

Thales adjusts down its 2019 organic sales growth target and confirms its other short and medium-term financial targets

- Q3 2019 sales in line with consensus expectations: €4.2 billion, up 23.4% (+0.9% on an organic basis¹)
- 2019 sales growth target adjusted: growth now expected around +1%
- Confirmation of all other 2019 financial objectives (order intake and EBIT²), as well as medium-term financial objectives presented at the 3 October Capital Markets Day

Thales (Euronext Paris: HO) will disclose its order intake and sales for the period ending 30 September 2019 at 7am CET on Tuesday 22 October.

In accordance with EU regulation No. 596/2014, which provides that issuers shall inform the public as soon as possible of inside information directly relevant to them, the Group is today announcing the adjustment of its 2019 organic sales growth target.

Thales now expects its organic sales growth to be around 1% over Full Year 2019³. This adjustment is due to 2 operating segments: Aerospace and Defence & Security.

In the **Aerospace** segment, operators of commercial telecommunication satellites continued to adopt a wait-and-see attitude in the 3rd quarter, resulting in a lower than expected order intake, which will therefore contribute only slightly to Q4 sales. For the Full Year 2019, the Group now anticipates a decline of around 13% in space sales⁴.

Nevertheless, the Group is currently participating in the final stage of 4 significant commercial satellite tenders, whose conclusion is expected in the coming weeks. This level of commercial activity confirms the gradual recovery of this market.

¹ In this press release, “organic” means at constant scope and currency. See definition page 27 of the 2018 registration document, and detailed computation on page 3

² Non-GAAP financial indicator, see definition page 27 of the 2018 registration document

³ Previous target: “at the lower end of the 3 to 4% range”

⁴ Previous target: “decline of around 10%”. This business generated sales of €2.45 billion in 2018.

The long-term outlook for space markets remains robust, driven notably by the increase in space agency budgets, the growing importance of space systems for military applications, and the strong development of commercial connectivity needs.

In the **Defence & Security** segment, Full Year 2019 organic sales growth will remain high, around 6 to 7%, but should be lower than previously anticipated. The Group is facing a few delays on a limited number of projects, including a slower than expected production ramp-up on the Hawkei Australian military vehicles, and delays in contract awards by a few customers.

The 2019-23 growth outlook in this segment is unchanged.

At €4,220m, Q3 sales are in line with the consensus forecast of analysts who follow Thales results on a regular basis⁵. Q3 sales and organic sales growth are detailed in appendix, page 3.

The acceleration of competitiveness initiatives enables the Group to maintain unchanged its Full Year 2019 EBIT target: Thales should deliver an **EBIT** of between €1,980 million and €2,000 million, based on September 2019 scope and currency.

The Group also confirms its Full Year 2019 **order intake** target, expected to be slightly above €18 billion.

This press release contains inside information as per the definition of article 7 of EU regulation No. 596/2014

It 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).

⁵ Q3 2019 consensus sales collected between 10 and 15 October: €4,235m. See <https://www.thalesgroup.com/en/investor/publications/releases-publications/consensus>

Sales by operating segment – 9 months and Q3 2019

<i>In € millions</i>	9m 2019	9m 2018	Total change	Organic change
Aerospace	3,787	4,010	-5.6%	-6.8%
Transport	1,268	1,373	-7.6%	-8.9%
Defence & Security	5,670	5,319	+6.6%	+7.7%
Digital Identity & Security	1,631	131	n.s.	n.s.
Other	54	40	-	-
Total	12,410	10,873	+14.1%	+0.0%

<i>In € millions</i>	Q3 2019	Q3 2018	Total change	Organic change
Aerospace	1,177	1,242	-5.2%	-6.3%
Transport	433	469	-7.6%	-8.8%
Defence & Security	1,788	1,650	+8.4%	+9.6%
Digital Identity & Security	802	44	n.s.	n.s.
Other	19	17	-	-
Total	4,220	3,421	+23.4%	+0.9%

Organic change in sales by quarter

<i>In € millions</i>	2018 sales	Currency impact	Impact of disposals	2019 sales	Impact of acquisitions	Total change	Organic change
Q1	3,412	+37	-25	3,361	+4	-1.5%	-2.0%
Q2	4,040	+23	-26	4,829	+759	+19.5%	+0.8%
H1	7,452	+60	-51	8,190	+763	+9.9%	-0.5%
Q3	3,421	+25	-24	4,220	+766	+23.4%	+0.9%
9 months	10,873	+85	-75	12,410	+1,529	+14.1%	+0.0%

About Thales

Thales (Euronext Paris: HO) is a global technology leader shaping the world of tomorrow today. The Group provides solutions, services and products to customers in the aeronautics, space, transport, digital identity and security, and defence markets. With 80,000 employees in 68 countries, Thales generated sales of €19 billion in 2018 (on a pro forma basis including Gemalto).

Thales is investing in particular in digital innovations — connectivity, *Big Data*, artificial intelligence and cybersecurity — technologies that support businesses, organisations and governments in their decisive moments.

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