

Thales specifies the effects of the termination of the F126 program and increases several of its objectives for 2026

- Thales plans to record an exceptional charge related to the end of the F126 program
- This charge will have no effect on the Group's Adjusted key performance indicators
- Thales is increasing its order intake and cash generation targets for 2026.

Update on the cancellation of the German F126 frigate program

Thales acknowledges the decision of the German Ministry of Defence, announced on 24 June 2026, to terminate the contract for the six F126 frigates program, for which the Dutch shipyard Damen Schelde Naval Shipbuilding ("DSNS") was the prime contractor and Thales one of the sub-contractors.

Thales had been selected by DSNS in November 2020 to supply radars, sensors, combat management and fire control systems, as well as for the integration of the combat platform for this program.

The decision taken by the German Ministry of Defence to completely halt the F126 program is a total turnaround.

Thales is assessing the consequences of this decision in consultation with its partners on this project and the relevant authorities. In connection with the termination of this program, the Group plans to record an exceptional and mostly non-cash charge of about €450 million in the first half of 2026. This amount mainly corresponds to costs already paid by Thales to ensure the progress of the project as well as to a conservative estimate of the financial compensation to be received.

This charge reflects the particularly atypical nature of this contract, linked to the worsening of the execution difficulties encountered by DSNS in 2025, which resulted in a recently degraded financing profile. This situation is entirely exceptional in view of all the Defense contracts managed by the Group.

Given its exceptional nature, this charge will have no effect on the Group's Adjusted EBIT and Adjusted Net Income. It will impact the Net Income, Group Share, by about €350 million in the Group's first-half 2026 consolidated statements. This charge will not have any material impact on the Group's free operating cash flow.

The termination of this program will have an impact limited to 0.5% of the Group's sales in 2026 and to less than 1% per year in the following years. Since the operating margin of this program is significantly lower than the margin at Group level, the termination will have a marginally positive effect on the Group's Adjusted EBIT margin.

Thales will claim all its rights in order to obtain compensation for the work carried out as part of this project and for the prejudice suffered as a result of termination of the program.

Solid outlook, with several 2026 targets upgraded

Thales' Defence activities continue to benefit from a sustainable and favorable market momentum, strong visibility and a portfolio of differentiating solutions fit to address the evolving operational needs of its customers.

Thales is therefore increasing its order intake and cash generation targets for 2026, with:

- a book-to-bill ratio now expected above 1.10 (compared to above 1.0 previously);
- a high cash conversion rate, now expected between 100 and 110% (compared to 95 to 100% previously).

Furthermore, Thales confirms its sales and profitability targets for 2026 with:

- organic sales growth of between +6% and +7% (corresponding to sales in the range of €23.3 to €23.6 billion¹);
- an Adjusted EBIT margin between 12.6% and 12.8%.

About Thales

Thales (Euronext Paris: HO) is a global leader in advanced technologies for the Defence, Aerospace, and Cyber & Digital sectors. Its portfolio of innovative products and services helps address several major challenges: sovereignty, security, sustainability and inclusion.

The Group allocates €4.5 billion per year in Research & Development in key areas, particularly for critical environments, such as Artificial Intelligence, Cybersecurity, Quantum, Cloud technologies and 6G.

Thales has more than 85,000 employees in 65 countries. In 2026, the Group generated sales of €22.1 billion.

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¹ Based on June 2026 scope and average foreign exchange rates for H1 2026 and an assumption of average EUR/USD at 1.18 for the remaining nine months of 2026.