

2013 annual results

Financial information

13 March 2014



Order intake	64 FALCON vs 58 in 2012
Deliveries	77 FALCON and 11 RAFALE vs 66 FALCON and 11 RAFALE in 2012
Net sales	EUR 4,593 million , up by 17%
Adjusted net income*	EUR 487 million , down by 5%
Adjusted net margin*	10.6%

(*) Cf. appendix: Table of reconciliation between consolidated income and adjusted income.

Saint-Cloud, 13 March 2014 - The Board of Directors, chaired by Mr. Éric TRAPPIER, closed yesterday the financial statements for the year 2013. These consolidated financial statements were certified by the Statutory Auditors who expressed an unqualified conclusion.

Concerning 2013 activity, Éric TRAPPIER, Chairman and CEO of DASSAULT AVIATION, stated:

« 2013 was marked by the launch of the FALCON 5X, which widens the FALCON range of products, and by the consolidation of the RAFALE program in France.

RAFALE and FALCON deliveries were in line with our forecasts, despite of some difficulties among which the most unpredictable was the US administration "shutdown".

The French Minister of Defense announced that, in the long term, the armies would be equipped with a homogeneous fleet of 225 RAFALE, in accordance with the conclusions of the French Government "Livre Blanc", which lays down the principle of a future fifth batch for our aircraft.

The "F3-R" standard notification which enhances the RAFALE with new capacities, in response to operators' feedback, and the ATLANTIQUE 2 upgrade contract, have contributed to the good level of the Defense order intake.

The negotiations in India for the contract of 126 RAFALE aircraft progressed, in particular for the industrial aspects.

The RAFALE prospecting continued in other countries.

Tests of the nEUROn UCAV demonstrator were carried out to the DGA's satisfaction and prepare the future of combat aircraft in Europe.

Concerning business jets, 2013, year of the fiftieth anniversary of our FALCON business jets family, was marked by:

- FALCON 5X launch in November at the NBAA. This aircraft widens our FALCON range of products,*
- FALCON 2000S and 2000LXS EASA and FAA certifications,*

nevertheless, FALCON deliveries remained higher than the orders, which illustrates a market on recovery.

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Order intake and backlog

2013 orders amounted to **EUR 4,165 million** compared to EUR 3,325 million in 2012. **Export** represented **71%** of the total order intake.

New orders, net of cancellations, stood at **64 FALCON** in 2013 (compared to 58 FALCON in 2012).

Defense orders amounted to **EUR 1,256 million** in 2013 compared to EUR 793 million in 2012 and corresponded to support and development. They were up by 58% compared to 2012. This increase is mainly due to France RAFALE "F3-R" standard development contract and to ATLANTIQUE 2 upgrade contract.

As of December 31st, 2013, consolidated backlog amounted to **EUR 7,379 million** compared to EUR 7,991 million as of December 31st 2012, down by 8%.

Net sales

Consolidated net sales amounted to **EUR 4,593 million** compared to EUR 3,941 million in 2012, up by 17%.

FALCON net sales increased by 14% compared to 2012. **77 FALCON were delivered in 2013** (compared to 66 in 2012). The FALCON "book to bill" is lower than 1 (0.83), illustrating the non recovery of the business jets market. Increasing FALCON "book to bill" ratio above 1 is one of our main challenges for 2014.

11 RAFALE were delivered to French Air Force and Navy in 2013, as in 2012. Defense net sales showed an upturn of 23% compared to last year. This increase came, in particular, from the nEUROn program.

Operating income

2013 operating income reached **EUR 498 million** compared to EUR 547 million in 2012, down by 9%.

Operating margin stood at **10.9%** compared to 13.9% in 2012.

This decrease is mainly due to the increase in Research and Development costs and to a less favorable currency hedging (1.26 \$/€ vs. 1.24 \$/€ in 2012).

Adjusted financial income

In 2013, adjusted financial income amounted to EUR 15 million, compared to EUR 16 million in 2012.

In particular, the Group made a profit of EUR 10 million on the sale of some available-for-sale marketable securities compared to a profit of EUR 12 million in 2012.

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Adjusted net income

Adjusted net income stood at **EUR 487 million** compared to EUR 512 million in 2012, down by 5%. **Adjusted** net margin reached **10.6%**, vs 13.0% in 2012.

This deterioration mainly comes from the fall of the Operating Income explained above.

THALES adjusted contribution to the Group net income, before amortization of Purchase Price Allocation, amounted to EUR 153 million in 2013 compared to EUR 146 million in 2012.

Financial situation

The Group has defined a specific indicator, « available cash », that reflects the Group's total liquidities net of borrowings.

Consolidated available cash was **EUR 3,708 million as of December 31st, 2013** compared to EUR 3,760 million as of December 31st, 2012, down by EUR 52 million.

This slight decrease is mainly due to an increase in working capital (EUR -397 million), the dividends paid (EUR -94 million), the investments (EUR -66 million) partially offset by the 2013 consolidated net cash from operating activities (EUR +508 million).

Attributable equity amounted to EUR 5,112 million as of December 31st, 2013 compared to EUR 4,747 million as of December 31st, 2012 (restated).

Proposed dividend

Considering the increase in self-funded research and development outlay and the uncertainty of the market, the Board of Directors has decided to recommend to the Annual General Meeting the distribution of a dividend of EUR 8.90 per share (EUR 90 million) in 2014 compared to EUR 9.30 per share paid in 2013 (EUR 94 million).

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2014 outlook

In 2014, many challenges are to be taken up.

Regarding military programs, we look forward to the following decisive stakes:

- for the RAFALE, finalize the Indian contract, and be mobilized on other important export prospectings,
- prepare the future of surveillance and combat drones with the European partners,
- carry out the "F3-R" development, the ATLANTIQUE 2 upgrade successfully, and deliver the modernized FALCON 50 SURMAR.

Regarding business jets programs, our main priorities for 2014 are:

- rebuild our backlog by a growth of order intakes,
- continue the FALCON 5X development and make a success of the assembly of the first aircraft,
- continue our efforts concerning FALCON customer support,
- prepare the future by thinking upstream about the future FALCON.

Innovation and cost control while maintaining a high quality requirement are absolutely necessary to increase our sales.

The ongoing implementation of new PLM/ERP processes, the industrial organization and the development of the strategic dies, the dual nature of our company, have to enable us to face the commercial and industrial stakes of the Group.

In 2014, DASSAULT AVIATION Group expects to deliver around 70 FALCON, provided the business jets market recovery, and 11 RAFALE. 2014 net sales should be lower than 2013 net sales.

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Appendix : table of reconciliation between consolidated income and adjusted income

The impact in 2013 of the change in fair value of hedging instruments adjustments, the THALES PPA amortization, and THALES adjustments on income statement is detailed below :

(EUR thousands)	2013 Consolidated data	THALES PPA amortization (1)	THALES adjustments	Change in fair value of derivative exchange instruments (2)	2013 Adjusted data
Financial income / expense	87,565			-72,628	14,937
Share of income of equity affiliates	77,945	57,333	18,250		153,528
Income tax	-204,557			25,006	-179,551
Net income	459,452	57,333	18,250	-47,622	487,413

The impact in 2012 of the change in fair value of hedging instruments adjustments, the THALES PPA amortization, and THALES adjustments on income statement is detailed below :

(EUR thousands)	2012 Consolidated data	THALES PPA amortization (1)	THALES adjustments	Change in fair value of derivative exchange instruments (2)	2012 Adjusted data
Financial income / expense	97,897			-82,154	15,743
Share of income of equity affiliates	82,581	67,967	-4,081		146,467
Income tax	-225,441			28,286	-197,155
Net income	502,023	67,967	-4,081	-53,868	512,041

(1) neutralization of THALES Purchase Price Allocation (PPA) amortization, net of income tax.

(2) neutralization of the change in fair value, net of income tax, of derivative exchange instruments which do not qualify for hedge accounting under the specific rules of IAS 39 «Financial Instruments».

Readers are reminded that only the consolidated financial statements are audited by the Group's statutory auditors. Adjusted financial data are subject to the verification procedures applicable to all of the information provided in this press release.