

Paris La Défense, 19 October 2016

Order intake and sales at 30 September 2016

- Order intake: €10.2 billion, +1%
- Sales: €10.0 billion, up 10.8% at constant scope and currency (+9.9% on a reported basis)
- Full Year 2016 order intake target upgraded to €15.5 to 16.0 billion
- Full Year 2016 sales target adjusted: organic¹ growth slightly above +5%

Thales (Euronext Paris: HO) is today releasing its order intake and sales at 30 September 2016. Patrice Caine, Chairman & Chief Executive Officer, commented: "Over the first nine months of the year, thanks to the efforts of its employees across the globe, Thales posted a solid commercial momentum, including a sharp rise in order intake in its aerospace and defence segments. The booking of the Indian Rafale order enables us to upgrade our order intake target for the Full Year. For the third consecutive year, Thales will achieve a book-to-bill ratio above 1, confirming its return to sustainable growth."

Order intake, € million	9 months 2016	9 months 2015	Total change	Organic change
Aerospace	3,735	3,153	+18%	+19%
Transport	687	2,486	-72%	-71%
Defence & Security	5,741	4,639	+24%	+25%
Other	53	34		
Total	10,216	10,312	-1%	+1%

Sales, € million	9 months 2016	9 months 2015	Total change	Organic change
Aerospace	3,898	3,587	+8.7%	+9.4%
Transport	1,046	862	+21.2%	+24.6%
Defence & Security	5,023	4,633	+8.4%	+9.1%
Other	66	49		
Total	10,033	9,131	+9.9%	+10.8%
Of which mature markets ²	7,077	6,593	+7.4%	+8.3%
Of which emerging markets ²	2,956	2,539	+16.4%	+17.1%

¹ In this press release, "organic" means "at constant scope and exchange rates".

² Mature markets: Europe, North America, Australia, New Zealand; emerging markets: all other countries. See page 5

Order intake

Over the first nine months of 2016, **order intake** reached **€10,216 million, down 1%** compared to the first nine months of 2015 (+1% at constant scope and exchange rates). This stability masked significant fluctuations relating to jumbo¹ contracts which were recorded in both 2015 (Rafale in Egypt and London Underground signaling) and 2016 (Rafale in India). Compared to 9m 2014, in which no “outstanding” orders were recorded, order intake increased by 36% (9m 2014 order intake: €7,539 million).

Over 9m 2016, Thales recorded six **large orders** (with a unit value over €100 million), for a total amount of €3,057 million:

- One contract booked in Q1 2016, covering the support of the Watchkeeper unmanned air vehicle for the British army;
- Two contracts booked in Q2 2016: the securitisation of 170 Ministry of Defence sites in the Netherlands, and the production of a military satellite for a client in the Middle East;
- Three contracts booked in Q3 2016: the contract related to the order of 36 Rafale combat aircraft by the Indian government, the provision to satellite operator SES of a satellite specifically designed for onboard Internet connectivity (SES 17), and the sale² of in-flight entertainment systems (IFE) to a major new airline customer.

Orders with a unit value of less than €100 million posted growth of 3% compared to 9m 2015.

From a geographical point of view³, orders in emerging markets (€4,346 million) posted strong growth (organic growth: +36%), benefiting from the Rafale contract in India. Orders in mature markets, which were stable in H1, declined over 9 months (€5,870 million, organic growth: -16%) since the Group booked in Q3 2015 the jumbo contract (approximately €1 billion) related to the modernization of the London Underground signaling system.

Order intake in the **Aerospace** segment increased sharply, to **€3,735 million**, compared to €3,153 million in 9m 2015 (+18%). Avionics orders remained solid, sustained in particular by military avionics. In-flight entertainment (IFE) was strong, recording the very significant order for a major airline customer mentioned above. The Space segment still benefited from a good momentum in sales. After the order for a military satellite from a Middle East customer, which was recorded in Q2, the Space segment booked the order from SES for a large telecommunications satellite previously mentioned.

At **€687 million**, order intake in the **Transport** segment was down 72% compared to 9m 2015, when the Group won three large urban rail signaling contracts (Doha, Hong Kong, London).

¹ With a unit value over €500 million

² This contract will be announced shortly

³ See table on page 5

Order intake in the **Defence & Security** segment increased sharply to **€5,741 million** compared to €4,639 million in 9m 2015 (+24%). It benefited from the booking of the jumbo contract for systems and equipment relating to the 36 Rafale fighter aircraft ordered by India. Excluding fighter jet related activities (which had booked another jumbo contract last year in Egypt), the rest of the Defence & Security segment maintained a good commercial momentum, with an order intake comparable to last year.

Sales

9m 2016 **sales** stood at **€10,033 million** compared to €9,131 million for 9m 2015, up 9.9% on a reported basis, and up 10.8% at constant scope and exchange rates ("organic" change), driven by a good momentum in all segments.

From a geographical point of view¹, this performance was driven both by continued strong growth in emerging markets (+17.1%, after +21.0% in 9m 2015) and by the inflection of organic growth in mature markets (+8.3%, after -1.6% in 9m 2015).

Aerospace segment sales stood at **€3,898 million**, an increase of 8.7% compared to 9m 2015 (+9.4% at constant scope and exchange rates). The Avionics segment remained strong, particularly in commercial and military aircraft, while IFE returned to growth following a first quarter which had been affected by a particularly high basis for comparison. However, avionics sales for helicopters were still down over the period. Sales in the Space segment experienced strong growth, benefiting from the ramp-up of work on the contracts signed in 2014 and 2015, in the fields of telecommunications (ComSat NG, O3B constellation), of observation (Sentinel 1C/1D, Sentinel 3C/3D...), as well as exploration (Exomars programme).

In the **Transport** segment, sales amounted to **€1,046 million**, an increase of 21.2% compared with 9m 2015 (+24.6% at constant scope and exchange rates). This strong growth reflected the recovery of project execution compared to 9m 2015, as well as the start of invoicing on the 3 major projects won last year.

Defence & Security segment sales reached **€5,023 million**, an increase of 8.4% compared with 9m 2015 (+9.1% at constant scope and exchange rates). Almost all businesses contributed to this momentum. The Land & Air Systems segment posted strong growth, specifically in air defence, civilian and military radars, as well as air traffic management (ATM). The Defence Mission Systems segment benefited from high levels of business in fighter aircraft systems as well as surface ship systems. Only the Secure Communications and Information Systems segment witnessed a slowdown, following the delivery last year of several large projects, such as the new French Ministry of Defence site ("*Balard*").

¹ See table on page 5

Outlook

The booking of the Rafale order from India, combined with the continuing good commercial momentum, allows Thales to upgrade its order intake target for the Full Year 2016. Order intake is now expected in the €15.5 to 16.0 billion range¹.

The Group is also adjusting its sales guidance. In fact, even though Q4 growth will be affected by a strong basis for comparison, the strong momentum observed during the first nine months of the year should result in a Full Year 2016 organic sales growth slightly above +5%².

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

Thales targets a mid-single digit organic sales growth on average in the 2016-2018 period, and an improvement in its EBIT margin³ to reach the rate of 9.5–10% by 2017/2018.

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.

In this 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.

About Thales

Thales is a global technology leader for the Aerospace, Transport, Defence and Security markets. Thanks to its 62,000 employees in 56 countries, Thales recorded 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 unique international footprint allows it to work closely with its customers all over the world.

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¹ Previous objective: close to the level observed in 2013-2014 (average 2013-14 order intake: €13.6 billion)

² Previous objective: mid-single digit organic growth

³ Non-GAAP measure, see definition in H1 2016 results press release

Order intake by destination – 9 months 2016

€ million	9 months 2016	9 months 2015	Total change	Organic change	Weighting 9m 2016 in %
France	1,939	1,912	+1%	+1%	19%
UK	537	1,723	-69%	-66%	5%
Rest of Europe	2,038	2,068	-1%	-1%	20%
Europe subtotal	4,514	5,703	-21%	-18%	44%
United States and Canada	820	816	+1%	-5%	8%
Australia and New Zealand	536	580	-8%	-6%	5%
Total mature markets	5,870	7,099	-17%	-16%	57%
Asia	2,880	952	+203%	+204%	28%
Near and Middle East	1,170	1,990	-41%	-41%	11%
Rest of the world	296	272	+9%	+11%	3%
Total emerging markets	4,346	3,213	+35%	+36%	43%
Total all markets	10,216	10,312	-1%	+1%	100%

Sales by destination – 9 months 2016

€ million	9 months 2016	9 months 2015	Total change	Organic change	Weighting 9m 2016 in %
France	2,442	2,255	+8.3%	+8.3%	24%
UK	886	929	-4.6%	+4.2%	9%
Rest of Europe	2,081	1,829	+13.8%	+14.5%	21%
Europe subtotal	5,409	5,012	+7.9%	+9.9%	54%
United States and Canada	1,095	1,081	+1.3%	-2.8%	+11%
Australia and New Zealand	573	499	+14.9%	+16.7%	6%
Total mature markets	7,077	6,593	+7.4%	+8.3%	71%
Asia	1,388	1,189	+16.7%	+17.2%	14%
Near and Middle East	1,204	950	+26.8%	+27.4%	12%
Rest of the world	364	400	-9.1%	-7.9%	4%
Total emerging markets	2,956	2,539	+16.4%	+17.1%	29%
Total all markets	10,033	9,131	+9.9%	+10.8%	100%

Order intake and sales in the 3rd quarter

	Q3 2016	Q3 2015	Total change	Organic change
Order intake, € million				
Aerospace	1,516	1,303	+16%	+17%
Transport	180	1,289	-86%	-85%
Defence & Security	3,076	1,489	+107%	+108%
Other	21	7		
Total	4,793	4,088	+17%	+20%
Sales, € million				
Aerospace	1,231	1,075	+14.5%	+15.4%
Transport	328	293	+11.9%	+15.4%
Defence & Security	1,602	1,405	+14.0%	+13.9%
Other	26	11		
Total	3,187	2,785	+14.5%	+15.1%
Of which mature markets ¹	2,221	1,999	+11.1%	+11.8%
Of which emerging markets ¹	966	786	+22.9%	+23.5%

¹ Mature markets: Europe, North America, Australia, New Zealand; emerging markets: all other countries.