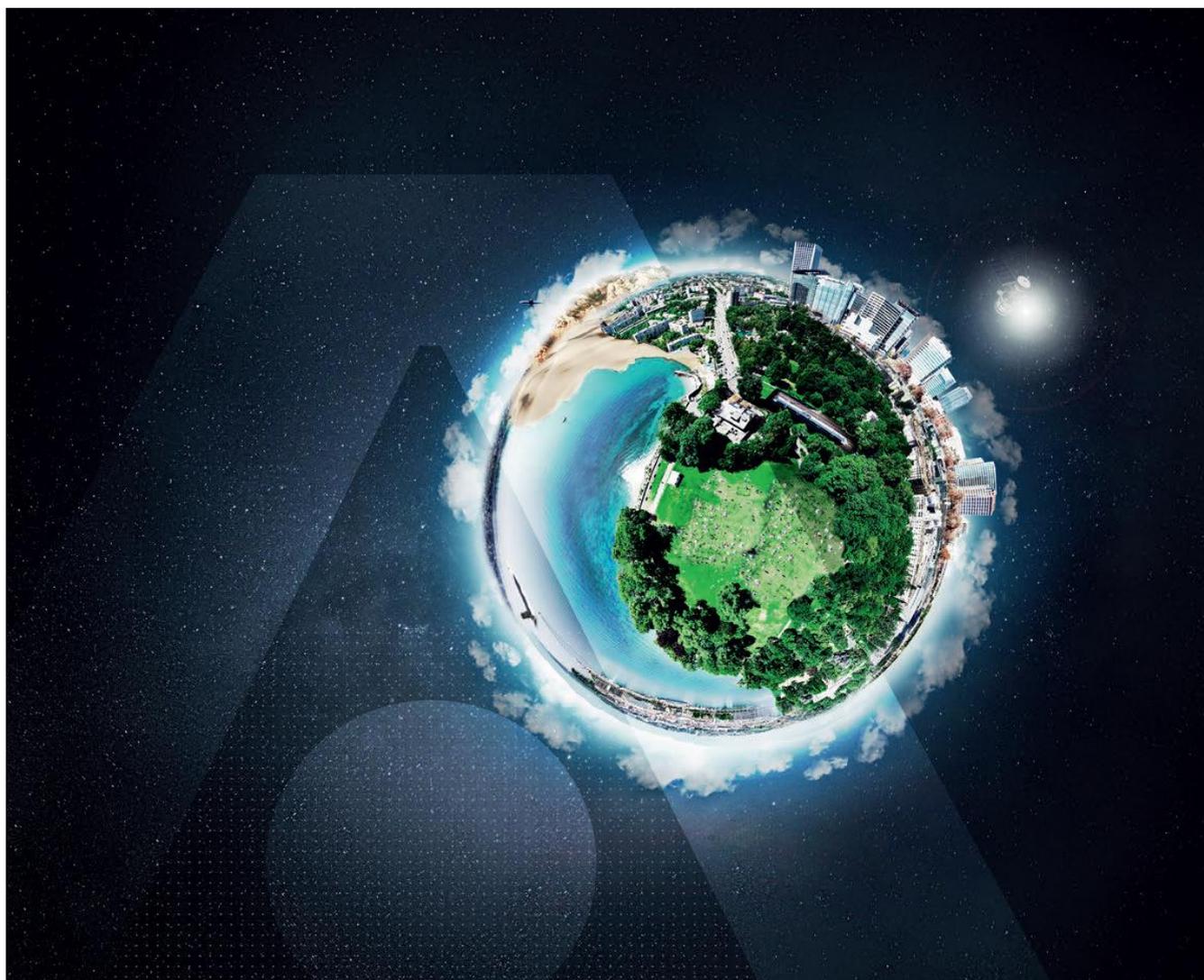


Half-yearly financial report 2021

Report on business activity

Consolidated financial statements



HALF-YEARLY FINANCIAL REPORT 2021

TABLE OF CONTENTS

Declaration from the person responsible for the half-yearly financial report	1
Report on 2021 first-half business activity and results	2
o Key figures	2
o Presentation of financial information	3
o Order intake	7
o Sales	8
o Adjusted results	10
o Consolidated results	11
o Financial situation at 30 June 2021	13
o Related party transactions	14
o Main risks and uncertainties in the second half of 2021 fiscal year	14
o Outlook for the current year	14
o Appendix	15
Consolidated financial statements at 30 June 2021	17
o Consolidated profit and loss account	18
o Consolidated statement of comprehensive income	19
o Consolidated statement of changes in equity	20
o Consolidated balance sheet	22
o Consolidated statement of cash flows	23
o Notes to the consolidated financial statements	24
Statutory auditors' report	38

The English language version of this report is a free translation from the original, which was prepared and filed with the AMF in French language. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the report in French take precedence over the translation.

Declaration by person responsible for the half-yearly financial report

I certify that, to the best of my knowledge, the condensed financial statements at 30th June 2021 have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities, financial position and results of the company and of all the entities taken as a whole included in the consolidation, and that the attached half-yearly business report presents a fair view of the significant events that occurred during the first six months of the financial year, their impact on the financial statements, the main related party transactions as well as a description of the main risks and uncertainties for the remaining six months of the financial year.

Paris La Défense, 23rd July 2021



Patrice Caine
Chairman & Chief Executive Officer

Report on 2021 first half business activity and results

Key figures¹

<i>In € millions, except earnings and dividend per share (in €)</i>	H1 2021	H1 2020	Total change	Organic change
Order intake	8,244	6,092	+35%	+37%
Order book at end of period	34,629	31,662	+9%	
Sales	8,423	7,751	+8.7%	+9.8%
EBIT²	768	348	+121%	+119%
<i>as a % of sales</i>	9.1%	4.5%	+4.6 pts	+4.6 pts
Adjusted net income, Group share²	591	232	+155%	
Adjusted net income, Group share, per share²	2.78	1.09	+155%	
Consolidated net income, Group share	433	65	+566%	
Free operating cash flow²	420	-471	+891	
Net cash (debt) at end of period²	-2,496	-3,928³	+1,432	

¹ In order to enable better monitoring and benchmarking of its financial and operating performance, Thales presents adjusted data, including EBIT and adjusted net income, non-GAAP measures, which exclude non-operating and non-recurring items. Details of the adjustments are given in the "Presentation of financial information" in this report

² Non-GAAP financial indicators, see definitions in the appendices, page 3.

³ Net debt at 30 June 2020.

Presentation of financial information

Accounting policies

Thales's condensed interim consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the provisions of IAS 34 (Interim Financial Reporting) and with the International financial Reporting Standards (IFRS) approved by the European Union at 30 June 2020⁴.

The condensed interim consolidated financial statements are consistent with the accounting policies applied by the Group for the full-year financial statements at 31 December 2020 (as described in the notes 1 and 13 to the consolidated financial statements).

Adjusted income statement

In order to facilitate the monitoring and benchmarking of its financial and operating performance, the Group presents three key non-GAAP indicators, which 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-accounted companies, before the impact of entries recorded as part of business combinations (amortisation of assets valued when determining the purchase price allocation, other expenses directly related to acquisitions).
- **Adjusted net income** corresponds to net income, excluding the following items and net of the corresponding tax effects:
 - amortisation of assets valued when determining the purchase price allocation (business combinations);
 - expenses recognised in income from operations or in finance costs that are directly related to business combinations;
 - gains and losses on disposals of assets, changes in scope of consolidation and other;
 - impairment of non-current assets;
 - changes in the fair value of derivative foreign exchange instruments (recognised under "Other financial income and expenses" in the consolidated financial statements);
 - actuarial gains (losses) on long-term benefits (recognised under "Finance costs on pensions and other long-term employee benefits" in the consolidated financial statements).
- **Free operating cash flow** corresponds to the net cash flow from operating activities before contributions to reduce the pension deficit in the United Kingdom, and after deducting net operating investments.

Defining EBIT and adjusted net income involves defining other operating indicators in the **adjusted income statement**, specifically, 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 benefits, adjusted income tax, adjusted net income, Group share, per share, calculated as described on pages 5 and 6.

⁴ Available at <https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002>

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

Please note that only the consolidated financial statements as at 31 December 2020 are audited by the statutory auditors, including EBIT, the calculation of which is outlined in Note 2 “Segment Information”, net cash (debt), the definition and calculation of which appear in Note 6.2 “Net cash (debt)”, and free operating cash flow, the definition and calculation of which are specified in Note 6.3 “Changes in net cash”. Adjusted financial information other than that provided in the notes to the consolidated financial statements is subject to the verification procedures applicable to all information included in this press release.

The impact of these adjustment entries on the income statements at 30 June 2021 and 30 June 2020 is detailed in the tables on following pages:

Adjusted income statement, EBIT and adjusted net income – H1 2021

In € millions except earnings per share (in €)	Consolidated income statement	Adjustments				Adjusted income statement
	H1 2021	(1)	(2)	(3)	(4)	H1 2021
Sales	8,423	—	—	—	—	8,423
Cost of sales	(6,389)	185	—	—	—	(6,204)
Research and development expenses	(503)	—	—	—	—	(503)
Marketing and selling expenses	(645)	—	—	—	—	(645)
General and administrative expenses	(310)	—	—	—	—	(310)
Restructuring costs	(41)	1	—	—	—	(40)
Income from operations	535	187	—	—	—	721
Share in net income of equity affiliates	33	14	—	—	—	47
Income from operations after share in net income of equity affiliates	568					N/A
EBIT	N/A	201	—	—	—	768
Disposal of assets, changes in scope and other	(7)	—	7	—	—	—
Impairment of non-current assets	—	—	—	—	—	—
Net financial interest	(30)	—	—	—	—	(30)
Other financial income and expenses	(22)	—	—	15	—	(7)
Finance costs on pensions and other long-term employee benefits	(9)	—	—	—	(7)	(16)
Income tax	(46)	(51)	(2)	(2)	2	(99)
<i>Effective income tax rate*</i>	9.8%					14.7%
Net income	454	150	5	13	(5)	616
Non-controlling interests	(21)	(4)	—	—	—	(25)
Net income (loss), Group share	433	146	5	13	(5)	591
Average number of shares (in thousands)	212,933					212,933
Net income, Group share, per share (in €)	2.03					2.78

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

Adjustments (see definitions on pages 3 and 4):

(1) Impact of business combinations: amortisation of assets valued as part of the purchase price allocation, other expenses directly related to acquisitions

(2) Income from disposals, changes in scope and other

(3) Change in fair value of foreign exchange derivatives

(4) Actuarial differences on long-term employee benefits

Adjusted income statement, EBIT and adjusted net income – H1 2020

In € millions except earnings per share (in €)	Consolidated income statement	Adjustments				Adjusted income statement
	H1 2020	(1)	(2)	(3)	(4)	H1 2020
Sales	7,751	—	—	—	—	7,751
Cost of sales	(6,156)	252	—	—	—	(5,904)
Research and development expenses	(491)	—	—	—	—	(491)
Marketing and selling expenses	(672)	1	—	—	—	(671)
General and administrative expenses	(310)	2	—	—	—	(308)
Restructuring costs	(30)	—	—	—	—	(30)
Income from operations	92	255	—	—	—	347
Share in net income of equity affiliates	(13)	14	—	—	—	1
Income from operations after share in net income of equity affiliates	80					N/A
EBIT	N/A	(269)	—	—	—	348
Disposal of assets, changes in scope and other	45	—	(45)	—	—	—
Net financial interest	(30)	—	—	—	—	(30)
Other financial income and expenses	(49)	—	—	34	—	(15)
Finance costs on pensions and other long-term employee benefits	(18)	—	—	—	(2)	(20)
Income tax	20	(74)	—	(12)	1	(65)
Effective income tax rate*	(49.6%)					23.2%
Net income	47	195	(45)	22	(1)	218
Non-controlling interests	18	(4)	—	—	—	14
Net income (loss), Group share	65	191	(45)	22	(1)	232
Average number of shares (in thousands)	212,704					212,704
Net income, Group share, per share (in €)	0.31					1.09

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

Adjustments (see definitions on pages 3 and 4):

(1) Impact of business combinations: amortisation of assets valued as part of the purchase price allocation, other expenses directly related to acquisitions

(2) Income from disposals, changes in scope and other

(3) Change in fair value of foreign exchange derivatives

(4) Actuarial differences on long-term employee benefits

Order intake

<i>In € millions</i>	H1 2021	H1 2020	Total change	Organic change
Aerospace	2,886	1,625	+78%	+80%
Transport	579	442	+31%	+32%
Defense & Security	3,374	2,425	+39%	+39%
Digital Identity & Security	1,370	1,587	-14%	-9%
Total – operating segments	8,209	6,078	+35%	+37%
Other	35	14		
Total	8,244	6,092	+35%	+37%
Of which mature markets ⁵	6,736	4,566	+48%	+49%
Of which emerging markets ⁶	1,508	1,526	-1%	+3%

H1 2021 **order intake** amounted to **€8,244 million, up 35%** compared to H1 2020 (+37% at constant scope and exchange rates). The book-to-bill ratio was 0.98 versus 0.78 in H1 2020. Over 12 months, it worked out at a high 1.17.

In H1 2021, Thales booked **7 large orders with a unit value of over €100 million**, for a total amount of **€1,705 million** (€560 million in H1 2020):

- 4 large orders booked in Q1 2021:
 - two contracts related to the supply of Rafale aircraft to Greece and France
 - the new generation of the Franco-Italian SAMP/T NG ground-based air defense system
 - SATRIA, a telecommunications satellite aimed at reducing the digital divide in Indonesia
- 3 large orders booked in Q2 2021:
 - the second generation of Europe's Galileo navigation satellites
 - two secure telecommunications satellites for Italy (SICRAL 3)
 - the modernisation and support of three tactical control radars in Canada

At **€6,539 million**, orders with a **unit value of less than €100 million** were up 18% compared to the first half of 2020. This increase reflects a 55% rise in orders with a unit value of between €10 million and €100 million, buoyed by strong commercial momentum in the Space and Defense businesses in mature countries.

Geographically⁶, order intake in emerging markets amounted to €1,508 million, up 3% at constant scope and exchange rates. At €6,736 million, order intake in mature markets rebounded strongly (+49% at constant scope and exchange rates), driven primarily by four large military contracts and two large space contracts.

⁵ Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 15.

⁶ See table on page 15.

Order intake in the **Aerospace** segment totalled **€2,886 million**, versus **€1,625 million** in H1 2020 (+80% at constant scope and exchange rates). This performance reflected mainly Thales Alenia Space's new commercial successes during the first half of the year (including the three large orders with a unit value of over €100 million mentioned above), as well as the gradual recovery of demand in the civil aeronautics market. At 30 June 2021, the segment's order book stood at **€7.4 billion**, up 13% from 31 December 2020.

At **€579 million**, order intake in the **Transport** segment was up 32% from H1 2020 at constant scope and exchange rates. This growth attests to the strong momentum of the mainline rail business.

Order intake in the **Defense & Security** segment totalled **€3,374 million** compared to €2,425 million in H1 2020, up 39% at constant scope and exchange rates, including the four large orders with a unit value of over €100 million mentioned above. The segment's order book totalled **€22.7 billion**, or 2.8 years of sales, further strengthening visibility for the years ahead.

At **€1,370 million**, order intake in the **Digital Identity & Security** segment was in line with sales, considering that most businesses in this segment do not book long-term orders.

Sales

<i>In € millions</i>	H1 2021	H1 2020	Total change	Organic change
Aerospace	2,112	1,946	+8.6%	+10.2%
Transport	756	717	+5.4%	+6.0%
Defense & Security	4,152	3,588	+15.7%	+14.9%
Digital Identity & Security	1,370	1,472	-7.0%	-2.2%
Total – operating segments	8,390	7,723	+8.6%	+9.8%
Other	33	28		
Total	8,423	7,751	+8.7%	+9.8%
Of which mature markets ⁷	6,324	5,687	+11.2%	+11.6%
Of which emerging markets ⁷	2,099	2,064	+1.7%	+4.8%

Sales in the first half of 2021 totalled **€8,423 million**, compared with €7,751 million in the first half of 2020, up 8.7% despite the civil aeronautics and biometrics businesses still being affected by travel restrictions. At constant scope and exchange rates,⁸ the organic increase of 9.8% mainly reflects the rebound of most business lines after Q2 2020 was heavily impacted by the onset of the health crisis. In addition to the collapse in demand in civil aeronautics, this crisis resulted in temporary operational disruptions across all Group activities.

⁷ Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 15.

⁸ The calculation of the organic change in sales is shown on page 16.

Geographically⁹, this sales growth was driven by mature markets (+11.6% on an organic basis). France and Rest of Europe achieved the strongest performances. The recovery was weaker in emerging markets (+4.8% on an organic basis), which were notably impacted by phasing effects on large Transport contracts.

Sales in the **Aerospace** segment amounted to **€2,112 million**, up 8.6% from H1 2020 (+10.2% at constant scope and exchange rates). This increase reflects the strong rebound in the space business resulting from the many commercial successes achieved since mid-2020, as well as the gradual recovery in demand for civil aeronautics, particularly in the aftermarket.

In the **Transport** segment, sales totalled **€756 million**, up 5.4% compared to H1 2020 (+6.0% at constant scope and exchange rates). This rise was mainly driven by the strong commercial momentum of mainline rail, which was partially offset by the phasing effects on large urban rail signalling contracts (particularly in Doha (Qatar) and London).

Sales in the **Defense & Security** segment came to **€4,152 million**, up 15.7% compared to H1 2020 (+14.9% at constant scope and exchange rates) and 7% higher than in H1 2019. This strong rebound attests to the solid momentum of the Group's solutions: at end-June 2021, the Group had a backlog of close to €23 billion.

In the **Digital Identity & Security** segment, sales were down 2.2% at constant scope and exchange rates to **€1,370 million**. This decline reflects the continued impact of the health crisis on demand for passports since Q2 2020, as well as a high base of comparison for EMV payment cards, which had seen strong growth in H1 2020. The cybersecurity business recorded double-digit growth, backed by a unified portfolio of Thales and Gemalto solutions.

⁹ See table on page 15.

Adjusted results

EBIT	H1 2021	H1 2020	Total change	Organic change
<i>In € millions</i>				
Aerospace	69	-109	n.m.	n.m.
<i>as a % of sales</i>	3.2%	-5.6%	+8.8 pts	+8.6 pts
Transport	39	4	+771%	+832%
<i>as a % of sales</i>	5.2%	0.6%	+4.5 pts	+4.6 pts
Defense & Security	497	359	+38.5%	+40.7%
<i>as a % of sales</i>	12.0%	10.0%	+2.0 pts	+2.0 pts
Digital Identity & Security	152	140	+8.2%	+6.6%
<i>as a % of sales</i>	11.1%	9.5%	+1.6 pts	+1.5 pts
Total – operating segments	756	395	+91.5%	+90.7%
<i>as a % of sales</i>	9.0%	5.1%		
Other – excluding Naval Group	-22	-32		
Total – excluding Naval Group	734	363	+102%	+101%
<i>as a % of sales</i>	8.7%	4.7%		
Naval Group (35% share)	34	-15		
Total	768	348	+121%	+119%
<i>as a % of sales</i>	9.1%	4.5%	+4.6 pts	+4.6 pts

In H1 2021, the Group posted **EBIT¹⁰ of €768 million (9.1% of sales)**, compared with €348 million (4.5% of sales) in H1 2020.

The **Aerospace** segment posted EBIT of **€69 million (3.2% of sales)**, versus an EBIT loss of €109 million (-5.6% of sales) in H1 2020. The return to a positive EBIT margin is the result of the recovery in sales, combined with the effects of the crisis adaptation plans.

EBIT for the **Transport** segment continued to rise, reaching **€39 million (5.2% of sales)**, versus €4 million (0.6% of sales) in H1 2020. Despite the health crisis, the measures implemented as part of the segment's transformation plan resulted in an increase in the EBIT margin in line with medium-term objectives (EBIT margin of 8% to 8.5%).

In the **Defense & Security** segment, EBIT stood at **€497 million**, versus €359 million in H1 2020 (+40.7% at constant scope and exchange rates). The EBIT margin for this segment came to **12.0%**, versus 10.0% in H1 2020. The health crisis had caused operational disruptions in this segment during the second quarter of 2020.

At **€152 million (11.1% of sales)**, EBIT for the **Digital Identity & Security** segment continued to improve in line with the plan, despite the ongoing adverse impact of the health crisis on the biometrics business. The segment benefited from additional cost synergies and strict cost control, as well as leverage on cybersecurity sales growth.

¹⁰ Non-GAAP financial indicator, see definition in page 3, and calculation, pages 5 and 6.

At **€34 million** in H1 2021, **Naval Group's** contribution to EBIT returned to its pre-health crisis level (versus a negative €15 million contribution in H1 2020).

Net financial interest was stable at **-€30 million** in H1 2021. **The other adjusted financial income and expenses item¹¹** was less affected by foreign exchange losses than in H1 2020 (**-€7 million** in H1 2021 versus -€15 million in H1 2020). The change in **adjusted financial expense on pensions and other long-term employee benefits¹⁴** (**-€16 million** versus -€20 million in H1 2020) was due to a further decrease in discount rates.

As a result, **adjusted net income, Group share¹⁴** came to **€591 million**, versus €232 million in H1 2020, after an adjusted income tax charge¹⁴ of -€99 million, vs. -€65 million in H1 2020. At 14.7% at 30 June 2021 compared to 23.2% at 30 June 2020, the effective tax rate benefited from changes to tax rules in Italy and the United Kingdom. Restated for these items, the effective tax rate was 22.4%.

Adjusted net income, Group share, per share¹⁴ came to **€2.78**, up 155% compared to H1 2020 (€1.09).

Consolidated results

Income from operations

After accounting for the €187 million impact of purchase price allocation (PPA), compared to €255 million in the first half last year, reported **income from operations** was €535 million, compared to €92 million at 30 June 2020. As for EBIT, this increase reflects the leverage on the strong recovery in sales and the associated improvement of the associated gross margin.

Income of operating activities before share in net income from equity affiliates was at €528 million, compared to €137 million at 30 June 2020, benefiting from the same effects.

Income of operating activities after share in net income (loss) of equity affiliates

The share in net income (loss) of equity affiliates is back to positive at €33 million, compared to a negative €13 million during the first half of 2020, mostly thanks to the positive contribution from Naval Group at €34 million (vs. a negative €16 million contribution at 30th June 2020). **Income of operating activities after share in net income from equity affiliates** therefore comes to €561 million, compared to €124 million for the same period last year.

Net financial income (expense)

Net interest expense was a negative €30 million compared to a negative €16 million in the first half of 2019, mostly due to the higher cost of debt after the acquisition of Gemalto. **Other financial expenses** remain low with a -€49 million, compared to -€44 million in the first half of 2019. **Finance**

¹¹ Non-GAAP financial indicator, see definition in page 3, and calculation, pages 5 and 6.

costs on pensions and other employee benefits amounted to -€18 million compared to -€39 million for the first six months of 2019, the decrease resulting mainly from further discount rate decrease.

Net income

Consolidated net income, Group share came to **€433 million**, up sharply compared to 30 June 2020 (€65 million), on the back of the strong increase in adjusted net income.

Financial position at 30 June 2021

<i>In € millions</i>	H1 2021	H1 2020	Change
Operating cash flow before interest and tax	1,137	709	+428
+ Change in working capital and provisions for contingencies	(435)	(832)	+397
+ Pension expense, excluding contributions related to the reduction of the UK pension deficit	(83)	(87)	+5
+ Net financial interest received (paid)	(38)	(46)	+7
+ Income tax paid	29	(55)	+84
+ Net operating investments	(190)	(161)	(29)
Free operating cash flow	420	(471)	+891
+ Net balance of disposals (acquisitions) of subsidiaries and affiliates	(10)	(4)	(6)
+ Contributions related to the reduction of the UK pension deficit	(49)	(49)	(1)
+ Dividends paid	(290)	—	(290)
+ New lease liabilities (IFRS 16)	(54)	(95)	+41
+ Changes in exchange rates and other	35	1	+34
Change in net cash (debt)	53	(617)	+670
Net cash (debt) at beginning of period	(2,549)	(3,311)	+761
+ Change in net cash (debt)	53	(617)	+670
Net cash (debt) at end of period	(2,496)	(3,928)	+1,432

Free operating cash flow¹² was **€420 million**, versus -€471 million in H1 2020, on the back of the recovery in profitability, the internal measures implemented, and a reduced seasonality of WCR compared to previous years.

At 30 June 2021, **net debt** amounted to **€2,496 million**, down by €1,432 million year-on-year, after taking into account new lease liabilities totalling €54 million (€95 million at 30 June 2020) and after the payment of €290 million in dividends (no dividend payout in H1 2020).

At 30 June 2021, **shareholders' equity, Group share** totalled **€5,664 million**, versus €5,115 million at 31 December 2020. Consolidated net income, Group share (€433 million) and the decrease in net pension obligations (€394 million net of tax) largely offset the dividend payout (€290 million).

¹² Non-GAAP financial indicator; see definition in page 3.

Related party transactions

Main related party transactions are disclosed in Note 13-a of the consolidated financial statements included in the 2020 Universal Registration Document.

Revenues with the French State amounted to €1,737.0 million in the first half of 2021 and €1,450.0 million in the first half of 2020.

Main risks and uncertainties during the second half of 2021 fiscal year

The main risks and uncertainties as described in the Universal Registration Document filed with the Autorité des Marchés Financiers (AMF) on 12 April 2021 – chapter 3, Risk Factors, Internal Control and Risk Management from page 46 – remain valid and applicable for the second half of 2021 fiscal year.

As described in the “outlook” section below, these risks could potentially impact the second half-year activity.

Outlook for the current year

The public health and macro-economic context remains highly uncertain in the short term and could affect the pace of air traffic recovery and the investment plans of our customers.

Thales will continue to implement all the levers of its Ambition 10 strategic plan, designed to generate profitable and sustainable growth, combined with the structural adaptation plan in its civil aeronautics-exposed businesses, which will be impacted by this crisis over several years.

However, the solid H1 2021 performance has led the Group to upgrade its full-year sales target.

Consequently, assuming an economic and public health situation that does not experience any new major disruptions, and a normalization of the global semiconductor supply chain, Thales has set the following 2021 objectives:

- As in 2019 and 2020, a **book-to-bill ratio above 1**;
- **Sales** in the range of **€17.5 billion to €18.0 billion**¹³, taking into account the significant ongoing disruptions in civil aeronautics and the recovery of growth in other segments;
- An **EBIT margin** in the range of **9.5% to 10%**, up 150 to 200 basis points from 2020, thanks to the full effect of the global crisis adaptation plan, ongoing Ambition 10 competitiveness initiatives and the further ramp up of Gemalto-related cost synergies.

¹³ Based on the July 2021 scope and exchange rates. Previous target, set on 3 March 2021: €17.1 billion to €17.9 billion

Notes to the report on operations and results for the first half of 2021

Order intake by destination – H1 2021

<i>In € millions</i>	H1 2021	H1 2020	Total change	Organic change	H1 2021 weighting in %
France	1,931	1,270	+52%	+52%	23%
United Kingdom	365	393	-7%	-8%	4%
Rest of Europe	2,977	1,304	+128%	+128%	36%
Sub-total Europe	5,273	2,967	+78%	+78%	64%
United States and Canada	1,186	1,198	-1%	+5%	14%
Australia and New Zealand	277	402	-31%	-35%	3%
Total mature markets	6,736	4,566	+48%	+49%	82%
Asia	918	705	+30%	+35%	11%
Near and Middle East	254	439	-42%	-40%	3%
Rest of the world	336	381	-12%	-9%	4%
Total emerging markets	1,508	1,526	-1%	+3%	18%
Total all markets	8,244	6,092	+35%	+37%	100%

Sales by destination – H1 2021

<i>In € millions</i>	H1 2021	H1 2020	Total change	Organic change	H1 2021 weighting in %
France	2,298	2,014	+14.1%	+14.2%	27%
United Kingdom	546	562	-2.7%	-3.7%	6%
Rest of Europe	2,041	1,676	+21.8%	+21.7%	24%
Sub-total Europe	4,885	4,251	+14.9%	+14.8%	58%
United States and Canada	913	955	-4.4%	+1.7%	11%
Australia and New Zealand	525	480	+9.4%	+2.4%	6%
Total mature markets	6,324	5,687	+11.2%	+11.6%	75%
Asia	1,045	1,012	+3.2%	+6.3%	12%
Near and Middle East	546	553	-1.2%	+1.7%	6%
Rest of the world	509	500	+1.8%	+5.1%	6%
Total emerging markets	2,099	2,064	+1.7%	+4.8%	25%
Total all markets	8,423	7,751	+8.7%	+9.8%	100%

Order intake and sales – Q2 2021

Order intake	Q2 2021	Q2 2020	Total change	Organic change
<i>In € millions</i>				
Aerospace	1,888	846	+123%	+125%
Transport	320	286	+12%	+12%
Defense & Security	1,861	1,465	+27%	+26%
Digital Identity & Security	733	826	-11%	-7%
Total – operating segments	4,802	3,423	+40%	+42%
Other	26	7		
Total	4,828	3,429	+41%	+42%

Sales

Sales				
<i>In € millions</i>				
Aerospace	1,141	862	+32.2%	+33.9%
Transport	412	370	+11.2%	+11.2%
Defense & Security	2,203	1,864	+18.2%	+17.2%
Digital Identity & Security	733	745	-1.6%	+2.8%
Total – operating segments	4,489	3,842	+16.8%	+17.6%
Other	17	11		
Total	4,506	3,852	+17.0%	+17.8%

Organic change in sales by quarter

	2020 sales	Exchange rate effect	Impact of disposals	2021 sales	Impact of acquisitions	Total change	Organic change
<i>In € millions</i>							
Q1	3,899	-54	0	3,917	0	+0.5%	+1.9%
Q2	3,852	-26	0	4,506	0	+17.0%	+17.8%
H1	7,751	-80	0	8,423	0	+8.7%	+9.8%

Main scope effects:

- None



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AT 30 JUNE 2021**

INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

<i>(in € millions)</i>	Notes	First half 2021	First half 2020	Full year 2020
Sales	note 2	8,423.2	7,751.2	16,988.9
Cost of sales		(6,389.3)	(6,156.4)	(13,053.7)
Research and development expenses		(503.4)	(491.4)	(1,024.7)
Marketing and selling expenses		(645.0)	(671.8)	(1,306.2)
General and administrative expenses		(309.7)	(309.8)	(613.1)
Restructuring costs		(41.0)	(29.6)	(173.6)
Income from operations	note 2	534.8	92.2	817.6
Disposal of assets, changes in scope of consolidation and other	note 3.2	(6.6)	44.6	42.0
Impairment on non-current fixed assets	note 4	—	—	(135.4)
Income of operating activities before share in net income of equity affiliates		528.2	136.8	724.2
Share in net income of equity affiliates	note 5	32.7	(12.5)	44.3
Income of operating activities after share in net income of equity affiliates		560.9	124.3	768.5
Financial interests on gross debt		(29.6)	(33.9)	(67.3)
Financial interests on cash and cash equivalents		(0.5)	4.0	7.6
Interest expense, net	note 6.1	(30.1)	(29.9)	(59.7)
Other financial expenses	note 6.1	(22.4)	(49.1)	(81.5)
Finance costs on pensions and other employee benefits	note 8	(9.2)	(17.9)	(45.1)
Income tax	note 9	(45.5)	19.8	(90.3)
Net income		453.7	47.2	491.9
Attributable to:				
Shareholders of the parent company		432.6	65.1	483.4
Non-controlling interests		21.1	(17.9)	8.5
Basic earnings per share (in euros)	note 10.2	2.03	0.31	2.27
Diluted earnings per share (in euros)	note 10.2	2.03	0.31	2.27

Segment information (including EBIT calculation) is detailed in note 2.3.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in € millions)</i>	First half 2021			First half 2020			Full year 2020		
	Total attributable to :			Total attributable to :			Total attributable to :		
	Shareholders of the parent company	Non- controlling interests	Total	Shareholders of the parent company	Non- controlling interests	Total	Shareholders of the parent company	Non- controlling interests	Total
Net income	432.6	21.1	453.7	65.1	(17.9)	47.2	483.4	8.5	491.9
Translation adjustments	8.4	(0.1)	8.3	(40.9)	0.1	(40.8)	(79.4)	(2.5)	(81.9)
Cash flow hedge	(24.9)	(1.1)	(26.0)	9.3	—	9.3	93.7	0.6	94.3
Equity affiliates	18.0	—	18.0	(5.5)	—	(5.5)	(11.5)	—	(11.5)
Items that may be reclassified to income	1.5	(1.2)	0.3	(37.1)	0.1	(37.0)	2.8	(1.9)	0.9
Actuarial gains (losses) on pensions	405.5	(0.4)	405.1	(588.1)	(2.0)	(590.1)	(641.3)	(5.0)	(646.3)
Financial assets at fair value	6.8	—	6.8	(8.0)	—	(8.0)	(55.8)	(22.5)	(78.3)
Deferred tax	(11.7)	0.1	(11.6)	23.0	—	23.0	54.2	1.3	55.5
Equity affiliates	1.1	—	1.1	4.5	—	4.5	(0.8)	—	(0.8)
Items that will not be reclassified to income	401.7	(0.3)	401.4	(568.6)	(2.0)	(570.6)	(643.7)	(26.2)	(669.9)
Other comprehensive income (loss) for the period net of tax	403.2	(1.5)	401.7	(605.7)	(1.9)	(607.6)	(640.9)	(28.1)	(669.0)
Total comprehensive income for the period	835.8	19.6	855.4	(540.6)	(19.8)	(560.4)	(157.5)	(19.6)	(177.1)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in € millions)</i>	Number of shares outstanding (thousands)	Share capital	Additional paid-in capital	Retained earnings	Cash flow hedge	Cumulative translation adjustment	Treasury shares	Total attributable to shareholders of the parent company	Non-controlling interests	Total equity
At 1st January 2020	212,757	640.0	4,074.3	1,066.2	(94.1)	(180.7)	(56.5)	5,449.2	232.9	5,682.1
Net income	—	—	—	483.4	—	—	—	483.4	8.5	491.9
Other comprehensive income - Controlled companies	—	—	—	(642.9)	93.7	(79.4)	—	(628.6)	(28.1)	(656.7)
Other comprehensive income - Equity affiliates	—	—	—	(0.8)	11.8	(23.3)	—	(12.3)	—	(12.3)
Total comprehensive income for 2020	—	—	—	(160.3)	105.5	(102.7)	—	(157.5)	(19.6)	(177.1)
Employee share issues	48	0.1	1.2	—	—	—	—	1.3	—	1.3
Parent company dividend distribution	—	—	—	(85.1)	—	—	—	(85.1)	—	(85.1)
Third-party share in dividend distribution of subsidiaries	—	—	—	—	—	—	—	—	(12.1)	(12.1)
Share-based payments	—	—	—	13.4	—	—	—	13.4	—	13.4
Acquisitions/disposals of treasury shares	63	—	—	(28.0)	—	—	17.9	(10.1)	—	(10.1)
Gemalto PPA adjustments: minority interests	—	—	—	(29.7)	—	—	—	(29.7)	—	(29.7)
Other changes in scope	—	—	—	(20.6)	—	—	—	(20.6)	(2.3)	(22.9)
Other	—	—	—	(46.2)	—	0.2	—	(46.0)	(3.9)	(49.9)
At 31 December 2020	212,868	640.1	4,075.5	709.7	11.4	(283.2)	(38.6)	5,114.9	195.0	5,309.9
Net income	—	—	—	432.6	—	—	—	432.6	21.1	453.7
Other comprehensive income - Controlled companies	—	—	—	400.6	(24.9)	8.4	—	384.1	(1.5)	382.6
Other comprehensive income - Equity affiliates	—	—	—	1.1	9.0	9.0	—	19.1	—	19.1
Total comprehensive income for first half 2021	—	—	—	834.3	(15.9)	17.4	—	835.8	19.6	855.4
Employee share issues	17	0.1	0.4	—	—	—	—	0.5	—	0.5
Parent company dividend distribution	—	—	—	(289.6)	—	—	—	(289.6)	—	(289.6)
Third-party share in dividend distribution of subsidiaries	—	—	—	—	—	—	—	—	(11.8)	(11.8)
Share-based payments	—	—	—	7.9	—	—	—	7.9	—	7.9
Acquisitions/disposals of treasury shares	72	—	—	2.7	—	—	3.7	6.4	—	6.4
Other	—	—	—	(11.6)	—	0.1	—	(11.5)	(0.2)	(11.7)
At 30 June 2021	212,957	640.2	4,075.9	1,253.4	(4.5)	(265.7)	(34.9)	5,664.4	202.6	5,867.0

First Half 2020

<i>(in € millions)</i>	<i>Number of shares outstanding (thousands)</i>	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Cash flow hedge</i>	<i>Cumulative translation adjustment</i>	<i>Treasury shares</i>	Total attributable to shareholders of the parent company	<i>Non- controlling interests</i>	Total equity
At 1st January 2020	212,757	640.0	4,074.3	1,066.2	(94.1)	(180.7)	(56.5)	5,449.2	232.9	5,682.1
Net income	—	—	—	65.1	—	—	—	65.1	(17.9)	47.2
Other comprehensive income - Controlled companies	—	—	—	(573.1)	9.3	(40.9)	—	(604.7)	(1.9)	(606.6)
Other comprehensive income - Equity affiliate	—	—	—	4.5	2.4	(7.9)	—	(1.0)	—	(1.0)
Total comprehensive income for first half 2020	—	—	—	(503.5)	11.7	(48.8)	—	(540.6)	(19.8)	(560.4)
Employee share issues	23	—	0.6	—	—	—	—	0.6	—	0.6
Parent company dividend distribution	—	—	—	—	—	—	—	—	—	—
Third-party share in dividend distribution of subsidiaries	—	—	—	—	—	—	—	—	(9.7)	(9.7)
Share-based payments	—	—	—	2.9	—	—	—	2.9	—	2.9
Acquisitions/disposals of treasury shares	(100)	—	—	(5.4)	—	—	(1.9)	(7.3)	—	(7.3)
Gemalto PPA adjustments: minority interests	—	—	—	(28.8)	—	—	—	(28.8)	—	(28.8)
Other	—	—	—	(32.8)	—	(0.6)	—	(33.4)	(2.0)	(35.4)
At 30 June 2020	212,680	640.0	4,074.9	498.6	(82.4)	(230.1)	(58.4)	4,842.6	201.4	5,044.0

INTERIM CONSOLIDATED BALANCE SHEET

(in € millions)

ASSETS	Notes	30/06/21	31/12/20
Goodwill, net	note 4.1	6,040.1	6,034.4
Other intangible assets, net	note 4.2	2,112.2	2,284.5
Property, plant and equipment, net	note 4.2	3,471.4	3,569.9
Investments in equity affiliates	note 5	1,312.9	1,283.1
Non-consolidated investments		84.8	90.7
Other non-current financial assets		136.6	138.9
Non-current derivatives – assets	note 6.2	5.4	13.0
Deferred tax assets		904.4	966.8
Non-current assets		14,067.8	14,381.3
Inventories, work in progress and set-up costs	note 7.1	3,697.9	3,508.5
Contract assets	note 7.1	3,377.8	2,935.2
Advances to suppliers	note 7.1	471.6	433.9
Accounts, notes and other current receivables	note 7.1	5,236.6	5,038.3
Current derivatives – assets	note 7.1	125.7	254.2
Current tax receivable		129.6	220.2
Current financial assets	note 6.2	18.3	32.3
Cash and cash equivalents	note 6.2	3,778.7	5,003.9
Current assets		16,836.2	17,426.5
Total assets		30,904.0	31,807.8
EQUITY AND LIABILITIES			
	Notes	30/06/21	31/12/20
Capital, additional paid-in capital and other reserves		5,965.0	5,436.7
Cumulative translation adjustment		(265.7)	(283.2)
Treasury shares		(34.9)	(38.6)
Total attributable to shareholders of the parent company		5,664.4	5,114.9
Non-controlling interests		202.6	195.0
Total equity	note 10.1	5,867.0	5,309.9
Long-term loans and borrowings	note 6.2	4,659.6	5,209.7
Non-current derivatives – liabilities		8.7	13.5
Pensions and other long-term employee benefits	note 8	3,049.2	3,441.4
Deferred tax liabilities		544.0	657.6
Non-current liabilities		8,261.5	9,322.2
Contract liabilities	note 7.1	6,591.4	6,453.5
Reserves for contingencies	note 7.1	2,021.3	2,052.2
Accounts, notes and other current payables	note 7.1	6,232.6	5,998.0
Current derivatives – liabilities	note 7.1	147.6	134.0
Current tax payable		143.6	149.3
Short-term loans and borrowings	note 6.2	1,639.0	2,388.7
Current liabilities		16,775.5	17,175.7
Total equity and liabilities		30,904.0	31,807.8

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	Notes	First half 2021	First half 2020	Full year 2020
Net income		453.7	47.2	491.9
Add (deduct):				
Income tax expense (gain)		45.5	(19.8)	90.3
Net interest expenses		30.1	29.9	59.7
Share in net income of equity affiliates		(32.7)	12.5	(44.3)
Dividends received from equity affiliates	note 5.1	31.0	31.6	71.6
Depreciation and amortisation of property, plant and equipment and intangible assets	note 4.2	538.3	590.1	1,178.0
Impairment on non-current fixed assets	note 4.1	—	—	135.4
Provisions for pensions and other employee benefits	note 8	78.0	80.2	183.3
Loss (gain) on disposal of assets and other		6.6	(44.6)	(42.0)
Provisions for restructuring, net		(14.7)	(21.2)	58.9
Other items		1.5	3.3	5.6
Operating cash flows before working capital changes, interest and tax		1,137.3	709.2	2,188.4
Change in working capital and reserves for contingencies	note 7.1	(435.0)	(831.8)	(420.3)
Cash contributions to pension plans and other long-term employee benefits, of which:		(132.2)	(136.1)	(261.5)
- UK deficit payment		(49.4)	(48.7)	(98.0)
- recurring contributions/benefits		(82.8)	(87.4)	(163.5)
Interest paid		(41.8)	(59.8)	(63.7)
Interest received		3.5	14.2	11.3
Income tax received (paid)		28.8	(54.8)	(108.6)
Net cash flow from operating activities	- I -	560.6	(359.1)	1,345.6
Acquisitions of property, plant and equipment and intangible assets		(192.4)	(163.2)	(395.4)
Disposals of property, plant and equipment and intangible assets		2.7	2.7	8.5
Net operating investments	note 4.2	(189.7)	(160.5)	(386.9)
Acquisitions of subsidiaries and affiliates	note 7	(11.0)	(9.8)	(23.0)
Disposals of subsidiaries and affiliates		1.3	5.6	21.6
Decrease (increase) in loans and non-current financial assets		1.4	11.1	26.1
Decrease (increase) in current financial assets		14.4	(23.2)	(24.2)
Net financial investments		6.1	(16.3)	0.5
Net cash flow used in investing activities	- II -	(183.6)	(176.8)	(386.4)
Parent company dividend distribution	note 10	(289.6)	—	(85.1)
Third party share in dividend distribution of subsidiaries		(11.8)	(9.7)	(12.1)
Purchase of treasury shares and exercise of share subscription		6.6	(6.5)	(8.9)
Issuance of debt		32.3	2,256.7	2,279.3
Repayment of debt		(1,363.8)	(847.3)	(975.9)
Net cash flow from / used in financing activities	- III -	(1,626.3)	1,393.2	1,197.3
Effect of exchange rate changes and other	- IV -	24.1	(54.6)	(84.0)
Increase (decrease) in cash and cash equivalents	I+II+III+IV	(1,225.2)	802.7	2,072.5
Cash and cash equivalents at beginning of period		5,003.9	2,931.4	2,931.4
Cash and cash equivalents at end of period		3,778.7	3,734.1	5,003.9

The Group's net debt position and the changes from one period to the next are presented in notes 6.2 and 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All monetary amounts included in these notes are expressed in millions of euros.

1. Accounting standards Framework

Thales' condensed interim consolidated financial statements for six months ended 30 June 2021 were approved and authorized for issue by its Board of Directors on 22 July 2021.

Thales (parent company) is a French publicly traded joint-stock company (*société anonyme*) registered with the Nanterre Trade and Companies' Register under number 552 059 024.

1.1. Basis of preparation for condensed interim consolidated financial statement

Thales's condensed interim consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the provisions of IAS 34 (Interim Financial Reporting) and with the International Financial Reporting Standards (IFRS) approved by the European Union at 30 June 2021¹. The condensed interim consolidated financial statements are consistent with the accounting policies applied by the Group for the full-year financial statements at 31 December 2020 (as described in the notes 1 and 13 to the consolidated financial statements).

As a reminder, the second phase of the benchmark interest rate reform project (IFRS 9 and IFRS 7 amendments on financial instruments) is mandatory from 2021. The objective of this phase 2 is to treat the accounting impacts of the effective replacement of benchmarks. The application of phase 2 has no impact for the Group in the absence of any effective change in the benchmarks in the Group's contracts at June 30, 2021.

The specific provisions relating to the preparation of interim financial statements are described hereafter :

a) Measurement procedures used for the condensed interim consolidated financial statements

Pensions and other long-term employee benefits

Pension costs for interim periods are recognised based on the actuarial valuations performed at the end of the prior year. When appropriate, these valuations are adjusted to take into account curtailments, settlements or other major non-recurring events that occurred during the period. In addition, pensions and other long-term benefits liabilities are updated in order to reflect material changes impacting the yield on investment-grade corporate bonds in the concerned geographic area (the benchmark used to determine the discount rate), the inflation rate and the actual return on plan assets.

Income taxes

Current and deferred income tax expense for interim periods is calculated at each tax entity level by applying the average estimated annual effective tax rate for the current year to the income of the period. When required, this amount is adjusted to take into account the tax effects of specific events of the period.

Goodwill

Impairment tests are performed at each annual closing, and whenever an indication of impairment occurs (note 4.1). Impairment that would be recognised in the first half of the year is not reversible.

b) Seasonality of business

In accordance with accounting policies, revenues are recognised, as at year end, over the period of their realisation. In previous years the level of business has been higher in the last quarter, and particularly in December. Revenues and income from operations have been generally lower in the first half of the year due to the seasonality of business. The company has noted that this pattern is of a recurring nature, even though its extent varies from year to year.

1.2. New IFRS standards mandatory after 30 June 2021

The new standards and interpretations published by the IASB, but not yet mandatorily applicable, are described in the note Accounting policies in the notes to the consolidated financial statements of the 2020 universal registration document.

¹ Available at: https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002_en.

2. Segment information

2.1. Business segments

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 organisations).
- The *Transport* segment (“Ground Transportation Systems” Global Business Unit) develops civil systems and services for ground transportation infrastructure operators.
- The *Defence and 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 includes former Gemalto activities that develops digital identity and security solutions for a private and government customer base, and some digital businesses previously included in Defence & Security segment, in particular in data protection and analytics.

2.2. Sales

First half 2021	Aerospace	Transport	Defence & Security	Digital I&S	Other	Thales
Sales by destination:						
Europe	1,426.1	474.4	2,556.5	411.9	16.4	4,885.3
North America	262.5	46.2	196.9	404.6	3.0	913.2
Australia and New Zealand	19.2	28.6	450.1	27.7	—	525.6
Total mature markets	1,707.8	549.2	3,203.5	844.2	19.4	6,324.1
Emerging markets *	404.3	206.7	948.9	525.4	13.8	2,099.1
Total	2,112.1	755.9	4,152.4	1,369.6	33.2	8,423.2

First half 2020	Aerospace	Transport	Defence & Security	Digital I&S	Other	Thales
Sales by destination:						
Europe	1,263.6	425.3	2,160.3	389.6	12.5	4,251.3
North America	259.0	34.3	229.7	430.9	1.4	955.3
Australia and New Zealand	21.9	17.8	402.0	38.5	0.1	480.3
Total mature markets	1,544.5	477.4	2,792.0	859.0	14.0	5,686.9
Emerging markets *	401.1	239.6	796.0	613.4	14.2	2,064.3
Total	1,945.6	717.0	3,588.0	1,472.4	28.2	7,751.2

2020	Aerospace	Transport	Defence & Security	Digital I&S	Other	Thales
Sales by destination:						
Europe	2,805.7	965.2	4,789.4	839.5	32.7	9,432.5
North America	528.0	65.4	497.9	856.0	5.2	1,952.5
Australia and New Zealand	40.8	46.5	835.9	67.1	—	990.3
Total mature markets	3,374.5	1,077.1	6,123.2	1,762.6	37.9	12,375.3
Emerging markets *	842.5	540.8	1,961.6	1,229.2	39.5	4,613.6
Total	4,217.0	1,617.9	8,084.8	2,991.8	77.4	16,988.9

* Emerging markets: all countries outside Europe, North America, Australia and New Zealand.

2.3. Commercial activity and EBIT by segment

In order to monitor the operating and financial performance of Group entities, the Group's management regularly considers certain key non-GAAP indicators as defined in note 13-a of the appendix to the 2020 consolidated financial statements, which enable them to exclude some 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 (amortisation of acquisition-related assets (PPA) and other expenses directly linked to business combinations).

First half 2021						
	Aerospace	Transport	Defence & Security	Digital I&S	Other, elim and unallocated *	Thales
Order book – non-Group at 30/06	7,426.6	3,810.5	22,700.6	592.2	99.1	34,629.0
Order intake – non-Group	2,885.6	579.3	3,374.2	1,369.6	35.2	8,243.9
Sales – non-Group	2,112.1	755.9	4,152.4	1,369.6	33.2	8,423.2
Sales – intersegment	42.8	3.9	150.9	10.9	(208.5)	—
Total sales	2,154.9	759.8	4,303.3	1,380.5	(175.3)	8,423.2
EBIT	68.5	39.0	497.1	151.6	12.1	768.3
<i>Of which, Naval Group</i>	—	—	—	—	34.3	34.3
<i>Excluding Naval Group</i>	68.5	39.0	497.1	151.6	(22.2)	734.0

First half 2020						
	Aerospace	Transport	Defence & Security	Digital I&S	Other, elim and unallocated *	Thales
Order book – non-Group at 30/06	6,861.9	3,673.3	20,343.6	697.2	86.3	31,662.3
Order intake – non-Group	1,624.6	441.6	2,425.2	1,586.6	14.2	6,092.2
Sales – non-Group	1,945.6	717.0	3,588.0	1,472.4	28.2	7,751.2
Sales – intersegment	48.5	1.1	126.5	1.5	(177.6)	—
Total sales	1,994.1	718.1	3,714.5	1,473.9	(149.4)	7,751.2
EBIT	(108.7)	4.5	359.0	140.1	(46.6)	348.3
<i>Of which, Naval Group</i>	—	—	—	—	(14.5)	(14.5)
<i>Excluding Naval Group</i>	(108.7)	4.5	359.0	140.1	(32.1)	362.8

2020						
	Aerospace	Transport	Defence & Security	Digital I&S	Other, elim and unallocated *	Thales
Order book – non-Group at 31/12	6,590.7	3,917.5	23,245.3	588.8	87.3	34,429.6
Order intake – non-Group	3,821.8	1,651.9	9,922.5	3,022.9	57.0	18,476.1
Sales – non-Group	4,217.0	1,617.9	8,084.8	2,991.8	77.4	16,988.9
Sales – intersegment	94.8	4.4	286.0	25.5	(410.7)	—
Total sales	4,311.8	1,622.3	8,370.8	3,017.3	(333.3)	16,988.9
EBIT	(76.2)	86.1	1,038.9	324.3	(20.9)	1,352.2
<i>Of which, Naval Group</i>	—	—	—	—	21.6	21.6
<i>Excluding Naval Group</i>	(76.2)	86.1	1,038.9	324.3	(42.5)	1,330.6

* Order book, order intake and sales included in the "Other, elim and unallocated " column relate to corporate activities (Thales parent company, Thales Global Services, Group R&D centres, 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 the 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.

The reconciliation between income from operations and EBIT is analysed as follow:

	First half 2021	First half 2020	Full year 2020
Income from operations	534.8	92.2	817.6
Less, amortisation of acquisition-related assets (PPA)	185.4	252.4	456.6
Intangible assets	169.6	228.8	414.8
Property, plant and equipment	11.5	11.5	23.0
Deferred revenues	4.3	12.1	18.8
Less, expenses directly linked to business combinations :	1.2	2.6	6.6
Restructuring costs	1.0	—	5.0
Other expenses	0.2	2.6	1.6
Share in net income of equity affiliates	32.7	(12.5)	44.3
Less, PPA amortisation related to equity affiliates	14.2	13.6	27.1
EBIT	768.3	348.3	1,352.2

3. Impact of changes in scope consolidation

3.1. Main changes in scope of consolidation

No significant changes in the scope of consolidation occurred during the considered periods.

3.2. Disposal of assets, changes in scope of consolidation and other

	First half 2021	First half 2020	Full year 2020
Disposal of investments	—	44.7	50.1
Acquisition-related fees (consultants, legal counsel ...)	(5.4)	(3.1)	(5.4)
Disposal of real estate and other tangible and intangible assets	(1.2)	(0.2)	(0.4)
Impact of settlements / amendments to pensions plans (note 8)	—	3.2	(2.3)
Total	(6.6)	44.6	42.0

4. Property, plant and equipment and intangible assets

4.1. Goodwill

Goodwill relating to fully-consolidated subsidiaries has been allocated to cash-generating units (CGUs) or groups of CGUs corresponding to the Group's Global Business Units (GBUs).

Changes in goodwill are presented below:

	01/01/21	Acquisitions	Disposals	Reclas- sification	Exch.rates and other	30/06/21
Avionics	365.7	—	—	—	—	365.7
Space	490.0	—	—	—	0.2	490.2
Transport	879.8	—	—	—	—	879.8
Secured Comm. and Information Systems	652.0	—	—	62.4	2.3	716.7
Land and Air Systems	309.4	—	—	—	0.5	309.9
Defence Mission Systems	457.9	—	—	—	0.1	458.0
Digital Identity & Security	2,879.6	—	—	(62.4)	2.5	2,819.7
Total	6,034.4	—	—	—	5.7	6,040.1

	01/01/20	Acquisitions *	Disposals	Impairment	Exch. rates	31/12/20
Avionics	465.8	—	—	(98.2)	(1.9)	365.7
Space	490.6	—	—	—	(0.6)	490.0
Transport	879.8	—	—	—	—	879.8
Secured Comm. and Information Systems	651.3	—	—	—	0.7	652.0
Land and Air Systems	309.4	—	—	—	—	309.4
Defence Mission Systems	457.6	—	—	—	0.3	457.9
Digital Identity & Security	2,727.0	165.6	—	—	(13.0)	2,879.6
Total	5,981.5	165.6	—	(98.2)	(14.5)	6,034.4

* Including €169.9 million as the final purchase price allocation of Gemalto, resulting in a goodwill of €2,739.9 million

Goodwill is subject to annual impairment tests following the Group's budgetary timetable.

At December 31, 2020, the application of business projections to the impairment test on the IFE (on-board multimedia) CGU within the Avionics business led to the recognition of an impairment loss of €135.4 million on certain assets of this CGU. Goodwill and acquired intangible assets of this CGU were fully impaired for €98.2 million and €37.3 million respectively.

In the context of the interim closing, new tests are performed on the cash generating units (CGU) for which there is an indication of impairment; these tests take into account the latest events known at the closing date.

On June 30, 2021 the Group has conducted a review of impairment indicators of goodwill allocated to cash-generating units (CGUs) or groups of CGUs. The assumptions used in the impairment tests, updated where necessary, did not lead to the recognition of impairment losses in the first-half financial statements.

In the specific case of IFE, a one-year shift in business forecasts and any other negative change in key assumptions could expose the other assets of the business, with a residual impact considered immaterial at the Group's level.

4.2. Property, plant and equipment and intangible assets

	01/01/21	Acquisitions	Disposal	Depr. and amort.	Impairment	Change in scope and exch. rate	30/06/21
Acquired Intangible assets	2,056.8	—	—	(169.6)	—	16.6	1,903.8
Capitalised development costs	51.8	11.4	—	(8.9)	—	0.2	54.5
Other	175.9	14.6	—	(33.8)	—	(2.8)	153.9
Intangible assets	2,284.5	26.0	—	(212.3)	—	14.0	2,112.2
Right-of-use from lease contracts	1,543.1	53.9	—	(118.4)	—	11.2	1,489.8
Acquired tangible assets	74.8	—	—	(11.5)	—	—	63.3
Property, plant and equipment	1,952.0	166.4	(2.7)	(196.1)	—	(1.3)	1,918.3
Tangible assets	3,569.9	220.3	(2.7)	(326.0)	—	9.9	3,471.4
Total	5,854.4	246.3	(2.7)	(538.3)	—	23.9	5,583.6
Less, new lease contracts		(53.9)					
Operating investments *		192.4					

	01/01/20	Acquisitions	Disposal	Depr. and amort.	Impairment	Change in scope and exch. rate	31/12/20
Acquired Intangible assets	2,561.0	—	—	(414.8)	(37.3)	(52.1)	2,056.8
Capitalised development costs	58.6	24.9	—	(28.7)	—	(3.0)	51.8
Other	190.8	53.0	(2.4)	(69.9)	—	4.4	175.9
Intangible assets	2,810.4	77.9	(2.4)	(513.4)	(37.3)	(50.7)	2,284.5
Right-of-use from lease contracts	1,650.9	164.3	—	(244.6)	—	(27.5)	1,543.1
Acquired tangible assets	97.7	—	—	(23.0)	—	0.1	74.8
Property, plant and equipment	2,081.8	317.5	(6.1)	(397.0)	—	(44.2)	1,952.0
Tangible assets	3,830.4	481.8	(6.1)	(664.6)	—	(71.6)	3,569.9
Total	6,640.8	559.7	(8.5)	(1,178.0)	(37.3)	(122.3)	5,854.4
Less, new lease contracts		(164.3)					
Operating investments *		395.4					

* Presented in the statement of cash flows

5. Investments in equity affiliates

5.1. Change in investment in equity affiliates

	30/06/21	31/12/20
Investment at opening	1,283.1	1,333.1
Share in net income of equity affiliates	32.7	44.3
Translation adjustment	9.0	(23.3)
Cash flow hedge	9.0	11.8
Actuarial gains (losses) on pensions	1.1	(0.8)
Share in comprehensive income of equity affiliates	51.8	32.0
Dividends paid	(31.0)	(71.6)
Dividends voted and not paid yet	(10.1)	—
Change in scope and other	19.1	(10.4)
Investments at closing	1,312.9	1,283.1
<i>Including Naval Group</i>	<i>736.6</i>	<i>715.1</i>

5.2. Naval Group: summary financial information

Summary balance sheet based on a 100% interest *	30/06/21	31/12/20
Non-current assets	2,064.5	2,253.0
Current assets	4,128.6	4,406.1
Total assets	6,193.1	6,659.1
Restated equity, attributable to shareholders	1,270.3	1,208.6
Non-controlling interests	0.5	0.5
Non-current liabilities	596.6	558.7
Current liabilities	4,325.7	4,891.3
Total equity and liability	6,193.1	6,659.1
Net Cash	1,746.4	1,628.5

Consolidation by Thales :

Thales' share (35%) in restated equity	444.6	423.1
Goodwill	292.0	292.0
Share in net assets of Naval Group	736.6	715.1

Income statement, based on a 100% interest *

	First half 2021	First half 2020	Full year 2020
Sales	2,006.3	1,325.5	3,323.0
Income (loss) from operating activities, after share in net income of equity	101.9	(118.9)	(36.0)
Financial income (loss)	(2.9)	1.1	(2.4)
Tax and other	(26.3)	37.4	21.9
Discontinued activities	(13.2)	—	—
Restated net income	59.5	(80.4)	(16.5)
<i>Of which, attributable to shareholders of the company</i>	<i>59.5</i>	<i>(78.2)</i>	<i>(11.7)</i>
<i>Of which, attributable to non-controlling interests</i>	<i>—</i>	<i>(2.2)</i>	<i>(4.8)</i>
Consolidation by Thales :			
Thales' share in net income attributable to shareholders of the company	20.8	(27.3)	(4.1)
<i>Of which, PPA amortisation</i>	<i>(13.5)</i>	<i>(12.8)</i>	<i>(25.7)</i>
Share in net income, before PPA	34.3	(14.5)	21.6
Dividends received from Naval Group	—	16.6	16.6

* After Thales restatements, mainly PPA.

6. Financing and financial instruments

6.1. Financial income

	First half 2021	First half 2020	Full year 2020
Financial interests related to lease contracts	(12.0)	(13.6)	(27.3)
Other interest expense	(17.6)	(20.3)	(40.0)
Financial interests from gross debt	(29.6)	(33.9)	(67.3)
Financial interests on cash and cash equivalents	(0.5)	4.0	7.6
Net interest income	(30.1)	(29.9)	(59.7)
Foreign exchange gains (losses)	(3.9)	(16.0)	(22.6)
Change in fair value of currency derivatives *	(15.3)	(33.8)	(47.1)
Cash flow hedges, ineffective portion	(0.4)	(2.3)	(4.1)
Foreign exchange gains (losses)	(19.6)	(52.1)	(73.8)
Other	(2.8)	3.0	(7.7)
Other financial income	(22.4)	(49.1)	(81.5)

* Includes the change in the fair value of swap points (-€9.8 million in first half 2021, -€32.2 million in the first half of 2020 and -€37.9 million in 2020) and the time value of foreign exchange options documented as future cash flow hedges (-€1.5 million in first half 2021, -€3.0 million in the first half of 2020 and -€6.0 million in 2020), as well as changes in the fair value of derivatives not documented as hedges.

6.2. Net cash (net debt)

Group net cash (debt) is as follows:

		30/06/21	31/12/20
Current financial assets		18.3	32.3
Cash and cash equivalents		3,778.7	5,003.9
Cash and other short-term investments	(I)	3,797.0	5,036.2
Financial debt		4,703.5	5,947.9
<i>Of which, bond issues</i>		4,186.7	4,486.7
Leasing debt		1,589.7	1,637.5
Gross debt *	(II)	6,293.2	7,585.4
Net cash (net debt)	(I-II)	(2,496.2)	(2,549.2)
* Of which :			
Long term financial debt		4,659.6	5,209.7
Short term financial debt		1,639.0	2,388.7
Fair value of interest rate hedging derivatives		(5.4)	(13.0)

In addition, the €800 million bank bridge loan, undrawn at December 31, 2020, matured in April 2021.

As of June 30, 2021 the Group has a €1,500 million syndicated credit line which expires in December 2023, with the possibility of extension until December 2025. This credit line does not include an early repayment clause.

Bonds: key features at the end of June 2021

Nominal value	Issue date	Maturity	Type of rate	Coupon	Effective rate	
					Before hedging	After hedging
387 M€	Sept. 2014	Sept. 2021	fixed	2.125%	0.55%	0.55%
500 M€	May 2019	May 2022	fixed	—%	0.02%	0.02%
600 M€	June 2016	June 2023	fixed *	0.75%	0.84%	0.98%
500 M€	April 2018	April 2024	fixed	0.875%	0.94%	1.11%
500 M€	Jan. 2018	Jan. 2025	fixed	0.75%	0.91%	0.91%
500 M€	Nov. 2020	Mars 2026	fixed	—%	0.08%	0.08%
500 M€	Jan. 2020	Jan. 2027	fixed	0.25%	0.33%	0.33%
700 M€	May 2020	May 2028	fixed	1.00%	1.10%	1.10%

* After reversal, during H1 2018, of the swaps put in place when the bonds were issued.

6.3. Summary of financial assets and liabilities

At end of June 2021, the classification of financial assets and liabilities remained identical to the one disclosed in note 6.5 to the 2020 consolidated financial statements.

The fair value of financial assets and liabilities approximates their carrying amount, except for long-term debts for which the fair value is €4,731.2 million, compared to €4,659.6 million for their carrying amount at 30 June 2021 (€5,294.8 million vs. €5,209.7 million at 31 December 2020).

7. Change in net cash (net debt)

	First half 2021	First half 2020	Full year 2020
Net cash (debt) at opening	(2,549.2)	(3,310.6)	(3,310.6)
Net cash flow from operating activities	560.6	(359.1)	1,345.6
Less, contributions to reduction of UK pension deficit	49.4	48.7	98.0
Net operating investments	(189.7)	(160.5)	(386.9)
Free operating cash-flow	420.3	(470.9)	1,056.7
Acquisitions of subsidiaries and affiliates:	(11.0)	(9.8)	(23.0)
Disposals of subsidiaries and affiliates	1.3	5.6	21.6
Contributions to reduction of UK pension deficit	(49.4)	(48.7)	(98.0)
Changes in loans	1.4	9.7	26.1
Dividends paid by the parent company	(289.6)	—	(85.1)
Third-party share in dividend distributions of subsidiaries	(11.8)	(9.7)	(12.1)
Treasury shares and subscription options exercised	6.6	(6.5)	(8.9)
New lease debts	(53.9)	(94.5)	(164.3)
Changes in exchange rates and other	39.1	7.4	48.4
Total change	53.0	(617.4)	761.4
Net cash (debt) at closing	(2,496.2)	(3,928.0)	(2,549.2)

7.1. Working capital requirements

Current operating assets and liabilities include working capital (WCR) components and reserves for contingencies.

The changes in these items are presented below :

Change for the period	01/01/20	Changes in WCR and reserves	Scope, exch. rate and reclass.	31/12/20	Changes in WCR and reserves	Scope, exch. rate and reclass.	30/06/21
Inventories, work in progress and set-up costs	3,731.3	(149.4)	(73.4)	3,508.5	157.5	31.9	3,697.9
Contract assets	3,088.9	(97.5)	(56.2)	2,935.2	450.3	(7.7)	3,377.8
Advance to suppliers	549.5	(111.3)	(4.3)	433.9	34.3	3.4	471.6
Accounts, notes and other receivables	5,239.5	(109.4)	(91.8)	5,038.3	161.5	36.8	5,236.6
Current derivatives - assets	109.6	162.0	(17.4)	254.2	(128.5)	—	125.7
Contract liabilities	(6,414.9)	(139.8)	101.2	(6,453.5)	(82.7)	(55.2)	(6,591.4)
Reserves for contingencies	(1,960.0)	104.0	(196.2)	(2,052.2)	36.4	(5.5)	(2,021.3)
Accounts, notes and other payables	(6,813.7)	702.8	112.9	(5,998.0)	(179.1)	(55.5)	(6,232.6)
Current derivatives - liabilities	(150.5)	—	16.5	(134.0)	—	(13.6)	(147.6)
WCR and reserves, net	(2,620.3)	361.4	(208.7)	(2,467.6)	449.7	(65.4)	(2,083.3)
Restructuring provisions	100.7	58.9	2.7	162.3	(14.7)	(3.9)	143.7
Increase (decrease) in WCR and reserves		420.3			435.0		

The Group may assign trade receivables, mainly from the French State, and commercial paper. At 30 June 2021, outstanding derecognised receivables amounted to €314.7 million (€294.1 million at 31 December 2020).

7.2. Reserves for contingencies

	01/01/21	Utilisation	Additions	Reversal (surplus)	Scope and exch. rate	30/06/21
Restructuring	162.3	(16.0)	3.4	(2.1)	(3.9)	143.7
Technical and other litigation	373.8	(12.3)	(2.2)	(6.0)	0.7	354.0
Guarantees	351.5	(57.6)	42.0	(9.4)	2.7	329.2
Losses at completion	547.4	(61.2)	59.8	(3.1)	0.6	543.5
Provisions on contracts	392.1	(22.8)	54.1	(15.4)	4.7	412.7
Other **	225.1	(39.6)	56.1	(4.1)	0.7	238.2
Total	2,052.2	(209.5)	213.2	(40.1)	5.5	2,021.3

	01/01/20	Utilisation	Additions	Reversal (surplus)	Scope and exch. rate	31/12/20
Restructuring	100.7	(29.0)	100.5	(12.6)	2.7	162.3
Technical and other litigation *	212.0	(51.6)	42.3	(16.0)	187.1	373.8
Guarantees	370.4	(86.1)	100.0	(27.8)	(5.0)	351.5
Losses at completion	658.2	(195.1)	104.7	(13.8)	(6.6)	547.4
Provisions on contracts	397.7	(65.6)	92.2	(42.3)	10.1	392.1
Other **	221.0	(49.7)	61.8	(11.5)	3.5	225.1
Total	1,960.0	(477.1)	501.5	(124.0)	191.8	2,052.2

* The amount presented in column "Scope and exch.rate" includes additional reserves recognised as part of the Gemalto purchase price allocation.

** This line includes technical provisions of insurance companies, provisions for labour-related risks, vendor warranties, environmental guarantees and other.

8. Provisions for pensions and other long-term employee benefits

8.1. Actuarial assumptions

At 30 June 2021, the market value of plan assets as well as discount and inflation rates assumptions for the main countries (representing more than 90% of the net obligation) were updated. The assumptions used in the United Kingdom and in France are as follows:

30 Jun 2021	United Kingdom	France
Inflation rate	3.17%	1.00%
Discount rate	1.88%	0.80%
30 Jun 2020	United Kingdom	France
Inflation rate	2.85%	1.00%
Discount rate	1.43%	0.74%
31 Dec 2020	United Kingdom	France
Inflation rate	2.94%	1.00%
Discount rate	1.34%	0.35%

8.2. Changes in provision

	First half 2021	First half 2020	Full year 2020
Provision at opening	(3,441.4)	(2,945.2)	(2,945.2)
Current service cost (income from operations)	(68.8)	(65.5)	(135.9)
Amendments and settlements (non recurring operating income)	—	3.2	(2.3)
Net interest expense	(13.6)	(17.2)	(34.9)
Pension fund management cost	(2.8)	(2.5)	(5.9)
Actuarial gains and losses on other long-term employee benefits	7.2	1.8	(4.3)
Finance costs on pensions and other long-term employee benefits	(9.2)	(17.9)	(45.1)
Total expense for the period	(78.0)	(80.2)	(183.3)
Actuarial gains and losses (other comprehensive income) *	405.1	(590.1)	(646.3)
Benefits and contributions	132.2	136.1	261.5
-of which, deficit payment in the United Kingdom	49.4	48.7	98.0
- of which, other benefits and contributions	82.8	87.4	163.5
Translation adjustment	(69.0)	95.6	69.0
Changes in scope of consolidation and other	1.9	(2.1)	2.9
Provision at closing	(3,049.2)	(3,385.9)	(3,441.4)

* In 2020, as in the first half of 2021, the revaluation is mainly due to changes in discount rates, particularly in the United Kingdom.

9. Income tax

	First half 2021	First half 2020	Full year 2020
Net income	453.7	47.2	491.9
Less : income tax	45.5	(19.8)	90.3
Less : share in net income of equity affiliates	(32.7)	12.5	(44.3)
Profit before tax and impact of equity affiliates	466.5	39.9	537.9
Income tax (expense)/ income	(45.5)	19.8	(90.3)
Effective tax rate	9.8%	N/A	16.8%

The income tax expense excludes research tax credit which is recorded in income from operations (respectively €94.9 million, €84.6 million in the first half of 2021 and 2020 and €184.6 million in 2020).

Income tax expense for the first half of 2021 includes an income of € 44.0 million resulting from tax measures in Italy in the context of Covid 19.

The first half 2020 effective tax rate was not meaningful because of the low level of net income, and because of the mix of countries with positive and negative contributions at different tax rates.

10. Equity and earnings per share

10.1. Shareholders' equity

a) Share capital

	30/06/21			31/12/20		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
T.S.A.	54,786,654	25.68%	34.80%	54,786,654	25.68%	34.84%
French State (including one golden share)	2,060	—%	—%	2,060	—%	—%
Public sector (a)	54,788,714	25.68%	34.80%	54,788,714	25.68%	34.84%
Dassault Aviation (b)	52,531,431	24.62%	29.84%	52,531,431	24.62%	29.79%
Thales (c)	426,113	0.20%	—%	497,596	0.23%	—%
Employees (d)	6,256,321	2.93%	3.62%	6,356,208	2.98%	3.66%
Other shareholders	99,380,599	46.57%	31.74%	99,192,009	46.49%	31.71%
Total (e)	213,383,178	100.00%	100.00%	213,365,958	100.00%	100.00%

(a) Under the terms of shareholders' agreement with Dassault Aviation (the "Industrial Partner"), the "Public Sector" is represented by the company TSA. Since January 29, 2018, EPIC Bpifrance holds the entire capital of TSA except for one preferred share held by the French State. EPIC Bpifrance and the French State have also agreed to consult with TSA under the conditions described in AMF notice n° 218C0137 of 16 January 2018. All Thales shares held directly and indirectly by the French State have been registered in pure registered form for more than two years and therefore have double voting rights as of June 30, 2021.

(b) Dassault Aviation has held 42,154,349 shares in directly registered form, including 41,404,349 shares held for more than two years, thus granting it double voting rights as at 30 June 2021, and holds 10,377,082 shares in bearer form.

(c) Treasury shares represented 66,117 bearer shares (held under a liquidity contract) and 389,996 directly registered shares.

(d) This line represents the full employees shareholding. Since law No 219-846 of 22nd May 2019, employees shareholding, according to the Code du commerce (article L. 225-102), excludes free shares granted within LTI plans prior to 2016 (without explicit change in the articles of incorporation to include them) and represent, at 30/06/2021, 4,684,861 shares and 8,447,528 voting rights, hence 2.20% of the capital and 2.68 % of the voting rights.

(e) In the first half of 2021, 17,220 new shares bearing rights from 1 January 2021 were created as a result of the exercise of share subscription options.

b) Treasury shares

Thales (parent company) held 426,113 of its own shares at 30 June 2021. They are accounted for as a deduction from consolidated equity in the amount of €34.9 million. In accordance with the authorisations given to the board of Directors at the Annual General Meeting, the Company carried out, in 2020 and in the first half of 2021 the following operations:

	First half 2021	First half 2020	Full year 2020
Treasury shares at opening	497,596	560,866	560,866
Purchases as part of a liquidity agreement	406,839	529,656	1,310,502
Disposals as part of a liquidity agreement	(541,222)	(454,656)	(1,285,002)
Transfer to employees as part of the employee share purchase plan	—	(43,400)	(42,645)
Delivery of free shares	(2,200)	—	(226,125)
Market purchases	65,100	68,100	180,000
Treasury shares at closing	426,113	660,566	497,596

c) Parent Company dividend distribution

In 2019 and 2020, dividends per share amounted respectively to €0.60 and €1.76. Dividends paid in 2020 and 2021 are described below :

Year	Approved by	Description	Dividend per share (in euro)	Payment date	Payment method	Total (€ million)
2021	General Meeting on 6 May 2021	Balance for 2020	€1.36	May 2021	cash	289.6
	Board of Directors on 30 September 2020	2020 interim dividend	€0.40	Dec. 2020	cash	85.1
2020	General Meeting on 6 May 2020	Balance for 2019	--	--	--	--
Total dividends paid in 2020						85.1

10.2. Earnings per share

		First half 2021	First half 2020	Full year 2020
Numerator (in € million):				
Net income attributable to shareholders of the parent company	(a)	432.6	65.1	483.4
Denominator (in thousands):				
Average number of shares outstanding	(b)	212,933	212,704	212,704
Share subscription and share purchase options*		27	57	44
Free shares and units plans**		180	338	140
Diluted average number of shares outstanding	(c)	213,140	213,099	212,888
Net earnings per share (in euros)	(a) / (b)	2.03	0.31	2.27
Diluted net earnings per share (in euros)	(a) / (c)	2.03	0.31	2.27
Average share price		€81.59	€79.55	€74.58

* Only option plans with an exercise price that is lower than the average share price are taken into account in the calculation of diluted earnings per share.

** Performance shares / units subject to internal performance conditions are only taken into account when the performance targets are achieved.

11. Litigations

At the date of publication, there are no 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.

12. Related party transactions

Main related party transactions are disclosed in Note 13-a of the consolidated financial statements included in the 2020 Universal Registration Document.

Revenues with the French State amounted to €1,737.0 million in the first half of 2021 and €1,450.0 million in the first half of 2020.

13. Subsequent event

To the best of the Group's knowledge, no significant events occurred after the end of the reporting period.

Thales

For the period from January 1 to June 30, 2021

Statutory Auditors' Review Report on the Half-yearly Financial Information

This is a free translation into English of the statutory auditors' report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

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Commissaire aux Comptes
Membre de la compagnie
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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

Thales

For the period from January 1 to June 30, 2021

Statutory Auditors' Review Report on the Half-yearly Financial Information

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with the requirements of article L.451-1-1-III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report you on:

- ▶ the review of the accompanying condensed half-yearly consolidated financial statements of Thales SA, for the period from January 1 to June 30, 2021.
- ▶ the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These condensed half-yearly consolidated financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense, July 22, 2021

The Statutory Auditors
French original signed by

MAZARS

ERNST & YOUNG Audit

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