be likely to lead to a loss of value of its assets.

4.2 Plant, property and equipment and other intangible assets

a) Change in net assets

	01/01/23	Acquisitions	Disposal	Depr. and amort.	Change in scope and exch. rate	31/12/23
Acquired Intangible assets	1,401.7	—	—	(357.3)	75.5	1,119.9
Capitalised development costs	40.6	20.2	—	(20.2)	1.4	42.0
Other	123.5	65.4	(0.2)	(55.9)	(6.6)	126.2
Intangible assets	1,565.8	85.6	(0.2)	(433.4)	70.3	1,288.1
Right-of-use from lease contracts	1,400.7	166.3	—	(214.4)	(0.5)	1,352.1
Acquired tangible assets	28.8	—	—	(23.0)	—	5.8
Property, plant and equipment	2,049.4	540.0	(3.9)	(374.3)	27.0	2,238.2
Tangible assets	3,478.9	706.3	(3.9)	(611.7)	26.5	3,596.1
TOTAL	5,044.7	791.9	(4.1)	(1,045.1)	96.8	4,884.2
Less, new lease contracts		(166.3)	—			
Operating investments ^(a)		625.6	(4.1)			

	01/01/22	Acquisitions	Disposal	Depr. and amort.	Change in scope and exch. rate	31/12/22
Acquired Intangible assets	1,756.3	—	—	(358.1)	3.5	1,401.7
Capitalised development costs	35.3	19.5	—	(18.9)	4.7	40.6
Other	151.6	45.6	(0.7)	(62.5)	(10.5)	123.5
Intangible assets	1,943.2	65.1	(0.7)	(439.5)	(2.3)	1,565.8
Right-of-use from lease contracts	1,417.5	198.8	—	(207.4)	(8.2)	1,400.7
Acquired tangible assets	51.8	—	—	(23.0)	—	28.8
Property, plant and equipment	1,929.7	469.5	(8.5)	(388.9)	47.6	2,049.4
Tangible assets	3,399.0	668.3	(8.5)	(619.3)	39.4	3,478.9
TOTAL	5,342.2	733.4	(9.2)	(1,058.8)	37.1	5,044.7
Less, new lease contracts		(198.8)	—			
Operating investments ^(a)		534.6	(9.2)			

(a) Presented in the statement of cash flows.

b) Breakdown by item

	31/12/23			31/12/22
	Gross	Depreciation	Net	Net
Technologies acquired	1,762.3	(1,284.5)	477.8	725.6
Customer relationships acquired	868.0	(410.8)	457.2	496.4
Order book acquired	75.2	(69.1)	6.1	8.3
Other intangible assets	391.1	(212.3)	178.8	171.4
Acquired intangible assets (business combinations)	3,096.6	(1,976.7)	1,119.9	1,401.7
Development costs	951.1	(909.1)	42.0	40.6
Other intangible assets	1,127.9	(1,001.7)	126.2	123.5
Intangible assets	5,175.6	(3,887.5)	1,288.1	1,565.8
Right-of-use from lease contracts	2,270.0	(917.9)	1,352.1	1,400.7
Land	65.0	(1.3)	63.7	55.9
Buildings	2,355.6	(1,609.0)	746.6	719.8
Technical facilities, industrial equipment and tooling	3,834.6	(3,017.6)	817.0	773.3
Other property, plant and equipment	1,421.1	(804.4)	616.7	529.2
Property, plant and equipment	9,946.3	(6,350.2)	3,596.1	3,478.9



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Note 5. Investments in equity affiliates

5.1 Change in investment in equity affiliates

	31/12/23	31/12/22
Investment at opening	1,589.3	1,341.6
Share in net income of equity affiliates	147.4	180.0
Translation adjustment	(20.3)	(17.9)
Cash flow hedge	39.3	(0.8)
Actuarial gains (losses) on pensions	(3.7)	23.3
Share in comprehensive income of equity affiliates	162.7	184.6
Dividends paid	(123.7)	(60.8)
Dividends voted and not yet paid	2.2	(11.8)
Change in scope (Telit Cinterion and Advanced Acoustic Concepts) and other	17.9	135.7
Investments at closing	1,648.4	1,589.3
<i>Including Naval Group</i>	<i>841.7</i>	<i>840.0</i>

5.2 Naval group: summary of financial information

Thales holds 35% of the capital of Naval Group and participates jointly with the French government in the governance of the company.

Naval Group is a group specialized in the naval defence industry. The financial statements of Naval Group, **as restated in Thales' financial statements (PPA)**, are as follows:

Balance sheet (100% interest)	31/12/23	31/12/22
Non-current assets	1,982.5	2,033.3
Current assets	4,811.8	4,767.9
Total assets	6,794.3	6,801.2
Restated equity, attributable to shareholders	1,570.6	1,565.6
Non-controlling interests	0.4	0.4
Non-current liabilities	321.6	325.5
Current liabilities	4,901.7	4,909.7
Total equity and liability	6,794.3	6,801.2
Net Cash	1,025.3	1,247.8
Thales share	31/12/23	31/12/22
Thales' share (35%)	549.7	548.0
Goodwill	292.0	292.0
Share in net assets of Naval Group	841.7	840.0
Income statement (100% interest)	2023	2022
Sales	4,257.4	4,353.2
Income (loss) from operating activities, after share in net income of equity affiliates	188.3	319.2
Financial income (loss)	45.7	8.2
Tax	(52.1)	(68.7)
Discontinued activities	(1.1)	0.5
Restated net income	180.8	259.2
• of which, attributable to shareholders of the company	180.8	259.3
• of which, attributable to non-controlling interests	—	(0.1)
Thales share	2023	2022
Thales' share in net income attributable to shareholders of the company	63.3	90.8
• of which, PPA amortisation	(28.0)	(28.0)
Share in net income, before PPA	91.3	118.8
Dividends received from Naval Group	59.1	27.6

5.3 Commitments and related parties

a) Commitments toward equity affiliates

At December 31, 2023, outstanding sureties, endorsements and guarantees granted by Thales S.A. (parent company) in support to its joint ventures amounted to €240.5 million (€240.8 million at December 31, 2022). The Group has no significant off-balance sheet commitments to associates.

The Group's policy is to issue these commitments only in proportion to its equity interest, or to obtain counter-guarantees from the other shareholders in proportion to their interest.

b) Transactions with equity affiliates

The volume of transactions with equity affiliates is as follows:

	2023	2022
Sales	396.0	438.9
Purchases	221.2	214.3
Loans and current accounts receivables	71.0	59.3
Borrowings and current accounts payables	—	0.3

Note 6. Financing and financial instruments

6.1 Financial income

a) Net interest income

	2023	2022
Financial interests related to lease contracts	(31.0)	(26.3)
Other interest expenses ^(a)	(128.6)	(49.6)
Interest income on cash and cash equivalents	161.4	25.8
TOTAL	1.8	(50.1)

(a) This amount includes -€18.0 million in 2023 and -€12.0 million in 2022 for rate swaps.

b) Other financial income

	2023	2022
Foreign exchange gains (losses)	(26.0)	(27.7)
Cash flow hedges, ineffective portion	(2.0)	(1.0)
Change in fair value of derivatives ^(a)	(27.5)	(64.7)
Other	(9.5)	(5.1)
TOTAL	(65.0)	(98.5)

(a) This amount mainly includes the change in the fair value of swap points (-€22.3 million in 2023, -€49.0 million in 2022).



6.2 Net cash (net debt)

Group net cash (debt) is as follows:

	31/12/23	31/12/22
Non-current financial assets: investments taken over from the UK pension fund	190.1	—
Current financial assets	112.2	221.3
Cash and cash equivalents	3,979.9	5,099.6
Cash and other short-term investments	(A) 4,282.2	5,320.9
Financial debt	6,979.2	3,970.7
Lease debt	1,454.9	1,505.3
Gross debt *	(B) 8,434.1	5,476.0
Net cash (debt) relating to continued operations	(A-B) (4,151.9)	(155.1)
Net cash relating to discontinued operations	(C) 152.0	119.9
NET (DEBT) CASH	(A-B+C) (3,999.9)	(35.2)
* Including:		
• Long term financial debt	5,720.3	3,991.1
• Short term financial debt	2,713.3	1,480.3
• Fair value of interest rate hedging derivatives	0.5	4.6

a) Current financial assets

	31/12/23	31/12/22
Short-term deposits ^(a)	100.6	200.5
Current accounts receivable with related parties	8.9	17.7
Accrued interests	2.7	3.1
CURRENT FINANCIAL ASSETS	112.2	221.3

(a) Marketable securities consist of investments in short-term deposits (3 to 12 months) with tier-one banks.

b) Cash and cash equivalents

At December 31, 2023, cash recorded under consolidated assets amounted to €3,979.9 million (€5,099.6 million at December 31, 2022) and included:

- €3,345.4 million held by the parent company and available for immediate use (€4,119.9 million in 2022). These amounts include €2,614.6 million (€3,436.7 million in 2022) in very short-term deposits with tier-one banks or money market funds (UCITS);

- €634.5 million in the credit balances of subsidiaries (€979.7 million in 2022), most of them outside France. This figure includes payments received in the last days of the financial year and subsequently transferred to the cash pooling account.

The reconciliation with the cash flow statements is as follows:

	31/12/23	31/12/22
Cash and cash equivalents at opening	5,296.4	5,216.4
o.w.: Cash and cash equivalents relating to continued operations at opening	5,099.6	5,049.4
o.w.: Cash and equivalents relating to discontinued operations at opening	196.8	167.0
Cash and cash equivalents at closing	4,207.3	5,296.4
o.w.: Cash and cash equivalents relating to continued operations at closing	3,979.9	5,099.6
o.w.: Cash and equivalents relating to discontinued operations at closing	227.4	196.8

c) Financial debt

	31/12/23	31/12/22
Bond issues	5,000.0	3,300.0
NEU CP (treasury bills)	1,745.1	562.0
Current accounts in credit with related parties	181.3	42.8
Bank overdrafts	8.7	56.1
Accrued interests and other debts	44.1	9.8
FINANCIAL DEBT	6,979.2	3,970.7

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Bonds issues at December 31, 2023

Nominal value	Issue date	Maturity	Type of rate	Coupon	Effective rate	
					Before hedging	After hedging
€ 500 million	Apr. 2018	Apr. 2024	fixed	0.88%	0.94%	1.11%
€ 500 million	Jan. 2018	Jan. 2025	fixed	0.75%	0.91%	0.91%
€ 600 million	Oct. 2023	Oct. 2025	fixed	4.00%	4.26%	4.26%
€ 500 million	Nov. 2020	March 2026	fixed	0.00%	0.08%	0.08%
€ 500 million	Jan. 2020	Jan. 2027	fixed	0.25%	0.33%	0.33%
€ 700 million	May 2020	May 2028	fixed	1.00%	1.10%	1.10%
€ 600 million	Oct. 2023	Oct. 2028	fixed	4.13%	4.28%	4.28%
€ 500 million	June 2023	June 2029	fixed	3.63%	3.83%	3.83%
€ 600 million	Oct. 2023	Oct. 2031	fixed	4.25%	4.42%	4.42%

Financial debt by maturity

31/12/23	Total	Maturity				
		2024	2025	2026	2027	>2027
Financial debt	6,979.2	2,498.9	1,097.5	499.7	499.4	2,383.7
Contractual cash flows	7,565.9	2,635.8	1,205.2	577.1	577.2	2,570.6

31/12/22	Total	Maturity				
		2023	2024	2025	2026	>2026
Financial debt	3,970.7	1,277.2	500.7	499.1	498.8	1,194.9
Contractual cash flows	4,057.4	1,303.8	517.6	512.4	508.3	1,215.3

Financial debt by currency

	31/12/23	31/12/22
Euro	6,973.2	3,963.9
Others	6.0	6.8
TOTAL	6,979.2	3,970.7

Change in financial debt

	01/01/23	Cash flow	Other changes			31/12/23
			Scope	Exchange rates	Other	
Financial debt	3,970.7	2,965.1	43.3	(6.7)	6.8	6,979.2

	01/01/22	Cash flow	Other changes			31/12/22
			Scope	Exchange rates	Other	
Financial debt	4,402.0	(486.6)	68.5	61.2	(74.4)	3,970.7

In 2023, the "cash flow" column includes the repayment of the bond maturing in June 2023, as well as an emission of NEU CP. In 2022, the "cash flow" column includes the repayment of the bonds maturing in May 2022, as well as the emission of NEU CP.

The "other" column includes issuance costs for new bonds, changes in the value of derivatives used to hedge bonds and changes in the value of debt on acquisition of subsidiaries.

d) Lease debt

Change in lease debt

	01/01/23	Cash flow ^(a)	Other changes			31/12/23
			Scope	Exchange rates and other	New debt ^(b)	
Lease debt	1,505.3	(219.1)	8.8	(6.4)	166.3	1,454.9

	01/01/22	Cash flow ^(a)	Other changes			31/12/22
			Scope	Exchange rates and other	New debt ^(b)	
Lease debt	1,515.5	(209.6)	(4.5)	5.1	198.8	1,505.3

(a) Share of lease payments corresponding to the repayment of lease debt.

(b) New lease contracts signed during the year and impact of the renegotiation of existing leases.



Debt maturity

31/12/23	Total	Maturity				
		2024	2025	2026	2027	>2027
Lease debt accounted in the BS	1,454.9	214.9	203.7	180.5	156.2	699.6
Contractual cash flows	1,614.9	245.4	229.7	202.5	175.0	762.3

31/12/22	Total	Maturity				
		2023	2024	2025	2026	>2026
Lease debt accounted in the BS	1,505.3	207.8	192.4	176.9	143.9	784.3
Contractual cash flows	1,672.0	236.8	216.6	197.6	163.0	858.0

6.3 Changes in net debt

	2023	2022
NET CASH (DEBT) AT OPENING	(35.2)	(795.0)
Net cash flow from operating activities relating to continued operations	1,511.4	3,025.4
Less, contributions to reduction of UK pension deficit and buy-in (Note 9.3)	1,078.2	95.1
Net operating investments relating to continued operations	(621.5)	(525.4)
Free operating cash flow relating to continued operations	1,968.1	2,595.1
Acquisitions of subsidiaries and affiliates ^(a)	(3,578.7)	(417.8)
Disposals of subsidiaries and affiliates	131.5	2.0
Net debt relating to acquired/disposed entities	(16.6)	(37.1)
Contributions to reduction of UK pension deficit and buy-in (Note 9.3)	(1,078.2)	(95.1)
Changes in loans	(18.5)	(3.9)
Dividends paid by the parent company	(633.7)	(563.4)
Third-party share in dividend distributions of subsidiaries	(49.3)	(41.7)
Treasury shares and subscription options exercised ^(b)	(491.0)	(350.7)
New lease debts	(166.3)	(198.8)
Changes in exchange rates and other	(64.1)	(10.3)
Contribution to change in net cash (debt) of continued operations	(3,996.8)	878.3
Contribution to change in net cash (debt) of discontinued operations	32.1	(118.5)
NET CASH (DEBT) AT CLOSING	(3,999.9)	(35.2)

(a) Including, in 2023, € 3,433.8 million relating to Imperva acquisition. This amount considers the cash flow hedges set up as part of the transaction (€ 36 million impact).

(b) Including, in 2023, € 461.3 million linked to share buy back plan for their cancellation (€ 328.7 million in 2022).

6.4 Non-current financial assets

a) Non-consolidated investments

Non-consolidated investments amounted to €129.2 million at the end of 2023 compared to €127.2 million at the end of 2022. At the end of 2023, this item is composed of individually non-material investments.

b) Non-current financial assets

	31/12/23	31/12/22
Loans to related parties	71.0	59.3
Investments taken over from the UK pension fund (note 9.3)	190.1	—
Loans and other financial assets at amortised cost	41.7	41.6
Loans and other financial assets at market value	59.7	50.6
Gross value	362.5	151.5
Impairment	(18.6)	(18.7)
NET	343.9	132.8

6.5 Summary of financial assets and liabilities

At end 2023, the classification of financial assets and liabilities remained identical to the one disclosed at end 2022.

Receivables, payables and refundable grants are financial assets and liabilities as defined by IAS 32 and IFRS 9, and are measured at amortized cost. They are detailed in Note 10.

	31/12/23					31/12/22		
	At amortised cost	Profit or loss	Fair value through:		Accounting value	Fair value	Accounting value	Fair value
			Equity	Equity with P&L reclass.				
Non-current financial assets:								
Non-consolidated investments	—	—	129.2	—	129.2	129.2	127.2	127.2
Non-current loans and financial assets	343.9	—	—	—	343.9	343.9	132.8	132.8
Derivatives documented as hedges	—	—	—	—	—	—	—	—
Current financial assets:								
Derivatives documented as hedges	—	—	—	133.4	133.4	133.4	172.6	172.6
Derivatives not documented as hedges	—	—	—	—	—	—	—	—
Current financial assets	112.2	—	—	—	112.2	112.2	221.3	221.3
Cash and cash equivalents	1,445.3	2,534.6	—	—	3,979.9	3,979.9	5,099.6	5,099.6
Non-current financial liabilities:								
Long-term debt	5,720.3	—	—	—	5,720.3	5,660.8	3,991.1	3,728.2
Derivative documented as hedges	—	—	—	—	—	—	1.0	1.0
Current financial liabilities:								
Derivatives documented as hedges	—	0.5	—	177.3	177.8	177.8	309.0	309.0
Derivatives not documented as hedges	—	10.0	—	—	10.0	10.0	19.2	19.2
Short-term debt	2,713.3	—	—	—	2,713.3	2,709.8	1,480.3	1,486.8

The valuation methods used for financial assets and liabilities are described in note 13.i.

6.6 Financial risk

a) Market risk

Thales hedges its foreign exchange and interest rate risks using over-the-counter derivatives from tier-one banks. The book value of derivatives used to manage the Group's market risks is presented below.

	31/12/23		31/12/22	
	Assets	Liabilities	Assets	Liabilities
Non-current derivatives:				
• Interest-rate derivatives	—	—	—	1.0
Current derivatives:				
• Foreign exchange derivatives	133.4	186.8	169.4	323.6
• Interest-rate derivatives	—	1.0	3.2	4.6
Foreign exchange derivatives, net	(53.4)		(154.2)	
Interest-rate derivatives, net	(1.0)		(2.4)	

Foreign exchange risk

Thales hedges currency risks arising in connection with the negotiation of contracts denominated in currencies other than the main production currency, currency risks generated by ordinary commercial operations, risks relating to cash pooling and, in some cases, risks relating to its net investments in foreign operations.



At December 31, 2023 and 2022, the amount of derivatives in the portfolio can be analyzed as follows:

	31/12/23				Market value	31/12/22	
	Nominal value			Total		Nominal value	Market value
	USD	GBP	Other				
Negotiations and trade operations hedges							
Documented as hedges							
Forward currency sales	3,398.9	1,092.8	1,862.4	6,354.1	19.1	6,888.6	(41.0)
Forward currency purchases	1,666.8	997.0	2,091.7	4,755.5		4,292.2	
Currency purchases (call and put options)	27.2	—	—	27.2		1.3	
Not documented as hedges							
Forward currency sales	—	23.0	—	23.0	—	—	—
Currency sales (call and put options)	—	—	—	—	—	40.2	0.4
Currency purchases (call and put options)	—	—	—	—		40.1	
Hedges related to cash pooling (documented as hedges)							
Currency sales: currency swaps	606.3	1,052.9	304.3	1,963.5	18.4	740.7	(1.0)
Currency purchases: currency swaps	27.2	529.3	759.9	1,316.4		410.8	
Hedges related to net investments in foreign operations (hedge accounting)							
Currency sales: currency swaps	651.6	—	—	651.6	(64.2)	1,120.6	(95.6)
Currency purchases: currency swaps	—	574.8	—	574.8		1,124.0	
Hedges related to net investments in foreign operations (not documented as hedges)							
Currency sales: currency swaps	108.5	—	—	108.5	(10.0)	144.5	(19.6)
Currency purchases: currency swaps	—	97.4	—	97.4		96.4	
Hedges related to net investments in foreign operations (not documented as hedges)							
Currency sales (call and put options)	289.6	—	—	289.6	(4.8)	—	—
Currency purchases (call and put options)	1,556.6	—	—	1,556.6		—	—
Currency purchases: currency swaps	411.8	—	—	411.8	(13.2)	—	—
NET ASSETS (LIABILITIES)					(53.4)	(154.2)	

Nominal amounts are translated into euros at the closing rate.

The maturity of the derivatives used to hedge commercial contracts is typically less than three years. Currency swaps are set up to align the maturities of derivatives to the maturities of hedged contracts. Characteristics of other derivatives are consistent with the ones of the hedged risk.

The change in value of financial instruments (forward transactions) used to hedge cash flow is recognized in equity for the spot rate component. A decrease (increase) of 5% in the dollar against the euro, pound sterling, Canadian dollar or Australian dollar would

have had a positive (negative) impact on equity of approximately €82 million at December 31, 2023 and €132 million at December 31, 2022.

The change in value of derivative instruments matched with commercial tender portfolio, which are not eligible for hedge accounting, is recognized in profit and loss. A decrease (increase) of 5% in the dollar against the euro, pound sterling, Canadian dollar or Australian dollar would have no impact on profit or loss at December 31, 2023, as at December 31, 2022.

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Interest rate risk

Thales is exposed to interest-rate volatility and in particular its impact on the conditions associated with variable-rate financing. To limit this risk, Thales operates an active interest-rate hedging policy. At December 31, 2022 and 2023, the amount of derivatives in the portfolio was as follows:

	31/12/23		31/12/22	
	Nominal	Market value	Nominal	Market value
Fair value hedge (swaps with variable rate payables):				
• swaps related to bond maturing in 2023	—	—	400.0	(4.0)
• swaps related to NEU CP	1,700.0	(0.5)	512.0	(0.6)
		(0.5)		(4.6)
Cash flow hedge (swaps with fixed rate payables):				
• swaps related to bond maturing in 2023	—	—	400.0	3.2
• pre-hedging swap related to bond maturing in 2024 ^(a)		(0.5)	—	(1.0)
		(0.5)		2.2
Swaps not documented as hedges:				
• swap with fixed-rate payable, hedging a loan	—	—	—	—
NET ASSETS		(1.0)		(2.4)

(a) €500 million swaps set up prior the bond issue, and reversed on the issue date (April 2018).

The table below summarises the Group's exposure to interest rate risk before and after hedging.

31/12/23	< 1 year		> 1 year		Total	
	Fixed-rate	Variable-rate	Fixed-rate	Variable-rate	Fixed-rate	Variable-rate
Financial debt	(2,282.9)	(216.0)	(4,476.2)	(4.1)	(6,759.1)	(220.1)
Financial assets, cash and cash equivalents		4,092.1		190.1	—	4,282.2
Net exposure before impact of derivative instruments	(2,282.9)	3,876.1	(4,476.2)	186.0	(6,759.1)	4,062.1
Hedging derivatives	1,699.8	(1,699.8)	—	—	1,699.8	(1,699.8)
Net exposure after impact of derivative instruments	(583.1)	2,176.3	(4,476.2)	186.0	(5,059.3)	2,362.3

31/12/22	< 1 year		> 1 year		Total	
	Fixed-rate	Variable-rate	Fixed-rate	Variable-rate	Fixed-rate	Variable-rate
Financial debt	(1,172.1)	(105.1)	(2,691.5)	(2.0)	(3,863.6)	(107.1)
Financial assets, cash and cash equivalents		5,320.9			—	5,320.9
Net exposure before impact of derivative instruments	(1,172.1)	5,215.8	(2,691.5)	(2.0)	(3,863.6)	5,213.8
Hedging derivatives	512.0	(512.0)	—	—	512.0	(512.0)
Net exposure after impact of derivative instruments	(660.1)	4,703.8	(2,691.5)	(2.0)	(3,351.6)	4,701.8

Based on the Group's average net cash, taking into account hedging instruments, a 1-point rise in interest rates would increase net interest income by €33.5 million in 2023 (€46.3 million in 2022).

b) Customer credit risk

Credit risk relates to the risk that a party to a contract will default on its commitments or fail to pay what it owes.

Credit risk relating to governmental customers

Governmental customers account for around 60% of Thales' sales. Some of the countries with which Thales works could present a significant credit risk which could, for example, lead them to suspend an order in production, or render them unable to pay on delivery, as agreed under the terms of the contract. To limit its exposure to these risks, Thales takes out insurance with export credit agencies (such as Bpifrance) or private insurers.

In 2023, only three customers accounted for annual sales in excess of €500 million: the French government (around €3.9 billion versus €3.5 billion in 2022), the UK government (around €0.8 billion versus €0.7 billion in 2022), and the Australian government (around €0.6 billion versus €0.7 billion in 2022).

At December 31, 2023, these three countries had first-class or high-quality ratings (France: AA by S&P Global Ratings and Aa2 by Moody's; the United Kingdom: AA by S&P Global Ratings and Aa3 by Moody's; Australia: AAA by S&P Global Ratings and Aaa by Moody's).

Risk of default relating to non-governmental customers

Non-governmental customers (private critical infrastructure operators, aircraft operators, etc.) account for approximately 40% of Thales' sales. These customers may encounter major and/or prolonged financial difficulties that could lead to payment defaults or order cancellations. Such occurrences could have a negative impact on the Group's sales, profitability and financial position.

To mitigate these risks, Thales conducts regular analyses of the ability of its customers to meet their obligations. When necessary, Thales may request bank guarantees or corporate guarantees, or may use credit insurers.

The Group's Finance Department consolidates all the information relating to the Group's exposure to credit risk, notably by identifying and analyzing the aging of overdue accounts and notes receivable that have not been impaired. At December 31, 2023 and 2022, the aging of these accounts and notes receivable is as follows:

31/12/23	Total	Receivables past due:		
		Less than 3 months	3 to 6 months	More than 6 months
Overdue receivables not subject to provision				
TOTAL	954.5	743.8	92.7	118.0

31/12/22	Total	Receivables past due:		
		Less than 3 months	3 to 6 months	More than 6 months
Overdue receivables not subject to provision				
TOTAL	1,025.7	722.9	98.8	204.0

Credit risk related to banking counterparties

Financial investments are diversified. They relate to first ranking debt and are negotiated with tier-one banks.

Thales trades over-the-counter derivatives with tier-one banks under agreements which provide for the offsetting of amounts payable and receivable in the event of default by one of the contracting parties. These conditional offsetting agreements do not meet the eligibility criteria within the meaning of IAS 32 for offsetting derivative instruments recorded on the balance sheet under assets and liabilities. However, they do fall within the scope of disclosures to be provided under IFRS 7 on offsetting.

31/12/23	Gross value (before offset)	Offset amounts on balance sheet	Net presented in balance sheet	Impact of other offsetting agreements		Net
				Offsetting agreements	Financial collateral	
Derivatives – Assets	133.4	—	133.4	(101.0)	—	32.4
Derivatives – Liabilities	187.8	—	187.8	(101.0)	—	86.8

31/12/22	Gross value (before offset)	Offset amounts on balance sheet	Net presented in balance sheet	Impact of other offsetting agreements		Net
				Offsetting agreements	Financial collateral	
Derivatives – Assets	172.6	—	172.6	(166.0)	—	6.6
Derivatives – Liabilities	329.2	—	329.2	(166.0)	—	163.2

c) Liquidity risk

The Group's liquidity risk is the risk of not being able to meet its cash needs out of its financial resources. In particular, it relates specifically to Thales' level of exposure to changes in the main market indicators that could lead to an increase in the cost of credit or even to a temporary limitation of access to external sources of financing.

The Group manages this risk by trying to anticipate its cash needs and ensures that these are covered by the Group's short-term and long-term financial resources, as follows:

- shareholders' equity (Note 8.1);
- financial debt (Note 6.2, including its breakdown by maturity);
- confirmed bank credit line, undrawn as of December 31, 2023, amounting to €1,500 million and maturing in 2028;
- as well as a commercial paper program (NeuCP).

The Group consolidates and pools its cash surpluses and needs for its various businesses, allowing it to simplify the cash management of those businesses by managing a consolidated position and accessing the financial markets through the Thales parent company, which is rated by S&P Global Ratings (A-, stable outlook) and Moody's (A2, stable outlook).

The Group's funding agreements contain no covenants linked to changes in Thales' credit rating. A lower credit rating would result in an (capped) increase in the margins applicable to the undrawn confirmed bank credit line mentioned above; symmetrically, a higher rating would lead to a decrease in the applicable margin (with a floor).

Note 7. Income tax

The income tax expense takes into account specific local tax rules, including the tax consolidation systems in France and the United States, Group Relief in the United Kingdom, tax consolidation in USA, and *Organschaft* rules in Germany.

7.1 Income tax expense

	2023	2022
Current tax	(400.8)	(349.2)
Deferred tax	148.6	124.1
TOTAL	(252.2)	(225.1)

Reconciliation between theoretical and actual tax expense

	2023	2022
Net income	1,002.9	1,131.0
Less: net income of discontinued activities	(74.3)	(9.1)
Less: share in net income of equity affiliates	(147.4)	(180.0)
Less: income tax	252.2	225.1
Net income before tax and share in net income of equity affiliates	1,033.4	1,167.0
Theoretical average tax rate	24.4%	23.9%
Theoretical tax benefit (expense)	(252.5)	(278.8)
Reconciliation items:		
• Impact of tax credits	71.5	65.7
• Impact of reduced tax rates	27.2	22.1
• Taxes not taken into account in the theoretical rate	(28.8)	(23.5)
• Impact of dividends paid	(12.1)	(9.1)
• Impact of tax rates changes on deferred tax	(0.9)	0.8
• Change in provision for deferred tax assets	(74.7)	6.7
• Adjustments in respect of prior periods	3.2	(4.9)
• Other	14.9	(4.1)
Income tax benefit (expense) recognised in profit and loss	(252.2)	(225.1)
Effective tax rate	24.4%	19.3%

The theoretical average tax rate corresponds to the sum of theoretical taxes of consolidated companies, divided by the consolidated net income before tax and share in net income of equity affiliates. The theoretical tax of each consolidated company corresponds to the application of the local tax rate to net income before tax. Accordingly, the theoretical average tax rate reflects the relative contribution of the different countries to the Group's consolidated net income. France, which has a tax rate of 25.83%, represented almost 55% of income before tax in 2023 (70% in 2022).

The impact of tax credits includes:

- the impact of tax exemption on research tax credits in France (€172.6 million in 2023, €167.7 million in 2022);
- the tax benefits related to research activities that are recognized in income tax (notably in the United States, Australia and the Netherlands).

The line "impact of reduced tax rate" includes the effect of the 10.3% tax rate in France on the royalties of patents and deeds of industrial property.

"Taxes not taken into account in the theoretical rate" mainly include state taxes in the United States, the IRAP in Italy, and taxes on foreign establishments.

7.2 Deferred tax recognized in equity

	2023		2022	
	Base	Tax	Base	Tax
Fully consolidated entities				
Translation of the financial statements of foreign subsidiaries	(96.1)	—	(6.6)	—
Cash flow hedges	70.1	(15.8)	(31.2)	14.2
Other items reclassified to income	(26.0)	(15.8)	(37.8)	14.2
Actuarial gains and losses/pensions – United Kingdom	(159.4)	—	194.6	—
Actuarial gains and losses/pensions – Other countries	(107.2)	29.0	273.2	(62.3)
Other items not reclassified to income	(266.6)	29.0	467.8	(62.3)
Share-based payment and other		4.2		2.3
TOTAL DEFERRED TAX RECOGNISED IN EQUITY DURING THE YEAR		17.4		(45.8)

7.3 Tax assets and liabilities presented on the balance sheet

	01/01/23	Income (expense)	Equity	Cash flow	Scope & exch. rates	Other	31/12/23
Current income tax assets	194.7	(62.2)	—	84.6	(2.9)	(19.9)	194.3
Current income tax liabilities	(168.2)	(338.6)	—	110.8	(6.3)	181.8	(220.5)
Current income tax, net	26.5	(400.8)	—	195.4	(9.2)	161.9	(26.2)
Deferred tax assets	1,043.0	52.2	17.4	—	65.7	5.0	1,183.3
Deferred tax liabilities	(396.6)	96.4	—	—	(19.6)	0.4	(319.4)
Deferred tax, net	646.4	148.6	17.4	—	46.1	5.4	863.9
TOTAL		(252.2)	17.4	195.4			

	01/01/22	Income (expense)	Equity	Cash flow	Scope & exch. rates	Other	31/12/22
Current income tax assets	214.5	77.1	—	(104.0)	3.0	4.1	194.7
Current income tax liabilities	(140.7)	(426.3)	—	260.3	0.2	138.3	(168.2)
Current income tax, net	73.8	(349.2)	—	156.3	3.2	142.3	26.5
Deferred tax assets	951.2	40.8	(45.8)	—	8.7	88.1	1,043.0
Deferred tax liabilities	(491.4)	83.3	—	—	(34.9)	46.4	(396.6)
Deferred tax, net	459.8	124.1	(45.8)	—	(26.2)	134.5	646.4
TOTAL		(225.1)	(45.8)	156.3			

a) Current income tax

Income tax paid is presented net of tax credits utilized. Tax credits allocated to tax payments during the current year or to tax to be paid in the coming year is presented under "Other".

b) Deferred tax**Changes by type**

	At 01/01/23	(Expense)/ Income for the period	Equity	Scope & exch. rates	At 31/12/23
Temporary differences:	949.8	148.9	48.4	105.8	1,252.9
• pensions and similar benefits	399.6	25.9	65.5	10.4	501.4
• intangible assets	(200.5)	123.3	—	27.3	(49.9)
• provisions on contract	247.7	(11.8)	—	(27.1)	208.8
• other	503.0	11.5	(17.1)	95.2	592.6
Tax loss carry-forwards	533.2	74.4	—	19.8	627.4
Total before depreciation	1,483.0	223.3	48.4	125.6	1,880.3
Depreciation	(836.6)	(74.7)	(31.0)	(74.1)	(1,016.4)
Total net deferred tax assets	646.4	148.6	17.4	51.5	863.9

	At 01/01/22	(Expense)/ Income for the period	Equity	Scope & exch. rates	At 31/12/22
Temporary differences:	878.6	125.9	(109.4)	54.7	949.8
• pensions and similar benefits	552.0	(5.2)	(126.2)	(21.0)	399.6
• intangible assets	(383.9)	171.8	—	11.6	(200.5)
• provisions on contract	219.3	16.4	—	12.0	247.7
• other	491.2	(57.1)	16.8	52.1	503.0
Tax loss carry-forwards	640.1	(8.5)	—	(98.4)	533.2
Total before depreciation	1,518.7	117.4	(109.4)	(43.7)	1,483.0
Depreciation	(1,058.9)	6.7	63.6	152.0	(836.6)
Total net deferred tax assets	459.8	124.1	(45.8)	108.3	646.4

Tax loss carry-forwards

Total tax loss carry-forwards represent a potential tax saving of €627.4 million at December 31, 2023 (€533.2 million at December 31, 2022). The corresponding expiry dates are as follows:

	At 31/12/23
2024	1.2
2025-2028	0.5
Beyond 2028	7.0
Not time limited	618.7
Total	627.4
O/w, depreciated	(570.8)
Net deferred tax asset	56.6

	At 31/12/22
2023	2.5
2024-2027	17.6
Beyond 2027	—
Not time limited	513.1
Total	533.2
O/w, depreciated	(515.3)
Net deferred tax asset	17.9

As described in Note 13-j, only deferred tax assets related to tax losses which the Group expects to recover are recognized on the balance sheet. In particular, the Group takes into account any loss carry-forward limitations.



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Note 8. Equity and earnings per share

8.1 Equity

a) Share capital

At December 31, 2023, the share capital of the Thales parent company amounted to €630,630,420 and comprised 210,210,140 shares with a par value of €3. At December 31, 2022, it amounted to €640,233,927 and comprised 213,411,309 shares with a par value of €3.

b) Treasury shares

Thales parent company held 3,541,786 of its own shares at December 31, 2023. They were accounted for as a deduction from equity for an amount of €-476.3 million.

In accordance with the authorizations granted to the Board of Directors by the Annual General Meeting, the Company carried out the following transactions in 2022 and 2023:

	2023	2022
Treasury shares at opening	3,277,303	493,175
Purchases as part of a liquidity agreement	591,432	735,314
Disposals as part of a liquidity agreement	(621,129)	(781,117)
Transfer to employees as part of the employee share purchase plan	—	(36,106)
Delivery of free shares	(218,186)	(129,067)
Market purchases ^(a)	3,713,535	2,995,104
Cancelled shares	(3,201,169)	—
Treasury shares at closing	3,541,786	3,277,303

(a) Including 3,458,535 shares in 2023 and 2,765,104 shares in 2022 as part of the share buyback program announced on 3 March 2022.

At December 31, 2023 and 2022, as part of the liquidity agreement managed by Kepler Cheuvreux, the following numbers of shares were held in the liquidity account:

	2023	2022
Number of shares	44,245	73,942
Cash (in € million)	27.7	23.1

c) Translation adjustments

Translation adjustments result from the translation of financial statements of companies whose functional currency is not the euro, offset as applicable by the impact of derivative instruments denominated in foreign currencies to hedge net investments in foreign operations.

Translation adjustments are recorded in equity as "other comprehensive income", and are subsequently reclassified to income on the disposal date of related investments. They break down as follows:

	2023	2022
Translation adjustments at 1 January	(258.3)	(216.9)
Changes in value	(115.7)	(36.2)
Reclassified to profit and loss	5.0	(5.1)
Gross change	(110.7)	(41.3)
Deferred tax	—	—
Scope and other	(0.8)	(0.1)
Translation adjustments at 31 December	(369.8)	(258.3)

The main exchange rates used to translate financial statements of entities with a functional currency different from the euro are as follows:

(in euros)	31 December 2023		31 December 2022		31 December 2021	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Australian dollar	1,6263	1,6347	1,5693	1,5154	1,5615	1,5783
Pound sterling	0,8691	0,8688	0,8869	0,8548	0,8403	0,8584
U.S. dollar	1,1050	1,0829	1,0666	1,0500	1,1326	1,1816

In addition, the average rate of Argentina's currency has been specifically determined for 2023 to take into account the devaluation of the currency occurred at the very end of the year.

d) Reserves for cash flow hedge

The Group uses derivatives to hedge against changes in the value of future cash flows. In the consolidated financial statements, the effective portion of changes in fair value of these derivatives is recognized directly in equity, until such time as the hedged flows affect profit and loss.

	2023	2022
Cash flow hedge at 1 January	(124.6)	(104.7)
Changes in value of derivatives	83.4	(11.5)
Reclassified to operating (income)/expense	38.0	(29.3)
Reclassified to income tax (benefit)/expense	(7.4)	13.3
Changes in scope and exchange rates	(21.8)	7.6
Cash flow hedge at 31 December	(32.4)	(124.6)

A negative balance at closing means that the exchange rates and interest rates of the derivative documented as hedges are generally less favorable than the rates prevailing at the closing date.

e) Parent company dividend distribution

The per-share dividend amounted to €2.56 in 2021 and €2.94 in 2022.

On 4 March 2024, the Board of Directors decided to propose to shareholders, who will be convened to a General Meeting on 15 May 2024, the payment of a dividend of €3.40 per share for the year 2023.

If approved, the ex-dividend date will be 21 May 2024 and the payment date will be 23 May 2024. The dividend will be paid fully in cash and will amount to €2.60 per share, after deducting the interim dividend of €0.80 per share paid in December 2023.

Dividends paid in 2022 and 2023 are described below:

Year	Approved by	Description	Dividend per share (in euro)	Payment date	Payment method	Total (€ million)
2023	Board of Directors on 28 September 2023	2023 interim dividend	€0.80	Dec. 2023	cash	165.7
	General Meeting on 10 May 2023	Balance for 2022	€2.24	May 2023	cash	468.0
	Total dividends paid in 2023					633.7
2022	Board of Directors on 29 September 2022	2022 interim dividend	€0.70	Dec. 2022	cash	147.2
	General Meeting on 11 May 2022	Balance for 2021	€1.96	May 2022	cash	416.2
	Total dividends paid in 2022					563.4
2021	Board of Directors on 30 September 2021	2021 interim dividend	€0.60	Dec. 2021	cash	127.4

f) Non-controlling interests

This item principally includes Leonardo's interest in the Thales Alenia Space subgroup (33%), and Siemens's and Philips Medical Systems International's interest in Trixell SAS (49%).

The individual contributions of these minority shareholders to the Group's key financial indicators are not material.

The cash of these two companies is unrestricted and is exclusively pooled with Thales' Corporate Treasury Department.

8.2 Earnings per share

	2023	2022
Numerator (in € million):		
Net income, Group share	(A) 1,023.4	1,120.6
<i>Of which: net income relating to continued operations, Group share</i>	949.1	1,111.5
Denominator (in thousands):		
Average number of shares outstanding	(B) 208,507	211,833
Free shares and units plans ^(a)	656	515
Diluted average number of shares outstanding	(C) 209,163	212,348
Net earnings per share (in euros)	(A)/(B) 4.91	5.29
<i>Of which: basic earnings relating to continued operations, per share</i>	4.55	5.25
Diluted net earnings per share (in euros)	(A)/(C) 4.89	5.28
<i>Of which: diluted earnings relating to continued operations, per share</i>	4.54	5.23
Average share price	€132.48	€111.70

(a) Shares/units that are subject to internal performance conditions are only taken into account when the performance conditions are achieved.



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Note 9. Employee benefits

9.1 Consolidated headcount

Consolidated headcount includes all employees of fully consolidated companies. It does not include employees of equity affiliates. At end 2023, Thales' headcount stood at 81,060 (76,776 in 2022). Three quarters of the headcount comprises employees with grades equivalent to engineer, specialist or manager.

9.2 Personnel expenses

In 2023, wages, salaries and payroll taxes amounted to €8,327.9 million (€7,666.7 million in 2022).

9.3 Provisions for pensions and other employee benefits

The Group grants to its employees post-employment benefits (pensions, end-of-career severance, medical coverage, etc.) and other long-term benefits (long-service and jubilee awards, etc.).

a) Description of the plans

The Group's existing plans are either defined-contribution plans or defined-benefit plans.

Defined-contribution plans

In certain countries, the Group pays contributions based on salaries to state organizations overseeing basic pension schemes (e.g., *Securité Sociale* or the compulsory supplementary scheme AGIRC-ARRCO in France). Beyond these basic pension schemes, Thales also contributes to other defined-contribution plans (e.g., in the Netherlands and the United Kingdom since 2002). These plans do not impose any obligations on the Group other than the payment of contributions: there is no related benefit obligation and contributions are expensed in the period they are incurred.

Defined-benefit plans

Defined-benefit plans relate to different types of benefits:

- pensions and end-of-career indemnities (legal or contractual), and other long-term benefits (jubilee awards, etc.), particularly in France. In general, these commitments are not covered by any assets;
- supplementary pension schemes, mainly in the United Kingdom, in Germany and in Switzerland. These schemes provide a pension based on the beneficiary's average salary, indexed to inflation. The present value of the Group's obligations and the fair

value of plan assets are measured independently. A provision is recognized if the value of the assets is insufficient to cover the obligations.

At the end of 2023, Thales entered into an agreement to insure the full amount of obligations under the Thales UK Pension Scheme. Under this agreement, Thales arranged insurance coverage with Rothesay for its gross pension obligations, valued at GBP 2.677 billion. In return, Thales transferred the corresponding plan assets, with a net cash outflow of GBP 850 million (€980.7 million).

In addition, Thales purchased from the UK pension fund GBP 165 million (€190.1 million) of plan assets with an average maturity of 5 years, which are now recorded under "non-current financial assets".

Since the buy-in, Thales has initiated the full transfer of these obligations ("buy-out") to the insurer, which will be completed by mid-2025 at the latest, once, in particular, the administrative files of the more than 15,000 participants have been processed. The terms and conditions of the buy-out have already been contractually agreed with Rothesay, without additional cost.

As part of this transaction, a non-current charge of GBP 349 million (€402.9 million) has been recorded in 2023 (note b).

The guarantees granted to Thales UK Pension Scheme by Thales parent company to cover the future obligations of the subsidiaries concerned under the financing plans have become irrelevant, even if they will only be formally cancelled following the buy-out.

In addition, the annual contribution to the deficit (GBP 75 million per year) has been stopped, with effect from December 1, 2023.

b) Provisions recognized on the balance sheet

	2023	2022
Provision at opening	(1,907.7)	(2,447.3)
Less: provision at opening relating to discontinued activities	—	(35.5)
Current service cost (income from operations)	(92.8)	(129.4)
Past service cost and settlements (non recurring operating income)	(402.9)	(29.4)
Net interest cost	(70.8)	(28.5)
Pension fund management cost	(5.2)	(6.0)
Actuarial gains and losses on other long-term employee benefits	(1.8)	29.6
Finance costs on pensions and other long-term employee benefits	(77.8)	(4.9)
Total expense for the period	(573.5)	(163.7)
Actuarial gains and losses (other comprehensive income) ^(a)	(266.6)	467.8
Benefits and contributions	1,181.5	231.8
• of which, deficit payment in the United Kingdom	97.5	95.1
• of which, buy-in payment (Thales UK Pension Scheme)	980.7	—
• of which, other benefits and contributions	103.3	136.7
Translation adjustment	(7.9)	30.4
Changes in scope of consolidation and other	21.7	8.8
Provision at closing	(1,552.5)	(1,907.7)
Of which:		
• post-employment benefits	(1,338.4)	(1,699.1)
• other long-term benefits	(214.1)	(208.6)

(a) Mainly due to the change in actuarial rates, especially in the United Kingdom.

c) Changes in defined benefit obligations and plans assets

2023	UK	France	Other	Total
Obligation at 1st January	(2,914.9)	(1,198.2)	(523.7)	(4,636.8)
Current service cost	(8.0)	(66.5)	(18.3)	(92.8)
Interest cost	(140.0)	(43.8)	(15.0)	(198.8)
Plan participant contributions	(5.8)	—	(4.7)	(10.5)
Amendments/settlements	(133.9)	—	(1.0)	(134.9)
Experience gains (losses)	(13.1)	(25.2)	3.0	(35.3)
Actuarial gains (losses)/financial assumptions	(129.5)	(51.9)	(50.7)	(232.1)
Actuarial gains (losses)/demographic assumptions	0.7	3.2	(1.7)	2.2
Actuarial gains (losses) on long-term benefits	—	(0.8)	(1.0)	(1.8)
Benefits paid by plan assets	163.0	3.3	19.4	185.7
Benefits paid by employer	0.7	84.8	24.0	109.5
Changes in scope, exchange rates and other	(60.0)	15.6	(0.6)	(45.0)
Obligation at 31 December	(3,240.8)	(1,279.5)	(570.3)	(5,090.6)
Plan assets at 1st January	2,457.5	85.6	240.7	2,783.8
Expected return on plan assets	120.4	3.2	4.4	128.0
Employer's contribution	1,097.3	(33.7)	8.4	1,072.0
Plan participant contributions	5.8	—	4.7	10.5
Amendments/settlements	(268.0)	—	—	(268.0)
Benefits paid by plans assets	(163.0)	(3.3)	(19.4)	(185.7)
Experience gains (losses)	(61.5)	(0.8)	7.3	(55.0)
Changes in scope, exchange rates and other	45.7	(0.9)	10.0	54.8
Plan assets at 31 December ^(a)	3,234.2	50.1	256.1	3,540.4
Asset ceiling at 31 December	—	—	(2.3)	(2.3)
PROVISIONS AT 31 DECEMBER	(6.6)	(1,229.4)	(316.5)	(1,552.5)

(a) Pension plan assets in the UK are now managed by Rothesay.



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2022	UK	France	Other	Total
Obligation at 1st January	(4,465.3)	(1,394.1)	(587.5)	(6,446.9)
Current service cost	(21.8)	(84.2)	(23.4)	(129.4)
Interest cost	(77.1)	(11.0)	(6.6)	(94.7)
Plan participant contributions	(7.1)	—	(2.9)	(10.0)
Amendments/settlements	—	(28.5)	0.1	(28.4)
Experience gains (losses)	(204.3)	(18.5)	(2.5)	(225.3)
Actuarial gains (losses)/financial assumptions	1,545.7	187.6	130.9	1,864.2
Actuarial gains (losses)/demographic assumptions	(34.7)	6.9	4.0	(23.8)
Actuarial gains (losses) on long-term benefits	—	25.5	4.1	29.6
Benefits paid by plan assets	162.0	3.0	11.1	176.1
Benefits paid by employer	0.7	101.6	24.2	126.5
Changes in scope, exchange rates and other	187.0	13.5	(75.2)	125.3
Obligation at 31 December	(2,914.9)	(1,198.2)	(523.7)	(4,636.8)
Plan assets at 1st January	3,660.1	109.2	195.0	3,964.3
Expected return on plan assets	63.9	0.8	1.5	66.2
Employer's contribution	117.3	(19.0)	7.0	105.3
Plan participant contributions	7.1	—	2.9	10.0
Amendments/settlements	—	—	(1.0)	(1.0)
Benefits paid by plans assets	(162.0)	(3.0)	(11.1)	(176.1)
Experience gains (losses)	(1,067.4)	(2.4)	(20.4)	(1,090.2)
Changes in scope, exchange rates and other	(161.5)	—	66.8	(94.7)
Plan assets at 31 December	2,457.5	85.6	240.7	2,783.8
Asset ceiling at 1st January	(43.1)	—	(11.6)	(54.7)
PROVISIONS AT 31 DECEMBER	(500.5)	(1,112.6)	(294.6)	(1,907.7)

d) Actuarial assumptions used

The actuarial assumptions used are determined according to the economic environment and specific criteria of each country and each system. The most sensitive assumptions are as follows:

2023	UK	France
Inflation rate	2.99%	2.22%
Discount rate	4.40%	3.12%

2022	UK	France
Inflation rate	3.12%	2.35%
Discount rate	4.79%	3.71%

For each country, the discount rates are obtained by reference to the Iboxx Corporate AA index, which reflects the rate of return of very high-quality corporate bonds, with maturity dates equivalent to the duration of the plans being measured, and in the same currency.

The sensitivity of the net obligation to a change in the discount rate at December 31, 2023, excluding the United Kingdom, is as follows:

Sensitivity in basis points	+25	+50	+100	-25	-50	-100
Decrease (increase) in provision (in € millions)	47.8	92.0	167.5	(53.4)	(110.5)	(237.9)

9.4 Share-based payment

At December 31, 2023, the following options, shares and units were outstanding:

- 1,185,575 free shares;
- 454,500 phantom shares, payable in cash at the end of a four-year vesting period.

All of these plans are submitted to internal performance conditions over the three financing years following their grant date. The features of these plans are described in chapter 6.2 of the 2023 Registration Document.

a) Allotment of free shares

Date of Board decision	Vesting period	Share price at grant date	Number of free shares at 31/12/22 ^(a)	Shares allotted in 2023	Shares cancelled in 2023	Shares issued in 2023	Number of free shares at 31/12/23
20/07/2023	20/07/2023 to 20/07/2027	138.55 €	—	286,010	(310)	—	285,700
30/06/2022	30/06/2022 to 30/06/2026	116.00 €	267,485	—	(8,450)	(195)	258,840
01/07/2021	01/07/2021 to 01/07/2025	86.04 €	297,010	—	(6,840)	(850)	289,320
24/11/2020	24/11/2020 to 24/11/2024	79.60 €	361,785	—	(9,140)	(930)	351,715
25/09/2019	25/09/2019 to 25/09/2023	104.50 €	223,483	—	(10,481)	(213,002)	—
							1,185,575

(a) After adjustment.

b) Allotment of phantom shares indexed to the value of Thales shares

Date of Board decision	Vesting period	Number of phantom shares at 31/12/22 ^(a)	Phantom shares issued in 2023	Phantom shares cancelled in 2023	Phantom shares delivered in 2022	Number of phantom shares at 31/12/23
20/07/2023	20/07/2023 to 20/07/2027	—	87,870	(785)	—	87,085
30/06/2022	30/06/2022 to 30/06/2026	83,600	—	(3,285)	—	80,315
01/07/2021	01/07/2021 to 01/07/2025	97,980	—	(1,760)	—	96,220
24/11/2020	24/11/2020 to 24/11/2024	196,210	—	(4,580)	(750)	190,880
25/09/2019	25/09/2019 to 25/09/2023	128,164	—	(5,580)	(122,584)	—
						454,500

(a) After adjustment.

c) Expenses related to share-based payments

In the consolidated financial statements, the benefit granted to beneficiaries of the above-mentioned plans is recognized as an operating expense. These amounts are presented below:

Plans	Residual fair value at the end of 2023	2023 expense	2022 expense
Free shares	57.3	(24.4)	(22.8)
Phantom shares and other schemes ^(a)	24.0	(19.2)	(21.8)
Social contributions related to the plans	17.5	(9.7)	(12.5)
TOTAL	98.8	(53.3)	(57.1)
Of which, offsetting entries:			
• Shareholders' equity		24.4	22.8
• Current operating liabilities		28.9	34.3

(a) This line includes the expense relating to the long-term incentive plan (LTIP) of the Chairman and CEO, the conditions of which are described in the relevant years Registration or Universal Registration documents.



9.5 Compensation of Directors and senior corporate officers

Expenses recognized in respect of compensation, benefits and social security contributions attributed to Directors and members of the Executive Committee are as follows:

	2023	2022
Short-term benefits:		
• Fixed compensation	7.5	7.0
• Variable compensation	7.3	6.8
• Employer social security contributions	5.8	5.4
• Board attendance fees	0.6	0.6
Other benefits (including social contributions):		
• Post-employment benefits	3.4	4.4
• Share-based payments	8.0	6.2

In the event of a member joining or leaving the Executive Committee during the year, the remuneration taken into account in the above table is that corresponding to the period of presence.

At December 31, 2023, the share of directors in net Group pension obligations (Note 9.3) amounted to €12.6 million.

Note 10. Current operating assets and liabilities

Current operating assets and liabilities include working capital (WCR) components and reserves for contingencies, as defined in Note 13-d.

The changes in these items are presented below:

Change for the period	01/01/22	Changes in WCR and reserves	Scope, exch. rate and reclass.	31/12/22	Changes in WCR and reserves	Scope, exch. rate and reclass.	31/12/23
Inventories, work in progress and set-up costs	3,336.0	346.7	(10.4)	3,672.3	670.1	(91.6)	4,250.8
Contract assets	2,477.6	(93.3)	26.2	2,410.5	456.9	29.6	2,897.0
Advance to suppliers	411.0	222.2	8.7	641.9	148.6	(4.1)	786.4
Accounts, notes and other receivables	5,442.9	505.7	(138.5)	5,810.1	510.1	(51.1)	6,269.1
Current derivatives – assets	99.7	(10.3)	83.2	172.6	27.9	(67.1)	133.4
Contract liabilities	(7,068.5)	(1,190.0)	(55.1)	(8,313.6)	(1,265.5)	(209.5)	(9,788.6)
Reserves for contingencies	(1,771.8)	(31.6)	51.4	(1,752.0)	8.5	16.8	(1,726.7)
Accounts, notes and other payables	(6,066.6)	(663.7)	(188.4)	(6,918.7)	(713.7)	(11.7)	(7,644.1)
Current derivatives – liabilities	(234.1)	—	(94.1)	(328.2)		140.4	(187.8)
WCR and reserves, net	(3,373.8)	(914.3)	(317.0)	(4,605.1)	(157.1)	(248.3)	(5,010.5)
Restructuring provisions		(52.1)			(15.6)		
INCREASE (DECREASE) IN WCR AND RESERVES		(966.4)			(172.7)		

10.1 Inventories, work in progress, and set-up costs

	31/12/23	31/12/22
Goods	62.7	58.7
Raw materials	1,318.8	1,118.3
Semi-finished and finished goods	2,164.3	1,868.3
Work in progress	1,175.1	1,092.9
Gross value	4,720.9	4,138.2
Depreciation	(723.9)	(736.8)
Inventories and work in progress, net	3,997.0	3,401.4
Gross	1,017.0	1,031.7
Depreciation	(763.2)	(760.8)
Set-up costs, net	253.8	270.9
TOTAL	4,250.8	3,672.3

10.2 Contract assets and liabilities

	31/12/23	31/12/22
Unbilled receivables, gross	9,613.7	8,829.4
Unbilled receivables, depreciation	(15.8)	(19.4)
Advances received from customers	(6,700.9)	(6,399.5)
Contract assets	2,897.0	2,410.5
Advances received from customers	(14,944.5)	(13,180.3)
Unbilled receivables	8,061.1	7,652.1
Deferred income	(2,905.2)	(2,785.4)
Contract liabilities	(9,788.6)	(8,313.6)

For a given contract, a contract asset (liability) represents the accumulated revenue not yet invoiced, less advances received from customers. This amount increases as and when revenue is

recognized, and decreases when invoices are issued to the customers or advance payments are received.

10.3 Reserves for contingencies

	01/01/23	Utilisation	Additions	Reversal (surplus)	Exch. Rate and other	31/12/23
Restructuring	50.0	(32.0)	24.7	(8.3)	6.3	40.7
Technical and other litigation	274.8	(31.3)	59.6	(19.9)	(8.7)	274.5
Guarantees	299.2	(100.7)	67.3	(13.4)	(1.4)	251.0
Losses at completion	433.0	(143.5)	160.5	(18.3)	(0.4)	431.3
Provisions on contracts	435.2	(51.9)	103.6	(10.1)	(10.8)	466.0
Other ^(a)	259.8	(53.1)	68.7	(10.4)	(1.8)	263.2
TOTAL	1,752.0	(412.5)	484.4	(80.4)	(16.8)	1,726.7

	01/01/22	Utilisation	Additions	Reversal (surplus)	Exch. Rate and other	31/12/22
Restructuring	100.5	(54.6)	17.3	(14.8)	1.6	50.0
Technical and other litigation	354.0	(30.0)	44.1	(35.0)	(58.3)	274.8
Guarantees	267.2	(70.8)	116.6	(18.1)	4.3	299.2
Losses at completion	443.2	(77.7)	89.9	(21.3)	(1.1)	433.0
Provisions on contracts	387.1	(43.6)	109.9	(7.7)	(10.5)	435.2
Other ^(a)	219.8	(67.6)	110.8	(15.8)	12.6	259.8
TOTAL	1,771.8	(344.3)	488.6	(112.7)	(51.4)	1,752.0

(a) This line includes technical provisions of insurance companies, provisions for labor-related risks, vendor warranties, environmental guarantees and other.

The breakdown of restructuring costs is as follows:

	2023	2022
Additions for the period	(24.7)	(17.3)
Utilisation for the period	32.0	54.6
Reversals for the period	8.3	14.8
Net	15.6	52.1
Expenses for the period	(107.0)	(150.6)
Restructuring costs	(91.4)	(98.5)

10.4 Maturity of current receivables and payables

The amounts presented in the balance sheet for this item break down as follows:

	31/12/23			31/12/22
	Total	< 1 year	> 1 year	Total
Accounts and accrued receivables gross	3,996.1	3,854.3	141.8	3,776.5
Accounts and accrued receivables depreciation	(137.9)	(101.2)	(36.7)	(141.7)
Accounts and accrued receivables, net	3,858.2	3,753.1	105.1	3,634.8
Tax receivables (excluding income tax)	1,639.7	1,469.3	170.4	1,397.2
Other receivables, gross	776.6	653.2	123.4	784.0
Other receivables, depreciation	(5.4)	(5.4)	—	(5.9)
Other receivables, net	2,410.9	2,117.1	293.8	2,175.3
Account, notes and other receivables	6,269.1	5,870.2	398.9	5,810.1
Accounts and notes payable	2,741.1	2,736.5	4.6	2,507.6
Accrued holiday pay and payroll taxes	2,472.4	2,410.4	62.0	2,253.8
Tax payables (excluding income tax)	1,662.1	1,662.9	(0.8)	1,408.1
Other creditors and accrued liabilities	768.5	561.5	207.0	749.2
Accounts notes and other payables	7,644.1	7,371.3	272.8	6,918.7

The changes in provisions on accounts and notes receivable break down as follows:

	01/01/23	Additions/reversal	Exchange rate and scope	31/12/23
Provisions on accounts and notes receivable	(141.7)	6.0	(2.2)	(137.9)

The Group may assign trade receivables, mainly from the French State, and commercial paper. At December 31, 2023, outstanding derecognized receivables amounted to €145.4 million (€225.8 million at December 31, 2022).

Since these assignments are without recourse in case of debtor default, the receivables in question are subject to "de-recognition" of the asset.

10.5 Commitments linked to commercial contracts

The Group's contractual commitments towards its counterparties (mainly its customers) can be subject to three types of guarantees or warranties:

a) Bank guarantees

- **Bid bonds:** In the ordinary course of its activities, the Group regularly responds to invitations to tender. When requested by the customer, bid bonds are delivered in order to demonstrate the definitive nature of the bid and to indemnify the customer if the Group fails to meet its commitments. At December 31, 2023, bid bonds issued amounted to €17.9 million (€29.1 million at December 31, 2022).
- **Performance bonds:** From the signature of a contract up until its completion, the Group may also issue performance bonds for its customers, with a bank acting as an intermediary, in order to cover the payment of damages to the customer in the event that the Group does not meet its contractual commitments. At December 31, 2023, performance bonds amounted to €1,322.4 million (€1,358.8 million at December 31, 2022). Technical, operational and financial costs incurred by the Group in order to meet its obligations are valued on a contract-by-

contract basis, and are included in the cost to completion of the contract. Where this is not the case, a provision is set aside in the consolidated financial statements for any potential risk, estimated on a contract-by-contract basis.

- **Advance payment bonds:** In order to finance contract execution, the Group may receive advance payments from its customers, in accordance with contractual terms, which are recognized in liabilities in the balance sheet. In order to guarantee reimbursement of these advance payments if the contractual obligations are not met, the Group may deliver, at the customer's request, an advance payment bond. At December 31, 2023, advance payment bonds amounted to €3,126.9 million (€2,881.4 million at December 31, 2022).
- **Warranty retention bonds:** The Group evaluates and sets aside provisions for warranty costs in order to guarantee the conformity of goods sold to the customer during the contractual warranty period. In many cases, the provisional withholding of payment contractually applying during this period can be replaced by a warranty retention bond using a bank as intermediary. At December 31, 2023, warranty retention bonds amount to €83.3 million (€56.2 million at December 31, 2022).

The maturity dates of these commitments are:

	< 1 year	1 to 5 years	> 5 years	31/12/23	31/12/22
Bid bonds	11.5	4.8	1.6	17.9	29.1
Performance bonds	412.6	510.7	399.1	1,322.4	1,358.8
Advance payment bonds	816.8	1,275.5	1,034.6	3,126.9	2,881.4
Warranty retention bonds	16.7	51.8	14.8	83.3	56.2
Other bank bonds	127.4	118.2	233.8	479.4	359.9
TOTAL	1,385.0	1,961.0	1,683.9	5,029.9	4,685.4

Moreover, in connection with the development of its activities related to in-flight broadband on passenger aircraft, the Group entered into several agreements to purchase bandwidth for an amount of around €310 million as of December 31, 2023, representing the discounted value of the residual payments. These purchase commitments are due to be settled up to 2038, depending on the contract. As of December 31, 2023, the Group considers this purchase commitment, so as associated assets (€ 95.6 million included in advance to supplier line) to be reasonably covered on the basis of commercial contracts signed to date, identified prospects and, more generally, the outlook for the aircraft connectivity market.

Guarantees are issued by Thales SA (parent company) in favor of customers aimed at guaranteeing the obligations of its subsidiaries mainly under commercial contracts. These internal guarantees, without bank intermediation, as reported in paragraph 19.1 of the accounts of Thales SA (parent company), are therefore not included in the consolidated data.

b) Offsetting commitments

The awarding of major contracts, particularly within the defence sector, may be subject to legal or regulatory offsetting of the execution of local obligations, which can take the form of direct offsetting, semi-direct offsetting or indirect offsetting.

The associated risks are described in section 3.1.3.a of the 2023 Universal Registration Document.

Note 11. Litigation

At the end of 2022, as part of a judicial investigation, Thales was served with a requisition to disclose documents and information relating to business relations undertaken by Gemalto (now Thales Communication et Sécurité Numériques) prior to its acquisition by Thales in 2019.

Thales is cooperating fully with the judicial authorities. However, it is not yet known what the outcome of this judicial investigation will be, including any financial consequences.

At the date of publication, there are no other government, judicial or arbitration claims of which the Group is aware, which are pending or threatened and which could have or have had, any significant effect on the financial position or profitability of the Company and/or the Group in the last 12 months.

Note 12. Subsequent events

In mid-July 2023, Thales entered into exclusive negotiations to acquire, for \$1.1 billion, Cobham Aerospace Communications ("AeroComms"), a leading provider of advanced, innovative and ultra-reliable communications systems, enabling safety communications for cockpits. This company is expected to generate a turnover of around \$200 million in 2023. As part of this project, the employee representative organizations of Thales and Cobham Aerospace Communications were consulted. The acquisition was finalized in April 2024, after approval from the antitrust authorities and obtaining the usual regulatory authorizations.

The space segment benefits from favorable growth prospects for most of its activities, in particular observation, exploration, navigation, military telecommunications and services. However, the commercial telecommunications business is facing challenges due to structurally weaker demand. For this reason, in early March the Group announced a project of an adaptation plan at Thales Alenia Space concerning around 1,300 jobs, including 1,000 in France, which will be redeployed within the Group, with no forced departure. Those redeployments will take place over 2024 and 2025, in consultation with employee representative bodies.



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Note 13. Accounting policies

a) Presentation of the financial statements

Consolidated profit and loss account

Expenses in the income statement are presented analytically by purpose.

Income from operations is equal to income of operating activities before taking into account:

- gains and losses on disposals of property, plant and equipment and intangible assets, businesses or investments;
- the impact of changes in scope on consolidated net income before tax (Note 13-b);
- the impact of the amendment, curtailment or settlement of pension plans and other long-term benefits;
- the impairment of non-current assets;
- other operating items resulting from unusual events, with a material impact on the financial statements.

Consolidated balance sheet

A significant portion of the Group's activities in its different business segments have long-term operating cycles. Accordingly, assets (liabilities) that are usually realized (settled) within the entities' operating cycles (inventory, accounts receivable and payable, advance payments, reserves, etc.) are classified in the consolidated balance sheet as current assets and liabilities, with no distinction between the amounts due within one year and those due after one year.

Consolidated statement of cash flows

The statement of cash flows provides an analysis of the change in cash and cash equivalents, as presented in the balance sheet and defined in Note 13-i. The statement of cash flows is prepared using the indirect method based on consolidated net income and is broken down into three categories:

- net cash flow from operating activities, including interest. Income tax payments are included in this caption, except when directly associated to investing or financing activities;
- net cash flow used in investing activities, including net operating investments (acquisition and disposal of property, plant and equipment and intangible assets, capitalization of development costs) and net financial investments;
- net cash flow used in financing activities including dividends paid, capital subscriptions (exercise of options by employees), the purchase/sale of treasury shares, the issuance and repayment of debt, and changes in bank overdrafts, etc.

The Group also discloses the changes in its **net cash (debt)**, which is a non-GAAP measure. It includes financial debt, lease liability, net of cash and cash equivalents and investments including assets transferred from the UK pension fund. Changes in net cash, presented in Note 6.3, notably reflect **free operating cash flow**, defined as net cash flow from operating activities less net operating investments. This aggregate is restated for the contribution to reducing pension funding deficits in the UK, and in 2023 for the cash-out to Rothesay as part of the insurance coverage for the Thales UK Pension Scheme.

Segment information, EBIT and adjusted net income

The business segments presented by the Group are as follows:

- the Aerospace segment combines the "Avionics" and "Space" Global Business Units. They develop on-board systems and services for private sector customers (aircraft manufacturers, airlines, satellite operators, etc.) and for government/defence customers (national governments, space agencies and other semi-public organizations);
- the Defence & Security segment combines the "Secure Communications and Information Systems", "Land and Air Systems" and "Defence Mission Systems" Global Business Units. They develop equipment, systems and services for armed forces and for the protection of networks and infrastructure, mainly for a government/defence customer base;
- the Digital Identity & Security segment, which develops digital identity and security solutions for a private and government customer base, and some digital businesses previously included in the Defence & Security segment, in particular in data protection.

The Transportation business segment has been considered as a discontinued operation as from the date of the signature of the put option agreement with Hitachi Rail. Consequently, financial data of this segment are excluded from segment information in Note 2.

In order to monitor and compare its operating and financial performances, the Group presents the following key indicators:

EBIT, corresponding to income from operations plus the share in net income of equity affiliates. This total is then adjusted for entries directly related to business combinations (amortization of assets recognized in the context of purchase price allocation and other acquisition-related expenses).

Adjusted net income, the calculation of which is presented in the Group's management report. It corresponds to consolidated net income attributable to shareholders of the parent company, less the following items, net of the corresponding tax impacts:

- amortization of assets valued when determining the purchase price allocation (business combinations);
- other expenses directly related to these business combinations;
- impairment of non-current assets;
- gains and losses on disposal of assets, changes in scope of consolidation and others;
- changes in the fair value of derivative instruments, recognized in "Other financial income and expenses";
- actuarial gains and losses on long-term employee benefits, included in "Finance costs on pensions and other employee benefits".

Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the parent company by the pro rata temporis weighted average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share only take into account instruments with a dilutive effect on earnings per share. The dilutive effect of free shares and unit allotments is calculated using the treasury stock method, taking into account the average share price over the relevant period.

Financial statements

Consolidated financial statements

Off-balance sheet commitments

Disclosures regarding off-balance sheet commitments are presented in the following notes:

- Note 9.3f: funding obligations in respect of pensions;
- Note 10.5: commitments linked to commercial contracts.

Related parties

The Group has identified the following related parties: shareholders of Thales SA (parent company), notably the French State and Dassault Aviation, companies controlled by these shareholders, companies under joint control or significant influence, Directors and Senior Corporate Officers.

Section 6.2.3.3 of the 2023 Universal Registration Document describes the main provisions concerning the shareholders agreement governing relations between the French State ("Public Sector") and Dassault Aviation ("Industrial Partner") within Thales, the convention on the protection of national strategic interests and the specific convention binding the State and Thales.

Information related to transactions with related parties is presented in the following notes:

- sales with the French State (mainly with the *Direction Générale de l'Armement*, the French defence procurement agency) in Note 6.6b;
- transactions with equity affiliates in Note 5.3.

Transactions with other related parties are not material.

Expenses recognized in respect of compensation, benefits and social security contributions attributable to Directors and members of the Executive Committee are presented in Note 9.5.

b) Scope of consolidation and changes in scope

Scope of consolidation

The financial statements of material subsidiaries directly or indirectly controlled by Thales are fully consolidated. The financial statements of material subsidiaries jointly controlled by Thales (joint ventures) or in which the Group has significant influence (associates) are accounted for under the equity method.

The main consolidated companies are listed in Note 1.5.

The full list of affiliates outside of France is available on the Group's website (<https://www.thalesgroup.com/en/global/corporate-responsibility/key-documents>).

Business combinations

Business combinations are accounted for under the acquisition method as described in IFRS 3. Under this method, the Group recognizes identifiable assets acquired and liabilities assumed at fair value on their acquisition date. It also recognizes non-controlling interests in an acquiree on their acquisition date.

Non-controlling interests are measured either at fair value or proportionate to the share of the identifiable net assets. This is determined on a case-by-case basis by the Group depending on the option it applies.

Acquisition-related costs (valuation fees, consulting fees, etc.) are recognized under "other operating expenses" as incurred.

Negative goodwill is immediately recognized in "other operating income". Positive goodwill related to controlled companies is recognized in balance sheet assets under intangible assets. Positive goodwill related to equity affiliates is recognized under "investments in joint venture/associates".

Goodwill is not amortized but is subject to impairment tests each year. Goodwill impairment is booked as an expense under "impairment" within the "income from operations" and may not be reversed. Goodwill impairment related to equity affiliates is recognized in "share in net income of equity affiliates" and may be reversed.

c) Revenue

The Group's principles of revenue recognition are the following:

Unbundling of multiple performance obligations within a single contract

Some contracts include the supply to the customer of distinct goods and services (for instance contracts combining building of assets, followed by operation and maintenance). In such situations, the contract must be segmented into several components ("performance obligations"), each component being accounted for separately, with its own revenue recognition method and margin rate.

The contract price is allocated to each performance obligation in proportion to the specific selling price of the underlying goods and services. This allocation should reflect the share of the price to which Thales expects to be entitled in exchange for the supply of these goods or services.

Options notified by the customer for the supply of distinct additional goods or services are generally accounted for separately from the initial contract.

Evaluation of revenue allocated to performance obligations

Variable considerations included in the selling price are taken into account only to the extent that it is highly probable that a significant reversal in the amount of revenue already recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Penalties for late delivery or for the improper execution of a performance obligation are recognized as a deduction from revenue.

If the financing component is deemed significant, the selling price is adjusted to reflect a "cash" selling price for the goods and services provided. A financing component exists when parties have agreed to set up a financing to the advantage of one of them, through contractual terms.

Revenue includes income from claims only when it is highly probable that such claims will be accepted by the customer.

Contractual amendments negotiated with customers are included in the selling price only when they become legally enforceable.



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Recognition of revenue over time or at a point in time

Revenue associated with each performance obligation identified within a contract is recognized when the obligation is satisfied, i.e., when the control of the promised goods or services is transferred to the customer.

To demonstrate that the transfer of goods is progressive and recognize revenue over time, the following cumulative criteria are required:

- the goods sold have no alternative use and;
- the Group has an irrevocable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date, in the event of termination for reasons other than Thales' failure to perform as promised.

These criteria are fulfilled by the vast majority of Group contracts that include the design and delivery of complex goods.

Revenue from the sale of goods with an alternative use, and/or for which the Group has no enforceable right to payment in case of termination for convenience by the customer, is recognized when the goods are delivered to the customer. This essentially concerns equipment (mainly in civil avionics) and spare parts.

Revenue from service contracts is generally recognized over time, as the customer simultaneously receives and consumes the benefits of these services provided by Thales.

Percentage of completion method

The percentage of completion method generally used by the Group is expense-based: revenue is recognized based on costs incurred to date in relation to all the costs expected upon completion.

Margin recognition

Expected losses on contracts are fully recognized as soon as they are identified, pursuant to the provisions of IAS 37 on onerous contracts.

Order book

Order book (as disclosed in Note 2.1) corresponds to the amounts of the selling price allocated to the performance obligations not yet unsatisfied (or partially unsatisfied) at the closing date.

d) Operating assets and liabilities

Inventories and work in progress

Inventories and work in progress are carried at their production cost (determined using the FIFO or weighted-average cost method) and written down when their net sale value becomes lower than the production cost. Work in progress, semi-finished and finished goods are stated at direct cost of raw materials, production labor and subcontractor costs incurred during production, plus an appropriate portion of production overhead and any other costs that can be directly allocated to contracts.

When material, the cost of debt incurred during the construction period of a qualifying asset is incorporated in the value of this asset. If the funding is specific, the loan interest rate is used, otherwise the Group's financing rate is used.

Set-up costs

These costs cover preparatory work, not directly financed by the customer but necessary for the execution of the contract. They do not contribute to the determination of the percentage of completion of the contract. They are capitalized and amortized as and when the revenue is recognized.

Contract assets and liabilities

The cumulated amount of revenue accounted for, less progress payments and accounts receivable (presented on a dedicated line of the balance sheet) is determined on a contract-by-contract basis. If this amount is positive, the balance is recognized under "contract assets" in the balance sheet. If it is negative, the balance is recognized under "contract liabilities".

Customer receivables

A receivable is an unconditional right to payment by the customer.

Impairment losses are accounted for, based on a prospective assessment of the credit risk on the initiation of the receivable, and its deterioration over time. The changes in impairment are presented in Note 10.4.

The Group is authorized to assign trade receivables, mainly from the French State, and commercial paper. As these assignments, which are without recourse in case of default by the debtor, involve the transfer of substantially all corresponding risks and rewards (Thales holding the dilution risk), they are "derecognized." Thales' continued involvement (as this is defined by IFRS 7) in the transferred receivables corresponds to the keeping of the recovery mandate.

e) Research and development expenses

A significant share of research and development expenses is funded by customers and government agencies. Internally funded research and development expenses are charged to the profit and loss account as incurred, except for project development costs which meet the criteria of capitalization below:

- the product or process is clearly defined, and costs are separately identified and reliably measured;
- the technical feasibility of the product or project is clearly demonstrated, and the Group's experience in this area is established;
- adequate resources are available to complete the project successfully;
- a potential market for the products exists or their usefulness, in case of internal use, is demonstrated;
- the company intends to produce and market, or use the new product or process, and can demonstrate its profitability. Profitability is assessed on the basis of prudent commercial assumptions in order to reflect contingencies inherent to the long cycles of the Group's activities, in particular Aerospace. Minimum internal rates of return are required in the case of projects deemed risky.

Capitalized development costs mainly relate to the Group's Aerospace and Security activities, for which the developed products are relatively generic and can be sold to a large number of potential customers. By contrast, development costs linked to Defence activities are for more specific and restricted markets with a limited number of players: the specific features of the products developed make it harder to share development work and therefore harder to capitalize the associated costs.

Development costs are then amortized over the useful life of the product. The method of amortization is generally determined by reference to expected future quantities over the period in which future economic benefits will be earned. If the method cannot be determined reliably, straight-line amortization is adopted. The period of amortization depends on the type of activity.

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Assets are also subjected to impairment loss tests. The terms and assumptions taken into account to conduct these tests are described in Note 4.1. These impairment losses can be reversed. Impairment loss reversal criteria are identical to those retained when first capitalizing development costs on a new project.

The Group receives tax credits related to research carried out by its subsidiaries. These tax credits are considered as operating grants and are therefore included in income from operations, when their award is not dependent on the generation of taxable income. Otherwise, they are recognized as a deduction from income tax expense.

f) Restructuring costs

Provisions for restructuring costs are accounted for when restructuring programs have been agreed and approved by a competent body and have been announced before the balance sheet date, resulting in an obligating event of the Group to the third parties in question, as long as the Group does not expect compensation for these costs.

These costs primarily relate to severance payments, costs for notice periods not worked and other costs linked to the closure of facilities such as write-offs of fixed assets. These costs and the costs directly linked to restructuring measures (removal costs, training costs of transferred employees, etc.) are recognized under "restructuring costs" in the profit and loss account.

g) Property, plant and equipment and intangible assets

Intangible assets

The Group's intangible assets mainly include:

- goodwill (Note 13-b);
- assets acquired in business combinations, primarily acquired technologies, customer relationships and the order book. These assets are recognized at fair value and amortized over their useful lives. The fair value of the assets is based on the market value. If no active market exists, the Group uses methods based on forecasts of the present value of the expected future operating cash flows (excess earnings method, royalty method, etc.);
- capitalized development costs (Note 13-e).

Intangible assets are submitted to impairment tests.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of any accumulated depreciation and accumulated impairment losses. Depreciation of property, plant and equipment is generally calculated on the basis of the following typical useful lives:

- 20 years for buildings;
- 1 to 10 years for technical facilities and industrial equipment and tooling;
- 5 to 10 years for other property, plant and equipment (vehicles, fixtures, etc.).

The depreciable amount takes into account the residual value of the asset. The various components of property, plant and equipment are recognized separately when their estimated useful lives or patterns of use, and thus the period over which they are depreciated or the depreciation methods applicable to them, are materially different.

Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalized as part of the cost of that asset.

h) Leases

Contracts defined as a lease according to IFRS 16 (that is to say contracts which give the lessee a right to control the use of an identified asset for a period of time in exchange for consideration) are accounted for in the balance sheet, with the exception of low value assets and contracts with a duration below 12 months (by simplification, as allowed by the standard). In the Group's financial statements, lease contracts accounted for in the balance sheet are mainly real estate contracts (offices and production sites) and, in a lesser extent, service vehicles and few IT equipment.

Leases are accrued on the balance sheet at the date when the underlying asset is made available to the lessee. The lease liability is accrued against a right to use the rent asset, and is equal to the committed future lease payments discounted over the duration of the lease, as well as the exercise price of the options when it is reasonably certain that they will be exercised. The right-of-use asset is adjusted, if applicable, by the payments made in advance to the lessor, the initial direct costs incurred net of the incentives received by the lessor, and dismantling costs when an obligation is identified.

In the case of real estate contracts, the initial lease term retained for the lease liability calculation corresponds to the contractual term which is usually non-cancellable, the Group accepting most of the time to renounce to early termination options in order to benefit from favorable economic conditions. For these contracts, renewal options are generally not taken into account as the contractual terms are long and the date of exercise of these options is too far for the Group to be able to judge their exercise reasonably certain.

The Group may reassess this duration in the course of a contract duration in the case where a significant event would occur, such as a reorganization plan or expensive leasehold improvements. In such situations, the Group pays attention to the consistency between the amortization duration of the leasehold improvements and the term retained for the calculation of the lease liability.

Besides, when the end date of a contract is close, and in the absence of a moving project, the lease term is re-estimated in order to reflect the Group's intention to renew the contract. In such a situation, as for open-end contracts (but cancellable anytime with termination notice by the lessee or the lessor) or for short-term contracts renewable without limitation by tacit agreement, the end date of the contract is estimated taking into account the applicable legal and contractual conditions, but also the particular context of each contract (fluidity of the local real estate market, relations with the lessor...) and economic conditions surrounding the lease (appreciation of the economic loss which represents, for the Group, the abandoning of improvements or constructions made on the leased asset...). This methodology is consistent with the IFRIC's position taken on November 2019.

For other natures of lease, there is usually no early termination or extension options, the lease term retained therefore corresponds to the non-cancellable period.

Future lease payments are discounted using the incremental borrowing rate of the lessee. The latest is calculated taking into account the financing arrangements of the Group, that is to say it is based on both the risk-free rate of the lessee and the margin applicable to Thales SA for financing of maturity corresponding to the duration of the commitment.

The right-of-use asset is presented within the tangible assets (Note 4.2). It is amortized on a straight-line basis over the useful life of the underlying asset. The amortization charge for the right of use is included in EBIT.



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The lease liability is presented in the balance sheet within the financial debt (Note 6.2). The interest charge is presented in the profit and loss account within the net interest income (Note 6.1).

Within the statement of cash flows:

- the interests paid are included within the net cash flow from operating activities;
- the reimbursement of the debt ("capital" portion of the rent paid) is presented in the financing cash flow on the line "repayment of debt". Thus, it is not included in the cash flow from operating activities;
- new lease liabilities have no effect on the cash flow statement insofar as they are balanced with a right of use recognized in the assets of the balance sheet.

i) Financial assets, financial liabilities and derivatives

Financial assets

IFRS 9 introduces a single approach to classification and measurement of financial assets, based on the characteristics of the financial instruments and on the Group's management intention. Thus:

- financial assets with expected cash flows that solely correspond to principal and interest payments are measured at amortized costs if managed only to collect these flows;
- in other cases, financial assets are measured at fair value through the income statement, except for equity investments not held for trading and whose changes in value affect optionally the Other Comprehensive Income (OCI).

These principles are reflected as follows on the assets presented in the Group's balance sheet:

- **Investments** are measured at fair value. Fair value corresponds to the market price for shares quoted on a regulated market. For other shares, fair value is usually determined using valuation models provided by independent third parties, or by reference to the share in net equity held by the Group.

Changes in fair value are recognized either on the income statement or, subject to an irrevocable option, investment by investment, through OCI with no reclassification to the income statement. This latter option has been chosen by the Group for all non-consolidated investments at the end of 2021. Consequently, subsequent changes in fair value and gains (losses) on disposal will be directly accounted for through shareholders' equity, with no impact on the income statement. Only dividends must remain accounted for through the financial result.

- **Receivables and financial loans** are recognized at amortized cost. They are subject to impairment if an expected loss or an impairment indicator is identified. This impairment, recognized in "other financial income (expense)", may subsequently be reversed through profit and loss if the conditions so justify.
- **Deposits** that Thales intends to hold until maturity are recognized at amortized cost.
- **Other financial assets** (including mutual funds and equivalent products) are estimated at fair value through profit and loss.

Cash and cash equivalents

"Cash and cash equivalents" include cash at bank and in hand as well as cash equivalents (short-term and liquid investments that are easily converted into a known amount of cash and exposed to negligible risk of a change in value).

Financial liabilities

Borrowings and other financial liabilities are measured at amortized cost using the effective interest rate. Upon initial recognition, premiums, redemption and issuance costs are included in the calculation of the effective interest rate and are recognized in the profit and loss account on an actuarial basis over the life of the loan.

Derivatives

The Group uses financial instruments to manage and reduce its exposure to risks of changes in interest rates and foreign exchange rates.

Foreign exchange derivatives used to hedge commercial contracts, and eligible for hedge accounting are accounted for as follows:

- the effective portion of the change in fair value of the hedging instrument is recognized directly in equity until such time as the hedged flows affect profit and loss. The ineffective portion is recognized in profit and loss;
- the amount of the foreign currency denominated transaction is subsequently translated at the exchange rate prevailing at the date of inception of the hedge.

Changes in the fair value of premiums or discounts related to forward foreign currency contracts are recognized in "other financial income (expense)" as they are excluded from the hedging relationship.

The time value of foreign exchange options documented as hedges is considered as a cost of hedging: changes in fair value are accounted for through OCI, with reclassification to the financial result in line with the hedged item.

Concerning **foreign exchange derivatives subscribed to hedge financial assets/liabilities**, documented as fair value hedges, the swap point is spread over the duration of the financial asset/liability.

Interest-rate derivatives are used either as fair value hedges or cash flow hedges:

- a fair value hedge is a hedge of the exposure to changes in the value of assets and liabilities;
- a cash flow hedge is a hedge of the exposure to changes in the value of future cash flows (unknown future interest flows payable on existing variable-rate borrowings or on highly probable future borrowing issues, for example).

In the case of fair value hedge relationships, particularly for the portion of fixed-rate bond debt swapped for a variable rate, the financial liabilities hedged by the interest-rate derivatives are re-measured to the extent of risk hedged. Changes in the value of hedged items are recognized in profit and loss for the period and are offset by symmetrical adjustments in interest-rate derivatives.

In the case of cash flow hedging relationships, the effective portion of changes in fair value of interest-rate derivatives shown in the balance sheet is recognized directly in equity until such time as the hedged flows affect profit and loss.

Fair value of financial instruments

IFRS 13 requires a hierarchy of valuation techniques for each financial asset and liability. The categories are defined as follows:

- level 1: valuation is based on quoted (non-adjusted) prices in active markets for identical assets or liabilities;
- level 2: valuation is based on information other than quoted market prices that is observable for the asset or liability, either directly or indirectly;
- level 3: valuation is based on unobservable information.

The fair value of financial assets and liabilities recorded at amortized cost approximates their carrying amount, except for borrowings and debts.

The fair value of bond debt is based on quoted prices (level 1). The fair value of other borrowings and debt is determined for each loan by discounting the expected future cash flows at the Euribor interest rate at the closing date, adjusted for the Group's credit risk (level 2).

The fair value of monetary and non-monetary UCITS funds is measured based on the last known net asset value. The fair value of interest rate products (certificates of deposit, short-term deposits, negotiable medium-term notes, etc.) is based on the discounting of coupon flows (nominal and interest) over the remaining life of the product at the closing date. The discount rate used is the market rate corresponding to the maturity and product characteristics.

The fair value of derivatives is based on models commonly used to assess these financial instruments (models including observable market data). Counterparty default risk and credit risk have no material impact on the fair value of derivatives.

j) Deferred tax assets and liabilities

Thales recognizes deferred taxes when the tax value of an asset or liability differs from its book value.

Deferred tax assets are not recognized on the balance sheet if it is likely that the company concerned will not be able to recover them. To assess its ability to recover deferred tax assets, the Group takes into account forecast taxable income of the tax entities concerned, over a three-to five-year time-frame, the entity's tax loss history, non-recurring past events and tax strategies specific to each country.

k) Pensions and other long-term employee benefits

The Group's defined benefit plan commitments are measured by independent actuaries using the projected unit credit method on the basis of estimated salaries at the date of retirement. The calculations mainly take into account assumptions concerning discounting as well as inflation, mortality and staff turnover rates, etc.

Changes in actuarial assumptions and experience adjustments – corresponding to the effects of differences between projected and actual results – give rise to actuarial gains and losses:

- actuarial gains and losses on post-employment benefits are recognized in full within other comprehensive income, and are not subsequently reclassified to profit and loss. Where appropriate, the same treatment is applied to adjustments linked to the ceiling on net assets for plans in surplus;

- actuarial gains and losses on other long-term benefits are recognized immediately in financial income (Note 9.3).

Past service cost, measured in cases of amendments or curtailments of plans, and plan settlements are recognized in full within other operating income (loss) in the period in which it is incurred.

Net interest expense, determined based on the discount rate of obligations, is recognized in financial income.

l) Share-based payment

Free share plans

Thales regularly grants performance shares to its employees. These allotments give rise to an expense representing the fair value of services received at the grant date. This payroll expense is recognized against equity.

The fair value of the services received is calculated by reference to the fair value of the shares at the grant date, less the present value of dividends forfeited by employees during the vesting period, taking into account the presence conditions.

Internal performance conditions are taken into account only by means of an adjustment in the projected number of instruments acquired by employees at the end of the vesting period. Therefore, they are not taken into account in the fair value estimate of the instruments granted, which is determined at the grant date.

The expense related to these plans is included in the income from operations with the consolidated reserves account as counterpart without impact on total equity. As the payment of compensation is subject to presence conditions, the corresponding expense is recorded over the vesting period on a straight-line basis. When appropriate, the expense is adjusted over the vesting period to reflect any losses of rights.

Phantom shares indexed to the value of Thales shares

Since those are cash-settled plans, IFRS 2 requires an evaluation of vested services and the liability assumed at fair value. Until the payment of this liability, the debt is reassessed at the closing date and taken to profit and loss. The reassessment of the debt takes into account the achievement of performance and/or presence conditions, as well as the change in value of the underlying shares.



Note 14. Fees paid to statutory auditors

Total fees paid to Thales' statutory auditors by the parent company and members of their consolidated networks for financial years 2023 and 2022 (including Transport segment) are shown below.

Other services cover tasks required by law (e.g., interim dividend, capital increase, etc.) and other services compatible with the statutory auditors' role (certification of expenditures, agreed procedures engagements, services of a tax-related nature without material impact, etc.).

In € thousands	Mazars		EY		Total	
	2023	2022	2023	2022	2023	2022
Certification of accounts	6,300	5,823	6,016	5,673	12,316	11,496
• Issuer	930	917	414	404	1,344	1,321
• Subsidiaries	5,370	4,906	5,602	5,269	10,972	10,175
Other services	746	1,052	992	834	1,738	1,886
• Issuer	266	246	108	87	374	333
• Subsidiaries	480	806	884	747	1,364	1,553
TOTAL	7,046	6,875	7,008	6,507	14,054	13,382

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Note 15. List of main consolidated companies

(excluding Thales SA, the parent company)

Company name	Country	% Interest 31/12/23	% Interest 31/12/22
1. Consolidated subsidiaries ^(a)			
Advance Acoustic Concepts, LLC	United States	100%	100%
Ground Transportation Systems Canada Inc	Canada	100%	100%
GTS Deutschland GmbH	Germany	100%	100%
GTS France SAS	France	100%	100%
Imperva, Inc.	United States	100%	— %
Thales Alenia Space France SAS	France	67%	67%
Thales Alenia Space Italia SpA	Italy	67%	67%
Thales Australia Ltd	Australia	100%	100%
Thales Avionics, Inc.	United States	100%	100%
Thales AVS France SAS	France	100%	100%
Thales Belgium SA	Belgium	100%	100%
Thales Canada Inc.	Canada	100%	100%
Thales Defence & Security, Inc.	United States	100%	100%
Thales Deutschland GmbH	Germany	100%	100%
Thales DIS Brasil Cartões e Soluções de Tecnologia Ltda	Brazil	100%	100%
Thales DIS CPL USA, Inc.	United States	100%	100%
Thales DIS France SAS	France	100%	100%
Thales DIS Mexico SA de CV	Mexico	100%	100%
Thales DIS (Singapore) Pte Ltd	Singapore	100%	100%
Thales DIS Technologies B.V	Netherlands	100%	100%
Thales DIS UK Ltd	United Kingdom	100%	100%
Thales DIS USA, Inc.	United States	100%	100%
Thales DMS France SAS	France	100%	100%
Thales Espana Grp, S.A.U.	Spain	100%	100%
Thales Ground Transportation Systems Ltd	United Kingdom	100%	100%
Thales IAS France SAS	France	100%	100%
Thales Nederland B.V.	Netherlands	99%	99%
Thales Security Solutions & Services Company	Saudi Arabia	100%	100%
Thales Services Numériques SAS	France	100%	100%
Thales SIX GTS France SAS	France	100%	100%
Thales Solutions Asia Pte Ltd	Singapore	100%	100%
Thales UK Ltd	United Kingdom	100%	100%
Trixell	France	51%	51%
2. Joint ventures & associates (equity method)			
Airtanker Ltd	United Kingdom	15%	15%
Arab International Optronics	Egypt	49%	49%
Aviation Communications & Surveillance Systems	United States	30%	30%
Diehl Aerospace GmbH	Germany	49%	49%
Lynred	France	50%	50%
Naval Group	France	35%	35%
Telespazio SpA	Italy	33%	33%
Telit Cinterion	United Kingdom	25%	25%

(a) Companies with sales representing more than 0.5% of consolidated sales.

Exemptions for subsidiaries publication:

Gemalto BV (previously Gemalto Holding BV) is exempted from its obligation to publish consolidated financial statements from 2019, as Thales applies the exemption 408 in the Netherlands.

German entity Electronic Signalling Services (ESS) GmbH, located at 1 Thalesplatz, 71254 Ditzingen, has requested to be exempted from its obligation to publish statutory financial statements for the year 2023, pursuant to paragraph 3, subparagraph 264, of the German Commercial Code.

7.2 Parent company management report

7.2.1 Parent company management report

7.2.1.1 Activity and results

Operating income amounted to €882.3 million, compared with €781.9 million in 2022. Revenue amounted to €248.4 million compared with €248.0 million in 2022.

Activities are described by sector in the accompanying Notes.

Revenues mainly consist of rents and construction work re-invoiced to operating subsidiaries as well as sales of research chiefly conducted by the Thales Group's Central Research and Technology Department. The increase in revenues is primarily due to higher invoicing for research in 2023.

Other operating income amounted to €609.6 million, compared with €507.7 million in 2022. This includes royalties paid by direct operating subsidiaries as well as expenses re-invoiced to those subsidiaries, including for general and specific centralized services provided by the parent company and for capitalized production.

Net operating loss amounted to €(71.4) million, compared with €(89.4) million in 2022.

Net financial income amounted to €1,363.3 million, compared with €1,180.7 million in 2022.

Provisions for equity investments and subsidiary risks totaled €(29.7) million in 2023, compared with €(7.7) million in 2022. Reversals of provisions for equity investments and subsidiary risks represented €3.3 million in 2023, compared with €87.2 million in 2022.

Income from investments amounted to €1,561.6 million in 2022, compared with €1,102.0 million in 2022.

Net non-recurring income amounted to €(15.3) million, compared with €24.5 million in 2022. This consists mainly of an indemnity received following a settlement agreement relating to a former dispute.

The company recorded a corporate income tax benefit of €30.4 million (€7.0 million in 2022). This represents the net total of (i) the amount to be received from fiscally-integrated profitable subsidiaries and (ii) the income tax expense payable to the State.

In 2023, nondeductible expenses (pursuant to Articles 223 and 39.4 of the French General Tax Code) amounted to €0.3 million.

Net profit for the 2023 financial year amounted to €1,307.0 million, up compared with the result for financial year 2022 (€1,122.8 million).

7.2.1.2 Balance sheet as at December 31, 2023

The balance sheet total was €27,678.7 million at year-end 2023, up €4,611.9 million from the balance sheet total at year-end 2022 of €23,065.4 million.

The total non-current assets of €20,937.0 million, compared with €15,474.3 million in 2022, were primarily composed of financial investments.

The €5,159.8 million increase in investments in subsidiaries and affiliates was primarily due to a capital increase at Centelec UK Ltd and Thales USA Inc.

Other financial assets decreased by €199.3m.

Current assets, at €6,741.7 million at the end of December 2023, decreased by €849.4 million in connection with sight and fixed-term bank deposits or UCITS funds.

The balance of current accounts with respect to Group companies corresponded to a net debt of €8,414.8 million at year-end 2023, compared with €6,964.7 million at year-end 2022.

Financial debt amounted to €7,446.5 million at year-end 2023, compared with €4,577.3 million at year-end 2022. This included bond issues for a total amount of €5,000.0 million, commercial paper totaling €1,754.8 million, as well as foreign currency- and euro-denominated liabilities to Group subsidiaries and affiliates.

At year-end 2023, share capital stood at €630.6 million, while total equity totaled €8,329.3 million, compared with €8,036.3 million at year-end 2022.

Customer and Supplier payment schedules

Thales pays its suppliers 60 days after invoice date, in line with the maximum period allowed under the French law on the modernization of the economy [*Loi de Modernisation de l'Économie, LME*].

The table below presents the aging of receivables and payables by invoice date:

• **INVOICES RECEIVED AND ISSUED AS AT THE CLOSING DATE OF THE FINANCIAL YEAR WHICH HAS JUST ELAPSED**
(TABLE PROVIDED FOR IN Article D. 441-4, section I)

	Article D. 441, section I (1): Invoices received and not settled at the closing date of the financial year just elapsed						Article D. 441, section 1 (2): invoices issued but not paid at the closing date of the financial year just elapsed						
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day or more)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	
A. Late payment tranches													
Number of invoices concerned	1,551						590						248
Total value of invoices concerned (in € million, incl. tax)	89.8	5.1	0.7	0.2	0.7	6.7	112.6	6.9	3.6	0.1	2.2	12.8	
Percentage of total purchases during the year (incl. tax)	12.78%	0.73%	0.09%	0.03%	0.10%	0.95%							
Percentage of total sales during the year (incl. tax)							12.43%	0.77%	0.39%	0.01%	0.24%	1.41%	
B. Invoices excluded from A corresponding to payables and receivables in dispute or not posted													
Number of posted invoices in dispute (incl. tax)	56												—
Number of unposted invoices	454												—
Total value of posted invoices in dispute (in € million, incl. tax)	0.6												—
Total value of unposted invoices (in € million, incl. tax)	12.2												—
C. Reference payment periods used (contractual or legal periods - Articles L. 441-6 or L. 443-1 of the French Commercial Code)													
Payment periods used for calculating late payments	Contractual periods: 60 days from end of the month						Contractual periods: 45 days from end of the month						

7.2.1.3 Events after the reporting period

As at the date of publication of this document, no events that may have an impact on Thales' financial position have occurred since the reporting period.

7.2.1.4 Outlook for the current financial year

The Company results for 2024 are expected to reflect the dividends paid by certain subsidiaries for financial year 2023 as well as changes in provisions for the impairment of equity investments and subsidiary risks as a consequence of trends in their business and performance in 2024.

7.2.1.5 Proposed allocation of earnings and dividend policy

The Annual General Meeting, deliberating under the quorum and majority conditions required for annual general meetings, noted ⁽¹⁾ that distributable earnings include:

net profit for fiscal year 2023	€1,307,023,962.01
less allocations to legal reserve	€—
plus retained earnings as at December 31, 2023	€2,484,612,320.39
plus interim dividend in the amount of EUR 0.80 per share paid on December 7, 2023, and deducted from retained earnings	€165,595,572.00
For a total amount of	€3,957,231,854.40

The Annual General Meeting decided ⁽¹⁾ to allocate this distributable profit as follows:

)Distribution of a dividend of EUR 3.40 per share on 210 210 140 shares bearing rightd as at January 1, 2023 (including the interim dividend of EUR 0.80 per share paid on December 7, 2023, charged to the 2023 dividend)	
	€714,714,476.00
Retained earnings after dividend	€3,242,517,378.40
TOTAL EQUIVALENT TO DISTRIBUTABLE EARNINGS	€3,957,231,854.40

The Annual General Meeting Notes that taking into account the interim dividend of €0.80 per share paid on December 7, 2023 and deducted from retained earnings, the balance of the dividend to be paid amounts to €2.60 per share.

The ex-dividend date is May 21, 2024 and the payment date for the balance of the dividend will be May 23, 2024.

The sums corresponding to the dividends which in accordance with the provisions of the fourth paragraph of Article L. 225-210 of the French Commercial Code have not been paid on treasury shares held by the Company will be reallocated as retained earnings.

For individuals domiciled in France who have not expressly irrevocably and globally opted to be subject to income tax on a progressive scale the dividend is subject to a flat tax rate (*prélèvement forfaitaire unique* or PFU) of 30%. For individuals domiciled in France who have exercised such an option, this dividend is subject to income tax on a progressive scale and is eligible for the 40% allowance provided by Article 158.3.2° of the French General Tax Code.

In accordance with the law, the amounts of dividends paid out for the past three financial years are provided below:

Financial year	Dividend per share ^(a)	Total amount paid out
2020	€1.76	€374,777,030.32
2021	€2.56	€543,570,552.92
2022	€2.94	€615,213,587.81

(a) The dividend corresponds to all income distributed for the financial year. The full dividend amount was eligible for the tax relief provided for in Article 158 (3) (2) of the French General Tax Code.

⁽¹⁾ Subject to approval by the Annual General Meeting of May 10, 2023.

7.2.1.6 Parent company management report cross-reference table

In accordance with Articles L. 225-100, L. 232-1, L. 247.1 and R. 225-102 of the French Commercial Code, the parent company management report includes the following information contained in the 2023 Universal Registration Document:

Management report French Commercial Code	Section/Note	Pages
1. Thales (parent company) financial statements at December 31, 2022	Section 7.2	297
Table of subsidiaries and equity affiliates	Note 23	320
Table of investments made and shareholding disclosures in French companies	Note 23	320
Table showing the company's earnings in the last five financial years	Note 24	323
Table of outstanding stock purchase and subscription options at December 31	Note 15	314
Change in number and in value of the treasury shares of the Company	Note 14	313
Write-back of general expenses following tax adjustment	Note 6	307
Events after the reporting period	Note 22	319
Information on existing branches (Article L. 232-1, II of the French Commercial Code)	Note 24	323
2. Risk factors, internal control and risk management	Section 3	54
3. Management report and consolidated financial statements of the Group at December 31, 2022	Sections 2 & 7	22 & 252
Presentation of the activities of the Company, its subsidiaries and controlled companies	Section 2.1	24
Description of the main risks and uncertainties facing the Group	Section 3	54
Information on the use of financial instruments (supplementing the notes to the financial statements)	Note 6	268
Information on the research and development activities	Section 2.2	37
4. Corporate governance	Section 4	78
Compensation of other executives	Section 4.5	129
Share-based payments	Sections 6.2.2 & 9.4	237 & 284
5. Company and share capital	Section 6	232
Breakdown of shareholders and changes performed during the financial year	Section 6.2.1.3	236
Employee's stake in share capital	Section 6.2.3.7	244
Awards of free shares and performance units made during the financial year	Section 6.2.3.5	242
Description of the share repurchase program	Section 6.2.3.4	240
Transactions involving treasury shares during the financial year	Section 6.2.3.4.3.2	241
Summary statement of transactions carried out during the financial year by directors, non-voting directors and related persons	Section 4.6	130
Regulated agreements (Article L.225-38 and following of the French Commercial Code)	Section 6.3	245
Loans to SMEs of less than 3 years authorized by Article L.511-6,3bis al.2 of the French Monetary and Financial Code (non)	Not applicable	Not applicable
Thales share price trend over the past two financial years	Section 6.4.1	247
6. Extra-financial Performance Declaration, including	Sections 1, 3 & 5	4, 54 & 132
Business model	Section 1	4
Main risks identified	Sections 3 & 5.1.5.1	54 & 145
Policies and measurements of associated results	Sections 5.2 to 5.4	153 to 209
Responsibility of the independent third party	Section 5.8	223
Cross-reference table for the non-financial performance statement	Section 8.6 & 8.7	341
Other social and environmental information in the management report (Art. L. 225-100-1 2° and 4°, L. 255-102-2, L. 225-102-4 and L. 225-637-1 of the French Commercial Code)	Sections 5.2 & 5.3	153 & 174
Duty of Care Plan	Section 5.4.4	202

7.2.2 Parent company financial statements

7.2.2.1 Income statement by type

(in € millions)	Notes	2023	2022
Re-billing of rent and building work		217.3	211.5
Research		31.1	36.5
Sales		248.4	248.0
Royalties		296.7	259.1
Re-billing of expenses		312.9	248.6
Other operating income		609.6	507.7
Reversals of provisions		16.9	15.7
Transfer of expenses		7.4	10.5
TOTAL OPERATING INCOME		882.3	781.9
Purchases and charges in inventories and work in progress		(76.1)	(72.4)
Other external charges		(571.4)	(495.7)
Taxes other than on income		(15.1)	(12.7)
Personnel expenses		(258.3)	(241.2)
Depreciation and amortisation		(16.7)	(16.2)
Increase in provisions for impairment		(16.1)	(33.1)
Total operating expenses		(953.7)	(871.3)
INCOME (LOSS) FROM OPERATIONS	Note 3	(71.4)	(89.4)
Net interest and finance costs		(233.1)	(27.1)
Income from investments		1,561.6	1,102.0
Other financial income		78.2	126.0
Other financial expenses		(43.4)	(20.2)
Financial income (expense)	Note 4	1,363.3	1,180.7
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		1,291.9	1,091.3
Non-recurring income (expense)	Note 5	(15.3)	24.5
PROFIT (LOSS) BEFORE INCOME TAX		1,276.6	1,115.8
Income tax benefit (expense)	Note 6	30.4	7.0
PROFIT FOR YEAR		1,307.0	1,122.8

The Notes to the financial statements constitute an integral part of the parent company's financial statements.

7.2.2.2 Balance sheet

Assets

(in € millions)	Notes	31/12/23	31/12/22
Intangible assets and property, plant and equipment, net	Note 7	112.3	74.8
Equity investments	Note 8	19,531.8	14,399.9
Treasury shares not assigned to plans	Note 14	476.3	382.3
Other financial investments	Note 9	816.6	617.3
Total non-current assets		20,937.0	15,474.3
Inventories and work in progress		1.0	3.7
Advances to suppliers	Note 16	1.1	0.1
Trade receivables	Note 16	274.0	206.1
Other receivables	Note 16	321.6	240.7
Group company current account payables	Note 10	2,702.7	2,820.8
Investment securities	Note 11	100.0	200.0
Cash and cash equivalents	Note 11	3,341.3	4,119.7
Total current assets		6,741.7	7,591.1
TOTAL ASSETS		27,678.7	23,065.4

Shareholder equity and liabilities

(in € millions)	Notes	31/12/23	31/12/22
Share capital		630.6	640.2
Additional paid-in capital		3,705.6	4,076.5
Reserves and retained earnings		2,686.1	2,196.8
Profit for the year		1,307.0	1,122.8
Total shareholders' equity	Note 13	8,329.3	8,036.3
Reserves for contingencies	Note 17	229.9	204.7
Borrowings	Note 12	7,446.5	4,577.3
Group company current account payables	Note 10	11,117.5	9,785.5
Advances received on contracts in progress	Note 16	34.4	29.3
Trade payables	Note 16	213.7	96.1
Other payables	Note 16	307.4	336.2
Total liabilities		19,119.5	14,824.4
TOTAL SHAREHOLDERS' EQUITY AND LAIBILITIES		27,678.7	23,065.4

The Notes to the financial statements constitute an integral part of the parent company's financial statements.

7.2.2.3 Cash flows statement

(in € millions)	Notes	2023	2022
Net income		1,307.0	1,122.8
Add (deduct) :			
Net depreciation, amortisation and impairment charges on intangible assets and property, plant and equipment	Note 7	16.7	16.2
Provisions for post-employment and other employee benefits	Note 17	12.1	(28.1)
Net provisions for impairment of investments and subsidiary risks	Note 4	26.4	(79.5)
Other items		(28.3)	1.6
Operating cash flow		1,333.9	1,033.0
Change in working capital and provisions for operating contingencies and losses		44.0	161.1
CASH FLOW FROM OPERATING ACTIVITIES	- I -	1,377.9	1,194.1
Payments for acquisitions of intangible assets and property, plant and equipment		(55.0)	(18.9)
Proceeds from disposal of intangible assets and property, plant and equipment		—	0.6
Net operating investment		(55.0)	(18.3)
Investments in subsidiaries and associates	Note 8	(5,279.4)	(39.3)
Disposals of subsidiaries and affiliates	Note 8	131.1	—
Decrease (increase) in other investments		100.0	(200.0)
Decrease (increase) in other financial investments and treasury shares		(662.6)	(362.4)
Decrease (increase) in current account receivables		92.4	(679.5)
Net financial investment		(5,618.5)	(1,281.2)
CASH FLOW USED IN INVESTING ACTIVITIES	- II -	(5,673.5)	(1,299.5)
Dividends distributions	Note 13	(633.5)	(563.4)
Increase in share capital (exercise of subscription options)		—	—
Increase in borrowings		3,571.7	76.7
Decrease in borrowings		(758.9)	(636.1)
Increase (decrease) in current account payables		1,344.9	1,070.2
CASH FLOW FROM/USED UN FINANCING ACTIVITIES	- III -	3,524.2	(52.6)
TRANSLATION ADJUSTMENT FOR ACCOUNTS DENOMINATED IN A FOREIGN CURRENCY	- IV -	(7.0)	6.3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	I+II+III+IV	(778.4)	(151.7)
Cash and cash equivalents at the beginning of the period		4,119.7	4,271.4
Cash and cash equivalents at the end of the period		3,341.3	4,119.7

The Notes to the financial statements constitute an integral part of the parent company's financial statements.

7.2.2.4 Statement of changes in equity

(in € millions)	Number of shares outstanding (in thousand)	Share capital	Issue premiums	Retained earnings	Profit for the year	Total shareholders' equity
At 1 January 2022	213,411	640.2	4,076.5	2,308.0	452.2	7,476.9
Allocated of 2021 earnings	—	—	—	452.2	(452.2)	—
Dividends	—	—	—	(563.4)	—	(563.4)
Capital increase	—	—	—	—	—	—
2022 result	—	—	—	—	1,122.8	1,122.8
At 31 December 2022	213,411	640.2	4,076.5	2,196.8	1,122.8	8,036.3
Allocated of 2022 earnings	—	—	—	1,122.8	(1,122.8)	—
Dividends (see note 13.2)	—	—	—	(633.5)	—	(633.5)
Capital decrease	(3,201)	(9.6)	(370.9)	—	—	(380.5)
2023 result	—	—	—	—	1,307.0	1,307.0
At 31 December 2023	210,210	630.6	3,705.6	2,686.1	1,307.0	8,329.3

The Notes to the financial statements constitute an integral part of the parent company's financial statements.

7.2.2.5 Notes to the parent company financial statements

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Note 1. Accounting principles applied

Thales is a French public limited company société anonyme and the parent company of Thales Group.

Thales' annual financial statements have been prepared in accordance with accounting principles generally accepted in France and in accordance with the provisions of the French General Chart of Accounts, as defined in ANC regulation No. 2014-03 and its amending regulations. These principles are detailed in each Note hereafter.

Note 2. Change in Thales' directly owned investments

2023

In February and July 2023, Thales subscribed to the capital increase of Centelec UK Ltd for €1,810.0 million in connection with the reclassification of the GTS subsidiaries under a holding company to be sold to Hitachi Rail.

In September 2023, Thales subscribed to the capital increase of Thales SESO SASCloud Secure for €4.1 million.

In October 2023, Thales Avionics Electrical Systems SAS was sold for €131.1 million to SafranElectrical & Power.

In December 2023, Thales subscribed to the capital increase of Thales USA Inc for €3,462.7 million dans le cadre du financement de l'acquisition d'Imperva.

2022

In September 2022, Thales subscribed to the capital increase of Thales Cloud Secure for €2.8 million.

In December 2022, Thales subscribed to the capital increase of Thales Avionics Electrical Systems SAS for €25 million.

Note 3. Operating profit/loss

In addition to its functions as a holding company (holding equity investments and managing central support functions and cash flow) the parent company manages the real estate of its French operating subsidiaries and carries out its own research activity in France.

3.1 Operating income

Consequently, operating income includes:

- rents re-invoiced to operating subsidiaries and sales of research, which represent the revenues (€248.4 million in 2023, compared with €248.0 million in 2022), primarily generated in France;
- royalties paid by subsidiaries for shared services and re-invoiced expenses for general and specific services provided to the subsidiaries by the parent company.

3.2 Operating expenses

Operating expenses mainly comprise personnel expenses (employees of the Thales parent company and directors), real estate rents and related services, and other external services, including those provided by Thales Global Services SAS, which incorporates the Group's shared services.

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Note 4. Financial income

4.1 Accounting principles

The financial income mainly includes:

- interest expenses and finance costs on net debt;
- income and expenses related to Thales' directly owned investments (dividends and depreciation, see Note 8);
- the financial component of the increase in provisions for post-employment and other employee benefits (see Note 17);
- foreign exchange gains and losses (see Note 20).

4.2 Breakdown of financial income

	Notes	2023	2022
NET INTEREST AND FINANCE COSTS		(233.1)	(27.1)
Interest and financial income on financial receivables		197.3	50.5
Interest on Group company current account receivables and loans to subsidiaries and associates		130.8	38.8
Interest on cash and cash equivalents		66.5	11.7
Interest and financial expenses		(412.3)	(65.6)
Interest on Group company current account payables and borrowings from subsidiaries and associates		(333.2)	(38.7)
Interest on bonds and other borrowings		(79.1)	(26.9)
Interest on interest rate swaps hedging borrowings		(3.3)	(1.0)
Interest on foreign exchange swaps hedging subsidiary financing		(14.8)	(11.0)
INCOME FROM INVESTMENTS	Note 23	1,561.6	1,102.0
OTHER FINANCIAL INCOME		78.2	126.0
Reversal of provisions related to associate ^(a)		3.3	87.2
Reversals of provisions for impairment of treasury shares		—	1.2
Reversal of provisions for termination payments and others benefits	Note 17	—	32.6
Foreign exchange gains		14.8	—
Gains on disposal of mutual funds		59.6	—
Other		0.5	5.0
OTHER FINANCIAL EXPENSES		(43.4)	(20.2)
Increase in provisions related to associates ^(a)		(29.7)	(7.7)
Increase in provisions for termination payments and others benefits	Note 17	(10.9)	—
Increase in provisions for impairment, current account		—	(3.7)
Loss on disposal of mutual funds		—	(6.3)
Other		(2.8)	(2.5)
FINANCIAL INCOME (EXPENSE)		1,363.3	1,180.7

(a) Provisions related to subsidiaries and associates	2023		2022	
	Reversal	Increase	Reversal	Increase
Provisions for impairment of equity investments	0.6	(28.5)	79.7	(7.1)
Avimo Group Ltd	—	(10.8)	—	(3.8)
Thales Seso SAS	—	(4.0)	—	—
Thales Security Solutions & Services Company	—	(3.9)	—	—
Thales Europe SAS	—	(3.0)	—	—
Thales Global Services SAS	—	(1.4)	7.4	—
Thales Avionics Electrical Systems SAS	—	—	44.4	—
Crystal SAS	—	—	25.5	—
ODAS	—	—	—	(3.0)
Others	0.6	(5.4)	2.4	(0.3)
Provision for subsidiary risks (see note 17.2)	2.7	(1.2)	7.5	(0.6)
Thales Digital Factory SAS	—	(1.1)	2.8	—
Thales Seso SAS	2.7	—	—	(0.2)
Thales Global Services SAS	—	—	4.7	—
Thales Immobilien Deutschland GmbH	—	—	—	(0.4)
Others	—	(0.1)	—	—
TOTAL	3.3	(29.7)	87.2	(7.7)



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Note 5. Non-recurring income

5.1 Accounting principles

The non-recurring income includes:

- restructuring costs: these primarily relate to severance payments, redundancy payments, costs for notice periods not worked and other costs linked to the closure of facilities such as site rehabilitation or asset write-offs. All these costs and the costs directly linked to restructuring measures (removal costs, training costs for transferred employees etc.) are recognized as 'restructuring costs' in the income statement;
- capital gains or losses on the disposal of assets, in particular businesses or equity investments. As an exception to the guidelines of the French General Chart of Accounts and in order to give a more accurate presentation of these transactions, reversals of provisions for impairment of equity investments and reversals of provisions for subsidiary risks are included in income from disposals;
- other income and expenses arising on events that are unusual as regards their frequency, nature or amount.

5.2 Breakdown of non-recurring income

	2023	2022
Restructuring costs	(9.0)	(5.0)
Increase in provisions	(14.5)	(12.0)
Litigation ^(a)	(2.7)	39.3
Others	10.9	2.2
NON-RECURRING INCOME (EXPENSE)	(15.3)	24.5

(a) Compensation received as a result of a settlement agreement relating to a former dispute.

Note 6. Corporate income tax

6.1 General framework and accounting principles

Since January 1, 1992, Thales has opted for the Group tax consolidation regime. Thales is the head of a tax consolidation group that includes the majority of its French subsidiaries, pursuant to the tax regime provided for by Article 223A of the French General Tax Code.

In accordance with the tax consolidation agreement entered into between Thales and its subsidiaries, each subsidiary in the tax group records the amount of tax it would have paid had they been taxed separately. Any tax savings arising from the use of the tax losses of subsidiaries are recorded by the parent company and recognized in the income statement. However, the parent company may have to

record a corresponding tax expense if and when these subsidiaries return to profit and are able to deduct the losses as they would have done had they been taxed separately.

The corporate income tax rate for financial year 2023 was 25.83%, as in 2022, including the social contribution on profits.

The Company benefits from a tax credit related to the research efforts undertaken at its Palaiseau facility. This tax credit is recorded as a reduction in the corporate income tax charge.

6.2 Tax payable

The net corporate income tax breaks down as follows:

	2023	2022
Income tax benefit received from tax group subsidiaries	213.6	162.3
Income tax due to the French State	(170.0)	(156.7)
Income tax benefit resulting from tax consolidation	43.6	5.6
Research tax credit	6.7	6.4
Prior period adjustments and other taxes	(19.9)	(5.0)
INCOME TAX BENEFIT	30.4	7.0

6.3 Deferred tax situation

The Company has available future tax savings arising from timing differences between the tax and accounting treatment of income and expenses (€217.8 million as at December 31, 2023, compared with €188.4 million at year-end 2022). These mainly reflect provisions for contingencies and losses, in particular provisions for

pensions which are not deductible for tax purposes. There were no tax losses carried forward as at December 31, 2023.

The corresponding deferred tax is not recognized.

Note 7. Property plant and equipment and intangible assets

7.1 Accounting principles

Intangible assets (mainly software and property plant and equipment) are recognized at their acquisition cost in the balance sheet. They are amortized or depreciated on a straight-line or declining balance basis over the period of their estimated useful lives (20 years for buildings and 3 to 10 years for other assets).

Fixed assets held under finance leases or hire purchase agreements are not recognized and are reported in off-balance sheet commitments.

7.2 Breakdown by type

	31/12/23			31/12/22		
	Gross value	Cumulative amort. and depr.	Net	Gross value	Cumulative amort. and depr.	Net
Intangible assets	20.8	(20.8)	0.0	20.9	(20.9)	—
Buildings	208.2	(161.1)	47.1	203.3	(167.6)	35.7
Industrial plant, equipment and machinery	60.8	(46.6)	14.2	62.7	(47.0)	15.7
Other	57.6	(6.6)	51.0	34.3	(10.9)	23.4
Property, plant and equipment	326.6	(214.3)	112.3	300.3	(225.5)	74.8
TOTAL	347.4	(235.1)	112.3	321.2	(246.4)	74.8

7.3 Change in net fixed assets

	Intangible assets	Property, plant and equipment	Total
Net value at 01/01/2022	0.4	72.3	72.7
Acquisitions	—	18.9	18.9
Depreciation and amortisation	(0.4)	(16.4)	(16.8)
Net value at 31/12/2022	0.0	74.8	74.8
Acquisitions	—	55.0	55.0
Disposals	(0.1)	(28.7)	(28.8)
Reversal of depreciation and amortisation	0.1	27.9	28.0
Depreciation and amortisation	—	(16.7)	(16.7)
NET VALUE AT 31/12/2023	0.0	112.3	112.3



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Note 8. Equity investments

8.1 Accounting principles

Equity investments are recorded at historical cost. Acquisition-related transaction costs are recognized in the income statement. When inventory value falls below book value, an impairment loss is booked for the difference.

The inventory value is determined by means of profitability forecasts, the underlying assets, recent transactions or the market price of any listed securities.

Profitability forecasts are determined on the basis of discounted future operating cash flows over a three-year period and a terminal value. In certain specific cases (recent acquisitions, non-typical annual results etc.), the terminal value is determined based on forecasts over an appropriate period of time. Forecasts for DIS are established based on a horizon consistent with the acquisition business plan.

The cash flows used are based on a two-year forecasting exercise, drawn up in accordance with Group procedures and extended for a further year. These flows reflect management's best estimate in the current economic environment.

The assumptions used concern growth in sales and terminal values. They are based on reasonable estimations in line with specific data available for each business segment (terminal value is usually based on average income from operations over three years, with growth capped at 2%). The discount rate applied in 2023 is 18%, as in 2022.

With respect to the avionics business, revenue projections were developed based on an assumption that air traffic will return to pre-crisis levels in 2024.

8.2 Change in equity investments

A breakdown of equity investments is presented in Note 23. The changes therein are presented below:

	Notes	Gross value	Provisions	Net
VALUE AT 01/01/2022		15,620.5	(1,332.5)	14,288.0
Acquisitions/capital subscriptions and transactions		39.3	—	39.3
Increase in capital of Thales Avionics Electrical Systems SAS		25.0	—	25.0
ACE Aéro partenaires fund subscription		6.4	—	6.4
MIRIS fund subscription		5.0	—	5.0
Increase in capital of Thales Cloud Secure		2.9	—	2.9
Increase in provisions of impairment	Note 4	—	(7.1)	(7.1)
Reversal of provisions for impairment	Note 4	—	79.7	79.7
VALUE AT 31/12/2022		15,659.8	(1,259.9)	14,399.9
Acquisitions/capital subscriptions and transactions		5,279.4	—	5,279.4
Increase in capital of Thales USA Inc		3,462.7	—	3,462.7
Increase in capital of Centelec UK Ltd		1,810.0	—	1,810.0
Increase in capital of Thales Seso SAS		4.1	—	4.1
ACE Aéro partenaires fund subscription		2.6	—	2.6
Disposals/capital transactions		(119.6)	—	(119.6)
Disposal Thales Avionics Electrical Systems SAS		(119.6)	—	(119.6)
Increase in provisions of impairment	Note 4	—	(28.5)	(28.5)
Reversal of provisions for impairment	Note 4	—	0.6	0.6
VALUE AT 31/12/2023		20,819.6	(1,287.8)	19,531.8

Note 9. Other financial investments

9.1 Accounting principles

Other financial investments mainly include loan agreements signed by Thales with its direct or indirect subsidiaries and affiliates. These loans are presented separately from the current account agreements, which are used in the daily management of cash requirements or surpluses (see Note 10).

Other financial investments also include deposits paid as part of real estate commitments and other financial receivables.

An impairment loss is recognized according to the risk of non-recovery.

9.2 Breakdown by type

	Notes	31/12/23			31/12/22		
		Gross value	Impairment	Net value	Gross value	Impairment	Net value
Loans to direct subsidiaries and associates	Note 23	515.2	—	515.2	512.1	—	512.1
Loans to other Group subsidiaries		280.7	—	280.7	89.5	—	89.5
Other Financial investments		20.7	—	20.7	15.7	—	15.7
TOTAL		816.6	—	816.6	617.3	—	617.3

9.3 Breakdown by maturity and by currency

Breakdown by maturity	31/12/23	31/12/22
Less than 1 year	610.0	70.3
From 1 to 5 years	12.9	544.6
More than 5 years	193.7	2.4
TOTAL	816.6	617.3

Breakdown by currency	31/12/23	31/12/22
Euro	86.2	109.3
Pound sterling	696.4	496.1
South Africa rand	10.3	11.9
Thai bath	23.7	—
TOTAL	816.6	617.3

Note 10. Current accounts of Group companies

10.1 General framework and accounting principles

The current accounts of Group companies presented in the Thales parent company balance sheet represent the receivables and payables between the parent company and its subsidiaries as part of the Group's cash management system.

Under this centralized system, the cash surpluses of subsidiaries are generally transferred to the Thales parent company. In return, the Thales parent company meets the cash flow requirements of the subsidiaries. Except in special cases, this system applies to all subsidiaries in which Thales has majority control.

The current account receivables and payables of Group companies are always recognized as due within one year.

10.2 Current account receivables

		31/12/23	31/12/22
Amounts due from direct subsidiaries and associates	Note 23	1,731.1	2,132.0
Amounts due from Thales Alenia Space (France and Italy)		457.9	238.7
Amounts due from other subsidiaries		513.6	450.1
TOTAL		2,702.6	2,820.8

10.3 Current account payables

		31/12/23	31/12/22
Amounts deposited by direct subsidiaries and associates	Note 23	7,966.6	7,107.5
Amounts deposited by Thales Alenia Space (France and Italy)		439.7	359.3
Amounts deposited by Thales Australia Ltd		254.7	100.8
Amounts deposited by other Group subsidiaries		2,456.5	2,217.9
TOTAL		11,117.5	9,785.5

Note 11. Cash and other investments

11.1 Accounting principles

Cash and cash equivalents include bank accounts and short-term liquid investments that are easily converted into a known amount of cash and exposed to negligible risk of a change in value.

Investment securities include deposits in term accounts held with leading banks with maturities of between 3 and 12 months.

11.2 Cash and cash equivalents

Cash and cash equivalents available for immediate use amounted to €3,341.3 million as at December 31, 2023, compared with €4,119.7 million at year-end 2022. These amounts include €2,608.2 million (€3,436.7 million at year-end 2022) in sight and fixed-term bank deposits or UCITS funds.

Note 12. Financial debt

12.1 Accounting principles

Bonds are recognized at their redemption value. Any issue or redemption premiums are recognized under the corresponding balance sheet heading and amortized pro rata temporis to the financial income. Bond issue expenses are recognized on a straight-line basis over the term of the bond.

12.2 Breakdown of borrowings

	Nominal rate	31/12/23	31/12/22
Bonds maturing in October 2031	Fixed 4,25 %	600.0	—
Bonds maturing in June 2029	Fixed 3,625 %	500.0	—
Bonds maturing in October 2028	Fixed 4,125 %	600.0	—
Bonds maturing in May 2028	Fixed 1 %	700.0	700.0
Bonds maturing in January 2027	Fixed 0,25 %	500.0	500.0
Bonds maturing in March 2026	Fixed 0 %	500.0	500.0
Bonds maturing in October 2025	Fixed 4 %	600.0	—
Bonds maturing in January 2025	Fixed 0,75 %	500.0	500.0
Bonds maturing in April 2024	Fixed 0,875 %	500.0	500.0
Bonds maturing in June 2023	Fixed 0,75 %	—	600.0
Commercial paper		1,754.8	562.0
Others borrowings		651.7	698.0
Accrued interest		40.0	17.3
GROSS BORROWINGS		7,446.5	4,577.3

As at December 31, 2023, the Group has a confirmed bank credit line of €1.5 billion maturing in December 2028. This line does not include an early repayment clause.

12.3 Breakdown of borrowings by maturity and by currency

Breakdown by maturity	31/12/23	31/12/22
Less than 1 year	2,946.5	1,268.5
From 1 to 5 years	3,400.0	2,608.8
More than 5 years	1,100.0	700.0
TOTAL	7,446.5	4,577.3

Breakdown by currency	31/12/23	31/12/22
Euro	6,825.1	3,968.5
Pound sterling	621.4	608.8
TOTAL	7,446.5	4,577.3

Note 13. Shareholder equity

13.1 Share capital

Thales' share capital amounted to €630,630,420 and consists of 210,210,140 shares of €3 each as of December 31, 2023, compared to 213,411,309 shares as of December 31, 2022. The breakdown of share capital is set out below:

	31/12/23			31/12/22		
	Equities	% of capital	% of voting rights	Equities	% of capital	% of voting rights
T.S.A.	54,786,654	26.06%	36.09%	54,786,654	25.67%	35.15%
French state (including 1 golden share)	2,060	—	—	2,060	—	—
Public sector ^(a)	54,788,714	26.06%	36.09%	54,788,714	25.67%	35.15%
Dassault Aviation ^(b)	54,750,000	26.05%	29.92%	52,531,431	24.62%	29.92%
Thales ^(c)	3,541,786	1.68%	—	3,277,303	1.53%	—
Employees ^(d)	6,109,028	2.91%	3.84%	6,330,466	2.97%	3.81%
Other shareholders	91,020,612	43.30%	30.15%	96,483,395	45.21%	31.12%
TOTAL ^(e)	210,210,140	100.00%	100.00%	213,411,309	100.00%	100.00%

(a) Under the terms of the shareholders' agreement with Dassault Aviation (the "Industrial Partner"), the "Public Sector" is represented by TSA, directly excluding the French State. All Thales shares held directly and indirectly by the French State have been in directly registered form for more than two years and thus have a double voting right as at December 31, 2023.

(b) As at December 31, 2023, Dassault Aviation holds 44,372,918 directly registered shares, of which 36,069,349 have been held for more than two years and therefore have double voting rights as at December 31, 2023, and also holds 10,377,082 bearer shares.

(c) Treasury shares comprise 44,245 bearer shares held under a liquidity contract and 3,497,541 directly registered shares.

(d) This line shows total employee share ownership. For information purposes, since law No. 2019-486 of May 22, 2019, employee share ownership within the meaning of the French Commercial Code (Article L. 225-102) excludes shares granted free of charge under the LTI Plans prior to 2016 (in the absence of an amendment to the bylaws to include such shares) and amounted, as at December 31, 2023, to 4,870,934 shares and 9,188,903 voting rights, i.e., 2.32% of the capital stock and 3.03% of the exercisable voting rights, respectively.

(e) By a decision of the Board of Directors on March 7, 2023, effective March 13, 2023, the capital was reduced by the cancellation of 3,201,169 treasury shares, representing around 1.5% of the share capital at 31/12/2022.

As at December 31, 2023, there were no securities giving access to the Company's capital.

13.2 Reserves and retained earnings

	31/12/22	Allocation of 2022 earnings	Balance of 2022 dividend	Interim dividend 2022	31/12/23
Legal reserve	64.0	—	—	—	64.0
Blocked reserve	8.3	—	—	—	8.3
Ordinary reserve	128.9	—	—	—	128.9
Other reserve	0.3	—	—	—	0.3
Retained earnings	1,995.3	1,122.8	(467.9)	(165.6)	2,484.6
TOTAL	2,196.8	1,122.8	(467.9)	(165.6)	2,686.1

For financial year 2022, Thales distributed €615.2 million in dividends (or €2.94 per share), including €147.3 million in interim dividends in December 2022, and €467.9 million in the balance paid in June 2023.

For the financial year 2023, Thales distributed an interim dividend of €165.6 million in December 2023.



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Note 14. Treasury shares

14.1 Accounting principles

Thales carries out transactions in its treasury shares in accordance with the authorizations granted to the Board of Directors by the Annual General Meeting.

At year-end, these shares are recorded and valued according to their allocation:

- Treasury shares that have not been assigned are recorded under other financial investments at their acquisition cost. At year-end, an impairment loss is recorded if the book value is higher than the average market price for the month of December;
- Treasury shares assigned to a free share plan and to employee share ownership are recorded under marketable securities either at their acquisition cost (if the shares were allocated from the beginning of the plan) or at their net carrying value at the reclassification date (if they were allocated after their acquisition).

These treasury shares are not measured at market value because they are set aside to be granted to employees. As a result:

- A provision for expenses is recorded in liabilities for shares granted to employees of Thales (the parent company) on a straight-line basis over the duration of the plan (i.e., 48 months). A provision is also recorded in liabilities for plans not covered by allocated shares;
- Plans not covered by allocated shares are also covered by a provision recorded in liabilities. Shares allocated to other Group employees are maintained at cost price, as they will be re-invoiced to the relevant subsidiaries for the same amount.

14.2 Change in treasury shares

Change in the number of treasury shares

	2023			2022		
	Freely transferable treasury shares	Treasury shares assigned to plans	Total treasury shares	Freely transferable treasury shares	Treasury shares assigned to plans	Total treasury shares
At 1 January	3,277,303	—	3,277,303	456,711	36,464	493,175
Purchases under the liquidity contract	591,432	—	591,432	735,314	—	735,314
Disposals for liquidity purposes	(621,129)	—	(621,129)	(781,117)	—	(781,117)
Sale to employees (employee share plan)	—	—	—	—	(36,106)	(36,106)
Stock market purchases	3,713,535	—	3,713,535	2,995,104	—	2,995,104
Delivery of free shares	(218,186)	—	(218,186)	(129,067)	—	(129,067)
Capital decrease	(3,201,169)	—	(3,201,169)	—	—	—
Reclassified shares	—	—	—	358	(358)	—
Net change	264,483	—	264,483	2,820,592	(36,464)	2,784,128
At 31 December	3,541,786	—	3,541,786	3,277,303	—	3,277,303

Change in the value of treasury shares

Freely transferable treasury shares	2023	2022
At 1 January	382.3	34.7
Purchases under the liquidity contract	78.4	74.0
Disposals for liquidity purposes	(81.3)	(73.8)
Stock market purchases	496.0	356.1
Delivery of free shares	(18.5)	(8.7)
Capital decrease	(380.6)	—
At 31 December	476.3	382.3
Impairment	—	—
Net at 31 December	476.3	382.3
Average share price for December	€135.97	€120.20
Cost of outstanding plans (Thales SA share)	2023	2022
Provisions for contingencies and losses	(20.9)	(15.6)
Treasury shares assigned to plans	2023	2022
At 1 January	—	3.0
Sale to employees (employee share plan)	—	(3.0)
At 31 December ^(a)	—	—

(a) Shares allocated to UK employees under the employee share ownership plan.

Note 15. Employee share/option plans

As at December 31, 2023, the following were outstanding:

- 1,185,575 free shares;
- 454,500 phantom shares, cash-settled at the end of a 4-year vesting period.

All these plans are subject to internal performance conditions over the three years following the assignment date. Their characteristics are described in Chapter 6.2 of the 2023 Universal Registration Document.

There are no outstanding stock options as the last plan expired in September 2021.

15.1 Allotment of free shares

Date of Board decision	Vesting period	Share price at grant date	Number of free shares at 31/12/22 ^(a)	Shares allotted in 2023	Shares cancelled in 2023	Shares issued in 2023	Number of free shares at 31/12/23
20/07/2023	20/07/2023 to 20/07/2027	€138.55	—	286,010	(310)	—	285,700
30/06/2022	30/06/2022 to 30/06/2026	€116.00	267,485	—	(8,450)	(195)	258,840
01/07/2021	01/07/2021 to 01/07/2025	€86.04	297,010	—	(6,840)	(850)	289,320
24/11/2020	24/11/2020 to 24/11/2024	€79.60	361,785	—	(9,140)	(930)	351,715
25/09/2019	25/09/2019 to 25/09/2023	€104.50	223,483	—	(10,481)	(213,002)	—
							1,185,575

(a) After adjustments.

15.2 Allotment of phantom shares indexed to the value of Thales shares

Date of Board decision	Vesting period	Number of phantom shares at 31/12/22 ^(a)	Phantom shares issued in 2023	Phantom shares cancelled in 2023	Phantom shares delivered in 2023	Number of phantom shares at 31/12/23
20/07/2023	20/07/2023 to 20/07/2027	—	87,870	(785)	—	87,085
30/06/2022	30/06/2022 to 30/06/2026	83,600	—	(3,285)	—	80,315
01/07/2021	01/07/2021 to 01/07/2025	97,980	—	(1,760)	—	96,220
24/11/2020	24/11/2020 to 24/11/2024	196,210	—	(4,580)	(750)	190,880
25/09/2019	25/09/2019 to 25/09/2023	128,164	—	(5,580)	(122,584)	—
						454,500

(a) After adjustments.

Note 16. Inventories, receivables and payables

16.1 Inventories

At year-end 2023, inventories included work-in-progress in connection with the Company's real estate and research activities.

16.2 Receivables and payables - Accounting principles

Payables and receivables denominated in foreign currencies are revalued at the closing price.

Thales (the parent company) hedges foreign exchange risks related to contracts or normal commercial transactions on behalf of its subsidiaries.

Temporary cash flow differences between amounts received from/paid to subsidiaries and Thales' receipts/disbursements to banks in connection with the management of foreign exchange derivatives are recognized in the balance sheet under 'Translation adjustment', in accordance with the principle of symmetry applicable to hedging transactions.

16.3 Breakdown of receivables and payables

	31/12/23			31/12/22
	Gross	Provisions	Net	Net
Advances to suppliers	1.1	—	1.1	0.1
Trade receivables	275.4	(1.4)	274.0	206.1
Other receivables	325.3	(3.7)	321.6	240.7
French state, corporate income tax	94.2	—	94.2	90.8
Tax and social security receivables	42.7	—	42.7	43.4
Other ^(a)	188.4	(3.7)	184.7	106.5
TOTAL	601.8	(5.1)	596.7	446.9
Advances received on orders in progress	34.4	—	34.4	29.3
Trade payables	213.7	—	213.7	96.1
Other liabilities	307.4	—	307.4	336.2
Tax liabilities towards consolidated subsidiaries	69.1	—	69.1	105.3
Tax liabilities excluding corporate income tax and social security	117.4	—	117.4	109.7
Other ^(b)	120.9	—	120.9	121.2
TOTAL	555.5	—	555.5	461.6

(a) Including prepaid expenses (rent-free periods) and various transactions managed by the Group Treasury Department.

(b) Including rent-free periods and various transactions managed by the Group Treasury Department.

16.4 Breakdown of receivables and payables by maturity as at December 31, 2023

	Net	Maturity		
		< 1 year	1 to 5 years	> 5 years
Advances to suppliers	1.1	1.1	—	—
Trade receivables	274.0	274.0	—	—
Other receivables	321.6	306.6	11.1	3.9
TOTAL RECEIVABLES	596.7	581.7	11.1	3.9
Advances received on orders in progress	34.4	34.4	—	—
Trade payables	213.7	213.7	—	—
Other liabilities	307.4	245.3	49.6	12.5
TOTAL LIABILITIES	555.5	493.4	49.6	12.5

Note 17. Provisions for contingencies and losses

17.1 Accounting principles

The Group records a provision when it recognizes a legal or constructive obligation resulting from a past event for which an outflow of resources will be required and a reliable estimate of the amount can be made. Provisions are generally recorded for the following:

Provisions for post-employment and other employee benefits

The financing of pensions mainly involves statutory retirement schemes (social security supplementary schemes such as ARRCO and AGIRC, etc.) for which the recognized expense is equal to the contributions paid. These are recorded in the year in which they are incurred.

The Company grants its employees termination payments and other long-term benefits (long service awards and an additional week of annual leave during the employee's 35th year of service within the Group). Some senior executives are also eligible for a supplementary pension plan.

In accordance with ANC recommendation No. 2013-02, a provision is recognized for obligations that qualify as defined benefit plans. It is calculated on the basis of an actuarial valuation determined using the projected unit credit method and taking into account future salary levels. This method, which consists of assessing, for each employee, the present value of the benefits to which he or she will be entitled at the due date, incorporates assumptions concerning financial discounting, inflation, mortality and employees turnover.

These plans are recognized in the company's financial statements as follows:

- the service cost, corresponding to the increase in the obligation during the reporting period, is recognized in operating income/expense;
- the costs of unwinding the net obligation as well as actuarial gains and losses due to changes in assumptions and experience adjustments (difference between projected and actual) are recognized in financial income;
- the impact of plan amendments following renegotiations of employee benefits is recognized in non-recurring income.

Provisions for subsidiary risks

Equity investments held by Thales are measured at the end of each reporting period and an impairment loss is recorded if necessary. In the event that the investment is fully written down and Thales' share in the shareholder equity of the subsidiary or affiliate becomes negative, a provision for subsidiary risks may be recognized when necessary.

Provisions for restructuring

Provisions for restructuring costs are recorded when a restructuring program has been agreed with a third party, approved by company management and announced before the reporting date, resulting in an obligation to the third parties in question and for which the company does not expect any consideration for costs.

17.2 Breakdown of provisions

	31/12/22	Provisions	Reversal	31/12/23
Postemployment and other employees benefits (see Note 17.3)	100.2	19.9	(7.8)	112.3
Subsidiary risks	18.2	1.2	(2.8)	16.6
Restructuring	1.4	0.1	(0.6)	0.9
Free shares	15.6	10.4	(5.1)	20.9
Other	69.3	28.3	(18.4)	79.2
TOTAL	204.7	59.9	(34.7)	229.9

17.3 Post-employment and other employee benefits

The provisions in the balance sheet may be broken down as follows:

	2023		
	Pensions	Other benefits	Total
Provision as at December 31, 2022	(96.8)	(3.4)	(100.2)
Net reversal of provisions, of which:	(12.0)	(0.1)	(12.1)
Current services cost	(3.9)	(0.2)	(4.1)
Financial expense :	(11.0)	0.1	(10.9)
• Net interest cost	(3.4)	(0.1)	(3.5)
• Actuarial gains/loses	(7.6)	0.2	(7.4)
Benefits and contributions paid	2.8	0.2	3.0
Plan amendment	—	—	—
Other	0.1	(0.2)	(0.1)
Provision as at December 31, 2023	(108.8)	(3.5)	(112.3)
Of which:			
• Commitments	(151.2)	(3.5)	(154.7)
• Investments	42.4	—	42.4

The actuarial assumptions used to estimate the commitments are the following:

	31/12/23	31/12/22
Discount rate	3.12%	3.71%
Inflation rate	2.22%	2.35%

Note 18. Legal risks

As at the date of publication of this document, there are no governmental, judicial or arbitration claims of which the company is aware which are pending or threatened, which could have or which had in the course of the last 12 months a material impact on the financial position or the profitability of the company.



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Note 19. Off-balance sheet commitments

19.1 Deposits and guarantees

Commitments given	31/12/23	31/12/22
Guarantees given by Thales under commercial contacts signed by operating entities	12,553.0	10,915.7
Guarantees given to banks for facilities granted to subsidiaries	5,501.4	4,439.7
Counter-guarantee given to the trustees to cover Thales' pension obligations in the UK	70.7	1,095.6
Other guarantees given to Group subsidiaries	651.6	675.0
Other guarantees given	432.4	436.3
Total	19,209.1	17,562.3
Of which, relating to Thales direct subsidiaries (see Note 23)	4,351.7	5,002.1
Of which, related to other Group subsidiaries	14,616.9	12,319.4
Of which, related to direct and indirect affiliates	240.5	240.8
Commitments received	31/12/23	31/12/22
Debt write-offs granted to related companies with clawback provisions	—	4.3

19.2 Property leasing commitments

	31/12/23	31/12/22
Operating leases	801.5	856.9
Less than 1 year	118.9	120.4
From 1 to 5 years	390.3	389.0
More than 5 years	292.3	347.5

Note 20. Market risks

20.1 Accounting principles

The Thales parent company's Treasury and Financing Department is active in the financial markets in order to reduce the interest rate and foreign exchange risks of the Group.

Interest rate derivatives

Thales uses interest rate derivatives to manage and reduce its exposure to interest rate fluctuations. When the derivatives are designated as hedging instruments, the gains and losses on the hedge are recognized in the same period as the hedged item.

Currency derivatives

Thales hedges foreign exchange risks arising on commercial offers entered into by its subsidiaries and denominated in currencies other than the main operating currency.

When the hedged item has a sufficient probability of occurrence, the foreign exchange derivatives subscribed by Thales with banking counterparties qualify for hedge accounting. Gains and losses on bank derivatives are then recognized in income at the same rate as the gains and losses realized on the guarantees offered to subsidiaries, in accordance with the principle of symmetry applicable to hedging transactions. Foreign exchange premiums are amortized in the income statement on a straight-line basis over the term of the hedge.

When hedged items do not have a sufficient probability of occurrence, the foreign exchange derivatives are deemed as isolated open positions. In this case, the market value of the derivative is recognized in the balance sheet as an offsetting entry in a suspense account (also in the balance sheet). A provision is recorded in the event of negative valuation. This valuation takes into account Thales' guarantee commitments to subsidiaries under these offers.

Thales hedges foreign exchange risks related to firm contracts and normal commercial transactions on behalf of its subsidiaries. As such, it guarantees its operating subsidiaries a specific exchange rate for each transaction and backs up its position by arranging currency derivatives with banking counterparts. Gains and losses on bank derivatives are then recognized in income at the same rate as the gains and losses realized on the guarantees offered to subsidiaries, in accordance with the principle of symmetry applicable to hedging transactions.

Thales hedges the foreign exchange risks related to its cash management system. The gains and losses on currency derivatives are offset by the gains and losses resulting from the revaluation of the hedged Group company current accounts and loans; however, gains or losses related to the derivatives' swap points are spread over the term of the hedge.

20.2 Interest rate risk management

As at December 31, 2023 and 2022, the Company held the interest rate derivative instruments described below. All these instruments are qualified as hedges.

Interest rate derivatives	31/12/23		31/12/22	
	Nominal	Market value	Nominal	Market value
Fixed-for-floating interest rate swaps				
• swaps related to bond maturing in 2023	—	—	400.0	(4.0)
• swaps related to treasury bills	1,700.0	(0.5)	512.0	(0.6)
Floating-for-fixed interest rate swaps				
• refixing swaps/bonds maturing in 2023	—	—	400.0	3.2
• pre-hedging swap related to bond maturing in 2024 ^(a)	—	(0.5)	—	(1.0)
• swaps backing a loan	—	—	—	—

(a) Swaps of €500 million put in place prior to the issue, returned on the issue date (April 2018).

20.3 Foreign exchange risk management

As at December 31, 2023 and 2022, the derivatives subscribed by Thales with bank counterparties were as follows:

	31/12/23					31/12/22	
	USD	GBP	Other	Total	Market value	Total	Market value
Hedges of commercial offers and transactions:							
Forward currency sales	3,374.5	1,115.8	1,857.7	6,348.0	19.5	6,834.5	(42.4)
Forward currency purchases	1,640.2	992.8	2,082.6	4,715.6		4,209.4	
Currency sales (call and put options)	—	—	—	—	1.3	40.2	3.0
Currency purchases (call and put options)	27.2	—	—	27.2		138.5	
Hedges related to cash management:							
Currency sales foreign exchange swaps	1,366.4	1,052.9	304.3	2,723.5	(55.9)	2,005.8	(116.2)
Currency purchases foreign exchange swaps	27.2	1,201.5	759.9	1,988.5		1,631.2	
Current financial liabilities:							
Currency sales foreign exchange swaps	—	—	—	—	(13.2)	—	—
Currency purchases foreign exchange swaps	411.8	—	—	411.8		—	
Derivatives documented as hedges	289.6	—	—	289.6	(4.8)	—	—
Derivatives not documented as hedges	1,556.6	—	—	1,556.6		—	

In addition, Thales has granted its operating subsidiaries "mirror" foreign exchange guarantees in relation to firm contracts or normal commercial operations.

Thales has also granted its operating subsidiaries foreign exchange guarantees on commercial offers, subject to the subsidiary winning the respective contract.



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Note 21. Related parties

21.1 Definition

The Group's related parties are: the shareholders of the parent company Thales (notably the French State and Dassault Aviation), companies controlled by these same shareholders, companies under joint control, companies under significant influence, and management.

21.2 Agreements with Thales shareholders

Section 6.2.3.3 of the 2023 Universal Registration Document describes the main provisions relating to the shareholders' agreement governing the relationship between the French State (the "Public

Sector") and Dassault Aviation (the "Industrial Partner") within Thales, the agreement on the protection of national strategic interests, and the specific agreement between the French State and Thales.

21.3 Agreements with Naval Group

Since December 2011, Thales has held a 35% stake in Naval Group, a subsidiary jointly controlled with the French government.

Thales and Naval Group have also signed an industrial and commercial cooperation agreement designed to optimize the two groups' activities in the naval sector (market access, R&D, procurement).

21.4 Executive compensation

The compensation, benefits, and social security contributions relating to the Directors and the Executive Committee break down as follows:

	2023	2022
Short-term benefits		
• Fixed remuneration	6.4	6.0
• Variable remuneration	7.8	5.8
• Severance pay	—	—
• Employer's social security contributions	5.4	4.7
• Directors' fees	0.6	0.6
Other benefits		
• Pensions	2.4	3.1

In the event of joining or leaving the Comex during the year, the remuneration taken into account in the table above is that corresponding to the period of membership of this body.

As at December 31, 2023, the share of pension liabilities for senior executives (see Note 17.3) amounted to €12.1 million.

Note 22. Events after the reporting period

The Group is not aware of any significant events occurring after the closing date.

Note 23. Subsidiaries and affiliates

(in millions)

Company data (in local currency)

			Previous financial year sales, excluding tax	Previous financial year earnings	Share capital
A. Detailed information on subsidiaries and affiliates whose gross value exceeds 1% of the Company's share capital					
1. Subsidiaries					
	GEMALTO B.V	EUR	20.8	104.1	88.6
	THALES USA INC	USA	75.2	-142.0	4,107.4
	THALES HOLDING UK PLC	GBP	0.0	-6.5	726.8
	CENTELEC UK LTD	EUR	0.0	7.7	1,810.0
	THALES AVS FRANCE SAS	EUR	1,657.3	305.4	213.1
	THALES DMS FRANCE SAS	EUR	2,110.5	365.1	122.2
	THALES IAS FRANCE SAS	EUR	2,082.2	216.5	199.8
	THALES ALENIA SPACE SAS	EUR	0.0	33.3	918.0
	THALES COMMUNICATION & SECURITE NUMERIQUES SA	EUR	0.0	370.0	669.5
	THALES DEUTSCHLAND GMBH	EUR	334.7	-17.4	27.1
	THALES INTERNATIONAL SAS	EUR	0.0	48.4	313.0
	AVIMO GROUP Ltd	SGD	0.0	1.9	56.4
	THALES SERVICES NUMERIQUES SAS	EUR	603.3	30.9	1.5
	THALES NETHERLAND BV	EUR	587.0	54.6	29.5
	THALES DIGITAL FACTORY	EUR	29.7	-0.3	40.1
	THALES UNDERWATER SYST NV	EUR	0.0	0.2	4.5
	SIFELEC	EUR	0.0	0.8	38.3
	THALES EUROPE SAS	EUR	0.0	74.4	23.2
	THALES HOLDING NORWAY AS	NOK	0.0	105.1	419.8
	THALES CORPORATE VENTURES SAS	EUR	0.0	0.4	15.0
	THALES CANADA INC	CAD	307.2	14.1	20.8
	THALES BELGIUM S.A.	EUR	154.0	15.8	31.9
	THALES SESO SAS	EUR	15.2	-0.8	0.4
	THALES IMMOBILIER GROUPE	EUR	0.0	1.7	20.0
	THALES GLOBAL SERVICES SAS	EUR	874.3	0.8	0.5
	THALES SUISSE SA	CHF	33.0	25.8	40.0
	CMT MEDICAL TECHNOLOGIES LTD	USD	12.4	-2.1	1.0
	THALES COMMUNICATIONS Ltda	BRL	0.0	0.0	0.0
Subsidiaries total					
2. Affiliates					
	NAVAL GROUP	EUR	4,265.6	260.7	563.0
	TELESPAZIO SpA	EUR	701.2	42.7	50.0
	ELETTRONICA SPA	EUR	—	34.1	—
	LYNRED	EUR	219.1	8.5	6.0
	UNITED MONOLITHIC SEMICONDUCTORS HOLDING	EUR	—	—	33.9
Affiliates total					
TOTAL (A)					
B. Detailed disclosures concerning other subsidiaries and affiliates					
1. Subsidiaries not listed in section A					
French subsidiaries					
Foreign subsidiaries					
Total					
2. Affiliates not listed in section A					
In French companies					
In foreign companies					
Total					
TOTAL (B)					
OVERALL TOTAL (A + B)					
Information concerning related companies					
Direct subsidiaries of Thales (A)					
Direct subsidiaries of Thales (B)					
Other Group subsidiaries					



Contribution of subsidiaries and affiliates to Thales' financial statements (EUR)								
Shareholders' equity, other than share capital	Carrying amount (gross value)	Carrying amount (net value)	Share capital held	Loans and advances granted by Thales not yet paid	Receivables	Liabilities	Deposits and guarantees given by Thales	Dividends received by Thales during the financial year
2,795.2	4,762.4	4,762.4	100 %	0.0	450.0	356.8	0.0	0.0
388.4	4,173.3	4,173.3	100 %	0.0	230.8	0.0	1,131.2	0.0
389.5	2,571.7	1,870.1	100 %	506.3	532.0	7.6	0.0	0.0
0.0	1,810.0	1,810.0	100 %	0.0	0.0	321.6	0.0	0.0
169.0	1,016.0	1,016.0	93 %	0.0	0.0	832.8	360.2	105.5
80.0	802.6	802.6	100 %	0.0	0.0	3,290.3	1,323.0	584.3
307.3	754.9	754.9	100 %	0.0	0.1	1,557.7	108.4	410.5
563.1	683.1	683.1	67 %	0.0	0.0	0.0	0.0	90.2
173.4	590.8	590.8	82 %	0.0	7.0	314.6	0.0	190.7
282.8	545.0	545.0	100 %	0.0	0.0	544.9	15.4	0.0
44.4	398.5	398.5	100 %	0.0	9.9	0.0	6.0	20.7
-0.1	250.7	102.2	100 %	0.0	0.0	36.2	0.0	0.7
240.2	237.4	237.4	100 %	0.0	0.0	59.6	0.1	41.0
216.5	235.2	235.2	99 %	0.0	0.0	395.9	125.3	9.5
-7.9	155.7	0.0	100 %	0.0	19.6	0.0	0.0	0.0
4.1	129.2	8.9	100 %	0.0	0.0	0.0	420.0	0.0
4.5	113.8	113.8	100 %	0.0	0.0	33.1	0.0	0.0
17.3	88.2	85.2	100 %	0.0	152.6	0.0	0.0	0.0
-187.0	77.1	77.1	100 %	0.0	0.0	13.8	0.0	0.0
8.5	73.3	15.3	100 %	0.0	0.0	2.6	0.0	0.0
14.6	63.6	63.6	100 %	0.0	16.7	119.0	299.9	11.4
-3.4	53.2	53.2	100 %	0.0	0.0	67.4	150.1	6.7
9.6	40.5	0.0	100 %	0.0	7.7	0.1	0.0	0.0
14.2	40.0	35.9	100 %	0.0	98.0	0.0	0.0	3.4
24.1	33.4	6.1	100 %	0.0	144.0	0.0	0.3	0.0
16.2	26.4	26.4	100 %	0.0	3.2	1.2	64.8	11.5
23.5	21.8	20.3	100 %	0.0	0.6	0.0	0.0	0.0
0.0	11.0	0.0	100 %	0.0	0.0	0.0	0.0	0.0
19,758.8	18,487.3			506.3	1,672.2	7,955.2	4,004.7	1,486.1
476.4	833.7	833.7	35 %	—	—	—	—	59.1
232.6	89.8	89.8	33 %	8.9	—	—	—	11.2
97.6	26.7	26.7	33 %	—	—	—	—	4.4
175.6	26.4	26.4	50 %	—	—	—	—	—
16.1	24.3	24.3	50 %	—	—	—	—	—
1,000.9	1,000.9			8.9	—	—	—	74.7
20,759.7	19,488.2			515.2	1,672.2	7,955.2	4,004.7	1,560.8
12.3	7.0			—	22.2	7.1	—	0.8
0.7	0.1			—	—	—	—	—
13.0	7.1			—	22.2	7.1	—	0.8
26.7	23.7			—	—	—	—	—
20.2	12.8			—	36.7	4.3	347.0	—
46.9	36.5			—	36.7	4.3	347.0	—
59.9	43.6			—	58.9	11.4	347.0	0.8
20,819.6	19,531.8			515.2	1,731.1	7,966.6	4,351.7	1,561.6
515.2				515.2	1,672.2	7,955.2	4,004.7	1,560.8
—				—	22.2	7.1	—	0.8
—				—	58.9	11.4	347.0	0.8

Investments made and thresholds crossed in French companies in financial years 2022 and 2023

Percentage of investment owned	As at 12/31/22					As at 12/31/23				
	> 5%	> 20%	> 33%	> 50%	> 66%	> 5%	> 20%	> 33%	> 50%	> 66%
1. Increases										
196 Centelec SAS	—	—	—	—	100%	—	—	—	—	—
197 Centelec SAS	—	—	—	—	100%	—	—	—	—	—
198 Centelec SAS	—	—	—	—	100%	—	—	—	—	—
199 Centelec SAS	—	—	—	—	100%	—	—	—	—	—
200 Centelec SAS	—	—	—	—	100%	—	—	—	—	—
Centelec UK Ltd	—	—	—	—	100%	—	—	—	—	—
2. Decreases										
196 Centelec SAS	—	—	—	—	—	—	—	—	—	100%
Thales Avionics Electrical Systems SAS	—	—	—	—	—	—	—	—	—	100%
199 Centelec SAS	—	—	—	—	100%	—	—	—	—	—
Crystal SAS	—	—	—	—	100%	—	—	—	—	—
Thales Cloud Securise	—	—	—	—	95%	—	—	—	—	—



Note 24. Information on existing branches (Article L. 232-1 II of the French Commercial Code)

As at December 31, 2023, Thales had a secondary facility registered in France with the Companies Register and indicated on its Kbis company registration certificate.

7.2.2.6 Company financial summary for the last five years

	2019	2020	2021	2022	2023
1. Share capital at year-end					
Share capital	640.0	640.1	640.2	640.2	630.6
Number of ordinary shares outstanding	213,317,506	213,365,958	213,411,309	213,411,309	210,210,140
Maximum number of shares to be created in future by exercise of share subscription options	93,803	43,305	0	0	0
2. Operations and results for the year					
Revenues excluding tax	252.5	237.8	245.2	248.0	248.4
Earnings before tax, employee profit-sharing, depreciation, amortisation and provisions	479.9	462.7	450.3	1,046.2	1,345.5
Income tax benefit	43.1	78.9	50.3	7.0	30.4
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	501.9	509.3	452.2	1,122.8	1,307.0
Distributed net profit	127.3	374.7	543.6	615.2	165,6 ^(a)
3. Earnings per share					
Earnings after tax and employee profit-sharing but before amortisation, depreciation and provisions	2.45	2.54	2.35	4.93	6.55
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	2.35	2.39	2.12	5.26	6.22
Net dividend per share	0.60	1.76	2.56	2.94	0,80 ^(b)
4. Employees					
Average headcount during the year, of which:	876	873	849	873	906
• Engineers and managers	790	792	779	812	848
• Technicians and supervisors	86	81	70	61	58
Personnel expenses, of which:	232.1	212.7	222.4	241.2	258.4
• Total payroll for the year	165.0	151.5	156.6	170.9	184.8
• Social security and other social welfare benefits paid during the year	67.1	61.2	65.8	70.3	73.6

2018: Capital increased from €637,976,175.0 to €639,312,243.0 following a capital increase.

2020: Capital increased from €639,312,243.0 to €639,952,518.0 following a capital increase.

2021: Capital increased from €639,952,518.0 to €640,097,874.0 following a capital increase.

2022: Capital increased from €640,097,874.0 to €640,233,927.0 following a capital increase.

2022: No change in capital compared to end 2021.

(a) Interim dividend.

(b) Subject to approval by the Annual General Meeting of May 15, 2024.

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7.3 Statutory auditors' reports

7.3.1 Statutory auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or the verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2023

To the Annual General Meeting of Thales,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Thales for the year ended December 31, 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Accounts Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from January 1, 2023 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 821-53 and R. 821-180 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.



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Recognition of revenue and of commercial contract costs, and assessment of the commitments related thereto

Risk identified

A significant part of your Group's revenue and current operating income stems from the recognition of various contracts. Some contracts take into account the effect of significant related liabilities. Regarding contracts whose transfer of control is gradual, revenue is recognized using the percentage of completion method (M€ 12,178.4 for the year ended December 31, 2023). Regarding contracts whose transfer of control is carried out at completion, revenue is recognized at the time of such completion (M€ 6,250 for the year ended December 31, 2023).

Your Group determines the order intake, revenue and the margin of the contracts in accordance with the terms and conditions described in Notes 1.4 "Main sources of estimates", 13-c "Accounting policies - Revenue", 13-d "Accounting policies - Operating assets and liabilities" and 10.5 "Commitments linked to commercial contracts" to the consolidated financial statements.

Recognition of revenues and margin relating to those contracts and the measurement of linked commitments during an accounting closing primarily depends on:

- estimates of the revenue and margin at completion of each contract, and notably on the level of provisions for technical, contractual and commercial risks;
- costs incurred to date relating to total costs estimated at completion;
- the fulfilment of the Group's contractual commitments.

Costs estimates at completion, as well as the achievement of technical milestones for these contracts whose transfer of control is gradual, are based on your Group's information systems and internal procedures, notably involving account managers. These estimates are reviewed regularly by the Operations and Financial departments, particularly at each closing date.

We considered the recognition of revenue and contract costs and the measurement of linked commitments to be a key audit matter, given the impact of these contracts on your Group's consolidated financial statements and the level of estimates required by Management to determine results at completion.

Our response

Our work notably consisted in:

- familiarizing ourselves with your Group's information systems and procedures used to book order intakes, to estimate revenue, costs at completion and costs incurred, as well as to measure cost progress and to test the design and application of key controls;
- reconciling the contract management data with the accounting data entered in the information systems;
- selecting contracts that are significant due to their financial impact and risk profile, and interviewing the account managers and the operations and financial departments of the global business units, about the monitoring and their assessment of the risks of these contracts in order to:
- evaluate, with regard to these contracts, the analyzes performed by your Group which enabled it to come to a decision regarding the gradual transfer of control and the transfer of control at completion and, when necessary, the identification of various performance obligations;
- assess the reflection of the contractual clauses including price revision clauses in the accounts, particularly regarding revenue to be recognized under performance obligations not yet fulfilled. In particular, we familiarized ourselves with the contractual clauses of termination for convenience, legal notes and margin simulations carried out by your Group;
- assess the reasonableness of the main assumptions for revenue recognition and costs at completion by corroborating them with contractual data and exchanges with the customer or its representatives, and the third parties involved in the completion of contracts. This work included the experience gained throughout the years on these contracts or similar contracts;
- assess, for each selected contract, the consistency of the revenue and all the other items in the income statement and balance sheet with the contractual and operational provisions.

Lastly, we also assessed the appropriateness of the information provided in Note 13.c) "Accounting policies - Revenue", 13.d) "Accounting policies - Operating assets and liabilities", 10.2 "Contract assets and liabilities" and 10.5 "Commitments linked to commercial contracts" to the consolidated financial statements.

Impairment tests of cash-generating units (CGUs)**Risk identified**

As at December 31, 2023, goodwill amounted to M€ 8,939.6 and other intangible assets and property, plant and equipment amounted to M€ 4,884.2.

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs corresponding to your Group's global business units.

Management performs impairment tests on your Group's CGUs. Substantially all intangible assets and other property, plant and equipment are tested at the CGU level.

Both the methodology applied and the detailed assumptions used are described in Notes 1.4 "Main sources of estimates" and 4.1 b) "Impairment tests" to the consolidated financial statements.

The valuation of the value in use of each CGU is determined on the basis of discounted future cash flows which rely on Management's assumptions, estimates or significant judgment. We considered impairment tests of cash-generating units (CGUs) to be a key audit matter.

Our response

With our valuation experts included in the audit team, our work notably consisted in:

- reconciling the net carrying amount of assets tested for each CGU with the consolidated financial statements;
- examining the implementation of these tests, the valuation methodology of the value in use and the arithmetical accuracy of the calculations performed;
- assessing the cash flow forecasts in regard to the economic and financial environment of each business line, the consideration of action plans related to the impacts of climate-related matters and the financial performance in 2023;
- assessing the reasonableness of the actuarial assumptions used, taking into account the economic context and in particular components such as inflation forecasts;
- examining the consistency of the forecasts for the first two years with the budget submitted to the Board of Directors, as well as the consistency between the forecasts for the following years taken into account with Management's latest estimates;
- assessing the consistency of the growth rate used to calculate future cash flows with the existing market analysis and analysts' consensus;
- examining the different parameters used to calculate the weighted average cost of capital applied to future cash flows;
- performing sensitivity analyzes on the CGUs' value in use determined by Management to changes on the discount rate, the long-term growth rate and the EBIT rate.

Finally, we also assessed the appropriateness of the information provided in Note 4 "Property, plant and equipment and intangible assets" to the consolidated financial statements.



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Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information given in the Board of Directors' Group management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Group management report, it being specified that, in accordance with Article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of preparation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the Chairman and Chief Executive Officer's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of December 17, 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

On the basis of our work, we conclude that the preparation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent to the block-tagging of the consolidated financial statements according to the European single electronic format, the content of certain tags of the notes may not be rendered identically to the accompanying consolidated financial statements.

Furthermore, we have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (*Autorité des marchés financiers*) agree with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Thales by the annual general meeting held on June 25, 1983 for MAZARS and on May 15, 2003 for ERNST & YOUNG Audit.

As at December 31, 2023, MAZARS was in the forty-first year and ERNST & YOUNG Audit in the twenty-first year of total uninterrupted engagements, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Accounts Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As specified in Article L. 821-55 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements.

- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit and Accounts Committee

We submit to the Audit and Accounts Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Accounts Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Accounts Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 821-27 to L. 821-34 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit and Accounts Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 4, 2024

The Statutory Auditors

French original signed by

MAZARS

Dominique Muller
Ariane Mignon

ERNST & YOUNG Audit

Jean-François Ginies
Vincent Gauthier



7.3.2 Statutory auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2023

To the Annual General Meeting of Thales,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Thales for the year ended December 31, 2023.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2023 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from January 1, 2023 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments Key Audit Matters

In accordance with the requirements of Articles L. 821-53 and R. 821-180 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

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Valuation of Equity investments

Key Audit Matter

Equity investments, recorded in the balance sheet as at December 31, 2023 for a net amount of M€19,531.8 represent a significant balance item in the statement of financial position. They are recorded at the lowest of their book value or their value in use.

As stated in Note 8 "Equity investments" to the financial statements, the value in use is determined based on profitability forecasts, the underlying assets, recent transactions or the market price of listed securities.

Impairment tests are carried out annually at the end of the year in order to bring this accounting period in line with the internal schedule for drawing up the Group's strategic plans. The value in use estimate of these equity investments requires the exercise of Management's judgment in choosing the information to consider according to the investments concerned. Depending on the situation, this information may correspond to underlying asset information (shareholders' equity of the entities concerned) or forecast information (value of discounted future cash flows).

Therefore, we considered the valuation of equity investments to be a key audit matter.

Our response

In order to assess the equity investments' valuation, our work mainly consisted in:

- for valuations based on underlying asset information:
 - comparing the shareholders' equity used with the financial statements of each related entity which were subject to an audit or analytical procedures;
- for valuations based on forecast information, by including valuation experts in our audit team:
 - assessing the cash flow projections of the related entities with regard to the economic and financial context of each business, and the financial performance of the accounting period by comparing the consistency of:
 - the first two years of cash flow projections with the data used in the Group's budget submitted to your Board of Directors,
 - the cash flow projections of the following years with the most recent Management's estimates;
 - assessing the actuarial assumptions made, taking into account the economic context, and in particular components such as inflation forecasts;
 - assessing the actuarial assumptions used with regard to the risks that are likely to impair your Company's equity investments, such as those induced by climate-related matters;
 - analyzing the various parameters used to calculate the weighted average cost of capital applied to the cash flow projections;
 - evaluating the consistency of the growth rate used for the projected flows with the market analyzes and consensus observed.

Lastly, we also assessed the appropriateness of the information provided in Note 8 "Equity investments" to the financial statements.

Statutory auditors' reports

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code (*Code de commerce*).

Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*Code de commerce*) relating to the remuneration and benefits received by, or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled thereby, included in the consolidation scope. Based on these procedures, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements**Format of preparation of the financial statements intended to be included in the annual financial report**

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the Chairman and Chief Executive Officer's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018.

On the basis of our work, we conclude that the preparation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (*Autorité des marchés financiers*) agree with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Thales by your annual general meetings held on June 25, 1983 for MAZARS and on May 15, 2003 for ERNST & YOUNG Audit.

As at December 31, 2023, MAZARS was in the forty-first year and ERNST & YOUNG Audit in the twenty-first year of total uninterrupted engagement, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements**Objectives and audit approach**

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As specified in Article L. 821-55 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.



As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements.
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 821-27 to L. 821-34 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 4, 2024

The Statutory Auditors

French original signed by

MAZARS

Dominique Muller
Ariane Mignon

ERNST & YOUNG Audit

Jean-François Ginies
Vincent Gauthier

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7.4 Statutory auditors

For the period covered by the historical financial information, Thales' statutory auditors were as follows:

7.4.1 Regular statutory auditors

MAZARS

Tour Exaltis

61, rue Henri Regnault

92075 Paris-La Défense cedex

Represented by Dominique Muller and Gregory Derouet.

Current term of office conferred by the Annual General Meeting of May 15, 2019, expiring with the audit of the financial statements for the year 2024.

ERNST & YOUNG Audit

Tour First

TSA 14444

92037 Paris-La Défense cedex

Represented by Vincent Gauthier and Jean-François Ginies.

Current mandate conferred by the Annual General Meeting of May 6, 2021, expiring with the audit of the financial statements for the year 2026.

7.4.2 Honorary statutory auditors

The amount of fees paid to the statutory auditors of the Thales parent company and to the members of their networks and expensed over the years 2023 and 2022 is detailed in Note 14 of the Consolidated Financial Statements (page [295](#)).



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8 > Appendices

8.1	Attestation of the person responsible for the Universal Registration Document	336	8.5	Cross-reference table for the Corporate Governance Report	340
8.2	Changes to the structure of the 2023 Universal Registration Document	336	8.6	Cross-reference table – Annexes I and II of Commission Delegated Regulation (EU) 2019/980	341
8.3	Historical financial information included by reference	337	8.7	Cross-reference table for the Non-Financial Performance Statement	343
8.4	Cross-reference table for the annual financial report and the management report	338	8.8	2023 Taxonomy data release tables	344

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8.1 Attestation of the person responsible for the Universal Registration Document

I hereby attest that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its scope.

I hereby attest that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of all the companies included in the consolidation, and that the information included in this Universal Registration Document which is part of the management report, as listed in the cross-reference table on pages 338 and 339, presents a true and fair view of the development of the business, the results and the financial position of the Company and of all the companies included in the consolidation, as well as a description of the principal risks and uncertainties they face.

I have obtained a letter from the statutory auditors indicating that they have completed their audit of the information relating to the financial position and the financial statements, as well as the historical financial statements included by reference herein, and that they have read the entire document.

Paris-La Défense, April 3, 2024

Patrice Caine

Chairman and Chief Executive Officer

8.2 Changes to the structure of the 2023 Universal Registration Document

There are no significant changes in the structure of the 2023 Universal Registration Document as compared to the 2022 Universal Registration Document, except for Chapter 5, whose content and structure have been modified to facilitate gradual alignment with the requirements of the first sustainability report, due to be published in 2025.



8.3 Historical financial information included by reference

Pursuant to Article 19 of European Commission Regulation 2017/1129, the following information is included by reference in this Universal Registration Document:

- the consolidated financial statements and related audit reports on pages 240 to 283 and 310 to 314 of the 2022 Reference Document, filed with the Autorité des marchés financiers (AMF) on April 3, 2023;
- the financial information, key figures, description of the main activities and presentation of the Group's results and situation on pages 8 to 13 and 34 to 43, respectively, of the 2022 Reference Document filed with the Autorité des marchés financiers (AMF) on April 3, 2023;
- the consolidated financial statements and related audit reports on pages 218 to 269 and 302 to 306 of the 2021 Reference Document, filed with the Autorité des marchés financiers (AMF) on April 6, 2022;
- the financial information, key figures, description of the main activities and presentation of the Group's results and situation on pages 8 to 11 and 30 to 39, respectively, of the 2021 Reference Document filed with the Autorité des marchés financiers (AMF) on April 6, 2022.

The parts of these documents which are not included by reference in this document are either not applicable to the investor or are covered by another part of the Universal Registration Document.

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8.4 Cross-reference table for the annual financial report and the management report

The cross-reference table below identifies the information in this Registration Document that constitutes the annual financial report required by Articles L. 451-1- 2 of the French Monetary and Financial Code and 222-3 of the AMF General Regulation. It includes the information required for the annual management report to be prepared by the Board of Directors in accordance with Articles L. 225-100 et seq. of the French Commercial Code.

For more details, please refer to the cross-reference table of the Extra-Financial Performance Statement in section 8.7 below.

	Section of the 2023 Universal Registration Document	Page(s)
Article L. 225-100-1 of the French Commercial Code:		
Analysis of the development of the business	1, 2.1, 2.2, 2.3	5, 24, 37, 39
Analysis of results	2.3	39
Analysis of the financial situation, including debt	2.3.7	48
Key financial and non-financial performance indicators (relating to the specific activities of the Company and the Group)	1, 2.3, 5.1.5.3	5, 39, 150
Main risks and uncertainties	3	56
Objectives and policy with respect to the coverage of each major category of transactions	3.1.2, 3.3.1, 7.1.6, Note 6	58, 70, 268
Exposure to price, credit, liquidity and cash risks	3.1.2, 3.3.1, 3.4, 7.1.6, Note 6	58, 70, 72, 268
Information on the use of financial instruments	3.3.1, 7.1.6, Note 6	70, 268
Article L. 22-10-35 of the French Commercial Code:		
Information on the financial risks related to the effects of climate change and measures taken to reduce them	3.1.7, 5.1.5.1, 5.2.1, 5.2.2, 5.2.4, 5.2.5	65, 145, 153, 155, 163, 164
Main features of internal control and risk management procedures relating to the preparation and processing of accounting and financial information	3.4	72
Article L. 225-102 of the French Commercial Code:		
Employee shareholding as of the last day of the fiscal year (proportion of capital represented)	1, 6.2.1.2, 6.2.3.1, 6.2.3.7, 7.2.2.5, Notes 14 and 15	5, 235, 237, 244, 313, 314
Article L. 225-102-1 of the French Commercial Code:		
Non-Financial Performance Statement	8.7	343
Art. L. 225-37-1 of the French Commercial Code:		
Equal opportunity and equal pay policy	5.3.2, 5.3.3	176, 180
Art. L. 225-102-4 of the French Commercial Code:		
Vigilance plan	5.4.4	202
Art. L. 225-102-2 of the French Commercial Code:		
Information on "Seveso" classified sites	5.2.1.2.2	154
Article L. 232-1 of the French Commercial Code:		
Situation during financial year 2023	2.3	39
Foreseeable evolution of the situation and future prospects	2.3.9	49
Significant events after the end of the 2023 financial year	7.1.6, Note 12, 7.2.2.5, Note 22	288, 319
Research and development activities	2.2	37
Existing branches	7.2.2.5, Note 24	323
Article L. 233-6 of the French Commercial Code:		
Significant equity investments in companies headquartered in France	7.2.2.5, Note 23	320
Activities and results of Thales SA, the parent company	2.5.1.2, 2.5.1.3, 7.2	52, 297
Activities of Thales SA subsidiaries in financial year 2023	7.2.2.5, Note 23	320



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	Section of the 2023 Universal Registration Document	Page(s)
Article L. 233-13 of the French Commercial Code:		
Identities of the principal shareholders and holders of voting rights at General Meetings, and changes during the financial year	6.2.1.2, 6.2.3.2	235, 237
Structure, changes in the Company's capital and crossing of thresholds in the Company in 2023	6.2.1.2, 6.2.3.3.3	235, 239
Article R. 225-102 of the French Commercial Code:		
Table of results for the last 5 financial years	7.2.2.6	323
Article L. 225-211 of the French Commercial Code:		
Acquisition and disposal by the Company of its own shares	6.2.3.4.3, 7.2.2.5, Note 14	241, 313
Articles L. 22-10-57 and L. 22-10-59 of the French Commercial Code:		
Reports on stock options and free shares	6.2.2.1, 6.2.2.2, 6.2.3.5.1, 4, 7.1.6, Note 9.4, 7.2.2.5, Note 15	237, 242, 243, 284, 314
Articles L. 233-7 and L. 233-13 of the French Commercial Code:		
Shareholder information	6.2	235
Article R. 228-90 (1) of the French Commercial Code:		
Mention of possible adjustments for securities giving access to capital in the event of share buybacks or financial transactions	N/A	
Article D. 441-4 of the French Commercial Code:		
Information on the payment terms of suppliers and customers	7.2.1.2	297
Articles L. 233-29, L. 233-30 and R. 233-19 of the French Commercial Code:		
Disposal of cross-holdings	N/A	
Articles L. 511-6 and R. 511-2-1-3 of the French Monetary and Financial Code:		
Amount of loans with a maturity of less than three years granted to SMEs	N/A	
Articles L. 621-18-2 of the French Monetary and Financial Code and 223-26 of the AMF General Regulation:		
Information on transactions in the Company's shares by directors and related persons	4.6	130
Article 243a of the French General Tax Code:		
Dividends distributed for the last 3 financial years	6.4.1.4	249
Article 223c of the French General Tax Code:		
Amount of non-deductible expenses and charges and the resulting tax	7.2.2.5, Note 6	307
Article 464-2 of the French Commercial Code:		
Injunctions or financial penalties for anti-competitive practices	N/A	
Law No. 2016/1691 of December 9, 2016 known as "Sapin II"		
Anti-corruption mechanism	5.4.2.1.3	192
Regulation (EU) 2020/852 of 18 June 2020 and Delegated Regulations (EU) 2021/2178 of 6 July 2021 and 2021/2139 of 4 June 2021		
"Environmental taxonomy" statement	5.2.6	167
Financial Statements:		
Annual Financial Statements	7.2.2	301
Statutory auditors' report on the Annual Financial Statements (including their assessment of the Board's Corporate Governance Report)	7.3.2	329
Consolidated Financial Statements	7.1	254
Statutory auditors' Report on the Consolidated Financial Statements	7.3.1	324
Identities of the statutory auditors	7.4	332
Honorary statutory auditors	7.1.6, Note 14	295
Other Information:		
Parent company management report	7.2.1	297
Statutory auditors' report on related-party agreements	6.3.4	246

8.5 Cross-reference table for the Corporate Governance Report

On the recommendation of the Governance and Compensation Committee, the Board of Directors approved the Corporate Governance Report at its meeting of March 4, 2024, and instructed its Chairman to report to the Annual General Meeting of May 15, 2024 on the same. Before being submitted to the Governance and Compensation Committee, this report was prepared by representatives of the Company Secretary's Office, the Finance Department, and the Group Human Resources Department.

The following cross-reference table identifies, in this Registration Document and in order to facilitate the interpretation hereof, the information that constitutes the aforementioned Board's Corporate Governance Report, as provided for in Articles L. 225-37 last indent, L. 22-10-8 to L. 22-10-11, and L. 225-37-4 of the French Commercial Code.

Type of information	Section of the 2023 Universal Registration Document	Page(s)
Adherence to a Corporate Governance Code and application of the "comply or explain" principle	4.2	90
Composition and operation of the Board of Directors	4.2.1	91
Methods for the exercise of General Management	4.2.1	91
Balanced representation of women and men on the Board of Directors	4.2.1	91
Conditions for the preparation and organization of the work of the Board of Directors	4.2.3	97
Restrictions on the authority of the Chief Executive Officer	4.2.1, 4.2.6	91, 103
Diversity policy of the Board of Directors and its Committees	4.2.5	101
Gender balance in management bodies	4.2.5	101
Special conditions for the participation of shareholders in the General Meeting	4.2.8	103
Elements likely to have an impact in the event of a takeover bid	4.2.8	103
Table summarizing current delegations of authority granted by the General Meeting of Shareholders to the Board of Directors to increase the share capital	4.2.8	104
Agreements Between an Executive or Significant shareholder and a Subsidiary	4.2.8	104
Procedure for the evaluation of current agreements – implementation	4.2.8	105
List of all offices and positions held in any company by each of the directors during the financial year	4.1.1	80
Compensation information:		
Compensation and benefits of any kind provided to the Directors and the Executive Director for the year 2023	4.4.1	107
Remuneration policy for corporate officers	4.4.2	119
Relative proportion of fixed and variable compensation of corporate officers	4.4.1.1 A), 4.4.1.4, Table 3	107, 116
Use of the option to request the return of variable compensation	N/A	
Commitments of any kind made by the Company for the benefit of its corporate officers	4.4.1	107
Compensation paid or granted to corporate officers by a company included within the scope of consolidation within the meaning of Article L. 233-16 of the French Commercial Code	N/A	
Equity ratios	4.4.1.1 D) 1)	111
Annual changes in compensation, Company performance, average compensation of Company employees and equity ratios	4.4.1.1 D) 1)	111
How total compensation complies with the adopted compensation policy, including how it contributes to the Company's long-term performance and how the performance criteria were applied	4.4.1.1 A), 4.4.1.1.D) 2)	107, 112
How the vote of the most recent Ordinary General Meeting provided for in section II of Article L. 225-100 of the French Commercial Code was taken into account	4.4.2.1. B) a)	121
Deviation from the compensation policy implementation procedure and any derogations	N/A	
Application of the provisions of Article L. 225-45 paragraph 2 of the French Commercial Code (suspension of payment of directors' fees in the event of non-compliance with the gender diversity requirement of the Board of Directors)	N/A	
Allocation and retention of options by corporate officers	N/A	
Allocation and retention of free shares to executive directors *	4.4.1.1 B), 4.4.1.4	109, 115

* The conditions governing the obligation of retention by the Chairman and Chief Executive Officer of the free shares allocated to him in 2023 are set out in the 2022 Universal Registration Document, p. 117

8.6 Cross-reference table – Annexes I and II of Commission Delegated Regulation (EU) 2019/980

To facilitate the reading of the Universal Registration Document, the following cross-reference table identifies the principal information required by Annexes I and II of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 and refers to the pages of this Universal Registration Document where the information relating to each of these headings is mentioned.

No	Heading	Page(s)
1.	Persons responsible, third party information, experts' reports and competent authority approval	1, 336
2.	Statutory auditors	332
3.	Risk factors	56 to 71
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8.1	Information concerning Thales' capital resources	235 to 244, 254 to 256, 279 to 280, 302
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8.3	Information on the borrowing requirements and funding structure	73 to 75, 293 to 294
8.4	Restrictions on the use of capital resources	70 to 71, 274 to 275
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11.	Profit forecasts or estimates	49
12.	Administrative, management and supervisory bodies and senior management	
12.1	Members of the administrative, management or supervisory bodies and senior managers	80 to 103
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Cross-reference table – Annexes I and II of Commission Delegated Regulation (EU) 2019/980

No	Heading	Page(s)
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15.1	Number and breakdown of employees by main category of activity and geographic location	213
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18.	Financial information concerning Thales' assets and liabilities, financial position and profits and losses	
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18.4	Pro forma financial information	N/A
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19.1.7	History of share capital	235 to 236
19.2	Memorandum and Articles of Incorporation	234
19.2.1	Thales' objects and purposes	234
19.2.2	Rights, preferences and restrictions attaching to each share class	103 to 104
19.2.3	Provisions regarding a change	103 to 104
20.	Material contracts	N/A
21.	Documents available	150



8.7 Cross-reference table for the Non-Financial Performance Statement

Elements of the Non-Financial Performance Statement	section of the 2023 URD
Business model	1
Main non-financial risks	5.1.5.1
Result of the policies applied by the Company or the Group including key performance indicators	5.1.5.3
Combating corruption	
Description of the risk regarding "compliance with rules concerning business ethics (in particular, the fight against corruption and influence peddling)"	5.1.5.1.5 and 5.4.2.1
Policies applied, due diligence procedures and results	5.4.2.1.3
Respect for Human Rights:	
Description of the risk	5.4.2.2
Policies, due diligence procedures and results	5.4.2.2 and 5.4.4
Social and societal consequences	
Description of the risk related to "diversity and inclusion"	5.3.3
Diversity and inclusion policies, due diligence procedures and results	5.3.3.3
Description of the risk related to the "protection of employee health and safety"	5.3.4
Policies, due diligence procedures and results related to the protection of employee health and safety	5.3.4.2
Description of the risk related to "vigilance regarding suppliers' compliance with corporate responsibility issues"	5.1.5.1.6 and 5.4.3.2
Policies, due diligence procedures and results related to regarding suppliers' compliance with corporate responsibility issues.	5.4.4.3.3
Other required information:	
Collective agreements concluded at the company and their impact on the economic performance of the company and the working conditions of employees	5.3.3.4
Measures to combat discrimination and promote diversity and measures taken in favor of people with disabilities	5.3.3.3.3
Actions to promote the practice of physical activities and sports	5.3.4.1.3
Fight against tax evasion	5.4.2.1.8
Fight against food waste, food insecurity, respect for animal welfare, responsible, fair and sustainable food	This information is not relevant in view of the Group's activities, which are not involved in industrial food production or consumption cycles
Actions to promote the link between the nation and the army and support commitment to the reserves	5.3.2.2.3
Description of the risk related to the "environmental impacts related to the Group's activities"	
Policies, due diligence procedures and results relating to the environmental impacts of the Group's activities	5.4.4
Description of the risk related to "anticipation of environmental standards in product design"	5.2.5.3
Policies, due diligence procedures and results for anticipating environmental standards in product design	5.2.5.3
Other required information:	
Consequences of the Company's activity and the use of the goods and services it produces on climate change	5.2.2.5
Circular economy	5.2.3.2
Action plan to reduce emissions linked to upstream and downstream transportation, in particular through the use of rail and river transportation, electro-mobility and biofuels.	5.2.2.5.1
Certification by the independent third-party organization on the information contained in the NFPS	5.7

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8.8 2023 Taxonomy data release tables

• TURNOVER TABLE

Financial year	Year			Substantial contribution criteria						
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Aquatic and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	
		€ millions	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	
A. ACTIVITIES ELIGIBLE FOR TAXONOMY										
A.1. Environmentally sustainable activities (aligned with taxonomy)										
Data processing, hosting and related activities	8.1	57	0%	Y	N	N	N	N	N	
Turnover of environmentally sustainable activities (A.1.)		57	0%	100%	0%	0%	0%	0%	0%	
of which enabling			%	%	%	%	%	%	%	
of which transitional		57	0%							
A.2. Activities eligible for taxonomy but not environmentally sustainable (not aligned with taxonomy)										
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	
Manufacture of electrical and electronic equipment	12	9,241	50%	N/EL	N/EL	N/EL	EL	N/EL	N/EL	
Aircraft manufacturing	321	1,827	10%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	
Repair, refurbishment and re-manufacturing	5.1	1,169	6%	N/EL	N/EL	N/EL	EL	N/EL	N/EL	
Data processing, hosting and related activities	8.1	414	2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	
Turnover of activities eligible for taxonomy but not environmentally sustainable (A.2.)		12,651	69%	%	%	%	%	%	%	
Turnover of activities eligible for taxonomy (A)		12,708	69%	%	%	%	%	%	%	
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY										
Turnover of activities not eligible for taxonomy		5,720	31%							
TOTAL (A + B)		18,428	100%							



DNSH criteria (DNSH - Do No Significant Harm)										
	Climate change mitigation (11)	Climate change adaptation (12)	Aquatic and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Aligned (A.1.) or eligible (A.2) turnover as proportion of taxonomy, year N-1 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
	Y;N	Y;N	Y;N	Y;N	Y;N	Y;N	Y;N	%	E	T
	N/A	Y	Y	Y	Y	Y	Y	0%		T
								0%		
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• CAPEX TABLE

Year				Substantial contribution criteria					
Financial year									
Economic activities (1)	Code(s) (2)	Absolute capital expenditure (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Aquatic and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. ACTIVITIES ELIGIBLE FOR TAXONOMY									
A.1. Environmentally sustainable activities (aligned with taxonomy)									
Installation, maintenance and repair of energy efficiency equipment	7.3	7	1%	Y	N	N	N	N	N
Installation, maintenance and repair of instruments and devices related to building energy performance	7.5	2	0%						
Installation, maintenance and repair of renewable energy technologies	7.6	2	0%						
Acquisition and ownership of buildings	7.7	24	3%						
Transport by motorcycles, private passenger cars and light commercial vehicles	6.5	14	2%						
Data processing, hosting and related activities	8.1	10	1%						
Capital expenditure on environmentally sustainable activities (A.1)		59	7%	%	%	%	%	%	%
of which enabling		11	1%	%	%	%	%	%	%
of which transitional		10	1%						
A.2. Activities eligible for taxonomy but not environmentally sustainable (not aligned with taxonomy)									
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Acquisition and ownership of buildings	7.7	126	14%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Transport by motorcycles, private passenger cars and light commercial vehicles	6.5	23	3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Data processing, hosting and related activities	8.1	21	2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Aircraft manufacturing	321	14	2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of electrical and electronic equipment	1.2	71	8%	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Repair, refurbishment and re-manufacturing	5.1	3	—%	N/EL	N/EL	N/EL	EL	N/EL	N/EL
CapEx of activities eligible for taxonomy but not environmentally sustainable (A.2.)		259	29%	%	%	%	%	%	%
CapEx of activities eligible for taxonomy (A)		318	35%	%	%	%	%	%	%
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY									
CapEx of activities not eligible for taxonomy		582	65%						
Total (A+B)		900	100%						

Total (A+B) corresponds to the year's acquisitions + IFRS 16 debt excluding early terminations + fixed asset inventories for the year's acquisitions (Imperva and Tessarent)



	DNSH criteria (DNSH - Do No Significant Harm)																		
	Climate change mitigation (11)	Climate change adaptation (12)	Aquatic and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Aligned (A.1.) or eligible (A.2) CapEx as proportion of taxonomy, year N-1 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)									
	Y; N	Y; N	Y; N	Y; N	Y; N	Y; N	Y; N	%	E	T									
	N/A	Y	Y	Y	Y	Y	Y	1%	E										
								1%	E										
								0%	E										
								2%											
								0%											
								0%		T									
								3%											
								%											
								%											
								15%											
								1%											
								0%											
								0%											
								0%											
								0%											
								16%											
								19%											

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- OPEX TABLE

Financial year	Year			Substantial contribution criteria						
Economic activities (1)	Code(s) (2)	Absolute operating expenses (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Aquatic and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	
		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/ EL	Y; N; N/EL	
A. ACTIVITIES ELIGIBLE FOR TAXONOMY										
A.1. Environmentally sustainable activities (aligned with taxonomy)										
			%							
			%							
Operating expenses of environmentally sustainable activities (A.1)		0	0%	%	%	%	%	%	%	
of which enabling			%	%	%	%	%	%	%	
of which transitional			%							
A.2. Activities eligible for taxonomy but not environmentally sustainable (not aligned with taxonomy)										
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	
OpEx of activities that are eligible for taxonomy but not environmentally sustainable (A.2.)		0%	0%	%	%	%	%	%	%	
Operating expenses for taxonomy-eligible activities (A)		0%	0%	%	%	%	%	%	%	
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY										
Operating expenses for activities not eligible for taxonomy		16,385	100%							
TOTAL (A + B)		16,385	100%							

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- MULTI-ELIGIBILITY TABLES

	Share of turnover/(absolute turnover)	
	Aligned	Eligible
Climate change mitigation (5)	0%	13%
Climate change adaptation (6)	N/A	N/A
Aquatic and marine resources (7)	%	N/A
Circular economy (8)	%	66%
Pollution (9)	%	N/A
Biodiversity and ecosystems (10)	%	N/A

	Share of CapEx/(absolute CapEx)	
	Aligned	Eligible
Climate change mitigation (5)	7%	27%
Climate change adaptation (6)	N/A	N/A
Aquatic and marine resources (7)	%	N/A
Circular economy (8)	%	10%
Pollution (9)	%	N/A
Biodiversity and ecosystems (10)	%	N/A

	Share of OpEx/(absolute OpEx)	
	Aligned	Eligible
Climate change mitigation (5)	0%	0%
Climate change adaptation (6)	N/A	N/A
Aquatic and marine resources (7)	%	N/A
Circular economy (8)	%	0%
Pollution (9)	%	N/A
Biodiversity and ecosystems (10)	%	N/A

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