

↳ Neuilly-sur-Seine, 29 April 2014

Order intake and sales at 31 March 2014

Thales (NYSE Euronext Paris: HO) is today releasing its order intake and sales figures for the first quarter of 2014.

Commenting on the results, Jean-Bernard Lévy, Chairman and CEO, said: *“During the first quarter, the increase in order intake was again driven by emerging markets, while our sales were stable. On this basis, we are confirming all our objectives for 2014.”*

Key points

- **Order intake: €2.03 billion**, an increase of **10%**, driven by emerging markets
- **Sales stable at €2.40 billion**
- **2014 objectives confirmed**

<i>in millions of euros</i>	Q1 2014	Q1 2014 pro forma IFRS 10/11	Total change	Organic change ¹
Order intake				
Aerospace	741	830	-11%	-10%
<i>excl. Q1 2013 A400 simulation contract</i>	<i>741</i>	<i>685</i>	<i>+8%</i>	<i>+8%</i>
Transport	257	310	-17%	-15%
Defence & Security	1,011	687	+47%	+54%
Other and discontinued activities	21	16		
Total	2,030	1,843	+10%	+13%
Sales				
Aerospace	919	870	+6%	+7%
Transport	229	236	-3%	-2%
Defence & Security	1,229	1,276	-4%	-2%
Other and discontinued activities	19	15		
Total	2,396	2,397	-0%	+1%

It should be noted that quarterly fluctuations in sales (a significant percentage of which is booked as technical milestones achieved pursuant to the terms of the different contracts) and order intake cannot be extrapolated for a single quarter and may differ markedly from long-term trends. This applies even more when considering a single operating segment in isolation.

¹In this press release, “organic” means “on a like-for-like basis and at constant exchange rates”.

Order intake

New orders in the first quarter of 2014 totalled **€2,030 million, an increase of 10%** compared with the first quarter of 2013 (+13% on a like-for-like basis and at constant exchange rates). At 31 March 2014, the consolidated order book amounted to €24,175 million, nearly two years of sales. The book-to-bill ratio came to 0.85 in the first three months of 2014, compared with 0.77 in the same period of 2013.

Two **large orders**, each for an amount of over €100 million, were booked:

- An observation satellite equipment contract for a European customer;
- A new urban security contract for Mexico City.

Orders with a unit value of less than €10 million accounted for nearly two-thirds of order intake in terms of value.

New orders in emerging markets again grew strongly (+39% compared with the first quarter of 2013). They totalled **€608 million**, or 30% of total order intake, compared with 24% in the same period in 2013. This growth was particularly pronounced in Latin America, thanks to the major security contract for Mexico City, as well as in the Middle East, where new orders more than trebled compared with the first quarter of 2013.

Order intake in the **Aerospace** segment amounted to **€741 million**, compared with €830 million in the first three months of 2013. Despite the growth of onboard avionics activities, Avionics orders were down overall compared with the first quarter of 2013, which benefited from the impact of a major multi-year simulation and training services contract for British A400M crews. The Space activities, by contrast, enjoyed strong growth, thanks to the major observation satellite equipment contract for a European customer.

Order intake in the **Transport** segment amounted to **€257 million**, compared with €310 million in the first three months of 2013. The ticketing activity was down (after the major contract for Auckland won in early 2013), while several mainline rail signalling contracts were won in Europe (Poland, Hungary).

Order intake in the **Defence & Security** segment grew strongly (+47%) to **€1,011 million**, compared with €687 million in the first quarter of 2013. This reflects a marked increase in orders for Secure Communications and Information Systems, driven notably by the urban security contract for Mexico City and contracts in the Middle East (defence, civil security). Order intake also grew strongly in Defence Mission Systems, with several contracts for naval and electronic combat systems in the Middle East and the United Kingdom. Land and Air Systems, by contrast, recorded a decline in order intake, despite contract wins in air traffic management systems in Africa and Asia, as well as in optronics.

Sales

Group sales¹ totalled **€2,396 million** at 31 March 2014, **unchanged** compared with their level in the first quarter of 2013.

Sales in the **Aerospace** segment totalled **€919 million**, an increase of 6% compared with 2013 (+7% on a like-for-like basis and at constant exchange rates). The Avionics activities continued to show strong growth, driven by onboard avionics and in-flight entertainment systems. Space sales, by contrast, were down, with the ramp-up of new programmes (Brazil, observation satellites) not sufficient to offset the smaller contribution of constellation programmes (Iridium, O3b).

Sales in the **Transport** segment totalled **€229 million**, compared with €236 million in the same period last year (-2% on a like-for-like basis and at constant exchange rates). The rail signalling activities recorded a slight increase in sales, but not enough to fully offset the decline in ticketing sales attributable to the completion of several contracts.

Sales in the **Defence & Security** segment totalled **€1,229 million**, a decline of 2% on a like-for-like basis and at constant exchange rates. Defence Mission Systems activities recorded a slight decline in sales, despite growth in sonar and naval systems. The Land & Air Systems activities recorded a decline in sales in the first three months of the year, especially in air defence. By contrast, Secure Communications and Information Systems sales firmed slightly, thanks to the cyber security and networks activities.

¹Foreign exchange had a negative impact of €34 million on sales, due mainly to the depreciation of the Australian dollar against the euro.

Outlook for 2014

Order intake in emerging markets should continue to increase, with double-digit growth expected for 2014, allowing to offset the expected fall in order intake expected in mature countries, particularly in defence markets.

Sales should remain stable.

A continuing drive to improve performance should enable the Group to post yet a new increase in EBIT¹, which should increase by 5% to 7% compared to 2013.

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. The 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 *Autorité des Marchés Financiers*, the French financial markets regulator.

About Thales

Thales is a global technology leader in the Aerospace, Transportation, Defence and Security markets. In 2013, the company generated revenues of €14.2 billion, with 65,000 employees in 56 countries. With its 25,000 engineers and researchers, Thales has a unique capability to design and deploy equipment, systems and services that meet the most complex security requirements. Thales has an exceptional international footprint, with operations working closely with customers around the world.

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¹EBIT, an adjusted operating aggregate, corresponds to income from operations, excluding the amortisation of intangible assets acquired (purchase price allocation – PPA) as a result of business combinations.

Annexes

↳ Operating segments

Aerospace	Avionics, Space
Transport	Ground Transportation Systems
Defence & Security	Secure Communications and Information Systems, Land & Air Systems, Defence Mission Systems

↳ Order intake by destination – Q1 2014

<i>in millions of euros</i>	Q1 2014	Q1 2013 pro forma IFRS 10/11	Total change	Organic change	Q1 2014 as a %
France	513	366	+40%	+40%	25%
United Kingdom	156	221	-29%	-32%	8%
Other European countries	519	465	+12%	+12%	25%
Europe	1,188	1,052	+13%	+12%	58%
United States and Canada	160	191	-16%	-10%	8%
Australia and New Zealand	74	163	-55%	-46%	4%
Asia	202	306	-34%	-33%	10%
Middle East	205	58	+255%	+247%	10%
Rest of the World	201	73	+175%	+198%	10%
Emerging markets	608	437	+39%	+41%	30%
Order intake	2,030	1,843	+10%	+13%	100%

↳ Consolidated sales by destination – Q1 2014

<i>in millions of euros</i>	Q1 2014	Q1 2013 pro forma IFRS 10/11	Total change	Organic change	Q1 2014 as a %
France	734	715	+3%	+3%	31%
United Kingdom	285	312	-9%	-12%	12%
Other European countries	445	401	+11%	+11%	18%
Europe	1,464	1,428	+3%	+2%	61%
United States and Canada	260	288	-10%	-6%	11%
Australia and New Zealand	143	156	-8%	+11%	6%
Asia	305	312	-2%	-1%	13%
Middle East	148	146	+1%	+2%	6%
Rest of the World	76	67	+13%	+18%	3%
Emerging markets	529	525	+1%	+2%	22%
Sales	2,396	2,397	-0%	+1%	100%