

# Half-yearly financial report 2015

Report on business activity

Consolidated financial statements



## Half-yearly financial report 2015

### TABLE OF CONTENTS

<b>Declaration from the person responsible for the half-yearly financial report</b>	<b>1</b>
<b>Report on 2015 first-half business activity and results</b>	<b>3</b>
○ Key figures	3
○ Presentation of financial information	4
○ Order intake	7
○ Sales	8
○ Adjusted results	9
○ Consolidated results	10
○ Financial situation at 30 June 2015	11
○ Related party transactions	12
○ Major risks and uncertainties in the second half of 2015 fiscal year	12
○ Outlook for the current year	12
○ Appendix	13
<b>Consolidated financial statements at 30 June 2015</b>	<b>17</b>
○ Table of contents	18
○ Consolidated profit and loss account	19
○ Consolidated statement of comprehensive income	20
○ Consolidated statement of changes in equity	21
○ Consolidated balance sheet	22
○ Consolidated statement of cash flows	23
○ Notes to the consolidated financial statements	24
<b>Statutory auditors' report</b>	<b>43</b>

*The English language version of this report is a free translation from the original, which was prepared and filed with the AMF in French language. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the report in French take precedence over the translation.*



## **Declaration by person responsible for the half-yearly financial report**

*"I certify that, to the best of my knowledge, the condensed financial statements at 30 June 2015 have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities, financial position and results of the company and of all the entities taken as a whole included in the consolidation, and that the attached half-yearly business report presents a fair view of the significant events that occurred during the first six months of the financial year, their impact on the financial statements, the main related party transactions as well as a description of the main risks and uncertainties for the remaining six months of the financial year."*

Paris La Défense, 27 July 2015

**Patrice Caine**

Chairman & Chief Executive Officer





## REPORT ON 2015 FIRST HALF BUSINESS ACTIVITY AND RESULTS

### KEY FIGURES (ADJUSTED)<sup>1</sup>

*in millions of euros*

	H1 2015	H1 2014 <sup>2</sup>	Total change	Organic change <sup>3</sup>
<b>Order intake</b>	<b>6,224</b>	<b>5,220</b>	+19%	+14%
<b>Order book</b>	<b>27,668</b>	<b>27,285<sup>4</sup></b>	+1%	-1%
<b>Sales</b>	<b>6,347</b>	<b>5,695</b>	+11%	+6%
<b>EBIT<sup>5</sup></b>	<b>473</b>	<b>402</b>	+18%	+10%
<i>in % of sales</i>	<b>7.5%</b>	<b>7.1%</b>		
<b>Adjusted net income, Group share<sup>5</sup></b>	<b>313</b>	<b>243</b>	+29%	
<b>Adjusted net income per share, Group share<sup>5</sup></b>	<b>€1.51</b>	<b>€1.19</b>	+27%	
<b>Free operating cash flow<sup>6</sup></b>	<b>(304)</b>	<b>(535)</b>		
<b>Net cash</b>	<b>614</b>	<b>53</b>		

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

<sup>2</sup> In this report, the data for the first half of 2014 has been restated to reflect the introduction of the IFRIC 21 interpretation.

<sup>3</sup> In this report, "organic" means "on a like-for-like basis and at constant exchange rates".

<sup>4</sup> At 31 December 2014

<sup>5</sup> Non-GAAP measure, see definitions in appendix.

<sup>6</sup> Operating cash flow before interest and tax + change in working capital requirements and provisions for contingencies - net financial interest paid - pension benefits (excluding payments to reduce deficits and changes in the United Kingdom) - taxes paid - net operating investments.

## PRESENTATION OF FINANCIAL INFORMATION

### Accounting policies

The condensed interim consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 “Interim financial reporting” and with IFRS standards as approved by the European Union at 30 June 2015 .

The interim condensed consolidated financial statements are prepared using the same accounting policies as those used to prepare the full-year financial statements at 31 December 2014 (see notes 1 and 14 of the financial consolidated statements), with the exception of the first time adoption of IFRIC interpretation 21 presented in note 1.2. The condensed consolidated financial statements at 30 June 2014 have been prepared according to IAS 34 (Interim Financial Information) and IFRS as adopted by the European Union at 30 June 2014<sup>1</sup>.

### Adjusted income statement

In order to enable better monitoring and benchmarking of its operating and financial performance, the Group presents two main non-GAAP indicators, excluding non-operating and non-recurring items. They are determined as follows:

- **EBIT**, an adjusted operating metric, corresponds to income from operations plus the share of the net income (loss) of equity-accounted companies, excluding the amortisation of intangible assets acquired (purchase price allocation - PPA) recorded as part of business combinations;
- **Adjusted net income** corresponds to the net income attributable to shareholders of the parent company, excluding the following items, net of the corresponding tax effects:
  - amortisation of intangible assets,
  - results of disposals of assets, change in scope of consolidation and others,
  - change in fair value of derivative foreign exchange instruments (recorded in “other financial results” in the consolidated accounts),
  - actuarial gains on long-term benefits (accounted within the “finance cost on pensions and other long-term benefits” in the consolidated accounts).

It is reminded that only the consolidated financial statements were audited by the statutory auditors at 30 June. The consolidated financial statements include the EBIT provided in Note 2 “Segment information” to the consolidated financial statements. Adjusted financial information other than that provided in Note 2 “Segment information” is subject to the verification procedures applicable to all information included in this report.

The impact of these adjustments on the income statement at 30 June 2015 and at 30 June 2014 is as follows:

---

<sup>1</sup> Available at [http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

- for H1 2015:

<i>in millions of euros</i>	Consolidated income statement H1 2015	Adjustments				Adjusted income statement H1 2015
		Amort. of intangible assets (PPA)	Income (loss) from disposals and others	Change in fair value of FX derivatives	Actuarial differences long-term benefits	
<b>Sales</b>	<b>6,347</b>					<b>6,347</b>
Cost of sales	(4,827)					(4,827)
R&D	(310)					(310)
Selling, general and administrative expenses	(754)					(754)
Restructuring costs	(43)					(43)
Amortisation of intangible assets (PPA)	(53)	53				0
<b>Income from operations</b>	<b>360</b>					<b>NA</b>
Impairment of non-current operating assets	0					--- (*)
Income (loss) from disposals, changes in scope and others	(3)		3			0
Share of income (loss) in equity- accounted companies	47	13				60
<b>Income from operations after income from equity-acctd cos</b>	<b>404</b>					<b>NA</b>
<b>EBIT</b>	<b>NA</b>					<b>473</b>
Impairment of non-current operating assets	--- (*)					0
Cost of net financial debt	5					5
Other financial income (expense)	(13)			15		2
Finance costs on pensions and other employee benefits	(25)				(10)	(35)
Income tax	(88)	(18)	(1)	(5)	3	(109)
<b>Net income (loss)</b>	<b>282</b>	<b>48</b>	<b>2</b>	<b>10</b>	<b>(7)</b>	<b>335</b>
Minority interests	(16)	(6)		(1)	1	(23)
<b>Net income, Group share</b>	<b>266</b>	<b>42</b>	<b>2</b>	<b>9</b>	<b>(6)</b>	<b>313</b>

(\*) included in "Income from operations after income from equity-accounted companies" in the consolidated income statement and "Net income (loss)" in the adjusted income statement.

- for H1 2014:

<i>in millions of euros</i>	Consolidated income statement H1 2014	Adjustments				Adjusted income statement H1 2014
		Amort. of intangible assets (PPA)	Income (loss) from disposals and others	Change in fair value of FX derivatives	Actuarial differences long-term benefits	
<b>Sales</b>	<b>5,695</b>					<b>5,695</b>
Cost of sales	(4,296)					(4,296)
R&D	(286)					(286)
Selling, general and administrative expenses	(712)					(712)
Restructuring costs	(53)					(53)
Amortisation of intangible assets (PPA)	(27)	27				0
<b>Income from operations</b>	<b>322</b>					<b>NA</b>
Impairment of non-current operating assets						--- (*)
Income (loss) from disposals, changes in scope and others	225		(225)			0
Share of income (loss) in equity- accounted companies	39	13				52
<b>Income from operations after income from equity-acctd cos</b>	<b>586</b>					<b>NA</b>
<b>EBIT</b>	<b>NA</b>					<b>402</b>
Impairment of non-current operating assets	--- (*)					0
Cost of net financial debt	(1)					(1)
Other financial income (expense)	(15)			3		(12)
Finance costs on pensions and other employee benefits	(43)				6	(38)
Income tax	(73)	(9)	(1)	(1)	(2)	(86)
<b>Net income (loss)</b>	<b>454</b>	<b>31</b>	<b>(226)</b>	<b>2</b>	<b>4</b>	<b>265</b>
Minority interests	(21)	(1)				(22)
<b>Net income, Group share</b>	<b>433</b>	<b>30</b>	<b>(226)</b>	<b>2</b>	<b>4</b>	<b>243</b>

(\*) included in "Income from operations after income from equity-accounted companies" in the consolidated income statement and "Net income (loss)" in the adjusted income statement.



## ORDER INTAKE

*in millions of euros*

	H1 2015	H1 2014	Total change	Organic change
<b>Aerospace</b>	<b>1,849</b>	<b>2,077</b>	-11%	-16%
<b>Transport</b>	<b>1,197</b>	<b>637</b>	+88%	+80%
<b>Defence &amp; Security</b>	<b>3,152</b>	<b>2,485</b>	+27%	+22%
<b>Total – operating segments</b>	<b>6,198</b>	<b>5,199</b>	+19%	+14%
Other	26	21		
<b>Total</b>	<b>6,224</b>	<b>5,220</b>	+19%	+14%

**New orders** booked over the first half of 2015 amounted to **€6,224 million**, representing an **increase of 19%** compared to the first half of 2014 (+14% at constant scope and exchange rates<sup>1</sup>). At 30 June 2015, the consolidated **order book** totalled **€27,668 million**, which represents more than two years of sales. The book-to-bill ratio came to **0.98** in the first six months of 2015, compared to 0.92 in the same period last year.

Five large **orders, each valued at more than €100 million**, were recorded in the first half:

- a systems and equipment contract as part of the order for 24 Rafale combat aircraft from the Egyptian government;
- two urban rail supervision and signalling contracts, one for the Doha (Qatar) metro and the other for the Hong Kong metro;
- an optronics land system contract as part of the Scout SV programme in the United Kingdom;
- a French military intelligence satellite system contract (Ceres programme)

**Orders with a unit value less than €10 million** represent just over half of the order intake in terms of value.

Thanks to the Rafale contract in Egypt and the commercial successes in urban railway, **new orders in emerging markets<sup>2</sup>** grew by **51%** compared to the first half of 2014 and amounted to **€2,492 million**, which represents 40% of total orders compared to 32% for the same period last year.

Order intake in the **Aerospace** segment was down, at **€1,849 million** versus €2,077 million in the first six months of 2014. This was due to the Space activities, which in the first half of 2014 benefited from a particularly high level of order intake, following the signing of several significant contracts (Inmarsat and Koreasat). However, order intake for commercial avionics activities, both in on-board avionics and, to an even greater extent, in-flight entertainment (IFEC), continued their positive trend. These activities also benefitted from the integration of Live TV and favourable exchange rates.

In the **Transport** segment, order intake almost doubled compared to the first half of 2014 (+88%), reaching **€1,197 million** compared to €637 million during the same period last year. This positive evolution was mainly driven

<sup>1</sup> Given a positive exchange rate effect of €213 million and a positive scope of consolidation effect of €44 million linked to the incorporation of Live TV on 1 July 2014 (Aerospace segment).

<sup>2</sup> In this report, "emerging markets" refers to all countries in Asia, the Middle East, Latin America and Africa.

by the large orders in rail monitoring and signalling in Hong Kong and Qatar, which offset a decrease in order intake from the main lines activity.

Order intake in the **Defence & Security** segment also grew strongly, to **€3,152 million**, compared to €2,485 million at 30 June 2014 (+27%). This rise, driven by the large order for 24 Rafale combat aircraft for Egypt, was particularly prominent in the Defence Mission Systems activities. Order intake of Secure Communications and Information Systems were also up, thanks to civil security (infrastructure security in the Middle East) and cybersecurity. Land & Air Systems activities, however, recorded a lower order intake despite the above-mentioned significant optronics order in the United Kingdom.

## SALES

*in millions of euros*

	H1 2015	H1 2014	Total change	Organic change
<b>Aerospace</b>	<b>2,511</b>	<b>2,216</b>	+13%	+5%
<b>Transport</b>	<b>569</b>	<b>571</b>	0%	-6%
<b>Defence &amp; Security</b>	<b>3,229</b>	<b>2,873</b>	+12%	+9%
<b>Total – operating segments</b>	<b>6,309</b>	<b>5,660</b>	+11%	+6%
Other	38	35		
<b>Total</b>	<b>6,347</b>	<b>5,695</b>	+11%	+6%

As anticipated, Group **sales** returned to growth, registering a rise of 11%, to **€6,347 million** at 30 June 2015, compared to €5,695 million in the first half of 2014 (+6% at a constant scope and exchange rates<sup>1</sup>).

Sales in the **Aerospace** segment totalled **€2,511 million**, an increase of 13% compared to the first half of 2014 (+5% at constant scope and exchange rates). The Avionics activities continued to grow, essentially driven by aftermarket and in-flight entertainment, and also benefitted from a positive exchange rate impact as well as the acquisition of Live TV. Sales from the Space segment progressed significantly in both telecommunications and observation domains, after significant orders registered last year.

The **Transport** segment recorded virtually unchanged sales, at **€569 million**, compared to €571 million in the first half of 2014 (-6% at a constant scope and exchange rates). The main line signalling business reported sales growth, thanks in particular to several projects in Europe (Poland and Germany). This development, combined with a positive exchange rate impact, offset the decrease in activity registered in ticketing (with several projects coming to an end) and urban rail signalling.

Sales in the **Defence & Security** segment amounted to **€3,229 million** (against €2,873 million in 2014), which represents an increase of 12% compared to the first half of 2014 (+9% at a constant scope and exchange rates). The Defence Mission Systems activities registered a rise in sales, thanks notably to the Indian Mirage upgrade programme and naval activities. Sales in Secure Communications and Information Systems also grew, particularly in civil security (with several projects in the Middle East) and in cybersecurity markets. Land & Air Systems also recorded a progression in sales, driven by air traffic management (ramp-up of the Marshall programme in the United Kingdom), weapons and air defence activities.

<sup>1</sup> Given a positive exchange rate effect of €239 million and a positive scope of consolidation effect of €78 million linked to the incorporation of Live TV on 1 July 2014 (Aerospace segment).

## ADJUSTED RESULTS

### EBIT

*in millions of euros*

	H1 2015	H1 2014	Total change	Organic change
<b>Aerospace</b> <i>in % of sales</i>	<b>224</b> 8.9%	<b>201</b> 9.1%	+11%	+3%
<b>Transport</b> <i>in % of sales</i>	<b>(39)</b> -6.9%	<b>11</b> 1.9%	NM	NM
<b>Defence &amp; Security</b> <i>in % of sales</i>	<b>301</b> 9.3%	<b>226</b> 7.9%	+33%	+26%
<b>Total – operating segments</b> <i>in % of sales</i>	<b>485</b> 7.7%	<b>438</b> 7.7%	+11%	+4%
DCNS (share of net result at 35%)	10	10		
Others – excluding DCNS	(22)	(46)		
<b>Total</b> <i>in % of sales</i>	<b>473</b> 7.5%	<b>402</b> 7.1%	+18%	+10%

In the first half of 2015, the Group's **EBIT<sup>1</sup>** grew 18% to **€473 million**, or **7.5%** of sales compared to €402 million (7.1% of sales) the same period in 2014. This progression is a result of the rise in sales and the impact of competitiveness plans – even though the Group further increased its commercial and research and development efforts and pension costs deteriorated by -€10 million compared to the first half of 2014.

The **EBIT<sup>1</sup>** for the **Aerospace** segment increased further to **€224 million**, (**8.9%** of sales) compared to €201 million (9.1% of sales) during the first six months of 2014. Avionics reported significant growth in its results, due to the higher sales volume in commercial avionics and in-flight entertainment and a favourable exchange rate. Space reported a stable **EBIT<sup>1</sup>** compared to the first half of 2014, as the positive impact of performance plans were offset by higher commercial research and development expenses.

The **Transport** segment registered an **EBIT<sup>1</sup>** of **-€39 million**, against €11 million in the first half of 2014. Signalling activities are still suffering from an unfavourable volume effect, and to an even greater extent, execution difficulties on several projects, particularly in urban transport. Additional charges were booked as part of the in-depth review of the contract portfolio carried out during the first half of 2015. Corrective measures were implemented by the new management team which included a strengthening of resources in order to improve project execution quality. This activity is expected to register a slightly negative **EBIT<sup>1</sup>** for the whole financial year and then gradually return to profitability over the next few years.

The **Defence & Security** segment saw a marked rise in **EBIT<sup>1</sup>** over the first six months of the year, to **€301 million**, (**9.3%** of sales), against €226 million in the first half of 2014 (7.9% of sales). The **EBIT<sup>1</sup>** of Land & Air Systems registered a marked increase, given a favourable volume effect and lower restructuring charges. Secure Information and Communication Systems registered strong growth in **EBIT<sup>1</sup>** over the first half, thanks to the rise in sales and good project execution. However, **EBIT<sup>1</sup>** for Defence Mission Systems was slightly down, essentially due to the rise in restructuring costs.

<sup>1</sup> Non-GAAP measure, see definitions in appendix.

## Adjusted financial income

In the first half of 2015, the **adjusted cost of financial debt and other financial results**<sup>1</sup> was a positive figure of **€7 million** versus a net expense of -€13 million in the same period last year, which was caused in particular by a rise in dividends and financial income from shareholdings. **Adjusted financial income on pensions and other employee benefits**<sup>1</sup> slightly improved to **-€35 million** compared to -€38 million in the first half of 2014, due to lower interest rates.

## Adjusted net income

The financial year thus ended with an **adjusted net income, Group share**<sup>1</sup> growing by 29% to **€313 million**, compared to €243 million in the first half of 2014, after adjusted income tax of -€109 million compared to -€86 million, i.e. an effective tax rate of 28%, against 29% in the first half of 2014. **Adjusted net income, Group share, per share**<sup>1</sup> amounted to **€1.51** compared to €1.19 at the end of June 2014.

# CONSOLIDATED RESULTS

## Income from operations

After accounting for the €53 million impact of purchase price allocation (PPA), compared to €27 million in the first half last year, reported **income from operations** was **€360 million**, compared to €322 million at 30 June 2014 (representing a 12% increase).

**Income of operating activities before share in net income (loss) from equity affiliates** was at **€357 million**, compared to €547 million at 30 June 2014, mainly due to the revaluation of interests held in Thales Raytheon Systems Company SAS and Trixell SAS during the first half of 2014 due to changes in the shareholders agreements.

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

The share in net income (loss) of equity affiliates comes to €47 million, compared to €39 million during the first half of 2014. **Income of operating activities after share in net income from equity affiliates** therefore comes to **€404 million**, compared to €586 million for the same period last year.

## Net financial income/(expense)

**Net interest expense** was a positive **€5 million** compared to -€1 million in the first half of 2014, due in particular to rising dividends and financial income from shareholdings. **Finance costs on pensions and other employee benefits** amounted to **-€25 million** compared to -€43 million for the first six months of 2014, essentially because of positive actuarial differences.

## Net income (loss)

The first half of 2015 closed with **consolidated net earnings, Group share** of **€266 million**, after an income tax charge of -€88 million compared to -€73 million. **Net earnings per share** came to **€1.28** compared to €2.12 at the end of June 2014.

---

<sup>1</sup> Non-GAAP measure, see definitions in appendix.

## FINANCIAL POSITION AT 30 JUNE 2015

**Free operating cash-flow**<sup>1</sup> stood at -€304 million, compared to -€535 million in the first half of 2014. It reflected the usual seasonal nature of customer collections, but benefited from the positive impact of the advance received on the Egyptian Rafale contract.

<i>in millions of euros</i>	H1 2015	H1 2014
<b>Net cash flows from operating activities</b>	<b>683</b>	<b>582</b>
Changes in WCR and reserves for contingencies	(697)	(824)
Payment of contributions/pension benefits	(60)	(56)
Financial interest paid	10	(4)
Income tax paid	(42)	(44)
<b>Net cash flows from operating activities</b> <sup>2</sup>	<b>(106)</b>	<b>(347)</b>
Net operating investments	(198)	(188)
<b>Free operating cash flow</b>	<b>(304)</b>	<b>(535)</b>
Net (acquisitions)/disposals	(20)	(306)
Deficit payments on pensions in the United Kingdom	(46)	(34)
Dividends	(161)	(173)
Changes in exchange rate, scope and other	138	23
<b>Change in net cash</b>	<b>(392)</b>	<b>(1,025)</b>

At 30 June 2015, the **net cash** amounted to €614 million compared to €53 million at the end of June 2014 (and €1,006 million at the end of December 2014), after a distribution of dividends of -€161 million paid in the first half compared to -€173 million in the first half of 2014.

**Equity**, Group share, stood at **€4,156** million compared to €3,782 million at the end of December 2014, taking into account a consolidated net income, Group share of €266 million.

<sup>1</sup> Operating cash flow before interest and tax + change in working capital requirements and provisions for contingencies - net financial interest paid - pension benefits (excluding payments to reduce deficits and changes in the United Kingdom) - taxes paid - net operating investments.

<sup>2</sup> Excluding deficit payments on pensions in the United Kingdom.

## RELATED PARTY TRANSACTIONS

Main related party transactions are disclosed in note 14-a of the consolidated financial statements included in the 2014 registration document.

Sales with the French Ministry of Defence amounted to €1,007 million in the first half of 2015 and €966 million in the first half of 2014.

At 30 June 2015, mature receivables bearing interest on overdue payments from the French Defence Procurement Agency (*Direction générale de l'armement*) amounted to €51 million (€69 million at 30 June 2014 and €230 million at 31 December 2014).

## MAIN RISKS AND UNCERTAINTIES IN THE SECOND HALF OF 2015 FISCAL YEAR

There are no material changes in risks and uncertainties that are described in the Group management report for 2014 ("1.1.2 Risk Factors" pages 14-24 of the 2014 Registration Document filed with the Autorité des Marchés Financiers (AMF) on 1 April 2015).

## OUTLOOK FOR THE CURRENT YEAR

After a growth of almost 20% over the last two years, order intake should rise again in 2015, beyond the already high level reached in 2014, with an expected new increase in order intake from emerging markets.

The continued growth in order intake over the last two years should result in a low single digit increase in sales in 2015.

This positive trend, combined with competitiveness improvement efforts, and the progressive return to profitability of DCNS should result in an EBIT increase of around 15% compared to 2014 (based on February 2015 exchange rates), to reach €1,130 to €1,150 million.

Over the medium term, Thales confirms its objectives of a moderate increase in sales and an improvement in its EBIT margin to reach a rate of 9.5 to 10% by 2017/2018.

# NOTES TO THE REPORT ON OPERATIONS AND RESULTS FOR THE FIRST HALF OF 2015

## Operating segments

<b>Aerospace</b>	Avionics, Space
<b>Transport</b>	Ground Transportation Systems
<b>Defence &amp; Security</b>	Secure Communications and Information Systems, Land & Air Systems, Defence Mission Systems

## Order intake by destination – H1 2015

<i>in millions of euros</i>	<b>H1 2015</b>	<b>H1 2014</b>	<b>Total change</b>	<b>Organic change</b>	<b>H1 2015 in %</b>
France	1,225	1,059	+16%	+16%	20%
United Kingdom	513	563	-9%	-17%	8%
Rest of Europe	1,031	1,162	-11%	-12%	17%
<b>Europe</b>	<b>2,769</b>	<b>2,784</b>	<b>-1%</b>	<b>-3%</b>	<b>45%</b>
<b>United States and Canada</b>	<b>564</b>	<b>431</b>	<b>+31%</b>	<b>+4%</b>	<b>9%</b>
<b>Australia and New Zealand</b>	<b>399</b>	<b>354</b>	<b>+13%</b>	<b>+8%</b>	<b>6%</b>
Asia	665	673	-1%	-6%	11%
Middle East	1,688	655	+158%	+150%	27%
Rest of world	139	323	-57%	-58%	2%
<b>Emerging markets</b>	<b>2,492</b>	<b>1,651</b>	<b>+51%</b>	<b>+46%</b>	<b>40%</b>
<b>Order intake</b>	<b>6,224</b>	<b>5,220</b>	<b>+19%</b>	<b>+14%</b>	<b>100%</b>

## Sales by destination – H1 2015

<i>in millions of euros</i>	<b>H1 2015</b>	<b>H1 2014</b>	<b>Total change</b>	<b>Organic change</b>	<b>H1 2015 in %</b>
France	1,569	1,610	-3%	-3%	25%
United Kingdom	638	621	+3%	-8%	10%
Other European countries	1,263	1,232	+2%	+1%	20%
<b>Europe</b>	<b>3,470</b>	<b>3,463</b>	<b>0%</b>	<b>-2%</b>	<b>55%</b>
<b>United States and Canada</b>	<b>759</b>	<b>536</b>	<b>+42%</b>	<b>+15%</b>	<b>12%</b>
<b>Australia and New Zealand</b>	<b>365</b>	<b>327</b>	<b>+12%</b>	<b>+7%</b>	<b>6%</b>
Asia	842	784	+7%	+2%	13%
Middle East	647	377	+71%	+61%	10%
Rest of world	265	208	+27%	+24%	4%
<b>Emerging markets</b>	<b>1,753</b>	<b>1,369</b>	<b>+28%</b>	<b>+21%</b>	<b>27%</b>
<b>Sales</b>	<b>6,347</b>	<b>5,695</b>	<b>+11%</b>	<b>+6%</b>	<b>100%</b>



## Order intake and sales - Q2 2015

*in millions of euros*

	Q2 2015	Q2 2014	Total change	Organic change
<b><u>Order intake</u></b>				
Aerospace	1,067	1,301	-18%	-22%
Transport	735	380	+93%	+83%
Defence & Security	1,586	1,461	+9%	+4%
<b>Total – operating segments</b>	<b>3,388</b>	<b>3,142</b>	<b>+8%</b>	<b>+3%</b>
Other	13	3		
<b>Total</b>	<b>3,401</b>	<b>3,145</b>	<b>+8%</b>	<b>+3%</b>
<b><u>Sales</u></b>				
Aerospace	1,430	1,261	+13%	+6%
Transport	335	342	-2%	-7%
Defence & Security	1,985	1,608	+24%	+19%
<b>Total – operating segments</b>	<b>3,750</b>	<b>3,211</b>	<b>+17%</b>	<b>+11%</b>
Other	20	17		
<b>Total</b>	<b>3,770</b>	<b>3,228</b>	<b>+17%</b>	<b>+11%</b>





**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 30 JUNE 2015**

# SUMMARY

<b>INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT .....</b>	<b>19</b>
<b>INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....</b>	<b>20</b>
<b>INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>21</b>
<b>INTERIM CONSOLIDATED BALANCE SHEET .....</b>	<b>22</b>
<b>INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS .....</b>	<b>23</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>24</b>
<b>1. ACCOUNTING STANDARDS FRAMEWORK.....</b>	<b>24</b>
1.1 BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.....	24
1.2 NEW IFRS STANDARDS MANDATORILY APPLICABLE AT 30 JUNE 2015 .....	25
1.3 NEW IFRS STANDARDS MANDATORILY APPLICABLE AFTER 30 JUNE 2015 .....	26
<b>2. SEGMENT INFORMATION .....</b>	<b>26</b>
2.1 INFORMATION BY BUSINESS SEGMENT .....	26
2.2 ADJUSTED RESULTS.....	27
2.3 INFORMATION BY COUNTRY/REGION OF DESTINATION .....	28
<b>3. IMPACT OF CHANGES IN SCOPE OF CONSOLIDATION .....</b>	<b>29</b>
3.1 MAIN CHANGES IN SCOPE OF CONSOLIDATION.....	29
3.2 DISPOSAL OF ASSETS, CHANGES IN SCOPE OF CONSOLIDATION AND OTHER .....	30
<b>4. TANGIBLE AND INTANGIBLE ASSETS .....</b>	<b>31</b>
4.1 GOODWILL .....	31
4.2 TANGIBLE AND INTANGIBLE ASSETS .....	32
<b>5. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES .....</b>	<b>32</b>
5.1 JOINT VENTURES .....	32
5.2 INVESTMENTS IN ASSOCIATES.....	33
<b>6 FINANCING AND FINANCIAL INSTRUMENTS .....</b>	<b>34</b>
6.1 OTHER FINANCIAL INCOME (EXPENSE) .....	34
6.2 NET CASH (NET DEBT) .....	34
6.3 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES .....	35
<b>7. CHANGE IN NET CASH (NET DEBT) .....</b>	<b>37</b>
7.1 CHANGES IN WORKING CAPITAL REQUIREMENTS .....	37
7.2 RESERVES FOR CONTINGENCIES (EXCLUDING CONSTRUCTION CONTRACTS) .....	38
7.3 NET FINANCIAL INVESTMENT .....	38
<b>8. PENSIONS AND OTHER LONG-TERM BENEFITS .....</b>	<b>39</b>
<b>9. INCOME TAX .....</b>	<b>40</b>
<b>10. EQUITY AND EARNINGS PER SHARE .....</b>	<b>40</b>
10.1 SHAREHOLDERS' EQUITY .....	40
10.2 EARNINGS PER SHARE.....	42
<b>11. LITIGATION.....</b>	<b>42</b>
<b>12. RELATED PARTY TRANSACTIONS .....</b>	<b>42</b>
<b>13. EVENTS AFTER REPORTING PERIOD.....</b>	<b>42</b>

## INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€ Million)	Notes	First half 2015	First half 2014 *	Full Year 2014
<b>Sales</b>	<b>note 2</b>	<b>6,346.6</b>	<b>5,694.7</b>	<b>12,973.6</b>
Cost of sales		(4,827.0)	(4,295.6)	(9,791.8)
Research and development expenses		(310.4)	(285.9)	(641.4)
Marketing and selling expenses		(494.6)	(455.9)	(914.4)
General and administrative expenses		(259.0)	(255.8)	(519.3)
Restructuring costs		(42.5)	(52.5)	(114.4)
Amortisation of intangible assets acquired (PPA) **		(52.8)	(26.8)	(103.7)
<b>Income from operations</b>	<b>note 2</b>	<b>360.3</b>	<b>322.2</b>	<b>888.6</b>
Disposal of assets, change in scope of consolidation and other	note 3.2	(3.1)	224.6	248.9
Impairment of non-current operating assets	note 4	--	--	--
<b>Income from operating activities before impact of equity affiliates</b>		<b>357.2</b>	<b>546.8</b>	<b>1,137.5</b>
<b>Share in net income (loss) of equity affiliates</b>		<b>46.5</b>	<b>39.1</b>	<b>(34.0)</b>
of which, share in net income of joint-ventures	note 5.1	14.9	16.9	(83.5)
of which, share in net income of associates	note 5.2	31.6	22.2	49.5
<b>Income from operating activities after impact of equity affiliates</b>		<b>403.7</b>	<b>585.9</b>	<b>1,103.5</b>
Financial interests on gross debt		(8.7)	(10.9)	(20.2)
Financial income from cash at bank and equivalents		13.7	10.0	22.4
Financial interests, net		5.0	(0.9)	2.2
Other financial income (expense)	note 6.1	(13.2)	(15.0)	(39.6)
Finance costs on pensions and other long-term benefits	note 8	(25.3)	(43.4)	(90.1)
Income tax	note 9	(87.9)	(73.1)	(214.3)
<b>Net income (loss)</b>		<b>282.3</b>	<b>453.5</b>	<b>761.7</b>
Attributable to:				
<b>Shareholders of the parent company</b>		<b>266.0</b>	<b>432.6</b>	<b>714.2</b>
Non-controlling interests		16.3	20.9	47.5
Basic earnings per share (in euros)	note 10.2	1.28	2.12	3.49
Diluted earnings per share (in euros)	note 10.2	1.28	2.11	3.47

\* IFRIC interpretation 21, mentioned in note 1.2, prescribes a retrospective application. Consequently, the financial statements presented for comparative periods have been restated accordingly.

\*\* This line corresponds to the amortisation of PPA related to fully-consolidated entities. Amortisation of PPA related to equity affiliates is included in the share in net income (loss) of equity affiliates, as detailed in note 2.2.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	First half 2015			First half 2014 *			Full year 2014		
	Total attributable to:			Total attributable to:			Total attributable to:		
(€ Million)	Shareholders of the parent company	Non- controlling interests	Total	Shareholders of the parent company	Non- controlling interests	Total	Shareholders of the parent company	Non- controlling interests	Total
<b>Net income (loss) for the period</b>	<b>266.0</b>	16.3	<b>282.3</b>	<b>432.6</b>	20.9	<b>453.5</b>	<b>714.2</b>	47.5	<b>761.7</b>
Cumulative translation adjustment	51.1	0.8	<b>51.9</b>	40.8	0.1	<b>40.9</b>	107.9	1.0	108.9
Deferred tax	--	--	--	(0.5)	--	<b>(0.5)</b>	(0.7)	--	(0.7)
Net	<b>51.1</b>	0.8	<b>51.9</b>	<b>40.3</b>	0.1	<b>40.4</b>	<b>107.2</b>	1.0	108.2
Cash flow hedge	(172.0)	(8.3)	<b>(180.3)</b>	(52.7)	(3.8)	<b>(56.5)</b>	(261.8)	(30.2)	(292.0)
Deferred tax	59.2	3.3	<b>62.5</b>	19.0	--	<b>19.0</b>	86.7	10.4	97.1
Net	<b>(112.8)</b>	(5.0)	<b>(117.8)</b>	<b>(33.7)</b>	(3.8)	<b>(37.5)</b>	<b>(175.1)</b>	(19.8)	(194.9)
Financial assets available for sale	--	--	--	<b>0.4</b>	--	<b>0.4</b>	<b>0.1</b>	--	0.1
<b>Items to be subsequently reclassified to P&amp;L</b>	<b>(61.7)</b>	<b>(4.2)</b>	<b>(65.9)</b>	<b>7.0</b>	<b>(3.7)</b>	<b>3.3</b>	<b>(67.8)</b>	<b>(18.8)</b>	<b>(86.6)</b>
<i>Of which, part related to joint ventures, after income tax</i>	<i>10.4</i>	--	<i>10.4</i>	<i>10.9</i>	--	<i>10.9</i>	<i>18.4</i>	--	<i>18.4</i>
<i>Of which, part related to associates, after income tax</i>	<i>9.6</i>	--	<i>9.6</i>	<i>(1.6)</i>	--	<i>(1.6)</i>	<i>16.0</i>	--	<i>16.0</i>
Actuarial gains (losses) on pensions: subsidiaries	301.9	1.2	<b>303.1</b>	(158.3)	(1.4)	<b>(159.7)</b>	(617.6)	(9.4)	(627.0)
Actuarial gains (losses) on pensions: equity affiliates	(1.4)	--	<b>(1.4)</b>	(0.2)	--	<b>(0.2)</b>	(24.6)	--	(24.6)
Deferred tax	(61.3)	(0.5)	<b>(61.8)</b>	41.2	0.4	<b>41.6</b>	97.0	3.1	100.1
<b>Items that will not be reclassified to P&amp;L</b>	<b>239.2</b>	<b>0.7</b>	<b>239.9</b>	<b>(117.3)</b>	<b>(1.0)</b>	<b>(118.3)</b>	<b>(545.2)</b>	<b>(6.3)</b>	<b>(551.5)</b>
<i>Of which, part related to joint ventures, after income tax</i>	<i>(1.0)</i>	--	<i>(1.0)</i>	<i>1.1</i>	--	<i>1.1</i>	<i>(14.8)</i>	--	<i>(14.8)</i>
<i>Of which, part related to associates, after income tax</i>	--	--	--	<i>(1.4)</i>	--	<i>(1.4)</i>	<i>0.9</i>	--	<i>0.9</i>
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b>177.5</b>	<b>(3.5)</b>	<b>174.0</b>	<b>(110.3)</b>	<b>(4.7)</b>	<b>(115.0)</b>	<b>(613.0)</b>	<b>(25.1)</b>	<b>(638.1)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>443.5</b>	<b>12.8</b>	<b>456.3</b>	<b>322.3</b>	<b>16.2</b>	<b>338.5</b>	<b>101.2</b>	<b>22.4</b>	<b>123.6</b>

\* IFRIC interpretation 21, mentioned in note 1.2, prescribes a retrospective application. Consequently, the financial statements presented for comparative periods have been restated accordingly.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ Million)	Number of shares outstanding (thousands)	Share capital	Paid-in surplus	Retained earnings	Cash flow hedge	AFS invest ments	Cumulative translation adjustment	Treasury shares	Total attrib. to shareholders of the parent company	Non controlling interests	Total
<b>At 31 December 2014 published</b>	205,964	623.5	3,889.9	(431.5)	(118.5)	1.6	(134.7)	(58.9)	3,771.4	298.5	4,069.9
Impact of IFRIC interpretation 21 (note 1.2)	--	--	--	10.3	--	--	--	--	10.3	0.6	10.9
<b>At 1 January 2015 restated *</b>	205,964	623.5	3,889.9	(421.2)	(118.5)	1.6	(134.7)	(58.9)	3,781.7	299.1	4,080.8
Net income (loss) of the period	--	--	--	266.0	--	--	--	--	266.0	16.3	282.3
Other comprehensive income (loss)	--	--	--	239.2	(112.8)	--	51.1	--	177.5	(3.5)	174.0
<b>Total comprehensive income (loss) for first half 2015</b>	--	--	--	505.2	(112.8)	--	51.1	--	443.5	12.8	456.3
Employee share issues	2,322	7.0	77.8	--	--	--	--	--	84.8	--	84.8
Parent company dividend distribution	--	--	--	(160.7)	--	--	--	--	(160.7)	--	(160.7)
Third party share in dividend distributions of subsidiaries	--	--	--	--	--	--	--	--	--	(51.2)	(51.2)
Share-based payments	--	--	--	7.5	--	--	--	--	7.5	--	7.5
Acquisitions/disposals of treasury shares	(43)	--	--	0.8	--	--	--	(3.0)	(2.2)	--	(2.2)
Other	--	--	--	1.3	--	--	--	--	1.3	0.2	1.5
<b>At 30 June 2015</b>	208,243	630.5	3,967.7	(67.1)	(231.3)	1.6	(83.6)	(61.9)	4,155.9	260.9	4,416.8

(€ Million)	Number of shares outstanding (thousands)	Share capital	Paid-in surplus	Retained earnings	Cash flow hedge	AFS invest ments	Cumulative translation adjustment	Treasury shares	Total attrib. to shareholders of the parent company	Non controlling interests	Total
<b>At 31 December 2013 published</b>	203,254	617.2	3,826.6	(331.7)	56.6	1.5	(241.9)	(81.4)	3,846.9	238.2	4,085.1
Impact of IFRIC interpretation 21 (note 1.2)	--	--	--	10.3	--	--	--	--	10.3	0.6	10.9
<b>At 1 January 2014 restated *</b>	203,254	617.2	3,826.6	(321.4)	56.6	1.5	(241.9)	(81.4)	3,857.2	238.8	4,096.0
Net income (loss) of the period	--	--	--	432.6	--	--	--	--	432.6	20.9	453.5
Other comprehensive income (loss)	--	--	--	(117.3)	(33.7)	0.4	40.3	--	(110.3)	(4.7)	(115.0)
<b>Total comprehensive income (loss) for first half 2014</b>	--	--	--	315.3	(33.7)	0.4	40.3	--	322.3	16.2	338.5
Employee share issue	1,857	5.6	56.4	--	--	--	--	--	62.0	--	62.0
Parent company dividend distribution	--	--	--	(172.8)	--	--	--	--	(172.8)	--	(172.8)
Third party share in dividend distributions of subsidiaries	--	--	--	--	--	--	--	--	--	(130.9)	(130.9)
Share-based payments	--	--	--	7.7	--	--	--	--	7.7	--	7.7
Acquisitions / disposals of treasury shares	(115)	--	--	0.2	--	--	--	(5.2)	(5.0)	--	(5.0)
Other	--	--	--	(7.5)	--	--	--	--	(7.5)	0.7	(6.8)
Changes in scope of consolidation	--	--	--	4.1	--	--	--	--	4.1	49.1	53.2
<b>At 30 June 2014</b>	204,996	622.8	3,883.0	(174.4)	22.9	1.9	(201.6)	(86.6)	4,068.0	173.9	4,241.9

\* IFRIC interpretation 21, mentioned in note 1.2, prescribes a retrospective application. Consequently, the financial statements presented for comparative periods have been restated accordingly

## INTERIM CONSOLIDATED BALANCE SHEET

(€ Million)

ASSETS	Notes	30/06/15	31/12/14 *
Goodwill, net	note 4.1	3,232.6	3,212.6
Other intangible assets, net	note 4.2	889.7	946.2
Tangible assets, net	note 4.2	1,631.4	1,557.0
Total non-current operating assets		5,753.7	5,715.8
Investment in joint-ventures	note 5.1	1,100.0	1,104.2
Investment in associates	note 5.2	372.3	385.5
Non-consolidated investments		72.8	60.4
Other non-current financial assets		133.7	138.4
Total non-current financial assets		1,678.8	1,688.5
Non-current derivatives - assets	note 6.2	36.8	44.1
Deferred tax assets		897.1	942.4
<b>Non-current assets</b>		<b>8,366.4</b>	<b>8,390.8</b>
Inventories and work in progress		2,635.8	2,437.6
Construction contracts: assets		2,296.8	1,996.4
Advances to suppliers		384.9	326.0
Accounts, notes and other current receivables		4,084.8	4,129.1
Current derivatives - assets		170.3	108.2
Total current operating assets	note 7.1	9,572.6	8,997.3
Current tax receivables		47.7	60.3
Current financial assets		47.5	56.8
Cash at bank and equivalents		2,053.1	2,481.4
Total current financial assets	note 6.2	2,100.6	2,538.2
<b>Current assets</b>		<b>11,720.9</b>	<b>11,595.8</b>
<b>TOTAL ASSETS</b>		<b>20,087.3</b>	<b>19,986.6</b>
EQUITY AND LIABILITIES	Notes	30/06/15	31/12/14 *
Capital, paid-in surplus and other reserves		4,301.4	3,975.3
Cumulative translation adjustment		(83.6)	(134.7)
Treasury shares		(61.9)	(58.9)
Total attributable to shareholders of the parent company		4,155.9	3,781.7
Non-controlling interests		260.9	299.1
<b>Total equity</b>	note 10.1	<b>4,416.8</b>	<b>4,080.8</b>
Financial debt: long-term	note 6.2	1,446.6	1,467.8
Provisions for pensions and other long-term benefits	note 8	2,340.3	2,556.8
Deferred tax liabilities		253.4	265.3
<b>Non-current liabilities</b>		<b>4,040.3</b>	<b>4,289.9</b>
Advances received from customers on contracts		3,653.1	3,676.4
Refundable grants		130.0	130.4
Construction contracts: liabilities		1,076.3	1,072.3
Reserves for contingencies		1,027.0	1,038.0
Accounts, notes and other current payables		5,217.1	5,254.4
Current derivatives - liabilities		416.7	282.2
Total current operating liabilities	note 7.1	11,520.2	11,453.7
Current tax payables		32.7	54.0
Financial debt: short-term	note 6.2	77.3	108.2
<b>Current liabilities</b>		<b>11,630.2</b>	<b>11,615.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,087.3</b>	<b>19,986.6</b>

\* IFRIC interpretation 21, mentioned in note 1.2, prescribes a retrospective application. Consequently, the financial statements presented for comparative periods have been restated accordingly.



## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(€ Million)	Notes	First half 2015	First half 2014 *	Full year 2014
<b>Net income (loss)</b>		<b>282.3</b>	<b>453.5</b>	<b>761.7</b>
Add (deduct)				
Income tax expense (gain)		87.9	73.1	214.3
Financial interests, net expense (gain)		(5.0)	0.9	(2.2)
Share in net (income) loss of equity affiliates		(46.5)	(39.1)	34.0
Dividends received from equity-accounted, joint-ventures	note 5.1	28.5	29.0	44.6
Dividends received from equity-accounted, associates	note 5.2	19.0	6.1	25.1
Depreciation and amortisation of tangible and intangible assets	note 4.2	236.7	183.1	449.6
Provisions for pensions and other employee benefits	note 8	79.2	88.1	172.5
Impairment of non-current operating assets		--	--	--
Loss (gain) on disposals of assets and other		3.1	(224.6)	(248.9)
Net allowances to restructuring provisions		(13.2)	4.3	(10.7)
Other items		10.9	7.5	25.6
<b>Operating cash flows before working capital changes, interests and tax</b>		<b>682.9</b>	<b>581.9</b>	<b>1,465.6</b>
Change in working capital requirements and in reserves for contingencies	note 7.1	(696.5)	(824.3)	(287.1)
Payment of contributions / pensions benefits (defined benefit plans):		(105.8)	(90.0)	(190.5)
- related to reduction of the UK deficit:		(45.9)	(33.7)	(68.8)
- related to future service (recurrent contributions):		(59.9)	(56.3)	(121.7)
Financial interests paid		(12.3)	(14.5)	(31.4)
Financial interests received		22.2	10.2	17.0
Income tax paid		(42.0)	(43.8)	(98.4)
<b>Net cash flows from operating activities</b>	<b>- I -</b>	<b>(151.5)</b>	<b>(380.5)</b>	<b>875.2</b>
Capital expenditure on tangible and intangible assets		(201.8)	(202.8)	(472.6)
Proceeds from disposal of tangible and intangible assets		3.9	14.4	29.2
<b>Net operating investment</b>	note 4.2	<b>(197.9)</b>	<b>(188.4)</b>	<b>(443.4)</b>
Acquisitions of subsidiaries, net	note 7.3	(32.3)	(306.5)	(378.2)
Disposals of subsidiaries, net	note 7.3	12.0	0.8	4.4
Decrease (increase) in non current financial assets		20.6	8.2	21.9
Decrease (increase) in current financial assets		(1.2)	133.2	152.7
<b>Net financial investment</b>		<b>(0.9)</b>	<b>(164.3)</b>	<b>(199.2)</b>
<b>Net cash flows from investing activities</b>	<b>- II -</b>	<b>(198.8)</b>	<b>(352.7)</b>	<b>(642.6)</b>
Parent company dividend distribution	note 10	(160.7)	(172.8)	(242.8)
Third party share in dividend distributions of subsidiaries		(51.2)	(110.7)	(130.9)
Increase in equity (exercise of subscription options)		74.6	51.2	75.0
Purchase / sale of treasury shares		(2.4)	(4.9)	3.2
Increase in financial debt		63.6	29.4	46.1
Repayment of financial debt		(17.5)	(78.6)	(94.2)
<b>Net cash flows from financing activities</b>	<b>- III -</b>	<b>(93.6)</b>	<b>(286.4)</b>	<b>(343.6)</b>
Effect of exchange rate variations and other	- IV -	15.6	9.4	28.7
<b>Total increase (decrease) in cash at bank and equivalents</b>	<b>I+II+III+IV</b>	<b>(428.3)</b>	<b>(1,010.2)</b>	<b>(82.3)</b>
Cash at bank and equivalents at beginning of period		2,481.4	2,563.7	2,563.7
<b>Cash at bank and equivalent at end of period</b>		<b>2,053.1</b>	<b>1,553.5</b>	<b>2,481.4</b>

\* IFRIC interpretation 21, mentioned in note 1.2, prescribes a retrospective application. Consequently, the financial statements presented for comparative periods have been restated accordingly.

The Group net cash position and its change on both periods are presented in notes 6.2 and 7.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*All monetary amounts included in these notes are expressed in € million.*

### 1. ACCOUNTING STANDARDS FRAMEWORK

On 23 July 2015, the Board of Directors approved and authorised for issue Thales' condensed interim consolidated financial statements for the six months ended 30 June 2015.

Thales Parent Company is a listed French *société anonyme*, registered with the Nanterre commercial registry (*Registre du Commerce et des Sociétés de Nanterre*) under the number 552 059 024.

#### 1.1 BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 "Interim financial reporting" and with IFRS standards as approved by the European Union at 30 June 2015<sup>1</sup>.

The interim condensed consolidated financial statements are prepared using the same accounting policies as those used to prepare the full-year financial statements at 31 December 2014 (see notes 1 and 14 of the financial consolidated statements), with the exception of the first time adoption of IFRIC interpretation 21 presented in note 1.2.

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

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

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

Pension costs for interim periods are calculated on the basis of the actuarial valuations performed at the end of the prior year. If necessary, these valuations are adjusted to take into account curtailments, settlements or other major non-recurring events during the period. Furthermore, amounts recognised in the balance sheet in respect of defined benefit plans are adjusted, if necessary, in order to reflect material changes impacting the yield on investment-grade corporate bonds in the geographic area concerned (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 the level of each tax entity by applying the average estimated annual effective tax rate for the current year to the income for 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 for each annual closing using the methodology described in paragraph 14-i of the 2014 registration document, and whenever there is an indication of impairment (note 4.1). Impairment that may 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. The seasonality of business has led to revenues and income from operations being generally lower in the first half of the year. The company has noted that this phenomenon is of a recurring nature, even if its extent varies from year to year.

<sup>1</sup> Available at the following internet address : [http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

### c) Conversion rates

The main closing and average exchange rates for the periods used are the following:

	30 June 2015		30 June 2014		31 December 2014	
Euros	Closing	Average	Closing	Average	Closing	Average
Australian Dollar	1.4550	1.4349	1.4537	1.4998	1.4829	1.4723
Pound Sterling	0.7114	0.7272	0.8015	0.8189	0.7789	0.8031
Dollar U.S.	1.1189	1.1113	1.3658	1.3705	1.2141	1.3211

## 1.2 NEW IFRS STANDARDS MANDATORILY APPLICABLE AT 30 JUNE 2015

IFRIC interpretation 21 (Levies) has been adopted by the European Union in June 2014 and is retrospectively applicable for the Group from 1 January 2015.

This interpretation sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what is the obligating event that gives rise to pay a levy and when a liability should be recognized. In particular, a liability should be recognised progressively only if the obligating event occurs overtime.

The Group is mainly affected by levies in France (C3S levy based on French companies turnover as well as property taxes). Application of this new text leads to:

- recognise C3S levies one year later than previously done (due at 1 January N for levy related to N-1 turnover);
- recognise C3S levies as well as some property taxes fully at 1 January, while they used to be recognised linearly over the year.

The 2014 consolidated financial statements have been restated accordingly:

Consolidated balance sheet at 31 December 2014	31/12/14 Published	IFRIC 21 impacts *	31/12/14 Restated
Non current assets	8,394.9	(4.1)	8,390.8
Current assets	11,595.8	--	11,595.8
Total assets	19,990.7	(4.1)	19,986.6
Equity, shareholders of the parent company	3,771.4	10.3	3,781.7
Non-controlling interest	298.5	0.6	299.1
Non current liabilities	4,289.9	--	4,289.9
Current liabilities	11,630.9	(15.0)	11,615.9
Total equity and liabilities	19,990.7	(4.1)	19,986.6

Consolidated profit and loss account at first half 2014 **	H1 2014 published	IFRIC 21 impacts *	H1 2014 restated
Income from operating activities	565.8	(19.0)	546.8
Share in net income (loss) of equity affiliates	41.0	(1.9)	39.1
Financial Income (loss)	(59.3)	--	(59.3)
Income tax	(79.1)	6.0	(73.1)
Net income (loss)	468.4	(14.9)	453.5
Of which, shareholders of the parent company	446.6	(14.0)	432.6
Of which non controlling interests	21.8	(0.9)	20.9
EBIT (note 2.2)	422.4	(20.9)	401.5
Adjusted net Income, Group share (note 2.2)	257.4	(14.0)	243.4

\* Impacts determined at 1 January 2014, same as at 31 December 2014.

\*\* IFRIC 21 does not affect 2014 full year profit & loss account.

Moreover, IFRS annual improvements for 2011-2013 cycle, also mandatorily applicable at 30 June 2015, have no impact on the group's condensed financial statements.

### 1.3 NEW IFRS STANDARDS MANDATORILY APPLICABLE AFTER 30 JUNE 2015

The new standards and interpretations published by the IASB but not yet mandatorily applicable, are described in the note *Accounting standards* of the consolidated financial statements in the 2014 Registration document.

Furthermore the IASB has published in December 2014, an amendment to IAS 1 (Presentation of Financial Statements), mandatory from 1 January 2016. This text, which aims to improve the relevance of the information provided in financial reports, has not been adopted yet by the European Union.

## 2. SEGMENT INFORMATION

The operating segments presented by the Group are the following:

- The *Aerospace* operating segment combines the "Avionics" and "Space" Global Business Units that develop on-board systems, solutions and services both with governmental (States, Civil Security Organisations, Space agencies) and non-governmental (aircraft manufacturers, airlines, satellite operators) customer bases;
- The *Transport* operating segment comprises the "Ground Transportation Systems" Global Business Unit that develops systems and services for an exclusively civil customer base of ground transportation infrastructure operators;
- The *Defence and Security* operating segment combines the "Secure Communications and Information Systems", "Land and Air Systems" and "Defence Mission Systems" Global Business Units that develop equipments, systems and services for the armed and security forces as well as the protection of networks and infrastructures, with an almost exclusively governmental customer base (States, public agencies);

In order to monitor the operational and financial performance of the Group entities, the Group's executives regularly consider two main non-GAAP indicators determined as follows:

▫ *EBIT*, an adjusted operating metric presented by operating segment below, corresponds to income from operations increased by the share in net income of equity affiliates, and excluding the amortisation of intangible assets acquired (purchase price allocation PPA).

▫ The *adjusted net income* is considered as relevant by the Group because it enables non-recurring items to be excluded (definition in note 14-a of the consolidated financial statements included in the 2014 registration document).

Determination of these two indicators is presented in note 2.2.

### 2.1 INFORMATION BY BUSINESS SEGMENT

2015 First half	Aerospace	Transport	Defence & Security	Oth. elim and non allocated	Thales
Consolidated order backlog	8,184.9	4,333.0	15,085.9	64.5	27,668.3
Consolidated new orders	1,848.8	1,197.0	3,152.2	26.0	6,224.0
Consolidated sales	2,510.7	568.9	3,229.4	37.6	6,346.6
Inter-segment sales	44.5	3.6	122.3	(170.4)	--
Total sales	2,555.2	572.5	3,351.7	(132.8)	6,346.6
EBIT	223.7	(39.2)	300.9	(12.4)	473.0
of which share in DCNS	--	--	--	9.6	9.6
of which DCNS excluded	223.7	(39.2)	300.9	(22.0)	463.4

<b>2014 First half restated (IFRIC 21)</b>	Aerospace	Transport	Defence & Security	Oth. elim and non allocated	<b>Thales</b>
Consolidated order backlog	8,348.3	3,427.6	13,329.6	42.9	<b>25,148.4</b>
Consolidated new orders	2,077.2	637.1	2,484.7	20.7	<b>5,219.7</b>
Consolidated sales	2,215.6	570.7	2,873.2	35.2	<b>5,694.7</b>
Inter-segment sales	37.6	2.1	108.5	(148.2)	--
Total sales	2,253.2	572.8	2,981.7	(113.0)	<b>5,694.7</b>
EBIT	201.3	10.7	226.2	(36.7)	<b>401.5</b>
<i>of which share in DCNS</i>	--	--	--	10.3	10.3
<i>of which DCNS excluded</i>	201.3	10.7	226.2	(47.0)	<b>391.2</b>

<b>2014 Full year</b>	Aerospace	Transport	Defence & Security	Oth. elim and non allocated	<b>Thales</b>
Consolidated order backlog	8,686.9	3,615.1	14,914.6	68.2	<b>27,284.8</b>
Consolidated new orders	5,023.8	1,651.5	7,608.3	79.4	<b>14,363.0</b>
Consolidated sales	5,013.6	1,401.6	6,479.7	78.7	<b>12,973.6</b>
Inter-segment sales	73.2	7.6	257.6	(338.4)	--
Total sales	5,086.8	1,409.2	6,737.3	(259.7)	<b>12,973.6</b>
EBIT	505.4	32.2	620.1	(172.7)	<b>985.0</b>
<i>of which share in DCNS</i>	--	--	--	(117.0)	(117.0)
<i>of which, DCNS excluded</i>	505.4	32.2	620.1	(55.7)	<b>1,102.0</b>

Backlog, Order intake and Sales included in "Other, elim and non allocated" column relate to corporate activities (Thales parent company, Thales Global Services, Group R&D centers, facilities management), and to the elimination of transactions between the business segments.

The non-allocated EBIT includes Group's share (35%) in the net income of DCNS, the Corporate income from operations which is not charged back to the segments and the cost of vacant premises. Other costs (mainly results from foreign holding companies which are not charged back and the share-based payments cost) are reallocated to business segments proportionally to their respective ex-Group sales.

## 2.2 ADJUSTED RESULTS

Determination of adjusted net incomes is presented below:

	<b>2015 first half published</b>	Amort. of intangible assets acquired	Disposal of assets and other	Change in fair value/dérivatives	Actuarial gains & losses/other long-term benefits	<b>2015 first half restated</b>
Income from operations	360.3	52.8	--	--	--	413.1
Share in net income (loss) of equity affiliates	46.5	13.4	--	--	--	59.9
<b>EBIT</b>						<b>473.0</b>
Impairment of non-current operating assets	--	--	--	--	--	--
Disposal of assets and other	(3.1)	--	3.1	--	--	--
Net financial interests	5.0	--	--	--	--	5.0
Other financial income (expense)	(13.2)	--	--	14.9	--	1.7
Financial income on pension and other	(25.3)	--	--	--	(10.0)	(35.3)
Income tax	(87.9)	(17.9)	(1.1)	(5.1)	3.4	(108.6)
<i>Effective tax rate</i>						28.3%
Less, non-controlling interests' income	(16.3)	(6.2)	--	(0.7)	0.5	(22.7)
<b>Net income (expense), Group</b>	<b>266.0</b>	<b>42.1</b>	<b>2.0</b>	<b>9.1</b>	<b>(6.1)</b>	<b>313.1</b>

  

<i>Average number of shares outstanding</i>	207,141		207,141
<b>Net income (expense) per share, Group</b>	<b>1.28</b>		<b>1.51</b>

	2014 first half published	Amort. of intangible assets acquired	Disposal of assets and other	Change in fair value/ dérivatives	Actuarial gains & losses/other long-term benefits	2014 first half restated
Income from operations	322.2	26.8	--	--	--	349.0
Share in net income (loss) of equity affiliates	39.1	13.4	--	--	--	52.5
<b>EBIT</b>						<b>401.5</b>
Impairment of non-current operating assets	--	--	--	--	--	--
Disposal of assets and other	224.6	--	(224.6)	--	--	--
Net financial interests	(0.9)	--	--	--	--	(0.9)
Other financial income (expense)	(15.0)	--	--	2.6	--	(12.4)
Financial income on pension and other	(43.4)	--	--	--	5.7	(37.7)
Income tax	(73.1)	(9.0)	(0.6)	(0.9)	(2.0)	(85.6)
<i>Effective tax rate</i>						28.7%
Less, non-controlling interests' income	(20.9)	(0.6)	--	--	--	(21.5)
<b>Net income (expense) Group</b>	<b>432.6</b>	<b>30.6</b>	<b>(225.2)</b>	<b>1.7</b>	<b>3.7</b>	<b>243.4</b>

<i>Average number of shares outstanding</i>	204,116		204,116
<b>Net income (expense) per share, Group</b>	<b>2.12</b>		<b>1.19</b>

	2014 Published	Amort. of intangible assets acquired	Disposal of assets and other	Change in fair value/ dérivatives	Actuarial gains & losses/other long-term benefits	2014 Adjusted
Income from operations	888.6	103.7	--	--	--	992.3
share in net income (loss) of equity affiliates	(34.0)	26.7	--	--	--	(7.3)
<b>EBIT</b>						<b>985.0</b>
Impairment of non-current operating assets	--	--	--	--	--	--
Disposal of assets and other	248.9	--	(248.9)	--	--	--
Net financial interests	2.2	--	--	--	--	2.2
Other financial income (expense)	(39.6)	--	--	12.3	--	(27.3)
Financial income on pension and other	(90.1)	--	--	--	13.0	(77.1)
Income tax	(214.3)	(35.2)	(0.5)	(4.2)	(4.1)	(258.3)
<i>Effective tax rate</i>						29.0%
Less, non-controlling interests' income	(47.5)	(14.8)	--	0.2	--	(62.1)
<b>Net income (expense), Group</b>	<b>714.2</b>	<b>80.4</b>	<b>(249.4)</b>	<b>8.3</b>	<b>8.9</b>	<b>562.4</b>

<i>Average number of shares outstanding</i>	204,774		204,774
<b>Net income (expense) per share, Group</b>	<b>3.49</b>		<b>2.75</b>

## 2.3 INFORMATION BY COUNTRY/REGION OF DESTINATION

### Consolidated new orders (direct and indirect) by country/region of destination

	2015 first half	2014 first half	2014
France	1,224.9	1,059.3	3,593.8
United Kingdom	513.4	562.7	1,325.9
Rest of Europe	1,030.8	1,161.6	3,173.0
<b>Europe</b>	<b>2,769.1</b>	<b>2,783.6</b>	<b>8,092.7</b>
<b>North America</b>	<b>563.7</b>	<b>431.5</b>	<b>1,036.2</b>
<b>Australia and New Zealand</b>	<b>399.2</b>	<b>353.8</b>	<b>967.0</b>
Saudi Arabia & Middle East	1,687.8	655.2	1,929.0
Asia	665.3	673.2	1,701.4
Rest of the world	138.9	322.4	636.7
<b>Emerging markets</b>	<b>2,492.0</b>	<b>1,650.8</b>	<b>4,267.1</b>
<b>Total</b>	<b>6,224.0</b>	<b>5,219.7</b>	<b>14,363.0</b>

<b>Sales (direct and indirect) by country / region of destination</b>	<b>2015 first half</b>	<b>2014 first half</b>	<b>2014</b>
France	1,568.7	1,610.2	3,419.0
United Kingdom	638.2	620.7	1,314.4
Rest of Europe	1,262.6	1,232.0	2,937.5
<b>Europe</b>	<b>3,469.5</b>	<b>3,462.9</b>	<b>7,670.9</b>
<b>North America</b>	<b>759.3</b>	<b>535.9</b>	<b>1,349.7</b>
<b>Australia and New Zealand</b>	<b>364.9</b>	<b>326.8</b>	<b>667.3</b>
Saudi Arabia & Middle East	646.6	377.1	911.8
Asia	841.8	784.0	1,823.4
Rest of the world	264.5	208.0	550.5
<b>Emerging markets</b>	<b>1,752.9</b>	<b>1,369.1</b>	<b>3,285.7</b>
<b>Total</b>	<b>6,346.6</b>	<b>5,694.7</b>	<b>12,973.6</b>

### 3. IMPACT OF CHANGES IN SCOPE OF CONSOLIDATION

#### 3.1 MAIN CHANGES IN SCOPE OF CONSOLIDATION

##### a) Main events in 2015 first half

In March 2015, Thales sold its 22% stake in Cloudwatt to Orange, for an amount of € 8.9 million.

##### b) Main events in 2014

At the end of May 2014 Thales and Raytheon renegotiated the joint-venture agreement related to Thales Raytheon Systems, without any change in the percentage of interest of each shareholder in the company. As a result, Thales obtained the exclusive control of Thales-Raytheon Systems Company SAS. As from 2014, the company is fully consolidated, with a 50% interest.

Consequently the Group determined, with the support of an independent expert, the fair value of its investment and booked a fair value adjustment in profit and loss of € 80.1 million. At the same time, this fair value has been allocated to identifiable assets and liabilities. This results in a goodwill of € 38.0 million.

In June 2014, the shareholders' agreement related to the joint venture Trixell has been amended. This company is owned by Thales at 51%, Siemens at 24.5% and Philips Medical Systems International at 24.5%. As from 2014, the company is fully consolidated, with a 51% interest.

Consequently the Group determined, with the support of an independent expert, the fair value of its investment and booked a fair value adjustment in profit and loss of € 140.8 million. At the same time, this fair value has been allocated to identifiable assets and liabilities, in particular intangible assets for € 248.9 million, amortised over their useful lives (of which, € 241.3 million related to acquired technology) and an associated deferred tax liability of € 84.6 million. This results in a goodwill of € 63.3 million.

In June 2014 Thales completed the acquisition for \$ 392.5 million (€ 287.4 million) of the American company Live TV from JetBlue. Live TV is the market leader in TV and broadband connectivity for aircraft. The company is fully consolidated at 30 June 2014. The allocation of the purchase price was finalized in June 2015 and resulted in an adjustment of the goodwill of € +3.6 M.

In June 2014 Thales Alenia Space UK acquired the space activities of the company Systems Engineering & Assessment Limited (SEA), a British subsidiary of the group Cohort Plc, for an amount of £ 6.5 million (of which, £ 5 million (€ 6.2 million) paid at 31 December 2014 and the balance in 2015).

In October 2014 Thales acquired from its joint shareholder Amper S.A., its 51% interests in the equity of Amper Programas Electrónica y Comunicaciones for an amount of € 4.4 million. From this date Thales has the exclusive control of the company. In the consolidated financial statements, the previously-held equity interest of 49% has been measured again at fair value through profit and loss and amounts to € 8.7 million.



At the end of December 2014, Thales acquired the cyber security services and secure communications activities of Alcatel-Lucent which amounts to € 40.6 million, of which € 37.7 million paid on the 31<sup>st</sup> December 2014 and the balance in 2015. The purchase price allocation is in progress.

### 3.2 DISPOSAL OF ASSETS, CHANGES IN SCOPE OF CONSOLIDATION AND OTHER

	First half 2015	First half 2014	Full year 2014
<b>Fair value adjustment * :</b>	--	<b>218.9</b>	<b>229.6</b>
Thales-Raytheon Systems Company SAS (50%)	--	78.1	80.1
Trixell (51%)	--	140.8	140.8
Amper Programmas (49%)	--	--	8.7
<b>Disposal of investments :</b>	<b>(2.4)</b>	--	<b>(2.2)</b>
Cloudwatt (22%)	1.1	--	--
Other	(3.5)	--	(2.2)
<b>Disposal of other assets :</b>	<b>(0.7)</b>	<b>5.7</b>	<b>15.0</b>
Real estate assets	--	4.5	14.4
Equipments	(0.7)	1.2	0.6
<b>Impact of curtailments and settlements of pensions plans and long-term benefits (note 8)</b>	--	--	<b>6.5</b>
<b>Total</b>	<b>(3.1)</b>	<b>224.6</b>	<b>248.9</b>

\* Early in June 2014, the shareholders' agreements of both joint-ventures, Thales-Raytheon Systems SAS and Trixell, have been amended (note 3.1). Consequently, Thales now controls these companies, without any change in the percentage of interests of each shareholder in these companies.

In October 2014 Thales acquired from its joint shareholder Amper S.A., its 51% interests in the equity of Amper Programas Electrónica y Comunicaciones for an amount of € 4.4 million. From this date Thales has the exclusive control of the company.

In the consolidated financial statements, the change in the level of control, from joint-control to exclusive control involves:

- the measurement at fair value through profit and loss of the interests previously accounted for under the equity method;
- the recognition of a goodwill related to the full consolidation of the entity (note 4.1).



## 4. TANGIBLE AND INTANGIBLE ASSETS

### 4.1 GOODWILL

Goodwill is allocated to cash generating units (CGU) or to aggregate CGUs corresponding to the Group's Global Business Units (GBU). The evolution of goodwill related to fully consolidated subsidiaries is presented hereafter:

	31/12/14	Acquisitions	Disposals	Impairment	Exchange rate var. and other	30/06/15
Avionics	456.7	3.6	--	--	8.9	469.2
Space	467.0	--	--	--	0.9	467.9
<i>Aerospace</i>	<b>923.7</b>	<b>3.6</b>	<b>--</b>	<b>--</b>	<b>9.8</b>	<b>937.1</b>
Transport	875.3	--	--	--	--	875.3
Secure Communication and Information Systems	642.5	(0.3)	--	--	5.5	647.7
Land and Air Systems	309.9	--	--	--	0.4	310.3
Defense Mission Systems	461.2	--	--	--	1.0	462.2
<i>Defense and Security</i>	<b>1,413.6</b>	<b>(0.3)</b>	<b>--</b>	<b>--</b>	<b>6.9</b>	<b>1,420.2</b>
<b>Total</b>	<b>3,212.6</b>	<b>3.3</b>	<b>--</b>	<b>--</b>	<b>16.7</b>	<b>3,232.6</b>

	31/12/13 restated	Acquisitions	Disposals	Impairment	Exchange rate var. and other	31/12/14
Avionics	291.5	153.6*	--	--	11.6	456.7
Space	458.2	8.5	--	--	0.3	467.0
<i>Aerospace</i>	<b>749.7</b>	<b>162.1</b>	<b>--</b>	<b>--</b>	<b>11.9</b>	<b>923.7</b>
Transport	875.3	--	--	--	--	875.3
Secure Communication and Information Systems	568.3	67.6**	--	--	6.6	642.5
Land and Air Systems	271.0	38.0***	--	--	0.9	309.9
Defense Mission Systems	459.3	--	--	--	1.9	461.2
<i>Defense and Security</i>	<b>1,298.6</b>	<b>105.6</b>	<b>--</b>	<b>--</b>	<b>9.4</b>	<b>1,413.6</b>
<b>Total</b>	<b>2,923.6</b>	<b>267.7</b>	<b>--</b>	<b>--</b>	<b>21.3</b>	<b>3,212.6</b>

\* of which €86.5 million related to the acquisition of Live TV (increased by € 3.6 million in 2015), and €63.3 million related to the full consolidation of Trixell.

\*\*of which €39.3 million related to the acquisition of cyber security and communication security activities

\*\*\* full consolidation of Thales-Raytheon Systems SAS .

Goodwill is subject to annual impairment tests in accordance with the budget calendar of the Group. In the context of the interim closing, the cash generating units (CGU) for which there is an indication of impairment, in particular a decrease in activity and profitability forecasts against the budget, are subject to new tests including the effects of recent events known at the closing date.

Given the additional difficulties in the implementation of some projects of its Transport activities, the Group completed in late June 2015, an update of the annual test based on revised forecast data for the period 2015-2020 and a terminal value reestimated accordingly.

In this context, at constant financial assumptions (8.5% discount rate and long-term growth rate of 2%), the recoverable amount of the Transport activity remains higher than its carrying amount.

The valuation gap remains positive if the discount rate does not increase more than 1%, or if the normative profitability does not decrease by more than 1.5 point.

## 4.2 TANGIBLE AND INTANGIBLE ASSETS

	31/12/14	Acquisitions & Activations	Disposals	Depreciation	Impairment	Exchange rate var. and other	30/06/15
Intangible assets acquired (PPA)	715.5	--	--	(52.8)	--	12.8	675.5
Development costs	147.2	5.6	--	(22.2)	--	4.4	135.0
Other	83.5	20.5	--	(16.7)	--	(8.1)	79.2
<b>Intangible assets</b>	<b>946.2</b>	<b>26.1</b>	<b>--</b>	<b>(91.7)</b>	<b>--</b>	<b>9.1</b>	<b>889.7</b>
<b>Tangible assets</b>	<b>1,557.0</b>	<b>175.7</b>	<b>(3.9)</b>	<b>(145.0)</b>	<b>--</b>	<b>47.6</b>	<b>1,631.4</b>
<b>Total</b>	<b>2,503.2</b>	<b>201.8</b>	<b>(3.9)</b>	<b>(236.7)</b>	<b>--</b>	<b>56.7</b>	<b>2,521.1</b>

	01/01/14	Acquisitions & Activations	Disposals	Depreciation	Impairment	Exchange rate var. and other	31/12/14
Intangible assets acquired (PPA)	296.3	--	--	(103.7)	--	522.9	715.5
Development costs	130.3	33.9	--	(46.0)	--	29.0	147.2
Other	101.2	36.4	--	(39.6)	--	(14.5)	83.5
<b>Intangible assets</b>	<b>527.8</b>	<b>70.3</b>	<b>--</b>	<b>(189.3)</b>	<b>--</b>	<b>537.4</b>	<b>946.2</b>
<b>Tangible assets</b>	<b>1,322.3</b>	<b>402.3</b>	<b>(29.2)</b>	<b>(260.3)</b>	<b>--</b>	<b>121.9</b>	<b>1,557.0</b>
<b>Total</b>	<b>1,850.1</b>	<b>472.6</b>	<b>(29.2)</b>	<b>(449.6)</b>	<b>--</b>	<b>659.3</b>	<b>2,503.2</b>

## 5. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

### 5.1 JOINT VENTURES

#### a) Group's share in net equity and net income (loss) of joint ventures

	Investments in joint ventures		Share in net income (loss)		
	30/06/15	31/12/14	First half 2015	First half 2014	Full year 2014
DCNS (35%)	678.7	678.6	(3.0)	(2.4)	(142.3)
Other joint-ventures *	421.3	425.6	17.9	19.3	58.8
<b>Total</b>	<b>1,100.0</b>	<b>1,104.2</b>	<b>14.9</b>	<b>16.9</b>	<b>(83.5)</b>

\* Separately not significant, the value of each investment representing less than 10% of the total value.

#### b) Change in investment in joint ventures

	30/06/15	31/12/14
<b>Investment at opening</b>	<b>1,104.2</b>	<b>1,412.5</b>
<b>Share in net income (loss) of joint-ventures</b>	<b>14.9</b>	<b>(83.5)</b>
Items of comprehensive income (loss) to be subsequently reclassified to P&L	10.4	18.4
Other items of comprehensive income (loss) that will not be reclassified to P&L	(1.0)	(14.8)
<b>Total comprehensive income (loss)</b>	<b>24.3</b>	<b>(79.9)</b>
Dividends paid	(28.5)	(44.6)
Changes in scope *	--	(171.9)
Exchange rate variation and other	--	(11.9)
<b>Investment at closing</b>	<b>1,100.0</b>	<b>1,104.2</b>

\* Mainly due to the full integration of Thales-Raytheon Systems SAS and Trixell SAS in 2014, and to the reclassification into investments in associates of Thales-Raytheon Systems LLC.

### c) DCNS summarized financial information

Summarized Balance Sheet at 100%*	30/06/15	31/12/14
Non-current assets	2,668.1	2,671.6
Current assets	7,236.6	6,309.7
<b>Total asset</b>	<b>9,904.7</b>	<b>8,981.3</b>

Capital, attrib. to the shareholders of the company	1,104.9	1,104.5
Non-controlling interests	31.1	32.0
Non-current liabilities	733.9	724.9
Current liabilities	8,034.8	7,119.9
<b>Total equity and liabilities</b>	<b>9,904.7</b>	<b>8,981.3</b>

Net Cash	2,473.4	1,807.3
----------	---------	---------

Consolidation in Thales:	30/06/15	31/12/14
Restated capital, attrib. to the shareholders of the company	1,104.9	1,104.5
% of Thales' interests	35%	35%
Thales' share	386.7	386.6
Goodwill	292.0	292.0
<b>Share in net assets of the jointly controlled company</b>	<b>678.7</b>	<b>678.6</b>

Summarized income statement at 100%*	First half 2015	First half 2014	Full year 2014
Sales	1,463.6	1,416.4	3,065.9
Income from operating activities after impact of equity affiliates*	(29.5)	(9.2)	(617.8)
Financial income	13.7	7.7	36.4
Tax	5.4	(7.6)	163.7
Net income	(10.4)	(9.1)	(417.7)
<i>Of which, attributable to the shareholders of the company</i>	(8.6)	(6.7)	(406.5)
<i>Of which, non-controlling interests</i>	(1.8)	(2.4)	(11.2)

Consolidation in Thales:	First half 2015	First half 2014	Full year 2014
Restated net income, attrib. to the shareholders of the company	(8.6)	(6.7)	(406.5)
% of Thales' interest	35%	35%	35%
<b>Share in net income of the jointly controlled company</b>	<b>(3.0)</b>	<b>(2.4)</b>	<b>(142.3)</b>
<i>Minus PPA impact</i>	12.6	12.7	25.3
<b>Share in net income before PPA</b>	<b>9.6</b>	<b>10.3</b>	<b>(117.0)</b>
<i>Dividends received from the joint venture</i>	--	3.0	3.0

\*After Thales restatements (mainly on intangible assets acquired)

## 5.2 INVESTMENTS IN ASSOCIATES

	30/06/15	31/12/14
<b>Investment at opening</b>	<b>385.5</b>	<b>246.8</b>
Share in net income of associates	31.6	49.5
Items of comprehensive income (loss) to be subsequently reclassified to P&L	9.6	16.0
Other items of comprehensive income (loss) that will not be reclassified to P&L	--	0.9
<b>Total comprehensive income (loss)</b>	<b>41.2</b>	<b>66.4</b>
Dividends paid	(19.0)	(25.1)
Dividends voted, not yet paid	(0.5)	(5.7)
Changes in scope (TRS LLC in 2014 and Cloudwatt in 2015)	(35.0)	110.3
Others	(0.9)	(7.2)
<b>Investment at closing</b>	<b>372.3</b>	<b>385.5</b>

## 6 FINANCING AND FINANCIAL INSTRUMENTS

### 6.1 OTHER FINANCIAL INCOME (EXPENSE)

	First half 2015	First half 2014	Full year 2014
Foreign exchange gains (losses)	5.9	(0.4)	2.0
Change in fair value of derivative exchange instruments *	(14.9)	(2.6)	(12.3)
Cash flow hedge inefficiency / foreign exchange instruments	(4.1)	0.2	(1.8)
Net foreign exchange gains (losses)	(13.1)	(2.8)	(12.1)
Dividends received	4.5	2.2	2.3
Net financial costs on operating loans / debts	0.3	(3.9)	(5.3)
Impairment of investments in shares	(0.6)	(1.5)	(1.9)
Depreciation of loans and financial assets	--	--	(1.4)
Expenses related to confirmed credit line, non used	(1.2)	(2.2)	(5.4)
Other	(3.1)	(6.8)	(15.8)
<b>Total</b>	<b>(13.2)</b>	<b>(15.0)</b>	<b>(39.6)</b>

\* Includes the variation of forward points fair value (€ -11.4 million in 2015 first half and € +6.1 million in 2014 first half and € +6.8 million in 2014) and the time value of the hedge accounting derivatives (€ -3.6 million in 2015 first half and € -4.2 million in 2014 first half and € -6.0 million in 2014), and also includes the variation of the fair value of derivatives non qualified for hedge accounting.

### 6.2 NET CASH (NET DEBT)

- Net cash (net debt) at closing

	30/06/15	31/12/14
Current financial assets	47.5	56.8
Cash at bank and equivalents	2,053.1	2,481.4
<b>Cash and other short-term financial assets (I)</b>	<b>2,100.6</b>	<b>2,538.2</b>
Long-term financial debt	1,446.6	1,467.8
Short-term financial debt	77.3	108.2
Fair value of interest rate derivatives	(36.8)	(44.1)
<b>Total gross financial debt (II)</b>	<b>1,487.1</b>	<b>1,531.9</b>
<b>Net cash (I – II)</b>	<b>613.5</b>	<b>1,006.3</b>

- Gross financial debt

	30/06/15	31/12/14
Bond maturity March 2021	311.0	314.8
Bond maturity March 2018	504.0	504.1
Bond maturity October 2016	608.2	611.4
Project financing debt	22.5	30.4
Bank overdrafts	34.4	23.8
Current accounts payable with affiliated companies	11.0	13.2
Subscription commitments	8.1	53.2
Other borrowings	7.4	8.3
Accrued interests	17.3	16.8
Fair value of interest rate derivatives	(36.8)	(44.1)
<b>Gross financial debt</b>	<b>1,487.1</b>	<b>1,531.9</b>

## 6.3 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

### a) Financial assets

At 30 June 2015:	Loans and receivables at amortised cost	At fair value				Total
		Financial assets		Derivatives		
		Through P&L	Available for sale	Hedge accounting	Not qualified for hedge accounting	
Non-current financial assets:						
Non-consolidated investments	--	--	72.8	--	--	72.8
Other non-current financial assets	110.1	23.6	--	--	--	133.7
Non-current derivatives, asset	--	--	--	36.8	--	36.8
Current financial assets:						
Current derivatives, asset	--	--	--	156.2	14.1	170.3
Current financial assets	47.5	--	--	--	--	47.5
Cash at bank and equivalents	1,503.1	550.0	--	--	--	2,053.1
Total financial assets		573.6	72.8	193.0	14.1	

#### **Methods used to measure fair value:**

Valuation at cost	--	72.8	--	--	72.8
Quoted prices in active markets (level 1)	550.0	--	--	--	550.0
Based on observable market data (level 2)	23.6	--	193.0	14.1	230.7

At 31 December 2014:	Loans and receivables at amortised cost	At fair value				Total
		Financial assets		Derivatives		
		Through P&L	Available for sale	Hedge accounting	Not qualified for hedge accounting	
Non current financial assets:						
Non-consolidated investments	--	--	60.4	--	--	60.4
Other non-current financial assets	107.8	30.6	--	--	--	138.4
Non-current derivatives, asset	--	--	--	44.1	--	44.1
Current financial assets:						
Current derivatives, asset	--	--	--	98.2	10.0	108.2
Current financial assets	56.8	--	--	--	--	56.8
Cash at bank and equivalents	2,225.8	255.6	--	--	--	2,481.4
Total financial assets		286.2	60.4	142.3	10.0	

#### **Methods used to measure fair value:**

Valuation at cost	--	60.4	--	--	60.4
Quoted prices in active markets (level 1)	255.6	--	--	--	255.6
Based on observable market data (level 2)	30.6	--	142.3	10.0	182.9

## b) Financial liabilities

At 30 June 2015:	At amortised cost	At fair value			Total
		Financial liabilities	Derivatives		
			Hedge accounting	Not qualified for hedge accounting	
<b>Non-current liabilities:</b>					
Financial debt-long-term	1,409.8	36.8	--	--	<b>1,446.6</b>
Non-current derivatives, liability	--	--	--	--	--
<b>Current liabilities:</b>					
Current derivatives, liability	--	--	406.1	10.6	<b>416.7</b>
Financial debt-short-term	77.3	--	--	--	<b>77.3</b>
<b>Total financial liabilities</b>		<b>36.8</b>	<b>406.1</b>	<b>10.6</b>	
<b>Methods used to measure fair value</b>					
Valuation based on observable market data (level 2)		36.8	406.1	10.6	453.5

At 31 December 2014:	At amortised cost	At fair value			Total
		Financial liabilities	Derivatives		
			Hedge accounting	Not qualified for hedge accounting	
<b>Non-current liabilities:</b>					
Financial debt-long-term	1,423.7	44.1	--	--	<b>1,467.8</b>
Non-current derivatives, liability	--	--	--	--	--
<b>Current liabilities:</b>					
Current derivatives, liability	--	--	271.7	10.5	<b>282.2</b>
Financial debt-short-term	108.2	--	--	--	<b>108.2</b>
<b>Total financial liabilities</b>		<b>44.1</b>	<b>271.7</b>	<b>10.5</b>	
<b>Methods used to measure fair value</b>					
Valuation based on observable market data (level 2)		44.1	271.7	10.5	326.3

There were no transfers in the levels of fair value between 31 December 2014 and 30 June 2015.

The fair value of debt obligation is measured on the basis of prices quoted (Level 1). The fair value of other financial debts is determined for each loan by discounting future cash flows with the Euribor interest rate at the balance sheet date, adjusted for the Group's credit risk (Level 2). On this basis, the fair value of the financial debt amounts to € 1,537.7 million at 30 June 2015 and € 1,596.8 million at 31 December 2014.

## 7. CHANGE IN NET CASH (NET DEBT)

	First half 2015	First half 2014	Full year 2014
<b>Net cash (debt) at 1 January</b>	<b>1,006.3</b>	<b>1,077.3</b>	<b>1,077.3</b>
Net cash flows from operating activities before interests and tax	682.9	581.9	1,465.6
Changes in WCR and reserves for contingencies	(696.5)	(824.3)	(287.1)
Pensions recurring contributions, interests and tax paid	(92.0)	(104.4)	(234.5)
Net operating investments	(197.9)	(188.4)	(443.4)
<b>Free cash flow from operations</b>	<b>(303.5)</b>	<b>(535.2)</b>	<b>500.6</b>
Acquisitions of subsidiaries and shares	(32.3)	(306.5)	(378.2)
Disposals of subsidiaries and shares	12.0	0.8	4.4
Reduction of UK pension deficits	(45.9)	(33.7)	(68.8)
Variation of loans	20.6	8.2	21.9
Dividends paid in cash	(160.7)	(172.8)	(242.8)
Third party share in dividend distributions of subsidiaries	(51.2)	(110.7)	(130.9)
Treasury shares and exercise of subscription options	72.2	46.3	78.2
Net cash (debt) of entities acquired / disposed	--	35.0	33.6
Exchange rate variations: translation and financing operations	61.8	23.6	63.8
Debt on share acquisition and other	34.2	20.5	47.2
<b>Net cash (debt) at closing</b>	<b>613.5</b>	<b>52.8</b>	<b>1,006.3</b>

### 7.1 CHANGES IN WORKING CAPITAL REQUIREMENTS

The current operating assets and liabilities include the components of working capital requirements (WCR) and the reserves for contingencies. Their evolution is presented below.

Contracts under IAS 11 are subject to a specific classification in the consolidated balance sheet: for each contract, the balances of unbilled revenues, work-in-progress, net of reserves for contingencies are presented as assets or liabilities in "Construction Contracts" item.

The Group may transfer trade receivables, mainly from the French Direction Générale de l'Armement (Directorate General of Armaments). At 30 June 2015, the transferred receivables amounts to € 1.9 million (€ 210.7 million at 31 December 2014)

	31/12/14	Changes in WCR and provisions	Scope impacts, exch. rate var. and reclass.	30/06/15
Inventories and work in progress	2,437.6	169.6	28.6	2,635.8
Construction contracts: assets	1,996.4	272.3	28.1	2,296.8
Advances to suppliers	326.0	51.7	7.2	384.9
Accounts, notes and other receivables	4,129.1	(112.5)	68.2	4,084.8
Current derivatives: assets	108.2	108.4	(46.3)	170.3
<b>Current operating assets</b>	<b>8,997.3</b>	<b>489.5</b>	<b>85.8</b>	<b>9,572.6</b>
Advances received from customers on contracts	(3,676.4)	82.1	(58.8)	(3,653.1)
Refundable grants	(130.4)	0.5	(0.1)	(130.0)
Construction contracts: liabilities	(1,072.3)	9.7	(13.7)	(1,076.3)
Reserves for contingencies	(1,038.0)	27.7	(16.7)	(1,027.0)
Accounts, notes and other payables	(5,254.4)	100.2	(62.9)	(5,217.1)
Current derivatives: liabilities	(282.2)	--	(134.5)	(416.7)
<b>Current operating liabilities</b>	<b>(11,453.7)</b>	<b>220.2</b>	<b>(286.7)</b>	<b>(11,520.2)</b>
<b>Restructuring provisions *</b>	<b>134.2</b>	<b>(13.2)</b>	<b>2.5</b>	<b>123.5</b>
<b>Increase (decrease) in WCR and reserves for contingencies</b>		<b>696.5</b>		

\* Included in reserves for contingencies

## 7.2 RESERVES FOR CONTINGENCIES (EXCLUDING CONSTRUCTION CONTRACTS)

	31/12/14	Increase	Utilisation	Reversal	Scope, exch. Rates and other	30/06/15
Restructuring	134.2	38.4	(50.2)	(1.4)	2.5	123.5
Litigations	142.5	8.9	(18.4)	(0.3)	5.4	138.1
Guarantees	230.9	34.7	(25.7)	(4.2)	5.3	241.0
Losses at completion	69.1	20.8	(15.7)	(0.6)	2.3	75.9
Provisions on contracts	171.6	14.2	(25.8)	(1.1)	(12.4)	146.5
Other *	289.7	23.0	(17.0)	(2.8)	9.1	302.0
<b>Total</b>	<b>1,038.0</b>	<b>140.0</b>	<b>(152.8)</b>	<b>(10.4)</b>	<b>12.2</b>	<b>1,027.0</b>

	31/12/13	Increase	Utilisation	Reversal	Scope, exch. Rates and other	31/12/14
Restructuring	138.3	92.7	(101.9)	(1.5)	6.6	134.2
Litigations	135.2	51.9	(18.0)	(23.2)	(3.4)	142.5
Guarantees	242.4	67.5	(77.7)	(20.8)	19.5	230.9
Losses at completion	51.6	56.8	(32.4)	(6.6)	(0.3)	69.1
Provisions on contracts	163.4	66.9	(34.5)	(24.5)	0.3	171.6
Other *	295.2	63.2	(59.8)	(12.5)	3.6	289.7
<b>Total</b>	<b>1,026.1</b>	<b>399.0</b>	<b>(324.3)</b>	<b>(89.1)</b>	<b>26.3</b>	<b>1,038.0</b>

\* Includes technical provisions of insurance companies, provisions for tax and social risks, liability guarantees, environment and other.

## 7.3 NET FINANCIAL INVESTMENT

Acquisitions of subsidiaries	First half 2015	First half 2014	Full year 2014
Live TV	--	(286.0)	(287.4)
Visionix earnout	(12.9)	--	--
Stake in Tronics (19.7%)	(10.3)	--	--
Activities of cyber security and secure com. of Alcatel-Lucent	(2.8)	--	(37.7)
Capital increase of the joint-venture ACSI	--	--	(12.5)
Cloudwatt : partial release of capital	(1.3)	(4.4)	(8.9)
Space activities in the UK (SEA)	(2.1)	(6.1)	(6.2)
Remaining earn-out of Sysgo AG	--	(5.3)	(5.3)
Additional acquisition of Amper Programmas (51%)	--	--	(4.0)
Other	(2.9)	(4.7)	(16.2)
<b>Gross investment</b>	<b>(32.3)</b>	<b>(306.5)</b>	<b>(378.2)</b>
Less cash acquired	--	--	--
<b>Net investment</b>	<b>(32.3)</b>	<b>(306.5)</b>	<b>(378.2)</b>

Disposals of subsidiaries	First half 2015	First half 2014	Full year 2014
Cloudwatt (22%)	8.9	--	--
Repayment of FCPR Thales Ventures	0.8	--	1.5
Other	2.3	0.8	2.9
<b>Gross disposals</b>	<b>12.0</b>	<b>0.8</b>	<b>4.4</b>
Less cash disposed	--	--	--
<b>Net disposals</b>	<b>12.0</b>	<b>0.8</b>	<b>4.4</b>



## 8. PENSIONS AND OTHER LONG-TERM BENEFITS

### a) Actuarial assumptions

At 30 June 2015, the plan assets market value and the discount and inflation rates assumptions for the main countries (representing 96% of the obligation and 97% of the plan assets) have been updated. The assumptions used are as follows:

30 June 2015	United Kingdom	the Netherlands	France	Germany
Inflation rate	3.09%	1.60%	1.60%	1.60%
Discount rate	3.98%	2.54%	2.15%	2.62%
30 June 2014	United Kingdom	the Netherlands	France	Germany
Inflation rate	3.15%	2.00%	2.00%	2.00%
Discount rate	4.44%	2.93%	2.36%	3.06%
31 December 2014	United Kingdom	the Netherlands	France	Germany
Inflation rate	2.86%	1.60%	1.60%	1.60%
Discount rate	3.68%	1.90%	1.50%	2.02%

### b) Changes in provision for pensions and other long-term benefits

	First half 2015	First half 2014	Full year 2014
<b>Net obligation at opening date</b>	<b>(2,556.8)</b>	<b>(1,857.9)</b>	<b>(1,857.9)</b>
<b>Current service cost</b>	<b>(53.9)</b>	<b>(44.7)</b>	<b>(88.9)</b>
<b>Curtailments and settlements</b>	<b>--</b>	<b>--</b>	<b>6.5</b>
Net interest	(32.3)	(35.0)	(71.6)
Fund costs	(3.0)	(2.7)	(5.5)
Actuarial gains & losses / other long-term benefits	10.0	(5.7)	(13.0)
<b>Finance costs on pensions and other long-term benefits</b>	<b>(25.3)</b>	<b>(43.4)</b>	<b>(90.1)</b>
<b>Total pensions cost of the period</b>	<b>(79.2)</b>	<b>(88.1)</b>	<b>(172.5)</b>
<b>Actuarial gains &amp; losses (Other comprehensive income (loss) of the period)</b>	<b>303.1</b>	<b>(159.7)</b>	<b>(627.0)</b>
<b>Benefits and contributions</b>	<b>105.8</b>	<b>90.0</b>	<b>190.5</b>
<i>Deficit payment in the UK</i>	45.9	33.7	68.8
<i>Future service cash</i>	59.9	56.3	121.7
<b>Exchange rate variation</b>	<b>(112.8)</b>	<b>(33.6)</b>	<b>(70.1)</b>
<b>Changes in scope of consolidation &amp; other</b>	<b>(0.4)</b>	<b>(17.3)</b>	<b>(19.8)</b>
<b>Net obligation at closing date</b>	<b>(2,340.3)</b>	<b>(2,066.6)</b>	<b>(2,556.8)</b>

## 9. INCOME TAX

	First half 2015	First half 2014	Full year 2014
Net income (loss)	282.3	453.5	761.7
Less: income tax	87.9	73.1	214.3
Less: share in net income (loss) of equity affiliates	(46.5)	(39.1)	34.0
Less: gains and losses on disposals, changes in scope and other	3.1	(224.6)	(248.9)
<b>Profit before tax, disposals and impact of equity affiliates</b>	<b>326.8</b>	<b>262.9</b>	<b>761.1</b>
<b>Income tax profit (loss) *</b>	<b>(87.9)</b>	<b>(73.1)</b>	<b>(214.3)</b>
<b>Effective tax rate</b>	<b>26.9%</b>	<b>27.8%</b>	<b>28.2%</b>

\* Excluding research tax credits which are included in the Income from operations (€ 74.2 million in the first half of 2015, € 62.9million in the first half of 2014 and €151.4million in 2014).

## 10. EQUITY AND EARNINGS PER SHARE

### 10.1 SHAREHOLDERS' EQUITY

#### a) Share capital

	At 30/06/2015			At 31/12/2014		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
T.S.A	54,786,654	26.07%	36.23%	54,786,654	26.36%	36.51%
French State (including one golden share)	2,060	--	--	2,060	--	--
Public sector (a)	54,788,714	26.07%	36.23%	54,788,714	26.36%	36.51%
Dassault Aviation (b)	52,531,431	25.00%	28.83%	52,531,431	25.28%	29.05%
Thales (c)	1,919,952	0.91%	--	1,876,732	0.90%	--
Employees	3,941,391	1.87%	2.56%	4,151,060	2.00%	2.70%
Other shareholders	96,981,142	46.15%	32.38%	94,493,174	45.46%	31.74%
<b>Total (d)</b>	<b>210,162,630</b>	<b>100.0%</b>	<b>100.0%</b>	<b>207,841,111</b>	<b>100.0%</b>	<b>100.0%</b>

- (a) Pursuant to the shareholders' agreement with Dassault Aviation (the "Industrial Partner"), the "Public Sector" is represented by the company TSA, excluding the State directly. All Thales shares held directly and indirectly by the French State are registered shares and carry double voting rights at 30 June 2015.
- (b) Dassault Aviation has been holding 34,654,349 registered shares for more than two years - therefore all carrying double voting rights at 30 June 2015, and 17,877,082 bearer shares.
- (c) Treasury shares include 87,000 bearer shares (as part of a liquidity contract) and 1,832,952 registered shares.
- (d) In the first half of 2015, 2,321,519 shares have been issued (carrying dividends rights as from 01-01-15) through the exercise of share subscription options.
- (e) In accordance with Article 223-11 of the AMF General Regulation, the base (denominator) legal threshold crossings (Articles L. 233-7 and L. 233-9 of the Commercial Code) is the total number of theoretical voting rights. This number is 304,330,872 at June 30, 2015.

## b) Treasury shares

Thales Parent Company held 1,919,952 of its own shares at 30 June 2015. Treasury stock is recognised by reducing the consolidated shareholders' equity for an amount of € -61.9 million.

In accordance with the authorisations given to the board of Directors at the Annual General Meeting, the Company, during 2014 and 2015 first half, realised the following operations:

	<b>First half 2015</b>	<b>First half 2014</b>	<b>Full year 2014</b>
<b>Treasury shares at opening</b>	<b>1,876,732</b>	<b>2,490,177</b>	<b>2,490,177</b>
Purchases as part of the liquidity contracts	604,183	944,558	2,146,816
Sales as part of the liquidity contracts	(541,183)	(832,810)	(2,216,116)
Delivery of free shares	(1,280)	3,875	(544,145)
Exercise of share purchase options	(18,500)	--	--
<b>Treasury shares at closing</b>	<b>1,919,952</b>	<b>2,605,800</b>	<b>1,876,732</b>

## c) Parent Company dividends distribution

Dividends per share amounted respectively to € 1.12 in 2013 and 2014. Dividends paid in 2014 and 2015 are described below:

Full year	Approved by	Description	Dividend per share (euros)	Payout date	How paid	Total (millions of euros)
2015	Shareholders' Meeting on May 13, 2015	Balance for 2014	€ 0.78	May 2015	Cash	160.7
	<b>Total dividends paid in first half 2015</b>					<b>160.7</b>
2014	Board of Directors Meeting on September 16, 2015	2014 interim dividend	€ 0.34	12 December 2014	Cash	70.0
	Shareholders' Meeting on May 14, 2014	Balance for 2013	€ 0.85	30 May 2014	Cash	172.8
	<b>Total dividends paid in 2014</b>					<b>242.8</b>

## d) Non-controlling interests

This item principally includes Finmeccanica's share in the sub-group Thales Alenia Space (33%), as well as, Siemens' and Philips Medical Systems International's interests in the company Trixell SAS (49%) and Raytheon's in Thales-Raytheon Systems Company SAS (50%).

The contribution of these minority shareholders in the main financial aggregates of the Group is individually not significant.

The treasury of these three companies is exclusively placed with the Corporate Treasury Department of Thales, without restriction of use.

## 10.2 EARNINGS PER SHARE

		First half 2015	First half 2014	Full year 2014
<b>Numerator (in millions of euros):</b>				
Net income (loss), attrib. to shareholders of the parent company	(a)	266.0	432.6	714.2
<b>Denominator (in thousands) :</b>				
Average number of outstanding shares	(b)	207,141	204,116	204,774
Share subscription options *		1,251	1,348	1,095
Diluted average number of outstanding shares	(c)	208,392	205,464	205,869
<b>Earnings per share (in euros)</b>	<b>(a) / (b)</b>	<b>1.28</b>	<b>2.12</b>	<b>3.49</b>
<b>Diluted earnings per share (in euros)</b>	<b>(a) / (c)</b>	<b>1.28</b>	<b>2.11</b>	<b>3.47</b>
<b>Average share price</b>		<b>€ 52.72</b>	<b>€ 46.72</b>	<b>€ 44.38</b>

\* Only exercisable subscription options plans (of which the exercise price is lower than the average share price) are used for diluted earnings per share calculation.

## 11. LITIGATION

Due to the nature of its business activities, Thales is exposed to the risk of technical and commercial litigation. The litigations presented in the 2014 Registration Document did not progress.

## 12. RELATED PARTY TRANSACTIONS

Main related party transactions are disclosed in note 14-a of the consolidated financial statements included in the 2014 registration document.

Revenues with the French Ministry of Defence amounted to € 1,007.2 million in the first half of 2015 and € 965.6 million in the first half of 2014.

At 30 June 2015, mature receivables bearing interest on overdue payments from the French defence procurement agency amounted to € 51.3 million (€ 694 million at 30 June 2014 and € 230.3 million at 31 December 2014).

## 13. EVENTS AFTER REPORTING PERIOD

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

# THALES

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

**For the period from January 1 to June 30, 2015**

*This is a free translation into English of the statutory auditors' review report on the half-yearly consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France. This report also includes information relating to the specific verification of information given in the Group's interim management report.*

**ERNST & YOUNG Audit**

**MAZARS**

## **ERNST & YOUNG Audit**

1 / 2, PLACE DES SAISONS – 92400 COURBEVOIE – PARIS-LA DEFENSE 1

COMMISSAIRE AUX COMPTES – MEMBRE DE LA COMPAGNIE REGIONALE DE VERSAILLES

S.A.S. A CAPITAL VARIABLE – 344 366 315 NANTERRE

## **MAZARS**

61, RUE HENRI REGNAULT – 92400 COURBEVOIE

SOCIETE ANONYME D'EXPERTISE COMPTABLE ET DE COMMISSARIAT AUX COMPTES

CAPITAL DE 8 320 000 EUROS – RCS NANTERRE B 784 84 153

# **THALES**

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

**For the period from January 1 to June 30, 2015**

**ERNST & YOUNG Audit**

**MAZARS**

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

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings and in accordance with article L. 451-1-2 III of the French monetary and financial code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Thales, for the period from January 1 to June 30, 2015,
- the verification of the information presented in the half-yearly management report.

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

### **1. Conclusion on the financial statements**

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

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

Without qualifying our conclusion expressed above, we draw your attention to note 1.2 « New IFRS standards mandatorily applicable at 30 June 2015 » which exposes the impact of the first application of IFRIC 21 interpretation.

### **2. Specific verification**

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.



Paris-La Défense and Courbevoie, July 23, 2015

The statutory auditors

*French original signed by*

**ERNST & YOUNG Audit**

PHILIPPE DIU

---

SERGE POTTIEZ

---

**MAZARS**

JEAN-MARC DESLANDES

---

ANNE-LAURE ROUSSELOU

---





Thales  
Tour Carpe Diem  
31 Place des Corolles – CS 20001  
92098 Paris La Défense  
France  
Tél : +33 (0)1 57 77 80 00  
[www.thalesgroup.com](http://www.thalesgroup.com)

**THALES**