

Thales reports its order intake and sales at 30 September 2020

- Order intake: €9.2 billion, down 12% (-18% on an organic basis¹)
- Sales: €11.7 billion, down 5.6% (-10.5% on an organic basis)
- Marked improvement in sales in Q3:
 - Total organic change: -4.3% (-19.9% in Q2)
 - Organic change excluding aeronautics: +1.5% (-14.8% in Q2)
- All 2020 financial objectives confirmed

Thales (Euronext Paris: HO) announces today its order intake and sales for the period ending 30 September 2020.

	9 months 2020	9 months 2019	Total change	Organic change
Order intake (in € millions)				
Aerospace	2,268	2,625	-14%	-13%
Transport	805	868	-7%	-6%
Defence & Security	3,853	5,270	-27%	-27%
Digital Identity & Security	2,227	1,621	n.m.	-4%
Other	27	62	-	-
Total	9,181	10,445	-12%	-18%

Sales (in € millions)				
Aerospace	2,898	3,787	-23.5%	-23.3%
Transport	1,102	1,268	-13.1%	-12.3%
Defence & Security	5,469	5,670	-3.6%	-3.3%
Digital Identity & Security	2,201	1,631	n.m.	-4.2%
Other	46	54	-	-
Total	11,714	12,410	-5.6%	-10.5%
Of which mature markets ²	8,640	8,869	-2.6%	-6.7%
Of which emerging markets ²	3,074	3,541	-13.2%	-20.1%

"After the unprecedented disruptions to Q2 2020 caused by the Covid-19 pandemic, sales in Q3 improved significantly thanks to the efforts of Thales teams worldwide. All business lines apart

¹ In this press release, "organic" means at constant scope and exchange rate. See note on methodology on page 33 of the 2019 universal registration document, and calculation on page 7 of this press release

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

from civil aeronautics demonstrated the Group's resilience in the face of this crisis. Unsurprisingly, civil aeronautics sales were down sharply in Q3, by around 45%.

Q3 order intake was in line with our expectations, and a number of large contracts, especially in defence and the space domain, are being finalised.

Against a backdrop of considerable economic and public health uncertainty, all the teams remain committed to implementing the global adaptation plan, which is expected to generate savings of some €800 million in 2020. We confirm all our financial objectives for the year."

Patrice Caine, Chairman & Chief Executive Officer

Order intake

In the first nine months of 2020, order intake stood at €9,181 million, down 12% compared to the first nine months of 2019 (-18% at constant scope and exchange rate³). Over the period, Thales received **six large orders with a unit value of over €100 million** (compared with nine large orders as at 30 September 2019), representing a total amount of €859 million:

- 1 large order booked in Q1 2020, for an air surveillance system for a Middle Eastern country
- 3 large orders booked in Q2 2020:
 - the supply of anti-submarine sonars to the US navy (Defence & Security segment)
 - a 10-year contract for the supply of munitions to the Australian army⁴ (Defence & Security segment)
 - the construction of 2 telecommunications satellites for SES (Aerospace segment)
- 2 large orders received in Q3 2020, both in the Defence & Security segment:
 - The third tranche of the Scorpion programme, to deliver armoured vehicles to the French army
 - a support and services contract for the French army

Orders with a **unit value of less than €100 million** totalled €8,322 million, down 3% compared to the first nine months of 2019, after the integration of Gemalto (and down 10% on a basis that includes Gemalto's Q1 2019 order intake).

From a **geographical**⁵ perspective, order intake was down 20% in emerging markets (-31% on an organic basis). Mature market orders were down 9% (-14% on an organic basis), with a more significant decline in France (-27% on an organic basis), mostly due to the drop in civil aeronautics orders.

³Taking into account a negative exchange rate effect of €84 million and a net positive scope effect of €720 million, relating mainly to the consolidation of Gemalto at 1 April 2019 (Digital Identity & Security segment)

⁴ Contract worth a total of €600 million over 10 years, of which €200 million booked in 2020

⁵ See table on page 6

At €2,268 million versus €2,625 million for the first nine months of 2019 (-13% on an organic basis), order intake in the **Aerospace** segment was still heavily impacted by the collapse of the civil aeronautics market, despite a dynamic institutional space market (order intake for the Space business was up 33% compared to the first nine months of 2019).

Order intake in the **Transport** segment stood at €805 million, down 7% compared to the first nine months of 2019. Strong demand in mainline rail signalling solutions was not enough to offset the delayed signature of urban signalling contracts, notably caused by the financial difficulties of some operators.

Order intake in the **Defence & Security** segment stood at €3,853 million, compared with €5,271 million for first nine months of 2019 (-27% on an organic basis). The decline was due to an unfavourable basis of comparison: order intake had been particularly robust in the first nine months of 2019. A number of large contracts are currently being finalised and should be signed in Q4 2020, notably for military naval systems and communications networks.

At €2,227 million, order intake in the **Digital Identity & Security** segment was close to sales, considering that most businesses in this segment do not book long-term orders.

Sales

9m 2020 sales stood at €11,714 million, compared with €12,410 million for the same period in 2019, down 5.6% after the integration of Gemalto (-10.5% at constant scope and exchange rates⁶).

After Q2 had been heavily impacted by the Covid-19 crisis (-19.9% on an organic basis), sales in Q3 showed strong signs of recovery (-4.3%). Sales were even slightly up (+1.5%) when excluding aeronautics businesses.

From a **Geographical**⁷ perspective, the decline in sales was most marked in emerging markets (-20.1% on an organic basis), reflecting anticipated phasing effects on a few large contracts, especially in transport, after several years of strong growth. The decline was more moderate in mature markets (-6.7% on an organic basis), despite the major drop of civil aeronautics sales in France.

Sales in the **Aerospace** segment amounted to €2,898 million, organically down 23.3% compared to the first nine months of 2019. This decline was primarily due to the collapse in civil aeronautics demand (approximately -50% since Q2 2020). Excluding civil aeronautics, sales rebounded strongly: having fallen by almost 20% in Q2, they were up 5% in Q3 2020.

⁶ The calculation of the organic change in sales is shown on page 7

⁷ See table on page 6

In the **Transport** segment, sales came in at €1,102 million, organically down 12.3% compared to the first nine months of 2019. This was due to both phasing effects on major urban rail signalling contracts, particularly in Doha (Qatar) and London, and the impact of Covid-19 related disruptions.

Sales in the **Defence & Security** segment totalled €5,469 million, organically down 3.3% compared to the first nine months of 2019. The segment benefited from a significant catch-up effect in Q3 2020, with sales up 5.4% on an organic basis. This return to growth attests to the strong dynamics of the Group's solutions, with an order book at end-September 2020 of close to €20 billion.

At €2,201 million, sales in the **Digital Identity & Security** segment were down 2% at constant scope (9 months 2019 + Gemalto's Q1 2019). This modest decline was due to the adverse impact of the public health crisis on the demand for passports and IoT connectivity modules. It was partially offset by stronger-than-expected sales in EMV payment cards and SIM cards.

Outlook

The global environment has been profoundly changed by the Covid-19 public health crisis, which is affecting all companies, including Thales. The public health and macro-economic context remains uncertain and could affect the pace of recovery of air traffic and corporate investment plans, particularly in cybersecurity and the Internet of Things.

Thanks to the efforts of all the teams, Thales internal productivity has returned to a level close to normal since early July. However, business is still disrupted by travel restrictions, difficulties in accessing certain customer sites and occasional supply-chain issues.

The Group continues to implement its global adaptation plan, which should generate savings of around €800 million for the year: approximately €750 million in EBIT and a reduction of at least €50 million in net operating investments⁸.

Consequently, based on the current economic and public health situation, Thales confirms the objectives for 2020 set in July:

- As in 2019, a **book-to-bill ratio above 1**;
- **Sales** in the range of **€16.5 billion to €17.2 billion**⁹, taking into account significant disruptions in civil aeronautics combined with the recovery of productivity in other segments;

⁸Net operating investments in 2019: €496 million

⁹ Based on the scope and exchange rates of July 2020

- **EBIT** in the range of **€1,300 million to €1,400 million**¹⁰, corresponding to an EBIT margin of around 8% for the full year, thanks to the full effect of the global adaptation plan, ongoing Ambition 10 competitiveness initiatives and the ramp-up of cost synergies related to the Gemalto acquisition.

In H2 2020, the recurring operating margin¹¹ is expected to return to a level close to H2 2019.

This press release contains certain forward-looking statements. Although Thales believes that its expectations are based on reasonable assumptions, actual results may differ significantly from the forward-looking statements due to various risks and uncertainties, as described in the Company's Universal 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 leader in advanced technologies, investing in digital and "deep tech" innovations – connectivity, big data, artificial intelligence, cybersecurity and quantum computing – to build a confident future crucial for the development of our societies. The Group provides its customers – businesses, organisations and governments – in the defence, aeronautics, space, transport, and digital identity and security domains with solutions, services and products that help them fulfil their critical role, consideration for the individual being the driving force behind all decisions.

Thales has 83,000 employees in 68 countries. In 2019 the Group generated sales of €19 billion (on a pro forma basis including Gemalto over 12 months).

CONTACTS

Thales, Media Relations

Cédric Leurquin

+33 (0)1 57 77 90 93

cedric.leurquin@thalesgroup.com

Thales, Analysts/Investors

Bertrand Delcaire

+33 (0)1 57 77 89 02

ir@thalesgroup.com

FIND OUT MORE

[Thales Group](#)

[Download photos](#)

 [@Thalesgroup](#)

¹⁰ Based on €130 million in restructuring costs (€102 million in 2019) and €70 million in joint-venture contributions (€171 million in 2019)

¹¹ Recurring operating margin: EBIT before restructuring costs and joint-venture contributions as a proportion of sales

Order intake by destination – 9 months 2020

	9 months 2020	9 months 2019	Total change	Organic change	9m 2020 weighting in %
<i>In € millions</i>					
France	2,190	2,961	-26%	-27%	24%
United Kingdom	524	749	-30%	-34%	6%
Rest of Europe	2,185	2,236	-2%	-9%	24%
Sub-total Europe	4,899	5,945	-18%	-21%	53%
United States and Canada	1,533	1,346	+14%	+1%	17%
Australia and New Zealand	607	466	+30%	+31%	7%
Total mature markets	7,039	7,757	-9%	-14%	77%
Asia	1,040	1,467	-29%	-37%	6%
Near and Middle East	576	598	-4%	-19%	11%
Rest of the world	526	623	-16%	-26%	6%
Total emerging markets	2,142	2,688	-20%	-31%	23%
Total all markets	9,181	10,445	-12%	-18%	100%

Sales by destination – 9 months 2020

	9 months 2019	9 months 2019	Total change	Organic change	9m 2020 weighting in %
<i>In € millions</i>					
France	2,920	3,281	-11.0%	-11.7%	25%
United Kingdom	859	887	-3.1%	-5.9%	7%
Rest of Europe	2,679	2,589	+3.5%	-2.4%	23%
Sub-total Europe	6,458	6,757	-4.4%	-7.4%	55%
United States and Canada	1,461	1,419	+3.0%	-9.2%	12%
Australia and New Zealand	721	693	+4.0%	+5.3%	6%
Total mature markets	8,640	8,869	-2.6%	-6.7%	74%
Asia	1,531	1,786	-14.2%	-21.7%	13%
Near and Middle East	798	988	-19.2%	-22.8%	7%
Rest of the world	744	767	-3.0%	-12.4%	6%
Total emerging markets	3,074	3,541	-13.2%	-20.1%	26%
Total all markets	11,714	12,410	-5.6%	-10.5%	100%

Order intake and sales – Q3 2020

Orders <i>In € millions</i>	Q3 2020	Q3 2019	Total change	Organic change
Aerospace	643	866	-26%	-24%
Transport	364	311	+17%	+19%
Defence & Security	1,428	1,462	-2%	-2%
Digital Identity & Security	640	792	-19%	-14%
Total – operating segments	3,076	3,431	-10%	-8%
Other	13	19	-	-
Total	3,088	3,450	-10%	-8%

Sales <i>In € millions</i>	Q3 2020	Q3 2019	Total change	Organic change
Aerospace	952	1,177	-19.1%	-17.6%
Transport	385	433	-11.2%	-9.4%
Defence & Security	1,881	1,789	+5.1%	+5.4%
Digital Identity & Security	728	802	-9.2%	-4.0%
Total – operating segments	3,945	4,201	-6.1%	-4.3%
Other	18	19	-	-
Total	3,963	4,220	-6.1%	-4.3%

Organic change in sales by quarter

<i>In € millions</i>	2019 sales	Currency impact	Impact of disposals	2020 sales	Impact of acquisitions	Total change	Organic change
Q1	3,361	-0	-	3,899	+697	-16.0%	-4.7%
Q2	4,829	-20	-	3,852	+0	-20.2%	-19.9%
H1	8,190	-20	-	7,751	+697	-5.4%	-13.6%
Q3	4,220	-79	-	3,963	+0	-6.1%	-4.3%
9 months	12,410	-99	-	11,714	+697	-5.6%	-10.5%

Main scope effects:

- Disposals: none
- Acquisitions: consolidation of Gemalto from 1 April 2019 (Digital Identity & Security segment)