

↳ Neuilly-sur-Seine, 23 October 2014

## Order intake and sales at 30 September 2014

Thales (Euronext Paris: HO) is today releasing its order intake and sales figures as at 30 September 2014.

Chairman and CEO Jean-Bernard Lévy commented: "*In the first nine months of the year, our order intake rose by 3%, driven by double-digit growth in emerging markets, while sales remained stable. As a result, we are in a position to confirm all of our targets for this year.*

*Thales has now set its sights on a clear-cut ambition, reflected in continued efforts to improve competitiveness and priority given to growth in emerging markets.*

*I have every confidence in the professionalism of our teams, in our technological leadership and in our commercial strength, and know that the Group will be able to build on these encouraging results to deliver sustainable, profitable growth."*

### Key points

- **Order intake: €7.54 billion** (+3%), up 10% in emerging markets
- **Sales unchanged at €8.41 billion**
- **Book-to-bill<sup>1</sup> ratio up** vs. 30 September 2013
- **Full year objectives confirmed**

<i>in millions of euros</i>	9m 2014	9m 2013 <sup>2</sup>	Total change	Organic change <sup>3</sup>
<b>Order intake</b>	7,539	7,319	+3%	0%
<b>Order book</b>	25,051	24,469	+2%	-3%
<b>Sales</b>	8,414	8,396	0%	-3%

<i>in millions of euros</i>	Q3 2014	Q3 2013	Total change	Organic change
<b>Order intake</b>	2,319	2,056	+13%	+3%
<b>Order book</b>	25,051	24,469	+2%	-3%
<b>Sales</b>	2,719	2,664	+2%	-3%

<sup>1</sup> Ratio of orders received to sales

<sup>2</sup> All 2013 data mentioned in this press release have been restated to reflect the introduction of IFRS 10/11.

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

<b><u>Order intake</u></b> <i>in millions of euros</i>	9m 2014	9m 2013	Total change	Organic change
Aerospace	3,155	2,359	+34%	+28%
Transport	825	945	-13%	-11%
Defence & Security	3,526	3,970	-11%	-13%
Other	33	45		
<b>Total</b>	<b>7,539</b>	<b>7,319</b>	<b>+3%</b>	<b>0%</b>

<b><u>Sales</u></b> <i>in millions of euros</i>	9m 2014	9m 2013	Total change	Organic change
Aerospace	3,283	3,149	+4%	-1%
Transport	847	882	-4%	-4%
Defence & Security	4,237	4,299	-1%	-3%
Other	47	66		
<b>Total</b>	<b>8,414</b>	<b>8,396</b>	<b>0%</b>	<b>-3%</b>

## Order intake

**New orders** during the first nine months of 2014 totalled **€7,539 million, up 3%** compared with the first nine months of 2013 (unchanged on a like-for-like basis and at constant exchange rates<sup>1</sup>). At 30 September 2014, the consolidated **order book** totalled **€25,051 million**, equivalent to almost two years of sales. The book-to-bill ratio stood at 0.90 for the nine months to 30 September, compared with 0.87 for the same period of the previous year.

Seven **major orders**, each for more than €100 million, were received during this nine-month period:

- six in the Space business, with three contracts for civil telecommunications satellites (Inmarsat/Arabsat, KT Sat in Korea and Telkomsat in Indonesia), a multi-year contract for the European EGNOS navigation system, as well as the continuation of the Exomars exploration programme and a contract for observation radar satellite equipment for a European customer;
- a new urban security contract for Mexico City, set to double the capacity of the systems implemented under the first contract secured in 2009.

Orders with a unit value of less than €10 million grew and represented more than half the orders received in terms of value.

**Emerging markets orders** continued to grow, up **10%** on the first nine months of 2013 at **€2,264 million**, or 30% of total order intake, versus 28% for the same period of 2013. This growth was particularly notable in Latin America (due to the major security contract for Mexico) and Asia (satellites in South Korea and Indonesia, in particular).

The **Aerospace** segment recorded strong growth in order intake, at **€3,155 million** versus €2,359 million in the first nine months of 2013 (+34%). Avionics orders were up, driven by steady demand for aircraft avionics both in original equipment and support. Space activities reflected the positive momentum recorded since the start of the year, with a doubling in order intake since 30 September 2013 thanks to the aforementioned contracts for civil telecommunications satellites.

In the **Transport** segment, order intake amounted to **€825 million**, versus €945 million in the first nine months of 2013 (-13%). The decline primarily affected the ticketing business. The mainline rail business was successful in Europe (Germany, United Kingdom, Spain, Poland and Hungary), but fell short of the level reached at the same period of 2013 when two large contracts for more than €100 million were received in South Africa and Egypt. Urban signalling order intake has risen sharply, in particular with the Salvador metro contract in Brazil, as well as orders in North America (Virginia, Toronto) and in China.

**Defence & Security** order intake slipped 11% to **€3,526 million**, versus €3,970 million in the same period last year. This had been expected due to the exceptional multi-year SSOP sensor system support contract for the British Navy, booked in the first half of 2013 (adjusting for this contract, orders would be up 1%). The decline was particularly apparent in Defence Mission Systems, despite the commercial success recorded in the naval sector (Australia, United Kingdom and the Middle East) and in UAVs. The decline in order intake for Secure Communications and Information Systems in the first nine months reflected the low level of domestic military orders, which was only partially offset by successes on export market (in

<sup>1</sup> Corresponding to a negative foreign exchange effect of €38 million, mainly due to the depreciation of the Australian dollar and pound sterling against the euro, and a positive scope effect of €246 million linked to the full consolidation of Thales Raytheon Systems SAS (Defence & Security) and Trixell SAS (Aerospace) from 1 January 2014, following an amendment to the shareholders agreements, in addition to the initial consolidation of Live TV.

the Middle East in particular) and civilian activities (urban security, cybersecurity). In Land & Air Systems, excluding the positive impact of the full consolidation of Thales Raytheon Systems SAS, order intake was down, except in optronics (United Kingdom, Middle East) and vehicles (Australia).

## Sales

Group sales<sup>1</sup> stood at **€8,414 million** at 30 September 2014, virtually unchanged compared to the end of September 2013 (€8,396 million).

In the **Aerospace** segment, sales totalled **€3,283 million**, up 4% compared with 2013 (-0.7% on a like-for-like basis and at constant exchange rates). Avionics continued to report strong growth, driven by onboard avionics, which benefitted from aircraft manufacturers' increased production rates and growth in aftermarket sales. In-flight entertainment also continued to record a steady increase in sales following last year's major orders and the initial contribution of Live TV. By contrast, Space sales were down, with the ramp-up of new programmes (Brazil, observation satellites) unable to offset the smaller contribution from constellation programmes (Iridium, O3b) and the impact of a weaker order intake in 2013.

The **Transport** segment recorded sales of **€847 million**, compared with €882 million in the same period last year, down 4% (-4% on a like-for-like basis and at constant exchange rates). Mainline rail signalling sales were up, thanks in large part to several projects in Europe (Poland, Switzerland), although these were unable to make up for lower sales in ticketing and urban rail signalling.

Sales in the **Defence & Security** segment were down 1% at **€4,237 million** (-3% on a like-for-like basis and constant exchange rates). Despite the growth in sonar activities in the United Kingdom and in Australia, Defence Mission Systems recorded a dip in sales, essentially due to reduced activity on the Mirage 2000 upgrade contract in India. Land & Air Systems also reported a downturn in sales compared with the first nine months of 2013 (excluding the positive impact of the full consolidation of Thales Raytheon Systems SAS), especially in surface radar. In Secure Communications and Information Systems, sales remained virtually unchanged due to the solid performance of cybersecurity and secure networks, which offset the decline in radio communications systems, mainly in the United States.

## Changes in management

On 15 October 2014, the French government announced that the name of Jean-Bernard Lévy would be proposed to become Chairman and Chief Executive Officer of EDF following a General Meeting convened for 21 November. Thales has therefore initiated the process to select a new Chairman and CEO, in accordance with the applicable governance rules of the Group.

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<sup>1</sup> Foreign exchange had a negative impact on sales of €20 million, mainly due to the drop in the sterling and the Australian dollar against the euro. The scope effect amounted to €253 million, given the full consolidation of Thales Raytheon Systems SAS (Defence & Security) and Trixell SAS (Aerospace) from 1 January 2014 following an amendment to the shareholders agreements.

## Outlook

Order intake in emerging markets should continue to increase, with double-digit growth expected for 2014, offsetting the 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 further growth in EBIT<sup>1</sup>, which should increase by 5% to 7%<sup>2</sup> compared with 2013, despite DCNS contributing less than expected for the full year.

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 for the Aerospace, Transportation, Defence and Security markets. With 65,000 employees in 56 countries, Thales reported sales of €14.2 billion in 2013. With 25,000 engineers and researchers, Thales has a unique capability to design and deploy equipment, systems and services to meet the most complex security requirements. Its unique international footprint allows it to work closely with its customers all over the world.

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

<sup>2</sup> Based on exchange rates of February 2014.

## Appendices

### ↳ Operating segments

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

### ↳ Definitions of non-GAAP financial indicators

In order to enable a better monitoring and benchmark of its financial and operating performance, Thales prepares two main non-GAAP indicators, excluding non-operating and non-recurring items. They are determined as follows:

- **EBIT**, an adjusted operating metric, equivalent to income from operations, excluding the amortisation of intangible assets acquired (purchase price allocation – PPA) recorded as part of business combinations.  
As from 1 January 2014 and the start of application of the new IFRS 10 and IFRS 11 standards, EBIT includes share in net income (loss) of equity affiliates.
- **Adjusted net income** refers to net income, excluding (i) amortization of intangible assets, (ii) result of disposals of assets, change in scope of consolidation and other, (iii) change in fair value of derivative foreign exchange instruments (recorded in "other financial income" in the consolidated accounts), (iv) actuarial gains on long-term benefits (accounted within the "finance costs on pensions and other employee benefits" in the consolidated accounts) net of the corresponding tax effects.

### Order intake by destination – 9m 2014

<i>in millions of euros</i>	9m 2014	9m 2013	Total change	Organic change	9m 2014 in %
France	1,601	1,598	0%	-3%	21%
United Kingdom	680	968	-30%	-33%	9%
Other European countries	1,748	1,534	+14%	+5%	23%
<b>Europe</b>	<b>4,029</b>	<b>4,100</b>	<b>-2%</b>	<b>-7%</b>	<b>53%</b>
<b>United States and Canada</b>	<b>694</b>	<b>619</b>	<b>+12%</b>	<b>+9%</b>	<b>9%</b>
<b>Australia and New Zealand</b>	<b>552</b>	<b>534</b>	<b>+3%</b>	<b>+12%</b>	<b>8%</b>
Asia	1,068	930	+15%	+14%	14%
Middle East	773	844	-8%	-9%	10%
Rest of the World	423	292	+45%	+49%	6%
<b>Emerging markets</b>	<b>2,264</b>	<b>2,066</b>	<b>+10%</b>	<b>+10%</b>	<b>30%</b>
<b>Order intake</b>	<b>7,539</b>	<b>7,319</b>	<b>+3%</b>	<b>0%</b>	<b>100%</b>

### ↳ Sales by destination - 9m 2014

<i>in millions of euros</i>	9m 2014	9m 2013	Total change	Organic change	9m 2014 in %
France	2,291	2,348	-2%	-3%	27%
United Kingdom	905	1,039	-13%	-17%	11%
Other European countries	1,822	1,645	+11%	+2%	22%
<b>Europe</b>	<b>5,018</b>	<b>5,032</b>	<b>0%</b>	<b>-4%</b>	<b>60%</b>
<b>United States and Canada</b>	<b>883</b>	<b>1,035</b>	<b>-15%</b>	<b>-18%</b>	<b>10%</b>
<b>Australia and New Zealand</b>	<b>511</b>	<b>541</b>	<b>-6%</b>	<b>+2%</b>	<b>6%</b>
Asia	1,123	1,036	+8%	+7%	13%
Middle East	559	477	+17%	+14%	7%
Rest of the World	320	275	+16%	+17%	4%
<b>Emerging markets</b>	<b>2,002</b>	<b>1,788</b>	<b>+12%</b>	<b>+11%</b>	<b>24%</b>
<b>Sales</b>	<b>8,414</b>	<b>8,396</b>	<b>0%</b>	<b>-3%</b>	<b>100%</b>

### ↘ Q3 2014 order intake and sales

<i>in millions of euros</i>	<b>Q3 2014</b>	<b>Q3 2013</b>	<b>Total change</b>	<b>Organic change</b>
<b><u>Order intake</u></b>				
<b>Aerospace</b>	1,078	629	+71%	+57%
<b>Transport</b>	187	221	-15%	-18%
<b>Defence &amp; Security</b>	1,041	1,187	-12%	-21%
<b>Other</b>	13	19		
<b>Total</b>	<b>2,319</b>	<b>2,056</b>	<b>+13%</b>	<b>+3%</b>
<b><u>Sales</u></b>				
<b>Aerospace</b>	1,067	1,040	+3%	-6%
<b>Transport</b>	276	291	-5%	-7%
<b>Defence &amp; Security</b>	1,364	1,305	+4%	+1%
<b>Other</b>	12	28		
<b>Total</b>	<b>2,719</b>	<b>2,664</b>	<b>+2</b>	<b>-3%</b>