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Q1 2016 order intake and sales

- Order intake in line with expectations: €2.3 billion, down 18%¹
- Sales: €2.7 billion, representing organic growth² of 7.3%
- Confirmation of all financial objectives

Thales (Euronext Paris: HO) is today releasing its order intake and sales for Q1 2016. Patrice Caine, Chairman & Chief Executive Officer, commented: *“Business over the first few months of 2016 confirmed the acceleration of Thales’s sales momentum, which was first witnessed last year, with organic growth in sales of over 7%. Order intake is in line with our expectations. It is logically lower than in Q1 2015 when the Group recorded the Egyptian Rafale contract.”*

	Q1 2016	Q1 2015	Total change	Organic change
Order intake, € million				
Aerospace	1,030	782	+31%	+32%
Transport	231	462	-50%	-50%
Defence & Security	1,029	1,566	-34%	-34%
Other	22	13		
Total	2,312	2,823	-18%	-17%
Sales, € million				
Aerospace	1,067	1,082	-1.3%	-0.9%
Transport	260	234	+11.3%	+13.8%
Defence & Security	1,384	1,243	+11.4%	+13.2%
Other	20	18		
Total	2,732	2,576	+6.1%	+7.3%
Of which mature markets ³	1,959	1,938	+1.1%	+2.5%
Of which emerging markets ³	773	638	+21.2%	+21.8%

¹ Q1 2015 benefited from the recognition of a “jumbo” contract (unit value over €500 million): Egypt’s order of 24 Rafale fighter jets

² In this press release, “organic” means “at constant scope and exchange rates”

³ Mature markets: Europe, North America, Australia, New Zealand; emerging markets: all other countries. See page 5

Order intake

In the first quarter of 2016, **order intake** reached **€2,312 million**, a **fall of 18%** compared to the first quarter of 2015 (-17% at constant scope and exchange rates). Q1 2015 was driven by three large orders¹ totalling in excess of €1 billion, specifically the Rafale contract for the delivery of 24 fighter jets with the Egyptian government. Q1 order intake was up 11% compared to Q1 2014, in which no “outstanding” orders were recorded (Q1 2014 order intake: €2,074 million).

A large order worth over €100 million was recorded in the first quarter of 2016: a support contract for the British Army’s Watchkeeper UAVs.

In addition, volumes of orders under €100 million were particularly high, up 24% compared to Q1 2015.

From a geographical perspective², order intake in emerging markets (€625 million) returned to 2014 levels. Order intake in mature markets enjoyed good momentum (€1,686 million, +11% in organic growth).

Order intake in the **Aerospace** segment was up sharply at **€1,030 million** compared to €782 million in Q1 2015 (+31%). Orders related to space and commercial avionics activities were comparable to last year, while in-flight entertainment (IFE) and training and simulation activities were commercially very dynamic.

At **€231 million**, order intake in the **Transport** segment was down 50% compared to Q1 2015, which saw a major signalling contract in Hong Kong increase order intake.

Order intake in the **Defence & Security** segment stood at **€1,029 million**, compared to €1,566 million in Q1 2015 (-34%). As outlined above, in Q1 2015 this segment recorded the order related to the Egyptian Rafale fighter jets. After adjustments for this exceptional item, order intake in the Defence & Security segment was up, led by good sales momentum in most activities, including specifically the signing of a support contract for the British Army’s Watchkeeper UAV.

Sales

Sales for Q1 2016 stood at **€2,732 million**, compared to €2,576 million in Q1 2015, **up 6.1%** on a reported basis, and up 7.3% at constant scope and exchange rates (“organic” change), while in Q1 2015, they fell organically by 1.7% compared to Q1 2014.

In geographical terms³, this performance is due both to the return of organic growth in mature markets (+2.5%) and the continued high growth in emerging markets (+21.8%, after +11.2% in Q1 2015).

In the **Aerospace** segment, sales stood at **€1,067 million**, down 1.3% compared to Q1 2015 (-0.9% at constant scope and exchange rates). Avionics business remained dynamic, particularly in support activities, offsetting temporarily low levels of activity in IFE, notably in comparison to Q1 2015 which was particularly buoyant, and in helicopter avionics, where the slowdown began in Q2 last year. Sales in the Space segment were also up, especially in observation, exploration and navigation activities, which benefited from large orders in recent years.

¹ Orders with a unit value over €100 million

² See table on page 5

³ See table on page 5

The **Transport** segment saw sales of **€260 million**, up 11.3% on Q1 2015 (+13.8% at constant scope and exchange rates). Business in main line rail signalling remained dynamic, while urban rail signalling enjoyed significant growth after a weak Q1 2015.

Sales in the **Defence & Security** segment reached **€1,384 million**, up 11.3% on Q1 2015 (+13.2% at constant scope and exchange rates). This segment, where sales dropped by 5% in Q1 2015, returned to broad-based growth, led specifically by air defence, radar systems, contracts related to Indian Mirage aircraft and Rafale fighter jets, air traffic management, and several naval projects. Infrastructure systems was the only business to witness a slowdown, following the delivery last year of several large projects, including the new French Ministry of Defence Balard site.

Outlook

Order intake and sales for the first quarter are in line with expectations. In this context, the Group confirms all of its objectives, set out below.

After the record level seen in 2015, new orders are expected to remain high in 2016, close to the level observed in 2013–2014¹. Sales should see a mid-single digit organic growth compared to 2015.

This positive trend, combined with continuing efforts to improve competitiveness, should result in Thales posting an EBIT between €1,300 and €1,330 million (based on exchange rates in February 2016) which will represent an increase between 7% and 9% compared to 2015.

In this context, Thales is aiming for mid-single digit organic growth in 2017 and 2018. It also confirms its EBIT margin target of 9.5 to 10% in the same time frame.

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, such as those described in the company's Registration Document, which has been filed with the *Autorité des Marchés Financiers*, the French financial markets regulator.

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 variances are calculated based on underlying amounts, which feature in the consolidated financial statements.

¹ Average 2013-2014 order intake: €13.6 billion

About Thales

Thales is a global technology leader for the Aerospace, Transport, Defence and Security markets. With 62,000 employees in 56 countries, Thales reported sales of €14 billion in 2015. With over 22,000 engineers and researchers, Thales has a unique capability to design and deploy equipment, systems and services to meet the most complex security requirements. Its exceptional international footprint allows it to work closely with its customers all over the world.

www.thalesgroup.com

Contacts

 [@ThalesPress](https://twitter.com/ThalesPress)

Thales, Media Relations

Matt Pothecarry
+33 (0)1 57 77 86 26
pressroom@thalesgroup.com

Thales, Analysts/Investors

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

Order intake by destination – Q1 2016

<i>€ million</i>	Q1 2016	Q1 2015	Total change	Organic change	Weight Q1 2016 in %
France	471	561	-16%	-16%	20%
United Kingdom	290	153	+90%	+100%	+13%
Rest of Europe	569	426	+33%	+34%	25%
Sub-total Europe	1,330	1,140	+17%	+18%	58%
United States and Canada	231	267	-14%	-12%	10%
Australia and New Zealand	125	128	-2%	+3%	5%
Total mature markets	1,687	1,536	+10%	+11%	73%
Asia	250	436	-43%	-43%	11%
Middle East	217	819	-74%	-74%	9%
Rest of the world	159	32	+397%	+406%	7%
Total emerging markets	625	1,287	-51%	-51%	27%
Total all markets	2,312	2,823	-18%	-17%	100%

Sales by destination – Q1 2016

<i>€ million</i>	Q1 2016	Q1 2015	Total change	Organic change	Weight Q1 2016 in %
France	715	713	+0.2%	+0.3%	26%
United Kingdom	270	286	-5.7%	-1.1%	10%
Rest of Europe	521	483	+7.8%	+8.5%	19%
Sub-total Europe	1,505	1,482	+1.6%	+2.7%	55%
United States and Canada	306	326	-6.1%	-5.3%	11%
Australia and New Zealand	149	131	+13.7%	+19.9%	5%
Total mature markets	1,959	1,938	+1.1%	+2.5%	72%
Asia	399	337	+18.2%	+18.6%	15%
Middle East	280	201	+39.5%	+39.8%	10%
Rest of the world	94	100	-5.7%	-3.9%	3%
Total emerging markets	773	638	+21.2%	+21.8%	28%
Total all markets	2,732	2,576	+6.1%	+7.3%	100%