

## HALF-YEAR RESULTS OF THE DASSAULT AVIATION GROUP

	2017 1 <sup>st</sup> half	2016 1 <sup>st</sup> half
Order intake	<b>EUR 1,381 million</b> 14 FALCON	EUR 1,378 million 11 FALCON <i>(22 - 11 F5X cancellations)</i>
<u>Adjusted</u> net sales <sup>(*)</sup>	<b>EUR 2,050 million</b> 1 RAFALE France 3 RAFALE Egypt 17 FALCON	EUR 1,662 million 4 RAFALE France 3 RAFALE Egypt 15 FALCON
	<b>As of June 30, 2017</b>	As of December 31, 2016
Backlog	<b>EUR 19,762 million</b> 106 RAFALE <i>including 75 RAFALE Export</i> <i>31 RAFALE France</i> 60 FALCON	EUR 20,323 million 110 RAFALE <i>including 78 RAFALE Export</i> <i>32 RAFALE France</i> 63 FALCON
	<b>2017 1<sup>st</sup> half</b>	2016 1 <sup>st</sup> half
<u>Adjusted</u> operating income <sup>(*)</sup>	<b>EUR 123 million</b>	EUR 125 million
<u>Adjusted</u> operating margin <sup>(*)</sup>	<b>6.0% of net sales</b>	7.5% of net sales
Research and development	<b>EUR 176 million</b> <b>8.6% of net sales</b>	EUR 130 million 7.8% of net sales
<u>Adjusted</u> net income <sup>(*)</sup>	<b>EUR 199 million</b> <i>EUR 24.3 € / share</i>	EUR 185 million <i>EUR 21.4 € / share</i>
<u>Adjusted</u> net margin <sup>(*)</sup>	<b>9.7 % of net sales</b>	11.1% of net sales
	<b>As of June 30, 2017</b>	As of December 31, 2016
Available cash	<b>EUR 3,842 million</b>	EUR 3,105 million

<sup>(\*)</sup> See table of reconciliation between the consolidated income statement and the adjusted income statement in appendix.

N.B.: Dassault Aviation recognizes RAFALE Export contracts in their entirety (including the Thales and Safran parts), whereas for France only the Dassault Aviation part is recognized.

### OUTLOOK FOR 2017

The Group confirms its forecasts published in March 2017, namely the delivery of 45 FALCON and 9 RAFALE (1 to France and 8 to Egypt) and higher net sales in 2017 than those in 2016 given net sales of RAFALE Export.

**Saint Cloud, July 26, 2017** – The Board of Directors chaired today by Mr. Éric Trappier closed the financial statements of the first half of 2017. The statutory auditors performed a limited review of these consolidated financial statements and expressed an unqualified opinion.

Éric Trappier, Dassault Aviation's Chairman and Chief Executive Officer, presented the 1<sup>st</sup> half 2017 programs' activities:

## **FALCON programs**

Highlights of the first half of 2017 were:

- the delivery of 17 FALCON,
- 14 FALCON ordered, including a fourth Maritime Surveillance FALCON 2000 ordered by the Japanese coastguard,
- extension of the operational capacity of FALCON 8X, a mature aircraft highly appreciated from its entry into service, including:
  - ✓ approval of operations at London City airport,
  - ✓ demonstration of a long-range flight by a Singapore/London flight of 6,300 nm, with a duration of 14 hours,
  - ✓ FAA and EASA certifications of the FALCON Eye system on FALCON 8X,
  - ✓ certification of crosswind takeoff up to 30 knots,
- high-speed Satcom certification for the entire FALCON range.

Falcon 5X has made its first flight on July 5<sup>th</sup> 2017, allowing the wide body twinjet to embark on a limited number of preliminary flight tests.

The 2-hour flight was performed with a preliminary version of the Safran Silvercrest engines, because design issues have delayed the power plant development 4 years beyond the initial schedule (the entry into service of the FALCON 5X was moved from 2017 to 2020).

This advanced flight test campaign will allow to collect data concerning the airframe and systems that could not be generated during a ground test campaign undertaken earlier this spring. The ground campaign included ground runs as well as low and high speed taxi tests.

Flight validation and certification tests will start in 2018, once Safran delivers certifiable engines meeting Dassault Aviation's specifications.

## **DEFENSE programs**

Highlights of the RAFALE program in the first half of 2017 were:

- the delivery of 1 RAFALE to France, bringing the total number of RAFALE delivered to 149 out of the 180 ordered,
- the delivery of 3 RAFALE to Egypt, bringing to 9 the number of aircraft delivered out of the 24 ordered,
- the delivery of the eighth Naval RAFALE, retrofitted from the F1 to the F3 standard,
- the continuation of development works on the F3-R standard, including the final validation firing of the METEOR missile,
- the continuation of development, production and support work for the RAFALE standards for Egypt, Qatar and India,
- the continuation of the support of the fleet of RAFALE delivered to France and export customers,
- Indian combat aircraft needs are material (additional batches for its Air Force and 57 aircraft for naval aeronautics), if we are to have any hope of winning these contracts, it is imperative that the "Make in India" is a success.

As such, we created the Dassault Reliance Aerospace Limited Joint Venture (DRAL JV) on February 10, 2017, located in NAGPUR (central India), in which 51% of the capital is held by Reliance and 49% by Dassault Aviation, overseen by a national Indian CEO and an Industrial Director from Dassault Aviation.

The corporate purpose of the DRAL JV (civil and military aeronautical activities) is to enable us to meet our offsets commitments in respect with the contract signed to supply 36 RAFALE, to build the foundations

to reach our commercial goals with India, and to improve our competitiveness in manufacturing FALCON 2000's parts in India.

Production will be progressively ramped up over 5 years, from the start of production scheduled for late 2017 to the manufacture of FALCON 2000 components and RAFALE sub-assemblies, in order to build the required infrastructure, to hire and train staff, to ensure procurements, and to check each step.

For Dassault Aviation, this will have a favorable impact on its workload, both for the 36 RAFALE contract and for any future contracts.

- the continuation of promotional and prospecting activities related to the export of RAFALE.

For MIRAGE 2000, it should be noted that in the first half of 2017:

- upgrade work for the French MIRAGE 2000D continued,
- in India, the continuation of the support to Hindustan Aeronautics Ltd. (HAL) in the development of the final standard for the Indian MIRAGE 2000 and in works under its responsibility,
- the support of the MIRAGE 2000 fleet to French and foreign forces.

For Maritime Surveillance aircraft, highlights in the first half of 2017 included:

- the continuation of development works to upgrade the combat system on ATLANTIQUE 2, particularly system integration tests and test flights,
- the continuation of development work on FALCON 2000 Maritime Surveillance Aircraft for the Japanese coastguards,
- the start of work on additional capacity for dropping SAR (Search And Rescue) chains for the French Navy's FALCON 50 SURMAR fleet.

For drones, highlights in the first half of 2017 included:

- the continuation, for France, of the test campaign of the nEUROn in 2017 with radar signature measurements by the French Defense Procurement Agency. We are also negotiating a contract for a new flight campaign in the second half of 2017,
- in the frame of the Franco-British treaty of Lancaster House, the continuation of the feasibility phase and the preparation with our industrial partners BAE Systems, Thales, Leonardo, Rolls-Royce, and Safran of a proposal for a launch, by the end of 2017, of an operational demonstrator Unmanned Combat Air System (UCAS),
- concerning the MALE RPAS (Medium Altitude Long Endurance – Remotely Piloted Aircraft System), the first half of 2017 allowed us to continue the work to define a European program, under the scope of a contract notified in 2016 by the OCCAR (Organization for Joint Armament Cooperation), in conjunction with the French, German, Italian, and Spanish Ministries of Defense. This study brings together Dassault Aviation, Airbus Defence and Space, and Leonardo. At the Franco-German summit on July 13, 2017 an announcement was made on the choice of a twin-engine solution. We are continuing the studies to prepare in 2018 a proposal for a program launch.

## **After outlining the above activities, Éric Trappier stated:**

"The 2017 Paris Air Show provided us with an opportunity to present the RAFALE in flight and the new FALCON 8X, along with other aircraft of our FALCON family at the static display.

It also allowed us to meet:

- the new President of the French Republic, the new Prime Minister, the new Defense Minister, as well as other government members. And we took the opportunity to increase their awareness of current and future issues,
- FALCON customers and potential customers,
- foreign military delegations.

We have to:

- insure FALCON sales of all models,

- prepare new contracts for RAFALE and successfully implement the essential "Make in India",
- obtain development contracts in France and/or in cooperation (F4, FCAS, MALE, ...) to ensure our future by maintaining the skills of our teams,
- succeed in the FALCON 5X development program, to respect the 1<sup>st</sup> deliveries to customers scheduled for 2020, subject to Safran fulfilling its new development schedule commitment,
- make sure we are ready to launch a new FALCON program, in order to enlarge our FALCON family,
- mobilize all of our resources to successfully achieve our transformation and guarantee the sustainability of the Company. This is precisely the challenge of the "Leading our Future" plan, which will enable us to increase our competitiveness and flexibility."

## KEY FIGURES USING ADJUSTED CONSOLIDATED DATA FOR 1<sup>ST</sup> HALF 2017

*See table of reconciliation between the consolidated income statement and the adjusted income statement in appendix.*

### ORDER INTAKE

**Order intake** in the first half of 2017 was **EUR 1,381 million**, compared with EUR 1,378 million in the first half of 2016. **Export** represented **83%**.

#### FALCON programs

During the first half of 2017, **14 orders for FALCON** were booked, compared to 11 orders over the first half of 2016 (22 – 11 FALCON 5X cancellations). Order intake for FALCON stood at **EUR 1,029 million** in the first half of 2017, compared to EUR 778 million during the first half of 2016. This rise results from an increase in orders for new and second-hand aircraft.

#### DEFENSE programs

DEFENSE orders stood at **EUR 352 million** during the first half of 2017, compared to EUR 600 million during the first half of 2016. The decrease in DEFENSE France orders (EUR 215 million during the first half of 2017, compared to EUR 454 million during the first half of 2016), is explained mainly by the order during the first half of 2016 for the upgrade of the MIRAGE 2000D.

### NET SALES

**Adjusted consolidated net sales** for the first half of 2017 were **EUR 2,050 million**, compared to EUR 1,662 million for the first half of 2016. **Export** represented **85%** in the first half of 2017.

#### FALCON programs

Net sales of FALCON during the first half of 2017 were **EUR 1,107 million**, compared to EUR 853 million during the first half of 2016. **17 FALCON** were delivered in the first half of 2017, compared to 15 in the first half of 2016. Furthermore, second-hand aircraft activity was up, compared to the first half of 2016.

#### DEFENSE programs

**3 RAFALE** were delivered to Egypt and **1 RAFALE** to France in the first half of 2017, compared to 3 RAFALE to Egypt and 4 RAFALE to France in the first half of 2016. **DEFENSE net sales** were up, during the first half of 2017, standing at **EUR 943 million**, compared to EUR 809 million for the first half of 2016. Higher DEFENSE net sales in the first half 2017 were due to higher support from RAFALE Export and Mirage 2000 France compared to the first half of 2016.

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The “book to bill” ratio (order intake/net sales) was 0.67 in the first half of 2017.

### BACKLOG

The consolidated backlog as of June 30, 2017 was **EUR 19,762 million**, compared to EUR 20,323 million as of December 31, 2016. The decrease is explained primarily by Egypt net sales during the first half of 2017.

The FALCON backlog stood at **EUR 3,081 million**, compared to EUR 3,052 million as of December 31, 2016. It specifically includes **60 FALCON** (compared to 63 as of December 31, 2016).

The France Defense backlog stood at **EUR 2,765 million**, compared to EUR 2,793 million as of December 31, 2016. It includes in particular **31 RAFALE** (compared to 32 as of December 31, 2016).

The Defense Export backlog stood at **EUR 13,916 million**, compared to EUR 14,478 million as of December 31, 2016. It includes, in particular, **15 RAFALE Egypt** (compared to 18 as of December 31, 2016), **24 RAFALE Qatar** and **36 RAFALE India**.

## RESULTS

### Operating income

**Adjusted operating income** for the first half of 2017 was **EUR 123 million**, compared to EUR 125 million during the first half of 2016.

**The operating margin** was **6.0%**, compared to 7.5% for the first half of 2016. This decrease is explained primarily by higher self-financed research and development costs (8.6% in the first half 2017 vs. 7.8% in the first half 2016), as a result of the F5X development program.

### Net financial income

**Adjusted financial income** for the first half of 2017 was **EUR 16 million**, compared to EUR 17 million in the first half of 2016.

### Net income

**Adjusted net income** in the first half of 2017 was **EUR 199 million**, compared to EUR 185 million in the first half of 2016. The contribution of Thales to the Group's net income was EUR 104 million, compared to EUR 89 million during the first half of 2016.

**Adjusted net margin** stood at **9.7%** in the first half of 2017, compared to 11.1% in the first half of 2016.

**Net income per share** in the first half of 2017 was **EUR 24.3/share**, up by 14% compared to the first half of 2016.

## AVAILABLE CASH

The Group uses a specific indicator called "Available Cash" defined in Section 1.2 of the 1<sup>st</sup> half 2017 activity report. The Group's **available cash** stood at **EUR 3,842 million** as of June 30, 2017, compared to EUR 3,105 million as of December 31, 2016, up by EUR 737 million mainly due to RAFALE Export down payments received.

## BALANCE SHEET

**Total equity** amounted to **EUR 3,613 million** at June 30, 2017, compared to EUR 3,317 million at December 31, 2016. This increase is explained largely by the consolidated IFRS net income over the period.

Borrowings and financial debts amounted to EUR 1,154 million at June 30, 2017, compared to EUR 1,185 million at December 31, 2016. They include loans taken out by the Group in 2014 and 2015 for EUR 1,000 million and locked-in employee profit-sharing funds.

Inventories and work-in-progress increased by EUR 196 million and stood at EUR 4,203 million as of June 30, 2017. This increase is notably explained by the increase in RAFALE Export work-in-progress.

Advances and progress payments received from customers net of advances and progress payments paid to suppliers were up by EUR 1,140 million as of June 30, 2017, due primarily to progress payments received under the scope of RAFALE Export contracts.

Derivative financial instruments had a market value of EUR -3 million at June 30, 2017, compared to EUR -507 million at December 31, 2016. This increase is connected to changes in the EUR/USD exchange rate between June 30, 2017 and December 31, 2016 (EUR/USD 1.14 vs. EUR/USD 1.05) and a reduction in the amount hedged.

All information relating to the publication of our results is available on our website, [www.dassault-aviation.com](http://www.dassault-aviation.com).

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## Appendix: table of reconciliation between the consolidated income statement and the adjusted income statement

### Definition of alternative performance indicators:

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

- gains and losses resulting from the exercise of derivative hedging instruments which do not qualify for hedge accounting under IFRS standards. This income, presented as financial income in the consolidated income statement, 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 and losses on hedging should only impact 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,
- the amortization of the Thales purchase price allocation (PPA),
- the adjustments made by Thales in its financial reporting.

### The impact in the first half of 2017 of the adjustments to income statement aggregates is presented below:

<i>(in EUR thousands)</i>	Consolidated income statement H1 2017	Foreign exchange derivatives		Thales PPA	Adjustments applied by Thales	Adjusted income statement H1 2017
		Foreign exchange gain/loss	Change in fair value			
<b>Net sales</b>	2,063,381	-13,392				<b>2,049,989</b>
<b>Operating income</b>	114,371	-13,392	22,017			<b>122,996</b>
Net financial income/expense	379,046	13,392	-376,632			15,806
Share in net income of equity associates	64,504			19,847	21,783	106,134
Income tax	-167,377		121,866			-45,511
<b>Net income</b>	<b>390,544</b>	<b>0</b>	<b>-232,749</b>	<b>19,847</b>	<b>21,783</b>	<b>199,425</b>
<i>Group share of net income</i>	<i>390,535</i>	<i>0</i>	<i>-232,749</i>	<i>19,847</i>	<i>21,783</i>	<i>199,416</i>
Group share of net income per share <i>(in euros)</i>	47.5					24.3

### The impact in the first half of 2016 of the adjustments to income statement aggregates is presented below:

<i>(in EUR thousands)</i>	Consolidated income statement H1 2016	Foreign exchange derivatives		Thales PPA	Adjustments applied by Thales	Adjusted income statement H1 2016
		Foreign exchange gain/loss	Change in fair value			
<b>Net sales</b>	1,662,352					<b>1,662,352</b>
<b>Operating income</b>	125,278					<b>125,278</b>
Net financial income/expense	122,632		-105,407			17,225
Share in net income of equity associates	75,498			19,927	-4,185	91,240
Income tax	-85,054		36,292			-48,762
<b>Net income</b>	<b>238,354</b>	<b>0</b>	<b>-69,115</b>	<b>19,227</b>	<b>-4,185</b>	<b>184,981</b>
<i>Group share of net income</i>	<i>238,339</i>	<i>0</i>	<i>-69,115</i>	<i>19,227</i>	<i>-4,185</i>	<i>184,966</i>
Group share of net income per share <i>(in euros)</i>	27.5					21.4