

Q1 2018 order intake and sales

- Solid order intake: €3.0 billion, up 34%
- Sales: €3.4 billion, up 7.2% on an organic basis¹ (up 4.1% on a reported basis)
- All financial objectives confirmed

Thales (Euronext Paris: HO) announced today its order intake and sales for Q1 2018.

Order intake, in € millions	Q1 2018	Q1 2017 restated for IFRS 15	Q1 2017 reported	Total change	Organic change
Aerospace	751	925	938	-19%	-16%
Transport	488	215	215	+127%	+132%
Defence & Security	1,782	1,112	1,112	+60%	+68%
Other	11	16	16		
Total	3,032	2,267	2,281	+34%	+39%

Sales, in € millions	Q1 2018	Q1 2017 restated for IFRS 15	Q1 2017 reported	Total change	Organic change
Aerospace	1,285	1,332	1,252	-3.5%	-0.3%
Transport	386	310	279	+24.4%	+29.3%
Defence & Security	1,729	1,620	1,511	+6.7%	+9.5%
Other	11	16	15		
Total	3,412	3,278	3,058	+4.1%	+7.2%
Of which mature markets ²	2,463	2,372	2,148	+3.8%	+6.6%
Of which emerging markets ²	949	905	909	+4.8%	+8.9%

“Thales starts 2018 with a solid momentum. Sales are organically up by 7.2%, ahead of our full year target. Order intake is very strong, in particular thanks to the booking of a major air traffic management modernisation project in Australia. We confirm all of our financial objectives for 2018.”

Patrice Caine, Chairman & Chief Executive Officer

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 6.

As of 1 January 2018, the Group has been applying the IFRS 15 standard “Revenue from contracts with customers”. All changes discussed below are calculated compared with the Q1 2017 figures restated for the application of this standard.

Order intake

In Q1 2018, order intake amounted to €3,032 million, up 34% compared to Q1 2017 (up 39% at constant scope and currency). Three large orders worth over €100 million were booked in Q1 2018:

- The jumbo³ contract to modernize civil and military air traffic management (ATM) infrastructures across Australia (“OneSKY” project)
- The contract related to Qatar ordering 12 additional Rafale combat aircraft
- Renovation of the signalling system on one of the main railways in Poland

At €1,834 million, orders with a unit value of less than €100 million declined by 15% compared to Q1 2017, impacted by quarter-to-quarter phasing effects.

From a **geographical**⁴ point of view, order intake in mature markets recorded strong growth (€2,496 million, up 59%), driven particularly by the OneSKY project in Australia, while order intake in emerging markets declined (€536 million, down 15%).

Order intake in the **Aerospace** segment fell 19%, to €751 million, compared to €925 million in Q1 2017 which had benefited from the order of a telecommunications satellite by Russian operator Gazprom Space Systems.

At €488 million, order intake in the **Transport** segment was particularly dynamic, since it benefited, in addition to the contract in Poland mentioned above, from the booking of the first phase of the traffic management system that covers the entire Norwegian railway network. Orders thus increased by 127% compared to Q1 2017 (€215 million).

At €1,782 million versus €1,112 million in Q1 2017, order intake in the **Defence & Security** segment also saw a strong increase (up 60%), benefiting in particular from OneSKY, the jumbo Australian ATM contract mentioned above.

³Jumbo: with a unit value of more than €500 million.

⁴ See table on page 6.

Sales

Sales for Q1 2018 stood at €3,412 million compared to €3,278 million in Q1 2017, up 4.1% on a reported basis, and up 7.2% at constant scope and currency⁵ (“organic” change).

From a **geographical**⁶ perspective, this increase reflects both continued strong organic growth in emerging markets (+8.9%, following on from +16.6% in Q1 2017) and the continuing solid organic growth in mature markets (+6.6%, after +8.7% in Q1 2017).

Sales in the **Aerospace** segment totalled €1,285 million, down 3.5% compared to Q1 2017 (down 0.3% at constant scope and currency). This stability reflects a high comparison basis, particularly in In-Flight Entertainment and in the Space business: organic growth was exceptionally strong in Q1 2017 (+16.2%).

In the **Transport** segment, sales totalled €386 million, up 24.4% compared to Q1 2017 (up 29.3% at constant scope and currency). The segment is still benefiting from the ramp-up of the large urban rail signalling contracts signed in 2015 and 2016, combined with an upturn in mainline activity. In the coming quarters, the growth of this segment is expected to be significantly lower.

Sales in the **Defence & Security** segment represented €1,729 million, up 6.7% compared to Q1 2017 (up 9.5% at constant scope and currency). This segment continues to enjoy a solid growth base, particularly driven this quarter by surface radars, military naval and aircraft systems, military telecommunication networks, and civil cybersecurity.

⁵ Taking into account a negative exchange rate effect of €94 million and a net negative scope effect of €1 million.

⁶ See table on page 6.

Outlook

Q1 2018 order intake and sales are in line with expectations. In this context, the Group confirms all of its objectives, as set out below.

As of 1 January 2018, the Group has been applying the IFRS 15 standard “Revenue from contracts with customers”. To provide a basis for understanding the 2018 financial targets, the 2017 results restated for the application of this standard are presented on page 20 of the 2017 full-year results press release published on 6 March 2018.

In 2018, Thales should continue to benefit from positive trends in the majority of its markets. The acceleration of the commercial momentum in the defence businesses should offset the slowdown of the telecom satellite market. In this context, 2018 order intake is expected to be around €15.5 billion.

In spite of a more moderate growth in the aerospace segment, sales should see an organic growth of between 4 and 5% compared to 2017 sales restated for the application of the IFRS 15 standard (€15,228 million).

The Group will continue to significantly increase its R&D investments, particularly in digital technologies. The self-funded R&D expenses should therefore increase by approximately 10% compared to 2017.

The growth in sales, combined with the impact of the Ambition 10 strategy on product competitiveness and differentiation, should result in Thales delivering an EBIT of between €1,620 and €1,660 million in 2018 (based on February 2018 scope and exchange rates), representing an increase of 19% to 22% compared to 2017 EBIT restated for the application of the IFRS 15 standard (€1,365 million).

Therefore, the Group expects to exceed its two mid-term objectives: the average organic sales growth in the 2016-2018 period should be over 5%, and the 2018 EBIT margin should be above the top end of the range set in April 2014 (9.5% to 10% in 2017/2018).

This outlook does not take into account the projected acquisition of Gemalto. The Group may need to update its outlook depending on the effective conclusion date of this transaction.

The Group will review its strategy and set medium-term objectives at a capital markets day to be held on 6 June 2018 at its Gennevilliers (France) site.

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

The people who make the world go round – they rely on Thales. Our customers come to us with big ambitions: to make life better, to keep us safer.

Combining a unique diversity of expertise, talents and cultures, our architects design and deliver extraordinary high technology solutions. Solutions that make tomorrow possible, today. From the bottom of the oceans to the depths of space and cyberspace, we help our customers think smarter and act faster, mastering ever greater complexity at every decisive moment along the way.

With 65,000 employees in 56 countries, Thales reported sales of €15.8 billion in 2017.

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Order intake by destination – Q1 2018

<i>(in € millions)</i>	Q1 2018	Q1 2017 restated for IFRS 15	Q1 2017 reported	Total change	Organic change	Q1 2018 weighting in %
France	433	565	571	-23%	-22%	14%
United Kingdom	97	123	123	-21%	-18%	3%
Rest of Europe	728	522	522	+40%	+42%	24%
Sub-total Europe	1,258	1,209	1,216	+4%	+6%	41%
United States and Canada	278	229	264	+21%	+34%	9%
Australia and New Zealand	961	197	197	x 4.9	x 5.4	32%
Total mature markets	2,496	1,636	1,677	+53%	+59%	82%
Asia	180	418	412	-57%	-56%	6%
Middle East	304	135	140	+124%	+133%	10%
Rest of the world	52	79	51	-34%	-28%	2%
Total emerging markets	536	632	603	-15%	-12%	18%
Total all markets	3,032	2,267	2,281	+34%	+39%	100%

Sales by destination – Q1 2018

<i>(in € millions)</i>	Q1 2018	Q1 2017 restated for IFRS 15	Q1 2017 reported	Total change	Organic change	Q1 2018 weighting in %
France	994	913	737	+9.0%	+9.8%	29%
United Kingdom	303	291	274	+3.9%	+6.5%	9%
Rest of Europe	659	661	597	-0.3%	+1.0%	19%
Sub-total Europe	1,956	1,865	1,608	+4.9%	+6.2%	57%
United States and Canada	322	341	333	-5.4%	+1.1%	9%
Australia and New Zealand	185	167	207	+10.6%	+23.5%	5%
Total mature markets	2,463	2,372	2,148	+3.8%	+6.6%	72%
Asia	471	418	434	+12.8%	+16.8%	14%
Middle East	292	326	395	-10.2%	-6.5%	9%
Rest of the world	185	162	80	+14.5%	+19.6%	5%
Total emerging markets	949	905	909	+4.8%	+8.9%	28%
Total all markets	3,412	3,278	3,058	+4.1%	+7.2%	100%

Organic change in sales

	2017 sales restated for IFRS 15	Currency impact	Impact of disposals	2018 sales	Impact of acquisitions	Total change	Organic change
<i>(in € millions)</i>							
Q1	3,278	-94	9	3,412	8	+4.1%	+7.2%