2016

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.

Contents

Declaration of the person responsible for the report

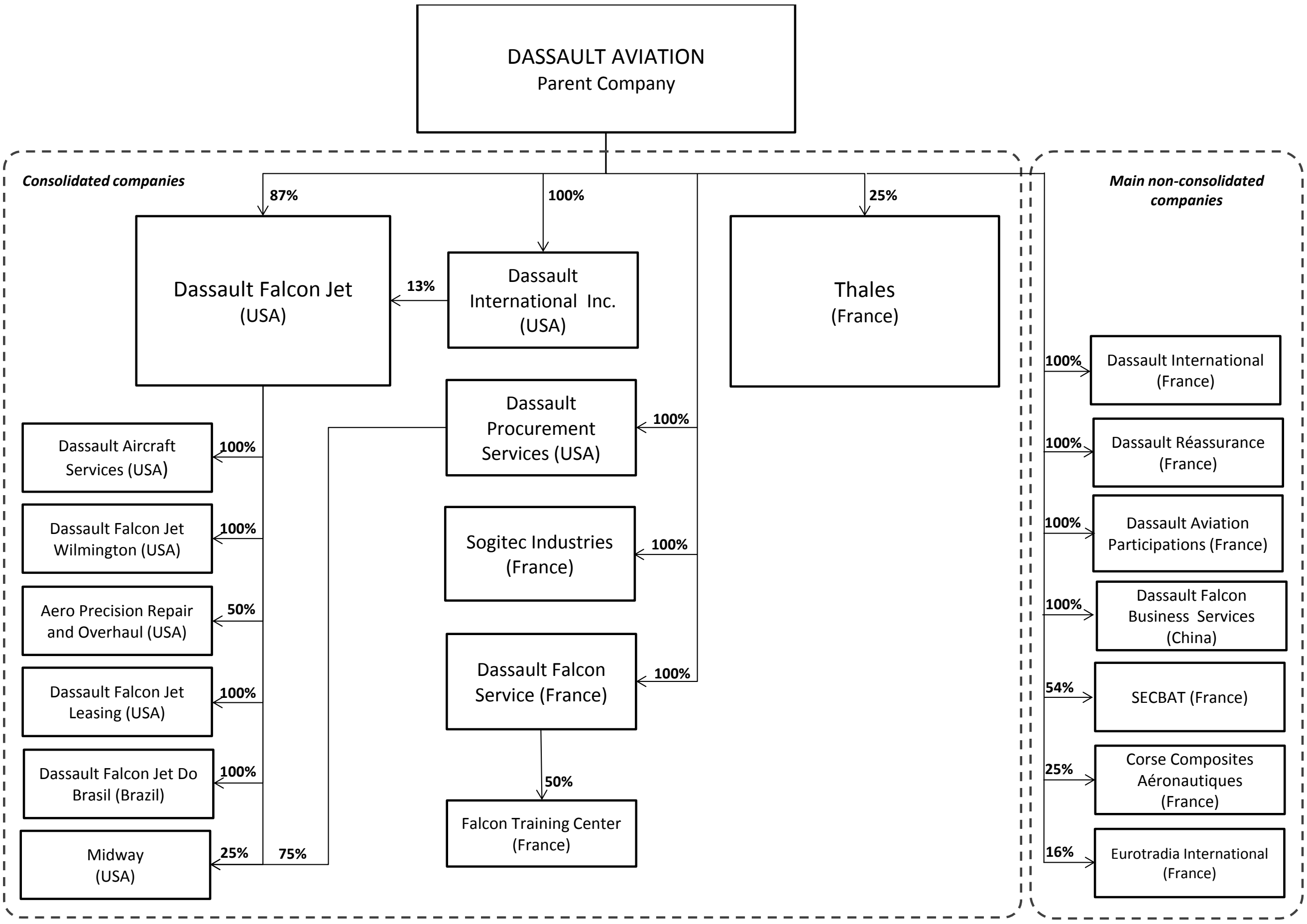
I hereby certify that, to my knowledge, the condensed half-year financial statements in this report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the DASSAULT AVIATION Group, 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 21, 2016

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 interim condensed consolidated financial statements.

1. Consolidated key figures and highlights of the first half-year

1.1 ORDER INTAKE

Consolidated order intake in the first half of 2016 amounted to **EUR 1,378 million**, compared to EUR 4,331 million in the first half of 2015, which was marked by the Egyptian order for 24 RAFALE.

Exports accounted for 64%, compared to 95% in the first half of 2015.

Order intake trends are as follows, in **EUR millions**:

	DEFENSE		FALCON	Total	% Export
	France	Export			
H1 2015	197	3,524	610	4,331	95%
	86%		14%		
H1 2016	**454**	**146**	**778**	**1,378**	**64%**
	44%		**56%**		

FALCON programs

FALCON consolidated order intake amounted to **EUR 778 million**, compared to EUR 610 million in the first half of 2015.

In the first half of 2016, we recorded, in particular, **22 FALCON orders and 11 FALCON 5X cancellations,** as a result of delays on the SilverCrest engine by SAFRAN AIRCRAFT ENGINES. Order intake in the first half of 2015 totaled 25 FALCON, and 20 FALCON NetJets were canceled.

DEFENSE programs

DEFENSE order intake totaled **EUR 600 million** in the first half of 2016, compared to EUR 3,721 million in the first half of 2015.

The decrease in DEFENSE Export order intake (**EUR 146 million** in the first half of 2016, compared to EUR 3,524 million in the first half of 2015) was mainly due to the Egyptian order for 24 RAFALE in the first half of 2015.

The increase in DEFENSE France order intake (**EUR 454 million** in the first half of 2016, compared to EUR 197 million in the first half of 2015) was primarily due to the contract for the MIRAGE 2000D upgrade.

1.2 NET SALES

Consolidated net sales in the first half of 2016 were **EUR 1,662 million**, compared to EUR 1,675 million in the first half of 2015.

Exports accounted for **81%** of net sales.

Consolidated sales trends are as follows, **in EUR millions:**

	DEFENSE		FALCON	Total	% Export
	France	Export			
H1 2015	285	471	919	1,675	79%
	45%		55%		
H1 2016	**283**	**526**	**853**	**1,662**	**81%**
	49%		**51%**		

FALCON programs

FALCON net sales in the first half of 2016 totaled **EUR 853 million**, compared to EUR 919 million in the first half of 2015.

15 new aircraft were delivered in the first half of 2016, compared to 18 in the first half of 2015.

FALCON net sales accounted for 51% of consolidated net sales in the first half of 2016.

DEFENSE programs

DEFENSE net sales totaled **EUR 809 million**, compared to EUR 756 million in the first half of 2015 (which included the delivery of the Indian MIRAGE 2000 modernization works).

4 RAFALE were delivered to France and **3 RAFALE** to Egypt in the first half of 2016, compared to 1 RAFALE to France in the first half of 2015.

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The "book to bill" ratio (order intake / net sales) was 0.83.

1.3 BACKLOG

The consolidated backlog at June 30, 2016 was **EUR 13,931 million**, compared to EUR 14,175 million at December 31, 2015, including:

- **87 FALCON** (91 at end-2015),
- **34 RAFALE** France (38 at end-2015),
- **42 RAFALE** Export (45 at end-2015).

N.B.: 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.

1.4 FIRST HALF OF 2016 PERFORMANCE (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 is therefore adjusted:

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

1.4.2 First half of 2016 key data (adjusted data)

The table below shows the key data for the first half of 2016 and the first half of 2015 by detailing the **adjusted** aggregates (the table of reconciliation between consolidated income and adjusted income can be found in the appendix):

(in EUR thousands)	**H1 2016**	**H1 2015**
Net sales	**1,662,352**	1,675,329
Operating income	**125,278**	143,820
Adjusted financial income	**17,225**	16,423
Adjusted share in net income of equity associates	**91,240**	74,169
Adjusted income tax	**-48,762**	-54,969
Adjusted net income	**184,981**	**179,443**
Attributable to the owners of the Parent Company	***184,966***	*179,416*
Attributable to non-controlling interests	***15***	*27*
Adjusted earnings per share (in EUR)	**21.4**	**20.1**

1.5 OPERATING INCOME

Consolidated operating income in the first half of 2016 was **EUR 125 million**, compared to EUR 144 million in the first half of 2015.

The operating margin was **7.5%**, compared to 8.6% in the first half of 2015.

The decrease was due to:

- competitive pressure on FALCON sales prices, which intensified between the two half-years,
- the adverse impact of the conversion into EUR of USD items in the balance sheet in the first half of 2016 (USD/EUR 1.11 at June 30, 2016, compared to USD/EUR 1.09 at December 31, 2015) whereas it was favorable in the first half of 2015 (USD/EUR 1.12 at June 30, 2015, compared to USD/EUR 1.21 at December 31, 2014). The change in this conversion impacts the income statement, without being indicative of the financial performance over the period,
- partially offset by the decrease in the weighting of self-financed R&D.

1.6 ADJUSTED FINANCIAL INCOME

Adjusted financial income in the first half of 2016 was **EUR 17 million**, comparable to that in the first half of 2015 (EUR 16 million).

1.7 THALES CONTRIBUTION

The contribution of THALES adjusted net income, before amortization of the Purchase Price Allocation, was **EUR 89 million** in the first half of 2016, compared to EUR 72 million in the first half of 2015.

1.8 ADJUSTED NET INCOME

Adjusted net income in the first half of 2016 was **EUR 185 million**, compared to EUR 179 million in the first half of 2015. **The adjusted net margin** was **11.1%** in the first half of 2016, compared to 10.7% in the first half of 2015.

N.B.: IFRS net income in the first half of 2016 was EUR 238 million, compared to EUR -132 million in the first half of 2015. For the record, the loss in the first half of 2015 was wholly due to the change in the market value of foreign exchange instruments which did not qualify for hedge accounting: EUR +69 million in the first half of 2016, compared to EUR -280 million in the first half of 2015. These instruments are used to hedge commercial flows; DASSAULT AVIATION neutralizes this change, as it considers that gains or losses on hedging should impact income at the same time as the commercial flows occur.

1.9 FINANCIAL REPORTING

IFRS 8 requires the presentation of information according to internal management criteria.

The entire activity of the DASSAULT AVIATION Group relates to the aviation and aerospace domain. The internal reporting made to the Chairman and CEO and to the Chief Operating Officer, which is used for strategy and decision-making, includes no performance analysis, (as defined by IFRS 8), at a level lower than this domain.

2. Financial structure

2.1 BALANCE SHEET

Total equity amounted to **EUR 3,254 million** at June 30, 2016, compared to EUR 3,771 million at December 31, 2015, a reduction of EUR 517 million.

This decrease was mainly due to the buyback of 502,282 treasury shares for EUR 477 million (for the record, at June 30, 2016, the Group held 912,253 treasury shares, recognized as a deduction from equity for EUR 879 million).

Borrowings and financial debts amounted to **EUR 1,192 million** at June 30, 2016, compared to EUR 1,210 million at December 31, 2015. They include:

- the bank borrowings subscribed in 2014 and 2015 for a total of EUR 1,000 million. It should be noted that the Company did not subscribe any new bank loan for the purpose of share buybacks in the first half of 2016,
- locked-in employee profit-sharing funds.

At June 30, 2016, **inventories and work-in-progress** increased by EUR 546 million. They thus amounted to **EUR 3,974 million** at June 30, 2016, compared to EUR 3,428 million at December 31, 2015. This increase was due to the rise in FALCON work-in-progress, as a result of the level of deliveries during the half-year.

Advances and progress payments received on orders net of advances and progress payments paid rose **EUR 660 million** at June 30, 2016 mainly due to RAFALE Export downpayments.

Derivative financial instruments had a market value of EUR -380 million at June 30, 2016 compared to EUR -506 million at December 31, 2015. The resulting positive change of EUR +126 million was mainly due to the trend in the USD/EUR exchange rate at June 30, 2016 (USD/EUR 1.11 compared to USD/EUR 1.09 at December 31, 2015).

2.2 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 2,432 million** at June 30, 2016 compared to EUR 2,885 million at December 31, 2015, down EUR 453 million. This decrease was mainly explained by:

- the treasury share buyback totaling EUR 477 million,
- the increase in inventories and work-in-progress of EUR 546 million,

partially offset by:

- the EUR 660 million increase in advances and progress payments received on orders net of advances and progress payments paid.

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

3. Outlook for 2016

In March 2016, the Group planned to deliver 9 RAFALE (6 France and 3 Egypt) and 60 FALCON.

Our 2016 delivery forecast for 9 RAFALE (6 France and 3 Egypt) remains unchanged.

Due to the current weakness of the business jet market, we are reducing our forecast for 2016 deliveries from 60 to 50 FALCON.

2016 net sales should be below the 2015 level, due, in particular, to the impact of the Indian MIRAGE 2000 modernization program in 2015.

4. Shareholder information

As part of the plan by AIRBUS GROUP to sell its stake in the capital of DASSAULT AVIATION, on June 10, 2016, AIRBUS GROUP:

- sold 1,327,466 DASSAULT AVIATION shares through a private placement, at a price of EUR 950 per share to institutional investors (825,184 shares, representing 9.05% of the capital) and to DASSAULT AVIATION (502,282 shares, representing 5.51% of the capital),
- issued bonds exchangeable into 825,184 DASSAULT AVIATION shares, representing 9.05% of the capital.

Following this transaction and in the event of the exchange in full of the bonds or the exercise of its share redemption option, AIRBUS GROUP will no longer hold any shares or voting rights in DASSAULT AVIATION.

In order to buyback 502,282 of its treasury shares under this plan, on June 3, 2016, the Board of Directors approved the activation of the 3rd share buyback program authorized by the Annual General Meeting on May 19, 2016. The program authorizes the acquisition of a number of shares representing up to 10% of the Company's capital at a maximum price of EUR 1,500 per share over a period of 18 months beginning on May 19, 2016.

The same meeting of the Board of Directors on June 3, 2016 decided to allocate these 502,282 shares to the objective of cancellation, subject to their acquisition. As a result of the cancellations carried out since December 22, 2014, these shares and the 369,471 shares previously allocated to cancellation cannot be canceled before December 23, 2016.

Capital structure

The Company's share capital totaled EUR 72,980,304 at June 30, 2016. It is divided into 9,122,538 shares, each with a par value of EUR 8. The shares are listed on the regulated "Euronext Paris" market - Compartment A - International Securities Identification Numbers (ISIN Code): FR0000121725. They are eligible for deferred settlement.

As of June 30, 2016, DASSAULT AVIATION shareholders are as follows:

Shareholders	Number of shares	%	Voting rights exercisable	%
GIMD	5,118,240	56.1	10,236,480	73.2
Free-float	2,266,861	24.9	2,270,395	16.2
DASSAULT AVIATION	912,253	10.0	-	-
AIRBUS GROUP SAS	825,184	9.0	1,485,331	10.6
TOTAL	**9,122,538**	**100.0**	**13,992,206**	**100.0**

It should be noted that by law, shares held in registered accounts for more than two years are entitled to double voting rights since April 3, 2016.

5. Related-party transactions

The related parties at June 30, 2016 are identical to those identified at December 31, 2015 and the transactions of the half-year are also of the same nature.

6. Risk factors and management

There have been no major change in the main risks and uncertainties described in the 2015 annual report. Therefore, there is no need to update point 2 of the Board of Directors' management report for fiscal year 2015 published in the 2015 annual financial report.

7. Group activities

7.1 PROGRAMS DEVELOPMENT

FALCON programs

Highlights of the first half of 2016 included:

- the delivery of 15 FALCON,
- the order intake of 22 FALCON,
- the announcement by SAFRAN AIRCRAFT ENGINES of its rescheduling in the development of the SilverCrest engine, leading to the definition of a new schedule for the FALCON 5X program, with initial customer deliveries postponed from end-2017 to early-2020,

- 11 FALCON 5X order cancellations, due to SAFRAN AIRCRAFT ENGINES' delay on the SilverCrest engine,
- a FALCON 8X intensive flight campaign, across 46 destinations, to demonstrate the aircraft's reliability and technical performance as well as its ability to operate in difficult environments, its comfort and connectivity,
- the first displays of the completed FALCON 8X at the Shanghai and Geneva air shows,
- the certification of the FALCON 8X by the EASA and the FAA in line with the schedule announced when the program was launched in May 2014,
- the sale of a 3rd FALCON 2000LXS Maritime Surveillance Aircraft to the Japanese Coastguards.

DEFENSE programs

Highlights of the RAFALE program in the first half of 2016 included:

- the delivery of 4 RAFALE to France, bringing total RAFALE delivered to 146 out of 180 ordered,
- the delivery of 3 RAFALE to Egypt, bringing the number of aircraft delivered to 6, assistance for the client with support for its aircraft and the delivery of support and training tools,
- the delivery of the 6th Marine RAFALE, retrofitted from the F1 standard to the F3 standard,
- the ongoing work on the development of the F3-R standard, with in particular the 3rd guided firing of the METEOR missile,
- the manufacturing approval (RAP) issued by the DGA (Direction Générale de l'Armement, the French Defense Procurement Agency). This approval recognizes the Company's ability to manufacture and fly the RAFALE export aircraft. This activity was previously done under the direct supervision of the DGA,
- the ongoing negotiations with the Indian authorities regarding the order of 36 RAFALE, following the inter-governmental agreement between France and India signed on January 25, 2016,
- the continuation of promotional and prospecting activities in other countries.

As regards the other programs, it has to be noted:

- the notification of the MIRAGE 2000D upgrade contract by the DGA,
- the continuation of upgrade work on the ATLANTIQUE 2 combat system,
- in India, ongoing support for HAL (HINDUSTAN AERONAUTICS Ltd.) with the development of the final standard for the Indian MIRAGE 2000 as well as the works under its responsibility.

With regard to the UCAS (Unmanned Combat Air System) combat drones, the first half of 2016 saw:

- the DGA's launch of a new test flight campaign to demonstrate the nEUROn's stealth. This campaign includes in particular flight tests at sea with the Charles de Gaulle aircraft carrier and new stealth measures in Solange, the DGA's anechoic chamber,
- the continuation, for the French and UK governments, under the Lancaster House treaty, of the feasibility phase designed to prepare a demonstration program for the unmanned combat aircraft component of a Future Combat Air System (FCAS). This phase, lasting 24 months, brings DASSAULT AVIATION and BAE SYSTEMS together as leaders of an industrial organization that also includes SAFRAN, ROLLS-ROYCE, THALES and LEONARDO-FINMECCANICA,
- the announcement, at the UK-France summit in Amiens on March 3, 2016, of the will of both France and the UK to launch a new phase in 2017 with the "scale 1" development of an operational demonstrator of the UCAS (Unmanned Combat Air System).

With respect to the MALE (Medium Altitude Long Endurance) program, of note is the negotiation of the contract for a definition phase of a European program with OCCAR (Organization for Joint Armament Cooperation), in liaison with the French, German, Italian and Spanish defense ministries. This contract was negotiated in partnership with AIRBUS DEFENCE AND SPACE and LEONARDO-FINMECCANICA.

With respect to the SPACE programs, the first half of 2016 saw the implementation of a digital pyrotechnics system demonstrator. It demonstrated the first integration of complete equipment and their operation in initiation mode.

7.2 CUSTOMER SUPPORT

With respect to FALCON after-sales, in the first half of 2016, we:

- continued to expand our FALCON customer support network, with the approval of 2 new service centers in Finland and in France,
- intensified our customer relationship efforts by organizing 9 "Maintenance and Operations" seminars,
- developed and tested a system and a method for training mechanics in a 3D virtual reality environment.

With respect to military after-sales, we:

- continued supporting French forces, in particular with their commitments as part of foreign operations,
- were notified of a two-year In-Service Support contract for ATLANTIQUE 2 and a one-year extension to the French MIRAGE CARE In-Service Support contract,
- continued providing assistance to MIRAGE 2000 in export markets,
- began the MIRAGE 2000 Qatar major inspections at the client's facility,
- launched ALPHAJET Qatar major inspections.

8. Research & development

Most of our research and development is focused on the FALCON and RAFALE programs. This work is largely self-financed.

Beyond these programs, we are pushing forward with the "Futur FALCON à Technologies Innovantes" plan ("FALCON Future with Innovative Technologies"), taking advantage of national support for civil aviation and European support.

We continued our involvement in the CLEANSKY 2 research programs and the research projects undertaken by the COnseil pour la Recherche Aéronautique Civile (CORAC, Strategic Committee for Civil Aviation Research).

9. New industrial manufacturing and management techniques

We continue to develop the composite line:

- demonstrator for a composite wing-box for business aircraft,
- fiber placement for the manufacture of composite parts.

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

We are continuing robotized assemblies for both wings and fuselages.

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

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

In all our production facilities, we continue the deployment of 'ARP' (Improving Responsiveness in Production) projects, which aim to improve working conditions (especially at reducing work environment stress), as well as quality, flexibility and competitiveness.

We are pursuing the wide-scale application of the extended digital enterprise and of Product Lifecycle Management (PLM), which gives us a technological lead.

10. Environmental Policy

In the first half of 2016, studies continued on the "Develop green aviation" initiative:

- on innovative technologies such as systems, composites, aerodynamics, propulsion integration,
- as part of European programs such as CLEAN-SKY (Smart Fixed Wing Aircraft) and CLEAN-SKY2 (airframe), and national programs (CORAC/PIA), particularly with the development of a composite wing demonstrator.

As part of the "Green manufacturing" policy, we worked on:

- replacing hazardous substances, in particular hexavalent chromium, in accordance with the requests for authorization filed in May 2015,
- researching and rating more environmentally friendly manufacturing techniques (direct production, new stripping techniques, etc.).

11. Health and Safety at Work

The priorities of our 2016 Health and Safety at Work policy are as follows:

- continue developing the "prevention & safety at work" culture by training management,
- strengthen safety concerns during off-site work and while monitoring sub-contractors in our facilities,
- reduce the risk of work-related accidents and occupational illnesses by making working at height safer, taking ergonomics into account, in particular to prevent repetitive strain injuries, and reducing staff exposure to harmful chemicals.

12. Human Resources

The Group had **12,176 employees** at June 30, 2016.

13. Conclusion

As in 2015, the first half of 2016 saw an unstable geopolitical and economic environment. Emerging market countries continue to face economic difficulties; the United States, in election season, has still not seen sustained lasting growth; by voting to leave the European Union, the UK has created instability throughout Europe, which hardly emerges from crisis.

Against this background, business aviation is facing weak demand and the second hand market remains challenging. We are dealing with intense competition from our competitors as they continue to put pressure on prices. Our FALCON sales are disappointing and the number of deliveries is a direct consequence of this situation. We are compelled to reduce our forecast for 2016 deliveries from 60 to 50 FALCON.

In the military sector, the foundations have been laid for the future in order to assure and prepare the future of combat aviation and retain essential industrial skills.

DASSAULT AVIATION has once again shown, in this half-year, its unique ability to be a major dual player in business aviation and military aviation:

- certification of the FALCON 8X by EASA and FAA. The development of the FALCON 8X proceeded in line with expectations and we are proud to be on track with the original schedule and delighted with the performance of the aircraft. The first deliveries are scheduled for Q4 2016,
- the flight demonstration, at the meeting organized by the French Air Force in Istres, last June, of the European demonstrator nEUROn combat drone. It is the first time in the history of global aviation that a ground-controlled stealth aircraft has been publicly demonstrated. After take-off, the nEUROn was joined by a RAFALE and a FALCON 8X, thereby flying in formation as part of the centenary celebrations of our Group, which has designed, manufactured and supported civil and military aircraft since 1916.

This technological excellence is required to respond to a challenging economic environment. It must go hand-in-hand with flexibility and responsiveness. Thus, in the first half-year, we responded to competitive pressures in particular by:

- moving all our FALCON completion activity to our specialized facility in Little Rock - Arkansas,
- demonstrating our ability to rapidly and significantly adapt our self-financed Research and Development work in response to the freezing of the FALCON 5X program.

Our strategy is built around:

- selling the RAFALE to India and pursuing opportunities with our other prospects,
- selling the whole FALCON range because, apart from the competitiveness issue, we believe in the business aviation market,
- continuing to develop the FALCON 5X and, despite the challenging environment, prepare the launch of a new FALCON program,
- getting France to clarify its position (drafting of the 2020 - 2025 Military Planning Law) on the future of the RAFALE and drones,
- being at the cutting edge of technology including suborbital flight expertise and stay at the forefront of pyrotechnics.

In order to execute this strategy, we are currently considering a progressive transformation plan in the following fields:

- corporate culture, quality and organization,
- digital tools, processes and innovation,
- program management,
- rationalization of our industrial tools, specialization per location depending on strategic sectors.

  We have already taken measures to this effect like gathering our FALCON completion activity (previously made partially in Mérignac and Little-Rock) in our specialized facility in Little-Rock (USD zone advantage), gathering our machining activities in Seclin, …

2016 marks this Company's centenary. Proud of this heritage, and aware of the responsibility this places on us, we are more confident than ever in our ability to innovate and provide clients with products designed to meet their specific needs.

The Board of Directors

Appendix: table of reconciliation between consolidated income and adjusted income

The impact **in the first half of 2016** of the adjustments to Income Statement aggregates is presented below:

(in EUR thousands)	H1 2016 Consolidated data	THALES PPA amortization (1)	THALES adjustments	Derivative exchange instruments (2)	H1 2016 Adjusted data
Net sales	1,662,352				1,662,352
Operating income	125,278				125,278
Net financial income / expense	122,632			-105,407	17,225
Share in net income of equity associates	75,498	19,927	-4,185		91,240
Income tax	-85,054			36,292	-48,762
Net income	238,354	19,927	-4,185	-69,115	**184,981**

The impact **in the first half of 2015** of the adjustments to Income Statement aggregates is presented below:

(in EUR thousands)	H1 2015 Consolidated data	THALES PPA amortization (1)	THALES adjustments	Derivative exchange instruments (2)	H1 2015 Adjusted data
Net sales	1,675,329				1,675,329
Operating income	143,820				143,820
Net financial income / expense	-410,300			426,723	16,423
Share in net income of equity associates	42,103	20,183	11,883		74,169
Income tax	91,952			-146,921	-54,969
Net income	-132,425	20,183	11,883	279,802	**179,443**

(1) neutralization of the amortization of the THALES purchase price allocation (PPA), net of income tax.
(2) neutralization of the changes in fair value, net of income tax, of foreign exchange hedging instruments which do not qualify for hedge accounting under the terms of IAS 39 "Financial Instruments".

Readers are reminded that only the interim condensed consolidated financial statements are reviewed by the Statutory Auditors. The adjusted financial data are subject to the verification procedures applicable to all information provided in the half-yearly financial report.

DASSAULT
AVIATION

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2016

ASSETS

(in EUR thousands)	Notes	06.30.2016	12.31.2015
Goodwill		14,366	14,366
Intangible assets		39,174	28,866
Property, plant and equipment		492,507	485,149
Equity associates	3	1,704,224	1,774,293
Available-for-sale securities	4	2,548,432	3,268,357
Other financial assets		33,811	33,826
Deferred tax assets	5	462,915	512,353
TOTAL NON-CURRENT ASSETS		**5,295,429**	**6,117,210**
Inventories and work-in-progress	6	3,973,624	3,427,981
Trade and other receivables		697,655	714,063
Advances and progress payments to suppliers		1,286,096	972,030
Derivative financial instruments	17	30,882	26,813
Cash and cash equivalents	7	1,181,796	946,412
TOTAL CURRENT ASSETS		**7,170,053**	**6,087,299**
TOTAL ASSETS		**12,465,482**	**12,204,509**

EQUITY AND LIABILITIES

(in EUR thousands)	Notes	06.30.2016	12.31.2015
Capital	8	72,980	72,980
Consolidated reserves and retained earnings		3,997,561	4,011,557
Currency translation adjustments		61,583	87,742
Treasury shares	8	-878,939	-401,771
TOTAL ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		**3,253,185**	**3,770,508**
Non-controlling interests		430	415
TOTAL EQUITY		**3,253,615**	**3,770,923**
Long-term borrowings and financial debt	7, 9	1,149,608	1,161,229
Deferred tax liabilities		0	0
TOTAL NON-CURRENT LIABILITIES		**1,149,608**	**1,161,229**
Trade and other payables		836,847	889,849
Tax and social security liabilities		282,405	281,146
Customer advances and progress payments		5,323,068	4,349,420
Short-term borrowings and financial debt	7, 9	42,085	48,321
Provisions for contingencies and charges	10	1,166,765	1,171,157
Derivative financial instruments	17	411,089	532,464
TOTAL CURRENT LIABILITIES		**8,062,259**	**7,272,357**
TOTAL EQUITY AND LIABILITIES		**12,465,482**	**12,204,509**

INCOME STATEMENT

(in EUR thousands)	Notes	H1 2016	H1 2015	2015
NET SALES	11	**1,662,352**	**1,675,329**	**4,175,805**
Other revenue		36,820	19,597	49,868
Changes in inventories of finished goods and work-in-progress		572,880	327,694	292,955
Purchases consumed		-1,488,894	-1,159,073	-2,990,405
Personnel expenses (1)		-617,456	-603,142	-1,167,799
Taxes and social security contributions		-38,208	-39,182	-63,616
Amortization		-38,977	-34,554	-74,994
Allocations to provisions		-624,273	-671,314	-774,654
Reversals of provisions		664,889	616,327	902,873
Other operating income and expenses		-3,855	12,138	11,157
OPERATING INCOME		**125,278**	**143,820**	**361,190**
Cost of net financial debt		-4,394	-4,050	-8,808
Other financial income and expenses		127,026	-406,250	-417,054
NET FINANCIAL INCOME / EXPENSE	13	**122,632**	**-410,300**	**-425,862**
Share in net income of equity associates	3	75,498	42,103	144,409
Income tax	14	-85,054	91,952	61,762
NET INCOME / LOSS		**238,354**	**-132,425**	**141,499**
Attributable to the owners of the Parent Company		*238,339*	*-132,452*	*141,457*
Attributable to non-controlling interests		*15*	*27*	*42*
Basic earnings per share (in EUR)	15	**27.5**	**-14.8**	**16.0**
Diluted earnings per share (in EUR)	15	**27.5**	**-14.8**	**16.0**

(1) Personnel expenses include incentive schemes and profit-sharing (EUR 47,332 thousand in H1 2016, EUR 44,682 thousand in H1 2015 and EUR 91,888 thousand in 2015).

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in EUR thousands)	Notes	H1 2016	H1 2015	2015
NET INCOME / LOSS		**238,354**	**-132,425**	**141,499**
Change in fair value of financial instruments:				
✓ Available-for-sale securities	4	-60,674	-17,231	-184,553
✓ Hedging instruments (1)	17	18,770	-77,568	-19,099
Deferred taxes		15,624	32,938	72,024
Change in currency translation adjustments		-15,560	56,051	77,394
Equity associate items to be recycled to P&L, net	3	15,552	-14,335	-25,939
Items that will be subsequently recycled to P&L		**-26,288**	**-20,145**	**-80,173**
Actuarial adjustments on pension benefit obligations	10	-60,356	19,063	11,857
Deferred taxes		17,697	-4,675	18,188
Equity associate items that will not be recycled to P&L, net	3	-101,827	63,702	75,603
Items that will not be recycled to P&L		**-144,486**	**78,090**	**105,648**
INCOME AND EXPENSE RECOGNIZED DIRECTLY THROUGH EQUITY		**-170,774**	**57,945**	**25,475**
RECOGNIZED INCOME AND EXPENSE		**67,580**	**-74,480**	**166,974**
Attributable to the owners of the Parent Company		*67,565*	*-74,507*	*166,932*
Attributable to non-controlling interests		*15*	*27*	*42*

(1) 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 which will be recognized when the hedges are exercised.

STATEMENT OF CHANGES IN EQUITY

(in EUR thousands)	Capital	Consolidated reserves and retained earnings		Currency translation adjustments	Treasury shares	Total attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Additional paid-in capital, consolidated earnings and other reserves	Derivative financial instruments and available-for-sale securities					
At 12.31.2014	**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*
Income and expense recognized directly through equity		*78,090*	*-90,002*	*69,857*		*57,945*		*57,945*
Recognized income and expense		-54,362	-90,002	69,857		-74,507	27	-74,480
Dividends paid		-87,126				-87,126		-87,126
Movements on treasury shares (1)					-451,473	-451,473		-451,473
Other changes (2)		22,126				22,126		22,126
At 06.30.2015	**73,710**	**3,340,540**	**520,871**	**67,300**	**-491,163**	**3,511,258**	**400**	**3,511,658**
At 12.31.2014	**73,710**	**3,459,902**	**610,873**	**-2,557**	**-39,690**	**4,102,238**	**373**	**4,102,611**
Net income/loss for the period		*141,457*				*141,457*	*42*	*141,499*
Income and expense recognized directly through equity		*105,648*	*-170,472*	*90,299*		*25,475*		*25,475*
Recognized income and expense		247,105	-170,472	90,299		166,932	42	166,974
Dividends paid		-87,126				-87,126		-87,126
Movements on treasury shares (1)	-730	-88,662			-362,081	-451,473		-451,473
Other changes (2)		39,937				39,937		39,937
At 12.31.2015	**72,980**	**3,571,156**	**440,401**	**87,742**	**-401,771**	**3,770,508**	**415**	**3,770,923**

(1) Cf. Note 8.

(2) For THALES, this represents in particular the changes in treasury shares, employee share issues and share-based payments.

STATEMENT OF CHANGES IN EQUITY (continued)

(in EUR thousands)	Capital	Consolidated reserves and retained earnings		Currency translation adjustments	Treasury shares	Total attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Additional paid-in capital, consolidated earnings and other reserves	Derivative financial instruments and available-for-sale securities					
At 12.31.2015	**72,980**	**3,571,156**	**440,401**	**87,742**	**-401,771**	**3,770,508**	**415**	**3,770,923**
Net income/loss for the period		*238,339*				*238,339*	*15*	*238,354*
Income and expense recognized directly through equity		*-144,486*	*-129*	*-26,159*		*-170,774*		*-170,774*
Recognized income and expense		93,853	-129	-26,159		67,565	15	67,580
Dividends paid		-105,422				-105,422		-105,422
Movements on treasury shares (1)					-477,168	-477,168		-477,168
Other changes (2)		-2,298				-2,298		-2,298
At 06.30.2016	**72,980**	**3,557,289**	**440,272**	**61,583**	**-878,939**	**3,253,185**	**430**	**3,253,615**

(1) Cf. Note 8.

(2) For THALES, this represents in particular the changes in treasury shares, employee share issues and share-based payments.

STATEMENT OF CASH FLOWS

(in EUR thousands)	Notes	H1 2016	H1 2015	2015
I - NET CASH FLOWS FROM OPERATING ACTIVITIES				
NET INCOME/LOSS		238,354	-132,425	141,499
Elimination of net income of equity associates, net of dividends received	3	-19,251	1,736	-82,172
Elimination of gains and losses from disposals of non-current assets		32	-52	823
Change in fair value of derivative financial instruments	17	-106,674	426,971	446,749
Income tax (including deferred taxes)	14	85,054	-91,952	-61,762
Allocation to and reversals of depreciation, amortization and provisions (excluding those relating to working capital) and impairment		-23,927	120,874	-63,428
Other items		747	0	133
Net cash from operating activities before working capital changes and taxes		**174,335**	**325,152**	**381,842**
Income taxes paid		**-20,553**	**-50,295**	**-107,757**
Change in inventories and work-in-progress (net)	6	-545,643	-442,940	-336,419
Change in advances and progress payments to suppliers		-314,066	-402,895	-879,363
Change in trade and other receivables (net)		33,362	46,378	67,084
Change in customer advances and progress payments		973,648	1,190,528	2,077,990
Change in trade and other payables		-53,002	-50,939	54,950
Change in tax and social security liabilities		1,259	68,478	36,587
Increase (-) or decrease (+) in working capital requirement		**95,558**	**408,610**	**1,020,829**
Total I		**249,340**	**683,467**	**1,294,914**
II - NET CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of intangible assets and property, plant & equipment		-69,326	-80,038	-152,272
Increase in non-current financial assets		-737	-300	-2,764
Disposals of or reductions in non-current assets		9,686	4,829	4,865
Net cash from acquisitions and disposals of subsidiaries		0	0	-1,389
Total II		**-60,377**	**-75,509**	**-151,560**
III - NET CASH FLOWS FROM FINANCING ACTIVITIES				
Net change in available-for-sale marketable securities (at historical cost)	4	659,454	-282,226	-657,174
Capital increase		0	0	0
Purchases and sales of treasury shares	8	-477,168	-451,473	-451,473
Increase in financial debt	9	69,294	365,595	358,857
Repayment of financial debt	9	-87,151	-85,646	-85,729
Dividends paid during the year		-105,422	-87,126	-87,126
Total III		**59,007**	**-540,876**	**-922,645**
IV - Impact of exchange rate fluctuations and other **Total IV**		-12,586	46,772	65,625
CHANGE IN NET CASH AND CASH EQUIVALENTS (I+II+III+IV)		**235,384**	**113,854**	**286,334**
Opening net cash and cash equivalents	7	**946,412**	**660,078**	**660,078**
Closing net cash and cash equivalents	7	**1,181,796**	**773,932**	**946,412**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Accounting principles

1.1 General principles

On July 21, 2016, the Board of Directors closed and authorized the publication of the consolidated financial statements of DASSAULT AVIATION at June 30, 2016.

DASSAULT AVIATION Group prepares its interim condensed consolidated 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, 2016.

The interim financial statements are prepared in accordance with the accounting rules and methods used to prepare the 2015 consolidated financial statements, and reflect the changes in basis on accounting detailed below in section 1.2.

Special characteristics of interim consolidated 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, 2016 are not necessarily representative of what might be expected for full-year 2016.

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 income for the period.

Provisions for retirement 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 of January 1, 2016

The main mandatory texts at January 1, 2016 are as follows:

- the amendment to IAS 19 "Employee Benefits",
- the amendment to IFRS 11 "Accounting for Acquisition of Interests in Joint Operations",
- the amendment to IAS 16 and IAS 38 on acceptable methods of depreciation and amortization,
- the amendment to IAS 1 "Disclosure Initiative",
- IFRS annual improvements to the 2010-2012 cycle,
- IFRS annual improvements to the 2012-2014 cycle.

These texts did not have a material impact on the Group's consolidated financial statements.

Standards, amendments and interpretations for mandatory application after January 1, 2016

No texts have been adopted by the European Union that would be mandatory for years beginning after January 1, 2016.

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

These texts mainly concern:

- IFRS 9 "Financial Instruments",
- IFRS 15 "Revenue from Contracts with Customers",
- IFRS 16 "Leases",
- the amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses", applicable on or after January 1, 2017.

The effects of these texts on the Group's financial statements are currently being assessed. Working groups have in particular been established for the transition to the new IFRS 15.

1.3 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 sector. The internal reporting made to the Chairman-Chief Executive Officer and to the Chief Operating Officer, which is used for strategy and decision-making, includes no performance analysis, as defined by IFRS 8, at a level lower than this sector.

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)
		06.30.2016	12.31.2015	
DASSAULT AVIATION (3)	**France**	**Parent company**	**Parent company**	
DASSAULT FALCON JET	**United States**	**100**	**100**	**FC**
- DASSAULT FALCON JET WILMINGTON	United States	100	100	FC
- DASSAULT AIRCRAFT SERVICES	United States	100	100	FC
- DASSAULT FALCON JET LEASING	United States	100	100	FC
- AERO PRECISION	United States	50	50	EM
- MIDWAY	United States	25	25	FC
- DASSAULT FALCON JET DO BRAZIL	Brazil	100	100	FC
DASSAULT FALCON SERVICE	**France**	**100**	**100**	**FC**
- FALCON TRAINING CENTER	France	50	50	EM
DASSAULT PROCUREMENT SERVICES	**United States**	**100**	**100**	**FC**
- MIDWAY	United States	75	75	FC
SOGITEC INDUSTRIES	**France**	**100**	**100**	**FC**
DASSAULT INTERNATIONAL INC.	**United States**	**100**	**100**	**FC**
THALES	**France**	**25**	**25**	**EM**

(1) The equity interest percentages are identical to the percentages of control for all Group companies except for THALES, for which the Group held a 24.81% of the capital, 24.91% of the interest rights and 28.60% of the voting rights as of June 30, 2016.

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

(3) Identity of the parent company: DASSAULT AVIATION, a Société Anonyme (limited company) with capital of EUR 72,980,304, listed and registered in France, Paris Trade Register No. 712 042 456 - 9, Rond-Point des Champs-Élysées-Marcel Dassault - 75008 PARIS.

Note 3 - Equity associates

3.1 Group share in net assets and net income of equity associates

At June 30, 2016, DASSAULT AVIATION held 24.91% of the interest rights of the THALES Group, compared to 25.00% at December 31, 2015. DASSAULT AVIATION has significant influence over THALES, especially with regard to the shareholders' agreement between DASSAULT AVIATION and the public sector.

(in EUR thousands)	Equity associates		Share in net income of equity associates		
	06.30.2016	12.31.2015	H1 2016	H1 2015	2015
THALES (1)	1,685,122	1,754,130	73,003	39,779	140,330
Other	19,102	20,163	2,495	2,324	4,079
TOTAL	**1,704,224**	**1,774,293**	**75,498**	**42,103**	**144,409**

(1) The value of the securities includes goodwill amounting to EUR 1,101,297 thousand. The Group share in THALES net income after consolidation restatements is detailed in Note 3.3.

3.2 Change in equity associates

(in EUR thousands)	H1 2016	2015
On January 1	**1,774,293**	**1,602,653**
Share in net income of equity associates	75,498	144,409
Elimination of dividends paid (1)	-56,247	-62,237
Income and expense recognized directly through equity:		
- Available-for-sale securities	2	162
- Hedging instruments (2)	36,374	-49,818
- Actuarial adjustments on pensions	-112,588	74,128
- Deferred taxes	536	12,287
- Currency translation adjustments	-10,599	12,905
Share of equity associates in other income and expense recognized directly through equity	-86,275	49,664
Other movements (3)	-3,045	39,804
At end of period	**1,704,224**	**1,774,293**

(1) In H1 2016, the Group received EUR 53,057 thousand in dividends from THALES for 2015. In 2015, THALES paid the Group EUR 40,975 thousand in dividends for 2014 and EUR 18,386 thousand in interim dividends for 2015.

(2) 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 which will be recognized when the hedges are exercised.

(3) For THALES, this represents in particular the change in treasury shares, employee share issues and share-based payments.

3.3 Share in the net income of THALES

The reconciliation between the net income published by THALES and the Group share in THALES net income is given in the table below:

(in EUR thousands)	H1 2016	H1 2015	2015
THALES net income (100%)	**383,800**	**266,000**	**765,100**
THALES net income - DASSAULT AVIATION share	**95,605**	**67,112**	**191,275**
Post-tax amortization of the purchase price allocation (1)	-19,927	-20,183	-37,820
Other consolidation restatements	-2,675	-7,150	-13,125
Consolidation restatements	**-22,602**	**-27,333**	**-50,945**
Group share in THALES net income	**73,003**	**39,779**	**140,330**

(1) Amortization of identified assets for which the modes and periods of depreciation are identical to those used for the year ended December 31, 2015.

3.4 Impairment

Based on the market price of THALES shares on June 30, 2016, EUR 75.01 per share, DASSAULT AVIATION's investment in THALES is valued at EUR 3,940 million.

In the absence of any objective indication of impairment, the THALES investment was not subject to an impairment test at June 30, 2016.

Note 4 - Available-for-sale securities

Available-for-sale securities are recognized at their fair value. They include 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 7). The analysis of risks relating to available-for-sale securities is presented in Note 17.

(in EUR thousands)	12.31.2015	Acquisitions	Disposals	Change in fair value	Other	06.30.2016
Listed marketable securities (1) (2)	3,148,612	0	-659,454	-47,384	0	2,441,774
Non-listed securities	73,033	199	0	900	4	74,136
EMBRAER shares	46,712	0	0	-14,190	0	32,522
Available-for-sale securities	**3,268,357**	**199**	**-659,454**	**-60,674**	**4**	**2,548,432**

(1) The amount of EUR -659,454 thousand corresponds to disposals net of acquisitions of listed marketable at the historical cost.

(2) The EUR -47,384 thousand change was mainly due to the disposal of marketable securities.

An exhaustive analysis of the performance of listed securities is conducted at each period-end. The investment portfolio did not present, line-by-line, any objective indication of impairment as of June 30, 2016 (as at December 31, 2015).

Note 5 - Deferred tax assets

(in EUR thousands)	06.30.2016	12.31.2015
Temporary differences on provisions (profit-sharing, pension, etc.)	237,932	236,474
Available-for-sale securities and cash equivalents	-2,931	-8,124
Hedging instruments	130,775	173,964
Other temporary differences	97,139	110,039
Net deferred taxes	**462,915**	**512,353**
Deferred tax assets	*462,915*	*512,353*
Deferred tax liabilities	*0*	*0*

Note 6 - Inventories and work-in-progress

(in EUR thousands)	06.30.2016			12.31.2015
	Gross	Impairment	Net	Net
Raw materials	198,057	-80,131	117,926	107,993
Work-in-progress	3,062,513	-20,992	3,041,521	2,583,100
Semi-finished and finished goods	1,198,517	-384,340	814,177	736,888
Inventories and work-in-progress	**4,459,087**	**-485,463**	**3,973,624**	**3,427,981**

This increase was due to the rise in FALCON work-in-progress, as a result of the level of deliveries during the half-year.

Note 7 - Cash and cash equivalents

7.1 Net cash

(in EUR thousands)	06.30.2016			12.31.2015
	Gross	Impairment	Net	Net
Cash equivalents (1)	1,024,128	0	1,024,128	832,129
Cash at bank and in hand	157,668	0	157,668	114,283
Cash and cash equivalents in assets	**1,181,796**	**0**	**1,181,796**	**946,412**
Bank overdrafts	0	0	0	0
Net cash in the cash flow statement	**1,181,796**	**0**	**1,181,796**	**946,412**

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

7.2 Available cash

The Group uses a specific indicator, referred to as "Available cash", which reflects the total liquidities available to the Group, net of any financial debt. It is calculated as follows:

(in EUR thousands)	06.30.2016	12.31.2015
Available-for-sale marketable securities (market value) (1)	2,441,774	3,148,612
Cash and cash equivalents (market value)	1,181,796	946,412
Sub-total	**3,623,570**	**4,095,024**
Borrowings and financial debt (2)	-1,191,693	-1,209,550
Available cash	**2,431,877**	**2,885,474**

(1) Cf. Note 4.

(2) Cf. Note 9.

Note 8 - Equity

8.1 Share capital

The share capital amounts to EUR 72,980 thousand and consists of 9,122,538 ordinary shares of EUR 8 each at June 30, 2016, as at December 31, 2015. The distribution of share capital at June 30, 2016 is as follows:

	Shares	% Capital	% Voting rights
GIMD	5,118,240	56.1%	73.2%
Free-Float	2,266,861	24.9%	16.2%
Airbus Group SAS	825,184	9.0%	10.6%
Dassault Aviation (treasury shares)	912,253	10.0%	-
Total	**9,122,538**	**100%**	**100%**

Since April 3, 2016, shares held in registered accounts over 2 years benefit are entitled to double voting rights.

8.2 Treasury shares

Movements on treasury shares are detailed below:

(in number of shares)	H1 2016	H1 2015	2015
Opening treasury shares	**409,971**	**40,500**	**40,500**
Purchase of treasury shares	502,282	460,687	460,687
Cancellation of treasury shares	0	0	-91,216
Closing treasury shares	**912,253**	**501,187**	**409,971**

The impact of treasury shares on the Group's consolidated financial statements is detailed in the statement of changes in equity.

On June 10, 2016, DASSAULT AVIATION acquired 502,282 shares to AIRBUS GROUP SAS, representing 5.51% of its capital at a price of EUR 950 per share for a total of EUR 477,168 thousand. The Board of Directors decided to allocate these shares to the cancellation purpose of the buyback program.

In the first half of 2015, DASSAULT AVIATION had bought back 460,687 shares for a total amount of EUR 451,473 thousand. The Board of Directors had decided to allocate these shares to the cancellation purpose of the buyback program. 91,216 shares were canceled on July 24, 2015.

As a result of the cancellations carried out since December 22, 2014, the 871,753 shares allocated to the cancellation purpose will be canceled on or after December 23, 2016, with the remaining 40,500 treasury shares held for potential free shares plans and a potential liquidity contract to ensure the liquidity of the market.

Note 9 - Borrowings and financial debt

(in EUR thousands)	06.30.2016	12.31.2015
Bank borrowings (1)	998,621	998,359
Other financial debts (2)	193,072	211,191
Borrowings and financial debt	**1,191,693**	**1,209,550**

(1) Initially at a variable interest rate, the loans taken out by the Group were swapped to a fixed rate. These loans are denominated in euros and EUR 50 million is repayable in 2017, EUR 75 million in 2018, EUR 625 million in 2019 and EUR 250 million in 2020.

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

Note 10 - Provisions for contingencies and charges

(in EUR thousands)	12.31.2015	Increases / Charges	Decreases / Reversals	Other	06.30.2016
Warranties	699,155	7,468	-65,982	-957	639,684
Services and work to be performed	171,816	14,247	-26,272	-1,204	158,587
Retirement payments (1)	294,602	22,457	-14,348	60,075	362,786
French companies	*270,625*	*15,616*	*-14,106*	*31,305*	*303,440*
US companies	*23,977*	*6,841*	*-242*	*28,770*	*59,346*
Others	5,584	837	-690	-23	5,708
Provisions for contingencies and charges	**1,171,157**	**45,009**	**-107,292**	**57,891**	**1,166,765**

(1) The discount rate used to calculate the provision for the retirement payments of French companies (determined with reference to the yield on long-term high quality corporate bonds rated AA) was 1.00% at June 30, 2016, compared to 1.50% at December 31, 2015. The rate used to calculate the provision for retirement payments of US companies was 4.30% at June 30, 2016, compared to 4.80% at December 31, 2015. Actuarial adjustments contributed to the increase in provisions for retirement payments of EUR 60,356 thousand.

A 0.50 point decrease in the discount rate would increase the total commitment by EUR 67,377 thousand, while a 0.50 point increase in the discount rate would decrease the total commitment by EUR 60,902 thousand.

Note 11 - Net sales

(in EUR thousands)	H1 2016	H1 2015	2015
France	320,243	348,945	718,610
Export	1,342,109	1,326,384	3,457,195
Net sales	**1,662,352**	**1,675,329**	**4,175,805**

The French net sales are primarily realized with the French State. Over 10% of Export net sales were with the Egyptian State in the first half of 2016, as in 2015. The net sales on the RAFALE Egypt contract are recognized on a gross basis (including the co-contractors parts).

Interim data is not representative of annual net sales.

Note 12 - Research and development costs

Non-capitalized research and development costs are recognized in expenses for the year in which they are incurred and represent:

(in EUR thousands)	H1 2016	H1 2015	2015
Research and development costs	-129,728	-199,915	-431,161

Note 13 - Net financial income / expense

(in EUR thousands)	H1 2016	H1 2015	2015
Income from cash and cash equivalents	3,389	3,812	7,207
Cost of gross financial debt	-7,783	-7,862	-16,015
Cost of net financial debt	**-4,394**	**-4,050**	**-8,808**
Dividends and other investment income	108	2,160	3,177
Interest income and gains/losses on disposal of other financial assets *(excluding cash and cash equivalents)* (1)	37,708	18,331	192,263
Foreign exchange gain/loss (2)	88,788	-426,741	-610,186
Other	422	0	-2,308
Other financial income and expenses	**127,026**	**-406,250**	**-417,054**
Net financial income / expense	**122,632**	**-410,300**	**-425,862**

(1) Including proceeds from the sale of available-for-sale marketable securities for EUR 34,964 thousand in H1 2016, compared to EUR 15,195 thousand in H1 2015 and EUR 186,330 thousand in 2015.

(2) The stated amounts mainly correspond to the change in the market value of foreign exchange derivatives which do not qualify for hedge accounting under the terms of IAS 39 "Financial Instruments". They are not representative of the actual gain/loss that will be recognized when the hedges are exercised. In H1 2016, as in 2015, foreign exchange gain/loss also includes the cost of restructuring the currency hedging portfolio, which was necessary because of the decline in commercial flows related to the FALCON activity.

Note 14 - Income tax

(in EUR thousands)	H1 2016	H1 2015	2015
Net income	238,354	-132,425	141,499
Cancellation of the income tax	85,054	-91,952	-61,762
Cancellation of the Group share in net income of equity associates	-75,498	-42,103	-144,409
Income before tax and equity associates	247,910	-266,480	-64,672
Theoretical tax calculated at the current rate (1)	**-85,355**	**101,262**	**24,575**
Effect of tax credits (2)	7,071	7,782	17,380
Effect of differences in tax rates	324	-14,327	-17,674
Other	-7,094	-2,765	37,481
Tax recognized	**-85,054**	**91,952**	**61,762**

(1) A rate of 34.43% applies to 2016, compared to 38.00% in H1 2015 and in 2015, for the Parent Company of the Group.

(2) Research Tax Credits, recognized under "Other revenue", amounted to EUR 16,291 thousand in H1 2016 compared to EUR 16,375 thousand in H1 2015 and EUR 34,438 thousand in 2015. Tax Credits for Competitiveness and Employment (CICE), recognized as a deduction from employee costs, amounted to EUR 4,245 thousand in H1 2016, compared to EUR 4,105 thousand in H1 2015 and EUR 8,400 thousand in 2015.

Note 15 - Earnings per share

Earnings per share	H1 2016	H1 2015	2015
Net income attributable to the owners of the Parent Company (in EUR thousands) (1)	238,339	-132,452	141,457
Average number of shares outstanding	8,654,611	8,923,821	8,817,326
Diluted average number of shares outstanding	8,656,036	8,923,821	8,817,801
Earnings per share (in EUR)	**27.5**	**-14.8**	**16.0**
Diluted earnings per share (in EUR)	**27.5**	**-14.8**	**16.0**

(1) Net income is fully attributable to income from continuing operations (no discontinued operations).

Earnings per share are calculated by dividing net income attributable to the owners of the Parent Company by the weighted average number of common shares outstanding during the year, minus treasury shares.

Diluted earnings per share correspond to net income attributable to owners of the Parent Company divided by the diluted weighted average number of shares. This corresponds to the weighted average number of common shares outstanding, adjusted for free shares granted.

Note 16 - Financial instruments

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

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

- Level 1: quoted prices on an active markets,
- Level 2: valuation techniques based on observable market data,
- Level 3: valuation techniques based on unobservable market data.

16.1 Financial assets

(in EUR thousands)	Balance sheet value at 06.30.2016			
	Cost or amortized cost (1)	Fair value		Total
		Through P&L	Through equity	
Non-current assets				
Listed investments			32,522	32,522
Non-listed investments		166	73,970	74,136
Available-for-sale marketable securities			2,441,774	2,441,774
Other financial assets	33,811			33,811
Current assets				
Trade and other receivables	697,655			697,655
Derivative financial instruments		1,332	29,550	30,882
Cash equivalents		1,024,128		1,024,128
Financial instruments (assets)	**731,466**	**1,025,626**	**2,577,816**	**4,334,908**
Level 1 (2)		1,024,128	2,474,296	
Level 2		1,332	29,550	
Level 3		166	73,970	

(1) The carrying amount of the financial assets recognized at cost or amortized cost corresponds to a reasonable approximation of the fair value.

(2) Including time deposits at June 30, 2016: EUR 979,648 thousand.

At December 31, 2015, the data were as follows:

(in EUR thousands)	Balance sheet value at 12.31.2015			
	Cost or amortized cost (1)	Fair value		Total
		Through P&L	Through equity	
Non-current assets				
Listed investments			46,712	46,712
Non-listed investments		166	72,867	73,033
Available-for-sale marketable securities			3,148,612	3,148,612
Other financial assets	33,826			33,826
Current assets				
Trade and other receivables	714,063			714,063
Derivative financial instruments		615	26,198	26,813
Cash equivalents		832,129		832,129
Financial instruments (assets)	**747,889**	**832,910**	**3,294,389**	**4,875,188**
Level 1 (2)		832,129	3,195,324	
Level 2		615	26,198	
Level 3		166	72,867	

(1) The carrying amount of the financial assets recognized at cost or amortized cost corresponds to a reasonable approximation of the fair value.

(2) Including time deposits at December 31, 2015: EUR 781,888 thousand.

16.2 Financial liabilities

(in EUR thousands)	Balance sheet value at 06.30.2016			
	Cost or amortized cost (1)	Fair value		Total
		Through P&L	Through equity	
Non-current liabilities				
Bank borrowings	998,031			998,031
Other financial liabilities	151,577			151,577
Current liabilities				
Bank borrowings	590			590
Other financial liabilities	41,495			41,495
Trade and other payables	836,847			836,847
Derivative financial instruments		365,676	45,413	411,089
Financial instruments (liabilities)	**2,028,540**	**365,676**	**45,413**	**2,439,629**
Level 1		0	0	
Level 2		365,676	45,413	
Level 3		0	0	

(1) The carrying amount of the financial liabilities recognized at cost or amortized cost corresponds to a reasonable approximation of the fair value.

At December 31, 2015, the data were as follows:

(in EUR thousands)	Balance sheet value at 12.31.2015			
	Cost or amortized cost (1)	Fair value		Total
		Through P&L	Through equity	
Non-current liabilities				
Bank borrowings	997,745			997,745
Other financial liabilities	163,484			163,484
Current liabilities				
Bank borrowings	614			614
Other financial liabilities	47,707			47,707
Trade and other payables	889,849			889,849
Derivative financial instruments		471,633	60,831	532,464
Financial instruments (liabilities)	**2,099,399**	**471,633**	**60,831**	**2,631,863**
Level 1		0	0	
Level 2		471,633	60,831	
Level 3		0	0	

(1) The carrying amount of the financial liabilities recognized at cost or amortized cost corresponds to a reasonable approximation of the fair value.

Note 17 - Financial risk management

17.1 Cash and liquidity risks

17.1.1 Financial debt

The Group has no significant risk in relation to its financial debt. The contracts for these loans include the usual default clauses and restrictions in terms of security conditions and merger or sale transactions. One of the loans clauses stipulates that an anticipated repayment would be demanded if GIMD were to hold less than 50% of the capital of DASSAULT AVIATION before the loan maturity date. These loans do not contain any accelerated repayment or prepayment clauses based on rating or financial ratios. The features of these loans are described in Note 9.

17.1.2 Cash, cash equivalents and available-for-sale marketable securities

The Group investment portfolio is primarily composed of money market investments with no significant risk of impairment.

(in EUR thousands)	06.30.2016			
	Historical cost	Unrealized capital gain / loss	Consolidated asset value	As %
Cash at bank and in hand, money market investments and time deposits	2,099,307	101,288	2,200,595	60%
Investments in bonds (1)	211,132	136,475	347,607	10%
Diversified investments (1)	580,229	495,139	1,075,368	30%
Total	**2,890,668**	**732,902**	**3,623,570**	**100%**

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

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

17.2 Credit and counterparty risks

17.2.1 Credit risk on bank counterparties

The Group spreads its investments and performs its cash and foreign exchange transactions with recognized financial institutions. The Group has no investments or accounts with financial institutions presenting a significant risk of default.

17.2.2 Customer default risk

The Group limits counterparty risk by performing most of its sales in cash and ensuring that the loans are secured by COFACE export insurance or collateral. The share of receivables not covered by these procedures is subject to regular individual monitoring and, if necessary, a provision for impairment.

Given the arrangements in risk mitigation in place and provisions made in its accounts, the residual exposure of the Group to the risk of default by a customer in a country subject to uncertainties is limited.

The amounts of COFACE export insurance guarantees and collateral obtained for these loans and not exercised at June 30, 2016 are comparable to the amounts at December 31, 2015.

The manufacturing risk is also guaranteed with COFACE for major military export contracts.

17.3 Other market risks

17.3.1 Market risks

The Group hedges its foreign exchange risk, interest rate risk and the risk of fluctuations in commodity prices by means of derivative financial instruments, the carrying amount of which is presented below:

(in EUR thousands)	06.30.2016		12.31.2015	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivatives	30,882	400,606	26,813	526,892
Interest rate derivatives	0	9,754	0	3,582
Commodity derivatives	0	729	0	1,990
Derivative financial instruments	**30,882**	**411,089**	**26,813**	**532,464**
Net derivative financial instruments		**380,207**		**505,651**

Foreign exchange derivatives:

The Group is exposed to a foreign exchange risk through the Parent Company in relation to its FALCON sales that are virtually all denominated in US dollars. This risk is partially hedged by using forward exchange contracts and foreign exchange 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 as a function of changes over time in expected net cash flows.

The foreign exchange derivative instruments used by the Group do not all qualify for hedge accounting under the terms of IAS 39 "Financial Instruments". The analysis of the instruments is presented in the table below:

(in EUR thousands)	Market value as of 06.30.2016	Market value as of 12.31.2015
Instruments which qualify for hedge accounting	-6,484	-31,432
Instruments which do not qualify for hedge accounting	-363,240	-468,647
Foreign exchange derivatives	**-369,724**	**-500,079**

Interest rate derivatives:

The Group is exposed to the volatility of interest rates through its loans contracted at a variable rate (see Note 9). The loans were swapped at a fixed rate to limit this risk.

Commodity derivatives:

The Group marginally uses derivatives to hedge its exposure to fluctuations in kerosene prices.

17.3.2 Impact of derivative instruments on the Group's financial statements

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

(in EUR thousands)	**12.31.2015**	**Impact on equity (1)**	**Impact on net financial income (2)**	**06.30.2016**
Foreign exchange derivatives	-500,079	24,948	105,407	-369,724
Interest rate derivatives	-3,582	-6,178	6	-9,754
Commodity derivatives	-1,990	0	1,261	-729
Net derivative financial instruments	**-505,651**	**18,770**	**106,674**	**-380,207**

(1) Recognized directly through equity, share of fully consolidated companies.

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

17.3.3 Sensitivity test of foreign exchange derivative instruments

A sensitivity analysis was performed to determine the impact of a 10 cents increase or decrease in the US dollar / euro exchange rate on the value of foreign exchange derivatives.

Portfolio market value (in EUR thousands)	**06.30.2016**		**12.31.2015**	
Net balance sheet position	-369,724		-500,079	
Closing US dollar/euro exchange rate	EUR 1 = USD 1.1102		EUR 1 = USD 1.0887	
Closing US dollar/euro exchange rate +/- 10 cents	USD/EUR 1.2102	USD/EUR 1.0102	USD/EUR 1.1887	USD/EUR 0.9887
Change in value (1)	+ 501,347	- 659,417	+540,962	-714,972
Impact on net income	*+ 397,990*	*- 535,597*	*+425,757*	*-576,462*
Impact on equity	*+ 103,357*	*- 123,820*	*+115,205*	*-138,510*

(1) Data calculated based on existing market conditions on the balance sheet dates. The data are not representative of the actual gain/loss to be recognized when the hedges are exercised.

Note 18 - Related-party transactions

The related parties at June 30, 2016 are identical to those identified at December 31, 2015 and the transactions of the half are also of the same nature.

Note 19 - Subsequent events

No events likely to have a material impact on the financial statements occurred between June 30, 2016 and the date of the financial statements being closed 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, 2016;
- 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 21st, 2016

The Statutory Auditors

MAZARS

Manuela BAUDOIN-REVERT

DELOITTE & ASSOCIES

Jean-François VIAT