

↳ Paris La Défense, 6 May 2015

## Order intake and sales as of 31 March 2015

Thales (Euronext: HO) is today releasing its order intake and sales figures for the first quarter of 2015.

Patrice Caine, Chairman & Chief Executive Officer, stated that: *"The beginning of 2015 confirms Thales's strong commercial momentum with order intake up 36% in the first quarter. Growth was particularly strong in emerging markets, which are benefitting from sustained demand."*

### Key points

- **Order intake: €2.82 billion** (+36%), led by emerging markets (Egyptian Rafale)
- **Sales: €2.58 billion** (+4%)
- **2015 objectives confirmed**

| <i>In millions of euros</i> | Q1 2015      | Q1 2014      | Total change | Organic change <sup>1</sup> |
|-----------------------------|--------------|--------------|--------------|-----------------------------|
| <b>Order intake</b>         |              |              |              |                             |
| Aerospace                   | 782          | 777          | +1%          | -7%                         |
| Transport                   | 462          | 257          | +80%         | +75%                        |
| Defence & Security          | 1,566        | 1,024        | +53%         | +48%                        |
| Other                       | 13           | 16           |              |                             |
| <b>Total</b>                | <b>2,823</b> | <b>2,074</b> | <b>+36%</b>  | <b>+30%</b>                 |
| <b>Sales</b>                |              |              |              |                             |
| Aerospace                   | 1,081        | 955          | +13%         | +3%                         |
| Transport                   | 234          | 229          | +2%          | -3%                         |
| Defence & Security          | 1,244        | 1,266        | -2%          | -5%                         |
| Other                       | 17           | 17           |              |                             |
| <b>Total</b>                | <b>2,576</b> | <b>2,467</b> | <b>+4%</b>   | <b>-2%</b>                  |

*It should be noted that 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 over a single quarter cannot be extrapolated and may differ markedly from long-term trends. This comment is even more applicable when each operational segment is taken separately.*

<sup>1</sup> See definition in the appendix.

## Order intake

**New orders** booked over the first quarter of 2015 reached **€2,823 million**, an **increase of 36%** over the first quarter of 2014 (+30% at constant scope and exchange rates<sup>1</sup>). At 31 March 2015, the consolidated **order book** amounted to **€28,228 million**, which is equivalent to more than two years of sales. The **book-to-bill** ratio came to **1.10** in the first three months of the year, compared to 0.84 in the same period in 2014.

Three major **orders, each valued at more than €100 million** were recorded in the first quarter:

- a systems and equipment contract as part of the order for 24 Rafale combat aircraft from the Egyptian government;
- a supervision and rail signalling contract for the Hong Kong metro;
- a French military intelligence satellite system contract (Ceres programme).

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

Thanks to the Egyptian Rafale contract, **order intake in emerging markets<sup>2</sup> doubled** compared to the first quarter of 2014 and reached **€1,287 million**, which represents 46% of total order intake.

Order intake in the **Aerospace** segment was stable at **€782 million**, compared to €777 million in the first three months of 2014. The positive evolution in commercial avionics, which also benefitted from the consolidation of Live TV and from a favourable exchange rate impact, offset the slowdown in military avionics. The order intake in Space activities remained stable overall.

Order intake increased significantly in the **Transport** segment over the first quarter (+80%) to reach **€462 million** compared to €257 million in 2014. This growth was largely the result of a major supervision and rail signalling order for the Hong Kong metro, which offset lower order intake from the main lines activity.

Order intake in the **Defence & Security** segment was also up significantly at **€1,566 million** compared to €1,024 million at 31 March 2014 (+53%). The increase, primarily driven by the large Egyptian order for 24 Rafale combat aircraft, mainly came from the Defence Mission Systems business. However, the Land & Air Systems business saw its order intake decrease, despite good momentum in Australian armaments and vehicle activities. Secure Communications and Information Systems orders were also down, with the first quarter of 2014 having been boosted by a major urban security order from Mexico City.

<sup>1</sup> Given a positive exchange rate effect of €75 million and a positive scope effect of €27 million related to the consolidation of Live TV on 1 July 2014 (Aerospace segment).

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

## Sales

Group **sales** reached **€2,576 million** as of 31 March 2015, compared to €2,467 million in the first quarter of 2014, i.e. an increase of 4% (-2% at constant scope and exchange rates<sup>1</sup>).

Sales in the **Aerospace** segment totalled **€1,081 million**, an increase of 13% compared with the first quarter of 2014 (+3% at constant scope and exchange rates). The Avionics activities continued to grow, reflecting increased activity at aircraft manufacturers, in-flight entertainment and aftermarket, as well as the benefits from a positive exchange rate effect and the acquisition of Live TV. Space activities sales were down slightly in both the telecommunications and observation domains. Recent orders have not offset a lower activity on the Iridium and Sentinel programmes.

The **Transport** segment recorded sales of **€234 million** compared to €229 million in 2014, representing an increase of 2% (-3% at constant scope and exchange rates). The main line rail signalling activities reported sales growth, thanks in particular to several projects in Europe: Switzerland and Poland. This growth, combined with a positive exchange-rate impact, offset lower activities in ticketing and urban rail signalling activities.

Sales in the **Defence & Security** segment reached **€1,244 million**, compared to €1,266 million, down 2% compared to the first quarter of 2014 (-5% at constant scope and exchange rates). Defence Mission Systems sales declined, despite strong business activity for French military aircraft support and the United Arab Emirates. Sales were also slightly down in Secure Communications and Information Systems, as a good performance by secure networks (Qatar) and cybersecurity did not entirely offset the decrease in the protection systems activities. However, Land & Air Systems recorded an increase in sales, led by the air traffic control business (ramping up of the Marshall programme in the United Kingdom) and the air defence business.

## Outlook

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

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

This positive trend, combined with competitiveness improvement efforts, and the progressive return to profitability of DCNS should result in an EBIT<sup>2</sup> increase of around 15% compared to 2014 (based on February 2015 exchange rates), to reach €1,130 to €1,150 million.

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

<sup>1</sup> Given a positive exchange rate effect of €110 million and a positive scope effect of €45 million related to the consolidation of Live TV on 1 July 2014 (Aerospace segment).

<sup>2</sup> Non-GAAP measure, see definition in the appendix.

This press release may contain forward-looking statements. Such forward-looking statements represent trends or objectives, and should not 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, Transport, Defence and Security markets. With 61,000 employees in 56 countries, Thales reported sales of €13 billion in 2014. With over 20,000 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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## 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, corresponds to income from operations plus the share of the net income (loss) of equity-accounted companies, excluding the amortisation of intangible assets acquired (purchase price allocation - PPA) recorded as part of business combinations;
- **adjusted net income** corresponds to the net income attributable to shareholders of the parent company, excluding the following items, net of the corresponding tax effects:
  - amortisation of intangible assets,
  - results of disposals of assets, change in scope of consolidation and others,
  - change in fair value of derivative foreign exchange instruments (recorded in "other financial results" in the consolidated financial statements),
  - actuarial gains on long-term benefits (accounted within the "finance cost on pensions and other long-term benefits" in the consolidated financial statements).

### Order intake by destination - Q1 2015

| <i>in millions of euros</i>      | Q1 2015      | Q1 2014      | Total change | Organic change | Q1 2015 as a % |
|----------------------------------|--------------|--------------|--------------|----------------|----------------|
| France                           | 561          | 507          | +11%         | +11%           | 20%            |
| United Kingdom                   | 153          | 156          | -2%          | -11%           | 5%             |
| Other European countries         | 426          | 559          | -24%         | -25%           | 15%            |
| <b>Europe</b>                    | <b>1,140</b> | <b>1,222</b> | <b>-7%</b>   | <b>-8%</b>     | <b>40%</b>     |
| <b>United States and Canada</b>  | <b>267</b>   | <b>161</b>   | <b>+66%</b>  | <b>+30%</b>    | <b>9%</b>      |
| <b>Australia and New Zealand</b> | <b>129</b>   | <b>73</b>    | <b>+74%</b>  | <b>+63%</b>    | <b>5%</b>      |
| Asia                             | 436          | 208          | +109%        | +98%           | 16%            |
| Middle East                      | 819          | 206          | +298%        | +287%          | 29%            |
| Rest of the World                | 32           | 204          | -84%         | -85%           | 1%             |
| <b>Emerging markets</b>          | <b>1,287</b> | <b>618</b>   | <b>+108%</b> | <b>+101%</b>   | <b>46%</b>     |
| <b>Order intake</b>              | <b>2,823</b> | <b>2,074</b> | <b>+36%</b>  | <b>+30%</b>    | <b>100%</b>    |

### ↳ Consolidated sales by destination - Q1 2015

| <i>in millions of euros</i>      | Q1 2015      | Q1 2014      | Total change | Organic change | Q1 2015 as a % |
|----------------------------------|--------------|--------------|--------------|----------------|----------------|
| France                           | 713          | 753          | -5%          | -4%            | 28%            |
| United Kingdom                   | 286          | 285          | 0%           | -10%           | 11%            |
| Other European countries         | 483          | 485          | 0%           | -2%            | 19%            |
| <b>Europe</b>                    | <b>1,482</b> | <b>1,523</b> | <b>+3%</b>   | <b>-5%</b>     | <b>58%</b>     |
| <b>United States and Canada</b>  | <b>325</b>   | <b>261</b>   | <b>+25%</b>  | <b>-3%</b>     | <b>12%</b>     |
| <b>Australia and New Zealand</b> | <b>131</b>   | <b>143</b>   | <b>-9%</b>   | <b>-14%</b>    | <b>5%</b>      |
| Asia                             | 337          | 313          | +8%          | +2%            | 13%            |
| Middle East                      | 201          | 150          | +34%         | +24%           | 8%             |
| Rest of the World                | 100          | 77           | +29%         | +24%           | 4%             |
| <b>Emerging markets</b>          | <b>638</b>   | <b>540</b>   | <b>18%</b>   | <b>+11%</b>    | <b>25%</b>     |
| <b>Sales</b>                     | <b>2,576</b> | <b>2,467</b> | <b>+4%</b>   | <b>-2%</b>     | <b>100%</b>    |