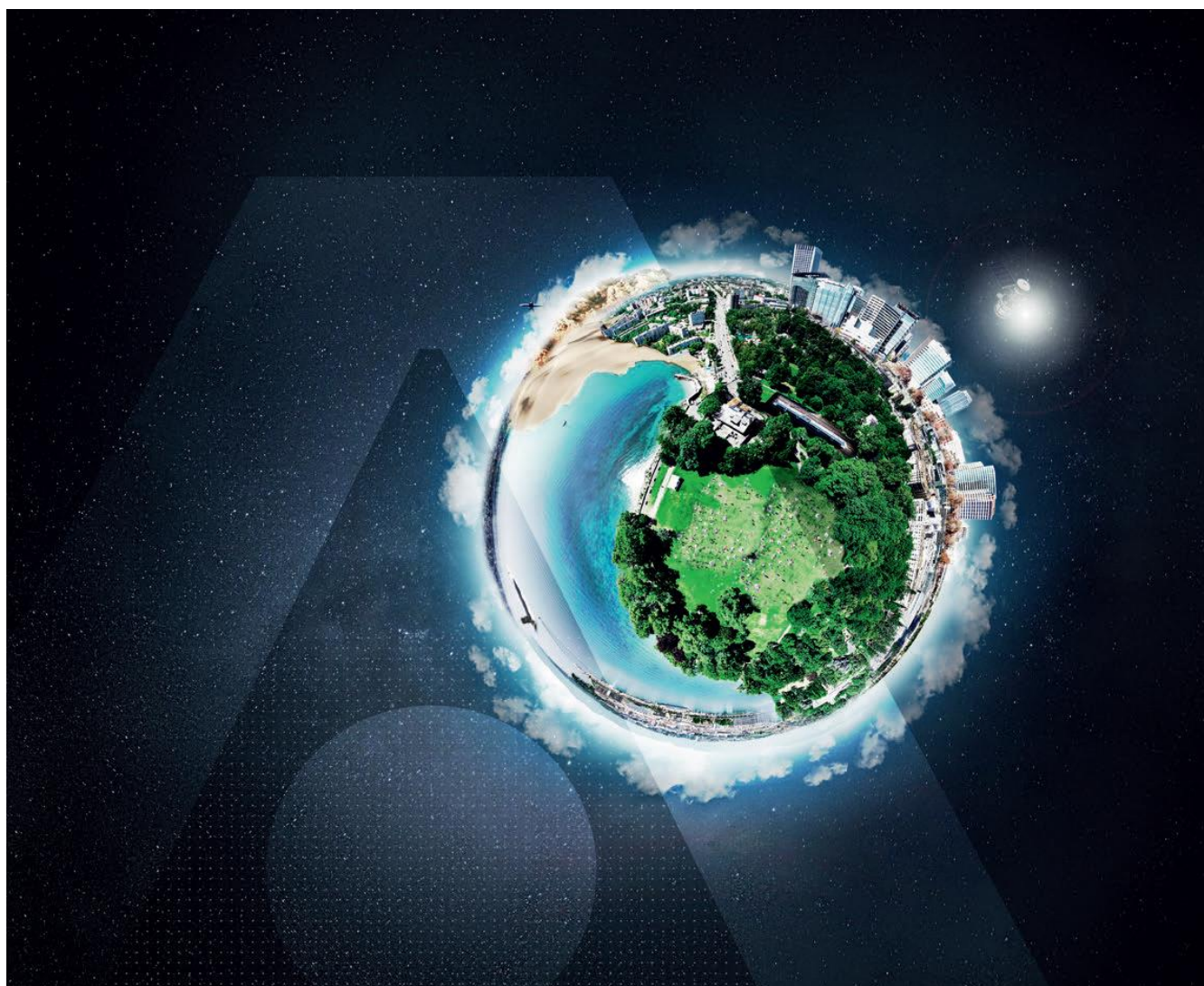


# Half-yearly financial report 2023

Report on business activity

Consolidated financial statements



# HALF-YEARLY FINANCIAL REPORT 2023

## TABLE OF CONTENTS

<b>Declaration from the person responsible for the half-yearly financial report</b>	<b>1</b>
<b>Report on 2023 first-half business activity and results</b>	<b>2</b>
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 2023	13
o Related party transactions	14
o Main risks and uncertainties in the second half of 2023 fiscal year	14
o Outlook for the current year	14
o Appendix	15
<b>Consolidated financial statements at 30 June 2023</b>	<b>17</b>
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
<b>Statutory auditors' report</b>	<b>39</b>

*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 2023 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, 27th July 2023

A handwritten signature in blue ink that reads "T. Caine". The signature is written in a cursive style and is underlined with a single horizontal stroke.

**Patrice Caine**  
Chairman & Chief Executive Officer

## Report on 2023 first half business activity and results

### Key figures<sup>1</sup>

<i>In € millions except earnings and dividend per share (in €)</i>	H1 2023	H1 2022	Total change	Organic change
<b>Order intake</b>	<b>8,563</b>	<b>11,208</b>	-24%	-23%
<b>Order book at end of period</b>	<b>40,651</b>	<b>37,988</b>	+7%	+7%
<b>Sales</b>	<b>8,716</b>	<b>8,256</b>	+5.6%	+7.7%
<b>EBIT<sup>2</sup></b>	<b>993</b>	<b>891</b>	+11.4%	+13.1%
<i>as a % of sales</i>	11.4%	10.8%	+0.6 pts	+1.1 pts
<b>Adjusted net income, Group share<sup>2</sup></b>	<b>819</b>	<b>726</b>	+13%	
<b>Adjusted net income, Group share, per share<sup>2</sup></b>	<b>3.91</b>	<b>3.41</b>	+15%	
<b>Consolidated net income, Group share</b>	<b>649</b>	<b>566</b>	+15%	
<b>Free operating cash flow<sup>2</sup></b>	<b>99</b>	<b>820</b>	-721	
<b>Net cash (debt) at end of period<sup>2</sup></b>	<b>-781</b>	<b>-894<sup>3</sup></b>	+113	

<sup>1</sup> 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

<sup>2</sup> Non-GAAP financial indicators, see definitions in the appendices, page 3.

<sup>3</sup> Net debt as at June 30, 2022.

# Presentation of financial information

## Accounting policies

Thales's condensed interim consolidated financial statements for the six months ended 30 June 2023 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 2023<sup>4</sup>.

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 2022 (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 (amortization 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:
  - amortization of assets valued when determining the purchase price allocation (business combinations);
  - expenses recognized in income from operations or in finance costs that are directly related to business combinations;
  - gains and losses on disposals of assets, changes in scope of consolidation and other;
  - impairment of non-current assets;
  - changes in the fair value of derivative foreign exchange instruments (recognized under "Other financial income and expenses" in the consolidated financial statements);
  - actuarial gains (losses) on long-term benefits (recognized under "Finance costs on pensions and other long-term employee benefits" in the consolidated financial statements).
- **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 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 and expenses, 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 5 and 6.

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<sup>4</sup> Available at: EUR-Lex - 32002R1606 - EN - EUR-Lex (europa.eu)

**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 December 31, 2022 are audited by the statutory auditors, including EBIT, the calculation of which is outlined in Note 2 “Segment Information”, net cash (debt), the definition and calculation of which appear in Note 6.2 “Net cash (debt)”, and free operating cash flow, the definition and calculation of which are specified in Note 7. “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 2023 and 30 June 2022 is detailed in the tables on following pages:

## Adjusted income statement, EBIT and adjusted net income – H1 2023

<i>In € millions except earnings per share (in €)</i>	Consolidated income statement H1 2023	Adjustments				Adjusted income statement H1 2023
		(1)	(2)	(3)	(4)	
<b>Sales</b>	<b>8,716</b>	—	—	—	—	<b>8,716</b>
Cost of sales	(6,438)	179	—	—	—	(6,259)
Research and development costs	(513)	—	—	—	—	(513)
Marketing and selling expenses	(690)	—	—	—	—	(690)
General and administrative expenses	(306)	—	—	—	—	(306)
Restructuring costs	(35)	—	—	—	—	(35)
<b>Income from operations</b>	<b>735</b>	<b>179</b>	—	—	—	<b>914</b>
Share in net income of equity affiliates	65	14	—	—	—	79
Income from operating activities after share in net income	799	—	—	—	—	N/A
<b>EBIT</b>	<b>N/A</b>	<b>194</b>	—	—	—	<b>993</b>
Gains and losses on disposals of assets, changes in scope and other	(1)	—	1	—	—	—
Impairment of non-current assets	—	—	—	—	—	—
Net financial interest	13	—	—	—	—	13
Other financial income and expenses	(37)	—	—	24	—	(13)
Finance costs on pensions and other long-term employee benefits	(36)	—	—	—	(3)	(38)
Income tax	(125)	(45)	—	(5)	1	(175)
<i>Effective income tax rate*</i>	18.6%	—	—	—	—	20.0%
Net income from continuing operations	614	149	1	19	(2)	780
Net income from discontinued operations	28	5	2	2	—	36
<b>Net income</b>	<b>642</b>	<b>153</b>	<b>3</b>	<b>21</b>	<b>(2)</b>	<b>816</b>
Non-controlling interests	7	(4)	—	—	—	3
<b>Net income, Group share</b>	<b>649</b>	<b>149</b>	<b>3</b>	<b>21</b>	<b>(2)</b>	<b>819</b>
<i>Average number of shares (thousands)</i>	209,349	—	—	—	—	209,349
<b>Net earnings, Group share per share (in €)</b>	<b>3.10</b>	—	—	—	—	<b>3.91</b>

(\*) 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: amortization of assets valued as part of the purchase price allocation, other expenses directly related to acquisitions and disposals.

(2) Gains and losses on disposals of assets, 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 2022

<i>In € millions except earnings per share (in €)</i>	Consolidated income statement H1 2022	Adjustments				Adjusted income statement H1 2022
		(1)	(2)	(3)	(4)	
<b>Sales</b>	<b>8,256</b>	—	—	—	—	<b>8,256</b>
Cost of sales	(6,223)	187	—	—	—	(6,036)
Research and development costs	(486)	—	—	—	—	(486)
Marketing and selling expenses	(639)	—	—	—	—	(639)
General and administrative expenses	(291)	—	—	—	—	(291)
Restructuring costs	(35)	—	—	—	—	(35)
<b>Income from operations</b>	<b>583</b>	<b>187</b>	—	—	—	<b>769</b>
Share in net income of equity affiliates	107	15	—	—	—	122
Income from operating activities after share in net income	690	—	—	—	—	N/A
<b>EBIT</b>	<b>N/A</b>	<b>201</b>	—	—	—	<b>891</b>
Gains and losses on disposals of assets, changes in scope and other	10	—	(10)	—	—	—
Impairment of non-current assets	—	—	—	—	—	—
Net financial interest	(32)	—	—	—	—	(32)
Other financial income and expenses	(30)	—	—	19	—	(10)
Finance costs on pensions and other long-term employee benefits	16	—	—	—	(31)	(15)
Income tax	(105)	(48)	9	(4)	8	(141)
<i>Effective income tax rate*</i>	19.3%	—	—	—	—	19.7%
Net income from continuing operations	549	154	(2)	15	(23)	693
Net income from discontinued operations	11	23	1	(4)	—	31
<b>Net income</b>	<b>560</b>	<b>176</b>	—	<b>11</b>	<b>(23)</b>	<b>724</b>
Non-controlling interests	6	(4)	—	—	—	2
<b>Net income, Group share</b>	<b>566</b>	<b>172</b>	—	<b>11</b>	<b>(23)</b>	<b>726</b>
<i>Average number of shares (thousands)</i>	212,695	—	—	—	—	212,695
<b>Net earnings, Group share per share (in €)</b>	<b>2.66</b>	—	—	—	—	<b>3.41</b>

(\*) 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: amortization of assets valued as part of the purchase price allocation, other expenses directly related to acquisitions.

(2) Gains and losses on disposals of assets, 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 2023	H1 2022	Total change	Organic change
Aerospace	2,344	2,393	-2%	-4%
Defense & Security	4,603	7,150	-36%	-36%
Digital Identity & Security	1,594	1,631	-2%	+12%
<b>Total – operating segments</b>	<b>8,540</b>	<b>11,175</b>	<b>-24%</b>	<b>-23%</b>
Other	23	33		
<b>Total</b>	<b>8,563</b>	<b>11,208</b>	<b>-24%</b>	<b>-23%</b>
Of which mature markets <sup>5</sup>	6,931	6,682	+4%	+6%
Of which emerging markets <sup>5</sup>	1,633	4,526	-64%	-64%

**Order intake** in H1 2023 amounted to **€8,563 million, down 24%** compared to H1 2022 (-23% at constant scope and exchange rates<sup>6</sup>). The book-to-bill ratio was 0.98, versus 1.36 in the first half of 2022, which benefited from the recording in the order book of the jumbo contract for the supply of Rafale aircraft to the United Arab Emirates.

In H1 2023, Thales booked **nine large orders with a unit value of over €100 million**, for a total amount of **€1,671 million** (€5,155 million in H1 2022):

- Three 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 I-HAB module for the lunar orbital station;
  - The order of a submarine subsystem for a military customer.
- Six 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);
  - 3 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 defense 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.

<sup>5</sup> Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 15. 2022 restated from transfer of a few countries from emerging countries to mature countries (in "Europe").

<sup>6</sup> Taking into account a negative currency effect of €78 million and a negative net scope effect of €83 million.

Orders with a **unit value of less than €100 million** totaled **€6,893 million**, up 14% compared to the first half of 2022, driven in particular by orders with a **unit value between €10 million and €100 million** in the Defense & Security segment, which increased by 52% compared to the first half of 2022. Orders with a **unit value of less than €10 million** remained strong, with an increase of 8%, thanks in particular to the recovery in civil aeronautics and passport production activities.

From a **geographical**<sup>7</sup> point of view, the order intake in emerging markets came to €1,633 million, down 64% at constant scope and exchange rates, affected by a high basis for comparison: Three contracts worth more than €100 million were recorded in the first half of 2022, including the jumbo contract for the UAE Rafale order. At €6,931 million, order intake in mature markets remained strong (+6% at constant scope and exchange rates).

Order intake in the **Aerospace** segment totaled **€2,344 million**, versus €2,393 million in H1 2022 (-4% at constant scope and exchange rates). This slight decline reflects two separate trends:

- A fall in the order intake of Thales Alenia Space, affected by a high comparison base in the first half of 2022;
- The confirmed recovery in civil aeronautics, in both the original equipment business and aftermarket.

Order intake in the **Defense & Security** segment totaled **€4,603 million** compared to €7,150 million in H1 2022, reflecting a strong level of business, including the five large orders with a unit value of over €100 million mentioned above. The 36% decrease at constant scope and exchange rates reflects the recording of the jumbo contract for the supply of Rafale aircraft to the United Arab Emirates in the order book in the first half of 2022. The segment's order book thus reached **€31 billion**, representing nearly 3.4 years of sales.

At **€1,594 million**, order intake in the **Digital Identity & Security** segment was as usual in line with sales, considering that most businesses in this segment do not book long-term orders. The order book is therefore not significant.

## Sales

<i>In € millions</i>	H1 2023	H1 2022	Total change	Organic change
Aerospace	2,465	2,211	+11.5%	+10.1%
Defense & Security	4,626	4,379	+5.6%	+5.3%
Digital Identity & Security	1,595	1,631	-2.3%	+11.7%
<b>Total – operating segments</b>	<b>8,685</b>	<b>8,222</b>	<b>+5.6%</b>	<b>+7.8%</b>
Other	30	35		
<b>Total</b>	<b>8,716</b>	<b>8,256</b>	<b>+5.6%</b>	<b>+7.7%</b>
Of which mature markets <sup>8</sup>	6,864	6,496	+5.7%	+7.5%
Of which emerging markets <sup>8</sup>	1,852	1,761	+5.2%	+8.6%

<sup>7</sup> See table on page 15.

<sup>8</sup> Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 15. 2022 restated from transfer of a few countries from "emerging markets" to "mature markets" (in "Europe").

**Sales** for the first half of 2023 amounted to **€8,716 million**, compared with €8,256 million in the first half of 2022, an increase of 5.6%, or +7.7% at constant scope and exchange rates, benefiting from a solid performance across all segments.

From a **geographical** point of view<sup>9</sup>, sales increased sharply in both mature markets, which achieved organic growth of +7.5%, and emerging markets, which posted organic growth of +8.6%.

Sales in the **Aerospace** segment amounted to **€2,465 million**, up 11.5% compared to H1 2022 (+10.1% at constant scope and exchange rates). This reflects the confirmed rebound in civil avionics, both in aftermarket and the original equipment business, which both posted double-digit growth in the first half of 2023.

Sales in the **Defense & Security** segment totaled **€4,626 million**, up 5.6% compared to H1 2022 (+5.3% at constant scope and exchange rates). This segment grew consistently in the first two quarters of 2023, with organic sales growth of 5.2% in Q2, confirming the good momentum of most businesses in this operating segment. Cyber-defense, intelligence, surveillance and detection solutions, airspace protection systems, electronic warfare systems, infrastructure networks and systems, and critical information systems posted organic growth of more than 10% in the first half of the year.

In the **Digital Identity & Security** segment, sales were up 11.7% at constant scope and exchange rates to **€1,595 million**. After another very dynamic first quarter (+20.1%), Q2 growth (+4.7%) was in line with expectations, reflecting the slowdown in demand and the price effect on smart cards after five quarters of exceptionally strong growth, and the return to normal of the secure document business (particularly passports).

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<sup>9</sup> Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 15. 2022 restated from transfer of a few countries from "emerging markets" to "mature markets" (in "Europe").

## Adjusted results

<b>EBIT</b>	<b>H1 2023</b>	<b>H1 2022</b>	<b>Total change</b>	<b>Organic change</b>
<i>In € millions</i>				
<b>Aerospace</b>	<b>171</b>	<b>97</b>	<b>+76.7%</b>	<b>+79.0%</b>
<i>as a % of sales</i>	7.0%	4.4%	+2.6 pts	+2.8 pts
<b>Defense &amp; Security</b>	<b>567</b>	<b>545</b>	<b>+4.0%</b>	<b>+3.3%</b>
<i>as a % of sales</i>	12.3%	12.5%	-0.2 pts	+0.2 pts
<b>Digital Identity &amp; Security</b>	<b>253</b>	<b>201</b>	<b>+25.9%</b>	<b>+35.7%</b>
<i>as a % of sales</i>	15.9%	12.3%	+3.6 pts	+4.7 pts
<b>Total – operating segments</b>	<b>992</b>	<b>843</b>	<b>+17.6%</b>	<b>+19.5%</b>
<i>as a % of sales</i>	11.4%	10.3%	+1.2 pts	+1.6 pts
Other – excluding Naval Group	-42	-41		
<b>Total – excluding Naval Group</b>	<b>949</b>	<b>803</b>	<b>+18.2%</b>	<b>+20.2%</b>
<i>as a % of sales</i>	10.9%	9.7%	+1.2 pts	+1.6 pts
Naval Group (35% share)	44	89		
<b>Total</b>	<b>993</b>	<b>891</b>	<b>+11.4%</b>	<b>+13.1%</b>
<i>as a % of sales</i>	11.4%	10.8%	+0.6 pts	+1.1 pts

In H1 2023, the Group posted **EBIT<sup>10</sup> of 993 million (11.4% of sales)**, compared with €891 million (10.8% of sales) in H1 2022.

The **Aerospace** segment posted EBIT of **171 million (7.0% of sales)**, versus EBIT of €97million (4.4% of sales) in H1 2022. The increase in the segment's EBIT margin was driven by the good performance of aeronautics activities, whose profitability returned close to pre-health crisis levels, while the space business continued to be impacted by production delays caused by persistent supply chain tension.

In the **Defense & Security** segment, EBIT amounted to **€567 million**, versus €545 million in H1 2022 (+3.3% at constant scope and exchange rates). The segment's margin was stable against last year, at 12.3% (12.4% in the first half of 2022).

At **€253 million (15.9% of sales)**, versus €201 million (12.3% of sales) in the first half of 2022, the EBIT margin in the **Digital Identity & Security** segment continued to rise sharply (+3.6 points), benefiting from both a scope effect (transfer of the cellular IoT business to Telit from December 31, 2022), as well as the improvement in the sales margin and the impact of operating leverage on sales growth.

Excluding Naval Group, **unallocated EBIT** amounted to **-€42 million**, compared with -€41 million in H1 2022. As in 2022, this category reflects the reallocation of certain costs following the classification of the Transport business as a discontinued operation.

<sup>10</sup> Non-GAAP financial indicator, see definition in the appendices on page 3 and the calculation on pages 5 and 6.

At **€44 million** in the first half of 2023, versus €89 million in 2022, **Naval Group's** contribution to EBIT continued to record underlying growth, as last year's contribution (€89 million) included non-recurring income of around €50 million related to the compensation agreement signed between Australia and Naval Group.

**Net financial interest (€13 million** versus -€32 million in the first half of 2022) became positive, benefiting from the improvement in the Group's cash position compared to the first half of 2022 and the rise in interest rates. **Other adjusted financial income and expenses<sup>11</sup> (-€13 million** in H1 2023 versus -€10 million in H1 2022) remain low. The deterioration of the **adjusted financial expense on pensions and other long-term employee benefits<sup>11</sup> (-€38 million** compared to -€15 million in H1 2022) reflects the decrease in net liabilities combined with the sharp increase in discount rates.

At **€36 million** compared with €30 million in H1 2022, the **adjusted net income, Group share, from discontinued operations** was in line with trends in the Transport business.

**Adjusted net income, Group share<sup>11</sup>** thus amounted to **€819 million**, compared to €726 million in H1 2022, after an adjusted income tax charge<sup>11</sup> of -€175 million, compared to -€141 million in H1 2022. The effective tax rate stood at 20.0% at June 30, 2023, compared with 19.7% at June 30, 2022. The corporate tax rate in France was stable at 25.8% in H1 2023.

**Adjusted net income, Group share, per share<sup>11</sup>** amounted to €3.91, up 15% compared to H1 2022 (€3.41).

## Consolidated results

### Income from operations

After accounting of the purchase price allocation (PPA) and other expenses directly related to acquisitions, which amounted to €179 million (€187 million as at June 30, 2022), reported **income from operations** set at €735 million, compared to €583 million in the first half of 2022. As with EBIT, this increase reflects the leverage effect on the increase in revenues and the associated improvement in gross margin, despite a slight increase in indirect costs, especially of marketing and selling.

**Income of operating activities before share in net income from equity affiliates** thus amounts to €734 million, compared to €593 million at June 30, 2022, 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** decrease at €65 million in the first half of 2023, against €107 million at June 30, 2022. This decrease is due to the exceptional contribution from Naval Group in the first half of 2022, benefitting from the compensation agreement with Australia. **Income of operating activities after share in net income from equity affiliates** therefore comes to €798 million, compared to €700 million for the same period at June 30, 2022.

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<sup>11</sup> Non-GAAP financial indicator, see definition in the appendices on page 3 and the calculation on pages 5 and 6.

## Net financial income (expense)

**Net financial interest** (€13 million versus -€32 million in the first half of 2022) became positive, benefiting from the improvement in the Group's cash position compared to the first half of 2022 and the rise in interest rates. **Other financial expenses** remained stable at €-37 million in the first half of 2023 (€-30 million over H1 2022).

At -€36 million in the first half of 2023, compared with €16 million in the first half of 2022, the **finance costs on pensions and other employee benefits** recorded an increase in net interest expense (-35 million versus -€13 million in the first half of 2022), as well as a decrease in income from actuarial gains and losses (€3 million at 30 June, 2023 versus €31 million in the first half of 2022).

The **income tax charge** amounted to €125 million in the first half of 2023 compared to €105 million in the first half of 2022.

## Net income

The **net income, Group share, from discontinued operations** stood at €28 million over the first half of 2023, compared to €11 million over the first half of 2022. This includes expenses directly associated with the disposal of the Transport business.

**Consolidated net income, Group share** stood at **€649 million**, up **15%** as compared to June 30, 2022 (€566 million). This evolution was in line with that of adjusted net income, Group share.

## Financial position at 30 June 2023

<i>in € millions</i>	H1 2023	H1 2022	Change
<b>Operating cash flow before interest and tax</b>	1,319	1,176	+143
+ Change in working capital and provisions for contingencies	(686)	4	(690)
+ Payment of pension contributions, excluding contributions related to the reduction of the UK pension deficit	(68)	(56)	(12)
+ Net financial interest received (paid)	(25)	(32)	+6
+ Income tax paid	(16)	29	(45)
+ Net operating investments	(272)	(184)	(88)
<b>Free operating cash flow, continuing operations</b>	253	938	(685)
<b>Free operating cash flow, discontinued operations</b>	(153)	(118)	(36)
<b>Free operating cash flow</b>	99	820	(721)
+ Net balance of disposals (acquisitions) of subsidiaries and affiliates	(7)	(141)	134
+ Contribution to the reduction of pension financing deficits in the United Kingdom	(51)	(49)	(2)
+ Dividends paid	(468)	(416)	(52)
+ Share buybacks (program approved in March 2022)	(210)	(127)	(83)
+ New lease liabilities (IFRS 16)	(49)	(112)	63
+ Exchange rates and other	(60)	(74)	14
<b>Change in net cash (debt)</b>	(746)	(99)	(647)
Net cash (debt) at start of period	(35)	(795)	+760
+ Change in net cash (debt)	(746)	(99)	(647)
<b>Net cash (debt) at end of period</b>	(781)	(894)	+113

**Free operating cash flow**<sup>12</sup> amounted to **€99 million**, compared with €820 million in H1 2022. In the first half of 2023, Thales recorded an increase in working capital requirements due to higher inventories. This is due to the significant production increase, the effect of inflation and the building up of inventories of products for which Thales is seeking to increase its resilience.

The **net balance of disposals and acquisitions of subsidiaries** amounted to **-€7 million** in the first half of 2023, as the Group did not complete any significant acquisitions or disposals over the period. Thales has announced two acquisition projects since the beginning of the year ; the acquisition of Tesserent, a leading cybersecurity player in Australia and New Zealand, whose completion is expected during the second half of 2023, and the acquisition of Cobham Aerospace Communications, which is expected to be completed in the first half of 2024.

Under the **share buyback program** covering a maximum of 3.5% of the share capital announced in March 2022, 4,378,527 shares, representing 58.4% of the share capital, were repurchased in the first half of 2023 for €210 million, for a total of €536 million since the start of the program.

<sup>12</sup> Non-GAAP financial indicator, see definition in the appendices, page 3.

At June 30, 2023, **net debt** amounted to **€781 million**, versus €894 million at June 30, 2022, after taking into account new lease liabilities for €49 million (€112 million at June 30, 2022) and after the payment of €468 million in dividends (€416 million in the first half of 2022).

**Shareholders' equity, Group share** amounted to **€7,115 million**, compared with €7,174 million at December 31, 2022, with consolidated net income, Group share (€649 million) offsetting the dividend payout (€468 million) and share buybacks (€216 million).

## Related party transactions

Main related party transactions are disclosed in Note 13-a of the consolidated financial statements included in the 2022 Universal Registration Document.

Revenues with the French State amounted to €1,997.2 million in the first half of 2023 and €1,811.7 million in the first half of 2022.

## Main risks and uncertainties during the second half of 2023 fiscal year

The main risks and uncertainties as described in the Universal Registration Document filed with the Autorité des Marchés Financiers (AMF) on 03 April 2023 – chapter 3, Risk Factors, Internal Control and Risk Management from page 50 to 71 – remain valid and applicable for the second half of 2023 fiscal year.

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

## Outlook for the current year

Medium-term demand prospects remain very solid in the Group's key markets.

For the second half of 2023, the global environment will continue to be marked by tensions affecting supply chains, and by the dollar's weakening against the euro. In addition, DIS sales growth should continue to decelerate, the second half of 2022 having benefited from a significant price effect (DIS organic growth in H2 2022: +16.5%).

Against this backdrop, Thales continues its short-term efforts on managing the operational factors to support production ramp-up: strengthening the resilience of its supply chains, recruiting talent and investing in engineering and industrial tools.

As a result, in the absence of major new disruptions in the global economy, the public health context, or global supply chains, Thales adjusts its targets for 2023:

- A **book-to-bill ratio above 1**;
- **Organic sales growth** of between **+5%** and **+7%**, corresponding to sales in the range of €17.9 to €18.2 billion<sup>13</sup>;
- An **EBIT margin** between **11.5%** and **11.8%**, up 50 to 80 basis points from 2022.

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<sup>13</sup> Based on July 2023 scope and exchange rates.



# Notes to the report on operations and results for the first half of 2023

## Order intake by destination – H1 2023

	H1 2023	H1 2022	Total change	Organic change	2023 weighting as a %
<i>In € millions</i>					
France	2,058	2,259	-9%	-9%	24%
United Kingdom	577	438	+32%	+37%	7%
Rest of Europe	2,771	2,037	+36%	+39%	32%
<b>Subtotal Europe<sup>(a)</sup></b>	<b>5,406</b>	<b>4,734</b>	<b>+14%</b>	<b>+16%</b>	<b>63%</b>
United States and Canada	1,048	1,459	-28%	-28%	12%
Australia and New Zealand	477	490	-3%	+8%	6%
<b>Total mature markets</b>	<b>6,931</b>	<b>6,682</b>	<b>+4%</b>	<b>+6%</b>	<b>81%</b>
Asia	1,005	495	+103%	+122%	12%
Near and Middle East	294	3,701	-92%	-92%	3%
Rest of the world	333	331	+1%	+5%	4%
<b>Total emerging markets<sup>(a)</sup></b>	<b>1,633</b>	<b>4,526</b>	<b>-64%</b>	<b>-64%</b>	<b>19%</b>
<b>Total all markets</b>	<b>8,563</b>	<b>11,208</b>	<b>-24%</b>	<b>-23%</b>	<b>100%</b>

## Sales by destination – H1 2023

	H1 2023	H1 2022	Total change	Organic change	2023 weighting as a %
<i>In € millions</i>					
France	2,639	2,447	+7.8%	+8.0%	30%
United Kingdom	573	475	+20.5%	+25.4%	7%
Rest of Europe	2,057	2,020	+1.9%	+3.8%	24%
<b>Subtotal Europe<sup>(a)</sup></b>	<b>5,268</b>	<b>4,942</b>	<b>+6.6%</b>	<b>+8.0%</b>	<b>60%</b>
United States and Canada	1,215	1,058	+14.9%	+14.7%	14%
Australia and New Zealand	380	496	-23.4%	-15.1%	4%
<b>Total mature markets</b>	<b>6,864</b>	<b>6,496</b>	<b>+5.7%</b>	<b>+7.5%</b>	<b>79%</b>
Asia	848	812	+4.5%	+10.1%	10%
Near and Middle East	562	493	+14.1%	+14.1%	6%
Rest of the world	442	456	-3.1%	0.0%	5%
<b>Total emerging markets<sup>(a)</sup></b>	<b>1,852</b>	<b>1,761</b>	<b>+5.2%</b>	<b>+8.6%</b>	<b>21%</b>
<b>Total all markets</b>	<b>8,716</b>	<b>8,256</b>	<b>+5.6%</b>	<b>+7.7%</b>	<b>100%</b>

(a) 2022 restated from transfer of a few countries from "emerging markets" to "mature markets"

## Order intake and sales – Q2 2023

Order intake	Q2 2023	Q2 2022	Total change	Organic change
<i>In € millions</i>				
Aerospace	1,147	1,211	-5%	-5%
Defense & Security	3,162	6,051	-48%	-48%
Digital Identity & Security	816	892	-9%	+5%
<b>Total – operating segments</b>	<b>5,124</b>	<b>8,154</b>	<b>-37%</b>	<b>-36%</b>
Other	18	22		
<b>Total</b>	<b>5,142</b>	<b>8,176</b>	<b>-37%</b>	<b>-36%</b>

### Sales

<i>In € millions</i>				
Aerospace	1,312	1,186	+10.6%	+9.9%
Defense & Security	2,547	2,429	+4.9%	+5.2%
Digital Identity & Security	816	892	-8.5%	+4.7%
<b>Total – operating segments</b>	<b>4,674</b>	<b>4,506</b>	<b>+3.7%</b>	<b>+6.4%</b>
Other	16	20		
<b>Total</b>	<b>4,690</b>	<b>4,526</b>	<b>+3.6%</b>	<b>+6.3%</b>

## Organic change in sales by quarter

	Sales 2022	Exchange rate effect	Impact of disposals	Sales 2023	Impact of acquisitions	Total change	Organic change
<i>In € millions</i>							
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%
<b>1st half</b>	<b>8,256</b>	<b>-79</b>	<b>-199</b>	<b>8,716</b>	<b>+122</b>	<b>+5.6%</b>	<b>+7.7%</b>

### Main scope effects:

#### Acquisitions:

- OneWelcome
- S21sec and Excellium
- Advanced Acoustic Concepts
- Ruag S&T

#### Disposals:

- Deconsolidation of IoT module business



**CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 30 JUNE 2023**

## INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

<i>(in € millions)</i>	Notes	First half 2023	First half 2022	2022
<b>Sales</b>	note 2	<b>8,715.8</b>	<b>8,256.3</b>	<b>17,568.8</b>
Cost of sales		(6,437.8)	(6,222.8)	(13,113.4)
Research and development expenses		(512.7)	(486.2)	(1,063.6)
Marketing and selling expenses		(690.1)	(639.1)	(1,350.4)
General and administrative expenses		(305.9)	(290.8)	(598.5)
Restructuring costs		(34.6)	(34.8)	(98.5)
<b>Income from operations</b>	note 2	<b>734.7</b>	<b>582.6</b>	<b>1,344.4</b>
Disposal of assets, changes in scope of consolidation and other	note 3.2	(1.2)	10.3	(23.9)
Impairment on non-current fixed assets		—	—	—
<b>Income of operating activities before share in net income of equity affiliates</b>		<b>733.5</b>	<b>592.9</b>	<b>1,320.5</b>
Share in net income of equity affiliates	note 5.1	64.6	107.4	180.0
<b>Income of operating activities after share in net income of equity affiliates</b>		<b>798.1</b>	<b>700.3</b>	<b>1,500.5</b>
Financial interests on gross debt		(58.6)	(28.2)	(75.9)
Financial interests on cash and cash equivalents		71.9	(3.6)	25.8
<b>Interest expense, net</b>	note 6.1	<b>13.3</b>	<b>(31.8)</b>	<b>(50.1)</b>
Other financial expenses	note 6.1	(36.6)	(29.6)	(98.5)
Finance costs on pensions and other employee benefits	note 8	(35.6)	15.5	(4.9)
Income tax	note 9	(125.2)	(105.4)	(225.1)
<b>Net income relating to continued operations</b>		<b>614.0</b>	<b>549.0</b>	<b>1,121.9</b>
<b>Net income relating to discontinued operations</b>	note 1.2	<b>28.0</b>	<b>11.0</b>	<b>9.1</b>
<b>Net income</b>		<b>642.0</b>	<b>560.0</b>	<b>1,131.0</b>
<b>Shareholders of the parent company</b>		<b>648.9</b>	<b>565.6</b>	<b>1,120.6</b>
Of which: net income relating to continued operations, Group share		620.9	554.6	1,111.5
Of which: net income relating to discontinued operations, Group share		28.0	11.0	9.1
<b>Non-controlling interests</b>		<b>(6.9)</b>	<b>(5.6)</b>	<b>10.4</b>
<b>Basic earnings per share (in euros)</b>	note 10.2	<b>3.10</b>	<b>2.66</b>	<b>5.29</b>
<b>Diluted earnings per share (in euros)</b>	note 10.2	<b>3.09</b>	<b>2.66</b>	<b>5.28</b>

Segment information (including EBIT calculation) is detailed in note 2.1.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in € millions)</i>	First half 2023			First half 2022			2022		
	Total attributable to :		Total	Total attributable to :		Total	Total attributable to :		Total
Shareholders of the parent company	Non- controlling interests	Shareholders of the parent company		Non- controlling interests	Shareholders of the parent company		Non- controlling interests		
<b>Net income</b>	<b>648.9</b>	<b>(6.9)</b>	<b>642.0</b>	<b>565.6</b>	<b>(5.6)</b>	<b>560.0</b>	<b>1,120.6</b>	<b>10.4</b>	<b>1,131.0</b>
Translation adjustments	(16.8)	(1.2)	(18.0)	67.8	4.4	72.2	(10.5)	3.9	(6.6)
Cash flow hedge	30.4	4.1	34.5	(76.1)	(10.1)	(86.2)	(12.2)	(4.8)	(17.0)
Equity affiliates	34.1	—	34.1	12.4	—	12.4	(18.7)	—	(18.7)
Discontinued operations	7.6	—	7.6	(18.4)	—	(18.4)	(19.8)	—	(19.8)
<b>Items that may be reclassified to income</b>	<b>55.3</b>	<b>2.9</b>	<b>58.2</b>	<b>(14.3)</b>	<b>(5.7)</b>	<b>(20.0)</b>	<b>(61.2)</b>	<b>(0.9)</b>	<b>(62.1)</b>
Actuarial gains (losses) on pensions	(103.1)	(0.6)	(103.7)	1,050.5	(2.5)	1,048.0	457.1	10.7	467.8
Financial assets at fair value	2.7	3.0	5.7	(20.4)	(9.7)	(30.1)	(30.3)	(13.5)	(43.8)
Deferred tax	15.3	0.2	15.5	(75.6)	0.7	(74.9)	(58.8)	(2.8)	(61.6)
Equity affiliates	2.9	—	2.9	1.3	—	1.3	23.3	—	23.3
Discontinued operations	(10.4)	—	(10.4)	152.1	—	152.1	146.9	—	146.9
<b>Items that will not be reclassified to income</b>	<b>(92.6)</b>	<b>2.6</b>	<b>(90.0)</b>	<b>1,107.9</b>	<b>(11.5)</b>	<b>1,096.4</b>	<b>538.2</b>	<b>(5.6)</b>	<b>532.6</b>
<b>Other comprehensive income (loss) for the period net of tax</b>	<b>(37.3)</b>	<b>5.5</b>	<b>(31.8)</b>	<b>1,093.6</b>	<b>(17.2)</b>	<b>1,076.4</b>	<b>477.0</b>	<b>(6.5)</b>	<b>470.5</b>
<b>Total comprehensive income for the period</b>	<b>611.6</b>	<b>(1.4)</b>	<b>610.2</b>	<b>1,659.2</b>	<b>(22.8)</b>	<b>1,636.4</b>	<b>1,597.6</b>	<b>3.9</b>	<b>1,601.5</b>

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<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>	<b>Group share</b>	<i>Non- controlling interests</i>	<b>Total equity</b>
<b>At 1st January 2022</b>	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) net of tax	—	—	—	538.2	(19.9)	(41.3)	—	477.0	(6.5)	470.5
<b>Total comprehensive income for 2022</b>	—	—	—	1,658.8	(19.9)	(41.3)	—	1,597.6	3.9	1,601.5
Employee share issues	—	—	—	—	—	—	—	—	—	—
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)
<b>At 31 December 2022</b>	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	—	—	—	648.9	—	—	—	648.9	(6.9)	642.0
Other comprehensive income (loss) net of tax	—	—	—	(92.6)	81.4	(26.1)	—	(37.3)	5.5	(31.8)
<b>Total comprehensive income for first half 2023</b>	—	—	—	556.3	81.4	(26.1)	—	611.6	(1.4)	610.2
Parent company dividend distribution	—	—	—	(468.0)	—	—	—	(468.0)	—	(468.0)
Third-party share in dividend paid by subsidiaries	—	—	—	—	—	—	—	—	(49.4)	(49.4)
Share-based payments	—	—	—	11.2	—	—	—	11.2	—	11.2
(Acquisitions) / disposals of treasury shares	(1,658)	—	—	1.2	—	—	(217.4)	(216.2)	—	(216.2)
Capital reduction through cancellation of shares *	—	(9.6)	(371.0)	—	—	—	380.6	—	—	—
Other	—	—	—	2.8	—	(0.8)	—	2.0	0.1	2.1
<b>At 30 June 2023</b>	208,476	630.6	3,705.6	3,325.8	(43.2)	(285.2)	(219.1)	7,114.5	156.9	7,271.4

\* On 08 March 2023, the Board of directors decided to reduce the share capital of Thales by cancelling 3,201,169 treasury shares held in registered form, representing 1.5% of its share capital, effective March 13, 2023. The shares were bought back between April 1st, 2022 and February 15, 2023 as part of the buyback program announced on March 3, 2022.

## First half 2022

<i>(in € millions)</i>	<i>Number of shares outstanding (thousands)</i>	Share capital	Additional paid-in capital	Retained earnings	Cash flow hedge	Cumulative translation adjustment	Treasury shares	<b>Group share</b>	Non- controlling interests	<b>Total equity</b>
<b>At 1st January 2022</b>	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	—	—	—	565.6	—	—	—	565.6	(5.6)	560.0
Other comprehensive income (loss) net of tax	—	—	—	1,107.9	(81.7)	67.4	—	1,093.6	(17.2)	1,076.4
<b>Total comprehensive income for first half 2022</b>	—	—	—	1,673.5	(81.7)	67.4	—	1,659.2	(22.8)	1,636.4
Employee share issues	—	—	—	—	—	—	—	—	—	—
Parent company dividend distribution	—	—	—	(416.2)	—	—	—	(416.2)	—	(416.2)
Third-party share in dividend paid by subsidiaries	—	—	—	—	—	—	—	—	(38.9)	(38.9)
Share-based payments	—	—	—	10.8	—	—	—	10.8	—	10.8
(Acquisitions)/disposals of treasury shares	(1,028)	—	—	2.0	—	—	(129.2)	(127.2)	—	(127.2)
Other	—	—	—	(8.7)	—	(3.4)	—	(12.1)	1.0	(11.1)
<b>At 30 June 2022</b>	211,890	640.2	4,076.6	3,378.2	(186.4)	(152.9)	(166.9)	7,588.8	183.7	7,772.5

## INTERIM CONSOLIDATED BALANCE SHEET

(in € millions)

<b>ASSETS</b>	<b>Notes</b>	<b>30/06/23</b>	<b>31/12/22</b>
Goodwill	note 4.1	5,411.9	5,470.0
Other intangible assets, net	note 4.2	1,479.6	1,565.8
Property, plant and equipment, net	note 4.2	3,449.7	3,478.9
Investments in equity affiliates	note 5	1,589.1	1,589.3
Non-consolidated investments		137.3	127.2
Other non-current financial assets		143.5	132.8
Deferred tax assets		1,090.5	1,043.0
<b>Non-current assets</b>		<b>13,301.6</b>	<b>13,407.0</b>
Inventories and work in progress	note 7.1	4,268.4	3,672.3
Contract assets	note 7.1	3,176.7	2,410.5
Advances to suppliers	note 7.1	739.4	641.9
Accounts, notes and other current receivables	note 7.1	5,675.5	5,810.1
Current derivatives – assets	note 7.1	155.9	172.6
Current tax receivable		119.6	194.7
Current financial assets	note 6.2	721.3	221.3
Cash and cash equivalents	note 6.2	4,206.0	5,099.6
Assets held for sale	note 1.2	2,828.9	2,790.5
<b>Current assets</b>		<b>21,891.7</b>	<b>21,013.5</b>
<b>Total assets</b>		<b>35,193.3</b>	<b>34,420.5</b>
<b>EQUITY AND LIABILITIES</b>			
	<b>Notes</b>	<b>30/06/23</b>	<b>31/12/22</b>
Capital, additional paid-in capital and other reserves		7,618.8	7,814.5
Cumulative translation adjustment		(285.2)	(258.3)
Treasury shares		(219.1)	(382.3)
<b>Total attributable to shareholders of the parent company</b>		<b>7,114.5</b>	<b>7,173.9</b>
Non-controlling interests		156.9	207.6
<b>Total equity</b>	note 10.1	<b>7,271.4</b>	<b>7,381.5</b>
Long-term loans and borrowings	note 6.2	3,930.2	3,991.1
Non-current derivatives – liabilities		1.0	1.0
Pensions and other long-term employee benefits	note 8	1,989.2	1,907.7
Deferred tax liabilities		374.7	396.6
<b>Non-current liabilities</b>		<b>6,295.1</b>	<b>6,296.4</b>
Contract liabilities	note 7.1	8,763.0	8,313.6
Reserves for contingencies	note 7.1	1,711.4	1,752.0
Accounts, notes and other current payables	note 7.1	7,197.0	6,918.7
Current derivatives – liabilities	note 7.1	269.7	328.2
Current tax receivable		174.1	168.2
Short-term loans and borrowings	note 6.2	1,837.3	1,480.3
Liabilities held for sale	note 1.2	1,674.3	1,781.6
<b>Current liabilities</b>		<b>21,626.8</b>	<b>20,742.6</b>
<b>Total equity and liabilities</b>		<b>35,193.3</b>	<b>34,420.5</b>



## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	Notes	First half 2023	First half 2022	2022
<b>Net income</b>		<b>642.0</b>	<b>560.0</b>	<b>1,131.0</b>
Less, net income relating to discontinued operations (a)		(28.0)	(11.0)	(9.1)
<b>Net income relating to continued operations</b>		<b>614.0</b>	<b>549.0</b>	<b>1,121.9</b>
<b>Add (deduct):</b>				
Income tax expense (gain)		125.2	105.4	225.1
Net interest expenses		(13.3)	31.8	50.1
Share in net income of equity affiliates	note 5.1	(64.6)	(107.4)	(180.0)
Dividends received from equity affiliates	note 5.1	92.3	49.7	60.8
Depreciation and amortisation of PPE and intangible assets	note 4.2	482.4	496.7	1,058.8
Provisions for pensions and other employee benefits	note 8	82.0	64.6	163.7
Loss (gain) on disposal of assets, change in scope of consolidation and other		1.2	(10.3)	23.9
Provisions for restructuring, net		(10.8)	(27.0)	(52.1)
Other items		10.8	23.5	17.3
<b>Operating cash flows before working capital changes, interest and tax</b>		<b>1,319.2</b>	<b>1,176.0</b>	<b>2,489.5</b>
Change in working capital and reserves for contingencies	note 7.1	(685.5)	4.3	966.4
Cash contributions to pension plans and other long-term employee benefits, o.w.:		(119.2)	(105.0)	(231.8)
- UK deficit payment		(51.4)	(49.0)	(95.1)
- Recurring contributions/benefits		(67.8)	(56.0)	(136.7)
Interest paid		(66.3)	(39.3)	(69.0)
Interest received		41.1	7.7	26.6
Income tax received (paid)		(16.3)	29.0	(156.3)
<b>Net cash flow from operating activities relating to continued activities (a)</b>	<b>- I -</b>	<b>473.0</b>	<b>1,072.7</b>	<b>3,025.4</b>
Acquisitions of property, plant and equipment and intangible assets		(272.0)	(191.8)	(534.6)
Disposals of property, plant and equipment and intangible assets		0.1	7.6	9.2
<b>Net operating investments</b>	note 4.2	<b>(271.9)</b>	<b>(184.2)</b>	<b>(525.4)</b>
Acquisitions of subsidiaries and affiliates		(6.7)	(145.8)	(417.8)
Disposals of subsidiaries and affiliates		—	4.8	2.0
Cash of disposed subsidiaries		—	(8.5)	26.9
Decrease (increase) in loans and non-current financial assets		(5.8)	(31.8)	(3.9)
Decrease (increase) in current financial assets		(496.0)	(205.9)	(213.3)
<b>Net financial investments</b>		<b>(508.5)</b>	<b>(387.2)</b>	<b>(606.1)</b>
<b>Net cash flow used in investing activities relating to continued operations (a)</b>	<b>-II-</b>	<b>(780.4)</b>	<b>(571.4)</b>	<b>(1,131.5)</b>
Parent company dividend distribution	note 10	(468.0)	(416.2)	(563.4)
Third party share in dividend distribution of subsidiaries		(49.4)	(12.0)	(41.7)
Purchase of treasury shares		(216.2)	(127.3)	(350.7)
Issuance of debt		990.9	8.7	90.7
Repayment of debt		(727.0)	(733.3)	(786.9)
<b>Net cash flow from financing activities relating to continued operations (a)</b>	<b>-III-</b>	<b>(469.7)</b>	<b>(1,280.1)</b>	<b>(1,652.0)</b>
Exchange rate variation relating to continued operations	- IV -	(28.5)	35.9	2.7
<b>Change in cash and cash equivalents relating to continued operations</b>	<b>I+II+III+IV</b>	<b>(805.6)</b>	<b>(742.9)</b>	<b>244.6</b>
Cash and cash equivalents at opening, of which:		5,296.4	5,216.4	5,216.4
<b>Cash and cash equivalents relating to continued operations at opening (b)</b>		<b>5,099.6</b>	<b>5,049.4</b>	<b>5,049.4</b>
Cash and equivalents relating to discontinued operations at opening (b)		196.8	167.0	167.0
Cash and cash equivalents at closing, of which:		4,346.5	4,347.8	5,296.4
<b>Cash and cash equivalents relating to continued operations at closing (b)</b>		<b>4,206.0</b>	<b>4,252.5</b>	<b>5,099.6</b>
Cash and equivalents relating to discontinued operations at closing (b)		140.5	95.3	196.8

(a) Discontinued activities cash flows are detailed in Note 1.2.

(b) including changes in cash and cash equivalents from continued to discontinued activities of -€88.0 million in half-year 2023, -€53.9 million in half-year 2022 and -€194.4 million in 2022.

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's condensed interim consolidated financial statements for six months ended 30 June 2023 were approved and authorized for issue by its Board of Directors on 20 July 2023.

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 statements

Thales's condensed interim consolidated financial statements for the six months ended 30 June 2023 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 2023. The condensed interim consolidated financial statements are consistent with the accounting policies applied by the Group for the full-year consolidated financial statements at 31 December 2022 (as described in the notes 1 and 13 to the consolidated financial statements).

Pension reform in France, voted for in April 2023, will raise the retirement age from 62 to 64. As a result, the Group has adjusted the assumptions used for actuarial valuations of retirement benefits plans. The impact on the financial statements is not material.

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 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 and business sectors.

## 1.2. Classification of Transport business under "discontinued activities"

On August 3, 2021, Thales entered into exclusive negotiations with Hitachi Rail in order to sale the global Transport business segment for an enterprise value of €1.66 billion. The groups have signed a *Sale and Purchase Agreement* on February 10, 2022.

The carve-out of concerned activities is now finalised within the Group. As of today, the discussions with the European Commission's Directorate-General for Competition (DG Competition) and the UK's Competition and Markets Authority (CMA) are still in progress.

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 correspond to cash flows relating to continued operations. The change in cash from the Transport business is reported on a separate line.

Income statement of discontinued operations	First half 2023	First half 2022	2022
<b>Sales</b>	<b>853.2</b>	<b>777.7</b>	<b>1,772.4</b>
<b>Income of operating activities before share in net income of equity affiliates</b>	<b>32.9</b>	<b>16.1</b>	<b>9.1</b>
Share in net income of equity affiliates	0.4	0.9	3.5
Financial result	(12.4)	0.3	(8.1)
Income tax	7.1	(6.3)	4.6
<b>Net income</b>	<b>28.0</b>	<b>11.0</b>	<b>9.1</b>

**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 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 amortisation of the PPE and intangible assets of the Transport business, as reported in income from operations.

Cash flow statement of discontinued operations	First half 2023	First half 2022	2022
Net cash flow from operating activities	(139.5)	(105.4)	(30.6)
Net cash-flow used in investing activities	(15.8)	(12.7)	(39.0)
Net cash flow from financing activities	14.8	(8.9)	(96.8)
Exchange rates and other	(3.8)	1.3	1.8
<b>Change in cash and cash equivalents</b>	<b>(144.3)</b>	<b>(125.7)</b>	<b>(164.6)</b>

	First half 2022	First half 2022	2022
<b>Net cash flow from operating activities</b>	<b>(139.5)</b>	<b>(105.4)</b>	<b>(30.6)</b>
Less: UK deficit payment	1.7	1.8	3.2
CAPEX	(15.6)	(14.1)	(40.5)
<b>Operating free cash flow</b>	<b>(153.4)</b>	<b>(117.7)</b>	<b>(67.9)</b>

<b>Assets</b>	<b>30/06/23</b>	<b>31/12/22</b>
Goodwill	879.8	879.8
PPE and intangible assets	237.3	207.7
Other non-current assets	52.8	48.6
Deferred tax assets	26.1	23.6
Working capital - assets	1,489.7	1,432.1
Current financial assets	2.7	1.9
Cash and cash equivalents	140.5	196.8
<b>Assets held for sale</b>	<b>2,828.9</b>	<b>2,790.5</b>
<b>Net cash (debt)</b>	<b>60.2</b>	<b>119.9</b>

<b>Equity and liabilities</b>	<b>30/06/23</b>	<b>31/12/22</b>
Long-term loans and borrowings	52.4	50.8
Pensions	104.2	92.4
Other non-current liabilities	18.2	23.9
Working capital - liabilities	1,468.9	1,586.5
Short-term loans and borrowings	30.6	28.0
<b>Liabilities held for sale</b>	<b>1,674.3</b>	<b>1,781.6</b>

## 2. Segment information

### 2.1. 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 2022 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).

<b>First half 2023</b>	<b>Aerospace</b>	<b>Defence &amp; Security</b>	<b>Digital I&amp;S</b>	<b>Other</b>	<b>Thales</b>
<b>Order book – non-Group at the end of the period</b>	<b>9,059.5</b>	<b>30,897.6</b>	<b>625.9</b>	<b>68.0</b>	<b>40,651.0</b>
<b>Order intake – non-Group</b>	<b>2,343.6</b>	<b>4,602.7</b>	<b>1,593.7</b>	<b>23.3</b>	<b>8,563.3</b>
Sales – non-Group	2,464.7	4,626.1	1,594.5	30.5	<b>8,715.8</b>
Sales – intersegment	47.4	187.8	21.1	(256.3)	—
<b>Total Sales</b>	<b>2,512.1</b>	<b>4,813.9</b>	<b>1,615.6</b>	<b>(225.8)</b>	<b>8,715.8</b>
<b>EBIT</b>	<b>171.4</b>	<b>567.0</b>	<b>253.1</b>	<b>1.3</b>	<b>992.8</b>
<i>Of which, Naval Group</i>	—	—	—	43.7	<b>43.7</b>
<i>Excluding Naval Group</i>	171.4	567.0	253.1	(42.4)	<b>949.1</b>

<b>First half 2022</b>	<b>Aerospace</b>	<b>Defence &amp; Security</b>	<b>Digital I&amp;S</b>	<b>Other</b>	<b>Thales</b>
<b>Order book – non-Group at the end of the period</b>	<b>8,232.0</b>	<b>28,989.0</b>	<b>641.1</b>	<b>126.4</b>	<b>37,988.5</b>
<b>Order intake – non-Group</b>	<b>2,393.4</b>	<b>7,150.0</b>	<b>1,631.3</b>	<b>33.7</b>	<b>11,208.4</b>
Sales – non-Group	2,211.1	4,378.4	1,631.3	35.5	<b>8,256.3</b>
Sales – intersegment	45.9	152.6	18.6	(217.1)	—
<b>Total Sales</b>	<b>2,257.0</b>	<b>4,531.0</b>	<b>1,649.9</b>	<b>(181.6)</b>	<b>8,256.3</b>
<b>EBIT</b>	<b>97.0</b>	<b>545.2</b>	<b>201.0</b>	<b>48.0</b>	<b>891.2</b>
<i>Of which, Naval Group</i>	—	—	—	88.5	<b>88.5</b>
<i>Excluding Naval Group</i>	97.0	545.2	201.0	(40.5)	<b>802.7</b>

2022	Aerospace	Defence & Security	Digital I&S	Other	Thales
<b>Order book – non-Group at the end of the period</b>	<b>9,224.2</b>	<b>30,963.6</b>	<b>632.2</b>	<b>137.2</b>	<b>40,957.2</b>
<b>Order intake – non-Group</b>	<b>5,892.2</b>	<b>13,954.6</b>	<b>3,615.5</b>	<b>88.2</b>	<b>23,550.5</b>
Sales – non-Group	4,704.8	9,153.6	3,617.6	92.8	<b>17,568.8</b>
Sales – intersegment	101.8	365.3	65.4	(532.5)	—
<b>Total Sales</b>	<b>4,806.6</b>	<b>9,518.9</b>	<b>3,683.0</b>	<b>(439.7)</b>	<b>17,568.8</b>
<b>EBIT</b>	<b>234.6</b>	<b>1,178.9</b>	<b>494.2</b>	<b>26.9</b>	<b>1,934.6</b>
<i>Of which, Naval Group</i>	—	—	—	118.8	<b>118.8</b>
<i>Excluding Naval Group</i>	234.6	1,178.9	494.2	(91.9)	<b>1,815.8</b>

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 and corporate income from operations which is not assigned to the segments. 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 2023	First half 2022	2022
<b>Income from operations</b>	<b>734.7</b>	<b>582.6</b>	<b>1,344.4</b>
<b>Less, amortisation of acquisition-related assets (PPA):</b>	<b>174.5</b>	<b>186.5</b>	<b>381.1</b>
- Intangible assets	163.0	175.0	358.1
- Property, plant and equipment	11.5	11.5	23.0
<b>Less, expenses directly linked to business combinations</b>	<b>4.6</b>	<b>—</b>	<b>—</b>
<b>Share in net income of equity from affiliates</b>	<b>64.6</b>	<b>107.4</b>	<b>180.0</b>
<b>Less, PPA amortisation related to equity affiliates entities</b>	<b>14.4</b>	<b>14.7</b>	<b>29.1</b>
<b>EBIT</b>	<b>992.8</b>	<b>891.2</b>	<b>1,934.6</b>

## 2.2. Sales

First half 2023	Aerospace	Defence & Security	Digital I&S	Other	Thales
<b>Sales by destination:</b>					
Europe	1,682.5	3,103.2	465.5	17.2	5,268.4
North America	355.1	353.5	503.4	3.3	1,215.3
Australia and New Zealand	23.4	341.4	15.0	0.1	379.9
<b>Total mature markets</b>	<b>2,061.0</b>	<b>3,798.1</b>	<b>983.9</b>	<b>20.6</b>	<b>6,863.6</b>
<b>Emerging markets (a)</b>	<b>403.7</b>	<b>828.0</b>	<b>610.6</b>	<b>9.9</b>	<b>1,852.2</b>
<b>Total</b>	<b>2,464.7</b>	<b>4,626.1</b>	<b>1,594.5</b>	<b>30.5</b>	<b>8,715.8</b>

First half 2022	Aerospace	Defence & Security	Digital I&S	Other	Thales
<b>Sales by destination:</b>					
Europe	1,516.8	2,773.4	492.6	20.9	4,803.7
North America	301.5	240.5	511.4	4.3	1,057.7
Australia and New Zealand	20.3	441.2	34.3	—	495.8
<b>Total mature markets</b>	<b>1,838.6</b>	<b>3,455.1</b>	<b>1,038.3</b>	<b>25.2</b>	<b>6,357.2</b>
<b>Emerging markets (a)</b>	<b>372.5</b>	<b>923.3</b>	<b>593.0</b>	<b>10.3</b>	<b>1,899.1</b>
<b>Total</b>	<b>2,211.1</b>	<b>4,378.4</b>	<b>1,631.3</b>	<b>35.5</b>	<b>8,256.3</b>

2022	Aerospace	Defence & Security	Digital I&S	Other	Thales
<b>Sales by destination:</b>					
Europe	3,228.6	5,678.1	994.4	46.2	9,947.3
North America	656.1	630.9	1,121.8	5.9	2,414.7
Australia and New Zealand	44.0	829.3	85.0	—	958.3
<b>Total mature markets</b>	<b>3,928.7</b>	<b>7,138.3</b>	<b>2,201.2</b>	<b>52.1</b>	<b>13,320.3</b>
<b>Emerging markets (a)</b>	<b>776.1</b>	<b>2,015.3</b>	<b>1,416.4</b>	<b>40.7</b>	<b>4,248.5</b>
<b>Total</b>	<b>4,704.8</b>	<b>9,153.6</b>	<b>3,617.6</b>	<b>92.8</b>	<b>17,568.8</b>

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

### 3. Impact of changes in scope consolidation

#### 3.1. Main changes in scope of consolidation

At the beginning of May 2022, Thales finalized the acquisition of Ruag's Simulation and Training business for CHF 113.7 million. The business 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, in which Thales previously held 49%. In the consolidated financial statements, this transaction resulted in a revaluation of the previously held share of €33 million, and a subsequent takeover of the company.

In early October 2022, Thales finalized the acquisition of OneWelcome, the European leader in customer identity and access management, for €95.5 million. The business has been consolidated in the Group's accounts since that date.

In October 2022, Thales acquired S21sec and Excellium, two major players in cybersecurity consulting, integration and managed services in Europe, for €98,3 million. The business has been consolidated in the Group's accounts since October 1, 2022.

At the end of December 2022, Thales contributed its business dedicated to cellular IoT products to Telit Cinterion, in exchange for a 25% stake in Telit Cinterion. This stake has been accounted for under the equity method in the Group's accounts since that date.

No significant change in scope of consolidation occurred during the first half of 2023.

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

	First half 2023	First half 2022	2022
Disposal of investments	3.8	(5.9)	(13.7)
Acquisition-related fees	(4.9)	(4.4)	(17.3)
Disposal of real estate and other tangible and intangible assets	(0.1)	0.8	(1.5)
Impact of settlements / amendments to pensions plans (Note 8)	—	(18.7)	(29.4)
Litigation (a)	—	38.5	38.0
<b>Total</b>	<b>(1.2)</b>	<b>10.3</b>	<b>(23.9)</b>

(a) Compensation received as a result of a settlement agreement relating to a former litigation.

## 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:

	01/01/23	Acquisitions	Disposal	Reclassi- fication	Exchange rate & other	30/06/23
Avionics (a)	443.6	15.0	—	—	(0.5)	458.1
Space	492.1	—	—	—	0.6	492.7
Secured Communications and Information Systems (b)	777.2	(22.9)	—	—	(4.5)	749.8
Land and Air Systems	322.6	—	—	—	(0.4)	322.2
Defence Mission Systems	508.6	—	—	—	(2.9)	505.7
Digital Identity & Security (e)	2,925.9	(40.8)	—	—	(1.7)	2,883.4
<b>Total</b>	<b>5,470.0</b>	<b>(48.7)</b>	<b>—</b>	<b>—</b>	<b>(9.4)</b>	<b>5,411.9</b>

	01/01/22	Acquisitions	Disposals	Reclassi- fication	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
<b>Total</b>	<b>5,202.9</b>	<b>332.4</b>	<b>(76.0)</b>	<b>—</b>	<b>10.7</b>	<b>5,470.0</b>

(a) The preliminary purchase price allocation of Ruag Training & Simulation activity, acquired in May 2022, has been finalized in 2023.

(b) The preliminary purchase price allocation of S21sec and Excellium, acquired in October 2022, has been carried out during the first semester of 2023.

(c) The purchase price allocation of Moog's navigation business, acquired in December 2021, has been finalized at the end of 2022.

(d) The purchase price allocation of Advanced Acoustic Concepts, acquired in July 2022,, has been finalized at the end of 2022.

(e) The preliminary purchase price allocation of OneWelcome, acquired in October 2022, has been carried out during the first semester of 2023..

The activity dedicated to IoT cellular products was sold at the end of 2022 to Telit in exchange of a 25% investment in the new Telit Cinterion. The purchase price allocation of Telit Cinterion will be carried out during the second semester of 2023.

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

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 30 June 2023 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 2023 first-half financial statements.

## 4.2. Property, plant and equipment and intangible assets

	01/01/23	Acquisitions	Disposal	Depr. and amort.	Change in scope and exch. rate	30/06/23
Acquired Intangible assets	1,401.7	—	—	(163.0)	77.0	1,315.7
Capitalised development costs	40.6	9.2	—	(9.5)	1.1	41.4
Other	123.5	36.0	—	(28.2)	(8.8)	122.5
<b>Intangible assets</b>	<b>1,565.8</b>	<b>45.2</b>	<b>—</b>	<b>(200.7)</b>	<b>69.3</b>	<b>1,479.6</b>
Right-of-use from lease contracts	1,400.7	48.8	—	(101.2)	(0.9)	1,347.4
Acquired tangible assets	28.8	—	—	(11.5)	—	17.3
Property, plant and equipment	2,049.4	226.8	(0.1)	(169.0)	(22.1)	2,085.0
<b>Tangible assets</b>	<b>3,478.9</b>	<b>275.6</b>	<b>(0.1)</b>	<b>(281.7)</b>	<b>(23.0)</b>	<b>3,449.7</b>
<b>Total</b>	<b>5,044.7</b>	<b>320.8</b>	<b>(0.1)</b>	<b>(482.4)</b>	<b>46.3</b>	<b>4,929.3</b>
Less, new lease contracts		(48.8)				
<b>Operating investments (a)</b>		<b>272.0</b>				

	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
<b>Intangible assets</b>	<b>1,943.2</b>	<b>65.1</b>	<b>(0.7)</b>	<b>(439.5)</b>	<b>(2.3)</b>	<b>1,565.8</b>
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
<b>Tangible assets</b>	<b>3,399.0</b>	<b>668.3</b>	<b>(8.5)</b>	<b>(619.3)</b>	<b>39.4</b>	<b>3,478.9</b>
<b>Total</b>	<b>5,342.2</b>	<b>733.4</b>	<b>(9.2)</b>	<b>(1,058.8)</b>	<b>37.1</b>	<b>5,044.7</b>
Less, new lease contracts		(198.8)	—			
<b>Operating investments (a)</b>		<b>534.6</b>	<b>(9.2)</b>			

(a) Presented in the statement of cash flows.



## 5. Investments in equity affiliates

### 5.1. Change in investment in equity affiliates

	30/06/23	31/12/22
<b>Investment at opening</b>	<b>1,589.3</b>	<b>1,341.6</b>
<b>Share in net income of equity affiliates</b>	<b>64.6</b>	<b>180.0</b>
Translation adjustment	(13.2)	(17.9)
Cash flow hedge	47.3	(0.8)
Actuarial gains (losses) on pensions	2.9	23.3
<b>Share in comprehensive income of equity affiliates</b>	<b>101.6</b>	<b>184.6</b>
Dividends paid	(92.3)	(60.8)
Dividends voted and not paid yet	(9.4)	(11.8)
Change in scope and other	(0.1)	135.7
<b>Investments at closing</b>	<b>1,589.1</b>	<b>1,589.3</b>
<i>Including Naval Group</i>	<i>813.5</i>	<i>840.0</i>

### 5.2. Naval Group: summary financial information

<b>Balance sheet - 100% interest - (a)</b>	30/06/23	31/12/22
Non-current assets	2,044.8	2,033.3
Current assets	4,507.8	4,767.9
<b>Total assets</b>	<b>6,552.6</b>	<b>6,801.2</b>
Restated equity, attributable to shareholders	1,490.0	1,565.6
Non-controlling interests	0.5	0.4
Non-current liabilities	376.0	325.5
Current liabilities	4,686.1	4,909.7
<b>Total equity and liability</b>	<b>6,552.6</b>	<b>6,801.2</b>
<b>Net Cash</b>	<b>2,392.7</b>	<b>1,247.8</b>
<b>Thales's share</b>		
Thales's share (35%)	521.5	548.0
Goodwill	292.0	292.0
<b>Share in net assets of Naval Group</b>	<b>813.5</b>	<b>840.0</b>

<b>Income statement - 100% interest- (a)</b>	First half 2023	First half 2022	2022
Sales	2,108.0	2,496.6	4,353.2
Income (loss) from operating activities, after share in net income of equity affiliates	98.8	266.7	319.2
Financial income (loss)	16.4	9.6	8.2
Tax	(29.7)	(63.0)	(68.7)
Discontinued activities	(0.9)	(0.3)	0.5
<b>Restated net income</b>	<b>84.6</b>	<b>213.0</b>	<b>259.2</b>
<i>Of which, attributable to shareholders of the company</i>	<i>84.6</i>	<i>213.0</i>	<i>259.3</i>
<i>Of which, attributable to non-controlling interests</i>	<i>—</i>	<i>—</i>	<i>(0.1)</i>
<b>Thales's share</b>			
<b>Thales's share in net income attributable to shareholders of the company</b>	<b>29.7</b>	<b>74.5</b>	<b>90.8</b>
Of which, PPA amortisation	(14.0)	(14.0)	(28.0)
<b>Share in net income, before PPA</b>	<b>43.7</b>	<b>88.5</b>	<b>118.8</b>
Dividends received from Naval Group	59.1	27.6	27.6

(a) After Thales restatements, mainly PPA.

## 6. Financing and financial instruments

### 6.1. Financial income

#### a) Net interest income

	First half 2023	First half 2022	2022
<b>Financial interests related to lease contracts</b>	<b>(15.2)</b>	<b>(11.2)</b>	<b>(26.3)</b>
<b>Other interest expense:</b>	<b>(43.4)</b>	<b>(17.0)</b>	<b>(49.6)</b>
- from financial gross debt	(34.5)	(12.9)	(37.6)
- from interest rate swaps	(8.9)	(4.1)	(12.0)
<b>Interest income on cash and cash equivalents</b>	<b>71.9</b>	<b>(3.6)</b>	<b>25.8</b>
<b>Total</b>	<b>13.3</b>	<b>(31.8)</b>	<b>(50.1)</b>

#### b) Other financial income

	First half 2023	First half 2022	2022
Foreign exchange gains (losses)	(9.6)	(10.6)	(27.7)
Cash flow hedges, ineffective portion	(0.1)	(0.4)	(1.0)
Change in fair value of derivatives (a)	(24.0)	(19.4)	(64.7)
Other	(2.9)	0.8	(5.1)
<b>Total</b>	<b>(36.6)</b>	<b>(29.6)</b>	<b>(98.5)</b>

a) Includes the change in the fair value of swap points (-€22.3 million in first half 2023, -€10.5 million in the first half of 2022 and -€49.0 million in 2022).

### 6.2. Net cash (net debt)

Group net cash (debt) is as follows:

	30/06/23	31/12/22
Current financial assets *	721.3	221.3
Cash and cash equivalents	4,206.0	5,099.6
<b>Cash and other short-term investments</b> (a)	<b>4,927.3</b>	<b>5,320.9</b>
Financial debt	4,320.4	3,970.7
Lease debt	1,448.1	1,505.3
<b>Gross debt (a)</b> (b)	<b>5,768.5</b>	<b>5,476.0</b>
<b>Net cash (debt) relating to continued operations</b> (a-b)	<b>(841.2)</b>	<b>(155.1)</b>
<b>Net cash relating to discontinued operations</b> (c)	<b>60.2</b>	<b>119.9</b>
<b>Net (debt) cash</b> (a-b+c)	<b>(781.0)</b>	<b>(35.2)</b>
<i>(a) Including :</i>		
Long term financial debt	3,930.2	3,991.1
Short term financial debt	1,837.3	1,480.3
Fair value of interest rate hedging derivatives	1.0	4.6

\*Deposits with tier-one banks on deposit accounts with a maturity between 3 and 12 months.

In June 2023, Thales issued a €500m, 3.625% fixed-rate bond maturing in June 2029.

This issue will be used to refinance the bond issued in 2016 that has just matured. It will also strengthen the overall liquidity of Thales, by maintaining the Group's financial flexibility and extending the maturity of its financial resources.

## Bonds: key features at the end of June 2023 :

Nominal value	Issue date	Maturity	Type of rate	Coupon	Effective rate	
					Before hedging	After hedging
500 M€	Apr. 2018	Apr. 2024	fixed	0.88%	0.94%	1.11%
500 M€	Jan. 2018	Jan. 2025	fixed	0.75%	0.91%	0.91%
500 M€	Nov. 2020	March 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%
500 M€	June 2023	June 2029	fixed	3.63%	3.83%	3.83%

### 6.3. Summary of financial assets and liabilities

At end of June 2023, the classification of financial assets and liabilities remained identical to the one disclosed in note 6.5 to the 2022 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 €3,698.8 million, compared to €3,930.2 million for their carrying amount at 30 June 2023 (€4,602.4 million vs. €3,991.1 million at 31 December 2022).

## 7. Change in net cash (net debt)

	First half 2023	First half 2022	2022
<b>Net debt at opening</b>	<b>(35.2)</b>	<b>(795.0)</b>	<b>(795.0)</b>
Net cash flow from operating activities	473.0	1,072.7	3,025.4
Less, contributions to reduction of UK pension deficit	51.4	49.0	95.1
Net operating investments	(271.9)	(184.2)	(525.4)
<b>Free operating cash flow relating to continued operations</b>	<b>252.5</b>	<b>937.5</b>	<b>2,595.1</b>
Acquisitions of subsidiaries and affiliates	(6.7)	(145.8)	(417.8)
Disposals of subsidiaries and affiliates	—	4.8	2.0
Contributions to reduction of UK pension deficit	(51.4)	(49.0)	(95.1)
Changes in loans	(5.9)	(31.8)	(3.9)
Dividends paid by the parent company	(468.0)	(416.2)	(563.4)
Third-party share in dividend distributions of subsidiaries	(49.4)	(12.0)	(41.7)
Treasury shares and subscription options exercised (a)	(216.2)	(127.3)	(350.7)
New lease debts	(48.8)	(112.0)	(198.8)
Changes in exchange rates and other	(13.0)	(34.4)	(10.3)
<b>Contribution to change in net cash (debt) of continued operations</b>	<b>(606.9)</b>	<b>13.8</b>	<b>878.3</b>
<b>Contribution to change in net cash (debt) of discontinued operations</b>	<b>(138.9)</b>	<b>(113.1)</b>	<b>(118.5)</b>
<b>Net debt at closing</b>	<b>(781.0)</b>	<b>(894.3)</b>	<b>(35.2)</b>

(a) Including, in first half 2023, € 210.1 million linked to share buy back plan for their cancellation (€ 328.7 million in 2022).

## 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	01/01/22	Changes in WCR and reserves	Scope, exch. rate and reclass.	31/12/22	Changes in WCR and reserves	Scope, exch. rate and reclass.	30/06/23
Inventories & work in progress	3,336.0	346.7	(10.4)	3,672.3	614.5	(18.4)	4,268.4
Contract assets	2,477.6	(93.3)	26.2	2,410.5	766.0	0.2	3,176.7
Advance to suppliers	411.0	222.2	8.7	641.9	99.2	(1.7)	739.4
Accounts, notes and other receivables	5,442.9	366.1	1.1	5,810.1	(121.2)	(13.4)	5,675.5
Current derivatives - assets	99.7	(10.3)	83.2	172.6	38.1	(54.8)	155.9
Contract liabilities	(7,068.5)	(1,190.0)	(55.1)	(8,313.6)	(457.7)	8.3	(8,763.0)
Reserves for contingencies	(1,771.8)	(31.6)	51.4	(1,752.0)	57.7	(17.1)	(1,711.4)
Accounts, notes and other payables	(6,066.6)	(524.1)	(328.0)	(6,918.7)	(300.3)	22.0	(7,197.0)
Current derivatives - liabilities	(234.1)	—	(94.1)	(328.2)		58.5	(269.7)
<b>WCR and reserves, net</b>	<b>(3,373.8)</b>	<b>(914.3)</b>	<b>(317.0)</b>	<b>(4,605.1)</b>	<b>696.3</b>	<b>(16.4)</b>	<b>(3,925.2)</b>
<b>Restructuring provisions</b>		<b>(52.1)</b>			<b>(10.8)</b>		
<b>Increase (decrease) in WCR and reserves</b>		<b>(966.4)</b>			<b>685.5</b>		

The Group may assign trade receivables, mainly from the French State, and commercial paper. At 30 June 2023, outstanding derecognised receivables amounted to €187.4 million (€225.8 million at 31 December 2022).

## 7.2. Reserves for contingencies

	01/01/23	Utilisation	Additions	Reversal (surplus)	Exch. Rate and other	30/06/23
Restructuring	50.0	(11.8)	5.5	(4.5)	1.6	40.8
Technical and other litigation	274.8	(7.3)	19.7	(13.0)	10.1	284.3
Guarantees	299.2	(39.2)	20.6	(2.3)	(2.0)	276.3
Losses at completion	433.0	(95.5)	96.5	(16.4)	8.9	426.5
Provisions on contracts	435.2	(19.2)	31.8	(2.2)	8.1	453.7
Other (a)	259.8	(53.3)	35.7	(2.8)	(9.6)	229.8
<b>Total</b>	<b>1,752.0</b>	<b>(226.3)</b>	<b>209.8</b>	<b>(41.2)</b>	<b>17.1</b>	<b>1,711.4</b>

	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
<b>Total</b>	<b>1,771.8</b>	<b>(344.3)</b>	<b>488.6</b>	<b>(112.7)</b>	<b>(51.4)</b>	<b>1,752.0</b>

a) This line includes technical provisions of insurance companies, provisions for labor-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 2023, 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:

<b>30 June 2023</b>	<b>United Kingdom</b>	<b>France</b>
Inflation rate	3.22%	2.35%
Discount rate	5.16%	3.62%
<b>30 June 2022</b>	<b>United Kingdom</b>	<b>France</b>
Inflation rate	3.15%	2.37%
Discount rate	3.85%	3.21%
<b>2022</b>	<b>United Kingdom</b>	<b>France</b>
Inflation rate	3.12%	2.35%
Discount rate	4.79%	3.71%

### 8.2. Changes in provision

	<b>First half 2023</b>	<b>First half 2022</b>	<b>2022</b>
<b>Provision at opening</b>	<b>(1,907.7)</b>	<b>(2,447.3)</b>	<b>(2,447.3)</b>
<b>Less: provision at opening relating to discontinued activities</b>	<b>—</b>	<b>(31.0)</b>	<b>(35.5)</b>
<b>Current service cost (income from operations)</b>	<b>(46.4)</b>	<b>(61.4)</b>	<b>(129.4)</b>
<b>Amendments and settlements (non recurring operating income)</b>	<b>—</b>	<b>(18.7)</b>	<b>(29.4)</b>
Net interest cost	(35.2)	(12.6)	(28.5)
Pension fund management cost	(3.1)	(2.8)	(6.0)
Actuarial gains and losses on other long-term employee benefits	2.7	30.9	29.6
<b>Finance costs on pensions and other long-term employee benefits</b>	<b>(35.6)</b>	<b>15.5</b>	<b>(4.9)</b>
<b>Total expense for the period</b>	<b>(82.0)</b>	<b>(64.6)</b>	<b>(163.7)</b>
<b>Actuarial gains and losses (other comprehensive income) (a)</b>	<b>(103.7)</b>	<b>1,048.0</b>	<b>467.8</b>
<b>Benefits and contributions</b>	<b>119.2</b>	<b>105.0</b>	<b>231.8</b>
- Of which, deficit payment in the United Kingdom	51.4	49.0	95.1
- Of which, other benefits and contributions	67.8	56.0	136.7
<b>Translation adjustment</b>	<b>(13.8)</b>	<b>(2.1)</b>	<b>30.4</b>
<b>Changes in scope of consolidation and other</b>	<b>(1.2)</b>	<b>16.1</b>	<b>8.8</b>
<b>Provision at closing</b>	<b>(1,989.2)</b>	<b>(1,375.9)</b>	<b>(1,907.7)</b>

(a) In 2022 and in the first half of 2022, the revaluation is mainly due to an increase in discount rates, particularly in the United Kingdom.

## 9. Income tax

	First half 2023	First half 2022	2022
Net income	642.0	560.0	1,131.0
Less: net income of discontinued activities	(28.0)	(11.0)	(9.1)
Less: share in net income of equity affiliates	(64.6)	(107.4)	(180.0)
Less: income tax	125.2	105.4	225.1
<b>Net income before tax and share in net income of equity affiliates</b>	<b>674.6</b>	<b>547.0</b>	<b>1,167.0</b>
<b>Income tax benefit (expense) recognised in profit and loss</b>	<b>(125.2)</b>	<b>(105.4)</b>	<b>(225.1)</b>
<b>Effective tax rate</b>	<b>18.6%</b>	<b>19.3%</b>	<b>19.3%</b>

The income tax expense excludes research tax credit which is recorded in income from operations (respectively €104.5 million, €99.1 million in the first half of 2023 and 2022 and €196,9 million in 2022).

## 10. Equity and earnings per share

### 10.1. Shareholders' equity

#### a) Share capital

	30/06/23			31/12/22		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
T.S.A.	54,786,654	26.06%	35.43%	54,786,654	25.67%	35.15%
French State (including one golden share)	2,060	—%	—%	2,060	—%	—%
Public sector (a)	54,788,714	26.06%	35.43%	54,788,714	25.67%	35.15%
Dassault Aviation (b)	52,531,431	24.99%	29.94%	52,531,431	24.62%	29.92%
Thales (c)	1,734,060	0.83%	—%	3,277,303	1.53%	—%
Employees (d)	6,073,343	2.89%	3.72%	6,330,466	2.97%	3.81%
Other shareholders	95,082,592	45.23%	30.91%	96,483,395	45.21%	31.12%
<b>Total (e)</b>	<b>210,210,140</b>	<b>100.00%</b>	<b>100.00%</b>	<b>213,411,309</b>	<b>100.00%</b>	<b>100.00%</b>

(a) Under the terms of shareholders' agreement with Dassault Aviation (the "Industrial Partner"), the "Public Sector" is represented by the company 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 n° 218c0137 of January 16, 2018. All Thales shares held directly and indirectly by the French State have been directly registered for more than two years and thus have double voting rights as of June 30, 2023.

(b) As of June 30, 2023, Dassault Aviation holds 42,154,349 directly registered shares, of which 42,154,349 have been held for more than two years and therefore have double voting rights as of June 30, 2023, and also holds 10,377,082 bearer shares.

(c) Treasury shares represented 52 681 bearer shares held under a liquidity contract and 1 681 379 directly registered shares.

(d) This line shows total employees share ownership. For information purposes, since Law No 2019-486 of May 22, 2019, employee share ownership within the meaning of 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 of June 30, 2023 to 4 795 209 shares and 8 960 285 voting rights, i.e., 2.28% of the capital stock and 2.90% of the exercisable voting rights, respectively.

(e) By decision of the board of directors of March 13, 2023, the capital was reduced by cancellation of 3,201,169 treasury shares representing approximately 1.5% of the share capital as of December 31, 2022.

## b) Treasury shares

Thales (parent company) held 1,734,060 of its own shares at 30 June 2023. They are accounted for as a deduction from consolidated equity in the amount of €-219.1 million. In accordance with the authorizations given to the board of Directors at the Annual General Meeting, the Company carried out, in 2022 and in the first half of 2022 and 2023 the following operations :

	First half 2023	First half 2022	2022
<b>Treasury shares at opening</b>	<b>3,277,303</b>	<b>493,175</b>	<b>493,175</b>
Purchases as part of a liquidity agreement	289,139	489,585	735,314
Disposals as part of a liquidity agreement	(310,400)	(581,117)	(781,117)
Transfer to employees as part of the employee share purchase plan	—	(36,106)	(36,106)
Delivery of free shares	(4,119)	(1,033)	(129,067)
Market purchases	1,683,306	1,156,316	2,995,104
Cancelled shares	(3,201,169)	—	—
<b>Treasury shares at closing</b>	<b>1,734,060</b>	<b>1,520,820</b>	<b>3,277,303</b>

## c) Parent Company dividend distribution

For the years 2021 and 2022, dividends per share amounted respectively to €2.56 and €2.94. 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	General Meeting on 10 May 2023	Balance for 2022	€2.24	May 2023	cash	468.0
	Board of Directors on 29 September 2022	2022 interim dividend	€0.70	Dec. 2022	cash	147.2
2022	General Meeting on 11 May 2022	Balance for 2021	€1.96	May 2022	cash	416.2
	Total dividends paid in 2022					563.4

## 10.2. Earnings per share

		First half 2023	First half 2022	2022
<b>Numerator (in € million):</b>				
<b>Net income, Group share</b>	<b>(a)</b>	<b>648.9</b>	<b>565.6</b>	<b>1,120.6</b>
Of which: net income relating to continued operations, Group share		620.9	554.6	1,111.5
<b>Denominator (in thousands):</b>				
<b>Average number of shares outstanding</b>	<b>(b)</b>	<b>209,349</b>	<b>212,695</b>	<b>211,833</b>
Free shares and units plans *		477	290	515
<b>Diluted average number of shares outstanding</b>	<b>(c)</b>	<b>209,826</b>	<b>212,985</b>	<b>212,348</b>
<b>Net earnings per share (in euros)</b>	<b>(a) / (b)</b>	<b>€3.10</b>	<b>€2.66</b>	<b>€5.29</b>
Of which: basic earnings relating to continued operations, per share		€2.97	€2.61	€5.25
<b>Diluted net earnings per share (in euros)</b>	<b>(a) / (c)</b>	<b>€3.09</b>	<b>€2.66</b>	<b>€5.28</b>
Of which: diluted earnings relating to continued operations, per share		€2.96	€2.60	€5.23
<b>Average share price</b>		<b>€129.47</b>	<b>€107.39</b>	<b>€111.70</b>

\* 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 consolidated accounts approval, 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 twelve months.

## 12. Related party transactions

Main related party transactions are disclosed in Note 13-a of the consolidated financial statements included in the 2022 Universal Registration Document.

Revenues with the French State amounted to €1,997.2 million in the first half of 2023 and €1,811.7 million in the first half of 2022.

## 13. Subsequent event

Mid-June 2023, Thales announced the acquisition of Tesseract, one of Australia and New Zealand's largest cybersecurity companies, with a calendar year 2022 turnover of €110 million. This transaction resulted in a revaluation of the equity of €107 million. Recommended by all members of the Tesseract Board, the transaction is subject to Tesseract shareholders' and court approval. In addition, the transaction is subject to regulatory approvals and other customary closing conditions. It is expected to be completed during the second half of 2023.

Mid-July 2023, Thales enters into exclusive negotiation to acquire, for USD 1.1bn, Cobham Aerospace Communications ("AeroComms"), a leading supplier of advanced, ultra-reliable innovative safety cockpit communication systems. The company is expected to generate ~USD 200m revenues in 2023. Employee representative bodies of both Thales and Cobham Aerospace Communications will be consulted as part of the project. The closing of the transaction is expected during the first half of 2024 upon customary merger control and regulatory approvals completions.



*This is a translation into English of the statutory auditors' review 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.*

## **Thales**

Period from January 1 to June 30, 2023

**Statutory auditors' review report on the half-yearly financial information**

## **MAZARS**

Tour Exaltis  
61, rue Henri Regnault  
92075 Paris-La Défense cedex  
S.A à directoire et conseil de surveillance  
au capital de € 8 320 000  
784 824 153 R.C.S. Nanterre

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

## **ERNST & YOUNG Audit**

Tour First  
TSA 14444  
92037 Paris-La Défense cedex  
S.A.S. à capital variable  
344 366 315 R.C.S. Nanterre

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

## **Thales**

Period from January 1 to June 30, 2023

### **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 Meetings and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Thales, for the period from January 1 to June 30, 2023,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are your Board of Directors' responsibility. 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 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 of 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 20, 2023

The Statutory Auditors  
*French original signed by*

MAZARS

ERNST & YOUNG Audit

Dominique Muller

Ariane Mignon

Jean-François Ginies

Vincent Gauthier



**CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 30 JUNE 2023**

## INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

<i>(in € millions)</i>	Notes	First half 2023	First half 2022	2022
<b>Sales</b>	note 2	<b>8,715.8</b>	<b>8,256.3</b>	<b>17,568.8</b>
Cost of sales		(6,437.8)	(6,222.8)	(13,113.4)
Research and development expenses		(512.7)	(486.2)	(1,063.6)
Marketing and selling expenses		(690.1)	(639.1)	(1,350.4)
General and administrative expenses		(305.9)	(290.8)	(598.5)
Restructuring costs		(34.6)	(34.8)	(98.5)
<b>Income from operations</b>	note 2	<b>734.7</b>	<b>582.6</b>	<b>1,344.4</b>
Disposal of assets, changes in scope of consolidation and other	note 3.2	(1.2)	10.3	(23.9)
Impairment on non-current fixed assets		—	—	—
<b>Income of operating activities before share in net income of equity affiliates</b>		<b>733.5</b>	<b>592.9</b>	<b>1,320.5</b>
Share in net income of equity affiliates	note 5.1	64.6	107.4	180.0
<b>Income of operating activities after share in net income of equity affiliates</b>		<b>798.1</b>	<b>700.3</b>	<b>1,500.5</b>
Financial interests on gross debt		(58.6)	(28.2)	(75.9)
Financial interests on cash and cash equivalents		71.9	(3.6)	25.8
<b>Interest expense, net</b>	note 6.1	<b>13.3</b>	<b>(31.8)</b>	<b>(50.1)</b>
Other financial expenses	note 6.1	(36.6)	(29.6)	(98.5)
Finance costs on pensions and other employee benefits	note 8	(35.6)	15.5	(4.9)
Income tax	note 9	(125.2)	(105.4)	(225.1)
<b>Net income relating to continued operations</b>		<b>614.0</b>	<b>549.0</b>	<b>1,121.9</b>
<b>Net income relating to discontinued operations</b>	note 1.2	<b>28.0</b>	<b>11.0</b>	<b>9.1</b>
<b>Net income</b>		<b>642.0</b>	<b>560.0</b>	<b>1,131.0</b>
<b>Shareholders of the parent company</b>		<b>648.9</b>	<b>565.6</b>	<b>1,120.6</b>
Of which: net income relating to continued operations, Group share		620.9	554.6	1,111.5
Of which: net income relating to discontinued operations, Group share		28.0	11.0	9.1
<b>Non-controlling interests</b>		<b>(6.9)</b>	<b>(5.6)</b>	<b>10.4</b>
<b>Basic earnings per share (in euros)</b>	note 10.2	<b>3.10</b>	<b>2.66</b>	<b>5.29</b>
<b>Diluted earnings per share (in euros)</b>	note 10.2	<b>3.09</b>	<b>2.66</b>	<b>5.28</b>

Segment information (including EBIT calculation) is detailed in note 2.1.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in € millions)</i>	First half 2023			First half 2022			2022		
	Total attributable to :		Total	Total attributable to :		Total	Total attributable to :		Total
Shareholders of the parent company	Non- controlling interests	Shareholders of the parent company		Non- controlling interests	Shareholders of the parent company		Non- controlling interests		
<b>Net income</b>	<b>648.9</b>	<b>(6.9)</b>	<b>642.0</b>	<b>565.6</b>	<b>(5.6)</b>	<b>560.0</b>	<b>1,120.6</b>	<b>10.4</b>	<b>1,131.0</b>
Translation adjustments	(16.8)	(1.2)	(18.0)	67.8	4.4	72.2	(10.5)	3.9	(6.6)
Cash flow hedge	30.4	4.1	34.5	(76.1)	(10.1)	(86.2)	(12.2)	(4.8)	(17.0)
Equity affiliates	34.1	—	34.1	12.4	—	12.4	(18.7)	—	(18.7)
Discontinued operations	7.6	—	7.6	(18.4)	—	(18.4)	(19.8)	—	(19.8)
<b>Items that may be reclassified to income</b>	<b>55.3</b>	<b>2.9</b>	<b>58.2</b>	<b>(14.3)</b>	<b>(5.7)</b>	<b>(20.0)</b>	<b>(61.2)</b>	<b>(0.9)</b>	<b>(62.1)</b>
Actuarial gains (losses) on pensions	(103.1)	(0.6)	(103.7)	1,050.5	(2.5)	1,048.0	457.1	10.7	467.8
Financial assets at fair value	2.7	3.0	5.7	(20.4)	(9.7)	(30.1)	(30.3)	(13.5)	(43.8)
Deferred tax	15.3	0.2	15.5	(75.6)	0.7	(74.9)	(58.8)	(2.8)	(61.6)
Equity affiliates	2.9	—	2.9	1.3	—	1.3	23.3	—	23.3
Discontinued operations	(10.4)	—	(10.4)	152.1	—	152.1	146.9	—	146.9
<b>Items that will not be reclassified to income</b>	<b>(92.6)</b>	<b>2.6</b>	<b>(90.0)</b>	<b>1,107.9</b>	<b>(11.5)</b>	<b>1,096.4</b>	<b>538.2</b>	<b>(5.6)</b>	<b>532.6</b>
<b>Other comprehensive income (loss) for the period net of tax</b>	<b>(37.3)</b>	<b>5.5</b>	<b>(31.8)</b>	<b>1,093.6</b>	<b>(17.2)</b>	<b>1,076.4</b>	<b>477.0</b>	<b>(6.5)</b>	<b>470.5</b>
<b>Total comprehensive income for the period</b>	<b>611.6</b>	<b>(1.4)</b>	<b>610.2</b>	<b>1,659.2</b>	<b>(22.8)</b>	<b>1,636.4</b>	<b>1,597.6</b>	<b>3.9</b>	<b>1,601.5</b>

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<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>	<b>Group share</b>	<i>Non- controlling interests</i>	<b>Total equity</b>
<b>At 1st January 2022</b>	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) net of tax	—	—	—	538.2	(19.9)	(41.3)	—	477.0	(6.5)	470.5
<b>Total comprehensive income for 2022</b>	—	—	—	1,658.8	(19.9)	(41.3)	—	1,597.6	3.9	1,601.5
Employee share issues	—	—	—	—	—	—	—	—	—	—
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)
<b>At 31 December 2022</b>	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	—	—	—	648.9	—	—	—	648.9	(6.9)	642.0
Other comprehensive income (loss) net of tax	—	—	—	(92.6)	81.4	(26.1)	—	(37.3)	5.5	(31.8)
<b>Total comprehensive income for first half 2023</b>	—	—	—	556.3	81.4	(26.1)	—	611.6	(1.4)	610.2
Parent company dividend distribution	—	—	—	(468.0)	—	—	—	(468.0)	—	(468.0)
Third-party share in dividend paid by subsidiaries	—	—	—	—	—	—	—	—	(49.4)	(49.4)
Share-based payments	—	—	—	11.2	—	—	—	11.2	—	11.2
(Acquisitions) / disposals of treasury shares	(1,658)	—	—	1.2	—	—	(217.4)	(216.2)	—	(216.2)
Capital reduction through cancellation of shares *	—	(9.6)	(371.0)	—	—	—	380.6	—	—	—
Other	—	—	—	2.8	—	(0.8)	—	2.0	0.1	2.1
<b>At 30 June 2023</b>	208,476	630.6	3,705.6	3,325.8	(43.2)	(285.2)	(219.1)	7,114.5	156.9	7,271.4

\* On 08 March 2023, the Board of directors decided to reduce the share capital of Thales by cancelling 3,201,169 treasury shares held in registered form, representing 1.5% of its share capital, effective March 13, 2023. The shares were bought back between April 1st, 2022 and February 15, 2023 as part of the buyback program announced on March 3, 2022.

## First half 2022

<i>(in € millions)</i>	<i>Number of shares outstanding (thousands)</i>	Share capital	Additional paid-in capital	Retained earnings	Cash flow hedge	Cumulative translation adjustment	Treasury shares	Group share	Non-controlling interests	Total equity
<b>At 1st January 2022</b>	212,918	<b>640.2</b>	<b>4,076.6</b>	<b>2,116.8</b>	<b>(104.7)</b>	<b>(216.9)</b>	<b>(37.7)</b>	<b>6,474.3</b>	<b>244.4</b>	<b>6,718.7</b>
Net income	—	—	—	565.6	—	—	—	565.6	(5.6)	560.0
Other comprehensive income (loss) net of tax	—	—	—	1,107.9	(81.7)	67.4	—	1,093.6	(17.2)	1,076.4
<b>Total comprehensive income for first half 2022</b>	—	—	—	<b>1,673.5</b>	<b>(81.7)</b>	<b>67.4</b>	—	<b>1,659.2</b>	<b>(22.8)</b>	<b>1,636.4</b>
Employee share issues	—	—	—	—	—	—	—	—	—	—
Parent company dividend distribution	—	—	—	(416.2)	—	—	—	(416.2)	—	(416.2)
Third-party share in dividend paid by subsidiaries	—	—	—	—	—	—	—	—	(38.9)	(38.9)
Share-based payments	—	—	—	10.8	—	—	—	10.8	—	10.8
(Acquisitions)/disposals of treasury shares	(1,028)	—	—	2.0	—	—	(129.2)	(127.2)	—	(127.2)
Other	—	—	—	(8.7)	—	(3.4)	—	(12.1)	1.0	(11.1)
<b>At 30 June 2022</b>	211,890	<b>640.2</b>	<b>4,076.6</b>	<b>3,378.2</b>	<b>(186.4)</b>	<b>(152.9)</b>	<b>(166.9)</b>	<b>7,588.8</b>	<b>183.7</b>	<b>7,772.5</b>



## INTERIM CONSOLIDATED BALANCE SHEET

(in € millions)

<b>ASSETS</b>	<b>Notes</b>	<b>30/06/23</b>	<b>31/12/22</b>
Goodwill	note 4.1	5,411.9	5,470.0
Other intangible assets, net	note 4.2	1,479.6	1,565.8
Property, plant and equipment, net	note 4.2	3,449.7	3,478.9
Investments in equity affiliates	note 5	1,589.1	1,589.3
Non-consolidated investments		137.3	127.2
Other non-current financial assets		143.5	132.8
Deferred tax assets		1,090.5	1,043.0
<b>Non-current assets</b>		<b>13,301.6</b>	<b>13,407.0</b>
Inventories and work in progress	note 7.1	4,268.4	3,672.3
Contract assets	note 7.1	3,176.7	2,410.5
Advances to suppliers	note 7.1	739.4	641.9
Accounts, notes and other current receivables	note 7.1	5,675.5	5,810.1
Current derivatives – assets	note 7.1	155.9	172.6
Current tax receivable		119.6	194.7
Current financial assets	note 6.2	721.3	221.3
Cash and cash equivalents	note 6.2	4,206.0	5,099.6
Assets held for sale	note 1.2	2,828.9	2,790.5
<b>Current assets</b>		<b>21,891.7</b>	<b>21,013.5</b>
<b>Total assets</b>		<b>35,193.3</b>	<b>34,420.5</b>

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>30/06/23</b>	<b>31/12/22</b>
Capital, additional paid-in capital and other reserves		7,618.8	7,814.5
Cumulative translation adjustment		(285.2)	(258.3)
Treasury shares		(219.1)	(382.3)
<b>Total attributable to shareholders of the parent company</b>		<b>7,114.5</b>	<b>7,173.9</b>
Non-controlling interests		156.9	207.6
<b>Total equity</b>	note 10.1	<b>7,271.4</b>	<b>7,381.5</b>
Long-term loans and borrowings	note 6.2	3,930.2	3,991.1
Non-current derivatives – liabilities		1.0	1.0
Pensions and other long-term employee benefits	note 8	1,989.2	1,907.7
Deferred tax liabilities		374.7	396.6
<b>Non-current liabilities</b>		<b>6,295.1</b>	<b>6,296.4</b>
Contract liabilities	note 7.1	8,763.0	8,313.6
Reserves for contingencies	note 7.1	1,711.4	1,752.0
Accounts, notes and other current payables	note 7.1	7,197.0	6,918.7
Current derivatives – liabilities	note 7.1	269.7	328.2
Current tax receivable		174.1	168.2
Short-term loans and borrowings	note 6.2	1,837.3	1,480.3
Liabilities held for sale	note 1.2	1,674.3	1,781.6
<b>Current liabilities</b>		<b>21,626.8</b>	<b>20,742.6</b>
<b>Total equity and liabilities</b>		<b>35,193.3</b>	<b>34,420.5</b>

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	Notes	First half 2023	First half 2022	2022
<b>Net income</b>		<b>642.0</b>	<b>560.0</b>	<b>1,131.0</b>
Less, net income relating to discontinued operations (a)		(28.0)	(11.0)	(9.1)
<b>Net income relating to continued operations</b>		<b>614.0</b>	<b>549.0</b>	<b>1,121.9</b>
<b>Add (deduct):</b>				
Income tax expense (gain)		125.2	105.4	225.1
Net interest expenses		(13.3)	31.8	50.1
Share in net income of equity affiliates	note 5.1	(64.6)	(107.4)	(180.0)
Dividends received from equity affiliates	note 5.1	92.3	49.7	60.8
Depreciation and amortisation of PPE and intangible assets	note 4.2	482.4	496.7	1,058.8
Provisions for pensions and other employee benefits	note 8	82.0	64.6	163.7
Loss (gain) on disposal of assets, change in scope of consolidation and other		1.2	(10.3)	23.9
Provisions for restructuring, net		(10.8)	(27.0)	(52.1)
Other items		10.8	23.5	17.3
<b>Operating cash flows before working capital changes, interest and tax</b>		<b>1,319.2</b>	<b>1,176.0</b>	<b>2,489.5</b>
Change in working capital and reserves for contingencies	note 7.1	(685.5)	4.3	966.4
Cash contributions to pension plans and other long-term employee benefits, o.w.:		(119.2)	(105.0)	(231.8)
- UK deficit payment		(51.4)	(49.0)	(95.1)
- Recurring contributions/benefits		(67.8)	(56.0)	(136.7)
Interest paid		(66.3)	(39.3)	(69.0)
Interest received		41.1	7.7	26.6
Income tax received (paid)		(16.3)	29.0	(156.3)
<b>Net cash flow from operating activities relating to continued activities (a)</b>	<b>- I -</b>	<b>473.0</b>	<b>1,072.7</b>	<b>3,025.4</b>
Acquisitions of property, plant and equipment and intangible assets		(272.0)	(191.8)	(534.6)
Disposals of property, plant and equipment and intangible assets		0.1	7.6	9.2
<b>Net operating investments</b>	note 4.2	<b>(271.9)</b>	<b>(184.2)</b>	<b>(525.4)</b>
Acquisitions of subsidiaries and affiliates		(6.7)	(145.8)	(417.8)
Disposals of subsidiaries and affiliates		—	4.8	2.0
Cash of disposed subsidiaries		—	(8.5)	26.9
Decrease (increase) in loans and non-current financial assets		(5.8)	(31.8)	(3.9)
Decrease (increase) in current financial assets		(496.0)	(205.9)	(213.3)
<b>Net financial investments</b>		<b>(508.5)</b>	<b>(387.2)</b>	<b>(606.1)</b>
<b>Net cash flow used in investing activities relating to continued operations (a)</b>	<b>-II-</b>	<b>(780.4)</b>	<b>(571.4)</b>	<b>(1,131.5)</b>
Parent company dividend distribution	note 10	(468.0)	(416.2)	(563.4)
Third party share in dividend distribution of subsidiaries		(49.4)	(12.0)	(41.7)
Purchase of treasury shares		(216.2)	(127.3)	(350.7)
Issuance of debt		990.9	8.7	90.7
Repayment of debt		(727.0)	(733.3)	(786.9)
<b>Net cash flow from financing activities relating to continued operations (a)</b>	<b>-III-</b>	<b>(469.7)</b>	<b>(1,280.1)</b>	<b>(1,652.0)</b>
Exchange rate variation relating to continued operations	- IV -	(28.5)	35.9	2.7
<b>Change in cash and cash equivalents relating to continued operations</b>	<b>I+II+III+IV</b>	<b>(805.6)</b>	<b>(742.9)</b>	<b>244.6</b>
Cash and cash equivalents at opening, of which:		5,296.4	5,216.4	5,216.4
<b>Cash and cash equivalents relating to continued operations at opening (b)</b>		<b>5,099.6</b>	<b>5,049.4</b>	<b>5,049.4</b>
Cash and equivalents relating to discontinued operations at opening (b)		196.8	167.0	167.0
Cash and cash equivalents at closing, of which:		4,346.5	4,347.8	5,296.4
<b>Cash and cash equivalents relating to continued operations at closing (b)</b>		<b>4,206.0</b>	<b>4,252.5</b>	<b>5,099.6</b>
Cash and equivalents relating to discontinued operations at closing (b)		140.5	95.3	196.8

(a) Discontinued activities cash flows are detailed in Note 1.2.

(b) including changes in cash and cash equivalents from continued to discontinued activities of -€88.0 million in half-year 2023, -€53.9 million in half-year 2022 and -€194.4 million in 2022.

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's condensed interim consolidated financial statements for six months ended 30 June 2023 were approved and authorized for issue by its Board of Directors on 20 July 2023.

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 statements

Thales's condensed interim consolidated financial statements for the six months ended 30 June 2023 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 2023. The condensed interim consolidated financial statements are consistent with the accounting policies applied by the Group for the full-year consolidated financial statements at 31 December 2022 (as described in the notes 1 and 13 to the consolidated financial statements).

Pension reform in France, voted for in April 2023, will raise the retirement age from 62 to 64. As a result, the Group has adjusted the assumptions used for actuarial valuations of retirement benefits plans. The impact on the financial statements is not material.

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 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 and business sectors.

## 1.2. Classification of Transport business under "discontinued activities"

On August 3, 2021, Thales entered into exclusive negotiations with Hitachi Rail in order to sale the global Transport business segment for an enterprise value of €1.66 billion. The groups have signed a *Sale and Purchase Agreement* on February 10, 2022.

The carve-out of concerned activities is now finalised within the Group. As of today, the discussions with the European Commission's Directorate-General for Competition (DG Competition) and the UK's Competition and Markets Authority (CMA) are still in progress.

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 correspond to cash flows relating to continued operations. The change in cash from the Transport business is reported on a separate line.

Income statement of discontinued operations	First half 2023	First half 2022	2022
<b>Sales</b>	<b>853.2</b>	<b>777.7</b>	<b>1,772.4</b>
<b>Income of operating activities before share in net income of equity affiliates</b>	<b>32.9</b>	<b>16.1</b>	<b>9.1</b>
Share in net income of equity affiliates	0.4	0.9	3.5
Financial result	(12.4)	0.3	(8.1)
Income tax	7.1	(6.3)	4.6
<b>Net income</b>	<b>28.0</b>	<b>11.0</b>	<b>9.1</b>

**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 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 amortisation of the PPE and intangible assets of the Transport business, as reported in income from operations.

Cash flow statement of discontinued operations	First half 2023	First half 2022	2022
Net cash flow from operating activities	(139.5)	(105.4)	(30.6)
Net cash-flow used in investing activities	(15.8)	(12.7)	(39.0)
Net cash flow from financing activities	14.8	(8.9)	(96.8)
Exchange rates and other	(3.8)	1.3	1.8
<b>Change in cash and cash equivalents</b>	<b>(144.3)</b>	<b>(125.7)</b>	<b>(164.6)</b>

	First half 2022	First half 2022	2022
<b>Net cash flow from operating activities</b>	<b>(139.5)</b>	<b>(105.4)</b>	<b>(30.6)</b>
Less: UK deficit payment	1.7	1.8	3.2
CAPEX	(15.6)	(14.1)	(40.5)
<b>Operating free cash flow</b>	<b>(153.4)</b>	<b>(117.7)</b>	<b>(67.9)</b>

<b>Assets</b>	<b>30/06/23</b>	<b>31/12/22</b>
Goodwill	879.8	879.8
PPE and intangible assets	237.3	207.7
Other non-current assets	52.8	48.6
Deferred tax assets	26.1	23.6
Working capital - assets	1,489.7	1,432.1
Current financial assets	2.7	1.9
Cash and cash equivalents	140.5	196.8
<b>Assets held for sale</b>	<b>2,828.9</b>	<b>2,790.5</b>
<b>Net cash (debt)</b>	<b>60.2</b>	<b>119.9</b>

<b>Equity and liabilities</b>	<b>30/06/23</b>	<b>31/12/22</b>
Long-term loans and borrowings	52.4	50.8
Pensions	104.2	92.4
Other non-current liabilities	18.2	23.9
Working capital - liabilities	1,468.9	1,586.5
Short-term loans and borrowings	30.6	28.0
<b>Liabilities held for sale</b>	<b>1,674.3</b>	<b>1,781.6</b>

## 2. Segment information

### 2.1. 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 2022 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).

<b>First half 2023</b>	<b>Aerospace</b>	<b>Defence &amp; Security</b>	<b>Digital I&amp;S</b>	<b>Other</b>	<b>Thales</b>
<b>Order book – non-Group at the end of the period</b>	<b>9,059.5</b>	<b>30,897.6</b>	<b>625.9</b>	<b>68.0</b>	<b>40,651.0</b>
<b>Order intake – non-Group</b>	<b>2,343.6</b>	<b>4,602.7</b>	<b>1,593.7</b>	<b>23.3</b>	<b>8,563.3</b>
Sales – non-Group	2,464.7	4,626.1	1,594.5	30.5	<b>8,715.8</b>
Sales – intersegment	47.4	187.8	21.1	(256.3)	—
<b>Total Sales</b>	<b>2,512.1</b>	<b>4,813.9</b>	<b>1,615.6</b>	<b>(225.8)</b>	<b>8,715.8</b>
<b>EBIT</b>	<b>171.4</b>	<b>567.0</b>	<b>253.1</b>	<b>1.3</b>	<b>992.8</b>
<i>Of which, Naval Group</i>	—	—	—	43.7	<b>43.7</b>
<i>Excluding Naval Group</i>	171.4	567.0	253.1	(42.4)	<b>949.1</b>

<b>First half 2022</b>	<b>Aerospace</b>	<b>Defence &amp; Security</b>	<b>Digital I&amp;S</b>	<b>Other</b>	<b>Thales</b>
<b>Order book – non-Group at the end of the period</b>	<b>8,232.0</b>	<b>28,989.0</b>	<b>641.1</b>	<b>126.4</b>	<b>37,988.5</b>
<b>Order intake – non-Group</b>	<b>2,393.4</b>	<b>7,150.0</b>	<b>1,631.3</b>	<b>33.7</b>	<b>11,208.4</b>
Sales – non-Group	2,211.1	4,378.4	1,631.3	35.5	<b>8,256.3</b>
Sales – intersegment	45.9	152.6	18.6	(217.1)	—
<b>Total Sales</b>	<b>2,257.0</b>	<b>4,531.0</b>	<b>1,649.9</b>	<b>(181.6)</b>	<b>8,256.3</b>
<b>EBIT</b>	<b>97.0</b>	<b>545.2</b>	<b>201.0</b>	<b>48.0</b>	<b>891.2</b>
<i>Of which, Naval Group</i>	—	—	—	88.5	<b>88.5</b>
<i>Excluding Naval Group</i>	97.0	545.2	201.0	(40.5)	<b>802.7</b>

2022	Aerospace	Defence & Security	Digital I&S	Other	Thales
<b>Order book – non-Group at the end of the period</b>	<b>9,224.2</b>	<b>30,963.6</b>	<b>632.2</b>	<b>137.2</b>	<b>40,957.2</b>
<b>Order intake – non-Group</b>	<b>5,892.2</b>	<b>13,954.6</b>	<b>3,615.5</b>	<b>88.2</b>	<b>23,550.5</b>
Sales – non-Group	4,704.8	9,153.6	3,617.6	92.8	<b>17,568.8</b>
Sales – intersegment	101.8	365.3	65.4	(532.5)	—
<b>Total Sales</b>	<b>4,806.6</b>	<b>9,518.9</b>	<b>3,683.0</b>	<b>(439.7)</b>	<b>17,568.8</b>
<b>EBIT</b>	<b>234.6</b>	<b>1,178.9</b>	<b>494.2</b>	<b>26.9</b>	<b>1,934.6</b>
<i>Of which, Naval Group</i>	—	—	—	118.8	<b>118.8</b>
<i>Excluding Naval Group</i>	234.6	1,178.9	494.2	(91.9)	<b>1,815.8</b>

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 and corporate income from operations which is not assigned to the segments. 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 2023	First half 2022	2022
<b>Income from operations</b>	<b>734.7</b>	<b>582.6</b>	<b>1,344.4</b>
<b>Less, amortisation of acquisition-related assets (PPA):</b>	<b>174.5</b>	<b>186.5</b>	<b>381.1</b>
- Intangible assets	163.0	175.0	358.1
- Property, plant and equipment	11.5	11.5	23.0
<b>Less, expenses directly linked to business combinations</b>	<b>4.6</b>	<b>—</b>	<b>—</b>
<b>Share in net income of equity from affiliates</b>	<b>64.6</b>	<b>107.4</b>	<b>180.0</b>
<b>Less, PPA amortisation related to equity affiliates entities</b>	<b>14.4</b>	<b>14.7</b>	<b>29.1</b>
<b>EBIT</b>	<b>992.8</b>	<b>891.2</b>	<b>1,934.6</b>

## 2.2. Sales

First half 2023	Aerospace	Defence & Security	Digital I&S	Other	Thales
<b>Sales by destination:</b>					
Europe	1,682.5	3,103.2	465.5	17.2	5,268.4
North America	355.1	353.5	503.4	3.3	1,215.3
Australia and New Zealand	23.4	341.4	15.0	0.1	379.9
<b>Total mature markets</b>	<b>2,061.0</b>	<b>3,798.1</b>	<b>983.9</b>	<b>20.6</b>	<b>6,863.6</b>
<b>Emerging markets (a)</b>	<b>403.7</b>	<b>828.0</b>	<b>610.6</b>	<b>9.9</b>	<b>1,852.2</b>
<b>Total</b>	<b>2,464.7</b>	<b>4,626.1</b>	<b>1,594.5</b>	<b>30.5</b>	<b>8,715.8</b>

First half 2022	Aerospace	Defence & Security	Digital I&S	Other	Thales
<b>Sales by destination:</b>					
Europe	1,516.8	2,773.4	492.6	20.9	4,803.7
North America	301.5	240.5	511.4	4.3	1,057.7
Australia and New Zealand	20.3	441.2	34.3	—	495.8
<b>Total mature markets</b>	<b>1,838.6</b>	<b>3,455.1</b>	<b>1,038.3</b>	<b>25.2</b>	<b>6,357.2</b>
<b>Emerging markets (a)</b>	<b>372.5</b>	<b>923.3</b>	<b>593.0</b>	<b>10.3</b>	<b>1,899.1</b>
<b>Total</b>	<b>2,211.1</b>	<b>4,378.4</b>	<b>1,631.3</b>	<b>35.5</b>	<b>8,256.3</b>

2022	Aerospace	Defence & Security	Digital I&S	Other	Thales
<b>Sales by destination:</b>					
Europe	3,228.6	5,678.1	994.4	46.2	9,947.3
North America	656.1	630.9	1,121.8	5.9	2,414.7
Australia and New Zealand	44.0	829.3	85.0	—	958.3
<b>Total mature markets</b>	<b>3,928.7</b>	<b>7,138.3</b>	<b>2,201.2</b>	<b>52.1</b>	<b>13,320.3</b>
<b>Emerging markets (a)</b>	<b>776.1</b>	<b>2,015.3</b>	<b>1,416.4</b>	<b>40.7</b>	<b>4,248.5</b>
<b>Total</b>	<b>4,704.8</b>	<b>9,153.6</b>	<b>3,617.6</b>	<b>92.8</b>	<b>17,568.8</b>

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

## 3. Impact of changes in scope consolidation

### 3.1. Main changes in scope of consolidation

At the beginning of May 2022, Thales finalized the acquisition of Ruag's Simulation and Training business for CHF 113.7 million. The business 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, in which Thales previously held 49%. In the consolidated financial statements, this transaction resulted in a revaluation of the previously held share of €33 million, and a subsequent takeover of the company.

In early October 2022, Thales finalized the acquisition of OneWelcome, the European leader in customer identity and access management, for €95.5 million. The business has been consolidated in the Group's accounts since that date.

In October 2022, Thales acquired S21sec and Excellium, two major players in cybersecurity consulting, integration and managed services in Europe, for €98,3 million. The business has been consolidated in the Group's accounts since October 1, 2022.

At the end of December 2022, Thales contributed its business dedicated to cellular IoT products to Telit Cinterion, in exchange for a 25% stake in Telit Cinterion. This stake has been accounted for under the equity method in the Group's accounts since that date.

No significant change in scope of consolidation occurred during the first half of 2023.

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

	First half 2023	First half 2022	2022
Disposal of investments	3.8	(5.9)	(13.7)
Acquisition-related fees	(4.9)	(4.4)	(17.3)
Disposal of real estate and other tangible and intangible assets	(0.1)	0.8	(1.5)
Impact of settlements / amendments to pensions plans (Note 8)	—	(18.7)	(29.4)
Litigation (a)	—	38.5	38.0
<b>Total</b>	<b>(1.2)</b>	<b>10.3</b>	<b>(23.9)</b>

(a) Compensation received as a result of a settlement agreement relating to a former litigation.

## 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:

	01/01/23	Acquisitions	Disposal	Reclassi- fication	Exchange rate & other	30/06/23
Avionics (a)	443.6	15.0	—	—	(0.5)	458.1
Space	492.1	—	—	—	0.6	492.7
Secured Communications and Information Systems (b)	777.2	(22.9)	—	—	(4.5)	749.8
Land and Air Systems	322.6	—	—	—	(0.4)	322.2
Defence Mission Systems	508.6	—	—	—	(2.9)	505.7
Digital Identity & Security (e)	2,925.9	(40.8)	—	—	(1.7)	2,883.4
<b>Total</b>	<b>5,470.0</b>	<b>(48.7)</b>	<b>—</b>	<b>—</b>	<b>(9.4)</b>	<b>5,411.9</b>

	01/01/22	Acquisitions	Disposals	Reclassi- fication	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
<b>Total</b>	<b>5,202.9</b>	<b>332.4</b>	<b>(76.0)</b>	<b>—</b>	<b>10.7</b>	<b>5,470.0</b>

(a) The preliminary purchase price allocation of Ruag Training & Simulation activity, acquired in May 2022, has been finalized in 2023.

(b) The preliminary purchase price allocation of S21sec and Excellium, acquired in October 2022, has been carried out during the first semester of 2023.

(c) The purchase price allocation of Moog's navigation business, acquired in December 2021, has been finalized at the end of 2022.

(d) The purchase price allocation of Advanced Acoustic Concepts, acquired in July 2022,, has been finalized at the end of 2022.

(e) The preliminary purchase price allocation of OneWelcome, acquired in October 2022, has been carried out during the first semester of 2023..

The activity dedicated to IoT cellular products was sold at the end of 2022 to Telit in exchange of a 25% investment in the new Telit Cinterion. The purchase price allocation of Telit Cinterion will be carried out during the second semester of 2023.

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

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 30 June 2023 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 2023 first-half financial statements.



## 4.2. Property, plant and equipment and intangible assets

	01/01/23	Acquisitions	Disposal	Depr. and amort.	Change in scope and exch. rate	30/06/23
Acquired Intangible assets	1,401.7	—	—	(163.0)	77.0	1,315.7
Capitalised development costs	40.6	9.2	—	(9.5)	1.1	41.4
Other	123.5	36.0	—	(28.2)	(8.8)	122.5
<b>Intangible assets</b>	<b>1,565.8</b>	<b>45.2</b>	<b>—</b>	<b>(200.7)</b>	<b>69.3</b>	<b>1,479.6</b>
Right-of-use from lease contracts	1,400.7	48.8	—	(101.2)	(0.9)	1,347.4
Acquired tangible assets	28.8	—	—	(11.5)	—	17.3
Property, plant and equipment	2,049.4	226.8	(0.1)	(169.0)	(22.1)	2,085.0
<b>Tangible assets</b>	<b>3,478.9</b>	<b>275.6</b>	<b>(0.1)</b>	<b>(281.7)</b>	<b>(23.0)</b>	<b>3,449.7</b>
<b>Total</b>	<b>5,044.7</b>	<b>320.8</b>	<b>(0.1)</b>	<b>(482.4)</b>	<b>46.3</b>	<b>4,929.3</b>
Less, new lease contracts		(48.8)				
<b>Operating investments (a)</b>		<b>272.0</b>				

	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
<b>Intangible assets</b>	<b>1,943.2</b>	<b>65.1</b>	<b>(0.7)</b>	<b>(439.5)</b>	<b>(2.3)</b>	<b>1,565.8</b>
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
<b>Tangible assets</b>	<b>3,399.0</b>	<b>668.3</b>	<b>(8.5)</b>	<b>(619.3)</b>	<b>39.4</b>	<b>3,478.9</b>
<b>Total</b>	<b>5,342.2</b>	<b>733.4</b>	<b>(9.2)</b>	<b>(1,058.8)</b>	<b>37.1</b>	<b>5,044.7</b>
Less, new lease contracts		(198.8)	—			
<b>Operating investments (a)</b>		<b>534.6</b>	<b>(9.2)</b>			

(a) Presented in the statement of cash flows.

## 5. Investments in equity affiliates

### 5.1. Change in investment in equity affiliates

	30/06/23	31/12/22
<b>Investment at opening</b>	<b>1,589.3</b>	<b>1,341.6</b>
<b>Share in net income of equity affiliates</b>	<b>64.6</b>	<b>180.0</b>
Translation adjustment	(13.2)	(17.9)
Cash flow hedge	47.3	(0.8)
Actuarial gains (losses) on pensions	2.9	23.3
<b>Share in comprehensive income of equity affiliates</b>	<b>101.6</b>	<b>184.6</b>
Dividends paid	(92.3)	(60.8)
Dividends voted and not paid yet	(9.4)	(11.8)
Change in scope and other	(0.1)	135.7
<b>Investments at closing</b>	<b>1,589.1</b>	<b>1,589.3</b>
<i>Including Naval Group</i>	<i>813.5</i>	<i>840.0</i>

### 5.2. Naval Group: summary financial information

<b>Balance sheet - 100% interest - (a)</b>	30/06/23	31/12/22
Non-current assets	2,044.8	2,033.3
Current assets	4,507.8	4,767.9
<b>Total assets</b>	<b>6,552.6</b>	<b>6,801.2</b>
Restated equity, attributable to shareholders	1,490.0	1,565.6
Non-controlling interests	0.5	0.4
Non-current liabilities	376.0	325.5
Current liabilities	4,686.1	4,909.7
<b>Total equity and liability</b>	<b>6,552.6</b>	<b>6,801.2</b>
<b>Net Cash</b>	<b>2,392.7</b>	<b>1,247.8</b>
<b>Thales's share</b>		
Thales's share (35%)	521.5	548.0
Goodwill	292.0	292.0
<b>Share in net assets of Naval Group</b>	<b>813.5</b>	<b>840.0</b>

<b>Income statement - 100% interest- (a)</b>	First half 2023	First half 2022	2022
Sales	2,108.0	2,496.6	4,353.2
Income (loss) from operating activities, after share in net income of equity affiliates	98.8	266.7	319.2
Financial income (loss)	16.4	9.6	8.2
Tax	(29.7)	(63.0)	(68.7)
Discontinued activities	(0.9)	(0.3)	0.5
<b>Restated net income</b>	<b>84.6</b>	<b>213.0</b>	<b>259.2</b>
<i>Of which, attributable to shareholders of the company</i>	<i>84.6</i>	<i>213.0</i>	<i>259.3</i>
<i>Of which, attributable to non-controlling interests</i>	<i>—</i>	<i>—</i>	<i>(0.1)</i>
<b>Thales's share</b>			
<b>Thales's share in net income attributable to shareholders of the company</b>	<b>29.7</b>	<b>74.5</b>	<b>90.8</b>
Of which, PPA amortisation	(14.0)	(14.0)	(28.0)
<b>Share in net income, before PPA</b>	<b>43.7</b>	<b>88.5</b>	<b>118.8</b>
Dividends received from Naval Group	59.1	27.6	27.6

(a) After Thales restatements, mainly PPA.

## 6. Financing and financial instruments

### 6.1. Financial income

#### a) Net interest income

	First half 2023	First half 2022	2022
<b>Financial interests related to lease contracts</b>	<b>(15.2)</b>	<b>(11.2)</b>	<b>(26.3)</b>
<b>Other interest expense:</b>	<b>(43.4)</b>	<b>(17.0)</b>	<b>(49.6)</b>
- from financial gross debt	(34.5)	(12.9)	(37.6)
- from interest rate swaps	(8.9)	(4.1)	(12.0)
<b>Interest income on cash and cash equivalents</b>	<b>71.9</b>	<b>(3.6)</b>	<b>25.8</b>
<b>Total</b>	<b>13.3</b>	<b>(31.8)</b>	<b>(50.1)</b>

#### b) Other financial income

	First half 2023	First half 2022	2022
Foreign exchange gains (losses)	(9.6)	(10.6)	(27.7)
Cash flow hedges, ineffective portion	(0.1)	(0.4)	(1.0)
Change in fair value of derivatives (a)	(24.0)	(19.4)	(64.7)
Other	(2.9)	0.8	(5.1)
<b>Total</b>	<b>(36.6)</b>	<b>(29.6)</b>	<b>(98.5)</b>

a) Includes the change in the fair value of swap points (-€22.3 million in first half 2023, -€10.5 million in the first half of 2022 and -€49.0 million in 2022).

### 6.2. Net cash (net debt)

Group net cash (debt) is as follows:

	30/06/23	31/12/22
Current financial assets *	721.3	221.3
Cash and cash equivalents	4,206.0	5,099.6
<b>Cash and other short-term investments</b> (a)	<b>4,927.3</b>	<b>5,320.9</b>
Financial debt	4,320.4	3,970.7
Lease debt	1,448.1	1,505.3
<b>Gross debt (a)</b> (b)	<b>5,768.5</b>	<b>5,476.0</b>
<b>Net cash (debt) relating to continued operations</b> (a-b)	<b>(841.2)</b>	<b>(155.1)</b>
<b>Net cash relating to discontinued operations</b> (c)	<b>60.2</b>	<b>119.9</b>
<b>Net (debt) cash</b> (a-b+c)	<b>(781.0)</b>	<b>(35.2)</b>
<i>(a) Including :</i>		
Long term financial debt	3,930.2	3,991.1
Short term financial debt	1,837.3	1,480.3
Fair value of interest rate hedging derivatives	1.0	4.6

\*Deposits with tier-one banks on deposit accounts with a maturity between 3 and 12 months.

In June 2023, Thales issued a €500m, 3.625% fixed-rate bond maturing in June 2029.

This issue will be used to refinance the bond issued in 2016 that has just matured. It will also strengthen the overall liquidity of Thales, by maintaining the Group's financial flexibility and extending the maturity of its financial resources.

## Bonds: key features at the end of June 2023 :

Nominal value	Issue date	Maturity	Type of rate	Coupon	Effective rate	
					Before hedging	After hedging
500 M€	Apr. 2018	Apr. 2024	fixed	0.88%	0.94%	1.11%
500 M€	Jan. 2018	Jan. 2025	fixed	0.75%	0.91%	0.91%
500 M€	Nov. 2020	March 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%
500 M€	June 2023	June 2029	fixed	3.63%	3.83%	3.83%

### 6.3. Summary of financial assets and liabilities

At end of June 2023, the classification of financial assets and liabilities remained identical to the one disclosed in note 6.5 to the 2022 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 €3,698.8 million, compared to €3,930.2 million for their carrying amount at 30 June 2023 (€4,602.4 million vs. €3,991.1 million at 31 December 2022).

## 7. Change in net cash (net debt)

	First half 2023	First half 2022	2022
<b>Net debt at opening</b>	<b>(35.2)</b>	<b>(795.0)</b>	<b>(795.0)</b>
Net cash flow from operating activities	473.0	1,072.7	3,025.4
Less, contributions to reduction of UK pension deficit	51.4	49.0	95.1
Net operating investments	(271.9)	(184.2)	(525.4)
<b>Free operating cash flow relating to continued operations</b>	<b>252.5</b>	<b>937.5</b>	<b>2,595.1</b>
Acquisitions of subsidiaries and affiliates	(6.7)	(145.8)	(417.8)
Disposals of subsidiaries and affiliates	—	4.8	2.0
Contributions to reduction of UK pension deficit	(51.4)	(49.0)	(95.1)
Changes in loans	(5.9)	(31.8)	(3.9)
Dividends paid by the parent company	(468.0)	(416.2)	(563.4)
Third-party share in dividend distributions of subsidiaries	(49.4)	(12.0)	(41.7)
Treasury shares and subscription options exercised (a)	(216.2)	(127.3)	(350.7)
New lease debts	(48.8)	(112.0)	(198.8)
Changes in exchange rates and other	(13.0)	(34.4)	(10.3)
<b>Contribution to change in net cash (debt) of continued operations</b>	<b>(606.9)</b>	<b>13.8</b>	<b>878.3</b>
<b>Contribution to change in net cash (debt) of discontinued operations</b>	<b>(138.9)</b>	<b>(113.1)</b>	<b>(118.5)</b>
<b>Net debt at closing</b>	<b>(781.0)</b>	<b>(894.3)</b>	<b>(35.2)</b>

(a) Including, in first half 2023, € 210.1 million linked to share buy back plan for their cancellation (€ 328.7 million in 2022).

## 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	01/01/22	Changes in WCR and reserves	Scope, exch. rate and reclass.	31/12/22	Changes in WCR and reserves	Scope, exch. rate and reclass.	30/06/23
Inventories & work in progress	3,336.0	346.7	(10.4)	3,672.3	614.5	(18.4)	4,268.4
Contract assets	2,477.6	(93.3)	26.2	2,410.5	766.0	0.2	3,176.7
Advance to suppliers	411.0	222.2	8.7	641.9	99.2	(1.7)	739.4
Accounts, notes and other receivables	5,442.9	366.1	1.1	5,810.1	(121.2)	(13.4)	5,675.5
Current derivatives - assets	99.7	(10.3)	83.2	172.6	38.1	(54.8)	155.9
Contract liabilities	(7,068.5)	(1,190.0)	(55.1)	(8,313.6)	(457.7)	8.3	(8,763.0)
Reserves for contingencies	(1,771.8)	(31.6)	51.4	(1,752.0)	57.7	(17.1)	(1,711.4)
Accounts, notes and other payables	(6,066.6)	(524.1)	(328.0)	(6,918.7)	(300.3)	22.0	(7,197.0)
Current derivatives - liabilities	(234.1)	—	(94.1)	(328.2)		58.5	(269.7)
<b>WCR and reserves, net</b>	<b>(3,373.8)</b>	<b>(914.3)</b>	<b>(317.0)</b>	<b>(4,605.1)</b>	<b>696.3</b>	<b>(16.4)</b>	<b>(3,925.2)</b>
<b>Restructuring provisions</b>		<b>(52.1)</b>			<b>(10.8)</b>		
<b>Increase (decrease) in WCR and reserves</b>		<b>(966.4)</b>			<b>685.5</b>		

The Group may assign trade receivables, mainly from the French State, and commercial paper. At 30 June 2023, outstanding derecognised receivables amounted to €187.4 million (€225.8 million at 31 December 2022).

## 7.2. Reserves for contingencies

	01/01/23	Utilisation	Additions	Reversal (surplus)	Exch. Rate and other	30/06/23
Restructuring	50.0	(11.8)	5.5	(4.5)	1.6	40.8
Technical and other litigation	274.8	(7.3)	19.7	(13.0)	10.1	284.3
Guarantees	299.2	(39.2)	20.6	(2.3)	(2.0)	276.3
Losses at completion	433.0	(95.5)	96.5	(16.4)	8.9	426.5
Provisions on contracts	435.2	(19.2)	31.8	(2.2)	8.1	453.7
Other (a)	259.8	(53.3)	35.7	(2.8)	(9.6)	229.8
<b>Total</b>	<b>1,752.0</b>	<b>(226.3)</b>	<b>209.8</b>	<b>(41.2)</b>	<b>17.1</b>	<b>1,711.4</b>

	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
<b>Total</b>	<b>1,771.8</b>	<b>(344.3)</b>	<b>488.6</b>	<b>(112.7)</b>	<b>(51.4)</b>	<b>1,752.0</b>

a) This line includes technical provisions of insurance companies, provisions for labor-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 2023, 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:

<b>30 June 2023</b>	<b>United Kingdom</b>	<b>France</b>
Inflation rate	3.22%	2.35%
Discount rate	5.16%	3.62%
<b>30 June 2022</b>	<b>United Kingdom</b>	<b>France</b>
Inflation rate	3.15%	2.37%
Discount rate	3.85%	3.21%
<b>2022</b>	<b>United Kingdom</b>	<b>France</b>
Inflation rate	3.12%	2.35%
Discount rate	4.79%	3.71%

### 8.2. Changes in provision

	<b>First half 2023</b>	<b>First half 2022</b>	<b>2022</b>
<b>Provision at opening</b>	<b>(1,907.7)</b>	<b>(2,447.3)</b>	<b>(2,447.3)</b>
<b>Less: provision at opening relating to discontinued activities</b>	<b>—</b>	<b>(31.0)</b>	<b>(35.5)</b>
<b>Current service cost (income from operations)</b>	<b>(46.4)</b>	<b>(61.4)</b>	<b>(129.4)</b>
<b>Amendments and settlements (non recurring operating income)</b>	<b>—</b>	<b>(18.7)</b>	<b>(29.4)</b>
Net interest cost	(35.2)	(12.6)	(28.5)
Pension fund management cost	(3.1)	(2.8)	(6.0)
Actuarial gains and losses on other long-term employee benefits	2.7	30.9	29.6
<b>Finance costs on pensions and other long-term employee benefits</b>	<b>(35.6)</b>	<b>15.5</b>	<b>(4.9)</b>
<b>Total expense for the period</b>	<b>(82.0)</b>	<b>(64.6)</b>	<b>(163.7)</b>
<b>Actuarial gains and losses (other comprehensive income) (a)</b>	<b>(103.7)</b>	<b>1,048.0</b>	<b>467.8</b>
<b>Benefits and contributions</b>	<b>119.2</b>	<b>105.0</b>	<b>231.8</b>
- Of which, deficit payment in the United Kingdom	51.4	49.0	95.1
- Of which, other benefits and contributions	67.8	56.0	136.7
<b>Translation adjustment</b>	<b>(13.8)</b>	<b>(2.1)</b>	<b>30.4</b>
<b>Changes in scope of consolidation and other</b>	<b>(1.2)</b>	<b>16.1</b>	<b>8.8</b>
<b>Provision at closing</b>	<b>(1,989.2)</b>	<b>(1,375.9)</b>	<b>(1,907.7)</b>

(a) In 2022 and in the first half of 2022, the revaluation is mainly due to an increase in discount rates, particularly in the United Kingdom.

## 9. Income tax

	First half 2023	First half 2022	2022
Net income	642.0	560.0	1,131.0
Less: net income of discontinued activities	(28.0)	(11.0)	(9.1)
Less: share in net income of equity affiliates	(64.6)	(107.4)	(180.0)
Less: income tax	125.2	105.4	225.1
<b>Net income before tax and share in net income of equity affiliates</b>	<b>674.6</b>	<b>547.0</b>	<b>1,167.0</b>
<b>Income tax benefit (expense) recognised in profit and loss</b>	<b>(125.2)</b>	<b>(105.4)</b>	<b>(225.1)</b>
<b>Effective tax rate</b>	<b>18.6%</b>	<b>19.3%</b>	<b>19.3%</b>

The income tax expense excludes research tax credit which is recorded in income from operations (respectively €104.5 million, €99.1 million in the first half of 2023 and 2022 and €196,9 million in 2022).

## 10. Equity and earnings per share

### 10.1. Shareholders' equity

#### a) Share capital

	30/06/23			31/12/22		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
T.S.A.	54,786,654	26.06%	35.43%	54,786,654	25.67%	35.15%
French State (including one golden share)	2,060	—%	—%	2,060	—%	—%
Public sector (a)	54,788,714	26.06%	35.43%	54,788,714	25.67%	35.15%
Dassault Aviation (b)	52,531,431	24.99%	29.94%	52,531,431	24.62%	29.92%
Thales (c)	1,734,060	0.83%	—%	3,277,303	1.53%	—%
Employees (d)	6,073,343	2.89%	3.72%	6,330,466	2.97%	3.81%
Other shareholders	95,082,592	45.23%	30.91%	96,483,395	45.21%	31.12%
<b>Total (e)</b>	<b>210,210,140</b>	<b>100.00%</b>	<b>100.00%</b>	<b>213,411,309</b>	<b>100.00%</b>	<b>100.00%</b>

(a) Under the terms of shareholders' agreement with Dassault Aviation (the "Industrial Partner"), the "Public Sector" is represented by the company 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 n° 218c0137 of January 16, 2018. All Thales shares held directly and indirectly by the French State have been directly registered for more than two years and thus have double voting rights as of June 30, 2023.

(b) As of June 30, 2023, Dassault Aviation holds 42,154,349 directly registered shares, of which 42,154,349 have been held for more than two years and therefore have double voting rights as of June 30, 2023, and also holds 10,377,082 bearer shares.

(c) Treasury shares represented 52 681 bearer shares held under a liquidity contract and 1 681 379 directly registered shares.

(d) This line shows total employees share ownership. For information purposes, since Law No 2019-486 of May 22, 2019, employee share ownership within the meaning of 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 of June 30, 2023 to 4 795 209 shares and 8 960 285 voting rights, i.e., 2.28% of the capital stock and 2.90% of the exercisable voting rights, respectively.

(e) By decision of the board of directors of March 13, 2023, the capital was reduced by cancellation of 3,201,169 treasury shares representing approximately 1.5% of the share capital as of December 31, 2022.

## b) Treasury shares

Thales (parent company) held 1,734,060 of its own shares at 30 June 2023. They are accounted for as a deduction from consolidated equity in the amount of €-219.1 million. In accordance with the authorizations given to the board of Directors at the Annual General Meeting, the Company carried out, in 2022 and in the first half of 2022 and 2023 the following operations :

	First half 2023	First half 2022	2022
<b>Treasury shares at opening</b>	<b>3,277,303</b>	<b>493,175</b>	<b>493,175</b>
Purchases as part of a liquidity agreement	289,139	489,585	735,314
Disposals as part of a liquidity agreement	(310,400)	(581,117)	(781,117)
Transfer to employees as part of the employee share purchase plan	—	(36,106)	(36,106)
Delivery of free shares	(4,119)	(1,033)	(129,067)
Market purchases	1,683,306	1,156,316	2,995,104
Cancelled shares	(3,201,169)	—	—
<b>Treasury shares at closing</b>	<b>1,734,060</b>	<b>1,520,820</b>	<b>3,277,303</b>

## c) Parent Company dividend distribution

For the years 2021 and 2022, dividends per share amounted respectively to €2.56 and €2.94. 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	General Meeting on 10 May 2023	Balance for 2022	€2.24	May 2023	cash	468.0
	Board of Directors on 29 September 2022	2022 interim dividend	€0.70	Dec. 2022	cash	147.2
2022	General Meeting on 11 May 2022	Balance for 2021	€1.96	May 2022	cash	416.2
		Total dividends paid in 2022				563.4



## 10.2. Earnings per share

		First half 2023	First half 2022	2022
<b>Numerator (in € million):</b>				
<b>Net income, Group share</b>	<b>(a)</b>	<b>648.9</b>	<b>565.6</b>	<b>1,120.6</b>
Of which: net income relating to continued operations, Group share		620.9	554.6	1,111.5
<b>Denominator (in thousands):</b>				
<b>Average number of shares outstanding</b>	<b>(b)</b>	<b>209,349</b>	<b>212,695</b>	<b>211,833</b>
Free shares and units plans *		477	290	515
<b>Diluted average number of shares outstanding</b>	<b>(c)</b>	<b>209,826</b>	<b>212,985</b>	<b>212,348</b>
<b>Net earnings per share (in euros)</b>	<b>(a) / (b)</b>	<b>€3.10</b>	<b>€2.66</b>	<b>€5.29</b>
Of which: basic earnings relating to continued operations, per share		€2.97	€2.61	€5.25
<b>Diluted net earnings per share (in euros)</b>	<b>(a) / (c)</b>	<b>€3.09</b>	<b>€2.66</b>	<b>€5.28</b>
Of which: diluted earnings relating to continued operations, per share		€2.96	€2.60	€5.23
<b>Average share price</b>		<b>€129.47</b>	<b>€107.39</b>	<b>€111.70</b>

\* 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 consolidated accounts approval, 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 twelve months.

## 12. Related party transactions

Main related party transactions are disclosed in Note 13-a of the consolidated financial statements included in the 2022 Universal Registration Document.

Revenues with the French State amounted to €1,997.2 million in the first half of 2023 and €1,811.7 million in the first half of 2022.

## 13. Subsequent event

Mid-June 2023, Thales announced the acquisition of Tesseract, one of Australia and New Zealand's largest cybersecurity companies, with a calendar year 2022 turnover of €110 million. This transaction resulted in a revaluation of the equity of €107 million. Recommended by all members of the Tesseract Board, the transaction is subject to Tesseract shareholders' and court approval. In addition, the transaction is subject to regulatory approvals and other customary closing conditions. It is expected to be completed during the second half of 2023.

Mid-July 2023, Thales enters into exclusive negotiation to acquire, for USD 1.1bn, Cobham Aerospace Communications ("AeroComms"), a leading supplier of advanced, ultra-reliable innovative safety cockpit communication systems. The company is expected to generate ~USD 200m revenues in 2023. Employee representative bodies of both Thales and Cobham Aerospace Communications will be consulted as part of the project. The closing of the transaction is expected during the first half of 2024 upon customary merger control and regulatory approvals completions.

Thales  
6, rue de la Verrerie  
92190 Meudon  
France  
Tél : +33 (0)1 57 77 80 00  
[www.thalesgroup.com](http://www.thalesgroup.com)

