

2015 results Financial Press Release

March 10, 2016



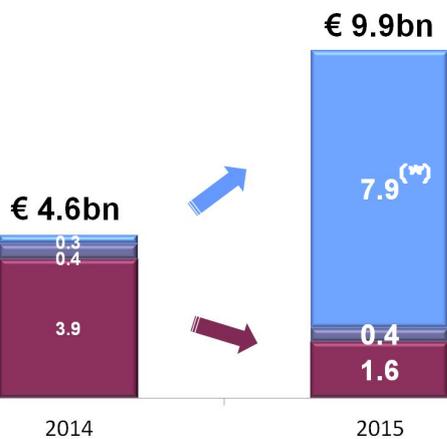
DEFENSE Export

DEFENSE France

FALCON

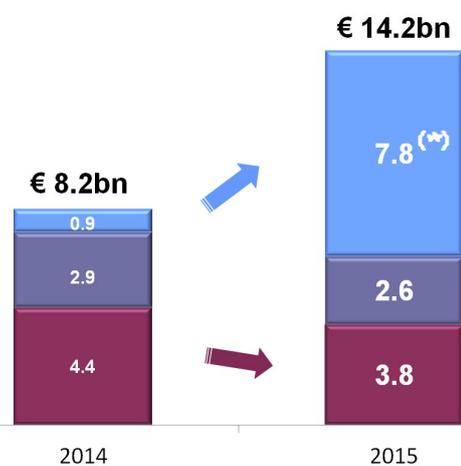
2015 ORDER INTAKE

48 RAFALE (none in 2014)
45 FALCON - 20 NetJets canceled (90 FALCON in 2014)



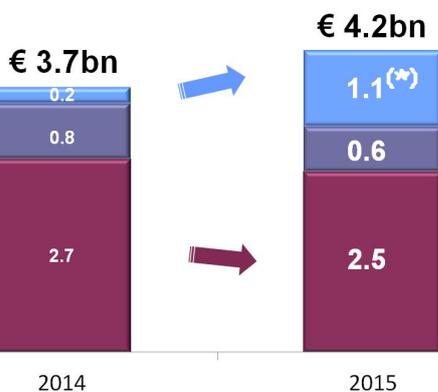
BACKLOG AT DECEMBER 31, 2015

83 RAFALE: 38 France + 45 Export (43 France in 2014)
91 FALCON (121 in 2014)



2015 NET SALES

8 RAFALE delivered: 5 France + 3 Egypt (11 France in 2014)
55 FALCON delivered vs 65 expected (66 in 2014)



• **2015 ADJUSTED NET INCOME: € 482m**
(€ 398m in 2014)

Net margin: 11.5% (10.8% in 2014)

• **DIVIDENDS: € 12.1 per share** (€ 10.0 in 2014)

N.B.: in terms of earning distribution policy, Group employees will receive, under profit-sharing and incentive schemes, € 92 million (whereas the legal formula would have led to an amount of € 1 million).

• **AVAILABLE CASH AT DECEMBER 31 : € 2.9bn**
(€ 2.4bn in 2014)

• **SELF FUNDED R&D: € 431m**
i.e. 10.3% of net sales

(*) DASSAULT AVIATION recognizes the RAFALE Export contracts in their entirety (i.e. including the THALES and SNECMA parts), whereas for France, only the DASSAULT AVIATION part is recognized.

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Saint-Cloud, March 10, 2016 - The Board of Directors, chaired yesterday by Mr. Éric Trappier, closed the 2015 financial statements. These consolidated financial statements were certified by the Statutory Auditors, who expressed an unqualified opinion.

Éric Trappier, Chairman and Chief Executive Officer of DASSAULT AVIATION, stated:

"The year 2015 will first and foremost be the year of the attacks that dramatically struck France in January and November. In this struggle against terrorism, as always when France is militarily engaged, we stand aside our forces and give them all the support they need in their military operations.

Economically, the year has neither been stable. It was marked by a sharp slowdown in economies of emerging countries such as China, Brazil and Russia, the drop in oil prices and the recovery of the dollar against the euro.

In this environment, 2015 was a contrasted year for the Company.

Regarding our military aircraft, the year was marked by:

- the signing of the first 2 export contracts for the RAFALE, with 24 RAFALE ordered by Egypt and 24 RAFALE by Qatar, bringing the number of aircraft ordered to 48 in 2015. These successes are the proof of the operational quality and performance of our aircraft,
- on April 10, the announcement by the Indian Prime Minister of his intention to buy 36 "fly away" RAFALE and the negotiations with the Indian authorities. Price negotiations are in progress,
- the delivery of 8 RAFALE in 2015: 5 to France and 3 to Egypt,
- the delivery of 3 RAFALE Marine France retrofitted to the F3 standard,
- the delivery of 2 Indian MIRAGE 2000 upgraded to the I/TI standard in France, and continued support for HAL (Hindustan Aeronautics Ltd) for the following aircraft in India,
- the delivery to France of the 2 last FALCON 50 SURMAR, out of 4 aircraft ordered,
- the 100th flight of the nEUROn in Istres and its first strike during the Sweden campaign,
- on May 18, 2015, the French, German and Italian Governments announced their intention to select DASSAULT AVIATION, AIRBUS DEFENCE & SPACE and FINMECCANICA to conduct a 2-year definition study for a MALE (Medium Altitude Long Endurance) drone with European technologies. The Organization for Joint Armament Cooperation (OCCAR) is responsible for notifying the contract.

Regarding our business jet aircraft, the year was marked by:

- disappointing order intake in a difficult competitive environment. FALCON sales slowed in 2015: 45 FALCON were ordered (compared to 90 FALCON in 2014) and 20 FALCON NetJets were canceled,
- the delivery of 55 FALCON, whereas we had planned 65. The negative gap is linked to the low number of FALCON orders in 2015,

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- the first flight of the FALCON 8X on February 6. The 2015 test program proceeded in line with our expectations. The test aircraft completed 250 missions representing 450 flight hours. Certification is planned for mid-2016. Interior completion work was begun on five aircraft at the end of 2015. The first aircraft should be delivered to customers in the second half of 2016,
- regarding the FALCON 5X, SNECMA's difficulties in the development of the SilverCrest engine and their new related schedule (postponement of the engine certification from 2015 to 2018) have forced us to:
 - temporarily freeze production internally and externally,
 - readjust in 2016 the FALCON 5X program schedule, with the first deliveries planned during the first-half of 2020.

We have informed our customers of this change. This is obviously a disappointment,

- the order by the Japan Coast Guards of 2 FALCON 2000 Maritime Surveillance,
- the launch of our new FALCON Response solution, which provides unique after-sales service to our customers,
- the inauguration of the new hangar in our Little Rock plant to accommodate new FALCON programs for their interior completion,
- the laying of the first stone for the future service station of our DASSAULT FALCON SERVICE subsidiary in Mérignac.

The year 2015 marked also a turning point in our capital history with the sale by AIRBUS GROUP SAS of 18.75% of our capital, 5% of which was to our Company. This sale enables new investors to enter our capital, and reinforces our historical and main shareholder, GROUPE INDUSTRIEL MARCEL DASSAULT, warrant of stability for DASSAULT AVIATION.

After a 2015 year full of contrasts, which more than ever showed the importance of our dual business, civil and military, we will have to face many challenges in 2016:

In the military domain,

- continue negotiations with our RAFALE export prospects; the signing of new contracts is necessary to guarantee the RAFALE ramping-up. Accordingly, we are working on the signing of the contract for 36 RAFALE with India,
- continue to support and train the Egyptian Air Force, after the delivery of the 6 first RAFALE in 2015 and 2016,
- start production of RAFALE for Qatar,
- extend the nEUROn program while waiting for the launching of an UCAV program, which is essential to the sustainability of our combat aircraft sector,
- sign a study contract concerning a European MALE drone program.

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In civil aircraft domain:

- boost FALCON sales,
- make the entry into service of the FALCON 8X a success,
- ensure the progress of SNECMA Silvercrest engine development to secure the new schedule for the first 5X aircraft deliveries during the first-half of 2020,
- continue our efforts to improve after-sales service to our FALCON customers,
- prepare the technological building blocks of future FALCON aircraft,

To improve our competitiveness, in a highly competitive environment, we need to lower cost price that directly impact sales prices despite the decline in the euro. We must launch a deep transformation of the company in order to reach a level of industrial efficiency and economic performance that can beat the competition while generating the margins needed for future investments. We will also need to increase our flexibility in order to improve our responsiveness to changes in the market, which is more and more unpredictable in an increasingly uncertain world.

Finally, the Board of Directors is pleased to celebrate the 100th anniversary of DASSAULT aircraft in 2016. This celebration will give us the opportunity to pay tribute to the founder, Marcel Dassault, and to welcome the fact that Serge Dassault and his family remained the majority shareholder of DASSAULT AVIATION.

Order intake

2015 **consolidated order intake** was **EUR 9,884 million**, compared to EUR 4,639 million in 2014. Export represented 96%.

The order intake consists exclusively of firm orders.

45 FALCON were ordered (compared to 90 FALCON ordered in 2014), and **20 FALCON NetJets were canceled**. Accordingly, **consolidated FALCON order intake** represented **EUR 1,602 million**, compared to EUR 3,946 million in 2014. The decline in order intake was due to a difficult economic environment. After a growth in FALCON activity in 2014, the economic situation, especially in emerging countries, weighed heavily on our prospects and customers and therefore on the level of 2015 order intake.

DEFENSE order intake was **EUR 8,282 million** in 2015, compared to EUR 693 million in 2014. This large increase is due to the coming into force in 2015 of the contracts for Egypt (24 RAFALE) and Qatar (24 RAFALE). DASSAULT AVIATION recognizes the RAFALE Export contracts in their entirety (i.e. including the THALES and SNECMA parts), whereas for France, only the DASSAULT AVIATION part is recognized.

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Net sales

2015 consolidated net sales amounted to **EUR 4,176 million** compared to EUR 3,680 million in 2014. **Export** represented **83%**.

2015 **FALCON net sales** amounted to **EUR 2,507 million** compared to EUR 2,685 million in 2014. **55 new aircraft** were delivered in 2015, compared to 66 in 2014. This decrease in deliveries is due to the low number of 2015 orders. This explains why we did not achieve our forecast of 65 deliveries in 2015.

2015 **DEFENSE net sales** amounted to **EUR 1,669 million** compared to EUR 995 million in 2014. **5 RAFALE** were delivered to France and **3 RAFALE** to Egypt during 2015. DEFENSE net sales also included the delivery of works performed for the Indian MIRAGE 2000 upgraded to the I/TI standard and the RAFALE Marine retrofitted to the F3 standard.

The "book to bill" (order intake / net sales ratio) stood at 2.4 in 2015; this was due particularly to the RAFALE Export contracts whose net sales are recognized over several years.

Backlog

The consolidated backlog at December 31, 2015, was **EUR 14,175 million** compared to EUR 8,217 million at December 31, 2014. The increase was due to 2015 RAFALE Export orders. Defense Export represented 55% of backlog, FALCON 27%, and Defense France 18%.

It included in particular:

- **21 RAFALE Egypt** and **24 RAFALE Qatar**,
- **38 RAFALE France** (43 at 12/31/2014),
- **91 FALCON** (121 at 12/31/2014).

Operating income

2015 operating income was **EUR 361 million** compared to EUR 353 million in 2014.

The **operating margin** was **8.6%** compared to 9.6% in 2014. The decrease is due in particular to:

- the pressure on FALCON sales prices due to an extremely competitive environment,
- the average USD rate effect (USD 1.11/EUR in 2015 compared to USD 1.33/EUR in 2014) on FALCON net sales part covered naturally by the USD purchases,
- the favorable impact in 2014 of exceptional items such as the sale of a building in Istres.

Adjusted financial income

2015 adjusted financial income was **EUR 19 million** compared to EUR 43 million in 2014. The decrease is due mainly to the full-year impact of borrowings underwritten in 2014 and new borrowings underwritten in April 2015.

Adjusted net income

2015 adjusted net income was **EUR 482 million** compared to EUR 398 million in 2014. In particular, the adjusted contribution of THALES to Group net income, before amortization of Purchase Price Allocation, amounted to EUR 189 million in 2015 compared to EUR 135 million in 2014.

The **adjusted net margin** was **11.5%** compared to 10.8% in 2014.

Note: IFRS net income was EUR 141 million in 2015 compared to EUR 283 million in 2014. The adjustments made are related primarily to the change in market value of foreign exchange hedging instruments which do not qualify for hedge accounting: EUR -291 million (compared to EUR -108 million in 2014). These instruments are used to hedge commercial flows; the Group neutralizes this change, as it considers that the result from foreign exchange hedging instruments should impact net income at the same time as the commercial flows occur.

Cash

The Group uses a specific indicator, referred to as "Available Cash," which reflects the total liquidity available to the Group, net of any financial debts. It covers the following balance sheet items:

- cash and cash equivalents,
- available-for-sale marketable securities (at their market value),
- financial debts.

Consolidated Available Cash amounted to **EUR 2,885 million** at December 31, 2015, compared to EUR 2,397 million at December 31, 2014, up by EUR 488 million.

This increase was mainly explained by:

- the decrease in working capital resulting mainly from advances received under the RAFALE Egypt and Qatar contracts,
- net cash from operating activities before working capital changes,
- the acquisition of treasury shares in the first half of 2015,
- investments made over the period,
- dividends paid in the year.

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Balance sheet

Total equity amounted to EUR 3,771 million at December 31, 2015, compared to EUR 4,103 million at December 31, 2014. This decrease was mainly due to the purchase of 460,687 treasury shares for an amount of EUR 451 million.

Borrowings and financial debts amounted to EUR 1,210 million at December 31, 2015, compared to EUR 985 million at December 31, 2014. The Group subscribed bank loans for EUR 300 million in 2015. Thus, bank loans represented EUR 1,000 million at December 31, 2015. Financial debts also included the locked-in employee profit-sharing funds.

At December 31, 2015, inventories and work-in-progress increased by EUR 336 million. Thus, they amounted to EUR 3,428 million at December 31, 2015, compared to EUR 3,092 million at December 31, 2014. This increase can be explained mainly by the rise in FALCON work-in-progress, due in particular to the level of deliveries during the year.

Advances and progress payments received on orders, net of advances and progress payments paid, increased by EUR 1,199 million, due in particular to advances received for the RAFALE Egypt and Qatar contracts.

Derivative financial instruments market value amounted to EUR -506 million at December 31, 2015, compared to EUR -40 million at December 31, 2014. This change was due mainly to the trend in the USD/EUR exchange rate at December 31 (1.09 USD/EUR at December 31, 2015, compared to 1.21 USD/EUR at December 31, 2014). The Group considers that this item is not representative of the exercise of hedges at maturity (see adjusted net income above).

Distribution policy

The Board of Directors has decided to submit to the Annual General Meeting the distribution of a dividend of EUR 12.10 per share in 2016, corresponding to a total of EUR 110 million, i.e. a payout of 23%, as in 2015.

N.B.: in terms of earning distribution policy, Group employees will receive, under profit-sharing and incentive schemes, EUR 92 million (whereas the legal formula would have led to an amount of EUR 1 million).

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2016 outlook

The Group expects to deliver around 60 FALCON and 9 RAFALE aircraft in 2016. Net sales in 2016 should, however, be lower than in 2015 given other activities (2015 was favorably impacted in particular by the upgrade of Indian MIRAGE 2000).

All information concerning our 2015 annual results are available on our web site www.dassault-aviation.com

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Appendix: table of reconciliation between consolidated income and adjusted income

The impact in **2015** of the adjustments of income statement aggregates is presented below:

(in EUR thousands)	2015 Consolidated data	THALES PPA amortization ⁽¹⁾	THALES adjustments	Derivative exchange instruments ⁽²⁾	2015 Adjusted data
Net sales	4,175,805				4,175,805
Operating income	361,190				361,190
Net financial income / expense	-425,862			444,496	18,634
Share in net income of equity affiliates	144,409	37,820	11,050		193,279
Income tax	61,762			-153,040	-91,278
Net income	141,499	37,820	11,050	291,456	481,825

⁽¹⁾neutralization of the amortization of the THALES purchase price allocation (PPA), 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 terms of IAS 39 "Financial Instruments."

The impact in **2014** of the adjustments of income statement aggregates is presented below:

(in EUR thousands)	2014 Consolidated data	THALES PPA amortization ⁽¹⁾	THALES adjustments	Derivative exchange instruments ⁽²⁾	2014 Adjusted data
Net sales	3,680,381				3,680,381
Operating income	352,748				352,748
Net financial income / expense	-122,697			165,383	42,686
Share in net income of equity affiliates	132,300	45,242	-38,724		138,818
Income tax	-79,481			-56,941	-136,422
Net income	282,870	45,242	-38,724	108,442	397,830

⁽¹⁾neutralization of the amortization of the THALES purchase price allocation (PPA), 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 terms of IAS 39 "Financial Instruments".

Readers are reminded that only the consolidated financial statements are reviewed by the Group's statutory auditors. Adjusted financial data are subject to the verification procedures applicable to all the information provided in the Annual Report.