



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

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## INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

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

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

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

## First Half 2020

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

## INTERIM CONSOLIDATED BALANCE SHEET

(in € millions)

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

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 1. Accounting standards Framework

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

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

### 1.1. Basis of preparation for condensed interim consolidated financial statement

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

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

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

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

##### Pensions and other long-term employee benefits

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

##### Income taxes

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

##### Goodwill

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

#### b) Seasonality of business

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

### 1.2. New IFRS standards mandatory after 30 June 2021

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

<sup>1</sup> Available at: [https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002\\_en](https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002_en).

## 2. Segment information

### 2.1. Business segments

The business segments presented by the Group are as follows:

- The *Aerospace* segment combines the “Avionics” and “Space” Global Business Units. They develop on-board systems and services for private sector customers (aircraft manufacturers, airlines, satellite operators, etc.) and for government/defence customers (national governments, space agencies and other semi-public organisations).
- The *Transport* segment (“Ground Transportation Systems” Global Business Unit) develops civil systems and services for ground transportation infrastructure operators.
- The *Defence and Security* segment combines the “Secure Communications and Information Systems”, “Land and Air Systems” and “Defence Mission Systems” Global Business Units. They develop equipment, systems and services for armed forces and for the protection of networks and infrastructure, mainly for a government/defence customer base.
- The *Digital Identity & Security* segment includes former Gemalto activities that develops digital identity and security solutions for a private and government customer base, and some digital businesses previously included in Defence & Security segment, in particular in data protection and analytics.

### 2.2. Sales

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

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

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

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

## 2.3. Commercial activity and EBIT by segment

In order to monitor the operating and financial performance of Group entities, the Group's management regularly considers certain key non-GAAP indicators as defined in note 13-a of the appendix to the 2020 consolidated financial statements, which enable them to exclude some non-operating and non-recurring items.

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

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

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

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

\* Order book, order intake and sales included in the "Other, elim and unallocated " column relate to corporate activities (Thales parent company, Thales Global Services, Group R&D centres, facilities management), and to the elimination of transactions between business segments.

Unallocated EBIT includes the Group's share (35%) in the net income of Naval Group, corporate income from operations which is not assigned to the segments, and the cost of vacant premises. Other costs (mainly the costs of foreign holding companies not invoiced) are reallocated to business segments proportionally to their respective non-Group sales.

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

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

### 3. Impact of changes in scope consolidation

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

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

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

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

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

### 4.1. Goodwill

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

Changes in goodwill are presented below:

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

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

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

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

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

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

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

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

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

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

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

\* Presented in the statement of cash flows

## 5. Investments in equity affiliates

### 5.1. Change in investment in equity affiliates

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

### 5.2. Naval Group: summary financial information

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

#### Consolidation by Thales :

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

#### Income statement, based on a 100% interest \*

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

\* After Thales restatements, mainly PPA.

## 6. Financing and financial instruments

### 6.1. Financial income

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

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

### 6.2. Net cash (net debt)

Group net cash (debt) is as follows:

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

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

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



## Bonds: key features at the end of June 2021

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

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

## 6.3. Summary of financial assets and liabilities

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

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

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

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

## 7.1. Working capital requirements

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

The changes in these items are presented below :

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

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

## 7.2. Reserves for contingencies

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

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

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

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

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

### 8.1. Actuarial assumptions

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

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

### 8.2. Changes in provision

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

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

## 9. Income tax

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

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

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

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

## 10. Equity and earnings per share

### 10.1. Shareholders' equity

#### a) Share capital

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

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

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

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

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

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

## b) Treasury shares

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

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

## c) Parent Company dividend distribution

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

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

## 10.2. Earnings per share

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

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

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

## 11. Litigations

At the date of publication, there are no government, judicial or arbitration claims of which the Group is aware, which are pending or threatened and which could have or have had any significant effect on the financial position or profitability of the Company and/or the Group in the last 12 months.

## 12. Related party transactions

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

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

## 13. Subsequent event

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