

Financial information

11 March 2015

Order intake	90 FALCON vs 64 in 2013
Deliveries	66 FALCON and 11 RAFALE vs 77 FALCON and 11 RAFALE in 2013
Net sales	EUR 3,680 million , vs EUR 4,593 million in 2013
Adjusted net income (*)	EUR 398 million , vs EUR 487 million in 2013
Adjusted net margin (*)	10.8% of net sales vs 10.6% in 2013

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

Self-funded Research and Development	13.3% of net sales , vs 10.5% in 2013
Hedging rate	1.25 USD/EUR vs 1.26 USD/EUR in 2013

Saint-Cloud, 11 March 2015 – The Board of Directors, chaired yesterday by Mr. Éric TRAPPIER, closed the financial statements for the year 2014. These consolidated financial statements were certified by the Statutory Auditors who expressed an unqualified opinion.

Éric TRAPPIER, Chairman and CEO of DASSAULT AVIATION, stated:

“First of all, I would like to highlight two major events for DASSAULT AVIATION: on 6 February 2015, **the success of the FALCON 8X maiden flight**, our new flagship, and a historical time for our Company, **the signing with Egypt of a contract for 24 RAFALE**, on 16 February 2015, the first RAFALE export contract.

In 2014, in an unstable environment, DASSAULT AVIATION held its course and recorded several successes. In particular:

- regarding exports, a great deal of work was done with India and other prospects,
- the RAFALE once again proved its reliability and its versatility in operation. We support the French Armed Forces through the RafaleCare contract and the new Support structure implemented in Bordeaux,
- FALCON sales have increased. For the first time since 2008, we recorded more orders than deliveries. However, we must not forget that the new models, FALCON 8X and FALCON 5X, appearing in the backlog, will not be delivered for several years,
- after the FALCON 5X announcement in 2013, FALCON 8X was launched at the EBACE in Geneva, and its rollout took place last December. During the NBAA, we also presented new FALCON support and interior completion services: airborne support, Le Bourget and Teterboro showrooms, and the extension of DASSAULT FALCON SERVICE in Mérignac,

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- the feasibility study phase of the Future Combat Air System (SCAF-FCAS) was notified last November by the French and British Defense procurement agencies. This study is the first stage in a process that should lead us to the launch of a program by 2025-2030. This launch shows our countries' intention of remaining first-rate aeronautical powers.

In the FALCON business, our self-funded Research and Development has increased significantly over the last few years; our strategy is to expand our offer to remain one of the leaders in high-end business jets over the coming decades.

Concerning DEFENSE activities, our goal is to be the European leader in the next-generation fighter jets, despite the drop in domestic budgets and the aggressiveness of our competitors. To achieve this, we have designed a strategy based on RAFALE success, on skills development and on the capacity to implement efficient cooperation, especially in drone programs.

Our competitiveness must be further enhanced. Even if US dollar is strengthening against euro, this favorable trend is not sufficient to offset the additional tax, regulatory and social costs we bear compared to US manufacturers. We are responding by continuously investing in digitizing our processes, automating our production lines and increasing our productivity. In parallel, we must continue increasing our flexibility and controlling our costs.

Our business being dual, civil and military, explains why we are able to keep our facilities in France.

Excellence in quality is crucial for all our aircraft. We have to adopt an approach of continuous improvement and honor the commitments to our clients."

Order intake

2014 consolidated order intake were **EUR 4,639 million** compared to EUR 4,165 million in 2013. **Exports** represented **89%** of the order intake.

Orders for new aircraft stood at **90 FALCON** in 2014 (compared to 64 in 2013).

DEFENSE orders amounted to **EUR 693 million** in 2014 compared to EUR 1,256 million in 2013. In 2014, orders corresponded to after-sales and development; for the record, 2013 included France "F3-R" standard development and ATLANTIQUE 2 upgrade orders.

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Net sales

Consolidated net sales for 2014 amounted to **EUR 3,680 million** compared to EUR 4,593 million in 2013.

FALCON net sales reached EUR 2,685 million in 2014 compared to EUR 3,189 million in 2013. **66 new aircraft were delivered in 2014** (versus 77 in 2013).

11 RAFALE were delivered to the French Air Force and Navy during 2014, as in the previous year. DEFENSE net sales amounted to EUR 995 million compared to EUR 1,404 million in 2013, which included nEUROn program sales.

Backlog

The consolidated backlog at 31 December 2014 was EUR **8,217 million** compared to EUR 7,379 million at 31 December 2013.

The "book to bill" (order intake / net sales ratio) stood at 1.26 in 2014. It benefited in particular from orders for FALCON 5X and FALCON 8X, our new programs.

Operating income

Operating margin stood at **9.6%** of net sales, vs 10.9% in 2013. Consolidated operating income was EUR 353 million in 2014 compared to EUR 498 million in 2013.

Self-funded Research and Development, which reached EUR 488 million (compared to EUR 482 million in 2013), represented 13.3% of net sales (compared to 10.5% in 2013). It largely explains the decrease in operating margin. The favorable evolution in the USD/EUR exchange rate at year-end (1.21 USD/EUR vs 1.38 USD/EUR) and in the hedging rate (1.25 USD/EUR vs 1.26 USD/EUR) mitigated this decrease.

Adjusted financial income

In 2014, **adjusted** financial income amounted to **EUR 43 million**, compared to EUR 15 million in 2013. In particular, the Group made a profit of EUR 35 million on the sale of available-for-sale marketable securities compared to a profit of EUR 10 million in 2013. This is due in particular to partial use of our cash for the purchase of treasury shares.

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Adjusted net income

Adjusted net margin stood at **10.8%** of net sales, compared to 10.6% in 2013. For 2014, adjusted net income amounted to EUR 398 million compared to EUR 487 million in 2013.

The adjusted contribution of THALES to Group net income, before amortization of the purchase price allocation, amounted to EUR 135 million in 2014 compared to EUR 153 million in 2013. The decrease was mainly due to the negative impact of DCNS, consolidated at 35% by THALES.

Note: IFRS net income was EUR 283 million in 2014 compared to EUR 459 million in 2013.

Cash

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

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

Consolidated Available Cash was **EUR 2,397 million at 31 December 2014** compared to EUR 3,708 million at 31 December 2013.

This decrease is mainly due to the purchase of treasury shares in the amount of EUR 934 million, the increase of EUR 608 million in working capital due to the growth of inventories and work-in-progress, and the payment of EUR 90 million in dividends, partially offset by the net cash from operating activities (+ EUR 331 million).

Balance sheet

Total equity amounted to EUR 4,096 million at 31 December 2014 compared to EUR 5,096 million (restated) at 31 December 2013. This decrease is mainly due to the purchase of 952,643 treasury shares in the amount of EUR 934 million. As planned by the buyback program, 912,143 shares, representing 9.01% of the capital, were cancelled in the amount of EUR 894 million.

At 31 December 2014, the Group held 40,500 treasury shares, deducted from equity in the amount of EUR 40 million.

Borrowings and financial debts stood at EUR 985 million at 31 December 2014 compared to EUR 268 million at 31 December 2013. In 2014, the Group took out EUR 700 million in loans with credit institutions. Financial debts also included the employee profit-sharing funds.

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At 31 December 2014, inventories and work-in-progress increased by EUR 405 million. This item thus reached EUR 3,092 million at 31 December 2014 compared to EUR 2,687 million at 31 December 2013. Customer advances and progress payment on work-in-progress stood at EUR 2,271 million compared to EUR 2,294 million at 31 December 2013.

Derivative financial instruments had a negative market value (-EUR 40 million at 31 December 2014 versus EUR 312 million at 31 December 2013). This change was mainly due to the trend in the USD/EUR exchange rate at 31 December (1.21 USD/EUR at 31 December 2014 compared to 1.38 USD/EUR at 31 December 2013).

The provision for retirement benefits was EUR 487 million at 31 December 2014 versus EUR 382 million at 31 December 2013. This change is primarily due to the decrease in the discount rate.

Proposed dividend

The Board of Directors has decided to submit to the Annual General Meeting the distribution of a dividend of **EUR 10 per share** in 2015, corresponding to a total of EUR 92 million, i.e. a payout of 23% vs. 18% in 2014.

Group Activities

FALCON programs:

Highlights for 2014 include:

- the launch in May, at the EBACE in Geneva, of the FALCON 8X, which completes our commercial offer. It has a range of 6,450 nm (~ 12,000 km), the longest passenger cabin in the FALCON family, and low operating costs. The final assembly of the first aircraft took place in Mérignac, its powering up was done in July, and ground testing of its systems was successfully completed. FALCON 8X first public presentation (rollout) took place in Mérignac on 17 December 2014,
- the assembly and start of ground testing of the FALCON 5X,
- the release of the 250th FALCON 7X in Mérignac and the demonstration of this aircraft's exceptional operating capabilities: speed record between New York and London City Airport and operations in Daocheng-Yading, the world's highest commercial airport (4,411 m above sea level),
- the entry into service of two showrooms in Le Bourget (France) and in Teterboro (USA) to receive our FALCON clients and facilitate the aircraft specification process,
- the continuation of the work for expanding and upgrading the DASSAULT FALCON JET site in Little Rock (USA). Work on the future infrastructure intended for FALCON 5X and 8X interior completion was launched on 2 September 2014.

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DEFENSE programs:

RAFALE 2014 highlights were:

- the delivery of 11 aircraft to the French Air Force and Navy, bringing the total number of delivered RAFALE to 137,
- the launch of the F3-R standard development, following its notification at the end of 2013; this standard, which will be delivered in 2018, notably includes the long-range air-to-air missile METEOR, the New Generation Laser Designation Pod (PDL - NG) and the laser-guided version of the Modular Air-Ground Weapon (AASM),
- the delivery of the first two Marine RAFALE retrofitted to the F3 standard,
- the continuation of exclusive negotiations with the Indian authorities and Indian industrial partners to finalize the contract for the sale / licensing of 126 RAFALE,
- the continuation of promotional and prospecting activities in other countries,

Noteworthy highlights in relation to other military aircraft programs include:

- the continuation of the development for upgrading the Indian MIRAGE 2000, and the launch of retrofit work in India where the first two aircraft are modified under our responsibility,
- within the scope of an "emergency operation", the change of a third ATLANTIQUE 2 by addition of a high-performance electro-optic camera,
- the continuation of the development tasks for the ATLANTIQUE 2 combat system renovation. This renovation includes the integration of a new system core as well as new sensors, among which the Searchmaster radar from THALES,
- the delivery of the second maritime surveillance FALCON 50 SURMAR (out of 4) to the DGA (Direction Générale de l'Armement - French Defense Procurement Agency) and the entry into service of these two aircraft in the French Navy.

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Regarding UCAS (Unmanned Combat Air Systems):

- the low observability demonstration campaign for the Unmanned Combat Air Vehicle (UCAV) nEUROn, on behalf of the DGA,
- the notification by the French and British governments, as part of the Brize Norton agreement, of the feasibility study phase lasting 24 months, intended to prepare a potential demonstration program for a Future Combat Air System (SCAF-FCAS). This phase brings BAE SYSTEMS and DASSAULT AVIATION together as leaders of an industrial organization that also includes ROLLS-ROYCE, SAFRAN, SELEX, and THALES.

Regarding MALE (Medium-Altitude Long-Endurance) systems:

- the start of discussions with the French, German and Italian Ministries of Defense for the definition phase of a European MALE drone program, based on the proposal prepared with our partners AIRBUS DEFENCE AND SPACE and ALENIA-AERMACCHI,
- the continuation, in the space field, of our work on the atmospheric reentry demonstrator project "Intermediate eXperimental Vehicle" (IXV) which launch is scheduled for the first half of 2015 and on the "SubOrbital Aircraft Reusable" (SOAR) project lead by SWISS SPACE SYSTEMS, and for which DASSAULT AVIATION is aircraft manufacturer consultant.

Finally, a world first should be highlighted: the patrol flight of the nEUROn, a RAFALE and a FALCON 7X. Our combat drone demonstrator made an almost two-hour flight over the Mediterranean sea in close formation with two different types of aircraft. This several hundred kilometer flight was intended to study the ability of the nEUROn to fly in formation.

2015 Outlook

In the FALCON field, the Group's success depends on:

- the continuation of sales efforts for the entire FALCON family,
- the FALCON 5X maiden flight,
- the ramp up of the new models manufacturing, with the objective of a maximum level of maturity upon entry into service,
- the deployment of the support solutions announced at the NBAA;

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and in the military field, we have to:

- execute the RAFALE Egypt contract,
- finalize the negotiations with Indian authorities and continue RAFALE export prospecting,
- continue the development of RAFALE F3-R standard,
- finalize the nEUROn tests,
- move forward with the British on the SCAF-FCAS study,
- get the green light from the French, German and Italian defense ministries for the launch of the definition phase of a MALE drone system meeting the needs of the three countries,
- progress in the ATLANTIQUE 2 combat system and sensor renovation work,
- deliver two FALCON 50M to the French Navy and position ourselves in international calls for tenders for the supply of solutions based on the FALCON 2000 MRA, particularly in Japan.

The Group expects to deliver around 65 FALCON in 2015. The RAFALE production line will be kept at the rate of 1 aircraft per month, but due to the adjustment of the RAFALE Egypt deliveries, we should deliver 8 RAFALE in 2015.

Taking into account other activities, 2015 consolidated net sales should be higher than in 2014.

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

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Appendix: table of reconciliation between consolidated income and adjusted income

The impact in 2014 on the income statement is detailed below:

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

The impact in 2013 on the income statement is detailed below:

(EUR million)	2013 Consolidated data	THALES PPA amortization (1)	THALES adjustments	Derivative exchange instruments (2)	2013 Adjusted data
Financial income / expense	87,565			-72,628	14,937
Share of income of equity affiliates	77,945	57,333	17,837		153,115
Income tax	-204,557			25,006	-179,551
Net income	459,452	57,333	17,837	-47,622	487,000

(1) neutralization of THALES Purchase Price Allocation (PPA) amortization, net of income tax.

(2) neutralization of the change in fair value, net of income tax, of derivative exchange instruments which do not qualify for hedge accounting under the specific rules of IAS 39 «Financial Instruments».

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