

# PRESS RELEASE

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## Naval Group improves its operating profitability for the fourth year running

- **Sales of €3.6 billion (+13% vs 2017)**
- **Orders intake of €3.7 billion, corresponding to an Order Book of €13.8 billion**
- **EBITA of €265.9 million, operating profit exceeds forecasts by 7.4% (+4.3pts vs 2017)**
- **Promising outlook for 2019**

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Naval Group's Board of Directors met on 20 February 2019 to review the financial statement for the 2018 reporting period.

When commenting on these results, Hervé Guillou, Chairman and CEO of Naval Group, specifically stated: *"For several years now, Naval Group has initiated an in-depth transformation. The company has sustainably restored operational control over its current and upcoming profit-earning activities. This transformation is evidenced by numerous success stories such as the complete overhaul of the Charles de Gaulle aircraft carrier in an exceptionally short time; the launch of Riachuelo, Brazil's first submarine; or again in Egypt, the floating out of the first Gowind® built in Alexandria. We have been boosted by a positive market momentum, firstly, by the French military programming law which sets a binding framework for our activities, provides us with good visibility over major programs, and secondly, by a buoyant international market with, in particular, the signing of the contract for the Australian program. At the same time, we have noticed the rapid growth of competition. These achievements will ensure that Naval Group maintains the European leadership in naval defence.*

Frank Le Rebeller, Executive Vice President Finance, Legal and Purchasing, added: *"Since 2015, we have exceeded our growth and operating profitability objectives. We have demonstrated this positive momentum again in 2018. The results for the year (prepared in accordance with IFRS and, in particular with IFRS 15), show, for the fourth year running, and in accordance with our business plan, an increase in sales (+13% to €3.6 billion) and a sharp improvement in our operating profitability, as well as in group net income, which amounts to nearly €180 million. These results reveal the robust implementation and operational control of our different programs and the impact of our internal improvement plans. These results enabled us to hire more than 1,500 new employees in 2018 and raised our overall capital investment effort to more than €400 million. We must now consolidate these operating profitability levels and ensure*

*their long-term sustainability. Our development will be measured by the implementation of the military programming law for French markets and by international development. In this respect, the signature, on February 11, of the Strategic Partnering Agreement with Australia is particularly important."*

## Main consolidated data

<i>(in millions of euro, IFRS)</i>	<b>2018</b>	<b>2017<sup>1</sup></b>
Order intake	<b>3,686</b>	4,023
Order book	<b>13,830</b>	13,773
Sales	<b>3,608</b>	3,194
EBITA <sup>2</sup>	<b>265.9</b>	98,0
<i>Operating profit (EBITA/sales) in %</i>	<b>7.4%</b>	3.1%
Consolidated net income, group share	<b>178.2</b>	93,2

## Order intake: 3.7 billion euros

Order intake recorded in financial year 2018 amounted to €3,686 million enabling the renewal of the order book which amounted to €13,830 million. Orders recorded in France and overseas for financial year 2018 boosted all sectors. In France, in new construction, the main notifications concerned the nuclear-powered attack submarine (SSN) program Barracuda and the multimission frigates (FREMM) program. In services, several multi-year availability contracts were notified, particularly for *Le Terrible*, the ballistic-missile submarine, multimission frigates, nuclear-powered attack submarines and minesweepers (CMT). Lastly, international notifications mainly concerned the Argentine patrol boats program as well as a section of additional work relating to the future submarine program for Australia (AFS).

It is recalled that 2017 benefited from a particularly high level of orders taken, in particular due to the notification of the program for future defence and intervention frigates (e.g. FTI).

In the last two years from 2017 to 2018, the Book-to-Bill ratio (orders taken divided by sales), which is a measure of the order book's renewal rate, is 1.13.

## Activity: sales up by 13%

Consolidated sales stood at €3,608 million. The 13% growth over 2017 was mainly driven by major national programs, in particular the Barracuda nuclear-powered attack submarine and the FREMM. The international markets benefited from the strong contribution of Brazil and Australia, while services also contributed significantly, in particular through the modernisation

<sup>1</sup> As IFRS 15 is applicable to annual periods beginning on or after 1 January 2018, the consolidated financial data for 2017 has been restated according to IFRS 15 to ensure comparability.

<sup>2</sup> Earnings before interest, taxes and amortisation. EBITA includes the CIR (Research Tax Credit).

programme for the *Charles de Gaulle* aircraft carrier and the M51 adaptation program for the SSBN *Le Téméraire*.

### **Profitability: significant growth of EBITA and operating profit**

EBITA (earnings before interest, taxes and amortisation) amounted to €265.9 million. Its increase (170%), greater than that for revenues, translates into a further improvement of operating profit, which increased from 3.1% in 2017 (after restatement under IFRS 15) to 7.4% in 2018, i.e., an increase of 4,3 percentage points.

This robust momentum reflects the operational improvement of all naval programs and the effectiveness of the improvement plans implemented for more than four years now.

The group net income amounts to €178.2 million, an increase of almost €85 million compared to 2017 (restated under IFRS 15). It reflects the consequences of the liquidation in July 2018 of our tidal turbine activities carried out by OpenHydro, subsidiary of Naval Energies. This performance raises the group's consolidated equity to more than €1 billion, thus strengthening its capacity to finance its future growth.

### **Outlook: an increase in recruitment and investments; continuation of cost-control initiatives**

The gains achieved through the industrial and social pact allow Naval Group to invest, the prerequisite for its development. In 2018, Naval Group hired more than 1,500 new employees and this momentum is set to continue, thanks in particular to the Campus initiatives of naval industries in the area of vocational training.

Naval Group is also stepping up its investments in self-financed research and development, data systems, infrastructures and industrial tools and equipment for studies or production.

In particular, Naval Group has spent several years getting ready to implement digital maintenance on board its ships and intends to generalise i-maintenance. The installation of this digital integrated support will make predictive maintenance activities possible. The *Aquitaine* FREMM was the first to benefit from this technology in November 2018 in Brest and will be followed by *L'Auvergne* in spring 2019 in Toulon before this service is proposed to all of the company's customers.

Throughout the 2019 reporting period, Naval Group will pursue its initiative to continuously improve the competitiveness of its offers and current programs, both in France and on international markets, driven in particular by the control of costs and lead times and acceleration of innovation cycles. The ability to attain its commercial and operational objectives should allow the group to maintain high operating profit levels over a long period.

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*Videos and photos available at [www.salledepresse.com](http://www.salledepresse.com)*

**Emmanuel Gaudez**

Tel.: +33 (0)1 40 59 55 69

Mob.: +33 (0)6 61 97 36 63

emmanuel.gaudez@naval-group.com

**Klara Nadaradjane**

Tel.: +33 (0)1 40 59 51 16

Mob.: +33 (0)6 45 03 11 92

priya-klara.nadaradjane@naval-group.com

## About Naval Group

Naval Group is the 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 is a member of the United Nations Global Compact. The group reports revenue of €3.6 billion and has a workforce of 14,860 (data for 2018).

[www.naval-group.com](http://www.naval-group.com)

