2015 first half-year results

Financial release

July 23, 2015

Order intake	**EUR 4,331 million**, vs. EUR 1,865 million in 2014 first half-year, **up by 132%** *24 RAFALE Egypt* *25 FALCON ordered and 20 FALCON NetJets cancelled*

Net sales	**EUR 1,675 million**, vs. EUR 1,514 million in 2014 first half-year, **up by 11%** *1 RAFALE France* *18 FALCON*

Backlog	**EUR 11,023 million**, vs. EUR 8,217 million at December 31, 2014, **up by 34%** *42 RAFALE France and 24 RAFALE Egypt* *108 FALCON*

Adjusted net income (*)	**EUR 179 million**, up by 30%
i.e. per share	***EUR 20.1*** *vs. EUR 13.6 in 2014 first half-year*
Adjusted net margin (*)	**10.7%** of net sales, vs 9.1% in 2014 first half-year
Self-funded Research & Development	**11.9% of net sales**, vs. 14.1% in 2014 first half-year
Hedging rate	**1.25 USD/EUR** vs. 1.27 USD/EUR in 2014 first half-year

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

Saint-Cloud, July 23, 2015 – The Board of Directors, chaired by Éric Trappier, closed today the financial statements for 2015 first half-year. The Statutory Auditors have performed a limited review of these consolidated financial statements and have expressed an unqualified opinion.

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

"**2015 first half-year**, which ended with the 51st Le Bourget Paris Air Show and the flight presentation to the public of the RAFALE and FALCON 8X, **was primarily characterized by the export initial success of the RAFALE.** Once again, DASSAULT AVIATION has demonstrated its unique capability as a major operator in military and business aviation.

Export of the RAFALE, confirmed by:

- the coming into force of the contract for 24 aircraft signed with Egypt on February 16, 2015. The first three aircraft have been delivered to the customer, and were ferried to Egypt on July 21, 2015;

- the execution of a contract with Qatar for 24 aircraft on May 4, 2015, expecting its coming into force;

- India's announcement of its intention to order 36 aircraft on April 10, 2015;

was a time of great collective pride and recognition of the expertise of all those who had contributed to its development and industrialization, its support in the Armed Forces, and its promotion abroad.

The current RAFALE manufacturing rate will allow us to meet the delivery schedules as per the executed contracts, and given the anticipation of new successes, with India for example, we have begun to step up the production rate.

The recovery of the business aviation market observed in 2014 was not fully confirmed in 2015 first half-year. Competition is extremely fierce, while the political and economic environment remains uncertain.

FALCON 8X realized its maiden flight on February 6, 2015, while FALCON 5X's Roll out took place in Mérignac on June 2, 2015.

The other highlights in the first half-year included:

- the 100th flight of the nEUROn in Istres on February 26, 2015;
- the delivery of the first 2 upgraded Indian MIRAGE 2000 in Istres on March 25, 2015;
- the order (which has come into force) by the Japan Coast Guards of 2 FALCON 2000 Maritime Surveillance, our new SURMAR offer;
- 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 sale by AIRBUS GROUP of 18.75% of our capital allowed us to buy back an additional 5% of our shares, at a price agreed with AIRBUS GROUP. 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.

We are facing many challenges which, now, more than ever, will require the high level of quality, productivity and innovation that the Company has always been able to demonstrate."

Order intake

The consolidated order intake in 2015 first half-year amounted to **EUR 4,331 million**, vs. EUR 1,865 million in 2014 first half-year, up by 132%. **Export** represented **95%.**

The DEFENSE order intake amounted to **EUR 3,721 million** in 2015 first half-year, vs. EUR 266 million in 2014 first half-year. The exceptional level of the DEFENSE order intake is explained by the Egyptian order for 24 RAFALE, recognized for its full value, including THALES and SNECMA parts. Furthermore, we recorded an order for 2 Falcon 2000 Maritime Surveillance by the Japan Coast Guards (included in the number of 25 FALCON in the order intake).

25 FALCON were ordered, and 20 FALCON NetJets were cancelled in 2015 first half-year. The order intake in 2014 first half-year was 38 FALCON. Thus, **consolidated FALCON order intake** amounted to **EUR 610 million** vs. EUR 1,599 million in 2014 first half-year, down by 62%.

Net sales

Consolidated net sales amounted to **EUR 1,675 million** in 2015 first half-year, vs. EUR 1,514 million in 2014 first half-year, up by 11%.

FALCON sales amounted to **EUR 919 million** in 2015 first half-year, vs. EUR 1,043 million in 2014 first half-year. **18 new aircraft** were delivered in 2015 first half-year, vs. 25 in 2014 first half-year. FALCON sales are down by 12% between the 2 semesters. Note that half-yearly data are not representative of the annual figures, as seen in the past.

DEFENSE sales amounted to **EUR 756 million** in 2015 first half-year, vs. EUR 471 million in 2014 first half-year, up by 61%:

- DEFENSE export sales amounted to EUR 471 million in 2015 first half-year, vs. EUR 118 million in 2014 first half-year; an increase mainly driven by the Indian MIRAGE 2000 upgrade contract;

- French DEFENSE sales amounted to EUR 285 million in 2015 first half-year vs. EUR 353 million in 2014 first half-year. This 19% decrease is explained by the delivery of **1 RAFALE** to the French Forces in 2015 first half-year, vs. 5 in 2014 first half-year, to meet the Egyptian RAFALE contract delivery schedule. This decrease was partly offset by an increase in sales for development and support.

Backlog

The consolidated backlog at June 30, 2015 was **EUR 11,023 million**, vs. EUR 8,217 million at December 31, 2014, up by 34%. The backlog included 108 FALCON and 66 RAFALE (42 France and 24 Egypt) at June 30, 2015, vs. 121 FALCON and 43 RAFALE France at December 31, 2014.

Operating income

Consolidated operating income amounted to **EUR 144 million** in 2015 first half-year, vs. EUR 107 million in 2014 first half-year, up by 34%.

The operating margin amounted to **8.6%** of sales, vs. 7.1% in 2014 first half-year. The margin increase was mainly due to the increase in net sales, which resulted in a reduction of the relative part of self-funded Research and Development. Nevertheless, the level of self-funded Research and Development remained high, and amounted to 11.9% of net sales (EUR 200 million in 2015 first half-year vs. EUR 213 million in 2014 first half-year) as the Company is working, at the same time, at two major developments, FALCON 8X and FALCON 5X.

Adjusted financial income

Adjusted financial income in 2015 first half-year was **EUR 16 million**, same as 2014 first half-year. In particular, the Group made a profit of EUR 15 million on the disposal of available-for-sale marketable securities in 2015 first half-year, vs. EUR 10 million in 2014 first half-year, partly offset by the record of loan interest for EUR 4 million in 2015 first half-year.

Adjusted net income

Adjusted net income amounted to EUR 179 million in 2015 first half-year, vs. EUR 138 million in 2014 first half-year. The **adjusted net margin** in 2015 first half-year amounted to **10.7%** vs. 9.1% in 2014 first half-year.

The contribution of THALES' adjusted income, before amortization of the Purchase Price Allocation, to the Group's adjusted net income amounted to EUR 72 million in 2015 first half-year, vs. EUR 57 million in 2014 first half-year.

Note: IFRS net income for 2015 first half-year amounted to a loss of EUR 132 million vs. a profit of EUR 213 million in 2014 first half-year. The loss in 2015 first half-year was due to the change in the market value of foreign exchange hedging instruments which do not qualify for hedge accounting, which amounted to EUR -280 million in 2015 first half-year, vs. EUR 51 million in 2014 first half-year. These instruments are used to hedge commercial flows; DASSAULT AVIATION neutralizes this impact, 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 2,501 million** at June 30, 2015 vs. EUR 2,397 million at December 31, 2014, up by EUR 104 million.

This increase was mainly due to the decrease in working capital (+EUR 409 million), and to first half-year net cash from operating activities before working capital (+EUR 275 million), partly offset by the buy-back of treasury shares (-EUR 451 million), and the payment of dividends (-EUR 87 million).

Balance sheet

Total equity amounted to EUR 3,512 million at June 30, 2015 vs. EUR 4,103 million (restated) at December 31, 2014, i.e. a decrease of EUR 591 million.

This decrease was mainly due to:

- the purchase of 460,687 treasury shares for an amount of EUR 451 million *(note: the Group held 501,187 treasury shares at June 30, 2015, posted as a EUR 491 million deduction from total equity),*

- the IFRS net loss of the period: -EUR 132 million.

Borrowings and financial debts amounted to EUR 1,217 million at June 30, 2015 vs. EUR 985 million at December 31, 2014. The Group subscribed bank loans for EUR 300 million in 2015 first half-year. Thus, bank loans represented EUR 1,000 million at June 30, 2015. Financial debts also included locked-in employee profit-sharing funds.

Inventory and work-in-progress increased by EUR 443 million as at June 30, 2015. Thus, they amounted to EUR 3,535 million at June 30, 2015 vs. EUR 3,092 million at December 31, 2014. This increase can be explained by the rise in work-in-progress due to the level of FALCON deliveries during the first half-year.

Customers' advances and progress-payment on work-in-progress amounted to EUR 3,462 million at June 30, 2015, vs. EUR 2,271 million at December 31, 2014. The sharp increase was driven by the advances received for the Egyptian RAFALE, including THALES and SNECMA shares.

The disbursement of THALES and SNECMA parts of these advances resulted in a sharp increase in advances paid, which amounted to EUR 496 million at June 30, 2015 vs. EUR 93 million at December 31, 2014.

The market value of derivative financial instruments was negative (EUR -544 million at June 30, 2015 vs. EUR -40 million at December 31, 2014). This change was mainly due to the trend in the USD/EUR exchange rate at June 30, 2015 (1.12 USD/EUR vs. 1.21 USD/EUR at December 31, 2014).

Miscellaneous points

The Board of Directors, held on July 23, 2015, decided to convene an Ordinary and Extraordinary General Meeting with the two following points on the agenda:

- authorizing the Board of Directors to grant Company shares to executive corporate officers, and to certain Company employees,

- raising the maximum price per share of the share buy-back program authorized by the General Meeting of January 28, 2015 from EUR 1,200 to EUR 1,500; the other terms and conditions of this program remaining unchanged.

Group activities

FALCON programs:

2015 first half-year was characterized by:

- the start of FALCON 8X flight tests, including aircraft n°1's maiden flight on February 6, followed by aircraft n°2 and 3 in March and May; aircraft n°3 was ferried to Little Rock in early June in order to receive its interior completion,

- FALCON 5X roll-out in Mérignac on June 2. Its maiden flight is scheduled in the coming months, and its certification is expected in 2017.

DEFENSE programs:

RAFALE program was characterized by the following events in 2015 first half-year:

- **the execution with Egypt of a contract for 24 RAFALE on February 16; this contract, that came into force in March 2015, is the first export contract for the aircraft,**

- the execution with Qatar of a 2nd export contract for the purchase of 24 RAFALE on May 4, expecting its coming into force,

- India's announcement, on April 10, 2015, of its intention to order 36 RAFALE. We are pursuing negotiations with the Indian Authorities,

- the continuation of promotional and prospecting activities in other countries,

- the continuation of F3-R Standard development, including the first Meteor guided firing,

- the delivery of 1 RAFALE to France.

For other military aircraft programs, noteworthy highlights in 2015 first half-year included:

- the delivery of the first 2 upgraded Indian MIRAGE 2000 and the related standard on March 25,

- the order (which has come into force) by the Japan Coast Guards of 2 FALCON 2000 Maritime Surveillance, our new SURMAR offer,

- the continuation of development tasks related to ATLANTIQUE 2 combat system modernization,

- the delivery of the 3rd FALCON 50 SURMAR to the French Defense Procurement Agency (DGA).

Concerning drones, the first half-year was characterized by:

- the completion of the stealth and embedded sensor performance demonstration campaigns performed in Istres and in Sardinia with the nEUROn Unmanned Combat Air System,

- the continuation of the feasibility phase intended to prepare a potential demonstration program for a Future Combat Air System (FCAS) on behalf of the French and British Governments, as part of the Lancaster House Treaty. This phase, which will last for a period of 24 months, brings together DASSAULT AVIATION and BAE SYSTEMS as the lead managers of an industrial consortium that also includes ROLLS-ROYCE, SAFRAN/SNECMA, SELEX and THALES,

- the announcement by the French, German, and Italian Governments on May 18, 2015, of 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.

2015 outlook

The Group is planning to deliver 8 RAFALE (5 to France and 3 to Egypt) and 65 FALCON in 2015. Taking into account other activities, 2015 consolidated net sales should be higher than 2014's.

From 2015 on, following the modifications made to the directive n° 2004/109/CE, called directive "Transparence", DASSAULT AVIATION will no longer publish quarterly financial information, as they do not reflect annual figures.

Contacts:

Stéphane Fort
Corporate Communication
Tel.: + 33 (0)1 47 11 86 90

Armelle Gary
Financial Communication
Tel.: + 33 (0)1 47 11 84 24

For further information, please go to: www.dassault-aviation.com

Appendix: **table showing the reconciliation of consolidated income with adjusted income**

The impact of the adjustments in **2015 first half-year** on the income statement is detailed below:

(in EUR thousands)	2015 first half-year Consolidated data	THALES PPA amortization (1)	THALES adjustments	Change in the fair value of foreign exchange derivatives (2)	2015 first half-year Adjusted data
Net financial income/expense	-410,300			426,723	16,423
Share in net income of equity affiliates	42,103	20,183	11,883		74,169
Income tax	91,952			-146,921	-54,969
Net income/loss	-132,425	20,183	11,883	279,802	**179,443**

The impact of the adjustments in **2014 first half-year** on the income statement is detailed below:

(in EUR thousands)	2014 first half-year Consolidated data	THALES PPA amortization (1)	THALES adjustments	Change in the fair value of foreign exchange derivatives (2)	2014 first half-year Adjusted data
Net financial income/expense	93,750			-77,235	16,515
Share in net income of equity affiliates	81,821	23,843	-48,492		57,172
Income tax	-69,898			26,592	-43,306
Net income/loss	212,955	23,843	-48,492	-50,643	**137,663**

(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».

Note that the Statutory Auditors performed a limited review on the condensed consolidated interim financial statements only. The adjusted financial data are verified as part of the overall review of the information provided in the interim financial report.