

Order intake and sales at 30 September 2018

- Solid order intake: €9.5 billion, up 7%¹ (up +9% on an organic basis²)
- Sales: €10.9 billion, up 6.2% (up +7.9% on an organic basis)
- Confirmation of all 2018 financial objectives – expected organic sales growth and EBIT³ at the top end of the ranges set in March 2018

Thales (Euronext Paris: HO) announced today its order intake and sales for the period ending 30 September 2018.

Order intake (in € millions)	9m 2018	9m 2017 restated for IFRS 15	9m 2017 reported	Total change	Organic change
Aerospace	3,044	3,082	3,049	-1%	+1%
Transport	1,267	976	976	+30%	+32%
Defence & Security	5,132	4,750	4,766	+8%	+10%
Other	24	42	42		
Total	9,468	8,849	8,833	+7%	+9%

Sales (in € millions)	9m 2018	9m 2017 restated for IFRS 15	9m 2017 reported	Total change	Organic change
Aerospace	4,010	3,930	4,068	+2.0%	+3.4%
Transport	1,373	1,156	1,060	+18.7%	+21.1%
Defence & Security	5,450	5,106	5,163	+6.7%	+8.4%
Other	40	43	45		
Total	10,873	10,236	10,336	+6.2%	+7.9%
Of which mature markets ⁴	7,659	7,182	7,103	+6.6%	+8.2%
Of which emerging markets ⁴	3,215	3,054	3,233	+5.3%	+7.2%

“Over the first nine months of the year, Thales confirmed its growth momentum, with increased business across all segments and geographic regions. Order intake is in line with our expectations, while organic sales growth of some 8% is substantially ahead of our full year target.”

¹ Since 1 January 2018, the Group has been applying IFRS 15 “Revenue from Contracts with Customers”. All changes in this press release are calculated compared with the figures restated for the application of this standard

² In this press release, “organic” means “at constant scope and currency”. See note on methodology on page 9 of the 2017 registration document, and calculation on page 8 of this press release

³ Non-GAAP financial indicator, see definition on page 8 of the 2017 registration document

⁴ Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 7

The solid performance over the first 3 quarters of the year increases our confidence in Thales's ability to meet its full year objectives. As a result, we now expect to hit the top end of the ranges announced last March, both in terms of organic growth and EBIT.

Thanks to the efforts of its employees around the globe, Thales reinforces its leadership position in its 5 end markets and strengthens its highly value-creative profitable growth model."

Patrice Caine, Chairman and Chief Executive Officer

Order intake

In the first nine months of 2018, order intake stood at €9,468 million, up 7% compared with 9m 2017 (+9% at constant scope and currency).

Over this period, Thales secured 10 large orders with a unit value of over €100 million:

- 3 large orders recorded in Q1 2018, covering the modernisation of air traffic control in Australia (OneSKY project), the supply of systems onboard the 12 additional Rafale combat aircraft ordered by Qatar, and the renovation of signalling systems on one of the main railways in Poland;
- 3 large orders recorded in Q2 2018, covering the design of a new-generation very high throughput satellite for Eutelsat (Konnect VHTS), the supply to the German Navy, in a consortium with Atlas Elektronik, of the combat management system (CMS) for 5 K130 corvettes, and the modernisation of sonar systems equipping the Australian Royal Navy's Collins class submarines;
- 4 large orders booked in Q3 2018:
 - An amendment to the construction contract for 6 "Meteosat Third Generation" meteorological observation satellites, for ESA and EUMETSAT
 - Extension of the contract to provide the radio network for the London Underground ("Connect" system)
 - A new tranche of the CONTACT project, the largest military software-defined radio programme in Europe
 - Extension of a service contract covering the British Army's air defence equipment (Adapt Project)

At €7,046 million, orders with a unit value of less than €100 million were stable compared to 9m 2017, with the acceleration of order intake in Q3 offsetting, as expected, the decline seen in H1.

From a **geographical point of view**⁵, order intake benefited from strong growth in mature markets (€7,644 million, +18%), led by all large regions, with the drop in orders in France reflecting a high basis of comparison. This momentum offset the slowdown in order intake in emerging markets (€1,823 million, -23%).

Order intake in the **Aerospace** segment was stable (-1%) at €3,044 million compared with €3,082 million for 9m 2017, benefiting from a low basis of comparison in Q3, particularly in Space.

At €1,267 million, order intake in the **Transport** segment was particularly brisk, up 30% compared to 9m 2017. Following several successes in H1 2018 in mainline signalling (Poland, Norway), this segment benefited in Q3 from the extension of a contract with London Underground and the signing, in partnership with Siemens, of a signalling contract for the future lines 15, 16 and 17 of the Grand Paris Express, Europe's largest urban transport project.

Order intake in the **Defence & Security** segment amounted to €5,132 million, up 8% from €4,750 million in 9m 2017, notably with good momentum in equipment for military ships and submarines, military radio communications, air traffic control (with the OneSKY project), and cybersecurity.

Sales

Sales for 9m 2018 stood at €10,873 million, compared to €10,236 million over the same period in 2017, up 6.2%. The organic change (at constant scope and currency⁶) came in at +7.9%, driven by strong momentum in the Transport and Defence & Security segments.

From a **geographical**⁷ perspective, this performance reflected solid growth in both emerging (up +7.2%) and mature markets (up +8.2%).

Sales in the **Aerospace** segment totalled €4,010 million, a 2.0% increase compared with 9m 2017 (+3.4% at constant scope and currency). This limited growth reflects the slowdown of the commercial telecom satellite market, along with a high basis of comparison in In-Flight Entertainment. The stronger growth in Q3 was driven by Q3/Q4 phasing effects.

⁵ See table on page 7

⁶ The calculation of the organic change in sales is shown on page 8

⁷ See table on page 7

In the **Transport** segment, sales came in at €1,373 million, up 18.7% compared with 9m 2017 (up +21.1% at constant scope and currency). The segment benefited from the ramp-up of the large urban rail signalling contracts signed in 2015 and 2016, combined with an upturn in mainline activity. However, growth in this segment is expected to slow down significantly during Q4, with the basis of comparison becoming less favourable.

Sales in the **Defence & Security** segment stood at €5,450 million, up 6.7% compared with 9m 2017 (up +8.4% at constant scope and currency). This segment continued to benefit from broad-based growth, particularly driven by surface radars, combat aircraft systems, systems and services for military ships and submarines, military radio communications, and cybersecurity.

Update on the projected acquisition of Gemalto

On 17 December 2017, Thales and Gemalto (Euronext Amsterdam and Paris: GTO) announced the signing of a merger agreement including an all-cash offer for all issued and outstanding ordinary shares of Gemalto, for a price of €51 per share cum dividend⁸. This offer was unanimously recommended by Gemalto's Board of Directors.

The proposed merger is progressing satisfactorily. 7 of the required 14 regulatory clearances have already been obtained, and the steps to obtain the remaining 7 are well advanced⁹.

Thales and Gemalto are discussing with certain antitrust authorities on remedy proposals to address their concerns with respect to the General Purpose Hardware Security Modules (GP HSM) market.

As a consequence, Thales and Gemalto now expect to close the offer in Q1 2019, once all the regulatory authorisations have been obtained.

Outlook¹⁰

The sound performance seen over the first nine months of the year is leading the Group to adjust its 2018 objectives in terms of organic sales growth and EBIT.

In 2018, Thales should continue to benefit from positive trends in the majority of its markets. The acceleration of commercial momentum in the defence businesses should offset the slowdown of the telecom satellite market. In this context, 2018 **order intake** is expected to be around €15.5 billion.

⁸ Valuing the equity capital of Gemalto at approximately €4.8 billion

⁹ Regulatory authorisations still to be obtained: 6 antitrust authorisations (Australia, European Union, Mexico, New Zealand, Russia, United States), 1 regulatory authorisation relating to foreign investments (Russia)

¹⁰ As of 1st January 2018, the Group has been applying IFRS 15 "Revenue from Contracts with Customers". To provide a basis for understanding the 2018 financial objectives, the 2017 results restated to reflect the application of this standard are presented on page 20 of the 2017 full year results press release published on 6 March 2018.

In spite of more moderate growth in the aerospace segment, **sales** should see organic growth at the top end of the range announced last March, which was between +4% and +5% compared to 2017 sales restated for the application of IFRS 15 (€15,228 million).

The Group will continue to increase its R&D investments, particularly in digital technologies. The self-funded R&D expenses should therefore increase by around 10% compared to 2017.

The growth in sales, combined with the impact of the Ambition 10 strategy on product competitiveness and differentiation, should result in Thales delivering an **EBIT** in 2018 at the top end of the range announced last March, which was between €1,620 and €1,660 million (based on February 2018 scope and exchange rates), representing an increase of 19% to 22% compared to 2017 EBIT restated for the application of the IFRS 15 standard (€1,365 million).

Over the 2018-2021 period, Thales has set the following medium-term targets:

- **organic sales growth**¹¹ of +3% to +5% on average over the 2018-2021 period, with each operating segment expected to outperform its market;
- an **EBIT margin** of 11% and 11.5% by 2021, resulting from a 200 to 240 basis point improvement¹² related to competitiveness initiatives, partly reinvested in self-funded R&D, representing approximately 50 to 100 basis points¹².

These financial targets do not take into account the potential impact of the projected acquisition of Gemalto. The Group may need to update them depending on the effective conclusion date of this transaction.

This press release may contain forward-looking statements. Such forward-looking statements represent trends or objectives, and cannot be construed as constituting forecasts regarding the Company's results or any other performance indicator. Actual results may differ significantly from the forward-looking statements due to various risks and uncertainties, as described in the Company's Registration Document, which has been filed with the French financial markets authority (*Autorité des marchés financiers* – AMF).

This press release does not constitute an offer, or any solicitation of any offer, to buy or subscribe for any securities in Gemalto. Any offer is only made by means of the Offer Document, which is available since 27 March 2018.

This press release is for information purposes only and does not constitute a prospectus or an offer to sell or the solicitation of an offer to buy any security in the United States of America or in any other jurisdiction. Securities may not be offered or sold in the United States of America absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Securities that are the subject of any transaction mentioned in this press release have not been and will not be registered under the Securities Act and there is no intention to make a public offering of such securities in the United States.

¹¹ Compared to 2017 pro forma IFRS 15 sales (€15,228m)

¹² Compared to the EBIT margin (9.8%) and the level of self-funded R&D (5.0%) on the 2017 income statement

In this press release, amounts expressed in millions of euros are rounded to the nearest million. As a result, the sums of the rounded amounts may differ very slightly from the reported totals. All ratios and changes are calculated based on underlying amounts.

About Thales

The people who make the world go round – they rely on Thales. Our customers come to us with big ambitions: to make life better, to keep us safer.

Combining a unique diversity of expertise, talents and cultures, our architects design and deliver extraordinary high technology solutions. Solutions that make tomorrow possible, today. From the bottom of the oceans to the depths of space and cyberspace, we help our customers think smarter and act faster, mastering ever greater complexity at every decisive moment along the way.

Thanks to its 65,000 employees in 56 countries, Thales recorded sales of €15.8 billion in 2017.

CONTACTS

Thales, Media Relations Group & Innovation

Victoire Chartier
+33 (0)1 57 77 90 22
victoire.chartier@thalesgroup.com

Thales, Analysts/Investors

Bertrand Delcaire
+33 (0)1 57 77 89 02
ir@thalesgroup.com

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Order intake by destination – 9 months 2018

(in € millions)	9m 2018	9m 2017 restated for IFRS 15	9m 2017 reported	Total change	Organic change	9m 2018 weighting in %
France	2,614	2,823	2,899	-7%	-7%	28%
United Kingdom	568	545	545	+4%	+5%	6%
Rest of Europe	2,112	1,737	1,737	+22%	+22%	22%
Sub-total Europe	5,294	5,105	5,181	+4%	+4%	56%
United States and Canada	1,004	900	912	+12%	+17%	11%
Australia and New Zealand	1,346	472	472	+185%	+208%	14%
Total mature markets	7,644	6,478	6,565	+18%	+20%	81%
Asia	971	1,242	1,175	-22%	-20%	10%
Middle East	571	705	696	-19%	-18%	6%
Rest of the world	281	426	397	-34%	-32%	3%
Total emerging markets	1,823	2,372	2,268	-23%	-21%	19%
Total all markets	9,468	8,849	8,833	+7%	+9%	100%

Sales by destination – 9 months 2018

(in € millions)	9m 2018	9m 2017 restated for IFRS 15	9m 2017 reported	Total change	Organic change	9m 2018 weighting in %
France	2,843	2,578	2,517	+10.3%	+10.7%	26%
United Kingdom	916	918	907	-0.3%	+0.9%	8%
Rest of Europe	2,266	2,155	2,086	+5.1%	+5.6%	21%
Sub-total Europe	6,024	5,652	5,511	+6.6%	+7.2%	55%
United States and Canada	998	923	967	+8.2%	+11.2%	9%
Australia and New Zealand	636	608	625	+4.7%	+13.2%	6%
Total mature markets	7,659	7,182	7,103	+6.6%	+8.2%	70%
Asia	1,486	1,460	1,501	+1.8%	+3.5%	14%
Middle East	1,093	1,016	1,079	+7.5%	+9.5%	10%
Rest of the world	636	578	653	+10.0%	+12.3%	6%
Total emerging markets	3,215	3,054	3,233	+5.3%	+7.2%	30%
Total all markets	10,873	10,236	10,336	+6.2%	+7.9%	100%

Order intake and sales – Q3 2018

	Q3 2018	Q3 2017 restated for IFRS 15	Q3 2017 reported	Total change	Organic change
Order intake (in € millions)					
Aerospace	1,002	808	812	+24%	+22%
Transport	433	314	314	+38%	+39%
Defence & Security	1,699	1,715	1,731	-1%	+0%
Total – operating segments	3,133	2,837	2,857	+10%	+11%
Other	4	4	4		
Total	3,137	2,841	2,861	+10%	+11%

Sales (in € millions)					
Aerospace	1,242	1,134	1,197	+9.6%	+8.8%
Transport	469	395	349	+18.6%	+19.2%
Defence & Security	1,694	1,574	1,532	+7.6%	+8.3%
Total – operating segments	3,404	3,102	3,077	+9.7%	+9.9%
Other	17	15	18		
Total	3,421	3,117	3,095	+9.7%	+9.9%

Organic change in sales by quarter

In € millions	2017 sales restated for IFRS 15	Currency impact	Impact of disposals	2018 sales	Impact of acquisitions	Total change	Organic change
Q1	3,278	-94	-9	3,412	8	+4.1%	+7.2%
Q2	3,841	-53	-5	4,040	4	+5.2%	+6.7%
H1	7,118	-147	-14	7,452	12	+4.7%	+6.9%
Q3	3,117	-8	0	3,421	3	+9.7%	+9.9%
9m	10,236	-155	-15	10,873	15	+6.2%	+7.9%

Main scope effects:

- Disposals: identity management activity, deconsolidated from 1st May 2017 (Defence & Security segment)
- Acquisitions: consolidation of Guavus from 12 September 2017 (Defence & Security segment)