

Pensions de-risking: Thales secures £2.7 billion full insurance transaction for Thales UK Pensions

- Thales has completed an agreement to transfer the entirety of its £2.7 billion Thales UK Pension Scheme obligations to the insurance company Rothesay
- Impacts on 2023 reported financial statements:
 - P&L settlement charge of approximately £400 million (one-off)
 - Total cash-out of approximately £850 million (one-off)

Thales (Euronext Paris: HO) announced today a transaction to fully insure its Thales UK Pension Scheme obligations.

Under the agreement, Thales will transfer approximately £2.7 billion of its gross pension obligations and related plan assets to Rothesay. The insurance transaction secures the benefits for all members of the Scheme, which includes defined benefit liabilities for 10,512 pensioners and dependents, and a further 5,915 deferred members.

This transaction is in line with the capital allocation strategy of Thales. Thanks to this operation, the Group is de-risking its balance sheet from the potential volatility of pension schemes' valuation arising from market risks such as inflation, interest rates as well as longevity risks.

In connection with this agreement, Thales expects to recognize a **one-off P&L settlement charge of approximately £400 million** in the fourth quarter of 2023, and a **total one-off cash-out of approximately £850 million** during the same period. These P&L and cash impacts will not affect the FY23 EBIT¹ nor the FY23 free operating cash flow¹ of the company.

Following the completion of this transaction, Thales will no longer have to contribute annually for £75 million to reduce the pension funding shortfall. Lastly, the Group expects a neutral impact on its adjusted net income.

The full "buy-out" will be effective by mid-2025 at the latest, after a first technical full "buy-in" step implemented from 1st December 2023. Terms and conditions related to the full "buy-out" have already been contractually accepted by Rothesay. As part of this transaction, Thales will buy back £165 million of assets with an average 5 years duration.

Pascal Bouchiat, CFO at Thales, said: "We are very satisfied with this transaction that will result in de-risking and simplifying Thales balance sheet while providing a positive outcome for current and past Thales employees. Thales and Thales UK Trustees have been working intensively to help provide security to its over 16,000 members."

¹ Non-GAAP financial indicators, see definitions page 2

Definitions of non-GAAP financial indicators

- **EBIT**, an adjusted operating indicator, corresponds to current operating income, plus the share in net income of equity affiliates, before the impact of entries recorded as part of business combinations (amortization of assets valued when determining the purchase price allocation, other expenses directly related to acquisitions). In application of IFRS5, it does not include the contribution to EBIT from discontinued operations.
- **Free operating cash flow** corresponds to the net cash flow from operations before contributions to reduce the pension deficit in the United Kingdom, and after deducting net operating investments. To facilitate comparison with adjusted net income, free cash flow from operations is obtained by summing free cash flow from continuing operations and free cash flow from discontinued operations.

This press release contains forward-looking statements. Although Thales believes that these declarations are based on reasonable assumptions, actual results may differ significantly from these forward-looking statements due to various risks and uncertainties, as described in the Company's Universal Registration Document, which has been filed with the French financial markets authority (Autorité des marchés financiers – AMF).

About Thales

Thales (Euronext Paris: HO) is a global leader in advanced technologies specialized in three business domains: Aeronautics & Space, Defense, and Digital Identity & Security. It develops solutions that help make the world safer, greener and more inclusive. The Group invests close to €4 billion a year in Research & Development, particularly in key innovation areas such as quantum technologies, cloud technologies, 6G, and cybersecurity.

Thales has 77,000¹ employees in 68 countries. In 2022, the Group generated sales of €17.6 billion.

¹ Excluding the Transport business, which is currently being divested.

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