Thales reports its 2022 half-year results

- **Order intake[1]: €11.2 billion, up 46% (+43% on an organic basis[2])**
- **Sales: €8.3 billion, up 7.7% (+5.4% on an organic basis)**
- **EBIT[3]: €891 million, up 23% (+21% on an organic basis)**
- **Adjusted net income, Group share[2]: €726 million, up 23%**
- **Consolidated net income, Group share: €566 million, up 31%**
- **Free operating cash flow[3]: €820 million, 113% of adjusted net income, Group share**
- **Full year 2022 guidance upgraded[4]:**
    - **Book-to-bill ratio[5] significantly higher than 1**
    - **Organic sales growth between +3.5% and +5.5%[6]**
    - **EBIT margin target: 10.8% to 11.1% (unchanged)**

Thales's Board of Directors (Euronext Paris: HO) met on July 20, 2022 to review the financial statements for the first half of 2022[7].

"Over H1 2022, Thales achieved very solid results in spite of a complex operating environment marked by supply chain tensions and the geopolitical context.

Strong commercial momentum and the entry into force of the Rafale contract in the United Arab Emirates have enabled order intake to reach a record level of €11.2 billion, reinforcing visibility on future activity.

Organic sales growth exceeded 5% again, driven in particular by the digital identity and security segment (DIS, formerly Gemalto), which achieved double-digit growth for the third consecutive quarter.

The EBIT margin and free operating cash flow were ahead of plan.

Given the robustness of activity in the first months of 2022, and despite a global environment marked by high uncertainties, we have decided to raise our full year order intake and sales growth targets.

Our roadmap for the coming months is clear: accelerate recruitment, strengthen the resilience of our supply chains and manage the consequences of inflation while continuing to implement all our strategic initiatives.

I would like to once again thank our 80,000 employees who relentlessly create value for our customers every day."

Patrice Caine, Chairman & Chief Executive Officer

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[1] In accordance with standard IFRS 5, the financial data for the "transport" operating segment have been classified under "discontinued operations" following entry into exclusive negotiations with Hitachi Rail with a view to disposing of this business.
[2] In this press release, "organic" means "at constant scope and exchange rates". See note on methodology on page 11 and calculation on page 16.
[3] Non-GAAP financial indicators, see definitions in the appendices, page 11.
[4] Previous targets: book-to-bill ratio above 1, sales between €16.6 and €17.2 billion, corresponding to organic growth between +2% and +6%.
[5] Book-to-bill ratio: ratio of order intake to sales.
[6] Corresponding to €17.1 billion to €17.5 billion based on July 2022 scope and exchange rates.
[7] 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.

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Key figures

In € millions *except earnings and dividend per share (in €)*	H1 2022	H1 2021	Total change	Organic change
Order intake	**11,208**	**7,665**	+46%	+43%
Order book at end of period	**37,988**	**34,744**	+9%	+9%
Sales	**8,256**	**7,669**	+7.7%	+5.4%
EBIT[8]	**891**	**722**	+23.4%	+21.1%
as a % of sales	*10.8%*	*9.4%*	*+1.4 pts*	*+1.4 pts*
Adjusted net income, Group share[8]	**726**	**591**	+23%	
Adjusted net income, Group share, per share[8]	**3.41**	**2.78**	+23%	
Consolidated net income, Group share	**566**	**432**	+31%	
Free operating cash flow[8]**:**	**820**	**420**	+400	
Net cash (debt) at end of period[8]	**-894**	**-2,496**[9]	+1,602	

Order intake in the first half of 2022 totaled **€11,208 million**, up 46% from H1 2021 (**+43% on an organic basis**, i.e., at constant scope and exchange rates). The Group benefited from a strong commercial momentum in all its operating segments. At June 30, 2022, the **consolidated order book** stood at **€38.0 billion**, a new all-time record.

Sales totaled **€8,256 million**, up 7.7% from H1 2021, and up **5.4%** at **constant scope and exchange rates**. The sales figures benefited in particular from the remarkable performance of the Digital Identity & Security operating segment, as well as from the recovery of the civil aeronautics business, which was severely affected last year by the public health crisis.

In the first half of 2022, the Group posted an **EBIT** of **€891 million** (10.8% of sales), compared to €722 million (9.4% of sales) in the first half of 2021, an increase of 23.4% (+21.1% on an organic basis).

At **€726 million, adjusted net income, Group share**[10] was up 23%, in line with the EBIT increase.

Consolidated net income, Group share, amounted to **€566 million,** up 31% compared to H1 2021, driven by the strong increase in adjusted net income.

Free operating cash flow[10] amounted to **€820 million**, compared with €420 million in the first half of 2021. The cash conversion ratio of adjusted net income, Group share, to free operating cash flow was 113% (71% in H1 2021). This solid performance reflects the strong commecial momentum in the first half of the year and the actions implemented since 2020 under the "Cash" initiative, as well as less pronounced seasonality in working capital than in previous years.

Net debt stood at **€894 million** at June 30, 2022, down €1,602 million year-on-year.

[8] Non-GAAP financial indicators, see definitions in the appendices, page 12.
[9] Net debt as at June 30, 2021.
[10] Non-GAAP financial indicator, see definition in the appendices, page 12.

Order intake

In € millions	H1 2022	H1 2021	Total change	Organic change
Aerospace	2,393	2,886	-17%	-18%
Defense & Security	7,150	3,374	+112%	+108%
Digital Identity & Security	1,631	1,370	+19%	+13 %
Total – operating segments	**11,175**	**7,629**	**+47 %**	**+43%**
Other	34	35		
Total	**11,208**	**7,665**	**+46%**	**+43%**
Of which mature markets[11]	6,556	6,295	+4%	+2%
Of which emerging markets [11]	4,652	1,369	+240%	+229%

Order intake in H1 2022 amounted to **€11,208 million, up 46%** compared to H1 2021 (+43% at constant scope and exchange rates[12]). The book-to-bill ratio was 1.36, versus 1.00 in H1 2021. It even reached as much as 1.45 when excluding the Digital Identity & Security segment, for which the order intake is structurally aligned with sales.

In H1 2022, Thales booked **12 large orders with a unit value of over €100 million**, for a total amount of **€5,155 million** (€1,705 million in H1 2021):

- 2 large orders booked in Q1 2022:
  - the order of two Space Inspire satellites by Intelsat
  - the order of an additional Space Inspire satellite by SES
- 10 large orders booked in Q2 2022: the jumbo contract related to the supply of the Rafale to the United Arab Emirates (80 aircraft), as well as 9 orders with a unit value of between €100 million and €500 million:
  - the order of a Space Inspire satellite by Arabsat
  - an amendment to the contract for the development and qualification of the payloads of the first two satellites for the CO2M mission, which aims to measure the quantity of CO_2 produced by human activity (European Copernicus program)
  - a contract related to the supply of 6 additional Rafale aircraft to Greece
  - a contract to supply the Sea Fire digital radar for three defense and intervention frigates (FDI) sold to Greece
  - the order of a secure communications system by a military customer
  - an amendment to the contract guaranteeing the supply of munitions to the Australian Defence Force for 10 years (SDMM)
  - the order by a Middle Eastern country of 3 radars and associated support
  - a new tranche of the Scorpion program for the French Army
  - an amendment to the contract for the supply and support of CONTACT next-generation tactical radios for the French Army

[11] Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 15.
[12] Taking into account a positive currency effect of €161 million and a positive net scope effect of €12 million.

At **€6,053 million**, orders with a unit value of **less than €100 million** were up 2% compared to the first half of 2021. Orders with a **unit value of less than €10 million** were particularly dynamic, thanks in particular to the recovery in civil aeronautics and passport production, as well as to the robust pricing of smart cards.

Geographically[13], order intake in emerging markets amounted to €4,652 million, up 229% at constant scope and exchange rates, benefiting from three contracts worth over €100 million, including the major contract related to the Rafale order by the UAE. At € 6,556 million, order intake in mature markets remained at a high level (+2% at constant scope and exchange rates).

Order intake in the **Aerospace** segment totaled **€2,393 million**, versus €2,886 million in H1 2021 (-18% at constant scope and exchange rates). This change is due to a high basis of comparison, since Thales Alenia Space booked the second generation of Galileo European navigation satellites, amounting to more than €700 million, in H1 2021. Commercial momentum remained solid in the Space segment, with four large contracts with a unit value of over €100 million in H1 2022. The civil aeronautics business continued to recover, particularly in the after-market business.

Order intake in the **Defense & Security** segment totaled **€7,150 million** compared to €3,374 million in H1 2021, up 108% at constant scope and exchange rates, including the 8 large orders with a unit value of over €100 million mentioned above. The segment's order book thus reached **€29.0 billion**, a new all-time record, representing nearly 3.4 years of sales.

At **€1,631 million**, order intake in the **Digital Identity & Security** segment was in line with sales, considering that most businesses in this segment do not book long-term orders. The order book is therefore not significant.

[13] See table on page 15.

Sales

In € millions	H1 2022	H1 2021	Total change	Organic change
Aerospace	2,211	2,112	+4.7%	+2.9%
Defense & Security	4,378	4,152	+5.4%	+4.1%
Digital Identity & Security	1,631	1,370	+19.1%	+13.1%
Total – operating segments	**8,221**	**7,634**	**+7.7%**	**+5.4%**
Other	35	35		
Total	**8,256**	**7,669**	**+7.7%**	**+5.4%**
Of which mature markets[14]	6,357	5,776	+10.1%	+7.9%
Of which emerging markets [14]	1,899	1,893	+0.3%	-2.1%

Sales for the first half of 2022 amounted to **€8,256 million**, compared with €7,669 million in the first half of 2021, an increase of 7.7%. Despite supply chain tensions, organic change (at constant scope and exchange rates[15]) stood at +5.4%, thanks in particular to the solid performance of the Digital Identity & Security segment.

Geographically[16], this increase in sales was more marked in mature markets, which grew by +7.9% in organic terms, and even by +8.5% in Europe. Emerging markets recorded a slight decline (-2.1% in organic terms).

Sales in the **Aerospace** segment amounted to **€2,211 million**, up 4.7% compared to H1 2021 (+2.9% at constant scope and exchange rates). This change reflects the cessation of activities in Russia (total impact estimated at around €70 million for 2022), as well as a high basis of comparison for both Space and Microwave tube businesses. The rebound in civil avionics is mixed: after-market activities recorded double-digit growth, while the original equipment business recovered only gradually, particularly in the widebody aircraft segment.

Sales in the **Defense & Security** segment totaled **€4,378 million**, up 5.4% compared to H1 2021 (+4.1% at constant scope and exchange rates). As expected, this segment rebounded in Q2 2022, with organic sales growth of +8.6%, confirming the positive momentum of most of its businesses. Radio communication products, airspace protection systems and surface radars all posted organic growth of over 10% in the first half.

In the **Digital Identity & Security** segment, sales were up 13.1% at constant scope and exchange rates to **€1,631 million**. This strong increase is explained by the combination of three factors: the rebound in passport production activities after two years affected by the public health crisis, continued growth in cybersecurity, and, finally, precautionary purchases and a price effect with respect to EMV payment cards and SIM cards, reflecting the significant increase in purchasing costs.

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[14] Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 15.
[15] The calculation of the organic change in sales is shown on page 16.
[16] See table on page 15.

Results

EBIT *In € millions*	H1 2022	H1 2021	Total change	Organic change
Aerospace	**97**	**69**	**+40.6%**	**+39.8%**
as a % of sales	*4.4%*	*3.3%*	*+1.1 pts*	*+1.2 pts*
Defense & Security	**545**	**497**	**+9.7%**	**+9.8%**
as a % of sales	*12.4%*	*12.0%*	*+0.4 pts*	*+0.6 pts*
Digital Identity & Security	**201**	**152**	**+32.6%**	**+21.5%**
as a % of sales	*12.3 %*	*11.1 %*	*+0.8 pts*	*+0.8 pts*
Total – operating segments	**843**	**717**	**+17.6%**	**+15.3%**
as a % of sales	*10.3%*	*9.4%*	*+0.9 pts*	*+0.8 pts*
Other – excluding Naval Group	-41	-29		
Total – excluding Naval Group	**803**	**688**	**+16.6%**	**+14.4%**
as a % of sales	*9.7%*	*9.0%*	*+0.7 pts*	*+0.7 pts*
Naval Group (share at 35%)	89	34		
Total	**891**	**722**	**+23.4%**	**+21.1%**
as a % of sales	*10.8%*	*9.4%*	*+1.4 pts*	*+1.4 pts*

In H1 2022, the Group posted an **EBIT**[17] of **€891 million** (**10.8%** of sales), compared with €722 million (9.4% of sales) in H1 2021. This level includes two one-off items that almost entirely offset each other:

- On the one hand, the economic and trade sanctions imposed on Russia have led to the recording of non-recurring expenses in the amount of €52 million in the "cost of sales" line, mainly in the Aerospace segment.
- On the other hand, the compensation agreement signed between Australia and Naval Group resulted in non-recurring income of approximately €50 million for the first half.

The **Aerospace** segment posted an EBIT of **€97 million** (**4.4%** of sales), versus an EBIT of €69 million (3.3% of sales) in H1 2021. Adjusted for the non-recurring expenses related to the sanctions against Russia, the EBIT margin would have increased by around 3 percentage points.

In the **Defense & Security** segment, EBIT amounted to **€545 million,** versus €497 million in H1 2021 (+9.8% at constant scope and exchange rates). The margin for this segment was **12.4%** compared to 12.0% in H1 2021, with the increase in margin primarily due to a favorable H1/H2 phasing of expenses.

At **€201 million (12.3%** of sales), EBIT in the **Digital Identity & Security** segment increased further, benefiting from the operating leverage on sales growth.

Excluding Naval Group, **unallocated EBIT** amounted to **-€41 million** compared with -€29 million in H1 2021. The increase in this category reflects the reallocation of certain costs following the classification of the Transport business as a discontinued operation.

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

At **€89 million** in H1 2022 compared to €34 million in H1 2021, **Naval Group's** contribution to EBIT increased mainly thanks to the above-mentioned non-recurring income.

Net financial interest (-€32 million versus -€28 million in H1 2021), as well as **other adjusted financial results**[18] (**-€10 million** in 2022 versus -€7 million in H1 2021) remained low. The stability of the **adjusted financial result on pensions and other long-term employee benefits**[15] (**-€15 million** compared to -€15 million in H1 2021) reflects the decrease in net liabilities combined with the increase in discount rates.

At **€31 million** compared with €32 million in H1 2021, the **adjusted net income, Group share, from discontinued operations** was stable, in line with the trend in EBIT in the Transport business.

Adjusted net income, Group share[15] thus amounted to **€726 million**, compared to €591 million in H1 2021, after an adjusted income tax charge[15] of -€141 million, compared to -€88 million in H1 2021. The latter had benefited from one-off items related to changes to tax rules in Italy and the United Kingdom. The effective tax rate stood at 19.7% at June 30, 2022, compared with 22.1% at June 30, 2021, adjusted for these one-off items. This change mainly reflects the reduction in the corporate income tax rate in France (25.8% in 2022 versus 28.4% in 2021).

Adjusted net income, Group share, per share[15] amounted to €3.41, up 23% compared to H1 2021 (€2.78).

Consolidated net income, Group share stood at **€566 million**, up **31%** as compared to June 30, 2021 (€432 million). This evolution was in line with that of adjusted net income, Group share.

[18] 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, 2022

in € millions	H1 2022	H1 2021	Change
Operating cash flow before interest and tax	**1,176**	**1,064**	**+112**
+ Change in working capital and provisions for contingencies	4	(382)	+386
+ Payment of pension contributions, excluding contributions related to the reduction of the UK pension deficit	(56)	(78)	+22
+ Net financial interest received (paid)	(32)	(37)	+5
+ Income tax paid	29	34	(5)
+ Net operating investments	(184)	(181)	(3)
Free operating cash flow, continuing operations	**938**	**420**	**+517**
Free operating cash flow, discontinued operations	(118)	0	(118)
Free operating cash flow	**820**	**420**	**+400**
+ Net balance of disposals (acquisitions) of subsidiaries and affiliates	(141)	(10)	(132)
+ Contributions related to the reduction of the UK pension deficit	(49)	(48)	(1)
+ Dividends paid	(416)	(290)	(127)
+ New lease liabilities (IFRS 16)	(112)	(41)	(71)
+ Exchange rates and other	(201)	22	(223)
Change in net cash (debt)	**(99)**	**53**	**(152)**

Net cash (debt) at start of period	(795)	(2,549)	+1,754
+ Change in net cash (debt)	(99)	53	(152)
Net cash (debt) at end of period	**(894)**	**(2,496)**	**+1,602**

Free operating cash flow[19] amounted to **€820 million**, compared with €420 million in H1 2021. The cash conversion ratio of adjusted net income, Group share, to free operating cash flow stood at 113% (71% in H1 2021). This solid performance reflects the strong commercial momentum in the first half of the year, in particular with the payment of a significant down payment associated with the Rafale order intake from the UAE. In addition, the Group continued to benefit from the actions implemented since 2020 under the "Cash" initiative, as well as from the less pronounced seasonality in working capital as compared to previous years.

In the first half of the year, the **net balance of acquisitions and disposals of subsidiaries** amounted to **-€141 million**, primarily reflecting the acquisition of the RUAG simulation and training business (consolidated in the Aerospace segment). Since January 2022, the Group has announced 3 acquisitions which should be finalized before the end of the year: Leonardo's stake in the Advanced Acoustics Concept JV (Defense & Security segment), S21 and Excellium, two major players in cybersecurity consulting, integration, and managed services in Europe (Defense & Security segment), and OneWelcome, a European leader in the fast-growing customer identity and access management (CIAM) market, which will be consolidated within the Digital Identity & Security segment.

At June 30, 2022, **net debt** amounted to **€894 million**, compared with €2,496 million at June 30, 2021, after accounting for new lease liabilities of €112 million (€41 million at June 30, 2021) and after the

[19] Non-GAAP financial indicator, see definition in the appendices, page 11.

distribution of €416 million in dividends (€290 million in H1 2021) as well as the repurchase of 1.1 million shares under the share buyback program launched in April 2022 (totaling €127 million at June 30, 2022).

Shareholders' equity, Group share amounted to **€7,589 million**, compared with €6,474 million at 31 December 31, 2021, benefiting, in addition to the consolidated net income, Group share (€566 million), from a decrease of more than €1 billion in the net pension liability, reflecting the sharp rise in discount rates.

Outlook

All Group markets benefit from robust medium-term perspectives. The improved public health situation will support the recovery in air traffic and commercial aircraft production rates. The further increase in Thales Alenia Space's order book firms up its growth over the next few years. The change in the geopolitical context induced by the invasion of Ukraine will result in a sustained growth of defense budgets in Europe. Lastly, the Digital Identity & Security segment will be able to leverage the high growth prospects in cybersecurity, biometrics and eSIM.

The global environment is nevertheless marked by the continuing tensions affecting supply chains, particularly with respect to semiconductors, the significant rise in inflation, the weakening of the euro against the dollar, and the consequences of Russia's invasion of Ukraine[20].

Against this backdrop, Thales will focus its short-term efforts on managing the operational factors that are holding back its growth – strengthening the resilience of its supply chains, scaling up its recruitment teams – and on passing the increases in its purchasing costs to its customers.

At the same time, the Group will continue to implement all the levers of its Ambition 10 strategic plan, designed to support profitable and sustainable growth.

The strong performance in the first half of 2022 has led the Group to adjust its financial targets for the full year.

As a result, in the absence of major new disruptions in the global economy, the public health context, or global supply chains, Thales has set the following targets for 2022:

- A **book-to-bill ratio significantly above 1**[21];
- **Organic sales growth** of between **+3.5%** and **+5.5%**, corresponding to sales in the range of €17.1 to €17.5 billion[22];
- An **EBIT margin** between **10.8%** and **11.1%**, up 60 to 90 basis points from 2021.

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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).

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[20] The negative impact on 2022 sales is estimated at approximately €100 million.
[21] Previous target, set on March 3, 2022: a book-to-bill ratio greater than 1.
[22] Based on July 2022 scope and exchange rates. Previous target, set on March 3, 2022: €16.6 to €17.2 billion.

About Thales

Thales (Euronext Paris: HO) is a global leader in advanced technologies, investing in digital and "deep tech" innovations – connectivity, big data, artificial intelligence, cybersecurity and quantum computing – to build a confident future crucial for the development of our societies. The Group provides its customers – businesses, organizations and governments – in the defense, aeronautics, space, transport, and digital identity and security domains with solutions, services and products that help them fulfil their critical role, consideration for the individual being the driving force behind all decisions.

Thales has 81,000 employees in 68 countries. In 2021, the Group generated sales of €16.2 billion.

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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 17.

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 of consolidation and other;
    - impairment of non-current assets;
    - changes in the fair value of derivative foreign exchange instruments (recognized under "Other financial income and expenses" in the consolidated financial statements);
    - actuarial gains (losses) on long-term benefits (recognized under "Finance costs on pensions and other long-term employee benefits" in the consolidated financial statements).
- **Free operating cash flow** corresponds to the net cash flow from operating activities before contributions to reduce the pension deficit in the United Kingdom, and after deducting net operating investments.

Defining EBIT and adjusted net income involves defining other aggregates in the **adjusted income statement**: adjusted cost of sales, adjusted gross margin (corresponding to the difference between sales and the adjusted cost of sales), adjusted indirect costs, other adjusted financial income, 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 1 January 2019, it incorporates the lease liability recorded in the balance sheet pursuant to IFRS 16. Its calculation appears in Note 6.3 to the consolidated financial statements.

Please note that only the consolidated financial statements as at December 31, 2021 are audited by the statutory auditors, including EBIT, the calculation of which is outlined in Note 2 "Segment Information", net cash (debt), the definition and calculation of which appear in Note 6.2 "Net cash (debt)", and free operating cash flow, the definition and calculation of which are specified in Note 6.3 "Changes in net cash". Adjusted financial information other than that provided in the notes to the consolidated financial statements is subject to the verification procedures applicable to all information included in this press release.

The impact of these adjustment entries on the income statements at June 30, 2022 and June 30, 2021 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 2022

In € millions except earnings per share (in €)	**Consolidated income statement H1 2022**	**Adjustments (1)**	**(2)**	**(3)**	**(4)**	**(5)**	**Adjusted income statement H1 2022**
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)
*Effective income tax rate**	19.3%	—	—	—	—	—	19.7%
Net income from continuing operations	549	154	(2)	15	(23)	—	693
Net income from discontinued operations	11	—	1	(4)	—	23	31
Net income	**560**	**154**	**—**	**11**	**(23)**	**23**	**724**
Non-controlling interests	6	(4)	—	—	—	—	2
Net income, Group share	**566**	**150**	**—**	**11**	**(23)**	**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) Income from disposals, changes in scope and other.
(3) Change in fair value of foreign exchange derivatives.
(4) Actuarial differences on long-term employee benefits.
(5) Income and expenses directly associated with the disposal of the Transport business.

Adjusted income statement, EBIT and adjusted net income – H1 2021

In € millions except earnings per share (in €)	Consolidated income statement H1 2021	Adjustments (1)	(2)	(3)	(4)	(5)	Adjusted income statement H1 2021
Sales	**7,669**	**—**	**—**	**—**	**—**	**—**	**7,669**
Cost of sales	(5,805)	185	—	—	—	—	(5,620)
Research and development costs	(465)	—	—	—	—	—	(465)
Marketing and selling expenses	(598)	—	—	—	—	—	(598)
General and administrative expenses	(268)	—	—	—	—	—	(268)
Restructuring costs	(40)	1	—	—	—	—	(39)
Income from operations	**493**	**187**	**—**	**—**	**—**	**—**	**679**
Share in net income of equity affiliates	29	14	—	—	—	—	43
Income from operating activities after share in net income	522	—	—	—	—	—	N/A
EBIT	**N/A**	**201**	**—**	**—**	**—**	**—**	**722**
Gains and losses on disposals of assets, changes in scope and other	(7)	—	7	—	—	—	—
Impairment of non-current assets	—	—	—	—	—	—	—
Net financial interest	(28)	—	—	—	—	—	(28)
Other financial income and expenses	(28)	—	—	21	—	—	(7)
Finance costs on pensions and other long-term employee benefits	(7)	—	—	—	(7)	—	(15)
Income tax	(34)	(51)	(2)	(4)	2	—	(88)
*Effective income tax rate**	8.0%	—	—	—	—	—	14.0%
Net income from continuing operations	418	150	5	17	(5)	—	585
Net income from discontinued operations	36	—	—	(4)	—	—	32
Net income	**454**	**150**	**5**	**13**	**(5)**	**—**	**616**
Non-controlling interests	(21)	(4)	—	—	—	—	(25)
Net income, Group share	**432**	**147**	**5**	**13**	**(5)**	**—**	**591**
Average number of shares (thousands)	212,933	—	—	—	—	—	212,933
Net earnings, Group share per share (in €)	**2.03**	**—**	**—**	**—**	**—**	**—**	**2.78**

(*) 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) Income from disposals, changes in scope and other.
(3) Change in fair value of foreign exchange derivatives.
(4) Actuarial differences on long-term employee benefits.
(5) Income and expenses directly associated with the disposal of the Transport business.

Order intake by destination – H1 2022

In € millions	H1 2022	H1 2021	Total change	Organic change	2022 weighting as a %
France	2,259	1,911	+18 %	+18 %	20%
United Kingdom	438	319	+37%	+34%	4%
Rest of Europe	1,911	2,654	-28%	-28%	17%
Subtotal Europe	**4,608**	**4,884**	**-6%**	**-6%**	**41%**
United States and Canada	1,459	1,137	+28%	+18 %	13%
Australia and New Zealand	490	274	+79%	+73%	4%
Total mature markets	**6,556**	**6,295**	**+4%**	**+2%**	**58%**
Asia	620	868	-29%	-29%	6%
Near and Middle East	3,701	206	+1697%	+1591%	33%
Rest of the world	331	296	+12%	+4%	3%
Total emerging markets	**4,652**	**1,369**	**+240%**	**+229%**	**42%**
Total all markets	**11,208**	**7,665**	**+46%**	**+43%**	**100%**

Sales by destination – H1 2022

In € millions	H1 2022	H1 2021	Total change	Organic change	2022 weighting as a %
France	2,447	2,265	+8.0%	+8.0%	30%
United Kingdom	475	438	+8.4%	+5.6%	6%
Rest of Europe	1,881	1,707	+10.2%	+9.9%	23 %
Subtotal Europe	**4,804**	**4,411**	**+8.9%**	**+8.5%**	**58%**
United States and Canada	1,058	869	+21.8%	+11.2%	13%
Australia and New Zealand	496	497	-0.2%	-3.5%	6%
Total mature markets	**6,357**	**5,776**	**+10.1%**	**+7.9%**	**77%**
Asia	950	945	+0.5%	-0.9%	12%
Near and Middle East	493	507	-2.8%	-5.1%	6%
Rest of the world	456	441	+3.6%	-1.2%	6%
Total emerging markets	**1,899**	**1,893**	**+0.3%**	**-2.1%**	**23 %**
Total all markets	**8,256**	**7,669**	**+7.7%**	**+5.4%**	**100%**

Order intake and sales – Q2 2022

Order intake *In € millions*	**Q2 2022**	**Q2 2021**	**Total change**	**Organic change**
Aerospace	1,211	1,888	-36%	-37%
Defense & Security	6,050	1,861	+225%	+218%
Digital Identity & Security	892	733	+22%	+14 %
Total – operating segments	**8,153**	**4,482**	**+82%**	**+77%**
Other	22	26		
Total	**8,176**	**4,507**	**+81%**	**+77%**

Sales *In € millions*				
Aerospace	1,186	1,141	+4.0%	+1.9%
Defense & Security	2,428	2,203	+10.2%	+8.6%
Digital Identity & Security	892	733	+21.7%	+14.1%
Total – operating segments	**4,506**	**4,077**	**+10.5%**	**+7.8%**
Other	20	19		
Total	**4,526**	**4,096**	**+10.5%**	**+7.8%**

Organic change in sales by quarter

In € millions	**Sales 2022**	**Exchange rate effect**	**Impact of disposals**	**Sales 2021**	**Impact of acquisitions**	**Total change**	**Organic change**
1st quarter	3,730	54	-	3,573	6	+4.4%	+2.7%
2nd quarter	4,526	103	-	4,096	2	+10.5%	+7.8%
1st half	**8,256**	**157**	**-**	**7,669**	**7**	**+7.7%**	**+5.4%**

Main scope effects:
- Disposals: none
- Acquisitions: not significant

Transport (discontinued operations)

In € millions	**H1 2022**	**H1 2021**	**Total change**	**Organic change**
Order intake	841	579	+45%	+41%
Sales	778	754	+3.1%	+0.7%
EBIT	43	46	-6.6%	- 9.1%
as a % of sales	*5.5%*	*6.1 %*	*- 0.6 pts*	*- 0.6 pts*