



# **2023 HALF-YEAR FINANCIAL REPORT**

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

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I hereby certify that, to my knowledge, the interim condensed 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.

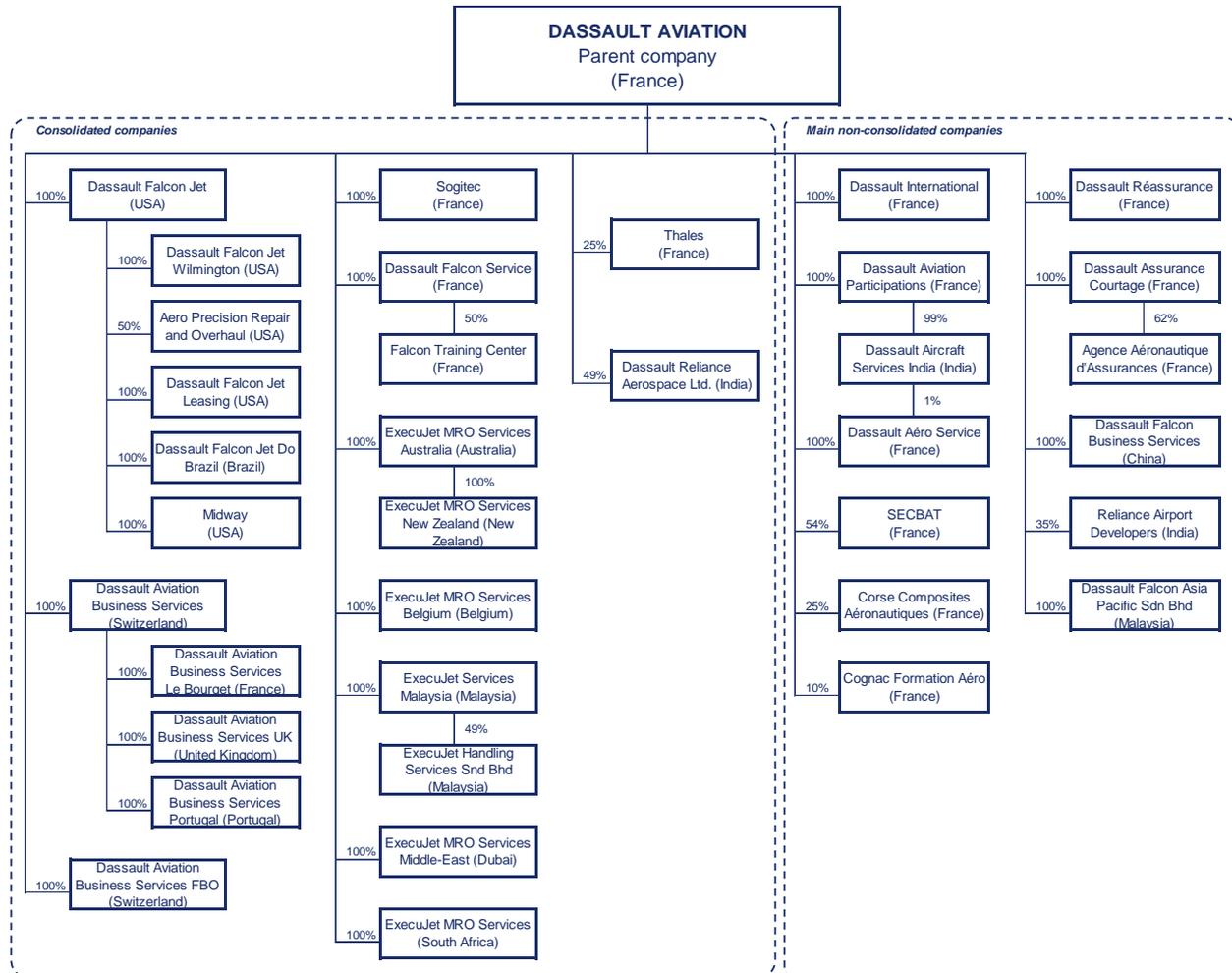
Paris, July 20, 2023

Éric TRAPPIER

Chairman and Chief Executive Officer

## Group structure as of June 30, 2023

The Dassault Aviation Group is an international group that encompasses most of the aeronautical business of the Groupe Industriel Marcel Dassault. 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 condensed interim consolidated financial statements.





# **DASSAULT AVIATION GROUP BUSINESS REPORT 1<sup>st</sup> HALF 2023**



## 1. KEY FIGURES FOR H1 2023

	H1 2023	H1 2022
Order intake <i>(new aircraft in units)</i>	<b>€1,682 million</b>  12 Falcon	€16,290 million  80 Rafale UAE 6 Rafale Greece 41 Falcon
<u>Adjusted</u> net sales <sup>(*)</sup>	<b>€2,295 million</b>  2 Rafale Export 2 Rafale France 9 Falcon	€3,098 million  7 Rafale Export  14 Falcon
	<b>as of June 30, 2023</b>	as of December 31, 2022
Backlog <i>(new aircraft in units)</i>	<b>€34,417 million</b>  160 Rafale <i>of which</i> 123 Rafale Export 37 Rafale France 90 Falcon	€35,008 million  164 Rafale <i>of which</i> 125 Rafale Export 39 Rafale France 87 Falcon
	<b>H1 2023</b>	H1 2022
<u>Adjusted</u> operating income <sup>(*)</sup>	<b>€151 million</b>	€200 million
<u>Adjusted</u> operating margin	6.6% of net sales	6.5% of net sales
Research & Development	<b>€247 million</b> 10.8% of net sales	€278 million 9.0% of net sales
<u>Adjusted</u> net income <sup>(*)</sup>	<b>€405 million</b>	€318 million
<u>Adjusted</u> net margin	17.6% of net sales	10.3% of net sales
	<b>as of June 30, 2023</b>	as of December 31, 2022
Available cash	<b>€7,682 million</b>	€9,529 million

Note: Dassault Aviation recognizes Rafale Export contracts in their entirety (including the Thales and Safran parts).

*Main aggregates under IFRS (see table of reconciliation below)*

<sup>(*)</sup> Consolidated net sales	€2,297 million	€3,107 million
<sup>(*)</sup> Consolidated operating income	€152 million	€218 million
<sup>(*)</sup> Consolidated net income	€362 million	€272 million



## 2. GROUP ACTIVITIES

### 2.1 Context

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The global context remains marked by the war in Ukraine and the associated instability.

In the business jet market, the post-Covid upturn in growth witnessed in 2022 began to ease off in the last quarter of 2022, a slowdown that continued in the 1<sup>st</sup> half of this year.

The Rafale's success is still generating new prospects for Export. Post-closing, the announcement on July 13<sup>th</sup> by the Indian Government of the selection of the Navy Rafale to equip the Indian Navy with a latest generation fighter illustrates this success.

Following an international competition launched by the Indian authorities, this decision comes after a successful trial campaign held in India, during which the Navy Rafale demonstrated that it fully met the Indian Navy's operational requirements and was perfectly suited to the specificities of its aircraft carrier.

The Indian Navy's 26 Rafale will eventually join the 36 Rafale already in service, making India the first country to make the same military choice as France by operating both versions of the aircraft (Navy and Air Force).

This selection confirms the excellence of the Rafale, the exceptional quality of the link between Dassault Aviation and the Indian Forces, and the importance of the strategic relationship between India and France.

In France, the Military Programming Law ("LPM") voted on July 13<sup>th</sup> includes the 42 aircraft of the 5<sup>th</sup> batch of the Rafale (out of which 20 are to be delivered between 2027 and 2030, which will make the fleet of the French Air and Space Force reach 137 Rafale), the Rafale F5 standard which includes the development of a drone derived from the works of the nEUROn demonstrator, the pursuit of FCAS/NGF, the decision for the launch of a successor to the ATL2 in 2024, and the activation of the options for 5 Falcon 2000 AVSIMAR and for a 3<sup>rd</sup> Falcon 8X Archange.

Like most other players in the sector, we face supply chain issues. The situation has deteriorated further since 2022.

This situation has an impact on the development and production of our aircraft, while we need to ramp up to meet our commitments.

The Paris Air Show was highly appreciated with an important visitor numbers on trade and general public days. It was an opportunity for meetings and discussions with government and foreign delegations. The popularity of our aircraft was illustrated by the success of the Rafale: in flight (demonstration), at the static display (new simulator) and on the stand (Rafale Export mock-ups), the impact of the multi-mission Falcon (Albatros, Japan Coast Guards, Archange, Falcon Fire Fighter, etc.), the strong impression made by the Falcon 6X (in flight and on static display) and by the Falcon 10X mock-up, with prospects from all around the world.

The airshow has been the opportunity to disclose our actions toward decarbonation (SAF, etc.) and to lead ambitious recruitment operations: « L'Avion des métiers », « l'aéro recrute », JobDating, HR spaces and Academic Relations.

The environment remains a major issue for the Group, which is working to reduce the carbon impact of its industrial processes and aircraft. The use of Sustainable Aviation Fuels (SAF), the energy saving plan and the development of tools to improve flight plans are levers to be among the first in the aviation industry to become carbon neutral. Business aviation is not included in the EU taxonomy, unlike commercial aviation. This is particularly disappointing given that business aviation is paving the way: Falcon flights operated by Dassault Aviation already fly on 30% SAF; they could fly on 50% SAF today if those blends were available. Falcon 10X will be the first 100% SAF compatible Falcon. In the United States, industries are receiving subsidies and making rapid progress; Europe is putting less money on the table and imposing standards. We are considering legal actions for breach of the principle of equality while business aviation has begun its decarbonization.

## 2.2 Programs development

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### Defense programs

#### Rafale

The highlights in the first half of 2023 were:

- the delivery of 2 Rafale to France,
- the delivery to Greece of 2 new Rafale and 4 pre-owned Rafale,
- continued performance of the F4 standard development contract,
- the submission to the French Defense Procurement Agency (“DGA”) of the proposal for the batch 5 order for 42 Rafale,
- continued performance of Export contracts,
- continued business development.

#### Future Combat Air System (FCAS)

The FCAS consists of creating a combat system built around a New Generation Fighter (NGF), combining piloted platforms (current and future generation fighters, tankers, AWACS) and drones: France has been designated lead nation on the project and Dassault Aviation lead contractor on the NGF.

Phase 1A of the FCAS demonstrator was completed in mid-2022. Following intense discussions between manufacturers and with the governments of the three nations, phase 1B, a three-year detailed specifications for the demonstrator, was notified on December 15, 2022. Dassault Aviation was recognized as the lead architect of the NGF.

Work on phase 1B began in the 1<sup>st</sup> half of 2023, with the creation of a physical workspace in Saint-Cloud to accommodate the Spanish and German program partners.

### Mission aircraft

The first half of 2023 saw:

#### France

- the continuation of work on the development of the maritime surveillance and intervention aircraft (AVSIMAR) program – order for 7 “Albatros” Falcon 2000LXS notified in 2020, and 5 under option),
- the continuation of the strategic intelligence aircraft program Archange based on a Falcon 8X platform (2 aircraft in backlog and 1 under option),
- the acceptance by the DGA of the 7<sup>th</sup> and last ATL2 modernized by Dassault Aviation,
- the commencement of architectural design work for a future maritime patrol aircraft (based on the Falcon 10X) notified at the end of 2022 by the DGA (in competition with Airbus).

#### Export

- delivery of the 1<sup>st</sup> of the 4 Falcon 2000 LXS ordered by Republic of Korea in 2022.

### Falcon programs

The post-Covid upturn in growth witnessed in 2022 gave way to a slowdown in sales in the last quarter of 2022, which has continued in the 1st half of this year.

12 Falcon orders were recorded in the 1st half of this year, compared with 41 in the 1st half of 2022. In the same period, 9 Falcon were delivered, compared with 14 in the first half of 2022.

The Group is improving its aircraft currently in service, offering the new EASy IV avionics on the Falcon 7X/8X and the Falcon Privacy Suite module on the Falcon 8X (also available on the Falcon 6X and the Falcon 10X).

#### Falcon 6X

We are expecting the certification of the Falcon 6X and are managing the industrial ramp-up at a time of supply chain issues.

The aircraft was showcased with its cabin fitted out at EBACE and Le Bourget; its demo flight was one of the highlights of the Paris Air Show. The first production aircraft are undergoing interior fit-out in Little Rock, Arkansas, USA.

In addition, the Falcon 6X cabin has received several awards for its design (including the Red Dot Award and the International Yacht and Aviation Award for Interior Design).

#### Falcon 10X

Development is ongoing (the detailed technical specification phase has been completed) and we are now in the industrialization and early manufacturing phase.

The Falcon 10X is characterized by:

- the size of its cabin, which is the most spacious on the market and has already won awards for its design,
- its long range (7,500 nm, for example New York to Shanghai, Los Angeles to Sydney, or Paris to Santiago de Chile),
- its 100% SAF compatible Rolls-Royce Pearl 10X engine, allowing it to reach a maximum speed of Mach 0.925. The aircraft will be able to take off and land on short runways, such as those at London City Airport.

#### Aviation bashing

Aviation has come under fire for more than 4 years and private jets have been specifically targeted since mid-2022, mainly in Europe and especially in France (Flygskam and Jet bashing).

Currently, business aviation accounts for 2% of CO<sub>2</sub> emissions from global aviation, or 0.04% of global CO<sub>2</sub> emissions. It is committed to being carbon neutral by 2050.

A year's use of the 2,100 Falcon currently in service is equivalent to 24 hours of global video streaming, 5 hours of global HGV traffic or 2.5 days of German power plant operation.

#### Business aviation and the EU taxonomy for transport

Business aviation is excluded from the "green" taxonomy, unlike commercial aviation. This is particularly disappointing given that business aviation is a pioneer in decarbonization, mainly due to its use of SAF. The SMEs and mid-caps in our supply chain will be hit first: the exclusion means that it will be harder for them to access financing while they are already experiencing issues.

Meanwhile, the United States has launched an investment plan worth more than USD 390 billion for clean energy, and in particular SAF. Europe has taken a different approach, putting less funding on the table but introducing standards. For now, the European approach favors regulation over incentives.



### Four levers to decarbonize business aviation

Dassault Aviation is actively using the four main levers that can help decarbonize the business aviation sector:

- SAF: all Falcon models are certified for up to 50% SAF/kerosene blends. Currently, alternative fuels (SAF) have carbon emission reduction rates of around 80% to 90% compared with kerosene. All Dassault Aviation flights, including those in the United States, run on 30% SAF blends, which are currently the only blends available on the market. Lastly, the Falcon 10X will be natively capable of operating with 100% SAF blends,
- Research and Technology:
  - the development of new programs (Falcon 6X, Falcon 10X) and of the existing range are aimed at improving the aerodynamics of our aircraft, optimizing the mass and boosting engine performance,
  - Dassault Aviation also participates in French (CORAC) and European (Clean Aviation) research programs aimed at reducing fuel consumption by optimizing aircraft characteristics,
- optimization of air operations:
  - existing Falcon tools and properties (*maneuverability, avionics and flight controls, FalconEye, Fly by Path, etc.*) are important assets for future air traffic management,
  - Dassault Aviation has developed an innovative flight plan optimization tool called “FalconWays” to reduce fuel consumption and CO<sub>2</sub> emissions,
- storage of CO<sub>2</sub> emissions: through its philanthropic initiatives, the Group supports forest renewal and biodiversity conservation.

## 2.3 Customer support

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### Military customer support

The highlights in the 1<sup>st</sup> half of 2023 were:

- the performance of our integrated support contracts in France for the Rafale (RAVEL), ATL2 (OCEAN) and Mirage 2000 (BALZAC), including:
  - fulfillment of our availability commitments,
  - delivery of the first airframe inspection drones for the Rafale,
- continued support for Dassault Aviation’s Export fleets, including:
  - for Egypt, passing the milestone of 10,000 flying hours for the Rafale, logged by the Egyptian Air Force on February 28<sup>th</sup>, 2023,
  - for Qatar, renewal of our support contract for 2023,
  - for Greece, steadily increasing aviation activity following the delivery of new and pre-owned aircraft in the 1<sup>st</sup> half,
- for Croatia, the first deliveries of parts and support systems to Mérignac ahead of the arrival of Croatian pilots and technicians in the 2nd half of 2023 for their Rafale training,
- the continuation of ongoing training programs for our Rafale Export customers.

### **Falcon customer support**

With regard to Falcon support, in the 1<sup>st</sup> half of 2023:

- the preparation for the entry into service of the Falcon 6X has ended, with a global network of maintenance centers, parts, theoretical training for mechanics and crew with CAE and practical training at Dassault Aviation in Mérignac,
- the Group has continued to develop its network of maintenance centers:
  - opening of the new Execujet site in Dubai in May 2023,
  - construction of the new Execujet site in Kuala Lumpur, due to open in early 2024,
  - continuation of the DFJ Melbourne (Florida) project, due to open in early 2025.

## **2.4 Human Resources**

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In a tight job market, the Group keeps on having an ambitious recruitment policy, with a target of 1,400 person hired, out of which 1,000 for the parent company.

The sharing value remains at the heart of Dassault Aviation DNA. As a reminder, due to the profit-sharing and incentive agreement, 93% of workforce of the parent company has received a minimum of 4 months of extra wage in 2023.

During the 1<sup>st</sup> half of 2023, the parent company has signed the annual agreement on wages, with a 6.2% increase including an uniform overall increase of EUR 140 gross/month as of January 1, 2023 (agreement signed by CFDT, CGC and UNSA), has implemented an agreement on « Quality of Life and Working Conditions » (signed by CGC, CFDT and UNSA on the February 14<sup>th</sup>, 2023) and has started the deployment of the new job typology of the metallurgy branch. Moreover, the effect produced by the unanimous signature of the agreement on employment of people with disabilities will contribute in our overachievement of the legal objective in employing people with disabilities.

Professional elections took place in French branches of the parent company in June 2023: CFE/CGC received the majority of the votes.

### 3. 1<sup>ST</sup> HALF 2023 ADJUSTED CONSOLIDATED RESULTS

(see reconciliation table in appendix)

#### 3.1 Order intake

**Order intake** for the first half of 2023 was **EUR 1,682 million**, vs. EUR 16,290 million in the first half of 2022. **Export** order intake stood at **88%**.

Order intake was as follows, in millions of euros:

	H1 2023	%	H1 2022	%
<b>Defense</b>	<b>739</b>	<b>44%</b>	14,318	88%
<i>Defense Export</i>	<b>572</b>		13,897	
<i>Defense France</i>	<b>167</b>		421	
<b>Falcon</b>	<b>943</b>	<b>56%</b>	1,972	12%
<b>Total order intake</b>	<b>1,682</b>		16,290	
<i>% Export</i>	<b>88%</b>		97%	

The order intake is entirely composed of firm orders.

#### Defense programs

**Defense Export** order intake totaled **EUR 572 million** in the 1<sup>st</sup> half of 2023, vs. EUR 13,897 million in the 1<sup>st</sup> half of 2022. Order intake for the 1<sup>st</sup> half of 2022 notably included 80 Rafale for the UAE, as well as the additional order for 6 new Rafale for Greece.

**Defense France** order intake totaled **EUR 167 million** in the 1<sup>st</sup> half of 2023, vs. EUR 421 million in the 1<sup>st</sup> half of 2022. The order intake for the 1<sup>st</sup> half of 2022 included an additional order for the Rafale F4 standard.

#### Falcon programs

During the 1<sup>st</sup> half of 2023, **12 Falcon orders** were recorded, compared with 41 orders in the 1<sup>st</sup> half of 2022. This explains the decrease in Falcon order intake, amounting to **EUR 943 million** in the 1<sup>st</sup> half of 2023, vs. EUR 1,972 million in the 1<sup>st</sup> half of 2022, a decrease partially offset by the increase in order intake for parts and support.

## 3.2 Adjusted net sales

**Adjusted net sales** for the 1<sup>st</sup> half of 2023 totaled **EUR 2,295 million**, compared with EUR 3,098 million for the 1<sup>st</sup> half of 2022. **Export** net sales stood at **71%** in the 1<sup>st</sup> half of 2023.

Consolidated sales were as follows, in **millions of euros**:

	H1 2023	%	H1 2022	%
<b>Defense</b>	<b>1,468</b>	<b>64%</b>	2,137	69%
<i>Defense Export</i>	<b>851</b>		1,452	
<i>Defense France</i>	<b>617</b>		685	
<b>Falcon</b>	<b>827</b>	<b>36%</b>	961	31%
<b>Total adjusted net sales</b>	<b>2,295</b>		3,098	
<i>% Export</i>	<b>71%</b>		77%	

### Defense programs

**2 Rafale Export** were delivered to Greece during the 1<sup>st</sup> half of 2023, compared with 7 Rafale Export for the 1<sup>st</sup> half of 2022. In addition, 4 pre-owned Rafale were delivered to Greece in the 1<sup>st</sup> half of 2023.

This led to a decrease in **Defense Export** net sales, which totaled **EUR 851 million** in the 1<sup>st</sup> half of 2023, vs. EUR 1,452 million in the 1<sup>st</sup> half of 2022.

**2 Rafale** were delivered to France in the 1<sup>st</sup> half of 2023, whereas no Rafale was delivered to France in the 1<sup>st</sup> half of 2022.

**Defense France** net sales totaled **EUR 617 million** in the 1<sup>st</sup> half of 2023, vs. EUR 685 million in the 1<sup>st</sup> half of 2022.

### Falcon programs

**9 Falcon** were delivered in the 1<sup>st</sup> half of 2023, compared with 14 in the 1<sup>st</sup> half of 2022.

**Falcon net sales** for the 1<sup>st</sup> half of 2023 amounted to **EUR 827 million**, vs. EUR 961 million for the 1<sup>st</sup> half of 2022. This decrease was mainly due to the number of Falcon delivered, partially offset by the increase in net sales of parts and support.

\*\*\*\*

The “book-to-bill ratio” (order intake/net sales) is **0.73** for the 1<sup>st</sup> half of 2023.

### 3.3 Backlog

The consolidated backlog (determined in accordance with IFRS 15) was **EUR 34,417 million** as of June 30, 2023, compared with EUR 35,008 million as of December 31, 2022. The backlog trend is as follows:

	06/30/2023	%	12/31/2022	%
<b>Defense</b>	<b>29,589</b>	<b>86%</b>	30,318	87%
<i>Defense Export</i>	<b>21,636</b>		21,915	
<i>Defense France</i>	<b>7,953</b>		8,403	
<b>Falcon</b>	<b>4,828</b>	<b>14%</b>	4,690	13%
<b>Total backlog</b>	<b>34,417</b>		35,008	
% Export	<b>73%</b>		72%	

The **Defense Export backlog** stood at **EUR 21,636 million** as of June 30, 2023 vs. EUR 21,915 million as of December 31, 2022. This figure notably includes **123 new Rafale and 2 pre-owned Rafale**, compared with 125 new Rafale and 6 pre-owned Rafale as of December 31, 2022.

The **Defense France backlog** stood at **EUR 7,953 million** as of June 30, 2023, vs. EUR 8,403 million as of December 31, 2022. This figure includes **37 Rafale**, the support contracts for the Rafale (Ravel), Mirage 2000 (Balzac) and ATL2 (OCEAN), and the Rafale F4 standard.

The **Falcon backlog** stood at **EUR 4,828 million** as of June 30, 2023, vs. EUR 4,690 million as of December 31, 2022. It includes **90 Falcon**, compared with 87 as of December 31, 2022.

### 3.4 Adjusted results

#### Adjusted operating income

**Adjusted operating income for the 1<sup>st</sup> half of 2023** came to **EUR 151 million**, compared with EUR 200 million in the 1<sup>st</sup> half of 2022.

R&D expenses in the 1<sup>st</sup> half of 2023 totaled EUR 247 million, equivalent to 10.8% of net sales, compared with EUR 278 million and 9.0% of net sales in the 1<sup>st</sup> half of 2022. These figures reflect the self-funded R&D effort focused on the Falcon 6X and Falcon 10X programs.

**Operating margin** was **6.6%**, compared with 6.5% in the 1<sup>st</sup> half of 2022.

The hedging rate for the first half of 2023 was **USD 1.20/EUR**, vs. USD 1.19/EUR in the 1<sup>st</sup> half of 2022.

#### Adjusted net financial income

**Adjusted financial income for the 1<sup>st</sup> half of 2023** was **EUR 110 million**, vs. EUR -13 million for the same period in the previous year. This sharp rise is due to the net financial proceeds generated by the Group's cash in a favorable interest rate environment.



### Adjusted net income

**Adjusted net income for the 1<sup>st</sup> half of 2023** was **EUR 405 million**, compared with EUR 318 million in the 1<sup>st</sup> half of 2022. The contribution of Thales to the Group's net income was EUR 206 million, compared with EUR 180 million during the 1<sup>st</sup> half of 2022.

**Adjusted net margin** thus stood at **17.6%** for the 1<sup>st</sup> half of 2023, vs. 10.3% for the 1<sup>st</sup> half of 2022. This significant increase was mainly due to the rise in net financial income and to the contribution of equity affiliates.

**Adjusted net income per share** for the 1<sup>st</sup> half of 2023 was **EUR 4.92**, vs. EUR 3.82 for the 1<sup>st</sup> half of 2022.

## 4. 1<sup>ST</sup> HALF 2023 CONSOLIDATED RESULTS UNDER IFRS

### 4.1 Consolidated operating income (IFRS)

**Consolidated operating income** for the 1<sup>st</sup> half of 2023 came to **EUR 152 million**, compared with EUR 218 million in the 1<sup>st</sup> half of 2022.

R&D expenses amounted to EUR 247 million in the 1<sup>st</sup> half of 2023 and accounted for 10.8% of consolidated net sales, vs. EUR 278 million and 9.0% of consolidated net sales in the 1<sup>st</sup> half of 2022. These figures reflect the self-funded R&D effort focused on the Falcon 6X and Falcon 10X programs.

**Consolidated operating margin** stood at **6.6%**, vs. 7.0% for the 1<sup>st</sup> half of 2022.

### 4.2 Consolidated net financial income (IFRS)

**Consolidated net financial income** for the 1<sup>st</sup> half of 2023 came to **EUR 111 million** vs. EUR -37 million in the 1<sup>st</sup> half of 2022. This sharp rise is mainly due to the net financial income generated by the Group's cash in a favorable interest rate environment.

### 4.3 Consolidated net income (IFRS)

**Consolidated net income** for the 1<sup>st</sup> half of 2023 was **EUR 362 million**, compared with EUR 272 million in the 1<sup>st</sup> half of 2022. The contribution of Thales to the Group's net income was EUR 161 million, compared with EUR 139 million during the 1<sup>st</sup> half of 2022.

**Consolidated net margin** thus stood at **15.7%** for the 1<sup>st</sup> half of 2023, vs. 8.7% for the 1<sup>st</sup> half of 2022.

**Consolidated net income per share** for the 1<sup>st</sup> half of 2023 was **EUR 4.40**, vs. EUR 3.26 for the 1<sup>st</sup> half of 2022.

## 5. FINANCIAL STRUCTURE

### 5.1 Available cash

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The Group uses a specific indicator called “Available cash”, which reflects the amount of total liquidities available to the Group, net of financial debts. It includes the following balance sheet items: cash and cash equivalents, current financial assets (at market value) and financial debt, excluding lease liabilities. The calculation of this indicator is detailed in the consolidated financial statements (Note 7 of the condensed interim consolidated financial statements).

**The Group’s available cash** stands at **EUR 7,682 million** as of June 30, 2023 vs. EUR 9,529 million as of December 31, 2022. This decrease is mainly due to an increase in inventories and work-in-progress, the reduction in advance payments received on orders net of advance payments to suppliers.

### 5.2 Balance sheet (IFRS)

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Total equity stood at **EUR 5,761 million** as of June 30, 2023 vs. EUR 6,006 million as of December 31, 2022.

Borrowings and financial debt amounted to EUR 233 million as of June 30, 2023, compared with EUR 234 million as of December 31, 2022. Borrowings and financial debt are composed of locked-in employee profit-sharing funds for EUR 81 million and lease liabilities recognized for EUR 152 million.

Inventories and work-in-progress increased by EUR 863 million to stand at EUR 4,785 million as of June 30, 2023. The increase is due to the ramp-up on the Falcon 6X and Rafale.

Advance payments received on orders net of advance payments to suppliers were down EUR 706 million to stand at EUR 8,501 million. This decrease is mainly due to the transfer to our co-contractors of Rafale Export downpayments received at the end of 2022.

The derivative financial instruments market value stood at EUR -44 million as of June 30, 2023, vs. EUR -88 million as of December 31, 2022. The increase is mainly due to the change in the US dollar exchange rate between June 30, 2023 and December 31, 2022 (USD 1.087/EUR vs. USD 1.067/EUR).

## 6. 2023 GUIDANCE

The Group’s 2023 guidance remains unchanged:

- delivery of 15 Rafale and 35 Falcon<sup>(\*)</sup>,
- decrease in net sales.

<sup>(\*)</sup> including Falcon 6X.

## 7. RISK FACTORS AND MANAGEMENT

The supply chain situation has deteriorated further compared to 2022. We are committed to reducing the negative impacts by monitoring very closely the production of our suppliers.

The other risks and uncertainties described in the 2022 annual report are still valid.

## 8. SHAREHOLDER INFORMATION

The Company's share capital totaled EUR 66,017,423.20 as of June 30, 2023. It is divided into 82,521,779 shares, each with a par value of EUR 0.8. The equities are listed on the regulated "Euronext Paris" market – Compartment A – International Securities Identification Numbers (ISIN Code): FR0014004L86. They are eligible for deferred settlement. In 2016, Dassault Aviation joined the following stock market indices: Sociétés des Bourses Françaises 120 (SBF 120) and the Morgan Stanley Capital International World (MSCI World).

As of June 30, 2023, the shareholding of Dassault Aviation is as follows:

Shareholders	Number of shares	%	Exercisable voting rights <sup>(2)</sup>	%
GIMD	51,960,760	62.97%	103,921,520	78.24%
Airbus SE	8,275,290	10.03%	8,275,290	6.23%
Float	20,496,136	24.83%	20,630,670	15.53%
Treasury shares <sup>(1)</sup>	1,789,593	2.17%	0	0.0%
<b>TOTAL</b>	<b>82,521,779</b>	<b>100.00%</b>	<b>132,827,480</b>	<b>100.00%</b>

<sup>(1)</sup> Treasury shares recorded in the "fully registered shares" account, without voting rights.

<sup>(2)</sup> Pursuant to the "Florange" Law, and in the absence of contrary provisions in the bylaws of Dassault Aviation, shares held in a registered account for more than two years are entitled to double voting rights.

As a reminder, the share capital was reduced in March and again in May 2023 by canceling 965,251 shares that had been purchased by Dassault Aviation under its share buyback program, authorized by the Annual General Meeting of May 18, 2022.

Between May 16, 2023, the date of the Board meeting which implemented the new share buyback program, and July 7, 2023, Dassault Aviation bought back 1,719,413 shares (2.1% of its share capital) The Board of Directors of July 20th 2023 decided to cancel these.

## 9. RELATED-PARTY TRANSACTIONS

The related parties in the 1<sup>st</sup> half of 2023 are identical to those identified as of December 31, 2022 and the transactions during the period are of the same type.

## 10. CONCLUSION

In the military sector, during the 1<sup>st</sup> half 2023, we delivered 4 Rafale (2 Export and 2 France) and 4 pre-owned Rafale to Greece, and provided support to the French and export fleets. We also continued the development work on the F4 standard and negotiations and business development for the Rafale.

Regarding the FCAS, for which Dassault Aviation is lead contractor for the New Generation Fighter demonstrator, work on phase 1B has begun in March. The teams of German and Spanish manufacturers are on site, alongside the Group's employees, at the dedicated physical workspace created in Saint-Cloud.

For multi-mission aircraft, we delivered the 1<sup>st</sup> of the 4 Falcon 2000 ordered by Republic of Korea in 2022, and the 7<sup>th</sup> and last ATL2 modernized by Dassault Aviation to France. We continued the development works on the Archange and Albatros programs, and began working on the architectural design based on the Falcon 10X for a future maritime patrol aircraft, a project on which we are competing with Airbus. We also unveiled the mock-up at the Paris Air Show of a firefighting specialized Falcon project: the "Falcon Fire Fighter".

In the civil sector, in the 1<sup>st</sup> half of 2023, we recorded 12 Falcon orders, compared with 41 in the 1<sup>st</sup> half of 2022 and we delivered 9 Falcon, compared with 14 in the 1<sup>st</sup> half of 2022.

Test flights for the Falcon 6X have been completed. The aircraft was showcased with its cabin fitted out at EBACE and at the Paris Air Show; its demo flight was one of the highlights of the Paris Air Show. We are awaiting its certification to start the deliveries.

Development of the Falcon 10X is ongoing (the detailed technical specification phase has been completed) and we are now in the industrialization and early manufacturing phase.

In a challenging supply chain environment, our 2023 guidance remains unchanged: delivery of 15 Rafale and 35 Falcon (including Falcon 6X); decrease in net sales compared with last year.

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The Board of Directors would like to thank all staff for their commitment, efficiency and expertise.

## APPENDIX

### FINANCIAL REPORTING

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IFRS 8 “Operating Segments” requires the presentation of information per segment according to internal management criteria.

The entire activity of the Dassault Aviation Group relates to the aerospace sector. The internal reporting made to the Chairman and Chief Executive Officer, and to the Chief Operating Officer, as used for the strategy and decision-making, includes no performance analysis, under the terms of IFRS 8, at a lower level to this domain.

### DEFINITION OF ALTERNATIVE PERFORMANCE INDICATORS

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To reflect the Group’s actual economic performance, and for monitoring and comparability reasons, the Group presented an adjusted income statement of:

- foreign exchange gains/losses resulting from the exercise of hedging instruments which do not qualify for hedge accounting under IFRS standards. This income, presented as net financial income in the consolidated financial statements, is reclassified as net sales and thus as operating income in the adjusted income statement;
- the value of foreign exchange derivatives which do not qualify for hedge accounting, by neutralizing the change in fair value of these instruments (the Group considering that gains or losses on hedging should only impact net income as commercial flows occur), with the exception of derivatives allocated to hedge balance-sheet positions whose change in fair value is presented as operating income;
- amortization of assets valued as part of the purchase price allocation (business combinations), known as “PPA”;
- adjustments made by Thales in its financial reporting.

The Group also presents the “available cash” indicator which reflects the amount of the Group’s total liquidities, net of financial debt. It covers the following balance sheet items:

- cash and cash equivalents;
- other current financial assets (essentially available-for-sale marketable securities at their market value);
- financial debt, excluding lease liabilities.

The calculation of this indicator is detailed in the condensed interim consolidated financial statements (see Note 7).

Only consolidated financial statements are audited by statutory auditors. Adjusted financial data are subject to the verification procedures applicable to all information provided in the half-yearly report.

## IMPACT OF ADJUSTMENTS

The impact of the adjustments of income statement aggregates for the 1<sup>st</sup> half of 2023 is set out below:

<i>(in EUR thousands)</i>	Consolidated income statement H1 2023	Foreign exchange derivatives		PPA	Adjustments applied by Thales	Adjusted income statement H1 2023
		Foreign exchange gain/loss	Change in fair value			
<b>Net sales</b>	2,297,181	-1,941				<b>2,295,240</b>
<b>Operating income</b>	151,593	-1,941		1,465		<b>151,117</b>
Net financial income	110,957	1,941	-3,397			<b>109,501</b>
Share in net income of equity associates	165,514			1,489	42,720	<b>209,723</b>
Income tax	-66,360		877	-288		<b>-65,771</b>
<b>Net income</b>	361,704	0	-2,520	2,666	42,720	<b>404,570</b>
<i>Group share of net income</i>	<i>361,704</i>		<i>-2,520</i>	<i>2,666</i>	<i>42,720</i>	<i>404,570</i>
Group share of net income per equity <i>(in euros)</i>	4.40					4.92

The impact of the adjustments of income statement aggregates for the 1<sup>st</sup> half 2022 is set out below:

<i>(in EUR thousands)</i>	Consolidate d income statement H1 2022	Foreign exchange derivatives		PPA	Adjustments applied by Thales	Adjusted income statement H1 2022
		Foreign exchange gain/loss	Change in fair value			
<b>Net sales</b>	3,106,839	-6,930	-1,499			<b>3,098,410</b>
<b>Operating income</b>	217,563	-6,930	-12,296	1,563		<b>199,900</b>
Net financial income/expense	-37,437	6,930	17,891			<b>-12,616</b>
Share in net income of equity associates	141,910			1,566	39,739	<b>183,215</b>
Income tax	-50,525		-1,445	-318		<b>-52,288</b>
<b>Net income</b>	271,511		4,150	2,811	39,739	<b>318,211</b>
<i>Group share of net income</i>	<i>271,511</i>		<i>4,150</i>	<i>2,811</i>	<i>39,739</i>	<i>318,211</i>
Group share of net income per equity <i>(in euros)</i>	3.26					3.82





**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023**

## **ASSETS**

(in EUR thousands)	Notes	06.30.2023	12.31.2022
Goodwill	3	65,957	65,957
Intangible assets		71,624	54,730
Property, plant and equipment		1,274,999	1,201,456
Equity associates	4	2,386,452	2,351,141
Other non-current financial assets	5	193,681	178,463
Deferred tax assets	15	366,043	392,849
<b>Non-current assets</b>		<b>4,358,756</b>	<b>4,244,596</b>
Inventories and work-in-progress	6	4,784,826	3,922,158
Contract assets	11	5,667	3,790
Trade and other receivables		1,597,197	1,780,885
Advances and progress payments to suppliers	11	3,913,361	2,938,414
Derivative financial instruments	18	35,897	23,086
Other current financial assets	7	6,741,185	5,646,045
Cash and cash equivalents	7	1,021,903	3,980,527
<b>Current assets</b>		<b>18,100,036</b>	<b>18,294,905</b>
<b>Total assets</b>		<b>22,458,792</b>	<b>22,539,501</b>

## **EQUITY AND LIABILITIES**

(in EUR thousands)	Notes	06.30.2023	12.31.2022
Capital	8	66,017	66,790
Consolidated reserves and retained earnings		5,948,776	5,956,392
Currency translation adjustments		33,519	63,243
Treasury shares	8	-286,863	-80,855
<b>Total attributable to the owners of the parent company</b>		<b>5,761,449</b>	<b>6,005,570</b>
Non-controlling interests		0	0
<b>Equity</b>		<b>5,761,449</b>	<b>6,005,570</b>
Long-term borrowings and financial debt	9	185,788	190,689
Deferred tax liabilities	15	2,860	2,978
<b>Non-current liabilities</b>		<b>188,648</b>	<b>193,667</b>
Contract liabilities	11	13,003,574	12,759,411
Trade and other payables		1,241,422	1,353,760
Tax and social security liabilities		475,183	347,000
Short-term borrowings and financial debt	9	46,845	42,963
Provisions for contingencies and charges	10	1,661,440	1,726,111
Derivative financial instruments	18	80,231	111,019
<b>Current liabilities</b>		<b>16,508,695</b>	<b>16,340,264</b>
<b>Total equity and liabilities</b>		<b>22,458,792</b>	<b>22,539,501</b>

## **INCOME STATEMENT**

(in EUR thousands)	Notes	H1 2023	H1 2022	2022
<b>Net sales</b>	12	<b>2,297,181</b>	<b>3,106,839</b>	<b>6,949,916</b>
Other revenue		91,507	50,558	151,439
Change in work-in-progress		576,286	218,041	175,948
Purchases consumed		-1,994,567	-2,173,088	-4,954,073
Personnel expenses		-774,687	-746,074	-1,400,785
Taxes and other contributions		-36,526	-40,707	-64,642
Depreciation and amortization		-85,920	-83,286	-174,530
Net allocations/reversals of provisions		78,389	-116,013	-78,383
Other operating income and expenses		-70	1,293	-13,487
<b>Operating income</b>		<b>151,593</b>	<b>217,563</b>	<b>591,403</b>
Cost of net financial debt		22,093	-195	7,806
Other financial income and expense		88,864	-37,242	-19,363
<b>Net financial income/expense</b>	14	<b>110,957</b>	<b>-37,437</b>	<b>-11,557</b>
Share in net income of equity associates	4	165,514	141,910	282,349
Income tax	15	-66,360	-50,525	-145,970
<b>Net income</b>		<b>361,704</b>	<b>271,511</b>	<b>716,225</b>
<i>Attributable to the owners of the parent company</i>		<i>361,704</i>	<i>271,511</i>	<i>716,225</i>
<i>Attributable to non-controlling interests</i>		<i>0</i>	<i>0</i>	<i>0</i>
<b>Earnings per share (in EUR)</b>	16	<b>4.40</b>	<b>3.26</b>	<b>8.62</b>
<b>Diluted earnings per share (in EUR)</b>	16	<b>4.40</b>	<b>3.26</b>	<b>8.62</b>



## STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in EUR thousands)	Notes	H1 2023	H1 2022	2022
<b>Net Income</b>		<b>361,704</b>	<b>271,511</b>	<b>716,225</b>
Derivative financial instruments (1)	18	33,918	-90,050	994
Deferred taxes	15	-8,761	23,260	-256
Change in currency translation adjustments		-21,883	73,169	49,061
Equity associates, net	4	12,423	-2,498	-15,032
<b>Items to be subsequently recycled to P&amp;L</b>		<b>15,697</b>	<b>3,881</b>	<b>34,767</b>
Other non-current financial assets	5	7,730	-10,721	-31,748
Actuarial adjustments on pension benefit obligations	10	-12,899	168,713	140,964
Deferred taxes	15	1,529	-38,720	-31,632
Equity associates, net	4	-22,970	272,784	133,376
<b>Items that will not be recycled to P&amp;L</b>		<b>-26,610</b>	<b>392,056</b>	<b>210,960</b>
<b>Income and expense recognized directly through equity</b>		<b>-10,913</b>	<b>395,937</b>	<b>245,727</b>
<b>Recognized income and expense</b>		<b>350,791</b>	<b>667,448</b>	<b>961,952</b>
<i>Owners of the parent company</i>		<i>350,791</i>	<i>667,448</i>	<i>961,952</i>
<i>Non-controlling interests</i>		<i>0</i>	<i>0</i>	<i>0</i>

(1) the amounts stated represent the change in the market value over the period for instruments that qualify for hedge accounting. They are not representative of the actual gain/loss that will be recognized when the hedges are exercised.

## STATEMENT OF CHANGES IN EQUITY

2022 and H1 2023

(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 income and other reserves	Derivative financial instruments					
<b>As of 12/31/2021</b>	<b>66,790</b>	<b>5,317,199</b>	<b>-77,008</b>	<b>23,894</b>	<b>-30,393</b>	<b>5,300,482</b>	<b>0</b>	<b>5,300,482</b>
<i>Net income for the year</i>		716,225				716,225		716,225
<i>Income and expense recognized directly through equity</i>		210,960	-4,582	39,349		245,727		245,727
Recognized income and expense		927,185	-4,582	39,349		961,952		961,952
Dividends paid		-207,184				-207,184		-207,184
Share-based payment (1)		3,378				3,378		3,378
Movements on treasury shares (1)		-2,911			-50,462	-53,373		-53,373
Other changes (2)		315				315		315
<b>As of 12/31/2022</b>	<b>66,790</b>	<b>6,037,982</b>	<b>-81,590</b>	<b>63,243</b>	<b>-80,855</b>	<b>6,005,570</b>	<b>0</b>	<b>6,005,570</b>
<i>Net income for the year</i>		361,704				361,704		361,704
<i>Income and expense recognized directly through equity</i>		-26,610	45,421	-29,724		-10,913		-10,913
Recognized income and expense		335,094	45,421	-29,724		350,791		350,791
Dividends paid		-245,585				-245,585		-245,585
Share-based payment (1)		3,917				3,917		3,917
Movements on treasury shares (1)	-773	-150,884			-206,008	-357,665		-357,665
Other changes (2)		4,421				4,421		4,421
<b>As of 06/30/2023</b>	<b>66,017</b>	<b>5,984,945</b>	<b>-36,169</b>	<b>33,519</b>	<b>-286,863</b>	<b>5,761,449</b>	<b>0</b>	<b>5,761,449</b>

(1) see Note 8.

(2) other changes notably include the impact associated with the change in Thales' integration percentage, resulting from Thales share buyback programs, as well as the impact of changes in scope.



## H1 2022

(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 income and other reserves	Derivative financial instruments					
<b>As of 12/31/2021</b>	<b>66,790</b>	<b>5,317,199</b>	<b>-77,008</b>	<b>23,894</b>	<b>-30,393</b>	<b>5,300,482</b>	<b>0</b>	<b>5,300,482</b>
<i>Net income for the year</i>		271,511				271,511		271,511
<i>Income and expense recognized directly through equity</i>		392,056	-87,169	91,050		395,937		395,937
Recognized income and expense		663,567	-87,169	91,050		667,448		667,448
Dividends paid		-207,184				-207,184		-207,184
Share-based payment (1)		2,317				2,317		2,317
Movements on treasury shares (1)		-2,911			2,911	0		0
Other changes (2)		-25,739				-25,739		-25,739
<b>As of 06/30/2022</b>	<b>66,790</b>	<b>5,747,249</b>	<b>-164,177</b>	<b>114,944</b>	<b>-27,482</b>	<b>5,737,324</b>	<b>0</b>	<b>5,737,324</b>

(1) see Note 8.

(2) other changes notably include the impact associated with the change in Thales' integration percentage, resulting from Thales share buyback programs, as well as the impact of changes in scope.

## CASH FLOW STATEMENT

(in EUR thousands)	Notes	H1 2023	H1 2022	2022
<b>I – Net cash flows from operating activities</b>				
<b>Net income</b>		<b>361,704</b>	<b>271,511</b>	<b>716,225</b>
Elimination of net income of equity associates, net of dividends received	4	-41,364	-33,382	-136,885
Elimination of gains and losses from disposals of non-current assets		532	1,684	2,284
Change in the fair value of derivative financial instruments	18	-9,681	17,891	8,280
Change in fair value of other current and non-current financial assets	5, 7	-13,019	4,141	-2,629
Tax expense (including deferred taxes)	15	66,360	50,525	145,970
Allocations to and reversals of depreciation, amortization and provisions (excluding those related to working capital requirement)		19,672	134,407	197,398
Other items		3,917	2,317	3,363
<b>Net cash from operating activities before working capital changes and taxes</b>		<b>388,121</b>	<b>449,094</b>	<b>934,006</b>
<b>Income taxes paid</b>	15	<b>-45,082</b>	<b>-68,772</b>	<b>-178,019</b>
Change in inventories and work-in-progress (net)	6	-871,841	-464,298	-419,043
Change in contract assets	11	-1,975	-5,289	3,014
Change in trade and other receivables (net)		167,568	411,430	686,654
Change in advances and progress payments to suppliers	11	-974,952	-1,083,104	-1,547,992
Change in contract liabilities	11	252,674	2,401,195	5,461,136
Change in trade and other payables		-114,691	-71,065	151,198
Change in tax and social security liabilities		128,814	104,065	19,017
<b>Increase (-) or decrease (+) in working capital requirement</b>		<b>-1,414,403</b>	<b>1,292,934</b>	<b>4,353,984</b>
<b>Total I</b>		<b>-1,071,364</b>	<b>1,673,256</b>	<b>5,109,971</b>
<b>II – Net cash flows from investing activities</b>				
Change, as acquisition cost, of other current financial assets	7	-1,091,007	-63,606	-4,692,781
Purchases of intangible assets and property, plant and equipment		-143,503	-78,696	-175,021
Increase in other non-current financial assets	5	-10,311	-17,056	-20,104
Disposals of or reductions in non-current assets		5,093	1,349	2,382
<b>Total II</b>		<b>-1,239,728</b>	<b>-158,009</b>	<b>-4,885,524</b>
<b>III - Net cash flows from financing activities</b>				
Buyback of treasury shares (1)	8	-357,665	0	-53,373
Increase in financial debt	9	1,344	21,203	21,763
Repayment of financial debt	9	-39,839	-34,901	-60,564
Dividends paid during the year		-245,585	-207,184	-207,184
<b>Total III</b>		<b>-641,745</b>	<b>-220,882</b>	<b>-299,358</b>
IV - Impact of exchange rate fluctuations		-5,787	49,090	32,887
<b>Change in net cash and cash equivalents (I+II+III+IV)</b>		<b>-2,958,624</b>	<b>1,343,455</b>	<b>-42,024</b>
Opening net cash and cash equivalents	7	3,980,527	4,022,551	4,022,551
Closing net cash and cash equivalents	7	1,021,903	5,366,006	3,980,527

(1) see Note 8.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Note 1 - Accounting principles

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### 1.1. General principles

On July 20, 2023, the Board of Directors closed and authorized the publication of Dassault Aviation's condensed consolidated financial statements as of June 30, 2023.

Dassault Aviation Group prepares its condensed interim consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting." The consolidated financial statements are in accordance with the IFRS standards, amendments, and interpretations, as adopted by the European Union and applicable at the closing date.

The half-yearly financial accounts are prepared in accordance with the accounting rules and methods used to prepare the 2022 consolidated financial statements.

#### **Impact of the conflict between Ukraine and Russia**

The war in Ukraine, which Russia started on February 24, 2022, triggered a major crisis in the aviation sector, leading to shortages and putting significant pressure on supplies. The risk is that it could have a lasting impact on the Group and its partners, sub-contractors and customers. The regulations adopted by the European Union and the United States are strictly enforced by the Group, especially the ban on commercial transactions and the restriction on financial transactions with sanctioned persons or entities. Some entities in the maintenance network in Europe have been significantly affected by the loss of Russian customers. Operations in Russia, the Moscow office and the Dassault Falcon Service maintenance subsidiary, have stopped doing business in 2022.

As at June 30, 2023, the effects of the Russia-Ukraine conflict still had no material impact on the Group's financial statements.

#### **Specificities of interim consolidated financial statements**

##### Seasonality

In previous fiscal years, a recurring seasonality phenomenon has been observed. As a result, the interim results as of June 30, 2023 are not necessarily representative of what might be expected for fiscal year 2023.

##### Provisions for retirement severance payments

Pension costs for the half-year are calculated on the basis of the actuarial valuations performed at the end of the previous fiscal 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 equity and liabilities in respect of defined benefit plans are adjusted, if necessary, in order to reflect material changes impacting the yield of investment-grade corporate bonds issued in the geographic area concerned (the benchmark used to determine the discount rate) and the actual return on plan assets.

##### Goodwill

Goodwill is tested for impairment at each year-end and whenever there is evidence of impairment.

##### Income taxes

For the half-year closing, the Group's tax expense is calculated by applying the estimated annual average tax rate for the year to the accounting result for the period.

## 1.2. Segment reporting

IFRS 8, "Operating Segments," requires the presentation of information according to internal management criteria. The entire activity of the Dassault Aviation Group relates to the aerospace sector. The internal reporting made to the Chairman and Chief Executive Officer, and to the Chief Operating Officer, as used for strategy and decision-making, includes no performance analysis, under IFRS 8 terms, at a level lower than this sector.

## Note 2 - Scope of consolidation

Dassault Aviation is a French group that designs and manufactures military aircraft, business jets and space systems. The Group mainly operates in France.

The consolidated financial statements comprise the financial statements of Dassault Aviation and the following entities:

Name	Country	% interest (1)		Consolidation method (2)
		06.30.2023	12.31.2022	
<b>Dassault Aviation (3)</b>	<b>France</b>	<b>Parent company</b>	<b>Parent company</b>	
<b>Dassault Aviation Business Services</b>	<b>Switzerland</b>	<b>100</b>	<b>100</b>	<b>FC</b>
- Dassault Aviation Business Services Le Bourget	France	100	100	FC
- Dassault Aviation Business Services UK	United Kingdom	100	100	FC
- Dassault Aviation Business Services Portugal	Portugal	100	100	FC
<b>Dassault Aviation Business Services FBO</b>	<b>Switzerland</b>	<b>100</b>	<b>100</b>	<b>FC</b>
<b>Dassault Falcon Jet</b>	<b>United States</b>	<b>100</b>	<b>100</b>	<b>FC</b>
- Dassault Falcon Jet Wilmington	United States	100	100	FC
- Dassault Aircraft Services	United States	-	100	FC
- Dassault Falcon Jet Leasing	United States	100	100	FC
- Aero Precision	United States	50	50	EM
- Midway	United States	100	100	FC
- Dassault Falcon Jet Do Brazil	Brazil	100	100	FC
<b>Dassault Falcon Service</b>	<b>France</b>	<b>100</b>	<b>100</b>	<b>FC</b>
- Falcon Training Center	France	50	50	EM
<b>Dassault Reliance Aerospace Ltd</b>	<b>India</b>	<b>49</b>	<b>49</b>	<b>EM</b>
<b>ExecuJet</b>				
- ExecuJet MRO Services Australia	Australia	100	100	FC
- ExecuJet MRO Services New Zealand	New Zealand	100	100	FC
- ExecuJet MRO Services Belgium	Belgium	100	100	FC
- ExecuJet Services Malaysia	Malaysia	100	100	FC
- ExecuJet Handling Services Sdn Bhd	Malaysia	49	49	FC
- ExecuJet MRO Services	South Africa	100	100	FC
- ExecuJet MRO Services Middle East	Dubai	100	100	FC
<b>Sogitec Industries</b>	<b>France</b>	<b>100</b>	<b>100</b>	<b>FC</b>
<b>Thales</b>	<b>France</b>	<b>25</b>	<b>25</b>	<b>EM</b>

(1) the equity interest percentages are identical to the percentages of control for all Group companies except for Thales, in which the Group held 24.99% of the capital, 25.20% of the interest rights and 29.94% of the voting rights as of June 30, 2023.

(2) FC: full consolidation, EM: equity method.

(3) identity of the parent company: Dassault Aviation, a Société Anonyme (limited company) with capital of EUR 66,017,423.20, listed and registered in France, Paris Trade and Companies Register No. 712 042 456 – 9, Rond-Point des Champs-Élysées Marcel Dassault – 75008 Paris.

Dassault Falcon Jet has absorbed Dassault Aircraft Services in the first half of 2023. There were no other changes in scope in the first half of 2023 or in 2022.



## Note 3 - Goodwill

Goodwill at June 30, 2023 amounted to EUR 65,957 thousand, unchanged from December 31, 2022.

For the half-year closing, cash-generating units (CGUs) were tested for impairment where there was evidence of an impairment loss.

No impairment was identified as at June 30, 2023.

In accordance with IFRS, goodwill relating to Thales, which is accounted for by the equity method, is included in "Equity associates" (see Note 4).

## Note 4 - Equity associates

### 4.1. Group share in net assets and net income of equity associates

As of June 30, 2023, Dassault Aviation held 25.20% of the interest rights of the Thales Group, compared with 25.00% as of December 31, 2022. 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		
	06.30.2023	12.31.2022	H1 2023	H1 2022	2022
Thales (1)	2,355,400	2,317,194	161,385	138,646	274,893
Other	31,052	33,947	4,129	3,264	7,456
<b>Total</b>	<b>2,386,452</b>	<b>2,351,141</b>	<b>165,514</b>	<b>141,910</b>	<b>282,349</b>

(1) The Group share in Thales net assets and net income is detailed in Note 4.3.

Thales' net income, accounted for under the equity method, was included at the rate of 25.10% in the first half of 2023, 24.81% in 2022 and 24.79% in the first half of 2022, these being the average of the interest rights held by Dassault Aviation over these periods.

#### 4.2. Change in equity associates

(in EUR thousands)	H1 2023	2022
<b>As of January 1</b>	<b>2,351,141</b>	<b>2,095,582</b>
Share in net income of equity associates	165,514	282,349
Elimination of dividends paid (1)	-124,150	-145,464
Income and expense recognized directly through equity		
- Securities at fair value	570	-7,657
- Derivative financial instruments (2)	20,264	-5,320
- Actuarial adjustments on pension benefit obligations	-23,540	141,033
- Currency translation adjustments	-7,841	-9,712
Share of equity associates in other income and expense recognized directly through equity	-10,547	118,344
Other movements (3)	4,494	330
<b>At end of period</b>	<b>2,386,452</b>	<b>2,351,141</b>

(1) in H1 2023, the Group received EUR 117,670 thousand in dividends from Thales for 2022. In 2022, Thales paid the Group EUR 102,962 thousand in dividends for 2021 and EUR 36,772 thousand in interim dividends for 2022.

(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 that will be recognized when the hedges are exercised.

(3) other movements notably include the impact associated with the change in Thales' integration percentage, resulting from Thales' share buyback programs, as well as the impact of changes in scope.

#### 4.3. Reconciliation between the items published by Thales and equity-accounted items

The breakdown between the net assets, attributable to owners of the parent company, published by Thales and the carrying amount of the Group share in Thales is shown in the table below:

(in EUR thousands)	H1 2023	2022
Share of Thales equity, attributable to owners of the parent company	7,118,100	7,173,900
Homogenization restatements and PPA	-2,593,424	-2,587,490
<b>Thales restated equity, attributable to owners of the parent company</b>	<b>4,524,676</b>	<b>4,586,410</b>
Group share	1,140,218	1,146,603
Goodwill (1)	1,215,182	1,170,591
<b>Share in net assets of Thales</b>	<b>2,355,400</b>	<b>2,317,194</b>

(1) the change in goodwill over the first half of 2023 is a result of the increase in interest percentages, after Thales bought back its own shares with a view to canceling them.



The breakdown between the net income, attributable to owners of the parent company, published by Thales and the Group share is as follow:

(in EUR thousands)	H1 2023	H1 2022	2022
<b>Thales net income (100%)</b>	<b>648,900</b>	<b>565,600</b>	<b>1,120,600</b>
<b>Group share in Thales net income</b>	<b>162,874</b>	<b>140,212</b>	<b>278,021</b>
Post-tax amortization of the purchase price allocation (1)	-1,489	-1,566	-3,128
<b>Dassault Aviation share in net income of equity associates</b>	<b>161,385</b>	<b>138,646</b>	<b>274,893</b>

(1) amortization of identified assets for which the modes and periods of amortization are identical to those used for the year ended December 31, 2022.

#### 4.4. Impairment

Based on the Thales share price on June 30, 2023 (EUR 137.20 per share), Dassault Aviation's stake in Thales is valued at EUR 7.207 billion. In the absence of any objective indication of impairment, the Thales investment was not subject to an impairment test as of June 30, 2023.

## Note 5 - Other non-current financial assets

(in EUR thousands)	12.31.2022	Increase	Decrease	Change in fair value	Other	06.30.2023
Non-consolidated securities (1)	101,865	0	0	1,230	6	103,101
Embraer shares (1)	16,932	0	0	6,500	0	23,432
Other financial assets	59,666	10,311	-4,853	2,032	-8	67,148
<i>Receivables related to investments</i>	22,996	593	-4,481	0	0	19,108
<i>Advance lease payments</i>	16,781	1,870	-296	0	-8	18,347
<i>Other</i>	19,889	7,848	-76	2,032	0	29,693
<b>Other non-current financial assets</b>	<b>178,463</b>	<b>10,311</b>	<b>-4,853</b>	<b>9,762</b>	<b>-2</b>	<b>193,681</b>

(1) non-consolidated, non-listed investments and Embraer shares are measured at fair value, against other income and expenses recognized directly through equity, which are not recyclable to income. The risk analysis relating to Embraer shares is described in Note 18.

## Note 6 - Inventories and work-in-progress

(in EUR thousands)	06.30.2023			12.31.2022
	Gross	Impairment	Net	Net
Raw materials	399,935	-85,606	314,329	242,287
Work-in-progress	3,151,837	-17,567	3,134,270	2,562,998
Semi-finished and finished goods	1,663,869	-327,642	1,336,227	1,116,873
<b>Inventories and work-in-progress</b>	<b>5,215,641</b>	<b>-430,815</b>	<b>4,784,826</b>	<b>3,922,158</b>

The increase in inventories and work-in-progress is due to the Falcon business, notably with the increase in production rate on the Falcon 6X, and to future Defense deliveries.

## Note 7 - Cash

### 7.1. Net cash

(in EUR thousands)	06.30.2023	12.31.2022
Cash equivalents (1)	435,366	2,705,581
Cash at bank and in hand	586,537	1,274,946
<b>Cash and cash equivalents</b>	<b>1,021,903</b>	<b>3,980,527</b>
Bank overdrafts	0	0
<b>Net cash in the cash flow statement</b>	<b>1,021,903</b>	<b>3,980,527</b>

(1) mainly time deposits and cash equivalent marketable securities. The corresponding risk analysis is described in Note 18.

### 7.2. Available cash

The Group uses an alternative performance measure indicator, referred to as "Available cash," which reflects the total liquidities available to the Group, net of any financial debt, except for lease liabilities. It is calculated as follows:

(in EUR thousands)	06.30.2023	12.31.2022
Other current financial assets (1)	6,741,185	5,646,045
Cash and cash equivalents	1,021,903	3,980,527
<b>Sub-total</b>	<b>7,763,088</b>	<b>9,626,572</b>
Borrowings and financial debt, excluding lease liabilities (2)	-80,850	-97,947
<b>Available cash</b>	<b>7,682,238</b>	<b>9,528,625</b>

(1) other current financial assets notably include time deposits, debt securities and cash investments in the form of listed marketable securities. These investments could be converted into cash depending on Group's operational purposes.

(2) see breakdown of financial debt in Note 9.

A full analysis of the performance of investments, classified as other current financial assets and cash equivalents, is performed at each closing date. The investment portfolio does not show, line-by-line, any objective indication of significant impairment as of June 30, 2023 (as was the case on December 31, 2022). The corresponding risk analysis is described in Note 18.

## Note 8 - Equity

### 8.1. Share capital

Following the cancellation of 965,251 shares in the first half of 2023, the share capital amounted to EUR 66,017 thousand and consisted of 82,521,779 common shares of EUR 0.80 each.

	Shares	% Capital	% Voting rights
GIMD (1)	51,960,760	63.0%	78.3%
Float	20,496,136	24.8%	15.5%
Airbus SE	8,275,290	10.0%	6.2%
Dassault Aviation (treasury shares)	1,789,593	2.2%	-
<b>Total</b>	<b>82,521,779</b>	<b>100%</b>	<b>100%</b>

(1) the parent company, Groupe Industriel Marcel Dassault (GIMD), located at 9, Rond-Point des Champs-Élysées - Marcel Dassault - 75008 Paris, fully consolidates the Group financial statements.

### 8.2. Treasury shares

Movements on treasury shares are detailed below:

(in number of shares)	H1 2023	H1 2022	2022
<b>Treasury shares as of January 1</b>	<b>689,502</b>	<b>310,130</b>	<b>310,130</b>
Purchase of treasury shares	2,103,706	0	409,072
Share-based payment	-38,364	-29,700	-29,700
Cancellation of shares	-965,251	0	0
<b>Treasury shares at the closing date</b>	<b>1,789,593</b>	<b>280,430</b>	<b>689,502</b>
<i>Amount recognized as a reduction in equity (in EUR thousands)</i>	<i>-286,863</i>	<i>-27,482</i>	<i>-80,855</i>

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

In the first half of 2023, Dassault Aviation acquired 2,103,706 shares for a total of EUR 357,665 thousand (average price of EUR 170.02 per share). In 2022, Dassault Aviation acquired 409,072 shares for a total of EUR 53,373 thousand (average price of EUR 130.47 per share).

Since implementation of the share buybacks authorized by the Annual General Meetings of May 18, 2022 and May 16, 2023, 2,512,778 shares have been buyback. 965,251 shares were canceled in the first half of 2023.

Of the 1,789,593 remaining treasury shares held by the Company at June 30, 2023, the Board of Directors allocated 1,547,527 shares to the cancellation target on July 20, 2023 and 242,066 shares had been previously allocated to potential performance share awards and to a potential liquidity contract to guarantee market activity.

## Note 9 - Borrowings and financial debt

(in EUR thousands)	Bank borrowings	Lease liabilities	Other borrowings and financial liabilities (1)	Borrowings and financial debt
<b>As of December 31, 2022</b>	<b>0</b>	<b>135,705</b>	<b>97,947</b>	<b>233,652</b>
Increase	0	46,096	1,344	47,440
Decrease	0	-28,400	-18,441	-46,841
Other	0	-1,618	0	-1,618
<b>As of June 30, 2023</b>	<b>0</b>	<b>151,783</b>	<b>80,850</b>	<b>232,633</b>

(1) other financial liabilities mainly includes locked-in employee profit-sharing funds. Employee profit-sharing corresponds to "other long-term benefits," and should be valued and discounted according to the principles of IAS 19 (revised). However, in view of the low historical differences between remuneration rate and discount rate, the Group considers that the valuation method by amortized cost constitutes a reasonable approximation of the profit-sharing liability.

## Note 10 - Provisions for contingencies and charges

(in EUR thousands)	12.31.2022	Allocations	Reversals	Other	06.30.2023
Warranty (1)	972,742	36,075	-41,425	-628	966,764
Other risks related to contracts (1)	625,453	31,366	-42,469	-1,035	613,315
Retirement severance payments (2)	115,481	20,986	-68,204	3,068	71,331
<i>French companies (3)</i>	<i>115,481</i>	<i>15,092</i>	<i>-61,284</i>	<i>2,042</i>	<i>71,331</i>
<i>US companies</i>	<i>0</i>	<i>5,894</i>	<i>-6,920</i>	<i>1,026</i>	<i>0</i>
Other operational risks	12,435	1,870	-4,231	-44	10,030
<b>Provisions for contingencies and charges</b>	<b>1,726,111</b>	<b>90,297</b>	<b>-156,329</b>	<b>1,361</b>	<b>1,661,440</b>

(1) provisions are updated to reflect changes to the fleet in service, deliveries during the period and contractual obligations induced by the execution of contracts.

(2) the actuarial adjustments contributing to the change in provisions for retirement severance payments break down as follows:

<i>French companies</i>	<i>2,042</i>
<i>US companies</i>	<i>10,857</i>
<i>Total actuarial adjustments</i>	<u><i>12,899</i></u>

The net assets from overfinancing Dassault Falcon Jet's pension plans are posted in "Other receivables" (EUR 33,105 thousand at June 30, 2023 and EUR 43,687 thousand at December 31, 2022).

(3) the pension reform that was acted into law on April 14, 2023 has resulted in a decrease of the provision by EUR 47,855 thousand, recorded under past service cost.

The discount rate used to calculate the provision for retirement severance payments for French companies (determined by reference to the yield for high-quality corporate long-term bonds) was 3.20% as of June 30, 2023, compared with 3.40% as of December 31, 2022. The rate used to calculate the provision for retirement severance payments for U.S. companies was 5.30% on June 30, 2023 and on December 31, 2022.



The sensitivity of the pension obligation to a change in the discount rate at June 30, 2023 is as follow:

Sensitivity in basis points	+100 bps	+50 bps	+25 bps	-25 bps	-50 bps	-100 bps
Decrease (increase) in obligation	-89,770	-47,224	-24,200	25,719	52,780	111,570

## Note 11 - Contract assets and liabilities

(in EUR thousands)	06.30.2023	12.31.2022
Unbilled receivables	21,897	25,205
Deferred income	0	0
Advances and progress payments received	-16,230	-21,415
<b>Contract assets</b>	<b>5,667</b>	<b>3,790</b>
Unbilled receivables	463,677	418,718
Deferred income	-1,068,931	-1,054,320
Advances and progress payments received	-12,398,320	-12,123,809
<b>Contract liabilities</b>	<b>-13,003,574</b>	<b>-12,759,411</b>

For a given contract, a contract asset (liability) represents the unbilled receivables, less deferred income and advances and progress payments received from the customer.

As Dassault Aviation acts as “principal” on the Rafale Export contracts, the progress payments received include the co-contractors’ share. The progress payments paid reflect the repayment of the co-contractors’ share:

(in EUR thousands)	06.30.2023	12.31.2022
Advances and progress payments received	-12,414,550	-12,145,224
Advances and progress payments paid	3,913,361	2,938,414
<b>Advances and progress payments received net of advances and progress payments paid</b>	<b>-8,501,189</b>	<b>-9,206,810</b>

## Note 12 - Net sales

The breakdown of net sales by geographical area is as follows:

(in EUR thousands)	H1 2023	H1 2022	2022
France (1)	667,652	699,038	1,238,868
Export (2)	1,629,529	2,407,801	5,711,048
<b>Net sales</b>	<b>2,297,181</b>	<b>3,106,839</b>	<b>6,949,916</b>

(1) mainly the government, with whom the Group generated more than 10% of its net sales in H1 2023 and H1 2022.

(2) more than 10% of the Group's net sales were generated with Greece in the first half of 2023. In 2022 and the first half of 2022, more than 10% of the Group's net sales were generated with Qatar and India. The net sales from the Rafale Export contracts are recorded on a gross basis (including the co-contractors' parts).

By activity, net sales break down as follows:

(in EUR thousands)	H1 2023	H1 2022	2022
Falcon	828,744	969,995	2,124,963
Defense	1,468,437	2,136,844	4,824,953
<i>Defense France</i>	<i>617,376</i>	<i>684,579</i>	<i>1,208,850</i>
<i>Defense Export</i>	<i>851,061</i>	<i>1,452,265</i>	<i>3,616,103</i>
<b>Net sales</b>	<b>2,297,181</b>	<b>3,106,839</b>	<b>6,949,916</b>

## Note 13 - Research and development costs

Non-capitalized research and development costs are recognized as an expense for the period in which they are incurred and represent:

(in EUR thousands)	H1 2023	H1 2022	2022
Research and development costs	-247,188	-278,417	-571,977

The Group's research and development strategy and initiatives are described in the directors' report.

## Note 14 - Net financial income/expense

(in EUR thousands)	H1 2023	H1 2022	2022
Income from cash and cash equivalents	25,083	2,003	11,934
Cost of gross financial debt	-2,990	-2,198	-4,128
<b>Cost of net financial debt</b>	<b>22,093</b>	<b>-195</b>	<b>7,806</b>
Dividends and other investment income	0	0	1,602
Income from other financial assets	115,247	-1,808	35,526
Foreign exchange gain/loss (1)	1,456	-24,821	-22,739
Financing component (2)	-27,839	-10,613	-33,752
<b>Other financial income and expense</b>	<b>88,864</b>	<b>-37,242</b>	<b>-19,363</b>
<b>Net financial income/expense</b>	<b>110,957</b>	<b>-37,437</b>	<b>-11,557</b>

(1) the foreign exchange loss for the period includes the change in market value and the loss associated with the exercise of foreign exchange hedging instruments not eligible for hedge accounting as defined in IFRS 9 "Financial Instruments." The amounts are not representative of the actual gain/loss, which will be recognized when the hedges are exercised.

(2) under to IFRS 15, the financing component recognized in respect of long-term Defense contracts.

## Note 15 - Taxes

### 15.1. Income tax

(in EUR thousands)	H1 2023	H1 2022	2022
Corporate tax	-45,082	-68,772	-178,019
Deferred tax	-21,278	18,247	32,049
<b>Income tax</b>	<b>-66,360</b>	<b>-50,525</b>	<b>-145,970</b>

### 15.2. Reconciliation of theoretical and recognized income tax expense

(in EUR thousands)	H1 2023	H1 2022	2022
Net income	361,704	271,511	716,225
<i>Less tax expense</i>	66,360	50,525	145,970
<i>Less share in net income of equity associates</i>	-165,514	-141,910	-282,349
Income before tax	262,550	180,126	579,846
<b>Theoretical tax expenses calculated at the current rate (1)</b>	<b>-67,817</b>	<b>-46,527</b>	<b>-149,745</b>
Effect of tax credits (2)	4,282	4,289	10,507
Effect of differences in tax rates	1,291	-1,785	386
Other	-4,116	-6,502	-7,118
<b>Income tax recognized</b>	<b>-66,360</b>	<b>-50,525</b>	<b>-145,970</b>

(1) a rate of 25.83% applies for each of the periods shown.

(2) includes the impact of the Research Tax Credit, recognized in other revenue in the amount of EUR 15,420 thousand in H1 2023, compared with EUR 15,449 thousand in H1 2022 and EUR 33,250 thousand for 2022.

### 15.3. Deferred tax sources

(in EUR thousands)	Consolidated balance sheet	
	06/30/2023	12/31/2022
Provisions (profit-sharing, pensions, etc.)	266,753	282,893
Other current and non-current financial assets and cash equivalents	-1,660	-1,319
Derivative financial instruments	10,521	20,161
Other temporary differences	87,569	88,136
<b>Net deferred taxes</b>	<b>363,183</b>	<b>389,871</b>
<i>Deferred tax assets</i>	366,043	392,849
<i>Deferred tax liabilities</i>	-2,860	-2,978

At June 30, 2023, no deferred tax was recorded under Pillar 2. The expected impact is immaterial. Work is still in progress.

## Note 16 - Earnings per share

Earnings per share	H1 2023	H1 2022	2022
Net income attributable to the owners of the parent company (in EUR thousands) (1)	361,704	271,511	716,225
Average number of shares outstanding	82,257,237	83,196,427	83,117,272
Diluted average number of shares outstanding	82,277,187	83,213,677	83,134,522
<b>Earnings per share (in EUR)</b>	<b>4.40</b>	<b>3.26</b>	<b>8.62</b>
<b>Diluted earnings per share (in EUR)</b>	<b>4.40</b>	<b>3.26</b>	<b>8.62</b>

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

Earnings per share are calculated by dividing the 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 the net income attributable to the 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, increased by performance shares granted.

## Note 17 - Financial instruments

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

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

- Level 1: quoted prices on an active market;
- 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 of 06.30.2023			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
<b>Non-current assets</b>				
Other non-current financial assets	38,612	28,536	126,533	193,681
<b>Current assets</b>				
Trade and other receivables	1,597,197			1,597,197
Derivative financial instruments		6,284	29,613	35,897
Other current financial assets	5,994,871	746,314		6,741,185
Cash equivalents	212,370	222,996		435,366
<b>Total financial instruments (assets)</b>	<b>7,843,050</b>	<b>1,004,130</b>	<b>156,146</b>	<b>9,003,326</b>
Level 1		997,846	23,432	
Level 2		6,284	29,613	
Level 3		0	103,101	

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

As of December 31, 2022, the data were as follows:

(in EUR thousands)	Balance sheet value as of 12.31.2022			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
<b>Non-current assets</b>				
Other non-current financial assets	41,010	18,656	118,797	178,463
<b>Current assets</b>				
Trade and other receivables	1,780,885			1,780,885
Derivative financial instruments		0	23,086	23,086
Other current financial assets	5,008,904	637,141		5,646,045
Cash equivalents	2,355,392	350,189		2,705,581
<b>Total financial instruments (assets)</b>	<b>9,186,191</b>	<b>1,005,986</b>	<b>141,883</b>	<b>10,334,060</b>
Level 1		1,005,986	16,932	
Level 2		0	23,086	
Level 3		0	101,865	

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



## 17.2. Financial instruments (liabilities)

(in EUR thousands)	Balance sheet value as of 06.30.2023			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
<b>Non-current liabilities</b>				
Bank borrowings	0			0
Lease liabilities	128,706			128,706
Other financial liabilities (2)	57,082			57,082
<b>Current liabilities</b>				
Bank borrowings	0			0
Lease liabilities	23,077			23,077
Other financial liabilities (2)	23,768			23,768
Trade and other payables	1,241,422			1,241,422
Derivative financial instruments		12,160	68,071	80,231
<b>Total financial instruments (liabilities)</b>	<b>1,474,055</b>	<b>12,160</b>	<b>68,071</b>	<b>1,554,286</b>
Level 1		0	0	
Level 2		12,160	68,071	
Level 3		0	0	

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

(2) mainly locked-in employee profit-sharing funds.

As of December 31, 2022, the data were as follows:

(in EUR thousands)	Balance sheet value as of 12.31.2022			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
<b>Non-current liabilities</b>				
Bank borrowings	0			0
Lease liabilities	107,063			107,063
Other financial liabilities (2)	83,626			83,626
<b>Current liabilities</b>				
Bank borrowings	0			0
Lease liabilities	28,642			28,642
Other financial liabilities (2)	14,321			14,321
Trade and other payables	1,353,760			1,353,760
Derivative financial instruments		15,557	95,462	111,019
<b>Total financial instruments (liabilities)</b>	<b>1,587,412</b>	<b>15,557</b>	<b>95,462</b>	<b>1,698,431</b>
Level 1		0	0	
Level 2		15,557	95,462	
Level 3		0	0	

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

(2) mainly locked-in employee profit-sharing funds.



## Note 18 - Financial risk management

### 18.1. Cash and liquidity risks

#### 18.1.1. Financial debts

The Group has no significant risk in relation to its financial debt. The features are described in Note 9.

#### 18.1.2. Cash, cash equivalents and other current financial assets

The Group has a solid financial structure and works only with top-tier banks.

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

(in EUR thousands)	Market value	As %
Cash at bank and in hand, money market investments and time deposits	6,253,554	81%
Investments in bonds and other debt securities	878,922	11%
Unspecified investments	630,612	8%
<b>Total</b>	<b>7,763,088</b>	<b>100%</b>

A full analysis of the performance of investments is performed at each closing date. The investment portfolio does not show, line-by-line, any objective indication of significant impairment as of June 30, 2023 (as was the case on December 31, 2022).

These investments could be converted into cash depending on Group's operational purposes. Cash resources and its portfolio of marketable securities therefore allow the Group to meet its commitments without any liquidity risk. The Group is not faced with restrictions with regard to the availability of its cash and its portfolio of marketable securities.

### 18.2. Credit and counterparty risks

#### 18.2.1. Credit risk on bank counterparties

The Group allocates its investments plan assets 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.

#### 18.2.2. Customer default risk

The Group limits counterparty risk by conducting most of its sales in cash and ensuring that the loans are secured by export insurance guarantees (Bpifrance Assurance Export) or collaterals. 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 that are in place, and the provisions made in its accounts, the Group's residual exposure to the risk of default by a customer in a country subject to uncertainties is limited.

The Bpifrance Assurance Export guarantees and collateral obtained and not exercised as of the closing date are of the same nature as those as of December 31, 2022.

The manufacturing risk is also guaranteed with Bpifrance Assurance Export for major military export contracts.

## 18.3. Other market risks

### 18.3.1. Market risks

The Group covers risks from exchange rates and interest rates using derivative financial instruments whose book value is presented below:

(in EUR thousands)	06/30/2023		12/31/2022	
	ASSETS	Liabilities	Assets	Liabilities
Exchange rate derivatives	35,897	80,231	23,086	111,019
<b>Net derivative financial instruments</b>		<b>44,334</b>		<b>87,933</b>

The Group is exposed to a foreign exchange risk through the parent company in relation to its Falcon sales, which are mainly denominated in US dollars. This risk is partially hedged by using forward currency 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 in accordance with changes over time in expected net cash flows.

This risk is permanent, taking into account exchange rate fluctuations and volatility. This is a significant risk for the Group, since the measures put in place to limit this risk are not sufficient to make the net risk zero (periods not covered by hedges, possible financial impact of hedges already taken out the event of reversal of market assumptions).

The foreign exchange derivatives subscribed by the Group are not all eligible for hedge accounting under IFRS 9 "Financial instruments." The breakdown is presented in the table below:

(in EUR thousands)	Market value as of 06/30/2023	Market value as of 12/31/2022
Instruments which qualify for hedge accounting	-32,174	-72,376
Instruments which do not qualify for hedge accounting	-12,160	-15,557
<b>Exchange rate derivatives</b>	<b>-44,334</b>	<b>-87,933</b>

The breakdown of the fair value of the derivative financial instruments by maturity rate is as follows:

(in EUR thousands)	Within one year	In more than one year	Total
Exchange rate derivatives	-67,307	22,973	<b>-44,334</b>

### 18.3.2. Impacts of derivatives 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)	12/31/2022	Impact on equity (1)	Impact on operating income	Impact on net financial income (2)	06/30/2023
Foreign exchange derivatives	-87,933	33,918	6,284	3,397	<b>-44,334</b>

(1) recognized under income and expenses 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 IFRS 9 "Financial Instruments."

The change in fair value of foreign exchange derivatives essentially related to the change in the closing rate between December 31, 2022 (USD/EUR 1.0666) and June 30, 2023 (USD/EUR 1.0866).

### 18.3.3. Sensitivity test for foreign exchange derivatives

A sensitivity analysis was performed to determine the impact of a 10-cent increase or decrease in the US dollar/euro exchange rate.

Market value of the portfolio (in EUR thousands)	06/30/2023	
	Net balance sheet position	-44,334
Closing US dollar/euro exchange rate	\$1.0866/€	
Closing US dollar/euro exchange rate +/- 10 cents	\$0.9866/€	\$1.1866/€
Change in net balance sheet position(1)	-217,227	180,612
<i>Impact on net income</i>	-15,602	+12,971
<i>Impact on equity</i>	-201,625	+167,641

(1) data calculated based on existing market conditions on the balance sheet date. They are not representative of the actual gain/loss to be recognized when hedging is carried out.

### 18.3.4. Risks related to Embraer shares

On June 30, 2023, Embraer shares were valued at EUR 23,432 thousand (see Note 5). The Group is exposed to a currency risk on its stake in Embraer, which is listed in reals on the Brazilian market, and a price risk related to the fluctuation in the stock market price. A 10% upward or downward variation in the exchange rate and/or share price would not have a significant impact on the Group financial statements.

## Note 19 - Contingent assets and liabilities

There are no contingent assets or liabilities as of June 30, 2023.

## Note 20 - Related-party transactions

The related parties as of June 30, 2023 are identical to those identified as of December 31, 2022 and the transactions during the period are of the same type.

## Note 21 - Subsequent events

No events likely to have a material impact on the financial statements occurred between June 30, 2023 and the date the financial statements were approved by the Board of Directors.

**Statutory auditors' review report  
on the half-yearly financial information**

For the period from January 1, 2023 to June 30, 2023

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To the Shareholders

In compliance with the assignment entrusted to us by your 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 1, 2023 to June 30, 2023;
- 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.

Neuilly-sur-Seine and Paris-La Défense, July 20, 2023

The Statutory Auditors

Mazars

PricewaterhouseCoopers Audit

Erwan CANDAU  
Partner

Edouard DEMARCQ  
Partner

This is a free translation into English of the statutory auditors' review report half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.