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Q1 2017 order intake and sales

- Order intake in line with expectations: €2.3 billion, down 1%
- Sales: €3.1 billion, up 11.0% on an organic basis¹ (up 11.9% on a reported basis)
- All financial objectives confirmed

Thales (Euronext Paris: HO) announced today its order intake and sales for Q1 2017. Patrice Caine, Chairman and Chief Executive Officer, commented: *"The start of 2017 has confirmed the solid momentum of all of our businesses, with organic sales growth ahead of the full year target, driven by both mature and emerging markets. Order intake for the first quarter of 2017 is in line with our expectations. We remain focused on implementing all the initiatives undertaken as part of our Ambition 10 strategy and we confirm our 2017 sales growth and profitability objectives."*

	Q1 2017	Q1 2016	Total change	Organic change
Order intake (in € millions)				
Aerospace	938	1,030	-9%	-9%
Transport	215	231	-7%	-7%
Defence & Security	1,112	1,030	+8%	+7%
Other	16	21		
Total	2,281	2,312	-1%	-2%
Sales (in € millions)				
Aerospace	1,252	1,067	+17.3%	+16.2%
Transport	279	260	+7.2%	+7.2%
Defence & Security	1,511	1,386	+9.0%	+8.0%
Other	15	19		
Total	3,058	2,732	+11.9%	+11.0%
Of which mature markets ²	2,148	1,959	+9.7%	+8.7%
Of which emerging markets ²	909	773	+17.6%	+16.6%

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

² Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 5.

Order intake

In Q1 2017, **order intake** amounted to **€2,281 million**, **down 1%** compared to Q1 2016 (down 2% at constant scope and currency).

One large order worth over €100 million was booked in Q1 2017, for the supply of a telecommunications satellite.

The volume of small orders with a unit value of less than €10 million represented €1,606 million, up 5% on Q1 2016.

From a geographical perspective¹, order intake in emerging markets fell slightly by 4% to €603 million, whereas order intake in mature markets remained broadly flat year on year (€1,677 million, -1%).

Order intake for the **Aerospace** segment fell 9% to **€938 million**, compared to €1,030 million in Q1 2016. Order intake for the space and commercial avionics activities increased compared to the previous year, unlike the In-Flight Entertainment (IFE) and Training & Simulation businesses which did not sign any significant contracts during the period, in contrast with Q1 2016.

Order intake in the **Transport** segment amounted to **€215 million**, down 7% on Q1 2016 (€231 million).

Order intake for the **Defence & Security** segment rose 8% to **€1,112 million**, from €1,030 million in Q1 2016.

Sales

Sales for Q1 2017 stood at **€3,058 million**, compared to €2,732 million in Q1 2016, **up 11.9%** on a reported basis, and up 11.0% at constant scope and currency ("organic" change). In Q2, sales growth is expected to be impacted by a high basis of comparison², particularly in the Transport and Aerospace segments.

From a geographical perspective³, this very good performance reflects both continued strong growth in emerging markets (up 16.6%, following on from 21.8% in Q1 2016) and increased organic growth in mature markets (up 8.7%, after +2.5% in Q1 2016).

Sales in the **Aerospace** segment totalled **€1,252 million**, a sharp 17.3% increase compared to Q1 2016 (up 16.2% at constant scope and currency), reflecting a favourable basis of comparison in In-Flight Entertainment, which had recorded a temporarily low level of activity in Q1 2016, and robust sales growth in the Space segment, driven primarily by the observation, exploration and navigation businesses, which booked several large orders in 2015 and 2016.

¹ See table on page 5.

² Total organic sales growth: +11.3% between Q2 2014 and Q2 2015, +9.9% between Q2 2015 and Q2 2016, significantly higher than the organic growth observed over the year: +4.5% between 2014 and 2015, +6.8% between 2015 and 2016.

³ See table on page 5.

In the **Transport** segment, sales totalled **€279 million**, up 7.2% compared to Q1 2016 (up 7.2% at constant scope and currency), benefiting particularly from the ramp up of the large urban rail signalling contracts signed in 2015 and 2016.

Sales in the **Defence & Security** segment represented **€1,511 million**, up 9.0% compared to Q1 2016 (up 8.0% at constant scope and currency). This segment continues to enjoy a broad based momentum, driven notably by the major contract wins of 2015 and 2016 (Hawkei in Australia, Rafale, etc.), military telecommunications networks and cybersecurity activities.

Outlook

Q1 2017 order intake and sales are in line with expectations. In this context, the Group confirms all of its objectives, as set out below.

Although below the highs recorded in 2015 and 2016, order intake in 2017 should remain brisk, at around €14 billion.

Sales should see mid-single digit organic growth compared to 2016.

This positive trend, combined with continuing efforts to improve competitiveness, should result in Thales delivering between €1,480 million and €1,500 million in EBIT (based on February 2017 scope and exchange rates), representing an increase of 9% to 11% versus 2016.

Thales also confirms its mid-term objectives of mid-single digit organic sales growth on average in the 2016-2018 period, and an EBIT margin of between 9.5% and 10% in 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. 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 French financial markets authority (*Autorité des marchés financiers* — AMF).

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 changes 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 & Security markets. Thanks to its 64,000 employees in 56 countries, Thales recorded sales of €14.9 billion in 2016. With over 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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Order intake by destination – Q1 2017

<i>(in € millions)</i>	Q1 2017	Q1 2016	Total change	Organic change	Q1 2017 weighting in %
France	571	471	+21%	+21%	25%
United Kingdom	123	290	-58%	-54%	5%
Rest of Europe	522	569	-8%	-9%	23%
Sub-total Europe	1,216	1,330	-9%	-7%	53%
United States and Canada	264	231	+14%	+6%	12%
Australia and New Zealand	197	125	+58%	+46%	9%
Total mature markets	1,677	1,687	-1%	-1%	74%
Asia	412	250	+65%	+67%	18%
Middle East	140	217	-35%	-35%	6%
Rest of the world	51	159	-68%	-69%	2%
Total emerging markets	603	625	-4%	-4%	26%
Total all markets	2,281	2,312	-1%	-2%	100%

Sales by destination – Q1 2017

<i>(in € millions)</i>	Q1 2017	Q1 2016	Total change	Organic change	Q1 2017 weighting in %
France	737	715	+3.1%	+3.0%	24%
United Kingdom	274	270	+1.5%	+9.0%	9%
Rest of Europe	597	521	+14.7%	+13.7%	20%
Sub-total Europe	1,608	1,505	+6.8%	+7.8%	53%
United States and Canada	333	306	+9.0%	+2.6%	11%
Australia and New Zealand	207	149	+39.6%	+29.4%	7%
Total mature markets	2,148	1,959	+9.7%	+8.7%	70%
Asia	434	399	+9.0%	+8.2%	14%
Middle East	395	280	+41.0%	+40.5%	13%
Rest of the world	80	94	-15.2%	-17.7%	3%
Total emerging markets	909	773	+17.6%	+16.6%	30%
Total all markets	3,058	2,732	+11.9%	+11.0%	100%