

Thales reports its 2023 half-year results

- Order intake: €8.6 billion, down 24% (-23% on an organic basis¹)
- Sales: €8.7 billion, up 5.6% (+7.7% on an organic basis)
- EBIT²: €993 million, up 11.4% (+13.1% on an organic basis)
- Adjusted net income, Group share²: €819 million, up 13%
- Consolidated net income, Group share: €649 million, up 15%
- Free operating cash flow²: €99 million
- Full year 2023 guidance upgraded:
 - Book-to-bill ratio³ above 1
 - Organic sales growth between +5% and +7%⁴
 - Unchanged EBIT margin target: 11.5% to 11.8%

Thales's Board of Directors (Euronext Paris: HO) met on July 20, 2023 to review the financial statements for the first half of 2023⁵.

“The first half of 2023 confirms Thales’ strong sales momentum in its various markets. With a 7% increase in the order book compared to June 30, 2022, the Group further reinforced its ability to deliver sustainable growth over the coming years.

Organic sales growth was above 7%, ahead of the full-year guidance, driven by the on-going recovery in the civil aeronautics business and the strong performance of the Digital Identity & Security operating segment.

The Group’s EBIT margin continued to rise, reaching a new record at 11.4%.

Given the solid outlook for most of our businesses in the second half of the year, we have decided to raise our full-year sales growth guidance.

All Thales teams are committed to taking the action needed to support sustainable growth. This includes recruiting the talents of tomorrow, supporting our supply chain and investing in our R&D and production capabilities.

Lastly, Thales further strengthened its leadership positions on its markets thanks to two acquisitions: Tesseract in cybersecurity and Cobham Aerospace Communications in cockpit connectivity”

Patrice Caine, Chairman & Chief Executive Officer

¹ In this press release, “organic” means “at constant scope and exchange rates”. See note on methodology on page 11 and calculation on page 16.

² Non-GAAP financial indicators, see definitions in the appendices, page 11.

³ Book-to-bill ratio: ratio of order intake to sales.

⁴ Corresponding to €17.9 billion to €18.2 billion based on July 2023 scope and exchange rates.

⁵ At the date of this press release, 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

<i>In € millions except earnings and dividend per share (in €)</i>	H1 2023	H1 2022	Total change	Organic change
Order intake	8,563	11,208	-24%	-23%
Order book at end of period	40,651	37,988	+7%	+7%
Sales	8,716	8,256	+5.6%	+7.7%
EBIT⁶	993	891	+11.4%	+13.1%
<i>as a % of sales</i>	<i>11.4%</i>	<i>10.8%</i>	<i>+0.6 pts</i>	<i>+1.1 pts</i>
Adjusted net income, Group share⁶	819	726	+13%	
Adjusted net income, Group share, per share⁶	3.91	3.41	+15%	
Consolidated net income, Group share	649	566	+15%	
Free operating cash flow⁶	99	820	-721	
Net cash (debt) at end of period⁶	-781	-894⁷	+113	

Order intake in the first half of 2023 totaled **€8,563 million**, down 24% from H1 2022 (**-23% on an organic basis**, i.e. at constant scope and exchange rates). The Group continued to enjoy very strong sales momentum in all of its businesses, with the decline in order intake explained by the jumbo contract for the supply of Rafale aircraft to the United Arab Emirates recorded in the first half of 2022. At June 30, 2023, the consolidated **order book** totaled **€41 billion**, up 7% compared to the first half of 2022.

Sales totaled **€8,716 million**, up 5.6% from H1 2022, and up **7.7%** at **constant scope and exchange rates**. The growth in sales benefited in particular from a solid performance in Avionics, driven by the continued recovery in civil aeronautics activities, which were heavily affected by the health crisis, and strong momentum in the Digital Identity & Security operating segment.

In the first half of 2023, the Group posted **EBIT** of **€993 million** (11.4% of sales), compared to €891 million (10.8% of sales) in the first half of 2022, an increase of 11.4% (+13.1% on an organic basis).

At **€819 million, adjusted net income, Group share⁶** was up 13%, in line with the EBIT increase.

Consolidated net income, Group share amounted to **€649 million**, up 15% compared to H1 2022, driven by the increase in adjusted net income.

Free operating cash flow⁶ amounted to **€99 million**, compared with €820 million in the first half of 2022. In the first half of 2023, Thales recorded an increase in working capital requirements due to higher inventories. This is due to the significant production increase, the effect of inflation and the building up of inventories of products for which Thales is seeking to increase its resilience.

Net debt stood at **€781 million** at June 30, 2023, down €113 million year-on-year.

⁶ Non-GAAP financial indicators, see definitions in the appendices, page 11.

⁷ Net debt as at June 30, 2022.

Order intake

<i>In € millions</i>	H1 2023	H1 2022	Total change	Organic change
Aerospace	2,344	2,393	-2%	-4%
Defense & Security	4,603	7,150	-36%	-36%
Digital Identity & Security	1,594	1,631	-2%	+12%
Total – operating segments	8,540	11,175	-24%	-23%
Other	23	33		
Total	8,563	11,208	-24%	-23%
Of which mature markets ⁸	6,931	6,682	+4%	+6%
Of which emerging markets ⁹	1,633	4,526	-64%	-64%

Order intake in H1 2023 amounted to **€8,563 million, down 24%** compared to H1 2022 (-23% at constant scope and exchange rates⁹). The book-to-bill ratio was 0.98, versus 1.36 in the first half of 2022, which benefited from the recording in the order book of the jumbo contract for the supply of Rafale aircraft to the United Arab Emirates.

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

- Three large orders booked in Q1 2023:
 - The order of satellites for the Italian Earth observation constellation IRIDE;
 - The order of a new tranche of the I-HAB module for the lunar orbital station;
 - The order of a submarine subsystem for a military customer.
- Six large orders booked in Q2 2023:
 - The order of an autonomous robotic vehicle for an In-Orbit Servicing demonstration mission, on behalf of the Italian Space Agency (ASI);
 - 3 amendments to the contracts related to the Galileo European navigation satellites;
 - The order of a sensor suite and Above-Water Warfare System for the new Belgian and Dutch frigates;
 - An order linked to the production of Aster anti-air defense missiles for France;
 - The order by Indonesia of 13 GM400 Alpha radars and a Skyview Air Command and Control System;
 - An amendment to the contract for the supply and support of CONTACT next-generation tactical radios for the French Army.

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

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

⁹ Taking into account a negative currency effect of €78 million and a negative net scope effect of €83 million.

From a **geographical**¹⁰ point of view, the order intake in emerging markets came to €1,633 million, down 64% at constant scope and exchange rates, affected by a high basis for comparison: Three contracts worth more than €100 million were recorded in the first half of 2022, including the jumbo contract for the UAE Rafale order. At €6,931 million, order intake in mature markets remained strong (+6% at constant scope and exchange rates).

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

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

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

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

¹⁰ See table on page 15.

Sales

<i>In € millions</i>	H1 2023	H1 2022	Total change	Organic change
Aerospace	2,465	2,211	+11.5%	+10.1%
Defense & Security	4,626	4,379	+5.6%	+5.3%
Digital Identity & Security	1,595	1,631	-2.3%	+11.7%
Total – operating segments	8,685	8,222	+5.6%	+7.8%
Other	30	35		
Total	8,716	8,256	+5.6%	+7.7%
Of which mature markets ¹¹	6,864	6,496	+5.7%	+7.5%
Of which emerging markets ¹¹	1,852	1,761	+5.2%	+8.6%

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

From a **geographical** point of view¹¹, sales increased sharply in both mature markets, which achieved organic growth of +7.5%, and emerging markets, which posted organic growth of +8.6%.

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

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

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

¹¹ Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 15. 2022 restated from transfer of a few countries from “emerging markets” to “mature markets” (in “Europe”).

Results

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

In H1 2023, the Group posted **EBIT¹² of 993 million (11.4% of sales)**, compared with €891 million (10.8% of sales) in H1 2022.

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

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

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

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

At **€44 million** in the first half of 2023, versus €89 million in 2022, **Naval Group's** contribution to EBIT continued to record underlying growth, as last year's contribution (€89 million) included non-

¹² Non-GAAP financial indicator, see definition in the appendices on page 11 and the calculation on pages 13 and 14.

recurring income of around €50 million related to the compensation agreement signed between Australia and Naval Group.

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

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

Adjusted net income, Group share¹³ thus amounted to **€819 million**, compared to €726 million in H1 2022, after an adjusted income tax charge¹³ of -€175 million, compared to -€141 million in H1 2022. The effective tax rate stood at 20.0% at June 30, 2023, compared with 19.7% at June 30, 2022. The corporate tax rate in France was stable at 25.8% in H1 2023.

Adjusted net income, Group share, per share¹³ amounted to €3.91, up 15% compared to H1 2022 (€3.41).

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

¹³ Non-GAAP financial indicator, see definition in the appendices on page 11 and the calculation on pages 13 and 14.

Financial position at June 30, 2023

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

Free operating cash flow¹⁴ amounted to **€99 million**, compared with €820 million in H1 2022. In the first half of 2023, Thales recorded an increase in working capital requirements due to higher inventories. This is due to the significant production increase, the effect of inflation and the building up of inventories of products for which Thales is seeking to increase its resilience.

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

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

¹⁴ Non-GAAP financial indicator, see definition in the appendices, page 11.

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

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

Outlook

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

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

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

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

- A **book-to-bill ratio above 1**
- **Organic sales growth** of between **+5%** and **+7%**, corresponding to sales in the range of €17.9 billion to €18.2 billion¹⁵;
- An **EBIT margin** between **11.5%** and **11.8%**, up 50 to 80 basis points from 2022.

This press release contains certain forward-looking statements. Although Thales believes that its expectations are based on reasonable assumptions, actual results may differ significantly from the forward-looking statements due to various risks and uncertainties, as described in the Company's Universal Registration Document, which has been filed with the French financial markets authority (Autorité des marchés financiers – AMF).

¹⁵ Based on July 2023 scope and exchange rates.

About Thales

Thales (Euronext Paris: HO) is a global leader in advanced technologies within three business domains: Defense & Security, Aeronautics & Space, and Digital Identity & Security. It develops products and solutions that help make the world safer, greener and more inclusive.

The Group invests close to €4 billion a year in Research & Development, particularly in key areas such as quantum technologies, Edge computing, 6G and cybersecurity.

Thales has 77,000^(a) employees in 68 countries. In 2022, the Group generated sales of €17.6 billion.

^(a) These figures do not include the Transport business, which is currently being divested.

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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.

“**Organic change**” measures the movement in monetary indicators excluding the effects of changes in exchange rates and scope of consolidation. It is obtained by calculating the difference between the indicator for the previous year discounted at the exchange rates applicable for the current year for entities whose reporting currency is not the euro, less the contribution of entities divested during the current year, and the value of the indicator for the current year, less the contribution of entities acquired during the current year. The calculation of organic change in sales is detailed on page 16.

Definitions of non-GAAP financial indicators

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 pages 13 and 14.

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

Please note that only the consolidated financial statements as at December 31, 2022 are audited by the statutory auditors, including EBIT, the calculation of which is outlined in Note 2 “Segment Information”, net cash (debt), the definition and calculation of which appear in Note 6.2 “Net cash (debt)”, and free operating cash flow, the definition and calculation of which are specified in Note 7 “Changes in net cash”. Adjusted financial information other than that provided in the notes to the consolidated financial statements is subject to the verification procedures applicable to all information included in this press release.

The impact of these adjustment entries on the income statements at June 30, 2023 and June 30, 2022 is detailed in the tables on pages 13 and 14. The calculation of free operating cash flow is detailed on page 8.

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)
Effective income tax rate*	18.6%	—	—	—	—	20.0%
Net income from continuing operations	614	149	1	19	(2)	780
Net income from discontinued operations	28	5	2	2	—	36
Net income	642	153	3	21	(2)	816
Non-controlling interests	7	(4)	—	—	—	3
Net income, Group share	649	149	3	21	(2)	819
Average number of shares (thousands)	209,349	—	—	—	—	209,349
Net earnings, 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 and disposals.

(2) Gains and losses on disposals of assets, changes in scope and other.

(3) Change in fair value of foreign exchange derivatives.

(4) Actuarial differences on long-term employee benefits.

Adjusted income statement, EBIT and adjusted net income – H1 2022

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

(*) 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 by destination – H1 2023

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

Sales by destination – H1 2023

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

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

Order intake and sales – Q2 2023

Order intake	Q2 2,023	Q2 2,022	Total change	Organic change
<i>In € millions</i>				
Aerospace	1,147	1,211	-5%	-5%
Defense & Security	3,162	6,051	-48%	-48%
Digital Identity & Security	816	892	-9%	+5%
Total – operating segments	5,124	8,154	-37%	-36%
Other	18	22		
Total	5,142	8,176	-37%	-36%

Sales

In € millions

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

Organic change in sales by quarter

	Sales 2,022	Exchan ge rate effect	Impact of disposals	Sales 2023	Impact of acquisitions	Total change	Organic change
<i>In € millions</i>							
1st quarter	3,730	-6	-103	4,026	+64	+7.9%	+9.4%
2nd quarter	4,526	-73	-96	4,690	+58	+3.6%	+6.3%
1st half	8,256	-79	-199	8,716	+122	+5.6%	+7.7%

Main scope effects:

Acquisitions:

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

Disposals:

- Deconsolidation of IoT module business

Performance of the Transport business (discontinued operation)

<i>In € millions</i>	H1 2023	H1 2022	Total change	Organic change
Order intake	902	841	+7%	+9%
Sales	853	778	+9.7%	+11.7%
EBIT	44	43	+2.6%	+2.6%
as a % of sales	5.2%	5.5%	-0.4 pts	-0.5 pts