

Paris La Défense, 26 July 2017

2017 Half year results

- **Solid order intake: €6.0 billion, up 10%**
- **Sales: €7.24 billion, up 5.9% on an organic basis¹**
- **EBIT²: €637 million, up 16% (up 17% on an organic basis)**
- **Adjusted net income, Group share²: €424 million, up 15%**
- **Consolidated net income, Group share: €336 million, down 12%**
- **Very good level of free operating cash flow² for a first half year: €216 million (H1 2016: €45 million)**
- **2017 objectives confirmed**

Thales's Board of Directors (Euronext Paris: HO) met on 25 July 2017 to review the financial statements for the first half of 2017³.

Patrice Caine, Chairman and Chief Executive Officer, commented: *“At the end of June, Thales is once again confirming its growth momentum, with a solid order intake and a 5.9% organic sales growth, ahead of the full year target. The Group's profitability continues to increase, with EBIT and adjusted net income up by more than 15% for the third year in a row. At the same time, we are stepping up our R&D investments, which increased by more than 10% in H1 2017, in order to reinforce our technological leadership. These results reflect the strength of our business model and its ability to create value.”*

“In parallel, the Group is consolidating its leading position in the digital transformation of its markets. We are investing €150 million over three years to set up a cross-functional ‘digital factory’ in order to capitalise on our unique portfolio of digital technologies. The strategic acquisition of Guavus, which is currently underway, will enable us to implement real-time big data solutions on an industrial scale across all of our businesses.”

“The first half reinforces our confidence in Thales's ability to achieve its full year targets and, as a result, record another year of growth in sales and profit.”

¹ In this press release, “organic” means at constant scope and currency.

² Non-GAAP measures, see definitions in the appendices, page 9. The definitions of EBIT and adjusted net income were adjusted as of 1 January 2016 to exclude expenses recognised in income from operations that are directly attributable to business combinations. These adjustments are detailed on pages 11 and 12. In H1 2017, they impacted EBIT in an amount of €10 million and adjusted net income in an amount of €7 million (€7 million and €5 million in H1 2016).

³ The limited review of the financial statements has been completed and the statutory auditors' report has been issued following the meeting of the Board of Directors.

Key figures

H1 2017 **order intake** amounted to **€5,972 million, up 10%** compared to H1 2016 (up 10% at constant scope and currency). The commercial dynamics remained solid in all of the Group's businesses. At 30 June 2017, the Group's **order book** stood at **€31.9 billion**, which represents almost 2.1 years of sales, improving visibility for the businesses in the coming years.

Sales in H1 2017 came to **€7,241 million**, up 5.8% on a reported basis, and up **5.9% at constant scope and currency** ("organic" change). Emerging market¹ sales maintained a high level of growth (15% organic growth, after 14% in H1 2016), while sales in mature markets¹ recorded moderate organic growth of 2.2%. Emerging markets thus accounted for 32% of the Group's sales in the period, compared to 24% in H1 2014 and 29% in H1 2016.

| <i>In € millions, except earnings per share (in €)</i> | H1 2017 | H1 2016 | Total change | Organic change |
|--|---------------|---------------------------|----------------|----------------|
| Order intake | 5,972 | 5,423 | +10% | +10% |
| Order book at end of period | 31,861 | 33,530² | -5% | -4% |
| Sales | 7,241 | 6,846 | +5.8% | +5.9% |
| EBIT³ | 637 | 551 | +16% | +17% |
| <i>in % of sales</i> | <i>8.8%</i> | <i>8.1%</i> | <i>+0.7pts</i> | <i>+0.9pts</i> |
| Adjusted net income, Group share³ | 424 | 367 | +15% | |
| Adjusted net income, Group share, per share³ | 2.00 | 1.74 | +15% | |
| Consolidated net income, Group share | 336 | 384 | -12% | |
| Free operating cash flow³ | 216 | 45 | +380% | |
| Net cash at end of period | 2,294 | 2,366² | -72 | |

In H1 2017, consolidated **EBIT** was **€637 million (8.8% of sales)**, compared to €551 million (8.1% of sales) in H1 2016. EBIT benefited in particular from the on-going operational recovery of the Transport segment as well as the solid performance of the Aerospace and Defence & Security segments.

Adjusted net income, Group share rose **15%** to **€424 million**, lifted by the improved EBIT performance.

¹ In this press release, "mature markets" include Europe, North America, Australia and New Zealand. "Emerging markets" include all other countries: Asia, Middle East, Latin America and Africa.

² At 31 December 2016.

³ Non-GAAP measures, see definitions in the Appendices, page 9.

Consolidated net income, Group share was **€336 million**. This figure was down **12%** on H1 2016, during which the Group benefited from the sale of its interest in Thales Raytheon Systems LLC to Raytheon, resulting in a disposal gain of €92 million.

Standing at **€216 million**, **free operating cash flow** was positive in H1 2017 as in the prior-year period, driven by the good performance achieved in terms of working capital and by the temporary slowdown in operating investments. At 30 June 2017, **net cash** amounted to **€2,294 million**, down €72 million compared to 31 December 2016, but up €855 million over the last 12 months (€1,439 million at 30 June 2016).

Order intake

| <i>In € millions</i> | H1 2017 | H1 2016 | Total change | Organic change |
|--|--------------|--------------|--------------|----------------|
| Aerospace | 2,238 | 2,218 | +1% | +1% |
| Transport | 662 | 507 | +31% | +31% |
| Defence & Security | 3,035 | 2,670 | +14% | +14% |
| Total – operating segments | 5,934 | 5,395 | +10% | +10% |
| Other | 38 | 28 | | |
| Total | 5,972 | 5,423 | +10% | +10% |
| Of which mature markets ¹ | 4,401 | 3,806 | +16% | +16% |
| Of which emerging markets ¹ | 1,571 | 1,617 | -3% | -2% |

Order intake in H1 2017 stood at **€5,972 million**, an increase of **10%** year-on-year (10% at constant scope and currency²). The **book-to-bill** ratio was **0.82** for H1 2017 (versus 0.79 in the prior-year period), and **1.12** over the last 12 months.

In H1 2017, Thales booked **8 large orders with a unit value of over €100 million** (compared to 3 such orders in H1 2016), representing a total amount of €1,180 million:

- 1 contract booked in Q1, covering the supply of a telecommunications satellite to an emerging-market customer.
- 7 large orders booked in Q2:
 - The supply of in-flight entertainment (IFE) systems to a major North American carrier
 - The construction for Inmarsat of a very high throughput satellite (V-HTS) to offer on-board Internet connectivity (Global Xpress network)
 - The operation and maintenance of critical security, information and communication systems at the French Ministry of Defence's new Balard headquarters, which hosts more than 9,000 people

¹ Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See page 14.

² Taking into account a negative exchange rate effect of €18 million and a net positive scope effect of €7 million, mainly related to the consolidation of Vormetric on 16 March 2016 (Defence & Security segment) and to the disposal of the identity management business in Q2 2017 (same segment).

- A contract in the framework of the development and construction of five intermediate-sized frigates (FTIs) for the French Navy
- The contract to manufacture the first 340 armoured vehicles as part of the Scorpion programme, in partnership with Nexter and Renault Trucks Defense, for the French Ministry of Defence
- The supply of AREOS reconnaissance “pods” to a military customer
- The delivery of several systems and sensors to an emerging-market navy

Orders with a unit value of less than €100 million declined slightly by 2%.

From a geographical perspective¹, order intake was broadly stable year-on-year in emerging markets (€1,571 million, down 3%), while it was solid in mature markets, where it rose 16% to €4,401 million thanks to performances in France (up 51%) and North America (up 42%).

Order intake in the **Aerospace** segment stood at **€2,238 million**, up 1% from €2,218 million in H1 2016. Commercial Avionics orders maintained their positive momentum. The In-Flight Entertainment and Connectivity business recorded solid growth, driven by the booking of a large order during the period. Despite the two contract wins listed above, order intake for the Space segment declined year-on-year.

At **€662 million**, order intake in the **Transport** segment was up 31% compared to H1 2016, lifted notably by the contract for the regional express train linking Dakar to the city’s new airport.

Order intake in the **Defence & Security** segment rose 14% to **€3,035 million**, from €2,670 million in H1 2016, reflecting in particular the good momentum in equipment for military aircraft and vessels and in secure information and communication systems.

Sales

| <i>In € millions</i> | H1 2017 | H1 2016 | Total change | Organic change |
|--|--------------|--------------|--------------|----------------|
| Aerospace | 2,872 | 2,667 | +7.7% | +7.2% |
| Transport | 711 | 717 | -0.9% | -0.1% |
| Defence & Security | 3,631 | 3,424 | +6.1% | +6.5% |
| Total – operating segments | 7,214 | 6,809 | +6.0% | +6.1% |
| Other | 27 | 37 | | |
| Total | 7,241 | 6,846 | +5.8% | +5.9% |
| Of which mature markets ² | 4,958 | 4,856 | +2.1% | +2.2% |
| Of which emerging markets ² | 2,283 | 1,990 | +14.7% | +15.1% |

¹ See table on page 14.

² Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See page 14.

Sales for H1 2017 stood at **€7,241 million**, compared to €6,846 million in H1 2016, up 5.8% on a reported basis¹, and up 5.9% at constant scope and currency (“organic” change), driven by good momentum in all segments.

From a geographical perspective², this sound performance reflected both a continued strong growth of 15.1% in emerging markets (14.2% in H1 2016) and moderate organic growth of 2.2% in mature markets (6.8% in H1 2016).

Sales in the **Aerospace** segment totalled **€2,872 million**, a 7.7% increase compared to H1 2016 (7.2% increase at constant scope and currency). The Avionics and In-Flight Entertainment businesses maintained their positive dynamic, driven in particular by the increase in deliveries of avionics systems to Airbus. Only sales of tubes and imaging systems declined, reflecting the cooling of the world satellite market. Sales in the Space segment continued to grow strongly thanks to contracts signed in 2015 and 2016, notably with commercial and military customers.

In the **Transport** segment, sales totalled **€711 million**, broadly stable compared to H1 2016 (down 0.9%, or down 0.1% at constant scope and currency). This performance can be attributed to an unfavourable basis of comparison, with H1 2016 benefiting from the combined effect of the start of invoicing on the three major urban rail signalling contracts won in 2015 and of the return to schedule for projects impacted by execution delays. When compared to H1 2015, sales for the segment have continued on a strong growth trajectory (up 29% at constant scope and currency).

Sales in the **Defence & Security** segment represented **€3,631 million**, up 6.1% compared to H1 2016 (up 6.5% at constant scope and currency). Almost all businesses contributed to this momentum. The Land and Air Systems business recorded steady growth, notably in missile electronics and protected vehicles, with the ramp-up of the Hawkei vehicle supply contract with the Australian Defence Force. The Defence Mission Systems business benefited in particular from a high level of activity in combat aircraft systems. Only the Secure Communications and Information Systems business experienced a slowdown, with the positive dynamic in military networks and infrastructure systems offset by declining sales in radio communication products.

The Group continues to work on the implementation of IFRS 15 – Revenue from Contracts with Customers and plans to provide an update on the impact of this standard when it will disclose its Q3 2017 order intake and sales.

¹ Taking into account a negative exchange rate effect of €16 million and a net positive scope effect of €7 million, mainly related to the consolidation of Vormetric on 16 March 2016 (Defence & Security segment) and to the disposal of the identity management business in Q2 2017 (same segment).

² See table on page 14.

Results

| EBIT (in € millions) | H1 2017 | H1 2016 | Total change | Organic change |
|--|--------------|--------------|----------------|----------------|
| Aerospace | 263 | 239 | +10% | +11% |
| <i>in % of sales</i> | <i>9.2%</i> | <i>9.0%</i> | <i>+0.2pts</i> | <i>+0.3pts</i> |
| Transport | 6 | (12) | NM | NM |
| <i>in % of sales</i> | <i>0.9%</i> | <i>-1.6%</i> | <i>+2.5pts</i> | <i>+2.6pts</i> |
| Defence & Security | 374 | 334 | +12% | +14% |
| <i>in % of sales</i> | <i>10.3%</i> | <i>9.8%</i> | <i>+0.6pts</i> | <i>+0.7pts</i> |
| Total – operating segments | 644 | 561 | +15% | +17% |
| <i>in % of sales</i> | <i>8.9%</i> | <i>8.2%</i> | <i>+0.7pts</i> | <i>+0.8pts</i> |
| Other – excluding Naval Group (formerly DCNS) | (34) | (29) | | |
| Total – excluding Naval Group (formerly DCNS) | 610 | 532 | +15% | +17% |
| <i>in % of sales</i> | <i>8.4%</i> | <i>7.8%</i> | <i>+0.7pts</i> | <i>+0.8pts</i> |
| Naval Group (formerly DCNS) (35% share) | 27 | 20 | +37% | +37% |
| Total | 637 | 551 | +16% | +17% |
| <i>in % of sales</i> | <i>8.8%</i> | <i>8.1%</i> | <i>+0.7pts</i> | <i>+0.9pts</i> |

In H1 2017, consolidated EBIT¹ was **€637 million**, or **8.8%** of sales, versus €551 million (8.1% of sales) in H1 2016.

The **Aerospace** segment posted EBIT of **€263 million (9.2%** of sales), versus €239 million (9.0% of sales) for the same period in 2016. The segment maintained good margins, the increase in R&D expenses (up 17% year-on-year) being offset by lower sales and administrative expenses.

EBIT for the **Transport** segment continued to recover, amounting to **€6 million (0.9%** of sales) compared to a negative €12 million (negative 1.6% of sales) in H1 2016. This performance demonstrates the business' gradual return to profitability as earlier low- or zero-margin contracts are delivered.

In the **Defence & Security** segment, EBIT increased significantly to **€374 million (10.3%** of sales) versus €334 million in H1 2016 (9.8% of sales). The wider margins reflected the good sales dynamic as well as savings on fixed costs and lower restructuring charges.

Naval Group (formerly DCNS) contributed **€27 million** to EBIT in H1 2017, compared to €20 million in H1 2016. Naval Group posted high sales growth of 18% during the period. In addition, the award of the contract for intermediate-sized frigates for the French Navy will increase visibility for the business in the coming years. For Full Year 2017, Naval Group expects net profit to grow by around 10-15% compared to 2016.

¹ Non-GAAP measures, see definitions in the Appendices, page 9.

At **€2 million** in H1 2017 versus €1 million in H1 2016, **net interest income** remained very low. **Other adjusted financial income (expense)**¹ amounted to a **net expense of €20 million** in H1 2017, compared to a net expense of €4 million in H1 2016, primarily due to a less favourable foreign exchange performance. **Finance costs on pensions and other long-term employee benefits**¹ remained stable (**€31 million**, versus €34 million in H1 2016), with the rise in pension obligations offset by a decline in discount rates.

As a result, **adjusted net income, Group share**² was **€424 million** versus €367 million in H1 2016, after an adjusted tax charge¹ of €139 million, compared to €117 million in H1 2016. The effective tax rate amounted to 27.0%, compared to 26.2% in H1 2016.

Adjusted net income, Group share, per share¹ came out at **€2.00**, up 15% on H1 2016 (€1.74).

Consolidated net income, Group share amounted to **€336 million**, down **12%** on H1 2016, during which the Group benefited from the sale of its interest in Thales Raytheon Systems LLC to Raytheon, resulting in a disposal gain of €92 million.

Financial position at 30 June 2017

For the first six months of 2017, **free operating cash-flow** amounted to **€216 million**, up from €45 million in H1 2016. This sound performance primarily reflects the moderate increase in working capital during the period (€227 million in H1 2017 versus €337 million in H1 2016 and €697 million in H1 2015) and a temporary slowdown in operating investments.

At 30 June 2017, **net cash** thus amounted to **€2,294 million**, compared to €1,439 million at 30 June 2016 and €2,366 million at 31 December 2016, after the distribution of €254 million in dividends during the half year (€212 million in H1 2016) and net proceeds of €40 million from acquisitions and disposals in the period, mainly related to the sale of the identity management business, completed in May 2017.

Equity, Group share stood at **€4,760 million** compared to €4,640 million at 31 December 2016, with consolidated net income, Group share (€336 million) and the adjustment of foreign exchange hedges offsetting the distribution of dividends and the increase in net pension obligations.

Outlook

The H1 2017 results are in line with expectations. In this context, the Group confirms all its objectives, as set out below.

Thales should continue to benefit from positive trends in most of its markets. Although below the highs recorded in 2015 and 2016, the order intake in 2017 should remain brisk, at around €14 billion.

¹ See the tables on pages 11 and 12.

² Non-GAAP measures, see definitions in the Appendices, page 9.

Sales in 2017 should see mid-single digit organic growth compared to 2016.

This positive trend, combined with continuing efforts to improve competitiveness, should result in Thales delivering between €1,480 million and €1,500 million in EBIT (based on February 2017 scope and exchange rates), representing an increase of 9% to 11% versus 2016.

Thales also confirms its mid-term objectives of mid-single digit organic sales growth on average in the 2016-2018 period, and an EBIT margin of between 9.5% and 10% in 2017/2018.

This press release may contain forward-looking statements. Such forward-looking statements represent trends or objectives, and cannot be construed as constituting forecasts regarding the Company's results or any other performance indicator. Actual results may differ significantly from the forward-looking statements due to various risks and uncertainties, as described in the Company's Registration Document, which has been filed with the French financial markets authority (*Autorité des marchés financiers* — AMF).

About Thales

Thales is a global technology leader for the Aerospace, Transport, Defence & Security markets. Thanks to its 64,000 employees in 56 countries, Thales recorded sales of €14.9 billion in 2016. With over 23,000 engineers and researchers, Thales has a unique capability to design and deploy equipment, systems and services to meet the most complex security requirements. Its unique international footprint allows it to work closely with its customers all over the world.

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Appendices

Note on methodology

In this press release, amounts expressed in millions of euros are rounded to the nearest million. As a result, the sums of the rounded amounts may differ very slightly from the reported totals. All ratios and changes are calculated based on underlying amounts, which feature in the consolidated financial statements.

“Organic change” measures the movement in monetary indicators excluding the effects of changes in exchange rates and scope of consolidation. It is defined as the difference between (i) the indicator for the prior period, recomputed at the exchange rate applicable for the current period to entities whose reporting currency is not the euro, less the contribution of entities divested during the current period, and (ii) the value of the indicator for the current period less the contribution of entities acquired during the current period.

Operating segments

| | |
|-------------------------------|--|
| Aerospace | Avionics, Space |
| Transport | Ground Transportation Systems |
| Defence & Security | Secure Communications and Information Systems, Land and Air Systems, Defence Mission Systems |

Definitions of non-GAAP financial indicators

In order to facilitate 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 net income of equity affiliates, before the impact of entries relating to the amortisation of intangible assets acquired (purchase price allocation – PPA) recorded as part of business combinations. From 1 January 2016, it also excludes the other expenses recorded in income from operations that are directly related to business combinations, which are unusual by nature.
- **Adjusted net income** corresponds to net income, excluding the following items and net of the corresponding tax effects:
 - amortisation of acquired intangible assets (PPA) recorded as part of business combinations;
 - expenses recognised in income from operations that are directly related to business combinations, which are unusual by nature;
 - gains and losses on disposals of assets, changes in scope of consolidation and other;
 - changes in the fair value of derivative foreign exchange instruments (recognised under “Other financial income and expenses” in the consolidated financial statements);
 - actuarial gains (losses) on long-term benefits (recognised under “Finance costs on pensions and other long-term employee benefits” in the consolidated financial statements).

- **Free operating cash flow** corresponds to the net cash flow from operating activities before contributions to reduce the pension deficit in the United Kingdom, and after deducting net operating investments.

Readers are reminded that only the consolidated financial statements at 31 December were audited by the Statutory Auditors, including the calculation of EBIT, which is described in Note 2 “Segment Information” to the consolidated financial statements, and free operating cash flow, which is described in Note 11.1. 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 report.

The impact of these adjustment entries on the profit and loss account for H1 2017 and H1 2016 is presented in the tables on pages 11 and 12. Calculation of free operating cash flow is outlined on page 13.

Calculation of EBIT and adjusted net income – H1 2017

| | H1 2017 consolidated profit and loss account | Adjustments | | | | H1 2017 adjusted profit and loss account |
|---|--|---|--------------------------------------|--|--|--|
| | | Amortisation of intangible assets (PPA), related charges* | Income (loss) on disposals and other | Change in fair value of foreign exchange derivatives | Actuarial differences on long-term employee benefits | |
| <i>In € millions</i> | | | | | | |
| Sales | 7,241 | | | | | 7,241 |
| Cost of sales | (5,501) | 1 | | | | (5,500) |
| Research and development expenses | (363) | 3 | | | | (360) |
| Marketing and selling expenses | (524) | 3 | | | | (521) |
| General and administrative expenses | (278) | 4 | | | | (274) |
| Restructuring costs | (24) | | | | | (24) |
| Amortisation of acquisition-related intangible assets (PPA) | (54) | 54 | | | | 0 |
| Income from operations | 498 | | | | | N/A |
| Impairment of non-current assets** | 0 | | | | | 0 |
| Disposal of assets, changes in scope and other | (9) | | 9 | | | 0 |
| Share in net income of equity affiliates | 61 | 13 | | | | 74 |
| EBIT | N/A | | | | | 637 |
| Impairment of non-current assets** | 0 | | | | | 0 |
| Cost of net debt | 2 | | | | | 2 |
| Other financial income and expenses | (63) | | | 43 | | (20) |
| Finance costs on pensions and other long-term employee benefits | (28) | | | | (3) | (31) |
| Income tax | (104) | (22) | 1 | (15) | 1 | (139) |
| Net income | 358 | 56 | 10 | 28 | (2) | 450 |
| Non-controlling interests | (22) | (4) | | (0) | | (26) |
| Net income, Group share | 336 | 52 | 10 | 28 | (2) | 424 |
| <i>Average number of shares (thousands)</i> | <i>211,611</i> | | | | | <i>211,611</i> |
| Net income, Group share, per share (in €) | 1.59 | | | | | 2.00 |

(*) Including expenses related to acquisitions recorded in income from operations. See definitions of EBIT and adjusted net income on page 9.

(**) Included in "Share in net income of equity affiliates" in the consolidated income statement and in "Net income" in the adjusted income statement.

Calculation of EBIT and adjusted net income – H1 2016

| | H1 2016 consolidated profit and loss account | Adjustments | | | | H1 2016 adjusted profit and loss account |
|---|--|---|--------------------------------------|--|--|--|
| | | Amortisation of intangible assets (PPA), related charges* | Income (loss) on disposals and other | Change in fair value of foreign exchange derivatives | Actuarial differences on long-term employee benefits | |
| <i>In € millions</i> | | | | | | |
| Sales | 6,846 | | | | | 6,846 |
| Cost of sales** | (5,223) | 0 | | | | (5,223) |
| Research and development expenses | (327) | 2 | | | | (325) |
| Marketing and selling expenses** | (517) | 2 | | | | (515) |
| General and administrative expenses | (270) | 3 | | | | (267) |
| Restructuring costs | (34) | | | | | (34) |
| Amortisation of acquisition-related intangible assets (PPA) | (40) | 40 | | | | 0 |
| Income from operations | 435 | | | | | N/A |
| Impairment of non-current assets*** | 0 | | | | | - |
| Disposal of assets, changes in scope and other | 95 | | (95) | | | 0 |
| Share in net income of equity affiliates | 56 | 13 | | | | 69 |
| Income from operations after share in net income of equity affiliates | 586 | | | | | - |
| EBIT | N/A | | | | | 551 |
| Impairment of non-current assets*** | - | | | | | 0 |
| Cost of net debt | 1 | | | | | 1 |
| Other financial income and expenses | (49) | | | 46 | | (4) |
| Finance costs on pensions and other long-term employee benefits | (48) | | | | 15 | (34) |
| Income tax | (80) | (16) | 0 | (16) | (5) | (117) |
| Net income | 410 | 44 | (95) | 30 | 10 | 398 |
| Non-controlling interests | (26) | (5) | | (1) | | (31) |
| Net income, Group share | 384 | 39 | (95) | 29 | 10 | 367 |
| <i>Average number of shares (thousands)</i> | <i>210,547</i> | | | | | <i>210,547</i> |
| Net income, Group share, per share (in €) | 1.82 | | | | | 1.74 |

(*) Including expenses related to acquisitions recorded in the income from operations. See definitions of EBIT and adjusted net income on page 9.

(**) Net cost of bad debts and receivables impairment have been reclassified from "Marketing and selling expenses" to "Cost of sales".

(***) Included in "Share in net income of equity affiliates" in the consolidated income statement and in "Net income" in the adjusted income statement.

Calculation of free operating cash flow

| <i>In € millions</i> | H1 2017 | H1 2016 |
|--|-------------|--------------|
| Operating cash flow before interest and tax | 747 | 704 |
| Change in working capital and reserves for contingencies | (227) | (337) |
| Pension expense, excluding contributions related to the reduction of the UK pension deficit | (62) | (52) |
| Net interest (paid)/received | (6) | (5) |
| Income tax paid | (46) | (39) |
| Net cash flow from operating activities, excluding contributions related to the reduction of the UK pension deficit | 406 | 271 |
| Net operating investments | (189) | (226) |
| Free operating cash flow | 216 | 45 |
| Net (acquisitions)/disposals | 40 | (281) |
| Contributions related to the reduction of the UK pension deficit | (40) | (45) |
| Dividends paid | (254) | (212) |
| Changes in exchange rates and other | (34) | (46) |
| Change in net cash | (72) | (539) |

Order intake by destination – H1 2017

| <i>In € millions</i> | H1 2017 | H1 2016 | Total change | Organic change | H1 2017 weighting in % |
|--------------------------------|--------------|--------------|--------------|----------------|------------------------|
| France | 1,811 | 1,201 | +51% | +51% | 30% |
| United Kingdom | 370 | 463 | -20% | -13% | 6% |
| Rest of Europe | 1,143 | 1,304 | -12% | -13% | 19% |
| Sub-total Europe | 3,323 | 2,968 | +12% | +13% | 56% |
| United States and Canada | 697 | 492 | +42% | +38% | 12% |
| Australia and New Zealand | 381 | 346 | +10% | +5% | 6% |
| Total mature markets | 4,401 | 3,806 | +16% | +16% | 74% |
| Asia | 689 | 659 | +5% | +6% | 12% |
| Middle East ¹ | 551 | 461 | +19% | +20% | 9% |
| Rest of the world ¹ | 331 | 497 | -33% | -33% | 6% |
| Total emerging markets | 1,571 | 1,617 | -3% | -2% | 26% |
| Total all markets | 5,972 | 5,423 | +10% | +10% | 100% |

Sales by destination – H1 2017

| <i>In € millions</i> | H1 2017 | H1 2016 | Total change | Organic change | H1 2017 weighting in % |
|--------------------------------|--------------|--------------|---------------|----------------|------------------------|
| France | 1,768 | 1,661 | +6.5% | +6.6% | 24% |
| United Kingdom | 633 | 623 | +1.6% | +9.0% | 9% |
| Rest of Europe | 1,415 | 1,417 | -0.1% | -0.6% | 20% |
| Sub-total Europe | 3,816 | 3,701 | +3.1% | +4.2% | 53% |
| United States and Canada | 699 | 780 | -10.4% | -12.5% | 10% |
| Australia and New Zealand | 443 | 375 | +18.1% | +13.0% | 6% |
| Total mature markets | 4,958 | 4,856 | +2.1% | +2.2% | 68% |
| Asia | 1,068 | 953 | +12.1% | +12.2% | 15% |
| Middle East ¹ | 789 | 613 | +28.7% | +28.3% | 11% |
| Rest of the world ¹ | 426 | 424 | +0.5% | +2.2% | 6% |
| Total emerging markets | 2,283 | 1,990 | +14.7% | +15.1% | 32% |
| Total all markets | 7,241 | 6,846 | +5.8% | +5.9% | 100% |

¹ The 2016 figures have been adjusted to reflect the transfer of certain countries out of the "Middle East" region and into the "Rest of the world" region within the Group's organisation. The emerging markets total remains unchanged.

Order intake and sales – Q2 2017

| <i>In € millions</i> | Q2 2017 | Q2 2016 | Total change | Organic change |
|-----------------------------------|--------------|--------------|--------------|----------------|
| Order intake | | | | |
| Aerospace | 1,300 | 1,189 | +9% | +9% |
| Transport | 447 | 276 | +62% | +63% |
| Defence & Security | 1,923 | 1,639 | +17% | +19% |
| Total – operating segments | 3,670 | 3,104 | +18% | +19% |
| Other | 22 | 8 | | |
| Total | 3,692 | 3,111 | +19% | +20% |
| Sales | | | | |
| Aerospace | 1,619 | 1,600 | +1.2% | +1.1% |
| Transport | 432 | 457 | -5.5% | -4.4% |
| Defence & Security | 2,120 | 2,038 | +4.0% | +5.5% |
| Total – operating segments | 4,171 | 4,095 | +1.9% | +2.7% |
| Other | 12 | 18 | | |
| Total | 4,183 | 4,113 | +1.7% | +2.5% |

Organic change in sales by quarter

| <i>In € millions</i> | 2016 sales | Exchange rate effect | Impact of disposals | 2017 sales | Impact of acquisitions | Total change | Organic change |
|----------------------|--------------|----------------------|---------------------|--------------|------------------------|--------------|----------------|
| Q1 | 2,732 | 10 | 0 | 3,058 | 15 | +11.9% | +11.0% |
| Q2 | 4,113 | (25) | 11 | 4,183 | 3 | +1.7% | +2.5% |
| H1 | 6,846 | (16) | 11 | 7,241 | 19 | +5.8% | +5.9% |