1.1 Group management report

1.1.1 REPORT ON OPERATIONS AND RESULTS

In 2014, Thales achieved or exceeded all of its objectives, excluding the impact of losses related to DCNS. Sales were maintained at a stable level, and with a sharp increase in order intake for the second consecutive year, the Group improved its operating profitability (excluding DCNS).

1.1.1.1 Key figures (adjusted)

(€ million)	2014	2013[a]	Total change	Organic change[b]
Order intake	14,363	12,928	+11%	+8%
Order book	27,285	24,469	+12%	+5%
Sales	12,974	12,698	+2%	-1%
EBIT[c] excluding DCNS[d]	1,102	971	+13%	+8%
in % of sales	8.5%	7.6%		
EBIT[d]	985	1,011	-3%	-8%
in % of sales	7.6%	8.0%		
Adjusted net income Group share[d]	562	642	-12%	
Adjusted net income Group share, per share[d]	€2.75	€3.20	-14%	
Consolidated net income, Group share	714	573	+25%	
Dividend per share	€1.12[e]	€1.12	0%	
Free operating cash flow[f]	501	477	+5%	
Net cash	1,006	1,077	-7%	

(a) Restated to reflect the first adoption of IFRS 10 and IFRS 11.
(b) In this report, «organic» means «at constant scope and exchange rate».
(c) Non-GAAP measure, see definition below in the section «Presentation of financial information».
(d) In this management report, «excluding DCNS» means «excluding the impact of the 35% share in the net income (loss) from DCNS», i.e. a loss of €117 million for 2014 and income of €40 million for 2013.
(e) Total amount proposed to the AGM on 13 May 2015, including the interim dividend of €0.34 paid in December 2014.
(f) 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.

1.1.1.2 Presentation of financial information

Accounting policies

The consolidated financial statements of the Thales group are prepared in accordance with IFRS (International Financial Reporting Standards) as approved by the European Union at 31 December 2014.

These principles, described in note 14 of the notes to the financial statements, are consistent with those applied for the year ended 31 December 2013, except for the following elements:

- first adoption of new consolidation standards applicable to annual reporting periods beginning on or after 1 January 2014: Consolidated Financial Statements (IFRS 10), Joint Arrangements (IFRS 11) and Disclosure of Interests in Other Entities (IFRS 12). In this context, it was decided that Thales Alenia Space, a 67%-owned sub-group, should be fully consolidated (the relevant changes were implemented in the financial statements published from 2014; see note 1 to the consolidated financial statements for details). It was also decided that the jointly-controlled entities, which were previously accounted for under the proportionate method, will now be consolidated using the equity method;
- the other standards applicable from 1 January 2014, with no significant impact for the Group are: the amendment to IAS 32 (Financial Instruments: Presentation), the amendment to IAS 39 (Financial Instruments: Recognition and Measurement) and the amendment to IAS 36 (Impairment of Assets).

Definition of non-GAAP financial indicators

To facilitate better monitoring and benchmarking of its operating and financial performance, the Group presents two key non-GAAP indicators, which allow it to exclude non-operating and non-recurring elements. 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 affiliate 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: (i) amortisation of intangible assets acquired, (ii) results of disposals of assets, (iii) change in fair value of derivative foreign exchange instruments (recorded in "other financial results" in the consolidated accounts), (iv) 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 31 December including the EBIT provided in note 2 "Segment information" of 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 adjustment entries on the income statement at 31 December 2014 and 31 December 2013 is reflected in the tables below:

IMPACT OF ADJUSTMENT ENTRIES IN THE INCOME STATEMENT – 2014

		Adjustments				
(€ million)	**2014 consolidated P&L**	**Amort. of acquired intangible assets (PPA)**	**Income (loss) from disposals and others**	**Change in fair value of FX derivatives**	**Actuarial differences long-term benefits**	**Adjusted 2014 P&L**
Sales	**12,974**					**12,974**
Cost of sales	(9,792)					(9,792)
R&D	(641)					(641)
Selling, general and administrative expenses	(1,434)					(1,434)
Restructuring costs	(114)					(114)
Amortisation of acquired intangible assets (PPA)	(104)	104				0
Income from operations	**889**					**N/A**
Impairment of non-current operating assets	0					— (a)
Income from disposals, changes in scope and others	249		(249)			0
Share of income (loss) in equity affiliate companies	(34)	27				(7)
Income from operations after income from equity-affiliates	**1,104**					**N/A**
EBIT	**N/A**					**985**
Impairment of non-current operating assets	— (a)					0
Financial interests net	2					2
Other financial costs	(40)			12		(27)
Finance cost on pensions and other long-term benefits	(90)				13	(77)
Income tax	(214)	(35)	(1)	(4)	(4)	(258)
Net income (loss)	**762**					**625**
Non controlling interests	(48)	(15)				(62)
NET INCOME, GROUP SHARE	**714**	**80**	**(249)**	**8**	**9**	**562**

(a) Included in «Income from operations after income from equity-accounted companies» in the consolidated income statement and in «Net income (loss)» in the adjusted income statement.

■ IMPACT OF ADJUSTMENT ENTRIES IN THE INCOME STATEMENT – 2013

(€ million)	2013 consolidated P&L	Adjustments: Amort. of acquired intangible assets (PPA)	Adjustments: Income (loss) from disposals and others	Adjustments: Change in fair value of FX derivatives	Adjustments: Actuarial differences long-term benefits	2013 adjusted P&L
Sales	**12,698**					**12,698**
Cost of sales	(9,685)					(9,685)
R&D	(612)					(612)
Selling, general and administrative expenses	(1,400)					(1,400)
Restructuring costs	(122)					(122)
Amortisation of acquired intangible assets (PPA)	(62)	62				0
Income from operations	**817**					**N/A**
Impairment of non-current operating assets	(3)					— [(a)]
Income (loss) from disposals, changes in scope and others	16		(16)			0
Share of income (loss) in equity affiliate companies	106	27				133
Income from operations after income from equity-affiliates	**936**					**N/A**
EBIT	**N/A**					**1,011**
Impairment of non-current operating assets	— [(a)]					(3)
Financial interests net	(9)					(9)
Other financial costs	(45)			31		(14)
Finance cost on pensions and other long-term benefits	(69)					(70)
Income tax	(204)	(21)	1	(11)	0	(234)
Net income (loss)	**609**	**67**	**(15)**	**20**	**(0)**	**681**
Non controlling interests	(35)	(3)	2	(3)	(1)	(39)
NET INCOME, GROUP SHARE	**573**	**65**	**(13)**	**18**	**(1)**	**642**

(a) 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.

1.1.1.3 Order intake

(€ million)	2014	2013	Total change	Organic change
ORDER INTAKE				
Aerospace	**5,024**	**4,297**	**+17%**	**+11%**
Transport	**1,652**	**1,454**	**+14%**	**+14%**
Defence & Security	**7,608**	**7,114**	**+7%**	**+4%**
Total - operating segments	**14,284**	**12,865**	**+11%**	**+7%**
Others	79	63		
TOTAL	**14,363**	**12,928**	**+11%**	**+8%**

The **new orders** entered in the order book during 2014 amount to **€14,363 million**, representing an **increase of 11%** compared to 2013 (+8% at constant scope and exchange rates[(1)]). At 31 December 2014, the consolidated **order book** totalled **€27,285 million**, i.e. more than two years of sales. The **book-to-bill** ratio amounted to **1.11** at the end of 2014.

Nineteen large **orders for an amount over €100 million** were recorded in 2014 (the same number as in 2013):

- 8 in the Aerospace segment, including a major supply contract for two observation satellites for the United Arab Emirates (Falcon Eye), three contracts for commercial telecommunications satellites (Inmarsat/Arabsat, KT Sat in Korea and Telkomsat in Indonesia), contracts for the Egnos (navigation) and Exomars (exploration) space programmes, as well as a satellite supply contract for a European customer;

(1) Taking into account a positive exchange rate effect of €16 million and a positive scope effect of €441 million linked to the full consolidation of Thales Raytheon Company Systems SAS (Defence & Security) and Trixell SAS (Aerospace) from 1 January 2014 following changes to the shareholders' agreements and the first consolidation of Live TV from 1 July 2014 (Aerospace).

- 1 in the Transport segment for signalling and control systems for the Olmedo-Orense high-speed rail line in Spain;
- 10 in the Defence & Security segment, 4 in the emerging markets (a military communication network and a port infrastructure security contract in Qatar; an air defence system in Indonesia; an urban security contract for Mexico City; systems for the corvettes sold by DCNS in Egypt) and 6 in the main countries in which the Group is based (air defence radars, Scorpion programme for the land forces and laser designation pods in France; modernisation of military air control in the United Kingdom; and land defence systems in Australia).

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

With significantly marked growth in the Middle East, **order intake in the emerging markets**[1] continued to grow (**+8%** compared to 2013) reaching **€4,267 million** or 30% of total order intake. Since 2012, there has been a 40% increase in order intake in emerging markets.

Order intake for the **Aerospace** segment rose sharply to **€5,024 million** compared to €4,297 million in 2013 (+17%). Avionics orders increased, boosted by continued growth in commercial and Military Avionics, both original equipment and support. There was significant growth in the Space business, both in the institutional segment for observation, navigation and exploration satellites as well as in the Telecommunications segment, with the signing of the previously mentioned major contracts.

Order intake for the **Transport** sector was particularly strong in the fourth quarter and increased to **€1,651 million** in 2014 compared to €1,454 million in 2013 (+14%). The main lines business benefits from contracts in Spain, Poland, Mexico and the United Kingdom in particular, and activity is sustained in urban rail, with projects in Qatar, Brazil and the United States.

Order intake in the **Defence & Security** segment totalled **€7,608 million** compared to €7,114 million in 2013 (+7%). This trend reflects the significant growth in orders for Land and Air Systems, which reported several large orders in the fourth quarter: the Marshall contract for the renovation of the UK military air control, air defence radars in France and a land defence contract in Australia. Order intake for Secure Communications and Information Systems remains stable overall, with an increased order intake for Protection Systems (Mexico, Qatar, France) offsetting the decline in radiocommunications orders, following the notification in 2013 of the major French software-defined radio contract. However, as expected, and despite several successes in surface ships systems (Egypt, United Kingdom, Netherlands, Australia), the Defence Mission systems business did not match the very high level of order intake achieved in 2013, driven by the multi-annual SSOP contract for the UK Royal Navy.

1.1.1.4 Sales

(€ million)	2014	2013	Total change	Organic change
SALES				
Aerospace	**5,014**	**4,713**	**+6%**	**+1%**
Transport	**1,402**	**1,447**	**-3%**	**-4%**
Defence & Security	**6,480**	**6,456**	**+0%**	**-2%**
Total - operating segments	**12,895**	**12,616**	**+2%**	**-1%**
Others	79	82		
TOTAL	**12,974**	**12,698**	**+2%**	**-1%**

Group **sales**[2] totalled **€12,974 million** at 31 December 2014 compared to €12,698 million at the end of December 2013, which represents an increase of 2% (-1% at a constant scope and exchange rates).

In the **Aerospace** segment, sales amounted to **€5,014 million**, up 6% compared to 2013 (+1% at constant scope and exchange rates). Avionics continued to grow thanks to commercial on-Board avionics, which benefited from increased production rates at aircraft manufacturers and the growth of aftermarket activities, while the military business (helicopters and simulation) sales were lower. There was also continued growth in In-Flight Entertainment sales, following large orders in 2013. Space sales were relatively stable; the increase in new programmes (Brazil, observation satellites) did not offset the reduced contribution of constellation programmes (Iridium, O3b).

The **Transport** segment recorded sales of **€1,402 million** compared to €1,447 million in 2013, representing a decrease of 3% (-4% at constant scope and exchange rates). The main line signalling business reported sales growth, thanks in particular to several projects in Europe (Poland, Hungary, Austria). Nevertheless, this trend did not completely offset lower sales in the ticketing business which saw several contracts come to an end, and in urban rail signalling, in which several projects have had delays.

Sales for the **Defence & Security** segment reached **€6,480 million**, almost identical to that of 2013 (-2% at constant scope and exchange rates). Excluding the positive impact of the consolidation of 100% de Thales Raytheon Systems SAS, Land and Air Systems reported lower sales compared to 2013, despite the good performance of airborne optronics. There was also a drop in sales in Defence Mission Systems, despite the growth of the sonar business driven in particular by the ramp-up of the SSOP contract in the United Kingdom. Finally, Secure Communications and Information Systems reported a slight fall in sales; the performance of the cybersecurity and secure networks business failed to fully offset the decline in the radiocommunications business, mainly in the United States.

(1) In this report, "emerging markets" refers to all countries in Asia, the Middle East, Latin America and Africa.

(2) The exchange rate impact on sales is positive and amounts to €43 million while the scope impact amounts to €384 million, taking into account the full consolidation of Thales Raytheon Systems SAS (Defence & Security) and Trixell SAS (Aerospace) from 1 January 2014, following changes to the shareholders' agreements and the first consolidation of Live TV (Aerospace) from 1 July 2014.

1.1.1.5 Adjusted results

■ EBIT

(€ million)	2014	2013	Total change	Organic change
EBIT				
Aerospace	**505**	**420**	**+20%**	**+11%**
in % of sales	*10.1%*	*8.9%*		
Transport	**32**	**97**	**-67%**	**-68%**
in % of sales	*2.3%*	*6.7%*		
Defence & Security	**620**	**499**	**+24%**	**+21%**
in % of sales	*9.6%*	*7.7%*		
Total - operating segments	**1,157**	**1,016**	**+14%**	**+8%**
in % of sales	*9.0%*	*8.1%*		
Others - excluding DCNS	(55)	(45)		
Total – excluding DCNS	**1,102**	**971**	**+13%**	**+8%**
in % of sales	*8.5%*	*7.6%*		
DCNS (share at 35%)	(117)	40		
TOTAL	**985**	**1,011**	**-3%**	**-8%**
in % of sales	*7.6%*	*8.0%*		

For 2014, the Group reported an **EBIT**[1] **of €985 million**, which represents **7.6%** of sales compared to €1,011 million (8.0% of sales) in 2013. This decline is entirely attributable to the strongly negative contribution of DCNS (-€117 million compared to a positive contribution of €40 million in 2013) due to significant negative variances on several contracts, particularly in civil nuclear activities. **Excluding the contribution of DCNS**, the Group's **EBIT** totalled **€1,102 million** (**8.5%** of sales), up 13% compared to the previous financial year, as performance plans continued to be deployed.

The EBIT[1] for the **Aerospace** segment increased further to **€505 million** (**10.1%** of sales) compared to €420 million (8.9% of sales) in 2013. Avionics reported significant growth in their results, due to the higher sales volume in commercial avionics and in-flight entertainment and the results of competitiveness measures. Space reported a stable EBIT[1] compared to the previous year, the positive impact of performance plans offset by research and development expenses and increasing restructuring costs.

The **Transport** segment reported an EBIT[1] of **€32 million** (**2.3%** of sales) compared to €97 million (6.7% of sales) in 2013. The Transport business was affected by execution difficulties on several projects, particularly in urban rail. Corrective measures have been implemented in order to improve the quality of programme execution. These measures should gradually produce benefits.

Despite globally stable sales, the EBIT[1] for the **Defence & Security** segment increased significantly in 2014 totalling **€620 million** (**9.6%** of sales) compared to €499 million in 2013 (i.e. 7.7% of sales). The EBIT[1] for Land and Air Systems rose sharply as better execution of contracts offset the increased costs in self-funded R&D. Secure Communications and Information Systems reported an increased EBIT[1] in 2014, thanks to the good execution of projects and reduced restructuring costs. Likewise, the Defence Mission Systems Business reported an increase in EBIT[1] as a result of the better execution of contracts and lower restructuring costs.

Adjusted financial results

The adjusted financial costs, remained practically unchanged at -€25 million compared to -€23 million in 2013. Adjusted financial income on pensions and other employee benefits came to -€77 million compared to -€70 million during the previous financial year, since the interest rates at the end of 2013, which were used to calculate the 2014 financial cost, were higher than the 2012 rates.

Adjusted net income

The adjusted net income – Group share for 2014 was €562 million, compared to €642 million in 2013, after an adjusted tax charge of -€258 million compared to -€234 million, i.e., an effective tax rate of 29% compared to 30% in 2013. The adjusted net income, Group share, per share amounted to €2.75 compared to €3.20 at the end of December 2013.

1.1.1.6 Consolidated results

Income from operations

Income from operations rose by 9% to €889m in 2014, from €817m in 2013. This increase reflects the improvement in gross profitability and tighter control of indirect costs.

Income from operations after income from equity-accounted companies

Income from operations after income from equity-accounted companies came to €1,104m, compared with €936m in 2013.

Aside from the growth in income from operations, the increase in income from operations after income from equity-accounted companies reflected:

- on the one hand, a significant gain on the disposal of Thales Raytheon Systems SAS and Trixell relating to fair value adjustments (€249m, versus

(1) Non-GAAP measure, see definition page 8.

€16m in 2013), after an amendment to the shareholders' agreements of these joint ventures led to Thales taking sole control, but with no change in the percentage ownership of the joint shareholders of these companies; and

- on the other hand, a sharp fall in the share of income of equity-accounted companies, from €106m in 2013 to a loss of €34m in 2014, due to to the substantial net loss posted by DCNS for the year.

Net income (loss)

Consolidated net income, Group share, totalled €714m compared with €573m in 2013, after tax of €214m versus €203m in 2013, and including an increase in share of income attributable to non-controlling interests following the changes relating to Thales Raytheon Systems SAS and Trixell mentioned above.

1.1.1.7 Financial position at 31 December 2014

(€ million)	2014	2013
Operating cash flow before interest and tax	**1,466**	**1,330**
Change in working capital requirements and provisions for contingencies	(287)	(301)
Payment of contributions/pension benefits	(122)	(123)
Net financial interest paid	(14)	(31)
Income tax paid	(98)	(40)
Net operating cash flows[(a)]	**944**	**835**
Net operating investments	(443)	(358)
Free operating cash flow	**501**	**477**
Net (acquisitions)/disposals	(374)	(35)
Deficit payments on pensions in the United Kingdom	(69)	(64)
Dividends	(243)	(181)
Exchange rate and others	114	(50)
Change in net cash	**(71)**	**147**

(a) Excluding deficit payments on pensions in the United Kingdom.

The **free operating cash flow** increased compared to 2013 totalling **€501 million** compared to €477 million in 2013, despite a 24% increase in operating investments (€443 million compared to €358 million in 2013) as part of the optimisation of the Group's industrial base.

At 31 December 2014, **net cash** amounted to **€1,006 million** compared to €1,077 million at the end of December 2013, taking into account in particular the acquisition of the US company Live TV for €287 million and a significant increase in the dividend distributed (€243 million over the year compared to €181 million for the previous year).

Shareholders' equity, Group share, amounted to **€3,771 million** compared to €3,847 million at the end of December 2013, taking into account net consolidated income, Group share of €714 million and the significant increase in provisions for pensions and long-term benefits (€2,557 million compared to €1,858 million in 2013) linked to the extremely low interest rates at the end of 2014.

1.1.1.8 Proposed dividend

At the Annual General Meeting on 13 May 2015, the Board of directors will propose the distribution of a **dividend** of **€1.12** per share to the shareholders.

If approved, the ex-dividend date will be 27 May 2015 and the payment date will be 29 May 2015. The dividend will be paid fully in cash and will amount to €0.78 per share, after deducting the interim dividend of €0.34 per share already paid in December 2014.

1.1.1.9 Outlook for 2015

After an order growth of almost 20% over the last two years, order intake should remain high in 2015, with a new increase in order intake expected 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[(1)] increase of around 15% compared to 2014 (based on current exchange rates), to total €1,130 million to €1,150 million.

Over the medium term, Thales confirms its objectives of a moderate increase in sales and an improvement in its EBIT[(1)] margin to reach a rate of 9.5 to 10% by 2017/2018.

(1) Non-GAAP measure, see definition page 8.

1.1.2 RISK FACTORS

Thales is exposed to a number of risks and uncertainties which could materially affect its business, reputation, financial position, results or ability to achieve its objectives. The risks described below are not the only ones that Thales faces. Other risks, unknown to Thales on this date, or which presently appear to be non-significant, could also have an unfavourable impact on the business, profitability and financial position of the Group or its ability to achieve its objectives.

Generally, Thales may be faced with a number of operational, strategic, legal and financial risks.

1.1.2.1 Operational and strategic risks

1.1.2.1.1 Competitive environment

Thales operates on highly competitive markets, both in terms of international groups, especially in a context of shrinking defence budgets in their home countries, and in terms of local or niche companies in certain market segments. This competitive pressure could negatively impact Thales' commercial position, sales and profits.

There is also no guarantee that competition will not intensify, particularly in an unfavourable economic environment, or that Thales will be able to successfully fight its current or future competitors.

In order to limit the impact of this risk, Thales continues its research and development efforts in order to provide competitive and differentiating elements to the Group's operating units and also works to upgrade its product offer in order to meet the needs of its customers, in both defence and civil markets.

1.1.2.1.2 Unfavourable trends in the civil aviation market

Demand for air travel appears closely linked to general economic trends, but is also affected by specific factors, such as the characteristics of aircraft fleets in service, regulatory changes (new environmental standards, deregulation, etc.) and the ability of airlines to access financing. Moreover, trends in oil prices have a direct impact on the profitability, and therefore, the investment decisions of airlines. In addition, the civil aviation market is also susceptible to the effects of intensification (real or perceived) of terrorist activity, as well as conflicts and epidemics or disasters, which can have an important, if temporary, impact on air traffic and thus affect the entire civil aviation market.

The economic environment is therefore likely to remain unsettled, especially in Europe. In order to remain profitable in a difficult market, airlines could cancel or postpone orders and aircraft manufacturers might have to reduce production rates. This environment could also lead the airlines to reduce or delay their maintenance expenditure or their investments in in-flight entertainment systems. Similarly, air navigation service providers could reduce or delay investments in air traffic control equipment and systems. Were they to materialise, these factors could have a negative impact on Thales' profitability and financial position.

To limit the impact of this risk, Thales is pursuing action on two fronts: (i) ongoing improvements to its competitive performance and industrial flexibility in order to better manage trading fluctuations during the cycle and (ii) a comprehensive strategy seeking a balance within the business portfolio (with exposure to the civil aviation market reduced to around 15% of Group sales).

1.1.2.1.3 Dependence on public procurement

Thales generates most of its business from governments, particularly in the defence markets in France and the UK, and, to a lesser extent, in the rest of Europe, North America and Australia. In these markets, public spending is dependent on political and economic factors and is therefore likely to fluctuate from one year to the next. A significant reduction in defence budgets, particularly in Europe as part of a more restrictive budget policy, could affect the Group's business and profitability. In fact, a reduction in the budget resources of government customers could generate delays in order booking, contract execution, payments or a decrease in funding for research and development programmes.

Thales has based its strategy on a balanced portfolio of defence operations (approximately 50% of sales) and civil operations (approximately 50% of sales). The overall solidity of the portfolio is underpinned by a diversified base of orders with a unit value of less than €100m. Finally, the broad geographic spread of Thales' business, particularly through its international operations, ensures further diversification of its customer base.

1.1.2.1.4 Political risks

A significant proportion of Thales' sales is subject to the risk of economic and/or political instability in the countries in which the Group operates. The materialisation of these risks may affect the Group's financial position and profitability.

In particular, a change in government, major political event, armed conflict, act of terrorism, sharp deterioration in the balance of payments, industrial action, strike or protest could lead to various types of risks. These include:

- more restrictive currency control, with limitations or exclusions on withdrawing currency from a client country, preventing it from honouring its financial commitments towards Thales;
- impairment of assets because of devaluations of the local currency or other measures taken by public authorities that significantly affect the value of operations;
- expropriation (by confiscation, nationalisation, requisition, etc.) or the forced sale of Thales' interest in a local company, or, more broadly, discriminatory measures that compromise Thales' operations in a country;
- a security situation entailing a risk of attack on the physical safety of its employees and/or its facilities, which strongly limit or prevent Thales from assuming its performance obligations under a contract, or reduce or prohibit the use of its local industrial assets;
- an unexpected breach of a contract or commitment;
- an unfair call of a bond or a guarantee;
- the non-certification of documents eligible for payment, or non payment on the due dates stipulated in a contract, which prevent the anticipated progress of that contract.

To limit the financial impact of these risks, Thales seeks to protect its interests as far as possible through contractual provisions. In addition, the Group may use government and/or private sector insurers when necessary to provide appropriate cover. If applicable, it may also transfer receivables without recourse to financial institutions.

Lastly, the Group has deployed a global procedure for employee security, crisis detection and reaction, protection and monitoring (see paragraph on *Security breaches in respect of sites.)*

1.1.2.1.5 Control of projects and programmes

Many of Thales' products and systems are highly complex due to their advanced technology content, the rigorous operational constraints and harsh environments in which they operate (which require them to be extremely reliable) and the contractual arrangements surrounding their sale (comprehensive prime contractorships for large-scale systems, public-private partnerships or equivalent, local shares, compensation commitments etc.).

The actual cost of design, development and manufacture may therefore exceed initial cost estimates, which in turn may adversely impact Thales' results and financial position, especially considering that the associated contracts are generally based on a fixed, all-inclusive price. In addition, many contracts include stringent performance levels and/or tight delivery schedules for the products or systems sold, particularly given the increased competition. If Thales is unable to deliver these products or systems in line with the required level of performance and/or delivery schedule, customers may demand penalty payments or even decide to terminate the contract. Moreover, as Thales generates most of its business from governments and/or government agencies, it is exposed to political risks in the countries in which it operates (see paragraph 1.1.2.1.4 *Political risks*). The occurrence of such events could have a material impact on Thales' results and financial position.

Bid and project management is therefore subject to a detailed risk management and assessment process. Thales ranks the various levels of criticality. Critical bids and projects are specifically monitored at the management level of the operating entities (Business Lines, Global Business Units) and, as needed, by the Group's executive management.

Contractual risk assessment is an integral part of the tendering process. Depending on the complexity of the bid, this procedure involves a number of steps which progressively reveal the estimated level of profitability and the associated risks to be assessed. Particular attention is paid to long-term sales contracts that include fixed prices valid for the entire duration of the agreement.

For certain contracts that run for several years and involve products and services with a high degree of complexity, regular reviews are organised in order to monitor the technical and financial progress.

The Group continues to pay particular attention to analyses and action plans for the management efficiency of bids and projects by measuring and monitoring financial variance on the projects and the implementation of corrective actions.

In the context of the Ambition Boost performance programme, the Group has also implemented action plans to improve the management of bids and projects, engineering and the supply chain. These actions aim in particular to:

- improve the product policy, in order to streamline new developments and thus reduce risks;
- improve the management of commitments made, with widespread use of independent peer reviews, closer involvement of Engineering, Purchasing, Production, Legal and Quality Control and the introduction of Product and Project Design Authorities responsible for developing the technical project solution (during the bid or product/project execution phase);
- improve methods, practices and tools, to make them more relevant to international products/projects;
- improve the supply chain, by increasing its global dimension and enhance the maturity level of emerging countries in the implementation of projects;
- introduce advanced training for project managers to obtain International Project Management Association (IPMA) certification. At the end of 2014, nearly 820 project managers within the Group had gained IPMA certification, with approximately 220 certified during the year.

1.1.2.1.6 Management of supplier risk

Purchases constitute a very significant proportion of Thales' business, representing nearly half its sales in manufacturing, services, equipment and sub-systems. Thales is thus exposed to the risk of industrial, technical or financial failure of any of its suppliers, which in turn could affect the Company's profitability and performance.

There are two major types of supplier risk:

- legal or regulatory non-compliance (ethics, export control, intellectual property, etc.); these risks are handled by the departments concerned using the Group Risk Management system with the support of the Purchasing Department;
- structural and operational risks that could disrupt supply are dealt with by the Purchasing Department using the Group Risk Management system. The Purchasing Department has identified two key triggers: supplier default and economic dependence. Although individual events might be considered to have a minor financial impact, they could potentially occur several times a year. The financial impact could become significant if several events are considered together, due to the domino effect and the large number of suppliers in Thales' supplier panel.

a) Management of the risks of supplier default

Supplier default could be caused by a major incident at one of its sites, by its external environment (shortage of raw materials - particularly critical materials - or components, major political instability, natural disaster, etc.) or through mismanagement. The supplier's management performance is monitored both in operating terms (lack of procurement planning, failure to manage tier 2 suppliers, loss of control over industrial processes, plant obsolescence, etc.) and in cross-disciplinary and financial terms (poor skills management, loss of know-how, fall in sales, mismanagement of working capital requirement, cash flow problems, administration or bankruptcy protection, etc.). A combination of problems could lead to the disappearance of a company or its takeover by investors with different interests from those of Thales.

Faced with this risk of a supply shortage, Thales seeks to implement a dual sourcing (or alternative-source) policy for each technology family, regularly updated and accompanied by buffer stocks that cover its requirements until customer contracts have been fulfilled.

In addition, taking into account the increased risk of fragility of certain suppliers in the current economic climate, Thales has introduced a special measure aimed at identifying, from among its critical suppliers, those that would be particularly exposed financially and implementing an appropriate action plan to ensure continuity of supply. Apart from individual monitoring, analysis is carried out by technology field in conjunction with the professional bodies concerned to identify appropriate solutions.

Alongside these financial supervision measures, Purchasing and Quality Control have stepped up their appraisal, accreditation and management of supplier performance to better identify structural risks. Supplier performance audits are broad-based (quality control, industrial maturity, flow optimisation, compliance with environmental regulations, expertise in technical and technological processes, financial solidity, etc.) and therefore allow a complete risk analysis to be carried out. When executing a purchasing contract, Thales closely monitors the implementation by the supplier of measures aimed at tackling the risks identified during the selection process.

b) Management of the risks of economic dependence

The economic dependence of small and medium-sized enterprises (SMEs) on Thales is considered a separate risk in its own right. It is particularly significant now that the economic crisis has disrupted the sales portfolios of a number of them, jeopardising the operating cycle with Thales and potentially leading to a supply shortage.

In order to mitigate this risk, the commitment rate (orders placed by Thales as a percentage of the supplier's total annual sales) is monitored for each panel of suppliers by market segment and for the main countries where the Group is implanted (France, the UK, the Netherlands, etc.). If the commitment rate exceeds 50% for more than two consecutive years, an action plan coordinated with internal prescriptors and internal users is drawn up and implemented in order to return to a reduced commitment rate.

The procurement policy, supplier selection and performance monitoring processes and supervisory and risk mitigation measures are all designed to reduce these risks, both during the bidding phase and during the preliminary project phase.

1.1.2.1.7 Raw materials risk

Given the nature of its business, Thales uses few raw materials. The Group's exposure to raw materials risk is therefore negligible.

1.1.2.1.8 Human resources risk

a) Health and safety at work

Ensuring a healthy and safe working environment for its employees pursuant to the laws in force, monitoring procedures, preventing health and professional risks and employee training are key priorities for Thales.

These principles are reflected in a structure designed to prevent risks related to health and safety in the workplace, whether on Thales sites or external sites.

The formalisation of procedures concerning the implementation of a "permanent medical unit responsible for health monitoring" and "a crisis centre in the event of a major international health risk", and a procedure reserved for assignments in countries posing a major health risk, enable risks that may arise overseas to be anticipated and managed more effectively. Regular monitoring of the risks to which the Group's employees may be exposed is performed each year on the basis of dedicated indicators.

Concrete measures are also implemented in relation to the health and safety of employees in the workplace. The commitments made and initiatives undertaken by the Group Human Resources Department and Health, Safety and Environment Department in this area are ongoing. In particular, new employees, whatever their country, can have a medical in the year of recruitment with Thales, and are provided with risk prevention information at their on-site. Thales is also committed to increase the quality of life in the workplace. In France, a new Group agreement on "Quality of life at work" was signed on 4 February 2014. Continuing the approach adopted in the agreement signed in 2009 on the same subject, which had expired, the agreement signed on 4 February 2014 for a period of three years defines a general framework for prevention, with a particular focus on the detection and prevention of psycho-social risks by implementing individual and collective preventive actions.

Proof of the Group's continuing commitment to certification, 90 Thales entities (representing 72% of the workforce) had obtained OHSAS 18001 certification by the end of 2014.

b) Talent development

If Thales is not attractive enough to recruit the qualified staff it needs in a timely manner and retain and motivate its employees to develop and conduct its business, sales and operating profitability could be negatively affected. Thales' success and performance effectively depend on its capacity to recruit employees in the different employment markets, in France and abroad, the quality of the key skills and the commitment of its employees, and its capacity to globally manage the talents required for the development of its activity worldwide.

Moreover, the lack of sufficient employees to carry out the workload and/or of the necessary skills over a sustained period would be likely to affect operating profitability by leading, for example, to increased use of subcontractors or temporary staff.

Thales therefore attaches great importance to its attractiveness and positioning as a top employer, ensuring a good external image which will boost recruitment and an internal situation that will contribute to retain employees.

As an attractive and recognised employer in France, Thales also intends to build its image in all the countries where the Group is already present or is intending to develop.

Thus, particular attention is paid to the systematic deployment of recruitment tools and organisations in emerging markets. In addition, a global recruitment function, attached to the HR general management has been created to help the Group develop in these geographical zones. The global process of identification and management of the Group's talents has also been reinforced, by encouraging exchanges between management teams in different parts of the organisation.

Thales is also continuing its dynamic skills management policy for the Group's main professional families. A Steering Committee per family, composed of operational and HR managers, annually analyses developments in the jobs, expertise, and the needs of the Company, and establishes action plans (training, anticipated management of internal mobility, external recruitment etc.). To complement this tool, each year the Group's internal University updates the key programmes in response to changing needs.

1.1.2.1.9 Environmental risks

For many years, Thales has conducted regular analysis and update of environmental risks in accordance with its business activities, scientific and technical developments and the emerging environmental challenges.

This analysis aims at:

- ensuring that employees and surrounding residents are not exposed to health and environmental risks (pollution, asbestos, etc.) through their activities or work environment, whether on Thales or external sites;
- ensuring the compliance of activities and products (substances, waste, etc.);

- analysing the impact of new regulations, including on product design;
- analysing the impact of the environment on activities (water stress, climatic events, etc.);
- specifying an appropriate organisation and associated action plans, either at Group level or locally, according to the results of this analysis.

In support of this analysis, an Environmental Management System has been deployed at all sites in order to ensure the control and limitation of the products' and activities' environment impacts. Integrated into the Group commitments, this management system is applied to the different functions. As such, environmental competences have been widened to include engineering, research, procurement and contracts, for example through organisational management, special training, communication tools and sharing experiences.

At the end of 2014, 117 entities had been certified ISO 14001, representing 88% of the Group's workforce.

At 31 December 2014, the amount of reserves for environmental contingencies amounted to €8.1m.

1.1.2.1.10 Security breaches in respect of sites and employees

Thales is exposed to attempts to breach the security of its sites (attempts by unauthorised persons to access confidential information, threats to the physical security of sites and facilities, etc.). The occurrence of such events could affect the rollout of the Group's activities and its reputation and, consequently, its results and financial situation.

In order to minimise this risk, the Group Security Department has drafted a policy for regulating access to all Group sites. This policy is applied by the Group's network of security officers. In its defence businesses, the Group is subject to different national regulations requiring it to implement measures to protect its employees and industrial assets.

The Group is therefore subject to a large number of audits and inspections by the national supervisory authorities.

In addition, the Group has deployed a global procedure for employee security, crisis detection and reaction, protection and monitoring to ensure they have an appropriate level of security in the countries in which they perform their work. In certain countries, this global procedure runs alongside a local intervention system, which ensures a quick response to incidents.

1.1.2.1.11 Risk of IT system failure

The Group operates – directly or through service providers – complex IT systems and infrastructure that are essential to the smooth running of its commercial, industrial and financial processes. The malfunction or failure of these systems may have external causes (viruses or hacking, power cuts or network failures, natural disasters, etc.) or internal causes (malicious acts, breaches of data confidentiality, human error, obsolescence). Any such malfunction or failure could have an impact on the Group's operations and its financial results.

The Group has put in place business continuity measures in the event of power cuts or the loss of network connections to critical sites. There is also an action plan that covers the Group's international operations, which is aimed at safeguarding its critical information systems (from data back-ups to the implementation of redundancy protection and back-up systems) and involves the regular testing of these systems.

In addition, rules for protecting the Group's IT systems and the sensitive information they contain have been formalised into a set of internal reference documents circulated for application to all entities, via a network of IT System Security Managers, with the aim of minimising risks related to IT system security on a worldwide basis. These rules ensure that the systems are designed in a secure manner and that any anomalies are detected and resolved appropriately. Compliance with these rules is monitored through surveys, vulnerability assessments and audits.

With regard to IT system users and administrators, a range of awareness-raising initiatives have been implemented and will continue to be improved and enhanced.

Lastly, the Thales IT system security and anti-cyber crime strategy has been approved by the Group's corporate management, in close cooperation with the national and governmental authorities of the countries concerned.

1.1.2.1.12 Risk related to failure of equipment or technology

Thales systems and equipment are highly complex and technical and are likely to be integrated within high-value civil or military platforms. A malfunction of any such systems, equipment or technologies could result in client claims or third-party litigation. Thales could thus be held liable in the event of damage to property or personal injury. Were they to occur, such events would be liable to impact Thales' results and financial position, as well as its reputation.

In order to limit the impact, Thales has put Group-wide *standards in* place (Design Authority, quality, documentation, contractualisation and risk management). In addition, Thales conducts a policy to maintain appropriate insurance coverage (see section 1.1.2.4 *Insurance*).

1.1.2.1.13 Risk of lower impact of performance improvement measures

In 2010, Thales initiated a five-year competitiveness plan called Probasis, with the aim of reducing the Group's cost base. This plan, which mainly focused on improving project execution and optimising purchasing costs, targeted gross savings of €1.3bn, representing a positive net impact on EBIT of some €300m at the end of 2014. In total, this plan will have generated a positive net impact on EBIT of more than €350m at the end of 2014 (€50m at end-2011, plus €99m in 2012, €120m in 2013 and €90m in 2014).

To continue the initiatives carried out under the Probasis plan, in 2014 the Group introduced the "Ambition Boost" performance programme, aimed at improving the Group's overall performance, with the target of achieving an EBIT margin of 9.5-10% by 2017/2018 and returning to growth.

This global performance plan provides a common framework within which the units can implement plans and initiatives adapted to their own issues in terms of performance improvements.

The objectives are validated during the multi-year budget preparations, and cover all Group issues in terms of growth, competitiveness and talent development.

The actual results may differ significantly from the objectives. The performance initiatives are based on the economic and commercial assumptions used in the Group's multi-year budget. The accuracy of these assumptions may be affected by changes in the execution of Thales' operations or its environment, such as the development of new businesses, increased competitiveness on domestic and export markets or unfavourable changes in regulations or legislation.

Furthermore, the future earnings and financial position of Thales could be negatively impacted if the initiatives planned under the Ambition Boost framework could not be fully implemented or if they failed to generate the expected results according to the original timetable. The cost of implementing these initiatives could also be higher than forecast.

Thales pays particular attention to the management of the Ambition Boost programme and the monitoring of performance improvement initiatives. The Group's corporate management regularly reviews the progress of the main initiatives. Expected impacts for all initiatives for the year are regularly updated as part of the Group's steering process.

1.1.2.1.14 Risks relating to strategic acquisitions and investments

Thales regularly looks to acquire new companies (as well as making strategic investments and combining business activities through joint ventures, etc.) in order to round out its technological portfolio and strengthen its presence in certain markets. Integrating these businesses within Thales could prove more difficult and take longer than envisaged, requiring a more significant involvement by senior managers and the teams concerned and, in turn, negatively impacting the Group's results and financial position.

In addition, there are no guarantees that the newly acquired companies will perform as well as expected in accordance with the initial business plans, which form the basis of the investment decision. This type of variance could lead to the recognition of impairment losses on goodwill and other intangible assets, thereby negatively impacting Thales' results and financial position.

Before any planned acquisitions, Thales conducts audits and due diligence with the assistance of external consultants where necessary, in order to analyse the fundamentals of the target company. A review is also conducted at each key stage in the acquisition process to confirm Thales' interest and specify the necessary conditions and parameters to ensure a successful outcome. The newly acquired company is then integrated into Thales' financial reporting system so that its performance can be monitored.

1.1.2.1.15 Risks related to minority investments

Thales generates part of its sales from companies in which control is shared with, or exercised by, other partners; in accordance with the accounting principles in force on 1 January 2014, these companies are consolidated using the equity method[1].

Moreover, the share in net income of equity affiliates is included in Thales' EBIT[2] and adjusted net income[3]. A deterioration in the performance of these companies may therefore impact on the Group's income and financial position. Accordingly, the net loss recorded by DCNS in 2014 had a significant negative impact on Thales' EBIT and net income.

Since the influence exercised by Thales over these minority investments varies, decisions that are detrimental to the interests of Thales may be taken, without Thales necessarily having the means to oppose them.

In addition, the risk of disagreement or blockage, inherent in any jointly-controlled entity, exists, particularly in those where important decisions require the unanimity of members or where there are limited exit rights.

Furthermore, the application of management rules and principles in these entities may differ from those adopted by Thales for entities over which it exerts exclusive control. This also means that the ability to carry out analysis and give instructions regarding financial or operational data, or even to access this data, may be more limited than in the entities over which Thales exerts exclusive control.

As a result, the Group aims to define appropriate governance methods by seeking to be represented on the Board of directors (or a similar decision-making body), and more generally, to negotiate contractual provisions that are in Thales' best interests.

1.1.2.2 Legal and compliance risks

1.1.2.2.1 Compliance with laws and regulations

The Group operates its business in a strict and evolving complex legal and regulatory environment, both nationally and internationally.

The legal and regulatory framework in which Thales operates covers a broad range of areas, relating in particular to company law, financial market regulation, fiscal legislation, labour law, export control and measures to combat corruption and money laundering.

Thales is able to monitor developments within this legal and regulatory framework through its international network. The Company is not always able to foresee them, however, and in this respect its business could be affected.

Despite the steps taken by Thales as a Company to comply with all applicable legislation, risks still exist due to their inherent nature, the interpretative powers of regulatory agents, the extraterritorial reach of certain regulations, and changes in legal/judicial precedent and sanctioning powers.

In most cases, regulators in conjunction with the judicial authorities have the right to initiate legal proceedings, which could expose the Group or its employees to civil, administrative or criminal rulings. Such a ruling could, if applicable, involve a temporary ban on trading, which would in turn have an adverse impact on the Group's profitability and financial position.

Using a risk map validated by the Risk Management Committee, the Audit, Risks & Internal Control Department carries out assessments and audits of the implementation and improvement of compliance plans within the Group's Units. Compliance actions rely for these needs on networks of compliance officers who may be specialists (export control), on risk advisors in charge of the prevention of each of the major risks identified and monitored by the Risk Assessment Committee, or on a dedicated organisation as regards international trade (see *below*).

The Audit, Risks & Internal Control Department takes into account these compliance areas when preparing its audit plan.

Regular reports are submitted to the Audit and Accounts Committee of the Thales Board of directors, which in turn may issue compliance audit directives within the entire Group.

a) Management of commercial activities

Because of its presence in more than 50 countries and the diversity of its markets and business segments, Thales is subject to national laws, particularly those resulting from the transposition of international conventions (OECD convention, UN convention to fight corruption, European Union convention, Council of Europe conventions, etc.) and to international norms and standards to fight corruption.

Infringement of these laws could have serious legal and financial consequences for the individuals or entities concerned. It could also have a significant impact on the image and reputation of the Group as a whole.

(1) See note 17 to the consolidated financial statements on pages 83 and 84.
(2) Non-GAAP measure, see definition on page 8.
(3) See note 5 to the consolidated financial statements for the year ended on page 47.

In response to the regulatory requirements in terms of prevention of corruption and business ethics in general, Thales has for a number of years operated a strict international compliance and integrity programme. It is implemented on the basis of a coherent set of directives that is included in the Group's reference system, dedicated units and independent control resources.

The corruption risk prevention programme, which is assessed regularly and modified to reflect changes in legislation, and in external and internal risks, was certified by Mazars and by ADIT in July 2014. The ADIT/Mazars benchmark is compliant with national and international laws and regulations concerning the fight against corruption (French law, the United Kingdom Bribery Act, the United States Foreign Corrupt Practices Act *(FCPA)*, the OECD Anti-Bribery Convention on Bribery of Foreign Public Officials in International Business Transactions), the tenth principle of the United Nations Global Compact and best practices in terms of anti-corruption procedures. Furthermore, this benchmark is focused on five main areas (control environment, risk assessment, control, monitoring, information and communication) set out in over 200 control points. It was validated by an International Advisory Board and by the Central Anti-Corruption Service (*Service Central de Prévention de la Corruption* - SCPC) of the French Ministry of Justice.

The risks inherent in sales are borne in mind in all the business management processes. From the preliminary phase of a project, these operating processes envisage action plans to mitigate business risks, focusing particularly on the prevention of corruption.

Thales strictly governs the use of agents and consultants through a very detailed procedure, which requires in-depth preliminary verifications (due diligence) – reinforced by the analysis of red flags or risk factors, as well as appropriate representations and engagements from these consultants. Designed by the Group's Ethics & Corporate Responsibility Department, this procedure is regularly revised in conjunction with the Group's Legal Department and the Sales Department.

In addition, to underpin its strategy of strengthening its presence internationally and its establishment in target countries, Thales vets and selects local industrial partners. The qualification and selection process is designed to secure sustainable partnerships with domestic industrial players meeting a set of criteria relating to integrity and business ethics, competence and expertise. This system, updated in 2014, is part of a process of deploying adapted and reasonable measures for prior verification (due diligence) concerning third parties.

An international, dedicated network, independent of the operational commercial structures, conducts the verifications required, enhanced by outside studies and diagnostics performed by companies that specialise in business intelligence – during the vetting and selection phases for agents, consultants and local industrial partners for Thales.

In addition, by relying on risk mapping and rigorous internal control procedures, Thales' Audit, Risks & Internal Control Department regularly conducts compliance and integrity audit missions which cover all processes to manage commercial risks.

Thales is particularly keen to make its employees aware of ethical business conduct as soon as they join the Group. Adherence and accountability are key to the awareness and training model designed by the Ethics and Corporate Responsibility Department. A broad array of tools (Code of Ethics, reference guide, best practice guides, etc.) and training sessions (face-to-face training and e-learning) is available to staff throughout their professional careers. Special attention is paid to employees involved in the sales processes, project management and purchasing. The training plan for "Business Ethics and Preventing Corruption", which is worldwide in scope, is as a priority intended for this group of employees.

Thales also continues to disseminate and foster best practices among its suppliers and subcontractors, requiring them to subscribe to the terms of its Purchasing & Corporate Responsibility Charter. In this connection, in France in 2012 Thales received government recognition for responsible supplier relations. This is a three-year label given to French businesses that have demonstrated long-term balanced relations with their suppliers.

Thales also actively participates in national professional organisations (MEDEF, GIFAS, ADS[1], etc.) and international organisations (ASD[2], ICC[3], B20[4], etc.) dealing with business ethics, and within the working groups of intergovernmental organisations (OECD, United Nations, ISO[5], etc.). In September 2013, Thales signed the recommendations of the Chairmen and CEOs of member companies in the B20 "Transparency and Anti-corruption" Task Force intended for Heads of State of the G20, which call on them to step up the fight against corruption by facilitating the emergence of new approaches (industry actions, public/private sector dialogue, etc.).

The Group actively participates in a variety of initiatives in the fight against corruption, both at European level (Business Ethics Committee of the ASD) and under the global sectoral initiative of the Aeronautics and Defence industries (IFBEC[6]) whose most recent world forum took place in Brussels in November 2014.

Thales is also a stakeholder in international standardisation work carried out within the ISO on compliance and anti-corruption programmes.

At the same time, since 2012, Thales has been ranked by TI - an NGO working to combat corruption worldwide - as one of the top 10 companies of the Defence sector. The Transparency International report[7] published in October 2012 presents an analysis of the corruption prevention programmes of the world's biggest defence sector companies. The companies are assessed in five areas (leadership, governance and organisation – risk assessment – company codes and policies – training – personnel and helplines) with regard to the ethics and anti-corruption systems they have put in place.

Lastly, for the third consecutive year, Thales obtained the "Global Compact Advanced" level of the UN Global Compact, which, by respecting 21 specific criteria, is the highest level of reporting and performance in responsible development. Of the 8,300 companies that are members of the Global Compact, only 400 have obtained the Global Compact Advanced level to date, including 40 French companies.

b) Export control

Exports account for a significant proportion of Thales' business. Many of the Group's products and systems are designed for military or dual use applications. Consequently, the export of these products or systems to customers located outside Thales' domestic markets where they are manufactured, particularly in the defence sector, may be subject to limitations, export licences or specific export controls (imposed by the countries in which Thales operates, as well as by other countries where the suppliers of

(1) Advancing UK AeroSpace, Defence & Security Industries.
(2) AeroSpace and Defence Industries Association of Europe.
(3) International Chamber of Commerce.
(4) International Business Community, representing 22 employer organisations.
(5) International Organisation for Standardisation.
(6) International Forum on Business Ethical Conduct.
(7) Defence Companies Anti-corruption Index 2012 – Transparency International – http://companies.defenceindex.org/report.

component products or technologies are based, most notably the United States).

There are no guarantees that (i) the export controls to which Thales is subject will not be tightened, (ii) new-generation products or systems developed by Thales will not be subject to similar or tighter controls and, (iii) geopolitical factors will not make it impossible for Thales or its suppliers to obtain export licences for certain customers or make it more difficult for Thales to execute previously signed contracts. Further limitations on access to military markets would thus have a negative impact on Thales' business, profitability and financial position.

Thales has put in place systems and formal procedures to ensure compliance with applicable regulations and controls, and reinforces these measures through awareness-raising programmes with dedicated e-learning modules and alerts on legislative and regulatory changes relating to export control that are relevant to Thales' business. Operating Units have access to a network of specialists within the Group, in charge of monitoring the application within operational units of compliance rules determined at Group level as well as monitoring the necessary authorisations and conformity of their implementation.

c) Competition

Thales' business activities are subject to a wide range of national and international regulations mainly aimed at combating anti-competitive practices.

Infringement of these rules could lead to severe sanctions, such as fines, payment of damages, and legal bans. They could also have a serious impact on the Group's reputation.

To avoid any such infringements, Thales has initiated an awareness-raising programme to these rules, in particular through the roll-out of a dedicated e-learning tool and training programmes.

d) Intellectual property

Thales is exposed to two main types of intellectual property risk: dependence on third-party technology and third-party actions against the Company for perceived infringement of their intellectual property rights.

To reduce the risk of reliance on critical third-party technology, Thales has implemented an identification process and management of each situation with a precise, strategic "Make/Team/Buy" (*MTB*) plan.

Given the nature of its activities and the specific features of its products, Thales conducts most of its research and development work in-house and controls the technology which is critical to the business. Thales' extensive intellectual property portfolio (over 15,000 patents, as well as software and know-how) and its presence throughout the value chain (equipment, systems and systems of systems) reduce its reliance on third-party technology. As a result, Thales' dependence on such technology can be considered very low.

To reduce the risk of third-party actions for alleged infringement of their intellectual property rights by Thales entities, the Group identifies and analyses this risk in the context of its own patent filing procedures and/or when embarking on technical research or product development.

In the event of a third-party infringement claim against a Thales company, the legal and technical analysis of the allegedly infringing products and intellectual property rights are handled centrally by Thales experts, with the assistance of specialist external consultants where needed.

1.1.2.2.2 Litigation

Due to the nature of its business activities, Thales is exposed to the risk of technical and commercial litigation.

To prevent disputes or limit their impact, Thales' policy is to systematically seek alternative methods of dispute resolution. This policy is reviewed on a regular basis to take into account changes in the Company's core areas of business and is backed by employee training programmes.

In addition, Thales implemented a procedure several years ago to centralise all civil and criminal litigation and claims. These are handled by the Group Legal and Contracts Department, with the support of the Group companies concerned.

At the end of 2002, a group of French manufacturers, including Thales and one of its subsidiaries, collectively received a request for arbitration relating to the execution of old contracts. In proportion to each industrial partner's involvement, Thales would have been liable for around 20% of the total claim of $260 million. Under an agreement signed in 2003, the client withdrew its request for arbitration.

In November 2012, the claimant filed a new request for arbitration for a revised amount of €226m. The Industrial Partners are strongly challenging this claim and at this date it is not possible to evaluate any potential financial risk. Consequently, Thales has not recognised any provision. This procedure is still in process.

The Company is not aware of any other governmental, legal or arbitration procedures, pending or threatened, that are likely to have or that have had a significant impact on the financial situation or profitability of the Company and/or Group over the last 12 months.

1.1.2.3 Financial risks

1.1.2.3.1 Liquidity

The Group's liquidity risk is the risk of it being unable to meet its cash needs out of its financial resources. In particular, it relates to Thales' level of exposure to changes in the main market indicators that could lead to an increase in the cost of credit, or even to a temporary limitation of access to external sources of financing.

The Group manages this risk by trying to anticipate its cash needs and ensures that these are covered by the Group's short-term and long-term financial resources as follows:

- shareholders' equity, listed by heading in note 8 to the consolidated financial statements;
- gross debt, listed by maturity in note 6 to the consolidated financial statements;
- committed, undrawn credit facilities granted by banks as backup to the commercial paper programme and acting as a financial reserve. These are described in more detail in note 6 to the consolidated financial statements.

The principle of centralising the entities' short-term assets and liabilities (cash pooling) is applied to the combination of entities in the same currency zone (euro zone, sterling zone, dollar zone and Australian dollar zone, etc.) and, in some cases, in the same country.

Through the consolidation and centralisation of cash requirements and surpluses of its Units, the Group is in a position to:

- simplify cash management and match the cash positions of units to produce a single consolidated position that is easier to manage; and
- gain prime access to financial markets through the parent company's financing programmes, rated by Standard & Poor's and Moody's (see below).

At 31 December 2014, cash recorded under consolidated assets amounted to €2,481.4m (compared with €2,563.7m at end-2013), including:

- €2,051.4m held by the parent company and available for immediate use (€2,051.7m in 2013);
- €430m in the bank credit balances of subsidiaries (€512m in 2013), most of them outside of France. This figure includes, inter alia, payments received in the last few days of the financial year and subsequently transferred to the corporate treasury account.

Cash at bank and equivalents at year-end is solely invested in bank deposits, in very short-term bank certificates of deposit with first-tier banks or in money market funds. At the date of publication, Thales' credit risk ratings were as follows:

	Moody's	Standard & Poor's
Medium and long-term loans	A2	BBB+
Outlook	Negative	Stable
Commercial paper & short-term loans	Prime-1	A2

A decrease of Thales' credit risk rating would not place at risk financial covenants included in financing contracts. The coming into effect of the unique clause providing for accelerated repayment would only apply in the event that the State no longer held its golden share and, simultaneously, the ratio of consolidated net financial debt to EBITDA (earnings before interest, taxes, depreciation and amortisation) were to exceed 3.

A lower rating would result in an increase (capped) in the margins applicable to the committed credit facility of €1.5bn (described in note 6 to the consolidated financial statements); at the same time, these margins would be improved (with a minimum threshold) in the event of a rating upgrade.

1.1.2.3.2 Interest rates

Thales is exposed to interest rate volatility and in particular its impact on the conditions associated with variable-rate financing. To limit this risk, Thales operates an active policy of interest rate hedging.

The Corporate Financing and Treasury Department consolidates data on Thales' exposure to interest rate risk and uses the appropriate financial instruments to hedge those risks.

Thales policy is to control interest rate and counterpart risks and to optimise its funding and banking operations.

The breakdown of Thales' debt by type of interest rate is described in note 6 to the consolidated financial statements. The table below summarises the Group's exposure to interest rate risk before and after hedging. Based on the Group's average net cash (taking into account hedging instruments), a 1% rise in interest rates would have a positive impact on net financial interest in 2014 of €8.4m (compared to €12m in 2013).

	< 1 year		> 1 year		Total	
(€ million)	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate
Financial liabilities	(22.2)	(86.0)	(1,387.2)	(36.5)	(1,409.4)	(122.5)
Financial assets	–	2,538.2	–	–	–	2,538.2
Net exposure before taking account of derivatives	**(22.2)**	**2,452.2**	**(1,387.2)**	**(36.5)**	**(1,409.4)**	**2,415.7**
Derivatives	(4.9)	4.9	981.8	(981.8)	976.9	(976.9)
Net exposure after taking account of derivatives	**(27.1)**	**2,457.1**	**(405.4)**	**(1,018.3)**	**(432.5)**	**1,438.8**

1.1.2.3.3 Foreign exchange

Due to the international nature of its business, Thales is exposed to the risk of exchange rate fluctuations.

a) Business-related currency risk

Business-related currency risk occurs when some of the business is billed in a currency other than that of the related costs.

a. As a general rule, Thales is structurally immune to exchange rate fluctuations for a significant part of its business activity. More than 40% of Thales' sales are generated in the euro zone, which is also where most of its industrial operations are located. More generally, the reinforcement of the Group's international industrial footprint allows the Company to manufacture and invoice in local currency, which helps to reduce exchange rate risk on local sales.

b. The accounts of Thales subsidiaries located in countries where the official currency is not the euro are translated into euros in the Group's consolidated financial statements. A fall in these currencies against the euro is likely to have a negative impact on the accounts. Its impact on profitability is limited, however, since the cost base of these subsidiaries is essentially in the same currency as their sales. The main currencies are the Pound sterling, the US dollar, the Canadian dollar and the Australian Dollar.

c. For certain Group businesses (civil avionics and tubes, civil space, etc.), the US dollar ("USD") is the reference transaction currency. For business activities outside the dollar zone (the in-flight entertainment business is based essentially in the United States and is therefore largely immune to this risk), a specific currency risk hedging policy is implemented.

- For equipment transactions (avionics and tubes), this policy is defined on the basis of sales forecasts in USD, after accounting for corresponding purchases in USD. For these transactions, net exposure to dollar risk represents around 3.5% of the Group's total sales for 2014.
- For longer-term programmes in markets traditionally denominated in USD (primarily in civil space), each bid is examined for profitability in the light of the effect of currency fluctuations, after accounting for corresponding purchases in USD, and, if necessary, is specifically hedged through market transactions (forward exchange-rate contracts and options).

  Where necessary, a similar approach is adopted for other Thales activities if a customer specifically requires a contract denominated in USD on an ad hoc basis.

  Overall, net exposure represented around 3.5% of the Group's total sales for 2014.
- As well as this direct dollar risk, which concerned around 7% in total of consolidated sales at end-2014, the Group is also exposed to an "indirect" dollar risk on contracts denominated in currencies other than the dollar. This occurs when it is bidding against companies that benefit from a cost base in dollars. Analysis by product line and region shows that approximately one quarter of total sales may be exposed to this "indirect" dollar risk.

The "dollar risk" is thus the main currency risk that Thales needs to hedge. The figures corresponding to the hedging of business-related dollar risk are as follows:

- USD 3,191m, the amount of financial instruments hedging net firm commitments (USD risk against the euro, Canadian dollar and pound sterling) at 31 December 2014 compared with USD 2,495m at 31 December 2013;
- USD 198m, the amount of financial instruments hedging bids in USD against the euro, Canadian dollar and pound sterling at 31 December 2014 compared to USD 281m at 31 December 2013.

Operating receivables and payables denominated in foreign currency are exchange-rate hedged and therefore not exposed to currency risk.

The change in value of financial instruments (forward transactions) used as cash flow hedges is recognised in shareholders' equity. A decrease (increase) of 5% in the US dollar compared to the Euro, Pound sterling and Canadian dollar, would have increased (decreased) shareholders' equity by approximately €132m at 31 December 2014, compared with €103m at 31 December 2013. The premium/discount component is not eligible to cash flow hedge accounting and is recognised through profit and loss. In 2014, the change in market value of the discount/premium was +€7m.

The change in value of financial instruments matched with portfolios of sales offers which are not eligible for hedge accounting is recognised in profit and loss. A decrease (increase) of 5% in the US dollar compared to the euro, pound sterling and Canadian dollar, would have increased (decreased) the result by approximately €2m at 31 December 2014, compared with €2m at 31 December 2013.

Foreign currency-denominated financial debt does not generate any exposure in profit and loss, as it is either denominated in the functional currency of the entity in which it is recognised, or is used as a net foreign investment hedge.

b) Management of risks relating to foreign currency-denominated assets

The Group may hedge a portion of its foreign currency-denominated assets, mainly those likely to be disposed of at a future date. The main criteria for determining whether or not a given foreign currency-denominated asset should be hedged are as follows:

- the nature of the business involved;
- the structure of Thales' commitment with respect to jointly-held companies, in particular the specific features of the shareholders' agreement in each joint venture.

The actual application of this policy also depends on:

- the objective of optimising hedges in the light of market conditions (availability of foreign currency, interest rates, hedging rate, etc.);
- the risks inherent in the future value of the assets being hedged and the nature of the business of the corresponding subsidiaries.

■ SUMMARY OF ASSET RISKS AT 31 DECEMBER 2014 FOR THE MAIN CURRENCIES

(€ million)	GBP	USD	AUD
Assets	1,883.1	1,120.7	805.1
Liabilities	2,099.6	872.8	447.9
Net position before management	**(216.5)**	**247.9**	**357.2**
Off-balance-sheet position	–	–	–
NET POSITION AFTER MANAGEMENT	**(216.5)**	**247.9**	**357.2**

1.1.2.3.4 Shares

Thales was not exposed to any significant equity risk at end-2014, excluding the risk on treasury shares.

At 31 December 2014, Thales held 1,876,732 treasury shares, representing 0.90% of the share capital.

1.1.2.3.5 Off-balance-sheet commitments

a) Pension commitments

Defined-benefit pension plans are in place for certain Thales employees, mainly in the United Kingdom and the Netherlands, and are externally funded by the Company under the provisions of the applicable national legislation.

At 31 December 2014, Thales' commitments in the United Kingdom and the Netherlands toward current employees (access to these plans has been closed to new employees in the UK), former employees and retired employees amounted to €5,429.3m for both countries, hedged by €4,189.8m in investments, representing an underlying shortfall of €1,239.5m. At 31 December 2014, these investments consisted of:

- 34% in equities;
- 39% in fixed-rate bonds;
- 11% in inflation-linked bonds;
- 7% in alternative liquid investments;
- 8% in alternative long-term investments (e.g. real estate, infrastructure, etc.);
- 1% in cash.

Changing market parameters could affect the amount of the shortfall and the annual costs of defined-benefit plans. At 31 December 2014, the main risk variables were as follows, listed in order of importance:

- a reduction or increase in the discount rate applied to liabilities, which could increase or reduce the unfunded status; this variable is partly offset by changes in the value of fixed-rate hedging bonds held as plan assets and interest rate swaps;
- changes in the total return on investments in equities and other assets;
- changes in the forecast inflation rate;
- a substantial change in mortality tables;
- exchange rate fluctuations (mainly sterling against the euro).

Thales has introduced quarterly reporting on its pension plan positions and makes regular projections measuring the sensitivity of unfunded status to possible changes in market parameters taking into account correlation factors. In some countries, such as the UK and the Netherlands, Thales is committed to defined-benefit pension schemes, but plan assets are managed by trustees in accordance with the applicable regulations and in consultation with the Group. Plan assets are allocated with regard to the long-term maturity of the commitments they cover.

b) Parent company guarantees

Thales, as the parent company, issues guarantees on commitments undertaken by its subsidiaries on commercial contracts. These guarantees are centralised by the Group Corporate Financing & Treasury Department.

Guarantees are issued out of an envelope of €3bn dedicated each year to the Chairman and Chief Executive Officer by the Board of directors. Prior to each renewal of the authority granted to the Chairman & Chief Executive Officer, the Group's Treasury and Funding Department reports to the Board of directors on the level of use of this envelope, based on the monitoring carried out by the Group Corporate Financing & Treasury Department.

At 31 December 2014, outstanding guarantees issued by the parent company in support of its subsidiaries stood at €13,161m. This figure includes all commitments given in relation to Thales Alenia Space (matched by a counter-guarantee from Finmeccanica in proportion to its 33% interest in Thales Alenia Space).

Thales manages risks connected to these parent company guarantees and optimises the financial conditions of the transactions guaranteed. The main objectives of this risk management policy are as follows:

- to limit risks to those corresponding to normal commitments on commercial contracts, particularly in terms of volume and duration;
- to limit the issue of guarantees to commitments made by wholly-owned subsidiaries, with guarantees on commitments by consortia or joint ventures only in proportion to the Group's equity interest or counter-guaranteed by the other shareholder in proportion to its interest;
- to enable its subsidiaries to benefit, when appropriate, from the credit rating of the parent company by controlling the financial conditions of the transactions guaranteed.

1.1.2.3.6 Client credit

Credit risk relates to the risk that a party to a contract will default on its commitments or fail to pay what it owes.

a) Risk relating to failure of a private sector customer

Non-governmental customers (aircraft manufacturers, airlines, private infrastructure operators and industry) account for approximately 25% of Thales' sales. These customers may encounter major and/or prolonged financial difficulties that could lead to payment defaults or order cancellations. Such occurrences could have a negative impact on Thales' sales, profitability and financial position.

To mitigate these risks, Thales conducts regular analysis of the ability of customers to meet their obligations. When necessary, Thales may request bank guarantees or corporate guarantees, or may use credit insurers.

b) Credit risk relating to Public Sector customers

Public, Government and institutional customers account for around 75% of Thales' sales. Thales works with a large number of countries. Some of these could present a significant credit risk which could, for example, lead them to suspend an order in production, or make them be unable to pay on delivery, as agreed under the terms of the contract. To limit its exposure to these risks, Thales takes out insurance with export credit agencies (such as Coface in France) or private insurers.

At 31 December 2014, only two customers accounted for annual sales for Thales in excess of €500m: the French State (around €2.5bn) and the UK government (approx. €1bn). At 31 December 2014, these two countries still had first-class or high-quality ratings (France AA by S&P and Aa1 by Moody's; UK AAA by S&P and Aa1 by Moody's).

1.1.2.4 Insurance

Thales' Insurance and Risk Management Department, based at head office and reporting to the SEVP Finance & Information Systems, is responsible for the Group's insurance activities and insurable risk management. It is in charge of Group operations and oversees policy implementation by Group companies.

The Group covers the financial consequences of the risk of accidental damage suffered or caused by property or people using appropriate insurance policies with leading international insurance and reinsurance companies.

The insurance policies arranged by the Group to cover these major risks relate to areas such as:

- damage to property and consequent operating losses;
- transport;
- testing and development;
- aviation liability, including liability for aeronautical products and hull/test flight insurance;
- civil liability for space products;
- risks of damage to or by naval vessels by subsidiaries, as naval equipment suppliers;
- general third-party liability;
- environmental liability;
- liability of executive officers and directors;
- individual accident – repatriation assistance for employees on assignment.

Whilst certain damageable events were notified to insurers, the Group had no major loss in 2014.

Thales' policy is to arrange cover on the insurance market based on the rates and limits that it considers reasonable, in view of the conditions offered by the market. Limits are applicable to insurance for major risks, while general exclusions for the entire market (*e.g.* asbestos) also apply to Thales.

The maximum coverage limit of €1.3bn in 2014 for damage to property and consequent business interruptions takes into account an estimate of the maximum loss caused to an industrial site which the Group could incur for direct damages and business interruptions.

Levels of liability cover depend on the quantification of a reasonable claim expectancy for Thales, as identified by the risk map of the main business activities and at Group level, and on cover capacity available on the insurance market. The insurance coverage for aviation liability commitments, which is covered by a specific programme, amounts to USD 2bn.

The insurance industry, which was affected by the recent financial crisis, is still trying to reduce its overall risk exposure. We are witnessing an increase in insurance premiums, a rise in deductibles and additional limits on the scope of cover. In addition, there are fewer insurers with the necessary resources and financial capacity to insure major industrial risks. There are no guarantees that Thales will be able in the future to maintain current levels of insurance under similar financial conditions.

In order to reduce its exposure to insurance market volatility, Thales insures major risks on a two-tier basis:

- the Group's contribution, through captive insurance and reinsurance companies, towards the settlement of claims, to a maximum net retention of €12m per year, for damage to property and consequent business interruptions, transport, general third-party liability, testing and development and space risks;
- transfer to insurers of payment for catastrophic losses.

An active Prevention and Protection policy for industrial sites is designed to reduce the magnitude and frequency of the accidental risks of fire or explosion and to detect other exposures, such as environmental or natural disasters and the vulnerability of critical industrial facilities. In 2014, more than 80% of the assets insured were the subject of a "multi peril" audit by the insurers during their visits to the principal operating sites and infrared thermography inspections by an outside organisation specialised in the prevention of electrical damage.

In accordance with Group processes, measures were taken to minimise business interruption and the consequences of any unforeseen events. An organisational structure and crisis management tools are in place to deal as efficiently as possible with the immediate consequences of a catastrophic event and to take the necessary emergency measures.

Thales continues to roll out professional indemnity cover for its staff. In addition, specific and/or local cover has been arranged to comply with the regulations in force and to satisfy the specific requirements of certain activities or projects, particularly public-private partnerships.

1.1.3 SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

Table of reconciliation decree No. 2012-557 of 24 April 2012

In accordance with decree no. 2012-557 of 24 April 2012 and with Article R. 225-105-1 of the French Commercial Code on transparency obligations for companies on social and environmental matters, in its management report, Thales provides information on the Group's social, environmental and societal issues. This information, which has been verified by a declaration of inclusion and an assurance report moderated by independent verifiers, presented on pages 239 *et seq*. for the social, environmental and societal data, is presented in full in chapter 5 on "Corporate Responsibility" in this registration document.

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1.1.4 EVENTS SINCE YEAR-END

No significant events after reporting period.

1.1.5 SUMMARY STATEMENT OF SHARE TRANSACTIONS IN 2014 CARRIED OUT BY DIRECTORS, NON-VOTING DIRECTORS AND RELATED PERSONS

In accordance with Article 223-26 of the General Regulations of the French Financial Markets Authority (AMF).

In accordance with Article L. 621-18-2 a) of the French Monetary and Financial Code, the members of the Board of directors are subject to this disclosure requirement.

Pursuant to Article L. 621-18-2 b) of the French Monetary and Financial Code, the Company has declared to the AMF that all members of the Executive Committee come under the category of non-voting directors in respect of obligations to declare share transactions.

Related persons in the sense of Article L. 621-18-2 c) of the French Monetary and Financial Code are people who have, under the conditions defined by decree in the Council of State, close personal relations with the people indicated in Article L. 621-18-2 a) and b) above.

To the best of the Company's knowledge, the following disclosures have been made to the AMF for publication on its website (http://www.amf-france.org):

Director's name	Financial instrument	Type of transaction	Total amount of transaction *(in €)*	Unit price(in €)
Patrice Caine	Other financial instruments	Exercise of stock options	35,400.00	29.50
	Other financial instruments	Exercise of stock options	102,030.00	34.01
	Other financial instruments	Exercise of stock options	109,410.00	36.47
Physical person related to P. Caine	Shares	Sale	322,759.44	44.8277
Alex Cresswell	Other financial instruments	Exercise of stock options	44,655.13	34.01
	Other financial instruments	Exercise of stock options	151,248.00	32.88
	Other financial instruments	Exercise of stock options	263,400.00	26.34
	Shares	Sale	61,054.50	46.50
	Shares	Sale	213,900.00	46.50
	Shares	Sale	448,041.80	44.8041
	FCPE investment fund units	Sale	18,912.47	62.16
	FCPE investment fund units	Sale	7,199.53	48.05
Jean-Loïc Galle	Other financial instruments	Exercise of stock options	56,050.00	29.50
	Shares	Sale	82,175.00	43.25
Michel Mathieu	Other financial instruments	Exercise of stock options	136,040.00	34.01
	Other financial instruments	Exercise of stock options	136,040.00	34.01
	Other financial instruments	Exercise of stock options	7,890.32	34.01
	Other financial instruments	Exercise of stock options	128,149.68	34.01
	Shares	Sale	167,984.39	41.996
	Shares	Sale	168,840.00	42.21
	Shares	Sale	10,024.72	43.21
	Shares	Sale	162,815.28	43.21
Physical person related to M. Mathieu	Shares	Sale	14,968.80	41.58
	Shares	Sale	14,979.60	41.61
	Shares	Sale	15,123.60	42.01
	Shares	Sale	15,066.00	41.85
	Shares	Sale	15,066.00	41.85
	Shares	Sale	15,164.16	42.1226
Hervé Multon	Other financial instruments	Exercise of stock options	29,500.00	29.50
	Shares	Sale	44,500.00	44.50
Pierre Éric Pommellet	Other financial instruments	Exercise of stock options	493,200.00	32.88
	Other financial instruments	Exercise of stock options	120,351.00	36.47
	Other financial instruments	Exercise of stock options	255,075.00	34.01
	Shares	Sale	345,675.00	46.09
	Shares	Sale	152,097.00	46.09
	Shares	Sale	691,350.00	46.09