

Half-yearly financial report 2024

Report on business activity

Consolidated financial statements



HALF-YEARLY FINANCIAL REPORT 2024

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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 2024 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.

Meudon, 23rd July 2024

A handwritten signature in black ink that reads "P. Caine". The signature is written in a cursive style and is positioned above a solid black horizontal line.

Patrice Caine
Chairman & Chief Executive Officer

Report on 2024 first half business activity and results

Key figures¹

<i>In € millions except earnings per share (in €)</i>	H1 2024	H1 2023	Total change	Organic change
Order intake	10,767	8,563	+26%	+23%
Order book at end of period	46,958	40,651	+16%	+15%
Sales	9,493	8,716	+8.9%	+6.0%
EBIT²	1,096	993	+10.4%	+4.7%
<i>as a % of sales</i>	<i>11.5%</i>	<i>11.4%</i>	<i>+0.2 pts</i>	<i>-0.1 pts</i>
Adjusted net income, Group share²	866	819	+6%	
Adjusted net income, Group share, per share²	4.21	3.91	+8%	
Consolidated net income, Group share	1,017	649	+57%	
Free operating cash flow from continuing operations^{2, 3}	23	253	(229)	
Net cash (debt) at end of period^{2, 4}	(4,594)	(781)	(3,813)	

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

² Non-GAAP financial indicators, see definitions in the "Presentation of financial information" section.

³ Free operating cash flow from continuing operations, excluding the Transport activity sold on May 31, 2024.

⁴ "Cash and cash equivalents" no longer includes the assets transferred from the pension fund in the United Kingdom.

Presentation of financial information

Accounting policies

Thales's condensed interim consolidated financial statements for the six months ended 30 June 2024 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.

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 2023 (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 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 following tabs.

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. It incorporates the lease liability recorded in the balance sheet pursuant to IFRS 16. Its calculation appears in Note 6.3 to the consolidated financial statements.

Please note that only the consolidated financial statements as at December 31, 2023 are audited by the statutory auditors, including EBIT, the calculation of which is outlined in Note 2 "Segment Information", net cash (debt), the definition and calculation of which appear in Note 6.2 "Net cash (debt)", and free operating cash flow, the definition and calculation of which are specified in Note 6.3 "Changes in net cash". Adjusted financial information other than that provided in the notes to the consolidated financial statements is subject to the verification procedures applicable to all information included in this press release.

The impact of these adjustment entries on the income statements at June 30, 2024 and June 30, 2023 is detailed in the tables there after.

Adjusted income statement, EBIT and adjusted net income – H1 2024

	Consolidated income statement H1 2024	Adjustments				Adjusted income statement H1 2024
<i>In € millions except earnings per share (in €)</i>		(1)	(2)	(3)	(4)	
Sales	9,493	—	—	—	—	9,493
Cost of sales	(6,985)	263	—	—	—	(6,722)
Research and development costs	(599)	—	—	—	—	(599)
Marketing and selling expenses	(776)	—	—	—	—	(776)
General and administrative expenses	(335)	—	—	—	—	(335)
Restructuring costs	(32)	—	—	—	—	(32)
Income from operations	765	263	—	—	—	1,029
Share in net income of equity affiliates	59	8	—	—	—	67
Income from operating activities after share in net income	825	—	—	—	—	N/A
EBIT	N/A	271	—	—	—	1,096
Gains and losses on disposals of assets, changes in scope and other	(20)	—	20	—	—	—
Impairment of non-current assets	—	—	—	—	—	—
Net financial interest	(87)	—	—	—	—	(87)
Other financial income and expenses	30	—	—	2	—	32
Finance costs on pensions and other long-term employee benefits	(30)	—	—	—	2	(28)
Income tax	(124)	(66)	(3)	—	(1)	(193)
<i>Effective income tax rate*</i>	18.8%	—	—	—	—	20.4%
Net income from continuing operations	595	206	17	2	1	820
Net income from discontinued operations	392	(12)	(363)	1	—	19
Net income	987	194	(346)	4	1	839
Non-controlling interests	31	(4)	—	—	—	27
Net income, Group share	1,017	190	(346)	4	1	866
<i>Average number of shares (thousands)</i>	205,818	—	—	—	—	205,818
Net income, Group share per share (in €)	4.94	—	—	—	—	4.21

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

Adjustments (see definitions on pages 11 and 12):

- (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 2023

In € millions except earnings per share (in €)	Consolidated income statement H1 2023	Adjustments				Adjusted income statement H1 2023
		(1)	(2)	(3)	(4)	
Sales	8,716	—	—	—	—	8,716
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)
Income from operations	735	179	—	—	—	914
Share in net income of equity affiliates	65	14	—	—	—	79
Income from operating activities after share in net income	799	—	—	—	—	N/A
EBIT	N/A	194	—	—	—	993
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>	<i>18.6%</i>	—	—	—	—	<i>20.0%</i>
Net income from continuing operations	614	149	1	19	(2)	780
Net income from discontinued operations	28	5	2	2	—	36
Net income	642	153	3	21	(2)	816
Non-controlling interests	7	(4)	—	—	—	3
Net income, Group share	649	149	3	21	(2)	819
<i>Average number of shares (thousands)</i>	<i>209,349</i>	—	—	—	—	<i>209,349</i>
Net income, Group share per share (in €)	3.10	—	—	—	—	3.91

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

Adjustments (see definitions on pages 11 and 12):

- (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 2024	H1 2023	Total change	Organic change
Aerospace	2,688	2,349	+14%	+16%
Defence & Security	6,120	4,498	+36%	+36%
Digital Identity & Security	1,931	1,693	+14%	-1%
Total – operating segments	10,739	8,540	+26%	+23%
Other	29	23		
Total	10,767	8,563	+26%	+23%
Of which mature markets ⁵	7,328	6,931	+6%	+3%
Of which emerging markets ⁵	3,439	1,633	+111%	+109%

Order intake in H1 2024 amounted to **€10,767 million, up 26%** compared to H1 2023 (+23% at constant scope and exchange rates⁶). The book-to-bill ratio was 1.13, a substantial increase compared to the first half of 2023, when it was 0.98.

This strong order intake was driven by large orders (orders with a unit value of more than €100 million), the cumulative amount of which came to **€3,602 million**, up 116% compared with the first half of 2023 (€1,671 million). Three orders in excess of €500 million were recorded during the period. Thales recorded a total of 12 large orders with a unit value of more than €100 million in the first half of 2024, compared to nine in the first half of 2023, as follows:

- Four large orders booked in Q1 2024:
 - The entry into force of the third phase of the order placed by Indonesia in 2022 for the purchase of 42 Rafale aircraft (18 aircraft and support services);
 - Order of an air surveillance system for a military customer in the Middle East;
 - Second tranche of the contract signed in 2023 between France and Italy for the production of 400 ASTER B1NT ground-to-air missiles;
 - Phased contract with the French Defence Procurement Agency (DGA) to develop the next generation of sonars to equip French nuclear-powered ballistic-missile submarines (SSBN).
- Eight large orders booked in Q2 2024:
 - Order of two new F126 frigates by the German Navy. This additional contract brings the number of F126 frigates acquired by the German Navy to six in the past four years;
 - Exomars 2028, a contract signed between industrial prime contractor Thales Alenia Space and the European Space Agency (ESA) to relaunch the European space mission dedicated to the exploration of the Red Planet;
 - Order by SKY Perfect JSAT to Thales Alenia Space of JSAT-31, a new generation of satellite reconfigurable in orbit using Space INSPIRE technology;
 - Order by France's Joint Munitions Command (SiMu) of tens of thousands of 120mm rifled ammunition;
 - Order for a next generation cloud native "FLYTEDGE" InFlight Entertainment System for a major worldwide airline;
 - Order by an Asian customer of latest-generation Ground Master 400 Alpha long-range air surveillance radars;
 - Order by the Dutch Ministry of Defence of seven additional Ground Master 200 multi-mission compact radars;
 - Service contract for the maintenance of the Royal Australian Navy fleet.

⁵ Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table in appendix.

⁶ Taking into account a scope effect of €263 million and a negative currency scope effect of -€17 million.

At **€7,165m**, order intake **with a unit value of less than €100 million** also increased by 4% compared to the first half of 2023.

Geographically⁷, order intake in emerging markets amounted to €3,439 million, up by +111%. At €7,328 million, order intake in mature markets continued to grow (+6%).

Order intake in the **Aerospace** segment totaled **€2,688 million**, versus €2,349 million in H1 2023 (+16% at constant scope and exchange rates). This double-digit increase reflects two contrasting trends:

- On the one hand, the avionics market remains strong, with order intake recording organic growth of 31%;
- On the other hand, the order intake in the space business declined slightly over the period. The two major orders signed with the ESA and SKY Perfect JSAT in the second quarter of 2024 did not fully offset the weakness of the first quarter, which was penalized by a high basis for comparison.

At **€6,120 million** compared with €4,498 million in the first half of 2023, i.e. a 36% increase at constant scope and exchange rates, order intake in the **Defence & Security** segment reflected strong sales momentum. This segment recorded nine new orders with a unit value of more than €100 million in the first half of the year. The order book therefore increased to **€36.5 billion** (versus €30.7 billion in the first half of 2023), representing more than 3.7 years of sales.

At **€1,931 million**, order intake in the **Digital Identity & Security** segment was in line with sales, as most of the activities in this segment operate on short cycles. The order book is therefore not significant.

⁷ See tables in appendices.

Sales

<i>In € millions</i>	H1 2024	H1 2023	Total change	Organic change
Aerospace	2,582	2,469	+4.6%	+4.8%
Defence & Security	4,938	4,544	+8.7%	+8.5%
Digital Identity & Security	1,934	1,672	+15.6%	+0.4%
Total – operating segments	9,454	8,685	+8.8%	+5.9%
Other	39	30		
Total	9,493	8,716	+8.9%	+6.0%
Of which mature markets ⁸	7,545	6,864	+9.9%	+6.9%
Of which emerging markets ⁸	1,947	1,852	+5.1%	+2.7%

Sales for the first half of 2024 amounted to **€9,493 million**, compared with €8,716 million in the first half of 2023, an increase of 8.9% as reported, or +6.0% at constant scope and exchange rates.

Geographically⁸, this increase in sales was mainly driven by mature countries (+6.9% in organic growth). Emerging markets posted organic growth of +2.7% over the period.

Sales in the **Aerospace** segment amounted to **€2,582 million**, up 4.6% compared to H1 2023 (+4.8% at constant scope and exchange rates). This change reflects mixed trends:

- Double-digit growth in aeronautics;
- Stable activity in the space segment.

Sales in the **Defence & Security** segment totaled **€4,938 million**, up 8.7% compared to H1 2023 (+8.5% at constant scope and exchange rates). After a very strong first quarter (+13.4% at constant scope and exchange rates), as expected, activity recorded more moderate growth in the second quarter (+4.5% at constant scope and exchange rates). Organic growth in this segment's sales over the half-year is ahead of the confirmed annual target of "mid-single digit plus" organic growth in activity.

In the **Digital Identity & Security** segment, sales were up 0.4% at constant scope and exchange rates to **€1,934 million**. Following a decline in the first quarter (-2.5% at constant scope and exchange rates), the second quarter came back to positive organic growth (+3.1%). The continued ramp-up of product digitalization (including connectivity solutions in mobile) and the good momentum of the Biometric and Cybersecurity businesses more than offset the slowdown in Banking and Payment solutions markets compared with a particularly high base in the first half of 2023 in terms of both volume and pricing.

⁸ Mature markets and Emerging markets: see tables in appendices.

Adjusted results

EBIT	H1 2024	H1 2023	Total change	Organic change
<i>In € millions</i>				
Aerospace	167	169	-1.5%	-10.2%
<i>as a % of sales</i>	6.5%	6.9%	-0.4 pts	-1.0 pts
Defence & Security	639	576	+10.9%	+11.0%
<i>as a % of sales</i>	12.9%	12.7%	+0.3 pts	+0.3 pts
Digital Identity & Security	272	246	+10.7%	-7.4%
<i>as a % of sales</i>	14.1%	14.7%	-0.6 pts	-1.2 pts
Total – operating segments	1,078	992	+8.7%	+2.8%
<i>as a % of sales</i>	11.4%	11.4%	0.0 pts	-0.3 pts
Other – excluding Naval Group	(26)	(42)		
Total – excluding Naval Group	1,052	949	+10.8%	+4.9%
<i>as a % of sales</i>	11.1%	10.9%	+0.2 pts	-0.1 pts
Naval Group (share at 35%)	44	44		
Total	1,096	993	+10.4%	+4.7%
<i>as a % of sales</i>	11.5%	11.4%	+0.2 pts	-0.1 pts

In H1 2024, the Group posted **EBIT**⁹ of **€1,096 million (11.5%** of sales), compared with €993 million (11.4% of sales) in H1 2023.

The **Aerospace** segment posted EBIT of **€167 million (6.5%** of sales), versus EBIT of €169 million (6.9% of sales) in H1 2023. The segment's EBIT margin was driven by the strong performance of avionics activities, which posted a double-digit EBIT margin. However, it was impacted by the negative EBIT margin in space, resulting from i) a lack of growth in the business and ii) an increase in Research and Development expenses.

In the **Defence & Security** segment, EBIT amounted to **€639 million**, versus €576 million in H1 2023 (+11.0% at constant scope and exchange rates). The segment's margin was up slightly against last year, at 12.9% (12.7% in the first half of 2023).

At **€272 million (14.1%** of sales) compared with €246 million (14.7% of sales) in the first half of 2023, the EBIT margin of the **Digital Identity & Security ("DIS")** segment was still strong. This illustrates DIS' ability to maintain its commercial margins in the competitive markets of Banking and Payment Services and Mobile Connectivity Solutions.

Excluding Naval Group, **unallocated EBIT** amounted to **-€26 million**, compared with -€42 million in H1 2023.

At **€44 million** in the first half of 2024, **Naval Group's** contribution to EBIT was fully aligned with the one of last year.

⁹ Non-GAAP financial indicators, see definitions in the "**Presentation of financial information**" section.

As expected, **cost of net financial debt (-€87 million)** compared with €13 million in the first half of 2023) rose sharply given the substantial increase in the amount of debt following recent acquisitions.

Other adjusted financial income¹⁰ stood at **+€32 million** over the first six months of 2024, compared with -€13 million in the first half of 2023, reflecting the exceptional positive impact of dividend payments from non-consolidated investments as well as positive foreign exchange results.

The adjusted financial expense on pensions and other long-term employee benefits¹⁰ improved -€38 million to **-€28 million** in the first half of 2024, due to the removal of the interest expense following the transfer of pension obligations in the United Kingdom carried out in December 2023.

At **€19 million** compared with €36 million in H1 2023, the **adjusted net income, Group share, from discontinued operations** was in line with trends in the Transport business, which was sold on May 31, 2024.

Adjusted net income, Group share¹⁰ thus amounted to **€866 million**, compared to €819 million in H1 2023, after an adjusted income tax charge¹⁰ of -€193 million, compared to -€175 million in H1 2023. The effective tax rate stood at **20.4%** at June 30, 2024, compared with 20.0% at June 30, 2023.

Adjusted net income, Group share, per share¹⁰ amounted to **€4.21**, up 8% compared to H1 2023 (€3.91).

Consolidated results

Income from operations

After accounting of the purchase price allocation (PPA) and other expenses directly related to acquisitions, which amounted to €263 million (€179 million as at June 30, 2023), reported **income from operations** sets at €765 million, compared to €735 million in the first half of 2023. As with EBIT, this increase reflects the leverage effect on the increase in revenues and the associated improvement in gross margin, however impacted by higher PPA amortization linked to the acquisitions of Tesserent and Imperva.

Income of operating activities before share in net income from equity affiliates thus amounts to €746 million, compared to €734 million at June 30, 2023.

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

The share in net income (loss) of equity affiliates slightly decreases at €59 million in the first half of 2024, against €65 million at June 30, 2023. **Income of operating activities after share in net income from equity affiliates** therefore comes to €805 million, compared to €798 million for the same period at June 30, 2023.

¹⁰ Non-GAAP financial indicators, see definitions in the “**Presentation of financial information**” section.

Net financial income (expense)

Cost of net financial debt (-€87 million versus €13 million in the first half of 2023) rose sharply given the substantial increase in the amount of debt following recent acquisitions.

Other adjusted financial income stood at +€30 million over the first six months of 2024, compared with -€37 million in the first half of 2023, reflecting the exceptional positive impact of dividend payments from non-consolidated investments as well as positive foreign exchange results.

The adjusted financial expense on pensions and other long-term employee benefits improved from -€36 million to -€30 million in the first half of 2024, due to the removal of the interest expense following the transfer of pension obligations in the United Kingdom carried out in December 2023.

The **income tax charge** amounted to €124 million in the first half of 2024 compared to €125 million in the first half of 2023. The effective tax rate stood at **18.8%** at June 30, 2024, compared with 18.6% at June 30, 2023.

Net income

Consolidated net income, Group share amounted to **€1,017 million**, up **57%** compared to June 30, 2023 (€649 million), including the capital gain on the disposal of the Transport business.

Financial position at June 30, 2024

<i>in € millions</i>	H1 2024	H1 2023	Change
Operating cash flow before interest and tax	1,472	1,319	+153
+ Change in working capital and provisions for contingencies	(995)	(686)	(310)
+ Payment of pension contributions, excluding contributions related to the reduction of the United Kingdom pension deficit	(57)	(68)	+11
+ Net financial interest received (paid)	(74)	(25)	(48)
+ Income tax paid	(54)	(16)	(38)
+ Net operating investments	(270)	(272)	+2
Free operating cash flow, continuing operations	23	253	(229)
Free operating cash flow, discontinued operations	(108)	(153)	+45
Free operating cash flow	(85)	99	(184)
+ Net balance of disposals (acquisitions) of subsidiaries and affiliates	528	(7)	+535
+ Contribution to the reduction of pension financing deficits in the United Kingdom	(11)	(51)	+41
+ Dividends paid	(534)	(468)	(66)
+ Share buybacks under the program approved in March 2022	(176)	(210)	+34
+ New lease liabilities (IFRS 16)	(95)	(49)	(46)
+ Exchange rates and other	(31)	(60)	+29
Change in net cash (debt)	(404)	(746)	+342
Net cash (debt) at start of period	(4,190)	(35)	(4,155)
+ Change in net cash (debt)	(404)	(746)	+342
Net cash (debt) at end of period	(4,594)	(781)	(3,813)

Free operating cash flow from continuing operations (excluding the Transport business following its disposal), was positive at **€23 million** compared with €253 million in the first half of 2023. As announced, in the first half of 2024, the Group recorded a significant increase in its working capital requirement compared to the first half of 2023, due to the voluntary build-up of inventories of products for which Thales wants to increase its resilience. The Group's debt servicing also rose sharply given the increase in the amount of the Group's net debt between end-June 2023 and end-June 2024.

In the first half of the year, the **net balance of disposals and acquisitions of subsidiaries** amounted to **€528 million**. The Group completed the sale of its Transport business to Hitachi Rail on May 31, 2024 and the acquisition of Cobham Aerospace Communications on April 2, 2024.

Under the **share buyback** program covering a maximum of 3.5% of the capital announced in March 2022, which ended on March 31, 2024, 1,245,757 shares were purchased between January 1, 2024 and June 30, 2024, for a total of **-€176 million**. Over the total period of the program, Thales bought back 7,469,396 shares, representing a gross buyback amount of -€966 million.

At June 30, 2024, **net debt** amounted to **-€4,594 million** compared with -€4,190 million at December 31, 2023. This item was mainly impacted by net balance of disposals and acquisitions of subsidiaries for a positive amount of **€528 million** (acquisition of Cobham Aerospace

Communications and disposal of the Transport business), dividend payments for **-€534 million** (-€468 million in the first half of 2023), new lease liabilities **-€95 million** (-€49 million in the first half of 2023) and the share buyback program for **-€176 million**.

Shareholders' equity, Group share amounted to **€7,283 million**, compared with €6,830 million at December 31, 2023. This increase reflects the contribution of consolidated net income, Group share (+€1,017 million) less the dividend payout (-€534 million) and share buybacks (-€176 million).

Litigations

At the date of publication of the interim consolidated financial statements, the proceedings relating to the judicial investigation referred to in Note 11 to the 2023 consolidated financial statements were still in progress, in particular as a result of Thales's response to various questions put by the judicial authorities. The conclusions of this legal investigation are not yet known.

In addition, in June 2024, several searches were carried out at various sites in France, the Netherlands and Spain, as part of two preliminary investigations opened by the Parquet National Financier. Thales is cooperating with the judicial authorities. The conclusions of these preliminary investigations are not yet known, including any consequences that may result from the outcome of the investigations.

There are no other governmental, legal or arbitration proceedings of which the Company is aware, that are pending or threatened, that have had in the past 6 months or are likely to have a material impact on the financial position or profitability of the Company and/or the Group.

Related party transactions

Main related party transactions are disclosed in Note 13-a of the consolidated financial statements included in the 2023 Universal Registration Document. Revenues with the French State amounted to €2,207.2 million in the first half of 2024 and €1,997.2 million in the first half of 2023.

Main risks and uncertainties during the second half of 2024 fiscal year

The main risks and uncertainties as described in the Universal Registration Document filed with the Autorité des Marchés Financiers (AMF) on 4 April 2024 – chapter 3, Risk Factors, Internal Control and Risk Management– remain valid and applicable for the second half of 2024 fiscal year.

Outlook for the current year

As illustrated by the record order intake in the first half of the year, Thales has a solid positioning in each of its major markets.

In the second half of 2024, Thales' sales should therefore continue to benefit from the good momentum of its activities.

With regard to the EBIT margin, Thales confirms its expectation of continuous growth in its profitability compared to 2023, driven by the double-digit profitability of the Aeronautics and Defence & Security activities. However, the EBIT margin of the Space business is expected to be negative for the full year, due to the combination of: i) the fall in commercial telecommunications activity over the year, ii) the Group's decision to maintain a high level of Research and Development investments in a market where demand remains solid in the medium term, and iii) the impact of restructuring costs linked to the business adaptation plan.

As a result, assuming there are no major new disruptions in the global economy, in the health context or in the global supply chains, Thales confirms its 2024 annual objectives, as announced in March, refining them as follows:

- A **book-to-bill ratio unchanged, above 1**;
- **Organic sales growth** of between **+5%** and **+6%**¹¹, corresponding to sales in the range of €19.9 billion to €20.1 billion¹²;
- An **EBIT margin** between **11.7%** and **11.8%**¹³.

¹¹ Compared with +4% and +6% initially announced.

¹² Based on July 2024 scope and exchange rates.

¹³ Compared to the range of 11.7% to 12.0% initially announced.

Appendices to the report on operations and results for the first half of 2024

Order intake by destination – H1 2024

<i>In € millions</i>	H1 2024	H1 2023	Total change	Organic change	2024 weighting as a %
France	2,099	2,058	+2%	+2%	19%
United Kingdom	571	577	-1%	-4%	5%
Rest of Europe	2,884	2,771	+4%	+4%	27%
Subtotal Europe	5,554	5,406	+3%	+2%	52%
United States and Canada	1,274	1,048	+22%	+9%	12%
Australia and New Zealand	501	477	+5%	-3%	5%
Total mature markets	7,328	6,931	+6%	+3%	68%
Asia	1,823	1,005	+81%	+79%	17%
Near and Middle East	1,124	294	+282%	+280%	10%
Rest of the world	492	333	+48%	+46%	5%
Total emerging markets	3,439	1,633	+111%	+109%	32%
Total all markets	10,767	8,563	+26%	+23%	100%

Sales by destination – H1 2024

<i>In € millions</i>	H1 2024	H1 2023	Total change	Organic change	2024 weighting as a %
France	2,940	2,639	+11.4%	+11.4%	31%
United Kingdom	624	573	+8.9%	+4.9%	7%
Rest of Europe	2,250	2,057	+9.4%	+8.8%	24%
Subtotal Europe	5,814	5,268	+10.4%	+9.6%	61%
United States and Canada	1,268	1,215	+4.4%	-7.0%	13%
Australia and New Zealand	463	380	+21.9%	+12.8%	5%
Total mature markets	7,545	6,864	+9.9%	+6.9%	79%
Asia	929	848	+9.6%	+6.2%	10%
Near and Middle East	554	562	-1.4%	-2.6%	6%
Rest of the world	464	442	+4.9%	+2.7%	5%
Total emerging markets	1,947	1,852	+5.1%	+2.7%	21%
Total all markets	9,493	8,716	+8.9%	+6.0%	100%

Order intake and sales – Q2 2024

Order intake	Q2 2024	Q2 2023	Total change	Organic change
<i>In € millions</i>				
Aerospace	1,685	1,150	+47%	+46%
Defence & Security	2,998	3,127	-4%	-4%
Digital Identity & Security	1,028	848	+21%	+4%
Total – operating segments	5,711	5,124	+12%	+8%
Other	19	18		
Total	5,730	5,142	+11%	+8%

Sales

<i>In € millions</i>				
Aerospace	1,400	1,314	+6.6%	+4.6%
Defence & Security	2,633	2,506	+5.0%	+4.5%
Digital Identity & Security	1,017	854	+19.1%	+3.1%
Total – operating segments	5,050	4,674	+8.0%	+4.3%
Other	21	16		
Total	5,071	4,690	+8.1%	+4.4%

Organic change in sales by quarter

	2023 sales	Exchange rate effect	Impact of disposals	2024 sales	Impact of acquisitions	Total change	Organic change
<i>In € millions</i>							
1st quarter	4,026	(17)	(32)	4,421	+131	+9.8%	+7.9%
2nd quarter	4,690	1	(34)	5,071	+211	+8.1%	+4.4%
1st half	8,716	(16)	(66)	9,493	+342	+8.9%	+6.0%

Main scope effects:

Acquisitions:

- Tesseract
- Imperva
- Cobham Aerospace Communications

Disposals:

- Aeronautical Electrical Systems
- Ground Transportation Systems



**CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AT 30 JUNE 2024**

INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

<i>(in € millions)</i>	Notes	First half 2024	First half 2023	2023
Sales	note 2	9,492.5	8,715.8	18,428.4
Cost of sales		(6,984.9)	(6,437.8)	(13,662.0)
Research and development expenses		(599.3)	(512.7)	(1,107.7)
Marketing and selling expenses		(775.9)	(690.1)	(1,384.0)
General and administrative expenses		(335.1)	(305.9)	(621.0)
Restructuring costs		(32.0)	(34.6)	(91.4)
Income from operations	note 2	765.3	734.7	1,562.3
Disposal of assets, changes in scope of consolidation and other	note 3.2	(19.6)	(1.2)	(387.9)
Impairment on non-current fixed assets		—	—	—
Income of operating activities before share in net income of equity affiliates		745.7	733.5	1,174.4
Share in net income of equity affiliates	note 5.1	59.2	64.6	147.4
Income of operating activities after share in net income of equity affiliates		804.9	798.1	1,321.8
Financial interests on gross debt		(153.7)	(58.6)	(159.6)
Financial interests on cash and cash equivalents		67.0	71.9	161.4
Interest expense, net	note 6.1	(86.7)	13.3	1.8
Other financial expenses	note 6.1	29.9	(36.6)	(65.0)
Finance costs on pensions and other employee benefits	note 8	(29.5)	(35.6)	(77.8)
Income tax	note 9	(124.1)	(125.2)	(252.2)
Net income relating to continued operations		594.5	614.0	928.6
Net income relating to discontinued operations	note 1.2	392.2	28.0	74.3
Net income		986.7	642.0	1,002.9
Shareholders of the parent company		1,017.3	648.9	1,023.4
Of which: net income relating to continued operations, Group share		625.1	620.9	949.1
Of which: net income relating to discontinued operations, Group share		392.2	28.0	74.3
Non-controlling interests		(30.6)	(6.9)	(20.5)
Basic earnings per share (in euros)	note 10.2	4.94	3.10	4.91
Diluted earnings per share (in euros)	note 10.2	4.93	3.09	4.89

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in € millions)</i>	First half 2024			First half 2023			2023		
	Total attributable to :			Total attributable to :			Total attributable to :		
	Shareholders of the parent company	Non- controlling interests	Total	Shareholders of the parent company	Non- controlling interests	Total	Shareholders of the parent company	Non- controlling interests	Total
Net income	1,017.3	(30.6)	986.7	648.9	(6.9)	642.0	1,023.4	(20.5)	1,002.9
Translation adjustments	127.1	0.2	127.3	(16.8)	(1.2)	(18.0)	(95.2)	(0.9)	(96.1)
Cash flow hedge	(8.6)	(1.2)	(9.8)	30.4	4.1	34.5	47.8	6.5	54.3
Equity affiliates	(9.3)	—	(9.3)	34.1	—	34.1	19.0	—	19.0
Discontinued operations	18.7	—	18.7	7.6	—	7.6	9.9	—	9.9
Items that may be reclassified to income	127.9	(1.0)	126.9	55.3	2.9	58.2	(18.5)	5.6	(12.9)
Actuarial gains (losses) on pensions	33.3	(0.9)	32.4	(103.1)	(0.6)	(103.7)	(262.6)	(4.0)	(266.6)
Financial assets at fair value	(11.7)	(1.5)	(13.2)	2.7	3.0	5.7	(3.1)	(0.2)	(3.3)
Deferred tax	(8.3)	0.2	(8.1)	15.3	0.2	15.5	28.0	1.0	29.0
Equity affiliates	—	—	—	2.9	—	2.9	(3.7)	—	(3.7)
Discontinued operations	2.6	—	2.6	(10.4)	—	(10.4)	(14.4)	—	(14.4)
Items that will not be reclassified to income	15.9	(2.2)	13.7	(92.6)	2.6	(90.0)	(255.8)	(3.2)	(259.0)
Other comprehensive income (loss) for the period net of tax	143.8	(3.2)	140.6	(37.3)	5.5	(31.8)	(274.3)	2.4	(271.9)
Total comprehensive income for the period	1,161.1	(33.8)	1,127.3	611.6	(1.4)	610.2	749.1	(18.1)	731.0

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>	Group share	<i>Non- controlling interests</i>	Total equity
At 1st January 2023	210,134	640.2	4,076.6	3,222.3	(124.6)	(258.3)	(382.3)	7,173.9	207.6	7,381.5
Net income	—	—	—	1,023.4	—	—	—	1,023.4	(20.5)	1,002.9
Other comprehensive income (loss) net of tax	—	—	—	(255.8)	92.2	(110.7)	—	(274.3)	2.4	(271.9)
Total comprehensive income for 2023	—	—	—	767.6	92.2	(110.7)	—	749.1	(18.1)	731.0
Parent company dividend distribution	—	—	—	(633.7)	—	—	—	(633.7)	—	(633.7)
Third-party share in dividend paid by subsidiaries	—	—	—	—	—	—	—	—	(49.3)	(49.3)
Share-based payments	—	—	—	24.4	—	—	—	24.4	—	24.4
(Acquisitions) / disposals of treasury shares	(3,466)	—	—	(16.4)	—	—	(474.6)	(491.0)	—	(491.0)
Capital reduction through cancellation of shares *	—	(9.6)	(371.0)	—	—	—	380.6	—	—	—
Other	—	—	—	8.1	—	(0.8)	—	7.3	(1.2)	6.1
At 31 December 2023	206,668	630.6	3,705.6	3,372.3	(32.4)	(369.8)	(476.3)	6,830.0	139.0	6,969.0
Net income	—	—	—	1,017.3	—	—	—	1,017.3	(30.6)	986.7
Other comprehensive income (loss) net of tax	—	—	—	15.9	(11.2)	139.1	—	143.8	(3.2)	140.6
Total comprehensive income for first half 2024	—	—	—	1,033.2	(11.2)	139.1	—	1,161.1	(33.8)	1,127.3
Parent company dividend distribution	—	—	—	(534.4)	—	—	—	(534.4)	—	(534.4)
Third-party share in dividend paid by subsidiaries	—	—	—	—	—	—	—	—	(3.7)	(3.7)
Share-based payments	—	—	—	13.5	—	—	—	13.5	—	13.5
(Acquisitions) / disposals of treasury shares	(1,289)	—	—	0.5	—	—	(184.5)	(184.0)	—	(184.0)
Other	—	—	—	(3.7)	—	0.8	—	(2.9)	2.0	(0.9)
At 30 June 2024	205,380	630.6	3,705.6	3,881.4	(43.6)	(229.9)	(660.8)	7,283.3	103.5	7,386.8

* 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 2023

<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>	Group share	<i>Non- controlling interests</i>	Total equity
At 1st January 2023	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)
Total comprehensive income for first half 2023	—	—	—	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
At 30 June 2023	208,476	630.6	3,705.6	3,325.8	(43.2)	(285.2)	(219.1)	7,114.5	156.9	7,271.4

INTERIM CONSOLIDATED BALANCE SHEET

(in € millions)

ASSETS	Notes	30/06/24	31/12/23
Goodwill	note 4.1	9,243.5	8,939.6
Other intangible assets, net	note 4.2	2,127.5	1,288.1
Property, plant and equipment, net	note 4.2	3,582.6	3,596.1
Investments in equity affiliates	note 5	1,594.1	1,648.4
Non-consolidated investments		167.4	129.2
Other non-current financial assets		357.5	343.9
Deferred tax assets		1,220.1	1,183.3
Non-current assets		18,292.7	17,128.6
Inventories and work in progress	note 7.1	5,128.4	4,250.8
Contract assets	note 7.1	3,531.0	2,897.0
Advances to suppliers	note 7.1	779.8	786.4
Accounts, notes and other current receivables	note 7.1	6,352.8	6,269.1
Current derivatives – assets	note 7.1	95.1	133.4
Current tax receivable		142.6	194.3
Current financial assets	note 6.2	13.7	112.2
Cash and cash equivalents	note 6.2	3,803.4	3,979.9
Assets held for sale	note 1.2	36.3	3,034.0
Current assets		19,883.1	21,657.1
Total assets		38,175.8	38,785.7
EQUITY AND LIABILITIES	Notes	30/06/24	31/12/23
Capital, additional paid-in capital and other reserves		8,174.0	7,676.1
Cumulative translation adjustment		(229.9)	(369.8)
Treasury shares		(660.8)	(476.3)
Total attributable to shareholders of the parent company		7,283.3	6,830.0
Non-controlling interests		103.5	139.0
Total equity	note 10.1	7,386.8	6,969.0
Long-term loans and borrowings	note 6.2	5,158.5	5,720.3
Non-current derivatives – liabilities		1.2	—
Pensions and other long-term employee benefits	note 8	1,544.2	1,552.5
Deferred tax liabilities		528.5	319.4
Non-current liabilities		7,232.4	7,592.2
Contract liabilities	note 7.1	10,375.5	9,788.6
Reserves for contingencies	note 7.1	1,778.8	1,726.7
Accounts, notes and other current payables	note 7.1	7,713.3	7,644.1
Current derivatives – liabilities	note 7.1	215.1	187.8
Current tax receivable		222.7	220.5
Short-term loans and borrowings	note 6.2	3,251.2	2,713.3
Liabilities held for sale	note 1.2	—	1,943.5
Current liabilities		23,556.6	24,224.5
Total equity and liabilities		38,175.8	38,785.7

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	Notes	First half 2024	First half 2023	2023
Net income		986.7	642.0	1,002.9
Less, net income relating to discontinued operations		(392.2)	(28.0)	(74.3)
Net income relating to continued operations		594.5	614.0	928.6
Add (deduct):				
Income tax expense (gain)		124.1	125.2	252.2
Net interest expenses		86.7	(13.3)	(1.8)
Share in net income of equity affiliates	note 5.1	(59.2)	(64.6)	(147.4)
Dividends received from equity affiliates	note 5.1	93.5	92.3	123.7
Depreciation and amortisation of PPE and intangible assets	note 4.2	541.1	482.4	1,045.1
Provisions for pensions and other employee benefits	note 8	82.5	82.0	170.6
other		19.6	1.2	387.9
Provisions for restructuring, net		(2.6)	(10.8)	(15.6)
Other items		(8.0)	10.8	(39.0)
Operating cash flows before working capital changes, interest and tax		1,472.2	1,319.2	2,704.3
Change in working capital and reserves for contingencies	note 7.1	(995.0)	(685.5)	172.7
Cash contributions to pension plans and other long-term employee benefits, o.w.:		(67.5)	(119.2)	(1,181.5)
- UK deficit payment and buy-in		(10.9)	(51.4)	(1,078.2)
- Recurring contributions/benefits		(56.6)	(67.8)	(103.3)
Interest paid		(129.1)	(66.3)	(147.5)
Interest received		55.6	41.1	158.8
Income tax received (paid)		(53.8)	(16.3)	(195.4)
Net cash flow from operating activities related to continued activities		282.4	473.0	1,511.4
Net cash flow from operating activities related to discontinued activities		(101.4)	(139.5)	85.0
NET CASH FLOW FROM OPERATING ACTIVITIES	- I -	181.0	333.5	1,596.4
Acquisitions of property, plant and equipment and intangible assets		(270.7)	(272.0)	(625.6)
Disposals of property, plant and equipment and intangible assets		0.5	0.1	4.1
Net operating investments	note 4.2	(270.2)	(271.9)	(621.5)
Acquisitions of subsidiaries and affiliates	note 7	(1,085.0)	(6.7)	(3,578.7)
Under deduction of the cash of acquired companies	note 7	36.9	—	43.4
Disposals of subsidiaries and affiliates	note 7	1,941.7	—	131.5
Under deduction of the cash of discontinued companies	note 7	(461.3)	—	(22.5)
Repayment of shareholder's loans	note 7	142.6	—	—
Decrease (increase) in loans and non-current financial assets		(1.9)	(5.8)	(18.5)
Decrease (increase) in current financial assets		97.2	(496.0)	(80.9)
Net financial investments		670.2	(508.5)	(3,525.7)
Net cash flow used in investing activities related to continued activities		400.0	(780.4)	(4,147.2)
Net cash flow used in investing activities related to discontinued activities		(34.9)	(15.8)	(86.0)
NET CASH FLOW USED IN INVESTING ACTIVITIES	-II-	365.1	(796.2)	(4,233.2)
Parent company dividend distribution	note 10	(534.4)	(468.0)	(633.7)
Third party share in dividend distribution of subsidiaries		(3.7)	(49.4)	(49.3)
Purchase of treasury shares		(184.0)	(216.2)	(491.0)
Issuance of debt		504.9	990.9	3,654.7
Repayment of debt		(721.2)	(727.0)	(908.7)
Net cash flow from financing activities related to continued activities		(938.4)	(469.7)	1,572.0
Net cash flow from financing activities related to discontinued activities		(7.3)	14.8	19.1
NET CASH FLOW FROM FINANCING ACTIVITIES	-III-	(945.7)	(454.9)	1,591.1
Exchange rate variation and other relating to continued operations	- IV -	79.5	(28.5)	(56.3)
Exchange rate variation and other relating to discontinued operations	-V-	(83.9)	(3.8)	12.6
CHANGE IN CASH AND CASH EQUIVALENTS	I+II+III+IV+V	(404.0)	(949.9)	(1,089.4)
Of which, continued activities		(176.5)	(805.6)	(1,120.1)
Of which, discontinued activities		(227.5)	(144.3)	30.7

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 2024 were approved and authorized for issue by its Board of Directors on 22 July 2024.

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 2024 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 2024. 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 2023 (as described in the notes 1 and 13 to the consolidated financial statements).

The OECD's "Pillar 2" reform of international taxation, which aimed in particular at establishing a minimum tax rate of 15%, came into force in 2024. Because of its sales, the Group falls within the scope of this reform. The tax expense recorded in the financial statements for the first half of 2024 is not material.

The amendments to IAS 1, IAS 7 and IFRS 7 described in the 2023 Universal Registration Document have no impact on the Group's financial statements.

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 May 31, 2024, Thales finalized the sale of its Transport business to Hitachi Rail for an enterprise value of 1.66 billion euros. To date, only the shares in the Chinese joint venture Thales Sec Transportation System Ltd remain in the process of being sold to Hitachi.

The selling price, less the subsidiaries' net cash at the date of sale, amounted to €1,674 million. This price is provisional at this stage, and will be firmed up by early 2025.

	First half 2024
Selling price	1,936.0
Less, net cash at disposal date	(337.0)
Less, lease debt	75.0
Net impact of disposal on Group net debt	1,674.0

In the Group's financial statements, the business has been consolidated until the end of May 2024.

In accordance with IFRS 5, the provisional gain on disposal is presented within the net income from discontinued operations:

Income statement of discontinued operations	First half 2024	First half 2023	2023
Sales	718.1	853.2	1,821.8
Income of operating activities before share in net income of equity affiliates	35.9	32.9	93.3
Share in net income of equity affiliates	1.7	0.4	2.5
Financial result	(0.5)	(12.4)	(13.4)
Income tax	(7.5)	7.1	(8.1)
Net income of Transportation business	29.5	28.0	74.3
Gain on disposal of Transportation activities	362.7	—	—
Net income from discontinued operations	392.2	28.0	74.3

Free cash flow from operations for the Transportation business up to the date of the disposal is shown below:

	First half 2024	First half 2023	2023
Net cash flow from operating activities	(101.4)	(139.5)	85.0
Less: UK deficit payment	0.9	1.7	1.8
CAPEX	(7.8)	(15.6)	(29.4)
Operating free cash flow	(108.3)	(153.4)	57.4

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 2023 consolidated financial statements, which enable them to exclude some non-operating and non-recurring items.

In particular, EBIT, presented by business segment below, corresponds to income from operations plus the share in net income of equity affiliates, excluding expenses related to business combinations (amortisation of acquisition-related assets (PPA) and other expenses directly linked to business combinations).

First half 2024					
	Aerospace	Defence & Security	Digital I&S	Other	Thales
Order book – non-Group at the end of the period	9,593.1	36,467.9	819.5	77.0	46,957.5
Order intake – non-Group	2,687.9	6,119.5	1,931.2	28.8	10,767.4
Sales – non-Group	2,582.5	4,937.7	1,933.8	38.5	9,492.5
Sales – intersegment	81.7	167.0	40.0	(288.7)	—
Total Sales	2,664.2	5,104.7	1,973.8	(250.2)	9,492.5
EBIT	167.0	639.2	271.9	17.5	1,095.6
<i>Of which, Naval Group</i>	—	—	—	43.7	43.7
<i>Excluding Naval Group</i>	167.0	639.2	271.9	(26.1)	1,052.0

First half 2023					
	Aerospace	Defence & Security	Digital I&S	Other	Thales
Order book – non-Group at the end of the period	9,064.7	30,740.8	777.5	68.0	40,651.0
Order intake – non-Group	2,348.7	4,497.8	1,693.5	23.3	8,563.3
Sales – non-Group	2,469.3	4,543.6	1,672.5	30.5	8,715.8
Sales – intersegment	47.9	181.9	37.3	(267.1)	—
Total Sales	2,517.3	4,725.4	1,709.8	(236.6)	8,715.8
EBIT	169.5	576.4	245.7	1.2	992.8
<i>Of which, Naval Group</i>	—	—	—	43.7	43.7
<i>Excluding Naval Group</i>	169.5	576.4	245.7	(42.5)	949.1

2023					
	Aerospace	Defence & Security	Digital I&S	Other	Thales
Order book – non-Group at the end of the period	9,281.0	35,081.1	815.6	73.7	45,251.3
Order intake – non-Group	5,606.1	13,943.5	3,523.7	58.4	23,131.7
Sales – non-Group	5,220.6	9,628.2	3,504.2	75.4	18,428.4
Sales – intersegment	128.6	374.0	108.0	(610.6)	—
Total Sales	5,349.2	10,002.2	3,612.2	(535.2)	18,428.4
EBIT	369.1	1,270.3	490.8	2.0	2,132.1
<i>Of which, Naval Group</i>	—	—	—	91.2	91.2
<i>Excluding Naval Group</i>	369.1	1,270.3	490.8	(89.2)	2,040.9

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 2024	First half 2023	2023
Income from operations	765.3	734.7	1,562.3
Less, amortisation of acquisition-related assets (PPA):	245.9	174.5	380.3
- Intangible assets	202.0	163.0	357.3
- Property, plant and equipment	5.8	11.5	23.0
- Deferred revenues	38.1	—	—
Less, expenses directly linked to business combinations	17.3	4.6	9.7
Share in net income of equity from affiliates	59.2	64.6	147.4
Less, PPA amortisation related to equity affiliates entities	7.9	14.4	32.4
EBIT	1,095.6	992.8	2,132.1

2.2. Sales

First half 2024	Aerospace	Defence & Security	Digital I&S	Other	Thales
Sales by destination:					
Europe	1,788.7	3,390.2	610.4	24.7	5,814.0
North America	359.8	319.5	585.5	3.6	1,268.4
Australia and New Zealand	21.0	386.1	55.7	0.1	462.9
Total mature markets	2,169.5	4,095.8	1,251.6	28.4	7,545.3
Emerging markets (a)	413.0	841.9	682.2	10.1	1,947.2
Total	2,582.5	4,937.7	1,933.8	38.5	9,492.5

First half 2023	Aerospace	Defence & Security	Digital I&S	Other	Thales
Sales by destination:					
Europe	1,687.1	3,027.2	536.8	17.2	5,268.4
North America	355.1	353.4	503.6	3.3	1,215.3
Australia and New Zealand	23.4	339.2	17.1	0.1	379.9
Total mature markets	2,065.7	3,719.8	1,057.6	20.6	6,863.6
Emerging markets (a)	403.7	823.8	614.9	9.9	1,852.2
Total	2,469.3	4,543.6	1,672.5	30.5	8,715.8

2023	Aerospace	Defence & Security	Digital I&S	Other	Thales
Sales by destination:					
Europe	3,507.4	6,560.9	1,108.5	45.8	11,222.5
North America	788.1	721.9	1,064.0	6.8	2,580.7
Australia and New Zealand	46.6	711.6	53.5	—	811.7
Total mature markets	4,342.0	7,994.3	2,225.9	52.6	14,614.9
Emerging markets (a)	878.6	1,633.8	1,278.3	22.8	3,813.5
Total	5,220.6	9,628.2	3,504.2	75.4	18,428.4

(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 April 2024, Thales completed the acquisition of Cobham Aerospace Communications for \$1,030.7 million (€951.2 million), strengthening its position as world leader in secure cockpit communications and connectivity. 2023 sales amounted to around €180 million. Provisional goodwill amounts to €922.9 million. The purchase price allocation will be completed in the second half of 2024.

At the beginning of May 2024, Thales finalized the acquisition of Get SAT, a leading manufacturer of antennas dedicated to satellite communication, notably for companies in the defense, civil aeronautics and emergency services sectors. The business has been consolidated in the Group's accounts since May 1, 2024. Provisional goodwill amounts to €93.6 million. The purchase price allocation will be completed in the second half of 2024.

At the beginning of December 2023, Thales finalized the acquisition of Imperva, a US-based cybersecurity company specializing in data and application security, for €3,434 million. The business has been consolidated in the Group's accounts since December 1, 2023. The Group has carried out a preliminary allocation of the acquisition price. In accordance with IFRS 3, this allocation will be finalized by November 30, 2024:

	Fair value at acquisition date	Amortization period
Acquired customer relationships	672.4	15 to 16 years
Acquired technologies	228.7	5 to 10 years
Acquired brand	34.8	7 years
Other tangible and intangible fixed assets	25.2	
Current and deferred taxes	-186.9	
Other current and non-current assets and liabilities	-17.9	
Net cash	32.7	
Net asset	(I)	789.0
Purchase price	(II)	3,434.0
Goodwill	(II) – (I)	2,645.0

In mid-October 2023, Thales finalized the acquisition of Tesserent, one of the leading cybersecurity players in Australia and New Zealand, for AUD 182.9 million (€112.0 million). The business has been consolidated in the Group's accounts since October 2023. The purchase price allocation was completed in the first half of 2024. After allocation to intangible assets (customer relationship for AUD 59.7 million), residual goodwill amounts to AUD 191.6 million (€117.2 million). This amount, still provisional, is subject to adjustment until mid-October 2024.

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

	First half 2024	First half 2023	2023
Disposal of investments	(0.1)	3.8	85.5
Acquisition-related fees	(13.6)	(4.9)	(60.4)
Disposal of real estate and other tangible and intangible assets	1.9	(0.1)	(6.3)
Impact of settlements / amendments to pensions plans (Note 8)	(7.8)	—	(402.9)
Litigation	—	—	(3.8)
Total	(19.6)	(1.2)	(387.9)

As a reminder, income from the disposal of the Transport business is presented under "Net income from discontinued operations", in accordance with IFRS 5.

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:

	01/01/24	Acquisitions	Disposal	Reclassi- fication	Exchange rate & other	30/06/24
Avionics (a)	443.2	922.9	—	—	1.0	1,367.1
Space	493.8	—	—	—	(0.6)	493.2
Secured Communications and Information Systems (b)	750.6	93.6	—	(28.5)	1.2	816.9
Land and Air Systems	322.0	—	—	—	0.5	322.5
Defence Mission Systems	505.2	—	—	—	2.1	507.3
Digital Identity & Security (c)	6,424.8	(846.3)	—	28.5	129.5	5,736.5
Total	8,939.6	170.2	—	—	133.7	9,243.5

	01/01/23	Acquisitions	Disposals	Reclassi- fication	Exchange rate & other	31/12/23
Avionics	443.6	15.0	(15.0)	—	(0.4)	443.2
Space	492.1	—	—	—	1.7	493.8
Secured Communications and Information Systems	777.2	(22.9)	—	—	(3.7)	750.6
Land and Air Systems	322.6	—	—	—	(0.6)	322.0
Defence Mission Systems	508.6	—	—	—	(3.4)	505.2
Digital Identity & Security (c)	2,925.9	3,571.7	—	—	(72.8)	6,424.8
Total	5,470.0	3,563.8	(15.0)	—	(79.2)	8,939.6

(a) Preliminary goodwill on Cobham Aerospace Communications amounts to €922.9 million. The purchase price allocation will be completed in the second half of 2024.

(b) Preliminary goodwill on the acquisition of Get SAT amounts to €93.6 million. The purchase price allocation will be completed in the second half of 2024.

(c) Imperva's goodwill (€3,466.5 million) recognized in 2023 has been allocated to intangible assets in the first half of 2024 for an amount net of deferred tax of €821.5 million (see note 3.1). These amounts may be adjusted during the second half of 2024.

Tesserent's goodwill (€142.0 million) recognized in 2023 has been allocated to intangible assets in the first half of 2024 for an amount net of deferred tax of €24.8 million (see note 3.1). These amounts may be adjusted during the second half of 2024.

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. The methods and assumptions used to perform these impairment tests are described in the notes to the 2023 consolidated financial statements.

As the space business recorded a negative EBIT margin in the first half of 2024, the Group carried out a specific impairment test on the goodwill of the "Space" CGU.

The new business plan adopted takes into account the adaptation plan implemented so as the Group's investments policy in research and development, which should enable it to restore the profitability of the space business in the long term.

This impairment test concluded that there was no impairment loss at June 30, 2024, and there was no significant sensitivity of the main assumptions (identical to those used in the annual financial statements) that would impact this conclusion.

4.2. Property, plant and equipment and intangible assets

	01/01/24	Acquisitions	Disposal	Depr. and amort.	Change in scope and exch. rate	30/06/24
Acquired Intangible assets	1,119.9	—	—	(202.0)	999.4	1,917.3
Capitalised development costs	42.0	13.7	—	(10.5)	31.4	76.6
Other	126.2	33.9	—	(24.0)	(2.5)	133.6
Intangible assets	1,288.1	47.6	—	(236.5)	1,028.3	2,127.5
Right-of-use from lease contracts	1,352.1	94.6	—	(103.7)	(35.3)	1,307.7
Acquired tangible assets	5.8	—	—	(5.8)	—	—
Property, plant and equipment	2,238.2	223.1	(0.5)	(195.1)	9.2	2,274.9
Tangible assets	3,596.1	317.7	(0.5)	(304.6)	(26.1)	3,582.6
Total	4,884.2	365.3	(0.5)	(541.1)	1,002.2	5,710.1
Less, new lease contracts		(94.6)				
Operating investments (a)		270.7				

	01/01/23	Acquisitions	Disposal	Depr. and amort.	Change in scope and exch. rate	31/12/23
Acquired Intangible assets	1,401.7	—	—	(357.3)	75.5	1,119.9
Capitalised development costs	40.6	20.2	—	(20.2)	1.4	42.0
Other	123.5	65.4	(0.2)	(55.9)	(6.6)	126.2
Intangible assets	1,565.8	85.6	(0.2)	(433.4)	70.3	1,288.1
Right-of-use from lease contracts	1,400.7	166.3	—	(214.4)	(0.5)	1,352.1
Acquired tangible assets	28.8	—	—	(23.0)	—	5.8
Property, plant and equipment	2,049.4	540.0	(3.9)	(374.3)	27.0	2,238.2
Tangible assets	3,478.9	706.3	(3.9)	(611.7)	26.5	3,596.1
Total	5,044.7	791.9	(4.1)	(1,045.1)	96.8	4,884.2
Less, new lease contracts		(166.3)	—			
Operating investments (a)		625.6	(4.1)			

(a) As presented in the statement of cash flows.

5. Investments in equity affiliates

5.1. Change in investment in equity affiliates

	30/06/24	31/12/23
Investment at opening	1,648.4	1,589.3
Share in net income of equity affiliates	59.2	147.4
Translation adjustment	(4.6)	(20.3)
Cash flow hedge	(4.7)	39.3
Actuarial gains (losses) on pensions	—	(3.7)
Share in comprehensive income of equity affiliates	49.9	162.7
Dividends paid	(93.5)	(123.7)
Dividends voted and not paid yet	(11.6)	2.2
Change in scope and other	0.9	17.9
Investments at closing	1,594.1	1,648.4
<i>Including Naval Group</i>	835.8	841.7

5.2. Naval Group: summary financial information

Balance sheet - 100% interest	30/06/24	31/12/23
Non-current assets	1,932.1	1,982.5
Current assets	4,786.0	4,811.9
Total assets	6,718.1	6,794.4
Restated equity, attributable to shareholders	1,553.7	1,570.9
Non-controlling interests	0.4	0.4
Non-current liabilities	363.8	319.5
Current liabilities	4,800.2	4,903.6
Total equity and liability	6,718.1	6,794.4
Net Cash	765.9	1,200.4

Thales's share		
Thales's share (35%)	543.8	549.7
Goodwill	292.0	292.0
Share in net assets of Naval Group	835.8	841.7

Income statement - 100% interest	First half 2024	First half 2023	2023
Sales	2,275.5	2,108.0	4,257.4
Income from operating activities, after share in net income of equity affiliates	116.5	98.8	188.3
Financial income (loss)	24.8	16.4	45.7
Tax	(38.0)	(29.7)	(52.1)
Discontinued activities	5.2	(0.9)	(1.1)
Restated net income	108.5	84.6	180.8
<i>Of which, attributable to shareholders of the company</i>	108.5	84.6	180.8
<i>Of which, attributable to non-controlling interests</i>	—	—	—
Thales's share			
Thales's share in net income attributable to shareholders of the company	38.0	29.7	63.3
Of which, PPA amortisation	(5.7)	(14.0)	(28.0)
Share in net income, before PPA	43.7	43.7	91.3
Dividends received from Naval Group	45.3	59.1	59.1

6. Financing and financial instruments

6.1. Financial income

a) Net interest income

	First half 2024	First half 2023	2023
Financial interests related to lease contracts	(16.9)	(15.2)	(31.0)
Other interest expense:	(136.8)	(43.4)	(128.6)
Interest income on cash and cash equivalents	67.0	71.9	161.4
Total	(86.7)	13.3	1.8

b) Other financial income

	First half 2024	First half 2023	2023
Foreign exchange gains (losses)	9.4	(9.6)	(26.0)
Cash flow hedges, ineffective portion	1.2	(0.1)	(2.0)
Change in fair value of derivatives (a)	(2.2)	(24.0)	(27.5)
Other	21.5	(2.9)	(9.5)
Total	29.9	(36.6)	(65.0)

a) Includes the change in the fair value of swap points (€+2.4 million in first half 2024, -€22.3 million in the first half of 2023 and -€22.3 million in 2023).

6.2. Net cash (net debt)

Group net cash (debt) is as follows:

	30/06/24	31/12/23
Current financial assets *	13.7	112.2
Cash and cash equivalents	3,803.4	3,979.9
Cash and other short-term investments	(a) 3,817.1	4,092.1
Financial debt	7,003.1	6,979.2
Lease debt	1,407.9	1,454.9
Gross debt (a)	(b) 8,411.0	8,434.1
Net cash (debt) relating to continued operations	(a-b) (4,593.9)	(4,342.0)
Net cash relating to discontinued operations	(c) —	152.0
Net (debt) cash	(a-b+c) (4,593.9)	(4,190.0)
<i>(a) Including :</i>		
Long term financial debt	5,158.5	5,720.3
Short term financial debt	3,251.2	2,713.3
Fair value of interest rate hedging derivatives	1.2	0.5

*The definition of net debt has been revised to exclude investments taken over from the UK pension fund (£165.2 million at 31 December 2023).

Current financial assets include deposits with tier-one banks on deposit accounts with a maturity between 3 and 12 months.

Bonds: key features at the end of June 2024 :

Nominal value	Issue date	Maturity	Type of rate	Coupon	Effective rate	
					Before hedging	After hedging
€ 500 million	Jan. 2018	Jan. 2025	fixed	0.75%	0.91%	0.91%
€ 600 million	Oct. 2023	Oct. 2025	fixed	4.00%	4.26%	4.26%
€ 500 million	Nov. 2020	March 2026	fixed	—%	0.08%	0.08%
€ 500 million	Jan. 2020	Jan. 2027	fixed	0.25%	0.33%	0.33%
€ 700 million	May 2020	May 2028	fixed	1.00%	1.10%	1.10%
€ 600 million	Oct. 2023	Oct. 2028	fixed	4.13%	4.28%	4.28%
€ 500 million	June 2023	June 2029	fixed	3.63%	3.83%	3.83%
€ 600 million	Oct. 2023	Oct. 2031	fixed	4.25%	4.42%	4.42%

6.3. Summary of financial assets and liabilities

At end of June 2024, the classification of financial assets and liabilities remained identical to the one disclosed in note 6.5 to the 2023 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 €5,057.7 million, compared to €5,158.5 million for their carrying amount at 30 June 2024 (€5,660.8 million vs. €5,720.3 million at 31 December 2023).

7. Change in net cash (net debt)

	First half 2024	First half 2023	2023 *
Net debt at opening	(4,190.0)	(35.2)	(35.2)
Net cash flow from operating activities	282.4	473.0	1,511.4
Less, contributions to reduction of UK pension deficit and buy-in	10.9	51.4	1,078.2
Net operating investments	(270.2)	(271.9)	(621.5)
Free operating cash flow relating to continued operations	23.1	252.5	1,968.1
Net investment in subsidiaries and affiliates (a)	528.0	(6.7)	(3,463.8)
Of which, Cobham Aerospace Communications	(1,023.1)	—	—
Of which, Imperva	5.8	—	(3,401.0)
Of which, Transport business	1,674.0	—	—
Of which, other	(128.7)	(6.7)	(62.8)
Changes in loans	(1.9)	(5.9)	(208.6)
Contributions to reduction of UK pension deficit and buy-in	(10.9)	(51.4)	(1,078.2)
Dividends paid by the parent company	(534.4)	(468.0)	(633.7)
Third-party share in dividend distributions of subsidiaries	(3.7)	(49.4)	(49.3)
Treasury shares (b)	(184.0)	(216.2)	(491.0)
New lease debts	(94.6)	(48.8)	(166.3)
Changes in exchange rates and other	26.5	(13.0)	(64.1)
Contribution to change in net cash (debt) of continued operations	(251.9)	(606.9)	(4,186.9)
Contribution to change in net cash (debt) of discontinued operations	(152.0)	(138.9)	32.1
Net debt at closing	(4,593.9)	(781.0)	(4,190.0)

*The definition of net debt has been revised to exclude investments taken over from the UK pension fund (£165.2 million at 31 December 2023).

(a) Net of cash (debt) of companies acquired/divested and repayments of shareholders' loans.

(b) Including, in first half 2024, €176.4 million linked to share buy back plan for their cancellation (€210.1 million in first half 2023 and €461.3 million in 2023).

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	01/01/23	Changes in WCR and reserves	Scope, exch. rate and reclass.	31/12/23	Changes in WCR and reserves	Scope, exch. rate and reclass.	30/06/24
Inventories & work in progress	3,672.3	670.1	(91.6)	4,250.8	684.0	193.6	5,128.4
Contract assets	2,410.5	456.9	29.6	2,897.0	613.7	20.3	3,531.0
Advance to suppliers	641.9	148.6	(4.1)	786.4	92.5	(99.1)	779.8
Accounts, notes and other receivables	5,810.1	510.1	(51.1)	6,269.1	110.2	(26.5)	6,352.8
Current derivatives - assets	172.6	27.9	(67.1)	133.4	(38.3)	—	95.1
Contract liabilities	(8,313.6)	(1,265.5)	(209.5)	(9,788.6)	(534.5)	(52.4)	(10,375.5)
Reserves for contingencies	(1,752.0)	8.5	16.8	(1,726.7)	87.4	(139.5)	(1,778.8)
Accounts, notes and other payables	(6,918.7)	(713.7)	(11.7)	(7,644.1)	(17.4)	(51.8)	(7,713.3)
Current derivatives - liabilities	(328.2)	—	140.4	(187.8)	—	(27.3)	(215.1)
WCR and reserves, net	(4,605.1)	(157.1)	(248.3)	(5,010.5)	997.6	(182.7)	(4,195.6)
Restructuring provisions		(15.6)			(2.6)		
Increase (decrease) in WCR and reserves		(172.7)			995.0		

The Group may assign trade receivables, mainly from the French State, and commercial paper. At 30 June 2024, outstanding derecognised receivables amounted to €126.9 million (€145.4 million at 31 December 2023).

7.2. Reserves for contingencies

	01/01/24	Utilisation	Additions	Reversal (surplus)	Exch. Rate and other	30/06/24
Restructuring	40.7	(10.2)	8.3	(0.7)	(1.9)	36.2
Technical and other litigation	274.5	(6.4)	17.5	(24.7)	24.3	285.2
Guarantees	251.0	(35.7)	21.9	(9.1)	5.4	233.5
Losses at completion	431.3	(89.7)	71.2	(10.8)	(5.9)	396.1
Provisions on contracts	466.0	(39.3)	28.2	(4.8)	6.5	456.6
Other (a)	263.2	(40.3)	41.1	(3.9)	111.1	371.2
Total	1,726.7	(221.6)	188.2	(54.0)	139.5	1,778.8

	01/01/23	Utilisation	Additions	Reversal (surplus)	Exch. Rate and other	31/12/23
Restructuring	50.0	(32.0)	24.7	(8.3)	6.3	40.7
Technical and other litigation	274.8	(31.3)	59.6	(19.9)	(8.7)	274.5
Guarantees	299.2	(100.7)	67.3	(13.4)	(1.4)	251.0
Losses at completion	433.0	(143.5)	160.5	(18.3)	(0.4)	431.3
Provisions on contracts	435.2	(51.9)	103.6	(10.1)	(10.8)	466.0
Other (a)	259.8	(53.1)	68.7	(10.4)	(1.8)	263.2
Total	1,752.0	(412.5)	484.4	(80.4)	(16.8)	1,726.7

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 2024, the market value of plan assets as well as discount and inflation rates assumptions for the main countries (representing more than 80% of the net obligation) were updated. The assumptions used in the United Kingdom and in France are as follows:

30 June 2024		France	
Inflation rate		2.27%	
Discount rate		3.54%	
30 June 2023		United Kingdom	France
Inflation rate	3.22%		2.35%
Discount rate	5.16%		3.62%
2023		United Kingdom	France
Inflation rate	2.99%		2.22%
Discount rate	4.40%		3.12%

8.2. Changes in provision

	First half 2024	First half 2023	2023
Provision at opening	(1,552.5)	(1,907.7)	(1,907.7)
Current service cost (income from operations)	(45.2)	(46.4)	(92.8)
Amendments and settlements (non recurring operating income)	(7.8)	—	(402.9)
Net interest cost	(26.1)	(35.2)	(70.8)
Pension fund management cost	(1.9)	(3.1)	(5.2)
Actuarial gains and losses on other long-term employee benefits	(1.5)	2.7	(1.8)
Finance costs on pensions and other long-term employee benefits	(29.5)	(35.6)	(77.8)
Total expense for the period	(82.5)	(82.0)	(573.5)
Actuarial gains and losses (other comprehensive income) (a)	32.4	(103.7)	(266.6)
Benefits and contributions	67.5	119.2	1,181.5
- Of which, deficit payment in the United Kingdom	5.0	51.4	97.5
- Of which, buy-in payment (Thales UK Pension Scheme)	5.9	—	980.7
- Of which, other benefits and contributions	56.6	67.8	103.3
Translation adjustment	(0.7)	(13.8)	(7.9)
Changes in scope of consolidation and other	(8.4)	(1.2)	21.7
Provision at closing	(1,544.2)	(1,989.2)	(1,552.5)

(a) In 2023, the revaluation is mainly due to an increase in discount rates, particularly in the United Kingdom.

9. Income tax

	First half 2024	First half 2023	2023
Net income	986.7	642.0	1,002.9
Less: net income of discontinued activities	(392.2)	(28.0)	(74.3)
Less: share in net income of equity affiliates	(59.2)	(64.6)	(147.4)
Less: income tax	124.1	125.2	252.2
Net income before tax and share in net income of equity affiliates	659.4	674.6	1,033.4
Income tax benefit (expense) recognised in profit and loss	(124.1)	(125.2)	(252.2)
Effective tax rate	18.8%	18.6%	24.4%

The income tax expense excludes research tax credit which is recorded in income from operations (respectively €110.9 million, €104.5 million and €213.5 million in the first half of 2024 and 2023 and in 2023).

10. Equity and earnings per share

10.1. Shareholders' equity

a) Share capital

	30/06/24			31/12/23		
	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%	36.32%	54,786,654	26.06%	36.09%
French State (including one golden share)	2,060	—%	—%	2,060	—%	—%
Public sector (a)	54,788,714	26.06%	36.32%	54,788,714	26.06%	36.09%
Dassault Aviation (b)	54,750,000	26.05%	29.97%	54,750,000	26.05%	29.92%
Thales (c)	4,830,549	2.30%	—%	3,541,786	1.68%	—%
Employees (d)	5,872,104	2.79%	3.72%	6,109,028	2.91%	3.84%
Other shareholders	89,968,773	42.80%	29.99%	91,020,612	43.30%	30.15%
Total	210,210,140	100.00%	100.00%	210,210,140	100.00%	100.00%

(a) Under the terms of shareholders' agreement with Dassault Aviation (the "Industrial Partner"), the "Public Sector" is represented by the company TSA, excluding the French State directly. 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, 2024.

(b) As of June 30, 2024, Dassault Aviation holds 44,372,918 directly registered shares, of which 35,669,349 have been held for more than two years and therefore have double voting rights as of June 30, 2024, and also holds 10,377,082 bearer shares.

(c) Treasury shares represented 37,642 bearer shares held under a liquidity contract and 4,792,907 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, 2024 to 4,699,784 shares and 8,880,936 voting rights, i.e., 2.24% of the capital stock and 2.94% of the exercisable voting rights, respectively.

b) Treasury shares

Thales (parent company) held 4,830,549 of its own shares at 30 June 2024. They are accounted for as a deduction from consolidated equity in the amount of €-660.8 million. In accordance with the authorizations given to the board of Directors at the Annual General Meeting, the Company carried out, in 2023 and in the first half of 2023 and 2024 the following operations :

	First half 2024	First half 2023	2023
Treasury shares at opening	3,541,786	3,277,303	3,277,303
Purchases as part of a liquidity agreement	264,218	289,139	591,432
Disposals as part of a liquidity agreement	(272,571)	(310,400)	(621,129)
Delivery of free shares	(2,891)	(4,119)	(218,186)
Market purchases	1,300,007	1,683,306	3,713,535
Cancelled shares	—	(3,201,169)	(3,201,169)
Treasury shares at closing	4,830,549	1,734,060	3,541,786

c) Parent Company dividend distribution

For the years 2022 and 2023, dividends per share amounted respectively to €2.94 and €3.40. Dividends paid in 2023 and 2024 are described below :

Year	Approved by	Description	Dividend per share (in euro)	Payment date	Payment method	Total (€ million)
2024	General Meeting on 15 May 2024	Balance for 2023	€2.60	May 2024	cash	534.4
	Board of Directors on 28 September 2023	2023 interim dividend	€0.80	Dec. 2023	cash	165.7
2023	General Meeting on 10 May 2023	Balance for 2022	€2.24	May 2023	cash	468.0
	Total dividends paid in 2023					633.7

10.2. Earnings per share

		First half 2024	First half 2023	2023
Numerator (in € million):				
Net income, Group share	(a)	1,017.3	648.9	1,023.4
Of which: net income relating to continued operations, Group share		625.1	620.9	949.1
Denominator (in thousands):				
Average number of shares outstanding	(b)	205,818	209,349	208,507
Free shares and units plans *		559	477	656
Diluted average number of shares outstanding	(c)	206,377	209,826	209,163
Net earnings per share (in euros)	(a) / (b)	4.94	3.10	4.91
Of which: basic earnings relating to continued operations, per share		3.04	2.97	4.55
Diluted net earnings per share (in euros)	(a) / (c)	4.93	3.09	4.89
Of which: diluted earnings relating to continued operations, per share		3.03	2.96	4.54
Average share price		€149.19	€129.47	€132.48

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

11. Litigations

At the date of publication of the interim consolidated financial statements, the proceedings relating to the judicial investigation referred to in Note 11 to the 2023 consolidated financial statements were still in progress, in particular as a result of Thales's response to various questions put by the judicial authorities. The conclusions of this legal investigation are not yet known.

In addition, in June 2024, several searches were carried out at various sites in France, the Netherlands and Spain, as part of two preliminary investigations opened by the *Parquet National Financier*. Thales is cooperating with the judicial authorities. The conclusions of these preliminary investigations are not yet known, including any consequences that may result from the outcome of the investigations.

There are no other governmental, legal or arbitration proceedings of which the Company is aware, that are pending or threatened, that have had in the past 6 months or are likely to have a material impact on the financial position or profitability of the Company and/or the Group.

12. Related party transactions

Main related party transactions are disclosed in Note 13-a of the consolidated financial statements included in the 2023 Universal Registration Document.

Revenues with the French State amounted to €2,207.2 million in the first half of 2024 and €1,997.2 million in the first half of 2023.

13. Subsequent events

The Group is not aware of any significant post-balance sheet events.

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 the 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, 2024

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

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

Thales

Period from January 1 to June 30, 2024

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, 2024,
- the verification of the information presented in the half-yearly management report.

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

1. Conclusion on the financial statements

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

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

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

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject 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 22, 2024

The Statutory Auditors
French original signed by

FORVIS MAZARS

ERNST & YOUNG Audit

Jean-Marc Deslandes

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