NAVAL GROUP

# PRESS RELEASE

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## 2017 results: for the third year running, Naval Group improves its operating profitability

- **Sales of €3.7 billion (+16% vs 2016), of which 35% on international markets**
- **Orders intake of €4 billion**
- **EBITA of €172.7 million, 1.5-point increase in operating profit to 4.7%**
- **Promising perspectives for 2018**

Naval Group's Board of Directors held a meeting on February 28th 2018 to finalise the accounts for the 2017 reporting period, which closed on December 31st.

Hervé Guillou, Chairman and CEO of Naval Group, commented the results: "After several years of collective effort, Naval Group confirms its growth objectives, capitalising on the capacity of its teams to relentlessly strengthen the operational control of its programs and offers, its new European and international strategy and the construction of a long-term industrial and social pact."

Frank Le Rebeller, Chief Financial Officer and Executive Vice President in charge of Legal and Purchasing, adds: "The results for the 2017 reporting period show, for the third year running, an increase in our revenues and an improvement of our net margin and operating profitability. These results allow us to increase our investments and strengthen our competitiveness, which are essential conditions for our development and the service to the French Navy and to our international clients."

**Main consolidated results**

| (in millions of euros, IFRS standards) | 2017 | 2016 | 2015 |
|---|---|---|---|
| Orders intake | **4,001** | 2,645 | 3,521 |
| Order book | **11,912** | 11,629 | 12,271 |
| Sales | **3,698** | 3,191 | 3,039 |
| EBITA[1] | **172.7** | 102.5 | 64 |
| Operating profit (EBITA/sales) in % | **4.7%** | 3.2% | 2.1% |
| Consolidated net income, group share | **142.2** | 94.3 | 68.4 |

[1] Earnings before interest, taxes and amortisation. EBITA includes the CIR (Research Tax Credit).
For comparison purposes, the 2015 and 2016 reporting periods are restated.

## Orders intake: €4 billion, Book-to-Bill ratio of 1.08

Orders taken over the 2017 reporting period represent €4,001 million. The competitiveness of the offers has contributed to the average order-book margin rate, whose total stood at €11,912 million at the end of 2017.

The orders taken in France and on international markets over the 2017 reporting period have benefitted all sectors, from new-build programs to services and equipment. The main contract awards relate to the intermediate-size frigates program (FTI), the PROSUB submarine program for the Brazilian Navy, the renovation of La Fayette-class frigates, the nuclear attack submarine program and the Australian submarine program.

Measured across the three years 2015 to 2017, the Book-to-Bill ratio (orders taken over sales), which is a measure of the order-book renewal rate, accounts for 1.02 (1.08 for 2017 alone).

## Activity: increase in revenues of close to 16%, 35% for international sales

The consolidated sales are €3,698 million, of which 35% earned on the international markets. The increase of 15.9% with respect to 2016 was supported by the major French new-build (principally FREMM multi-mission frigates and Barracuda nuclear attack submarines) and service programs, including the mid-life modernisation of the Charles de Gaulle aircraft carrier, as well as the maintenance programs for the nuclear attack submarines and nuclear ballistic missile submarines.

On international markets, Brazil, Egypt, Saudi Arabia and Australia were powerful growth drivers for the activity of the group.

## Profitability: significant increase in EBITA and operating profit

EBITA (earnings before interest, taxes and amortisation) is €172.7 million. Its significant increase, greater than that for revenues, translates into a further improvement of operating margin, which increased from 3.2% in 2016 to 4.7% in 2017.

This solid progression, which has been ongoing for three years now, is the result of the operational improvement of all naval programs and the effectiveness of the actions undertaken in the frame of the industrial and social pact. These results were nevertheless constrained by the impairment of the asset value of our subsidiary, Naval Energies, faced with delays and operational difficulties throughout 2017.

Consolidated net income, group share accounts for €142.2 million, thereby increasing of almost €50 million compared to 2016.

## Perspectives: an increase in recruitment and investments; continuation of cost-control efforts

The gains achieved through the industrial and social pact allow Naval Group to invest, which is the prerequisite for the growth of the group. In 2017, Naval Group recruited over 1,000 new employees and this trend is set to continue, particularly thanks to Naval Campus initiatives in terms of vocational training for workers and technicians.

Furthermore, Naval Group accelerates its investments in self-financing research and development, information systems, infrastructures and industrial and research tools and equipment.

Throughout 2018, Naval Group will pursue its continuous competitiveness improvement for its domestic and international offers and ongoing programs, which are subjected to deadlines and cost control. The improvement in operating profitability is expected to continue in 2018 while the consolidated net income - group share should be increasing by 10%.

**Emmanuel Gaudez**
Tel. +33 (0)1 40 59 55 69
emmanuel.gaudez@naval-group.com

**Klara Nadaradjane**
Tel. +33 (0)1 40 59 51 16
priya-klara.nadaradjane@naval-group.com

## About Naval Group

Naval Group is a European leader in naval defence. As an international high-tech company, Naval Group uses its extraordinary know-how, unique industrial resources and capacity to arrange innovative strategic partnerships to meet its customers' requirements. The group designs, builds and supports submarines and surface ships. It also supplies services to shipyards and naval bases. In addition, the group offers a wide range of marine renewable energy solutions. Attentive to corporate social responsibility, Naval Group adheres to the United Nations Global Compact. The group reports revenues of €3.7 billion and has a workforce of 13,429 (data for 2017).

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