

## Thales discloses its order intake and sales at 30 September 2019

- Order intake: €10.4 billion, up 10% (-6% on an organic basis<sup>1</sup>)
- Sales: €12.4 billion, up 14.1% (+0.0% on an organic basis)

Thales (Euronext Paris: HO) announced today its order intake and sales for the period ending 30 September 2019.

Order intake (in € millions)	9 months 2019	9 months 2018	Total change	Organic change
Aerospace	2,625	3,044	-14%	-15%
Transport	868	1,267	-32%	-32%
Defence & Security	5,270	4,998	+5%	+7%
Digital Identity & Security	1,621	134	-	-
Other	62	24	-	-
<b>Total</b>	<b>10,445</b>	<b>9,468</b>	<b>+10%</b>	<b>-6%</b>

Sales (in € millions)	9 months 2019	9 months 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	-	-
Other	54	40	-	-
<b>Total</b>	<b>12,410</b>	<b>10,873</b>	<b>+14.1%</b>	<b>+0.0%</b>
Of which mature markets <sup>2</sup>	8,869	7,659	+15.8%	+4.2%
Of which emerging markets <sup>2</sup>	3,541	3,215	+10.2%	-10.0%

*“Q3 2019 reflects the same contrasted momentum we experienced in H1 2019: sales were up slightly at constant scope and currency, with the solid growth in the Defence & Security segment offsetting both the slowdown in the commercial space market and a high basis of comparison in Transport.*

*This trend will show as well in the Full Year 2019 organic sales growth, which we now expect to be around 1%.*

<sup>1</sup> In this press release, “organic” means “at constant scope and currency”. See note on methodology on page 27 of the 2018 registration document and calculation on page 7 of this press release

<sup>2</sup> Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table on page 6

*The reduced guidance is explained by the conjunction of two factors: the massive cyclical downturn of the commercial satellite market in 2017 and 2018, and the record sales level achieved by our Transport business in 2018.*

*The mobilization and commitment of the teams all over the world enables us to confirm our Full Year 2019 EBIT target in spite of the revised organic sales growth objective.*

*Across all our markets, the medium-term outlook is solid, driven by growing needs for security, efficiency, connectivity and digital trust.*

*The integration of Gemalto and the acceleration of our R&D investments will uniquely reinforce our positioning, at the heart of our profitable growth strategy.”*

**Patrice Caine, Chairman & Chief Executive Officer**

## Order intake

In the first nine months of 2019, order intake stood at €10,445m, up 10% compared with 9m 2018 (-6% at constant scope and currency<sup>3</sup>).

Over the period, Thales received 9 large orders over €100m, for a total amount of €1,905m, compared with 10 large orders at 30 September 2018:

- 3 large orders were booked in Q1 2019, covering the acquisition of new mobile radars by the Dutch army, a support contract for a European army and the provision of equipment for Indian army helicopters;
- 4 large orders were booked in Q2 2019, concerning the construction of the ground segment of the Syracuse IV satellite, the delivery of electronic systems aboard Belgian Scorpion vehicles (CaMo project), a significant long-term maintenance contract for the French air force, and the design of 2 geostationary satellites for Spain as part of a consortium (SpainSat NG);
- 2 large orders were booked in Q3 2019, both in the Defence & Security segment:
  - the supply of combat management systems for two military ships;
  - the modernization of the French army’s satellite navigation systems.

At €8,539m, orders with a unit value of less than €100m rose by 21% compared to the first nine months of 2018, after the integration of Gemalto.

From a **geographical**<sup>4</sup> perspective, order intake enjoyed solid growth in emerging markets, driven by all major geographic areas (+11% organically, +47% on a reported basis). Orders booked in mature markets declined organically by 10% (+1% on a reported basis), affected by a high basis of comparison.

<sup>3</sup> Taking into account a positive exchange rate effect of €62m and a net positive scope effect of €1,449m, relating mainly to Gemalto’s consolidation at 1 April 2019 (Digital Identity & Security segment) and the disposal of the GP HSM business, effective 1 January 2019 (Defence & Security segment)

<sup>4</sup> See table on page 6

At €2,625m compared with €3,044m in the first nine months of 2018, order intake in the **Aerospace** segment remained affected by the weakness of the commercial space market. 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 the market.

Order intake in the **Transport** segment stood at €868m, down 32% compared to the first nine months of 2018, when several significant contracts were booked.

Order intake in the **Defence & Security** segment stood at €5,270m, compared with €4,998m in the first nine months of 2018 (+7% on an organic basis) thanks to the 8 large orders with a unit value of over €100m mentioned above. This segment benefits from strong momentum in many activities: systems for combat aircraft, systems and services for military ships, radio communications products, systems and network infrastructures, etc.

At €1,621m, order intake in the **Digital Identity & Security** segment was very close to sales, with most of the businesses in this segment running on relatively short cycles.

## Sales

9m 2019 sales stood at €12,410m, compared to €10,873m in 9m 2018, up 14.1% after the integration of Gemalto. Sales were stable (+0.0%) at constant scope and currency<sup>5</sup>, with the decline in sales in Aerospace and Transport masking the robust performance in Defence & Security.

From a **geographical**<sup>6</sup> perspective, this stability in sales is due to contrasting momentum: sustained growth in mature markets (+4.2%), and a decline in emerging markets (-10.0%) following several years of robust growth.

Sales in the **Aerospace** segment totalled €3,787m, a 5.6% decline compared to 9m 2018 (-6.8% at constant scope and currency). This decline in sales was only driven by Space, with all Avionics businesses delivering organic growth. It reflects the prolonged wait-and-see attitude of customers in the commercial telecommunications satellite market, combined with the delivery of the last satellites of the Iridium constellation and the end of a number of military projects. This trend continued in the 3<sup>rd</sup> quarter, resulting in a lower than expected order intake, which will therefore contribute only slightly to Q4 sales. This situation should continue to weigh on Space sales<sup>7</sup> in Q4 2019 and in 2020. Consequently, Space sales are expected to see a decline of around 13% over Full Year 2019, and in a lower proportion in 2020.

<sup>5</sup> The calculation of the organic change in sales is shown on page 7

<sup>6</sup> See table on page 6

<sup>7</sup> The Space business generated sales of €2.45bn in 2018

In the **Transport** segment, sales came in at €1,268m, down 7.6% compared with the first nine months of 2018 (after an increase of +21.1% at constant scope and currency during 9m 2018). This decline resulted mainly from phasing effects on major urban rail signalling contracts, particularly in Doha (Qatar) and London.

Sales in the **Defence & Security** segment stood at €5,670m, up 6.6% compared with the first nine months of 2018 (up +7.7% at constant scope and currency). This segment continues to benefit from a broad growth basis, led in particular by airspace protection solutions, optronics systems, missile electronics, systems for combat aircraft and military ships, and military radio communications.

At €1,631m, sales in the **Digital Identity & Security** segment were in line with the Full Year objective (organic growth of 0 to 2%). As was the case in the second quarter, this level reflects a positive momentum in EMV payment cards, the negative impact of the reorganisation of the HSM business, and the continuous slowdown in traditional SIM card sales.

## Acquisition of Gemalto

On 17 September 2019, the Chamber of Commerce of the Court of Appeal in Amsterdam (Netherlands) issued its ruling in connection with the statutory buy-out proceedings for Gemalto shares. In consequence, Thales was able early October to purchase all the outstanding Gemalto shares (2.78 million shares). This transaction resulted in a cash outflow of €143m, and took the percentage of Gemalto shares held by Thales to 100%.

## Outlook

As announced on 17 October 2019, and taking into consideration both the around 13% decline in Space sales<sup>8</sup> expected this year and the very high basis of comparison in Transport, Thales now expects its organic **sales** growth to be around 1% over Full Year 2019<sup>9</sup>.

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

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<sup>8</sup> The Space business generated sales of €2.45bn in 2018

<sup>9</sup> Previous target: "at the lower end of the 3 to 4% range"

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

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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).

## 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 €19bn 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 at decisive moments.

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## Order intake by destination – 9 months 2019

	9 months 2019	9 months 2018	Total change	Organic change	9m 2019 weighting in %
<i>In € millions</i>					
France	2,961	2,614	+13%	+10%	28%
United Kingdom	749	568	+32%	+20%	7%
Rest of Europe	2,236	2,112	+6%	-8%	21%
<b>Sub-total Europe</b>	<b>5,945</b>	<b>5,294</b>	<b>+12%</b>	<b>+4%</b>	<b>57%</b>
United States and Canada	1,346	1,004	+34%	-5%	13%
Australia and New Zealand	466	1,346	-65%	-67%	4%
<b>Total mature markets</b>	<b>7,757</b>	<b>7,644</b>	<b>+1%</b>	<b>-10%</b>	<b>74%</b>
Asia	1,467	971	+51%	+22%	14%
Near and Middle East	598	571	+5%	-12%	6%
Rest of the world	623	281	+121%	+20%	6%
<b>Total emerging markets</b>	<b>2,688</b>	<b>1,823</b>	<b>+47%</b>	<b>+11%</b>	<b>26%</b>
<b>Total all markets</b>	<b>10,445</b>	<b>9,468</b>	<b>+10%</b>	<b>-6%</b>	<b>100%</b>

## Sales by destination – 9 months 2019

	9 months 2019	9 months 2018	Total change	Organic change	9m 2019 weighting in %
<i>In € millions</i>					
France	3,281	2,843	+15.4%	+12.4%	26%
United Kingdom	887	916	-3.1%	-10.3%	7%
Rest of Europe	2,589	2,266	+14.3%	+0.9%	21%
<b>Sub-total Europe</b>	<b>6,757</b>	<b>6,024</b>	<b>+12.2%</b>	<b>+4.7%</b>	<b>54%</b>
United States and Canada	1,419	998	+42.1%	+0.8%	11%
Australia and New Zealand	693	636	+8.9%	+5.5%	6%
<b>Total mature markets</b>	<b>8,869</b>	<b>7,659</b>	<b>+15.8%</b>	<b>+4.2%</b>	<b>71%</b>
Asia	1,786	1,486	+20.1%	+0.4%	14%
Near and Middle East	988	1,093	-9.6%	-16.8%	8%
Rest of the world	767	636	+20.7%	-22.6%	6%
<b>Total emerging markets</b>	<b>3,541</b>	<b>3,215</b>	<b>+10.2%</b>	<b>-10.0%</b>	<b>29%</b>
<b>Total all markets</b>	<b>12,410</b>	<b>10,873</b>	<b>+14.1%</b>	<b>+0.0%</b>	<b>100%</b>

## Order intake and sales – Q3 2019

Order intake <i>In € millions</i>	Q3 2019	Q3 2018	Total change	Organic change
Aerospace	866	1,002	-14%	-15%
Transport	311	433	-28%	-28%
Defence & Security	1,462	1,699	-11%	-11%
Digital Identity & Security	792	50	n.m.	n.m.
<b>Total – operating segments</b>	<b>3,431</b>	<b>3,133</b>	<b>+10%</b>	<b>-15%</b>
Other	19	4	-	-
<b>Total</b>	<b>3,450</b>	<b>3,137</b>	<b>+10%</b>	<b>-14%</b>

### Sales

*In € millions*

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.m.	n.m.
<b>Total – operating segments</b>	<b>4,201</b>	<b>3,404</b>	<b>+23.4%</b>	<b>+0.9%</b>
Other	19	17	-	-
<b>Total</b>	<b>4,220</b>	<b>3,421</b>	<b>+23.4%</b>	<b>+0.9%</b>

## 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	+758	+19.5%	+0.8%
<b>H1</b>	<b>7,452</b>	<b>+60</b>	<b>-51</b>	<b>8,190</b>	<b>+763</b>	<b>+9.9%</b>	<b>-0.5%</b>
Q3	3,421	+25	-24	4,220	+766	+23.4%	+0.9%
<b>9 months</b>	<b>10,873</b>	<b>+85</b>	<b>-75</b>	<b>12,410</b>	<b>+1,529</b>	<b>+14.1%</b>	<b>+0.0%</b>

### Main scope effects:

- Disposals: deconsolidation and disposal of GP HSM business following the acquisition of Gemalto (Defence & Security segment).
- Acquisitions:
  - Gemalto: consolidated from 1 April 2019 (in the new Digital Identity & Security segment)
  - Ercom and Suneris: consolidated from 1 January 2019 (Defence & Security segment). Sales of around €40m in 2018.