2015

1ST HALF-YEAR

FINANCIAL REPORT

DASSAULT AVIATION

The English language version of this report is a free translation from the original, which was prepared in French language. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

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Declaration of the person responsible for the report

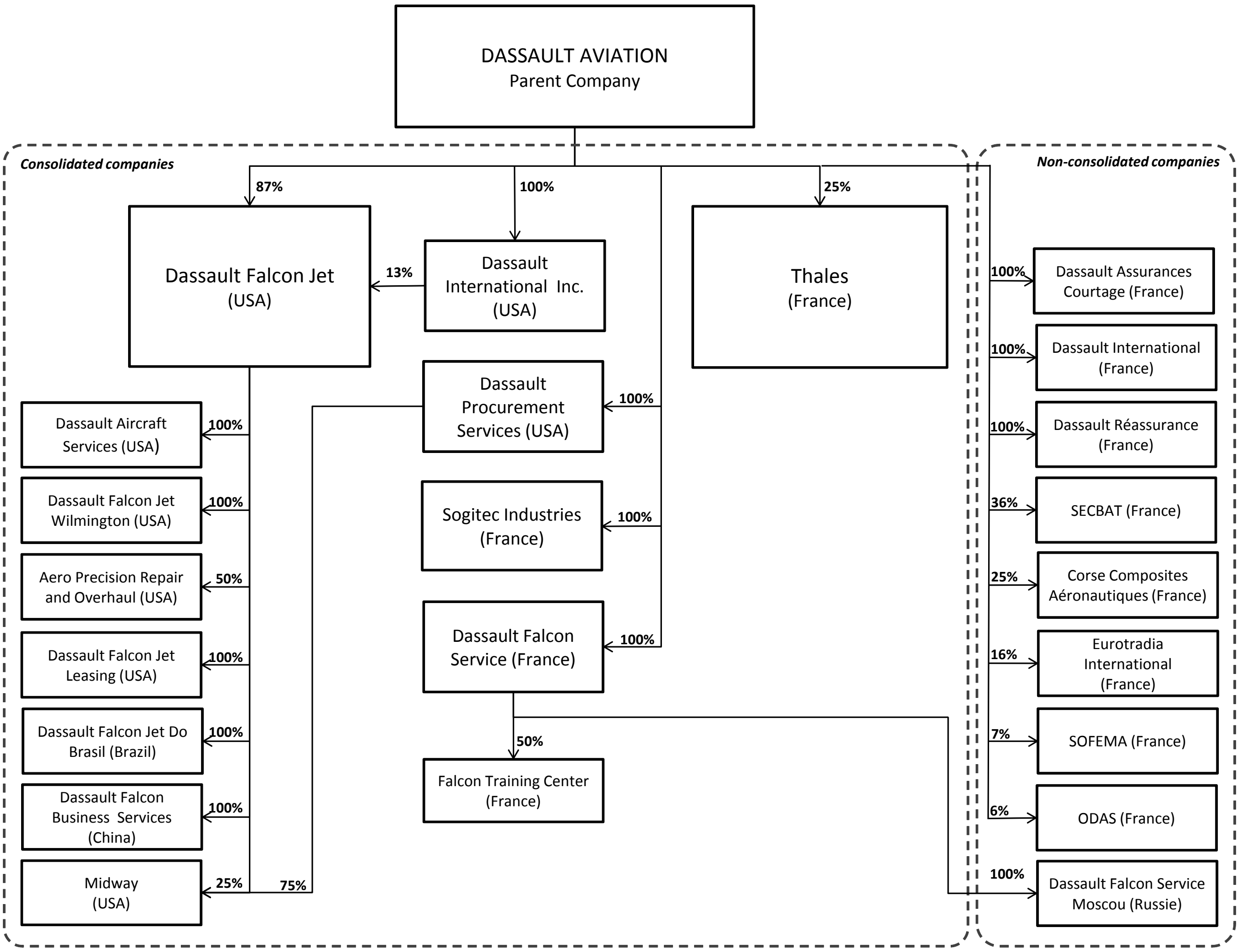
I hereby certify that, to my knowledge, the condensed half-year financial statements in this report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the DASSAULT AVIATION Group, and that the half-yearly activity report presents a fair representation of the important events of the first six months of the financial year and their effect on the half-yearly financial statements, the main transactions between related parties and a description of the main risks and uncertainties for the remaining six months of the financial year.

Paris, July 23, 2015

Éric Trappier
Chairman and Chief Executive Officer

Group structure

The Dassault Aviation Group is an international group that encompasses most of the aeronautical business of the Marcel Dassault Industrial Group. The main Group companies are as follows:



The list of consolidated entities is presented in Note 2, "Scope of consolidation", of the Appendix to the consolidated financial statements.

Shareholder structure as at June 30, 2015

GROUPE INDUSTRIEL MARCEL DASSAULT: 55.55%
AIRBUS GROUP SAS: 23.36%
FREE-FLOAT: 15.65%
DASSAULT AVIATION: 5.44%

Additional information on the structure of the Group's capital is given in Note 9 "Equity" of the Appendix to the consolidated financial statements.

1. First half-year results and highlights

1.1 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%.**

This sharp increase in 2015 first half-year resulted from the execution and coming into force of the Egyptian RAFALE contract, recognized for its full value in the order intake, including THALES and SNECMA parts.

Ordering trend, **in EUR million**, was as follows:

	DEFENSE		FALCON	Total	% Export
	France	Export			
H1 2014	130	136	1,599	1,865	92%
	14%		86%		
H1 2015	**197**	**3,524**	**610**	**4,331**	**95%**
	86%		**14%**		

FALCON programs

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%.

DEFENSE programs

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).

1.2 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%.

Export sales represented **79%**.

Consolidated sales trend, **in EUR million,** was as follows:

	DEFENSE		FALCON	Total	% Export
	France	Export			
H1 2014	353	118	1,043	1,514	76%
	31%		69%		
H1 2015	**285**	**471**	**919**	**1,675**	**79%**
	45%		**55%**		

FALCON programs

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.

FALCON sales accounted for 55% of consolidated sales in 2015 first half-year.

DEFENSE programs

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

- the increase in DEFENSE export sales, which amounted to EUR 471 million in 2015 first half-year, compared to EUR 118 million in 2014 first half-year, was 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.

1.3 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.

1.4 2015 FIRST HALF-YEAR PERFORMANCE BASED ON ADJUSTED DATA

1.4.1 Preamble

To reflect the actual economic performance of the Group, and for monitoring and comparability reasons, the DASSAULT AVIATION Group has prepared **an adjusted income statement**. The consolidated income statement of the Group has therefore been adjusted:

- for the amortization of the THALES purchase price allocation (PPA),
- for the value of the foreign-exchange derivatives which do not qualify for hedge accounting, by neutralizing the change in fair value of these instruments,
- for the adjustments made by THALES in its financial reporting.

1.4.2 Key data for 2015 first half-year on an adjusted basis

The table below sets out the key data for 2014 first half-year and 2015 first half-year, specifying the **adjusted** aggregates (table showing the reconciliation between the consolidated income and the adjusted income shown in appendix):

(in EUR thousands)	**2014 first half-year**	**2015 first half-year**
Net sales	1,514,255	1,675,329
Operating income	107,282(*)	143,820
Adjusted financial income	16,515	16,423
Adjusted share of income of equity affiliates	57,172(*)	74,169
Adjusted income tax	-43,306(*)	-54,969
Adjusted net income	**137,663**(*)	**179,443**
Attributable to the owners of the Parent Company	137,652(*)	179,416
Attributable to non-controlling interests	11	27

(*) Restated for IFRIC 21, interpretation on the recognition of levies.

1.5 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%.

Thus, 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.

1.6 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.

1.7 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.

1.8 FINANCIAL REPORTING

IFRS 8, "Operating Segments", requires the presentation of information according to internal management criteria.

The activity of the DASSAULT AVIATION Group relates entirely to the aerospace field. The internal reporting made to the Chairman-CEO and the Chief Operating Officer, as used for the strategy and decision-making, presents no performance analysis (according to the meaning of IFRS 8) at a level beneath this field.

2. Financial structure

2.1 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 1st half-year net cash from operating activities before working capital (+EUR 275 million), which were partly offset by the buy-back of treasury shares (-EUR 451 million), and the payment of dividends (-EUR 87 million).

The Group has no significant risk in relation to its marketable securities. The Group's marketable securities portfolio mainly consists of money-market securities and guaranteed securities.

2.2 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).

3. 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.

4. Shareholder information

The first half-year saw the ongoing implementation of the Memorandum of Understanding signed by DASSAULT AVIATION and AIRBUS GROUP SAS on November 28, 2014, with the sale by AIRBUS GROUP SAS of 18.75% interest in DASSAULT AVIATION through a private placement via an accelerated book-building.

Pursuant to the terms of that Memorandum, DASSAULT AVIATION acquired 460,687 shares, corresponding to 5% of its share capital, at the price of EUR 980 per share, in accordance with the authorization granted by the General Meeting of Shareholders on January 28, 2015.

The Board of Directors held on May 20, 2015, decided to allocate to the cancellation the 5% interest acquired. 91,216 shares were in the process of being cancelled at June 30, 2015, while 369,471 shares will be cancelled following the legal waiting period of 24 months (starting from December 22, 2014).

As a reminder, the remaining 40,500 treasury shares have been allocated a two-fold purpose: a potential liquidity contract and a potential allocation of free shares.

Equity capital structure

The Company's share capital amounted to EUR 73,710,032 at June 30, 2015. It is divided into 9,213,754 shares, each with a par value of EUR 8. The shares are listed on the regulated "Euronext Paris" market - Compartment A - International Securities Identification Number (ISIN Code): FR0000121725. They are eligible for deferred settlement (SRD).

DASSAULT AVIATION's share capital was as follows at June 30, 2015:

Shareholders	Number of shares	%	Voting rights exercisable	%
GIMD	5,118,240	55.55	5,118,240	58.74
AIRBUS GROUP SAS	2,152,656	23.36	2,152,656	24.71
Free-float (1)	1,441,671	15.65	1,441,671	16.55
DASSAULT AVIATION (2)	501,187	5.44	-	-
TOTAL	**9,213,754**	**100.00**	**8,712,567**	**100.00**

(1) Including one share held by the French State
(2) Treasury shares held on a "registered share" account with no voting rights

5. Related-party transactions

The related parties at June 30, 2015 were identical to those identified at December 31, 2014, and the transactions of the period were of the same kind.

6. Risk factors and management

The main risks and uncertainties that the Group faces for the remaining six months of the financial year are the same as those set out under Point 2 of the Board of Directors' Management Report for the 2014 financial year, as published in the 2014 Annual Financial Report.

7. Group activities

7.1 PROGRAMS

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.

7.2 AFTER-SALES

In 2015 first half-year, we:

- began the FALCON Airborne Support operations announced at the NBAA 2014. The first FALCON 900, which is based in Le Bourget, entered into service in January, followed by the FALCON based in Teterboro in June,
- continued expanding our FALCON after-sales network, including the approval of three new service stations in Beijing, Delhi, and Lagos,
- developed our FALCON spare parts distribution system by adding a new regional center in Louisville, Kentucky.

In addition to the Indian MIRAGE 2000 upgrade program in 2015 first half-year, business in terms of maintenance programs of our exported aircraft remained sustained:

- order by Qatar of the maintenance programs for its ALPHAJET and MIRAGE 2000,
- completion of the major inspection of the 1st Egyptian MIRAGE 2000,
- completion of the major inspection of the 1st UAE MIRAGE 2000,

Furthermore, we trained the first Egyptian team of pilots and mechanics, as part of the RAFALE contract, working closely with, and supported by the French Air Force.

8. Research & Development

Most of our Research and Development efforts focused on FALCON 8X, FALCON 5X, and on the RAFALE F3-R standard.

Aside from these major programs, we are pursuing the self-financed "Future FALCON with Innovative Technology" program. A significant part of this work benefits from domestic support for civil aerospace, and from European support.

We continued to participate in the Clean Sky 2 and CORAC (French Civil Aerospace Research Council) research programs.

In the military field, the preparation for the Future Combat Air System is focused on two priorities:

- the UCAS field, with operational analysis studies, technology feasibility and maturation studies, prior to launching a France-UK demonstration program. These activities are being carried out within 2 contracts awarded in October 2014, one for the France-UK joint activities and one for the national activities,
- a manned piloted aircraft component, to prepare for RAFALE future development.

9. New manufacturing and industrial management techniques

We continue to develop composite sectors:

- a demonstrator for the composite wing box for business aircraft;
- fiber placement for the manufacturing of composite parts.

In the area of metallic materials, we are continuing our work on automating the forming process for machined panels in order to use low-density aluminum alloys.

We are using robotized assemblies for both wings and fuselages.

In regard to primary parts, as part of our effort to reduce environmental impact:

- we are replacing chemical-based methods by mechanical machining processes,
- we are developing and qualifying new chrome-free surface treatment processes, in order to comply with the future requirements of the European REACh regulations.

We continued the deployment of IRP (Improving Responsiveness in Production) projects, which aim to improve working conditions (including reducing physical stress), as well as quality, flexibility, and competitiveness in all our production facilities.

We are also continuing to expand the extended digital company and Product Lifecycle Management (PLM) programs, thereby gaining a technological lead.

To achieve this:

- we are using new collaborative processes, enabling the coordination of all program stakeholders (both inside and outside the company),
- we are industrializing FALCON 5X with the new version of the DASSAULT SYSTÈMES PLM V6,
- we are developing production-line processes that place production-line or control operators in an environment that meets their needs.

10. Industrial Facilities

The operational upkeeping, automation, and adjustment of our industrial facilities were illustrated, in the 1st half of 2015, by the implementation of:

- a cold spray metallization robot in Argenteuil,
- a robotized shot-blasting unit for large-scale components in Seclin,
- the rapid reconfiguration device of the automated forming line in Seclin,
- a vertical grinder in Argonay.

11. Environmental Policy

The "Eco-démarche 2021" (Environmental Approach) initiative, launched three years ago, is continuing across various topics, supplemented by the Research & Development initiatives related to the "green aircraft":

- the life-cycle assessments for the industrial sectors are being completed,
- the substitution of hazardous chemicals, and the related authorization requests, are making progress. The first authorization requests were filed in May.

New environmental footprint reduction targets for the Company's facilities have been determined for the period between 2015 and 2017. The performance improvement sought specifically involves CO_2 emissions, energy consumption, the amount of hazardous waste generated, and the general optimization of the waste recycling outlets.

The energy audits required by French regulations have been launched, and now cover 65% of the Parent Company's energy bills. All of the audits will be completed by October 2015, in accordance with the deadlines imposed. These audits are the premises for a future ISO 50001 Energy Management System, which is part of the existing ISO 14001 System.

The extension of the assessment of suppliers, and their environmental monitoring are in progress. This assessment is intended to be complementary to the evaluation of sub-contractors' environmental risks that was introduced in 2014. This initiative is consistent with the current work performed within the IAEG (International Aerospace Environmental Group), of which our Company is a member.

The Parent Company's ISO 14001 certification was renewed in March. Meanwhile, DASSAULT FALCON SERVICE obtained its first ISO 14001 certification.

12. Health and Safety at Work

The Health and Safety at Work initiative is continuing, according to the following priorities:

- reinforcing the prevention culture via training and the deployment of communication tools,
- reducing the main accident risks by making safer work at high levels, decluttering workstations, and developing tools to facilitate lifting and handling,
- taking ergonomics into account for new workstations,
- reducing chemical risk by substituting substances or replacing processes.

13. Human Resources

The Group's headcount included 11,944 people at June 30, 2015.

14. Conclusion

"**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."

The Board of Directors

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.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2015

BALANCE SHEET - ASSETS

(in EUR thousands)	Notes	06.30.2015	12.31.2014 (1)	12.31.2013 (1)
Goodwill		14,366	14,366	14,366
Intangible assets		23,160	22,522	29,241
Property, plant and equipment		455,741	417,286	384,231
Equity affiliates (1)	3	1,672,410	1,602,653	1,662,271
Available-for-sale securities	4, 17	3,061,599	2,796,603	3,126,501
Other financial assets		33,866	33,759	34,682
Deferred tax assets (1)	5	475,296	303,285	189,656
TOTAL NON-CURRENT ASSETS		**5,736,438**	**5,190,474**	**5,440,948**
Inventories and work-in-progress	6	3,534,502	3,091,562	2,686,520
Trade and other receivables	7	680,708	722,761	550,732
Advances and progress payments to suppliers		495,562	92,667	78,839
Derivative financial instruments	18	45,929	123,554	311,558
Cash and cash equivalents	8, 18	774,561	708,419	983,230
TOTAL CURRENT ASSETS		**5,531,262**	**4,738,963**	**4,610,879**
TOTAL ASSETS		**11,267,700**	**9,929,437**	**10,051,827**

BALANCE SHEET - LIABILITIES AND EQUITY

(in EUR thousands)	Notes	06.30.2015	12.31.2014 (1)	12.31.2013 (1)
Share capital		73,710	73,710	81,007
Reserves and consolidated retained earnings (1)		3,861,411	4,070,775	5,130,785
Foreign exchange differences		67,300	-2,557	-109,874
Treasury shares		-491,163	-39,690	0
TOTAL ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	9	**3,511,258**	**4,102,238**	**5,101,918**
Non-controlling interests		400	373	339
TOTAL EQUITY		**3,511,658**	**4,102,611**	**5,102,257**
Long-term financial debts	8, 10	1,166,603	892,736	205,288
Deferred tax liabilities		0	0	0
TOTAL NON-CURRENT LIABILITIES		**1,166,603**	**892,736**	**205,288**
Trade and other payables		783,960	834,899	825,912
Tax and social security payables (1)		313,037	244,559	255,551
Customer advances and progress payments on work-in-progress		3,461,958	2,271,430	2,293,925
Short-term financial debts	8, 10	50,397	92,027	62,896
Current provisions	11	1,389,816	1,327,818	1,305,998
Derivative financial instruments	18	590,271	163,357	0
TOTAL CURRENT LIABILITIES		**6,589,439**	**4,934,090**	**4,744,282**
TOTAL EQUITY AND LIABILITIES		**11,267,700**	**9,929,437**	**10,051,827**

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

INCOME STATEMENT

(in EUR thousands)	Notes	H1 2015	H1 2014 (1)	2014
NET SALES	12	**1,675,329**	**1,514,255**	**3,680,381**
Other revenue		19,597	21,744	42,430
Changes in inventories of finished goods and work-in-progress		327,694	251,113	117,784
External purchases		-1,159,073	-1,077,219	-2,434,322
Payroll and related charges (2)		-603,142	-544,609	-1,061,117
Taxes and social security contributions (1)		-39,182	-36,973	-57,741
Depreciation and amortization		-34,554	-32,495	-71,202
Charges to provisions		-671,314	-640,396	-662,292
Reversals of provisions		616,327	640,455	771,915
Other operating income and expenses		12,138	11,407	26,912
OPERATING INCOME		**143,820**	**107,282**	**352,748**
Income from cash and cash equivalents		3,812	3,853	6,892
Cost of gross financial debt		-7,862	-3,365	-7,314
Other financial income and expenses		-406,250	93,262	-122,275
NET FINANCIAL INCOME/EXPENSE	14	**-410,300**	**93,750**	**-122,697**
Share in net income of equity affiliates (1)	3	42,103	81,821	132,300
Income tax (1)	15	91,952	-69,898	-79,481
NET INCOME/LOSS		**-132,425**	**212,955**	**282,870**
Attributable to the owners of the Parent Company		*-132,452*	*212,944*	*282,836*
Attributable to non-controlling interests		*27*	*11*	*34*
Basic earnings per share (in EUR)	16	**-14.8**	**21.0**	**28.2**
Diluted earnings per share (in EUR)	16	**-14.8**	**21.0**	**28.2**

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

(2) Payroll and related charges include incentives and profit-sharing (EUR 44,682 thousand in H1 2015, EUR 42,545 thousand in H1 2014 and EUR 85,665 thousand for full-year 2014).

STATEMENT OF COMPREHENSIVE INCOME

(in EUR thousands)	Notes	H1 2015	H1 2014 (1)	2014
NET INCOME/LOSS (1)		**-132,425**	**212,955**	**282,870**
Change in the fair value of financial instruments:				
✓ Available-for-sale securities	4	-17,231	4,517	-8,503
✓ Derivative financial instruments (2)	18	-77,568	-26,070	-185,860
Deferred taxes		32,938	7,413	66,845
Foreign exchange differences		56,051	5,618	80,071
Items of equity affiliates to be recycled to P&L (net)	3	-14,335	1,572	-17,606
Items to be subsequently recycled to P&L		**-20,145**	**-6,950**	**-65,053**
Actuarial adjustments on defined benefit obligations	11	19,063	-32,198	-94,173
Deferred taxes		-4,675	5,114	21,055
Items of equity affiliates not to be recycled to P&L (net)	3	63,702	-28,630	-136,865
Items not to be recycled to P&L		**78,090**	**-55,714**	**-209,983**
TOTAL OTHER COMPREHENSIVE INCOME		**57,945**	**-62,664**	**-275,036**
TOTAL COMPREHENSIVE INCOME		**-74,480**	**150,291**	**7,834**
Attributable to the owners of the Parent Company		*-74,507*	*150,280*	*7,800*
Attributable to non-controlling interests		*27*	*11*	*34*

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

(2) The amounts stated represent the change in the market value over the period for instruments which qualify for hedge accounting. They are not representative of the actual gain/loss when the hedges are exercised.

STATEMENT OF CHANGES IN EQUITY

(in EUR thousands)	Share capital	Reserves and consolidated retained earnings		Foreign exchange differences	Treasury shares	Total attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Additional paid-in capital, consolidated retained earnings and other reserves	Derivative financial instruments and available-for-sale securities					
As published at December 31, 2013	**81,007**	**4,340,804**	**783,243**	**-109,874**	**0**	**5,095,180**	**339**	**5,095,519**
Restatements (1)		6,738				6,738		6,738
As restated at December 31, 2013	**81,007**	**4,347,542**	**783,243**	**-109,874**	**0**	**5,101,918**	**339**	**5,102,257**
Net income/loss for the period (1)		*212,944*				*212,944*	*11*	*212,955*
Total other comprehensive income		*-55,714*	*-22,810*	*15,860*		*-62,664*		*-62,664*
Total comprehensive income		157,230	-22,810	15,860		150,280	11	150,291
Dividends paid		-90,120				-90,120		-90,120
Other movements (1) (2)		15,242				15,242		15,242
As restated atJune 30, 2014 (restated)	**81,007**	**4,429,894**	**760,433**	**-94,014**	**0**	**5,177,320**	**350**	**5,177,670**
As published at December 31, 2013	**81,007**	**4,340,804**	**783,243**	**-109,874**	**0**	**5,095,180**	**339**	**5,095,519**
Restatements (1)		6,738				6,738		6,738
As restated at December 31, 2013	**81,007**	**4,347,542**	**783,243**	**-109,874**		**5,101,918**	**339**	**5,102,257**
Net income/loss for the period		*282,836*				*282,836*	*34*	*282,870*
Total other comprehensive income		*-209,983*	*-172,370*	*107,317*		*-275,036*		*-275,036*
Total comprehensive income		72,853	-172,370	107,317		7,800	34	7,834
Dividends paid		-90,120				-90,120		-90,120
Movements on treasury shares (3)	-7,297	-886,603			-39,690	-933,590		-933,590
Other movements (1) (2)		16,230				16,230		16,230
As restated at December 31, 2014	**73,710**	**3,459,902**	**610,873**	**-2,557**	**-39,690**	**4,102,238**	**373**	**4,102,611**

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

(2) For THALES, this largely consists of changes in treasury shares, employee share issues and share-based payments.

(3) See Note 9. The Board Meeting of November 28, 2014, in the scope of the authorization granted by the General Meeting of September 24, 2014, decided to reduce the share capital of Dassault Aviation SA by cancellation of 912,143 shares. The difference between the acquisition cost of the shares to be cancelled (EUR 893,900 thousand) and the par value of these shares (EUR 8 per share, i.e. EUR 7,297 thousand) was allocated as a reduction of reserves and consolidated retained earnings.

STATEMENT OF CHANGES IN EQUITY (continued)

(in EUR thousands)	Share capital	Reserves and consolidated retained earnings		Foreign exchange differences	Treasury shares	Total attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Additional paid-in capital, consolidated retained earnings and other reserves	Derivative financial instruments and available-for-sale securities					
As published at December 31, 2014	**73,710**	**3,453,199**	**610,873**	**-2,557**	**-39,690**	**4,095,535**	**373**	**4,095,908**
Restatements (1)		6,703				6,703		6,703
As restated at December 31, 2014	**73,710**	**3,459,902**	**610,873**	**-2,557**	**-39,690**	**4,102,238**	**373**	**4,102,611**
Net income/loss for the period		*-132,452*				**-132,452**	**27**	**-132,425**
Total other comprehensive income		*78,090*	*-90,002*	*69,857*		**57,945**		**57,945**
Total comprehensive income		-54,362	-90,002	69,857		-74,507	27	-74,480
Dividends paid		-87,126				-87,126		-87,126
Movements on treasury shares (3)					-451,473	-451,473		-451,473
Other movements (2)		22,126				22,126		22,126
As of June 30, 2015	**73,710**	**3,340,540**	**520,871**	**67,300**	**-491,163**	**3,511,258**	**400**	**3,511,658**

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

(2) For THALES, this largely consists of changes in treasury shares, employee share issues and share-based payments.

(3) See Note 9.

CASH FLOW STATEMENT

(in EUR thousands)	Notes	H1 2015	H1 2014 (1)	2014
I - NET CASH FROM OPERATING ACTIVITIES				
NET INCOME/LOSS (1)		-132,425	212,955	282,870
Elimination of net income of equity affiliates, net of dividends received (1)	3	1,736	-37,169	-68,283
Elimination of gains and losses from disposals of fixed assets		-52	-9,706	-9,593
Changes in the fair value of derivative financial instruments	18	426,971	-77,235	165,501
Income tax (including deferred taxes) (1)	15	-91,952	69,898	79,481
Net charges to and reversals of depreciation, amortization and provisions (excluding those relating to working capital)		120,874	4,915	-15,393
Other items		0	-170	-170
Net cash from operating activities before working capital changes and income tax		**325,152**	**163,488**	**434,413**
Income tax paid		**-50,295**	**-42,907**	**-103,298**
Change in inventories and work-in-progress (net)	6	-442,940	-396,566	-405,042
Change in advances and progress payments to suppliers		-402,895	9,320	-13,828
Change in trade and other receivables (net)	7	42,053	-9,805	-172,029
Change in customer advances and progress payments on work-in-progress		1,190,528	-67,121	-22,495
Change in trade and other payables		-50,939	-101,720	8,987
Change in tax and social security payables (1)		68,478	-14,295	-10,992
Consolidation reclassifications and restatements		4,325	547	7,069
Increase (-) or decrease (+) in working capital		**408,610**	**-579,640**	**-608,330**
Total I		**683,467**	**-459,059**	**-277,215**
II - NET CASH FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets		-80,038	-35,356	-91,395
Increase in financial assets		-300	-357	-492
Disposals of or reductions in fixed assets		4,829	22,256	26,773
Net cash from acquisitions and sales of subsidiaries		0	0	0
Total II		**-75,509**	**-13,457**	**-65,114**
III - NET CASH FLOW USED IN FINANCING ACTIVITIES				
Net change in available-for-sale marketable securities (at historical cost)	4	-282,226	189,203	299,233
Capital increase		0	0	0
Purchases/sales of treasury shares	9	-451,473	0	-933,590
Increase in financial debts	10	365,595	88,517	789,615
Repayments of financial debts		-85,646	-110,896	-121,377
Dividends paid		-87,126	-90,120	-90,120
Total III		**-540,876**	**76,704**	**-56,239**
IV - Foreign exchange rate fluctuations **Total IV**		46,772	2,815	75,416
CHANGE IN NET CASH AND CASH EQUIVALENTS (I+II+III+IV)		**113,854**	**-392,997**	**-323,152**
Opening net cash and cash equivalents	8	**660,078**	**983,230**	**983,230**
Closing net cash and cash equivalents	8	**773,932**	**590,233**	**660,078**

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Accounting principles

1.1 General principles

On July 23, 2015, the Board of Directors approved and authorized the publication of the consolidated financial statements of DASSAULT AVIATION as at June 30, 2015.

The DASSAULT AVIATION group prepares its condensed consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting" and the IFRS (International Financial Reporting Standards) as adopted by the European Union at June 30, 2015.

The interim financial statements are prepared according to the accounting policies used when preparing the 2014 consolidated financial statements and take into account the changes in the basis of accounting outlined below, in section 1.2.

Distinctive features of the consolidated interim financial statements

Seasonality

In previous years, a recurring seasonality phenomenon has been observed, with a higher level of business in the second half. As a result, the interim results as at June 30, 2015 are not necessarily representative of what may be expected for full-year 2015.

Income tax

For the purposes of the interim financial statements, the tax expense (current and deferred) is calculated by applying the estimated average rate for the whole year to the accounting net income for the period.

Provisions for retirement severance payments

Pension costs for interim period are calculated on the basis of the actuarial valuations performed at the end of the prior year. If necessary, these valuations are adjusted to take into account curtailments, settlements or other major non-recurring events during the period. Furthermore, amounts recognized in the balance sheet in respect of defined benefit plans are adjusted, if necessary, in order to reflect material changes impacting the yield on investment-grade corporate bonds in the geographic area concerned (the benchmark used to determine the discount rate) and the actual return on plan assets.

1.2 Changes in basis of accounting

Standards, amendments and interpretations for mandatory application as at January 1, 2015

As at January 1, 2015, the Group applied the following standards, amendments and interpretations:
- IFRIC 21 "Levies";
- Annual Improvements to IFRSs 2011–2013 Cycle.

The effects of IFRIC 21 on the Group's financial statements are detailed in section 1.3.

The IFRS annual improvements applicable to fiscal years beginning on or after January 1, 2015 have no significant impact on the consolidated financial statements of the Group.

Standards, amendments and interpretations for mandatory application after January 1, 2015

The amendment to IAS 19 on employee contributions and the Annual Improvements to IFRSs 2010-2012 Cycle, adopted by the European Union and mandatory for fiscal years beginning on or after February 1, 2015 were not applied in advance by the Group.

The standards, amendments or interpretations published by the IASB and not yet adopted by the European Union were not applied in advance by the Group for the preparation of its consolidated financial statements when this option was available.

These texts mainly concern:

- Amendment to IAS 1 - Relevance of Financial Information;
- IFRS 9 - Financial Instruments;
- IFRS 15 - Revenue from Contracts with Customers;
- Amendment to IAS 16 and IAS 38 - Acceptable Methods of Depreciation and Amortization;
- Amendment to IFRS 11 - Acquisitions of Interests in Joint Operations;
- Annual Improvements to the IFRSs 2012-2014 Cycle.

The effects of these texts on the Group's financial statements are currently being assessed.

1.3 Application of IFRIC 21

IFRIC 21, which is mandatory for fiscal years beginning on or after January 1, 2015, concerns the recognition of liabilities to pay levies.

This interpretation in particular requires:
- liabilities to be recognized on the date of the obligating event;
- liabilities to be progressively recognized only when the obligating event occurs over a period of time.

The levies falling within the scope of this interpretation and impacting the financial statements of DASSAULT AVIATION Group are the corporate solidarity social contribution (C3S, tax levied on net sales of French companies) and property tax.

As the application of this interpretation is retrospective, the financial statements presented for comparative periods have been restated.

The application of this interpretation had a limited impact on the financial statements. The impacts are presented below.

Impact on the Group's balance sheet at December 31, 2013:

(in EUR thousands)	As at Dec 31, 2013 (published)	Impact	As at Dec 31, 2013 (restated)
Non-current assets	5,440,761	187	5,440,948
Current assets	4,610,879	-	4,610,879
Total assets	10,051,640	187	10,051,827
Equity attributable to the owners of the Parent Company	5,095,180	6,738	5,101,918
Non-controlling interests	339	-	339
Non-current liabilities	205,288	-	205,288
Current liabilities	4,750,833	-6,551	4,744,282
Total equity and liabilities	10,051,640	187	10,051,827

Impact on the Group's balance sheet at December 31, 2014:

(in EUR thousands)	As at Dec 31, 2014 (published)	Impact	As at Dec 31, 2014 (restated)
Non-current assets	5,190,322	152	5,190,474
Current assets	4,738,963	-	4,738,963
Total assets	9,929,285	152	9,929,437
Equity attributable to the owners of the Parent Company	4,095,535	6,703	4,102,238
Non-controlling interests	373	-	373
Non-current liabilities	892,736	-	892,736
Current liabilities	4,940,641	-6,551	4,934,090
Total equity and liabilities	9,929,285	152	9,929,437

Impact on the Group's income statement in H1 2014:

(in EUR thousands)	H1 2014 (published)	Impact	H1 2014 (restated)
Net sales	1,514,255	-	1,514,255
Operating income	113,208	-5,926	107,282
Net financial income/expense	93,750	-	93,750
Share in net income of equity affiliates (1)	85,409	-3,588	81,821
Income tax	-72,137	2,239	-69,898
Net income/loss	220,230	-7,275	212,955
Attributable to the owners of the Parent Company	*220,219*	*-7,275*	*212,944*
Attributable to non-controlling interests	*11*	-	*11*

The application of this interpretation had no significant impact on 2014 results. The 2014 income statement wasn't restated.

1.4 Segment reporting

IFRS 8, "Operating Segments", requires the presentation of information according to internal management criteria. The activity of the DASSAULT AVIATION Group relates entirely to the aerospace field. The internal reporting made to the Chairman-CEO and the Chief Operating Officer, as used for the strategy and decision-making, presents no performance analysis (according to the meaning of IFRS 8) at a level beneath this field.

Note 2 - Scope of consolidation

The consolidated financial statements comprise the financial statements of DASSAULT AVIATION and the following entities:

Name	Country	% interest (1)		Consolidation method (2)
		06.30.2015	12.31.2014	
DASSAULT AVIATION (3)	**France**	**Parent company**	**Parent company**	
DASSAULT FALCON JET	**USA**	**100**	**100**	**FC**
- DASSAULT FALCON JET WILMINGTON	USA	100	100	FC
- DASSAULT AIRCRAFT SERVICES	USA	100	100	FC
- DASSAULT FALCON JET LEASING	USA	100	100	FC
- AERO PRECISION	USA	50	50	EM
- MIDWAY	USA	25	25	FC
- DASSAULT FALCON JET DO BRAZIL	Brazil	100	100	FC
- DASSAULT FALCON BUSINESS SERVICES	China	100	100	FC
DASSAULT FALCON SERVICE	**France**	**100**	**100**	**FC**
- FALCON TRAINING CENTER	France	50	50	EM
DASSAULT PROCUREMENT SERVICES	**USA**	**100**	**100**	**FC**
- MIDWAY	USA	75	75	FC
SOGITEC INDUSTRIES	**France**	**100**	**100**	**FC**
DASSAULT INTERNATIONAL INC.	**USA**	**100**	**100**	**FC**
THALES	**France**	**25**	**25**	**EM**

(1) The equity interest percentages are identical to the percentages of effective control for all Group companies except for THALES, for which the Group held a 25.00% equity interest, 25.23% of interest entitlements and 28.83% of voting rights as at June 30, 2015.

(2) FC: fully consolidated, EM: equity method.

(3) Identity of the parent company: *Société Anonyme* (French limited liability company) with a share capital of EUR 73,710,032, listed and registered in France, Paris Trade and Companies Register No. 712 042 456 - 9, Rond-Point des Champs-Élysées-Marcel Dassault - 75008 PARIS.

Note 3 - Equity affiliates

3.1 Group share of net assets and net income of equity affiliates

As at June 30, 2015, DASSAULT AVIATION held 25.23% of interest entitlements of THALES Group, compared to 25.51% as at December 31, 2014. DASSAULT AVIATION has a significant influence over THALES, notably with regards to the shareholders' agreement between DASSAULT AVIATION and the public sector.

(in EUR thousands)	Equity affiliates		Net income of equity affiliates		
	06.30.2015	**12.31.2014 (1)**	**H1 2015**	**H1 2014 (1)**	**2014**
THALES (2)	1,654,493	1,585,582	39, 779	81,798	128,872
Other	17,917	17,071	2,324	23	3,428
TOTAL	**1,672,410**	**1,602,653**	**42,103**	**81,821**	**132,300**

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

(2) Including goodwill of EUR 1,101,297 thousand. The Group share in the net income of THALES after consolidation restatements is detailed in Note 3.3.

3.2 Change in equity affiliates

(in EUR thousands)	**H1 2015**	**2014 (1)**
At December 31, 2014 (1)	**1,602,653**	**1,662,271**
Group share in net income (after consolidation adjustments)	42,103	132,300
Elimination of dividends paid (2)	-43,839	-64,017
Other comprehensive income:		
- Net change in fair value measurement of available-for-sale securities	6	34
- Net change in fair value measurement of derivative financial instruments (3)	-42,939	-67,003
- Actuarial adjustments on defined benefit obligations	79,168	-161,610
- Deferred taxes	-674	46,862
- Foreign exchange differences	13,806	27,246
Share of equity affiliates in other comprehensive income	49,367	-154,471
Other movements (1) (4)	22,126	26,570
At period end	**1,672,410**	**1,602,653**

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

(2) In H1 2015, the Group received EUR 40,975 thousand in dividends from THALES in respect of 2014. In 2014, THALES had paid the Group EUR 44,652 thousand in dividends in respect of 2013 and EUR 17,860 thousand in interim dividends in respect of 2014.

(3) The amounts stated correspond to the change in the market value of the portfolio over the period. They are not representative of the actual gain/loss when the hedges are exercised.

(4) For THALES, this largely consists of changes in treasury shares, employee share issues and share-based payments.

3.3 Share of net income of equity affiliates of DASSAULT AVIATION

Details of the transition from the published net income of THALES, Group share, to that applied by DASSAULT AVIATION can be found in the table below:

(in EUR thousands)	H1 2015	H1 2014 (1)	2014
THALES net income, attributable to the owners of the parent company (100%) (1)	**266,000**	**432,600**	**714,200**
THALES net income - DASSAULT AVIATION share (25.23%)	**67,112**	**110,876**	**182,192**
Post-tax amortization of the purchase price allocation (2)	-20,183	-23,843	-45,242
Other consolidation adjustments	-7,150	-5,235	-8,078
Value applied by DASSAULT AVIATION	**39,779**	**81,798**	**128,872**

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

(2) Amortization of identified assets for which the amortization methods and periods are identical to those used for the fiscal year ended December 31, 2014.

3.4 Impairment

Based on the market price of THALES shares on June 30, 2015 (EUR 54.16 per share), DASSAULT AVIATION's investment in THALES is valued at EUR 2,845 million.

In the absence of any objective indication of impairment, THALES investment was not subject to an impairment test on June 30, 2015.

Note 4 - Available-for-sale securities

Available-for-sale securities are recognized at fair value. They comprise in particular short-term Group investments in the form of listed marketable securities. It should be noted that other marketable securities are classified under "cash equivalents" (see Note 8). The analysis of risks relating to all the Group's available-for-sale securities is presented in Note 18 to the financial statements.

(in EUR thousands)	12.31.2014	Acquisitions	Disposals	Fair value variation	Other	06.30.2015
Listed marketable securities (1) (2)	2,673,249	282,226		-11,601		2,943,874
Unlisted securities	72,729	1		-495		72,235
EMBRAER shares	50,625			-5,135		45,490
Available-for-sale securities	**2,796,603**	**282,227**	**0**	**-17,231**	**0**	**3,061,599**

(1) EUR 282,226 thousand relates to the net change in listed marketable securities at historical cost.

(2) The EUR -11,601 thousand change relates i) to the increase in the fair value of listed marketable securities amounting to EUR 3,594 thousand and ii) to a gain on the sale of marketable securities for EUR -15,195 thousand (included in net financial income/expense).

An exhaustive analysis of the performance of available-for-sale securities is carried out at each period-end. The investment portfolio does not present, line-by-line, any objective indication of impairment as at June 30, 2015 (as at December 31, 2014).

Note 5 - Deferred tax assets

(in EUR thousands)	06.30.2015	12.31.2014 (1)
Temporary differences on provisions (profit-sharing, retirement, etc.)	235,280	238,291
Available-for-sale securities and cash equivalents	-14,191	-15,507
Derivative financial instruments	187,291	13,663
Other temporary differences (1)	66,916	66,838
Net deferred tax (2)	**475,296**	**303,285**
Deferred tax assets	*475,296*	*303,285*
Deferred tax liabilities	*0*	*0*

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

(2) The deferred tax bases for which a reversal is expected with certainty in 2015 have been subject to tax at 38%. The other bases have been subject to tax at 34.43%.

Note 6 - Inventories and work-in-progress

(in EUR thousands)	06.30.2015			12.31.2014
	Gross	Provision	Net	Net
Raw materials	189,513	-69,226	120,287	105,844
Work-in-progress	2,649,639	-31,232	2,618,407	2,176,597
Semi-finished and finished goods	1,119,724	-323,916	795,808	809,121
TOTAL	**3,958,876**	**-424,374**	**3,534,502**	**3,091,562**

Note 7 - Trade and other receivables

(in EUR thousands)	06.30.2015			12.31.2014
	Gross	Provision	Net	Net
Trade receivables	585,889	-78,648	507,241	496,982
Corporate income tax receivables	33,818		33,818	84,078
Other receivables	113,928		113,928	129,646
Prepayments and accrued income	25,721		25,721	12,055
TOTAL	**759,356**	**-78,648**	**680,708**	**722,761**

Note 8 - Cash and cash equivalents

8.1 Net cash

(in EUR thousands)	06.30.2015			12.31.2014
	Gross	Provision	Net	Net
Cash equivalents (1)	717,220		717,220	650,518
Cash at bank and in hand	57,341		57,341	57,901
Cash and cash equivalents in the balance sheet	**774,561**	**0**	**774,561**	**708,419**
Bank overdrafts	-629		-629	-48,341
Net cash in the cash flow statement	**773,932**	**0**	**773,932**	**660,078**

(1) Mainly time deposits and cash equivalent marketable securities.

8.2 Available cash

The Group has defined a specific indicator, "Available cash", which reflects the Group's total liquid assets minus financial debts. It is calculated as follows:

(in EUR thousands)	06.30.2015	12.31.2014
Available-for-sale marketable securities (market value) (1)	2,943,874	2,673,249
Cash and cash equivalents (market value)	774,561	708,419
Sub-total	**3,718,435**	**3,381,668**
Financial debts (2)	-1,217,000	-984,763
Available cash	**2,501,435**	**2,396,905**

(1) See Note 4.

(2) See Note 10.

Note 9 - Equity

9.1 Share capital

The share capital amounted to EUR 73,710 thousand, comprising 9,213,754 ordinary shares, each with a par value of EUR 8, at June 30, 2015, unchanged on December 31, 2014. The share capital broke down as follows at June 30, 2015:

	Shares	% share capital	% voting rights
GIMD	5,118,240	55.55%	58.74%
Airbus Group SAS	2,152,656	23.36%	24.71%
Free-float	1,441,671	15.65%	16.55%
Dassault Aviation (treasury shares)	501,187	5.44%	-
Total	**9,213,754**	**100%**	**100%**

9.2 Treasury shares

Movements on treasury shares are detailed below:

(in number of shares)	2015	2014
Treasury shares at opening	**40,500**	**0**
Purchase of treasury shares	460,687	952,643
Cancellation of shares	0	-912,143
Treasury shares at closing	**501,187**	**40,500**

In accordance with the agreements signed with Airbus Group and the authorization voted by its General Meeting of January 28, 2015, Dassault Aviation acquired 460,687 shares, representing 5% of its share capital at a price of EUR 980 per share for a total of EUR 451,473 thousand. The Board Meeting of May 20, 2015 decided that these shares would be allocated for the purpose of share cancellation provided for by the buyback program. 91,216 shares will be cancelled in 2015 second half-year and 369,471 will be cancelled following the legal waiting period of 24 months (starting from December 22, 2014).

In 2014, the Group had bought 952,643 shares for a total of EUR 933,590 thousand, pursuant to the authorization of the General Meeting of September 24, 2014. The Board Meeting of November 28, 2014 had decided to allocate 912,143 shares for the purpose of share cancellation provided for by the buyback program, the balance of 40,500 treasury shares being held by the Company as at December 31, 2014 for potential allocation of free shares and a potential liquidity contract to stimulate the market. The impact of treasury shares on the Group's consolidated financial statements is detailed in the statement of changes in equity.

Note 10 - Financial debts

(in EUR thousands)	06.30.2015	12.31.2014
Bank borrowings (1)	998,615	746,559
Other financial debts (2)	218,385	238,204
Total	**1,217,000**	**984,763**

(1) In H1 2015, the Group took out borrowings for EUR 300 million. In 2014, the Group took out borrowings for EUR 700 million. Initially at a variable interest rate, these borrowings were swapped for fixed rate.

Bank overdrafts stood at EUR 629 thousand at June 30, 2015, compared with EUR 48,341 thousand at December 31, 2014.

(2) Other financial debts represent the locked-in employee profit-sharing funds.

Note 11 - Current provisions

(in EUR thousands)	12.31.2014	Increases/ Charges	Decreases/ Reversals	Other	06.30.2015
Guarantee	706,598	16,806	-44,032	3,575	682,947
Services and work to be performed	130,064	115,538	-35,262	4,129	214,469
Retirement severance payments (1)	486,627	22,510	-5,307	-16,120	487,710
French companies	*452,244*	*15,294*	*-5,064*	*-5,493*	*456,981*
North American companies	*34,383*	*7,216*	*-243*	*-10,627*	*30,729*
Miscellaneous	4,529	481	-389	69	4,690
Total	**1,327,818**	**155,335**	**-84,990**	**-8,347**	**1,389,816**

(1) The discount rate used to calculate the provision for retirement severance payments for French companies (determined with reference to the yield on long-term high quality corporate bonds, rated AA) was 1.50% at June 30, 2015, compared to 1.30% at December 31, 2014. The rate used to calculate the provision for retirement severance payments for U.S. companies was 4.80%, compared to 4.40% at December 31, 2014. The actuarial adjustments contribute to the reduction in provisions for retirement severance payments for EUR 19,063 thousand.

Note 12 - Net sales

(in EUR thousands)	H1 2015	H1 2014
First quarter	778,198	585,968
Second quarter	897,131	928,287
TOTAL	**1,675,329**	**1,514,255**

As indicated in 1.1, interim data is not representative of annual net sales.

(in EUR thousands)	H1 2015	H1 2014	2014
France (1)	348,945	369,043	836,460
Export	1,326,384	1,145,212	2,843,921
TOTAL	**1,675,329**	**1,514,255**	**3,680,381**

(1) Principally the French government.

Note 13 - Research and development costs

Group Research and Development costs recognized as expenses in H1 2015 totaled EUR 199,915 thousand, compared to EUR 213,266 thousand in H1 2014 and EUR 488,063 thousand in 2014.

Note 14 - Net financial income/expense

(in EUR thousands)	H1 2015	H1 2014	2014
Interest generated by cash and cash equivalents	3,799	3,770	6,777
Gains/losses on disposal and change in fair value of cash equivalents	13	83	115
Income from cash and cash equivalents	**3,812**	**3,853**	**6,892**
Interest charges on financing operations	-7,862	-3,365	-7,314
Cost of gross financial debt	**-7,862**	**-3,365**	**-7,314**
COST OF NET FINANCIAL DEBT	**-4,050**	**488**	**-422**
Dividends and other investment income	2,160	1,873	1,364
Interest income and gains/losses on disposal of other financial assets (excluding cash and cash equivalents)	18,331	12,561	40,266
Foreign exchange gain/loss (1)	-426,741	78,828	-163,905
Other financial expenses	0	0	0
Other financial income and expenses	**-406,250**	**93,262**	**-122,275**
NET FINANCIAL INCOME/EXPENSE	**-410,300**	**93,750**	**-122,697**

(1) The amounts stated mainly correspond to the change in the market value of hedging instruments which do not qualify for hedge accounting under IAS 39 “Financial instruments”. They are not representative of the actual gain/loss when the hedges are exercised.

Note 15 - Income tax

(in EUR thousands)	H1 2015	H1 2014 (1)	2014
Net income/loss (1)	-132,425	212,955	282,870
Cancellation of income tax (1)	-91,952	69,898	79,481
Cancellation of the share in net income of equity affiliates (1)	-42,103	-81,821	-132,300
Income before tax and share in net income of equity affiliates	-266,480	201,032	230,051
Theoretical income tax calculated at the current rate (2)	**101,262**	**-76,392**	**-87,419**
Effect of tax credits (3)	7,782	8,223	16,611
Effect of differences in tax rate	-14,327	2,882	-4,865
Other	-2,765	-4,611	-3,808
Effective tax expense	**91,952**	**-69,898**	**-79,481**

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

(2) Following the 2014 Finance Act, a rate of 38% applies for 2015, unchanged on 2014, to the Group Parent Company. The rate was also 38% in H1 2014.

(3) Tax Credits for Research, recognized as other revenue, totaled EUR 16,375 thousand in H1 2015, compared to EUR 17,277 thousand in H1 2014, and EUR 35,487 thousand for full-year 2014. Tax credits for competitiveness and employment, recognized as payroll and related charges, totaled EUR 4,105 thousand in H1 2015, compared to EUR 4,119 thousand in H1 2014, and EUR 8,226 thousand for full-year 2014.

Note 16 - Earnings per share

Basic earnings per share	H1 2015	H1 2014 (1)	2014
Net income/loss attributable to shareholders (in EUR thousands) (2)	-132,452	212,944	282,836
Weighted average number of outstanding ordinary shares	8,923,821	10,125,897	10,013,721
Basic earnings per share (in EUR)	-14.8	21.0	28.2

(1) Restated for the impact of the application of IFRIC 21. See accounting principles, Note 1.3.

(2) Net income/loss is fully attributable to income from continuing operations (no discontinued operations).

Earnings per share are calculated by dividing net income/loss attributable to the owners of the Parent Company by the weighted average number of ordinary shares outstanding during the period less treasury shares. As the Group does not have any share option plans, diluted earnings per share is identical to basic earnings per share.

Note 17 - Financial instruments

The balance sheet valuation method (cost or fair value) used for financial instruments (assets or liabilities) is detailed in the table below.

The Group used the following hierarchy for the fair-value measurement of financial assets and liabilities:

- Level 1: quoted prices in active markets;
- Level 2: valuation techniques based on observable market data;
- Level 3: valuation techniques based on non-observable market data.

17.1 Financial instruments (assets)

(in EUR thousands)	Balance sheet value as at 06.30.2015			
	Cost or cost less repayments (1)	Fair value		Total
		Through P&L	Through equity	
Non-current assets				
Listed investments			45,490	45,490
Unlisted investments			72,235	72,235
Available-for-sale marketable securities			2,943,874	2,943,874
Other financial assets	33,866			33,866
Current assets				
Trade and other receivables	680,708			680,708
Derivative financial instruments		1,006	44,923	45,929
Cash equivalents		717,220		717,220
Total financial instruments (assets)	**714,574**	**718,226**	**3,106,522**	**4,539,322**
Level 1 (2)		717,220	2,989,364	
Level 2		1,006	44,923	
Level 3		0	72,235	

(1) The carrying amount of financial instruments (assets) recognized at cost or cost less repayments represents a reasonable approximation of fair value.

(2) Including time deposits as at June 30, 2015: EUR 660,174 thousand.

On December 31, 2014, the data were as follows:

(in EUR thousands)	Balance sheet value as at 12.31.2014			
	Cost or cost less repayments (1)	Fair value		Total
		Through P&L	Through equity	
Non-current assets				
Listed investments			50,625	50,625
Unlisted investments			72,729	72,729
Available-for-sale marketable securities			2,673,249	2,673,249
Other financial assets	33,759			33,759
Current assets				
Trade and other receivables	722,761			722,761
Derivative financial instruments		54,442	69,112	123,554
Cash equivalents		650,518		650,518
Total financial instruments (assets)	**756,520**	**704,960**	**2,865,715**	**4,327,195**
Level 1 (2)		650,518	2,723,874	
Level 2		54,442	69,112	
Level 3		0	72,729	

(1) The carrying amount of financial instruments (assets) recognized at cost or cost less repayments represents a reasonable approximation of fair value.

(2) Including time deposits as at December 31, 2014: EUR 597,067 thousand.

17.2 Financial instruments (liabilities)

(in EUR thousands)	Balance sheet value as at 06.30.2015			
	Cost or cost less repayments (1)	Fair value		Total
		Through P&L	Through equity	
Non-current liabilities				
Bank borrowings	997,473			997,473
Other financial debts	169,130			169,130
Current liabilities				
Bank borrowings	513			513
Other financial debts	49,255			49,255
Trade and other payables	783,960			783,960
Derivative financial instruments		452,246	138,025	590,271
Total financial instruments (liabilities)	**2,000,331**	**452,246**	**138,025**	**2,590,602**
Level 1		0	0	
Level 2		452,246	138,025	
Level 3		0	0	

(1) The carrying amount of financial instruments (liabilities) recognized at cost or cost less repayments represents a reasonable approximation of fair value.

On December 31, 2014, the data were as follows:

(in EUR thousands)	Balance sheet value as at 12.31.2014			
	Cost or cost less repayments (1)	Fair value		Total
		Through P&L	Through equity	
Non-current liabilities				
Bank borrowings	697,957			697,957
Other financial debts	194,779			194,779
Current liabilities				
Bank borrowings	261			261
Other financial debts	43,425			43,425
Trade and other payables	834,899			834,899
Derivative financial instruments		78,711	84,646	163,357
Total financial instruments (liabilities)	**1,771,321**	**78,711**	**84,646**	**1,934,678**
Level 1		0	0	
Level 2		78,711	84,646	
Level 3		0	0	

(1) The carrying amount of financial instruments (liabilities) recognized at cost or cost less repayments represents a reasonable approximation of fair value.

Note 18 - Financial risk management

18.1 Cash and liquidity risks

The Group investment portfolio mainly comprises money market investments with no significant risk of impairment.

(in EUR thousands)	06.30.2015			
	Historical cost	Capital gain	Consolidated asset value	%
Cash at bank and in hand, money market investments and time deposits	1,958,530	299,859	2,258,389	61%
Investments in bonds (1)	229,005	156,465	385,470	10%
Diversified investments (1)	580,229	494,347	1,074,576	29%
Total	**2,767,764**	**950,671**	**3,718,435**	**100%**

(1) Investments in bonds and diversified investments are in most cases backed by guarantees, limiting the risk of impairment.

The Group can therefore meet its commitments without any liquidity risk due to its cash reserves and its portfolio of available-for-sale marketable securities. The Group is not faced with restrictions with regard to the availability of its cash reserves and of its marketable securities portfolio.

18.2 Credit and counterparty risks

The Group spreads its investments and performs its cash and foreign exchange transactions with recognized financial institutions. The Group has no investment or account with financial institutions with major risks of default.

The Group limits counterparty risk by performing most of its sales in cash and ensuring that any credit provided is secured by export insurance guarantees (COFACE) or collateral.

The amounts of export insurance guarantees and collateral obtained for these credits and not exercised at June 30, 2015 are comparable to that at December 31, 2014.

Guarantees are also underwritten with export insurance firms for manufacturing risk relating to major military export contracts.

18.3 Foreign exchange risks

The Group is exposed to a foreign exchange risk through the Parent Company on FALCON sales that are virtually all denominated in US dollars. This risk is partially hedged using forward exchange contracts and currency options.

The Group partially hedges its cash flows that are considered highly probable. It ensures that the initial future cash flows will be sufficient to use the foreign exchange hedges in place. The hedged amount may be adjusted according to the variability in the timing of expected net cash flows.

The foreign exchange derivatives used by the Group do not all qualify for hedge accounting under IAS 39 "Financial instruments". The breakdown of instruments is given in the table below:

(in EUR thousands)	Market value as at 06.30.2015	Market value as at 12.31.2014
Instruments which qualify for hedge accounting	-97,433	-13,309
Instruments which do not qualify for hedge accounting	-450,874	-24,151
Derivative financial instruments	**-548,307**	**-37,460**

The impact on net income/loss and equity for the period of changes in fair value is as follows:

(in EUR thousands)	12.31.2014	Impact on equity (1)	Impact on net financial income/ expense (2)	06.30.2015
Derivative financial instruments	**-37,460**	-84,124	-426,723	**-548,307**

(1) Recognized as other comprehensive income, share of fully consolidated companies.

(2) Change in fair value of foreign exchange hedging instruments which do not qualify for derivative financial accounting under IAS 39 "Financial Instruments".

18.4 Interest rate risks

The Group is exposed to the volatility of interest rates through loans taken out at a variable rate (see Note 10). The latter were swapped for a fixed rate to limit this risk.

The impact on net income/loss and equity for the period of changes in the fair value of these financial instruments is as follows:

(in EUR thousands)	12.31.2014	Impact on equity	Impact on net financial income/expense	06.30.2015
Interest rate derivatives	**-2,343**	6,556	-248	**3,965**

Note 19 - Related-party transactions

Related parties at June 30, 2015 are identical to those identified at December 31, 2014 and the transactions during the half are also of the same type.

Note 20 - Subsequent events

No events likely to have a material impact on the financial statements occurred between June 30, 2015 and the date of approval of the financial statements by the Board of Directors.

STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meeting and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code (*"Code monétaire et financier"*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of DASSAULT AVIATION, for the period from January 1st to June 30th, 2015;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, July 23rd, 2015

The Statutory Auditors

MAZARS	DELOITTE & ASSOCIES
Manuela BAUDOIN-REVERT	Jean-François VIAT