



2019 FIRST 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.

GENERAL

**Declaration of the person responsible
for the report**

Group structure

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CONSOLIDATED FINANCIAL STATEMENTS

**Condensed financial statements
as at June 30, 2019**

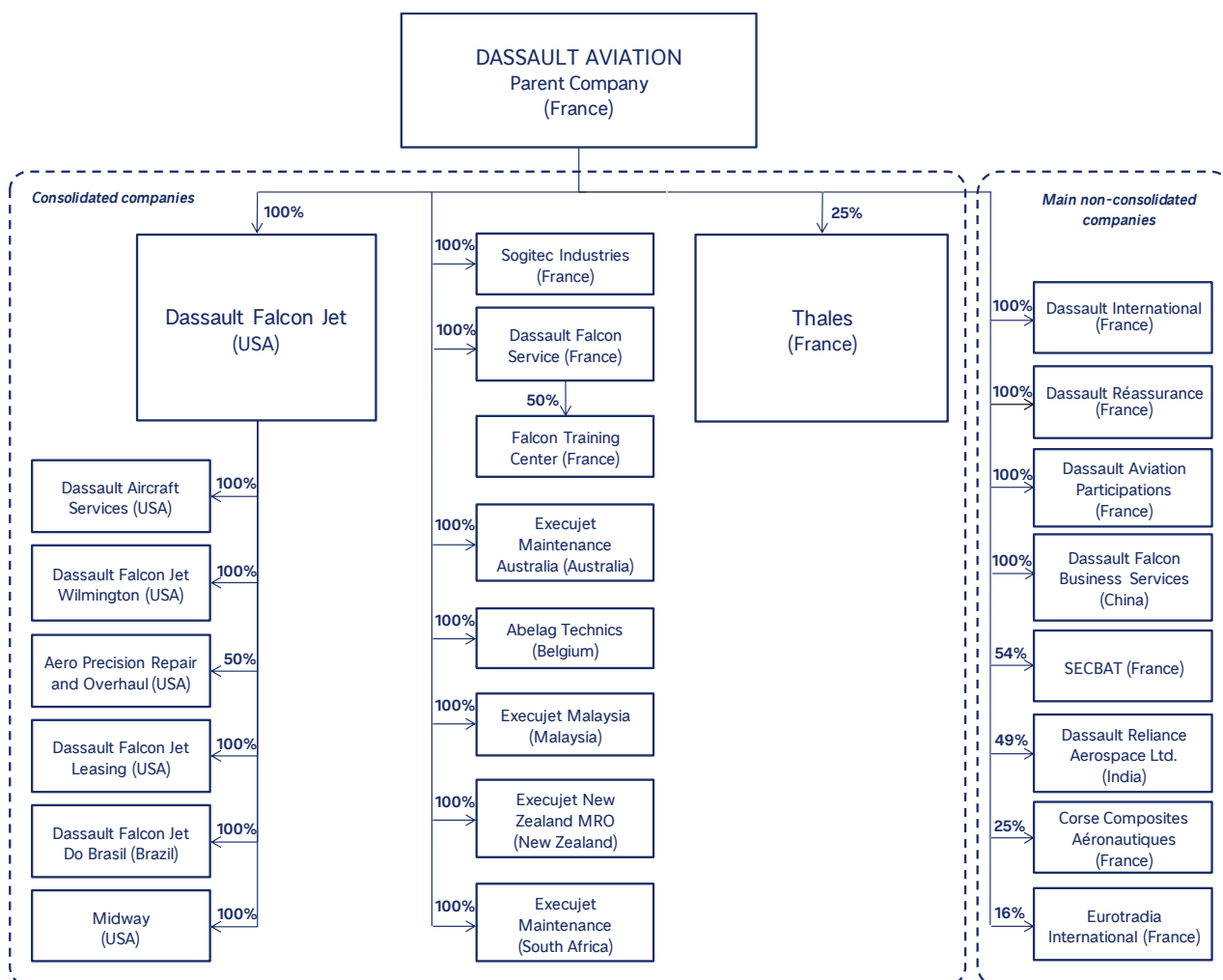
Auditors' report

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, September 4th, 2019

Éric TRAPPIER
Chairman and Chief Executive Officer

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



The list of consolidated entities is presented in Note 2, “Scope of consolidation”, of the Appendix to the interim condensed consolidated financial statements.

1. KEY FIGURES FOR THE 1st HALF OF 2019

	H1 2019	H1 2018
Order intake	€ 2,900 M 7 Falcon (n.b: end of August, 26 Falcon) Rafale OCM RAVEL	€ 2,807 M 12 Rafale Export 18 Falcon
<u>Adjusted</u> net sales (*)	€ 3,058 M 10 Rafale Export (n.b: end of August, 16) 17 Falcon (n.b: end of August, 23)	€ 1,709 M 2 Rafale France 15 Falcon
	as of June 30, 2019	as of December 31, 2018
Backlog	€ 19,226 M 91 Rafale (n.b: end of August, 85) <i>of which</i> 28 Rafale France 63 Rafale Export (n.b: end of August, 57) 43 Falcon (n.b: end of August, 56)	€ 19,376 M 101 Rafale <i>of which</i> 28 Rafale France 73 Rafale Export 53 Falcon
	H1 2019	H1 2018
<u>Adjusted</u> operating income (*)	€ 250 M	€ 111 M
<u>Adjusted</u> operating margin	8.2% of net sales	6.5% of net sales
Research & Development	€ 258 M 8.4% of net sales	€ 143 M 8.4% of net sales
<u>Adjusted</u> net income (*)	€ 286 M	€ 186 M
<u>Adjusted</u> net margin	9.3% of net sales	10.9% of net sales
	as of June 30, 2019	as of December 31, 2018
Available cash	€ 4,756 M	€ 5,211 M

Note: Dassault Aviation recognizes the Rafale Export contracts in their entirety (with the Thales and Safran parts) and the Operational Condition Maintenance (OCM) RAVEL contract for Rafale France, whereas for all other contracts, only the Dassault Aviation part is recognized.

(*) Main aggregates under IFRS (see attached reconciliation)

Consolidated net sales	€3,066 M	€1,720 M
Consolidated operating income	€259 M	€124 M
Consolidated net income	€254 M	€125 M

2. 2019 FORECAST

The 2019 forecast is unchanged, namely the delivery of **45 Falcon** and **26 Rafale** and a significant rise in net sales.

3. GOVERNANCE

The Annual General Meeting of Shareholders held on May 16, 2019 re-elected Lucia Sinapi-Thomas, Olivier Dassault, Charles Edelstenne and Éric Trappier Board Directors for 4-year terms.

The Board of Directors' meeting held after the Annual General Meeting re-elected Éric Trappier as Chairman and Chief Executive Officer for the duration of his Board Director term. Loïk Segalen was re-elected Chief Operating Officer for the duration the Chairman and Chief Executive Officer's term.

4. GROUP ACTIVITIES

4.1 PROGRAMS

4.1.1 Defense programs

Future Combat Air System (FCAS)

The Future Combat Air System (FCAS) consists of a combat system built around a new-generation fighter (NGF), combining piloted platforms (current and next generation fighters, refuelers, AWACS) and drones: France has been designated lead nation and Dassault Aviation lead contractor on the new generation fighter.

One of the highlights of the first half of 2019 was the industrial agreement signed by Dassault Aviation and Airbus Defence and Space on the opening day of the Paris Air Show on June 17, 2019. The agreement covers demonstrator programs for the main components of the FCAS, namely a new-generation fighter and support drones.

At the same time, Dassault Aviation and Airbus Defence and Space submitted a joint industrial proposal to the French Defense Procurement Agency (DGA) and the German Federal Ministry of Defense for the initial FCAS Demonstrator phase. The industry is committed to an ambitious technology demonstration program, with the first test flight scheduled to take place in 2026.

Mock-ups of the NGF and support drones were shown to the public as part of this major new phase of the program. The mock-ups were unveiled at the Paris Air Show by Éric Trappier, Chairman and Chief Executive Officer of Dassault Aviation, and Dirk Hoke, Chief Executive Officer of Airbus Defence and Space, under the aegis of French President Emmanuel Macron and in the presence of Florence Parly, French Armed Forces Minister, Ursula von der Leyen, German Federal Defense Minister, and Margarita Robles, Spanish Defense Minister.

Rafale

Highlights of the Rafale program in the first half of 2019 were:

- delivery of the first 10 Rafale of the 36 ordered by Qatar,
- the commencement of work on the F4-standard Rafale.
- continued fulfillment of Rafale contracts for Egypt, Qatar and India,

Drones

For drones, highlights in the first half of 2019 included:

- the ongoing set-up by Airbus Defence and Space (as prime contractor), with Leonardo and Dassault Aviation as main subcontractors, of proposals in response to the OCCAR (Organization for Joint Armament Cooperation) invitation to tender, with a view to signing a contract for the development, production and initial support of a Medium Altitude Long Endurance (MALE) drone.

4.1.2 Space programs

The first half of 2019 saw:

- the continuation of research into the ESA (European Space Agency) reusable reentry vehicle Space Rider, whose maiden flight is scheduled for 2021. Dassault Aviation is responsible for the vehicle design and has been approached regarding the missions' definition.
- interest in the new Defense space policy,

4.1.3 Mission aircraft***Maritime patrol aircraft (PATMAR)***

The development work for the upgrade of the ATL2 combat system was delivered to French forces together with the first modernized aircraft, works ongoing for the following aircraft.

Multi-mission Falcon

- Delivery of the first two Falcon 2000MSA to the Japanese Coast Guard (JCG), which also placed its 6th aircraft order,
- announcement at the Paris Air Show by the French Armed Forces Minister of intent to buy 3 Falcon 8X "Archange" to implement the Universal Electronic Warfare Capability (CUGE). Preliminary studies to prepare the contract for the development and construction of these aircraft are underway,
- Maritime Surveillance ("SURMAR") Falcon for the French Navy:
 - the continuation of work on preliminary studies to define the future maritime surveillance and intervention aircraft ("AVSIMAR") based on a Falcon 2000LXS platform and the announcement at the Paris Air Show by the Armed Forces Minister of intent to buy 7 "Albatros" aircraft of this type,
 - delivery of the 2nd Falcon 50SurMar retrofitted with hatches for Search and Rescue (SAR) chains.

4.1.4 Falcon programs

Considering the effort made in Falcon support since a few years (Falcon Response, spare parts availability, service centers network...) the business jet market acknowledged Dassault Aviation's great results:

- N°1 overall (AIN and ProPilot)

- N°1 parts availability (AIN and ProPilot)
- N°1 parts cost (AIN)
- N°1 AOG support (AIN)
- N°1 overall aircraft availability (AIN)
- N°1 service satisfaction (ProPilot)

Highlights of the first half of 2019 were:

- the delivery of 17 Falcon, including 2 Falcon 7X VIP to the Royal Australian Air Force,
- a very flat market at the start of the year leading to an order intake of only 7 Falcon at the end of June despite numerous prospects and negotiations started during the period. July and August saw order intakes finalizations and achievements resulting in a total of 26 Falcon order intakes as of August 31, 2019 (including the 7 Falcon orders of the first semester),
- the progress of the Falcon 6X program, according to the schedule for entry into service in 2022; production of the first components and commencement of work on the first sub-assemblies of the T5 and wing; nominal PW812D engine tests (4 engines in the test phase, 1,000 hours of tests carried out, and 150 hours on a flying testbed),
- the future Falcon is in progress: marketing and technical studies are ongoing,
- the new record set by the Falcon 8X: crossing the United States from Santa Monica to Teterboro in 4 hours 28 minutes, proof of the extraordinary flexibility of our aircraft over field with length and noise restrictions,
- the excellent customer feedback on the comfort of the Falcon 8X, recognized as the quietest jet on the market,
- the certification of the operational benefits, following the certification obtained for the Falcon 8X in 2018, authorizing landings with reduced visibility at an altitude of 100 feet on the Falcon 900LX, 2000LXS and 2000S, provided by the FalconEye system,
- in services, the availability of FalconSphere II, a flight support tool for iPad, on the Falcon 7X and 8X.

4.1.5 Make in India

Our Dassault Reliance Aerospace Ltd subsidiary in Nagpur continues to ramp up, with the construction of the main hangar (hangar 2) and the release of the first Falcon 2000 assemblies (5 front tanks, 3 front sections).

The local supply chain is developing (primary parts, tools, pylons, tanks, etc.) and the first primary parts and tools have been delivered to Dassault Aviation. The engineering center in Pune is expanding as a part of our engineering department.

4.2 CUSTOMER SUPPORT

4.2.1 Military customer support

As regards military customer support, we:

- have been awarded the 10-year RAVEL contract, Operational Condition Maintenance (OCM) for the Rafale France. This contract integrates all the support activities for the Rafale and its equipment (excluding engines and seats) under the responsibility of a single prime contractor, Dassault Aviation. These activities will use Dassault Aviation/Dassault Systèmes “Big Data” platform for aircraft usage data analysis,
- continued training Qatari Rafale pilots and mechanics at our Convention Training Center (CTC) in Mérignac, and set up technical support in Qatar,

4.2.2 Falcon customer support

With respect to Falcon customer support, in the first half of 2019, we:

- expanded our global network of service stations by integrating ExecuJet's first maintenance sites in Europe (Belgium), Asia Pacific (Malaysia, Australia) and South Africa, following our acquisition of the group's maintenance business,
- acquired TAG Aviation's maintenance business in Europe, thereby consolidating our maintenance capability,
- acquired RUAG's maintenance (MRO) and airport services (FBO) businesses in Geneva and Lugano in July,

5. TRANSFORMATION PLAN: LEADING OUR FUTURE

The transformation plan covers all the areas initially targeted (culture, skills and organization; digital tools, process and innovation; industrial tools; program management). In the first half of 2019, this involved new appointments, an extended role for the engineering department, expansion of industrial facilities with the support of the consultancy firm Accenture and implementation of the digital plan.

6. DIGITAL

- **3DExperience™**: Ramp-up of 3DExperience™, the collaborative engineering platform by Dassault Systèmes together with a strategic partnership between Dassault Systèmes and Dassault Aviation announced during Dassault Systèmes' press conference on July 24, 2019. The future Falcon is the first program to use it.
- **Big Data**: implementation of a Dassault Aviation/Dassault Systèmes platform to meet the commitments made under the Rafale integrated through-life support contract, which will be extended to the Company's other departments,
- **SAP and Apriso** : ongoing implementation of software for production departments.

7. INDUSTRIAL

- Decision to relocate from Argenteuil to Cergy,
- Mérignac: laying of the foundation stone of the future building that will house some of the Company's operational departments,
- Biarritz: modernization works,
- Martignas: delivery in August of the building for the pyrotechnics operations (relocating from Argenteuil and Poitiers),
- Seclin: completion of the building extension intended to house the Argenteuil sheet metalworking and coating facility; installation of the first coating machines,
- Poitiers: relocation of loads (from Argenteuil) and aerostructures repair.

8. ADJUSTED CONSOLIDATED RESULTS OF THE FIRST HALF OF 2019

8.1 Order intake

Order intake in the first half of 2019 was € **2,900 million** vs € 2,807 million in the first half of 2018. **Export** represented **27%**.

The change in order intake was as follows, in € **millions**:

	H1 2019		H1 2018	
Defense	2,273	78%	1,585	56%
<i>Defense France</i>	2,093		231	
<i>Defense Export</i>	180		1,354	
Falcon	627	22%	1,222	44%
Total order intake	2,900		2,807	
<i>% Export</i>	27%		92%	

The order intake item is entirely composed of firm orders.

Defense

Defense orders stood at € **2,273 million** during the first half of 2019 vs € 1,585 million during the first half of 2018.

The increase in Defense France orders, € 2,093 million during the first half of 2019, vs € 231 million during the first half of 2018, is mainly due to the award of the RAVEL contract, consisting in integrated through-life operational condition maintenance for Rafale fleet and associated support.

Defense Export orders stood at € 180 million during the first half of 2019 vs € 1,354 million during the first half of 2018, when Qatar exercised the 12 additional Rafale option.

Falcon

During the first half of 2019, **7 Falcon** were ordered vs 18 in the first half of 2018 (n.b.: at the end of august, 26 Falcon were ordered).

Falcon orders represented € **627 million** in the first half of 2019 vs € 1,222 million in the first half of 2018. This decrease is mainly due to the fall in orders for new aircraft.

8.2 Net sales

Adjusted consolidated net sales for the first half of 2019 amounted to € 3,058 million, vs € 1,709 million for the first half of 2018. **Export** accounted for **82%** in the first half of 2019.

The change in net sales was as follows, in € millions:

	H1 2019		H1 2018	
Defense	2,072	68%	522	31%
<i>Defense France</i>	535		288	
<i>Defense Export</i>	1,537		234	
Falcon	986	32%	1,187	69%
Total Net sales	3,058		1,709	
<i>% Export</i>	82%		80%	

Defense

10 Rafale were delivered to Qatar in the first half of 2019 vs 2 Rafale delivered to France in the first half of 2018. (n.b.: at the end of August, 16 Rafale Export were delivered).

Defense net sales for the first half of 2019 totaled € 2,072 million vs € 522 million for the first half of 2018.

Defense France net sales stood at € 535 million for the first half of 2019, vs € 288 million for the first half of 2018. The increase is due to the delivery to the French State of the upgrade of the ATL2 combat system development works and the first upgraded aircraft. No Rafale was delivered in the first half of 2019, whereas 2 Rafale were delivered in the first half of 2018.

Defense Export net sales stood at € 1,537 million for the first half of 2019 vs € 234 million for the first half of 2018. The sharp increase is due to the delivery of 10 Rafale to Qatar with the associated development and support. No Rafale Export was delivered during the first half of 2018.

Falcon

17 Falcon were delivered in the first half of 2019 vs 15 in the first half of 2018 (n.b.: at the end of August, 23 Falcon were delivered).

Falcon net sales for the first half of 2019 totaled € 986 million, vs € 1,187 million for the first half of 2018. The first half of 2018 saw robust activity in the pre-owned aircraft market due to the sale of existing inventory.

The book-to-bill ratio (order intake/net sales) was 0.95 in the first half of 2019.

8.3 Backlog

The **consolidated backlog as of June 30, 2019** was **€ 19,226 million** vs € 19,376 million as of December 31, 2018. It consists of:

- the **French Defense backlog**, which stood at **€ 4,569 million**, vs € 3,011 million as of December 31, 2018. It mainly consists of **28 Rafale** (same as of December 31, 2018), the integrated through-life support (RAVEL) contract for the Rafale, the F4-standard Rafale and the modernization of the Mirage 2000D (n.b.: at the end of august, 28 Rafale were in backlog),
- the **Defense Export backlog**, which stood at **€ 12,860 million** vs € 14,217 million as of December 31, 2018. This mainly includes **63 Rafale** (1 Rafale Egypt, 26 Rafale Qatar and 36 Rafale India) vs 73 Rafale (1 Rafale Egypt, 36 Rafale Qatar and 36 Rafale India) as of December 31, 2018 (n.b.: at the end of august, 57 Rafale Export were in backlog),
- the **Falcon backlog**, which stood at **€ 1,797 million**, vs € 2,148 million as of December 31, 2018. It mainly includes **43 Falcon** (vs 53 as of December 31, 2018) (n.b.: at the end of august, 56 Falcon were in backlog).

8.4 Results

Operating income

Adjusted operating income for the first half of 2019 came to **€ 250 million**, up **125%** from € 111 million in the first half of 2018.

Operating margin was **8.2%**, vs 6.5% for the first half of 2018. This improvement is mainly due to the sharp increase in net sales (+79%), which led to a better absorption of fixed costs. Self-financed research and development costs rose sharply to € 258 million, as a result of the simultaneous development of 2 Falcon programs, vs € 143 million last year first half (+80%). This accounts for 8.4% of net sales, as in the previous year.

The hedging rate was \$/€1.18 in the first half of 2019, vs \$/€1.19 in the first half of 2018.

Net financial result

Adjusted financial income in the first half of 2019 stood at **€ -26 million** vs € -38 million in the first half of 2018. This net financial expense is the result of the financing component recorded under long-term military contracts, which was lower in the first half of 2019 due to the resumption of down-payments for the delivery of the Rafale Qatar.

Net income

Adjusted net income in the first half of 2019 was **€ 286 million**, up 54% from € 186 million in the first half of 2018. The contribution of Thales to the Group's net income was € 141 million (4.6% of net sales) vs € 132 million (7.7% of net sales) during the first half of 2018.

Adjusted net margin stood at **9.3%** in the first half of 2019, vs 10.9% in the first half of 2018. Net margin is impacted by the fall in the relative weight of Thales in the Group's net sales.

9. FINANCIAL STRUCTURE

9.1 Available cash

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, available-for-sale marketable securities (at market value) and financial debts; it excludes the impact on financial debts of the application of IFRS 16 “Leases”.

The Group’s available cash stood at **€ 4,756 million** as of June 30, 2019, down € 455 million from € 5,211 million as of December 31, 2018. This is mainly due to the increase in working capital, with cash flows from operations being offset by investments made during the period and dividend payments.

Note: Over the next few years, the performance of the Rafale export contracts, the development of the two Falcon programs and the significant investments as part of the transformation plan are expected to reduce available cash.

9.2 Balance sheet (IFRS)

Total equity amounted to **€ 4,084 million** as of June 30, 2019 vs € 4,277 million as of December 31, 2018. The € 193 million variation is mainly due to the negative impact of the actuarial difference accounted in pension liabilities. These actuarial discrepancies, booked as “other income and expense recognized directly through equity”, are related to the decline of the discount rates used to assess the pension obligations.

Borrowings and financial debts amounted to € 1,151 million as of June 30, 2019, vs € 991 million as of December 31, 2018. The increase is due to the initial recognition as of June 30, 2019 of lease liabilities, recognized following the application of IFRS 16 “Leases”. They also include loans taken out by the Group in 2014 and 2015 for € 850 million as of June 30, 2019 (€ 25 million having been paid back during the first half of 2019) and locked-in employee profit-sharing funds.

Inventories and work-in-progress increased by € 82 million to € 3,485 million as of June 30, 2019.

Advances and down-payments received from customers net of advances and down-payments paid to suppliers fell by € 552 million as of June 30, 2019, primarily due to the resumption of down-payments following the delivery of the Rafale Qatar in the first half of 2019.

Derivative financial instruments had a market value of € -31 million as of June 30, 2019, vs € 14 million as of December 31, 2018. This fall is due to changes in the \$/€ exchange rate between June 30, 2019 and December 31, 2018 (\$/€1.14 vs \$/€1.15).

10. RISK FACTORS AND MANAGEMENT

There has been no major change in the main risks and uncertainties described in the 2018 annual report.

Due to a fire, occurred in August in one of our supplier's facility, Leach International Europe, we point out a potential risk in our supply chain. Impacts are under assessment.

11. SHAREHOLDER INFORMATION

Capital structure

The Company's share capital totaled € 66,789,624 as of June 30, 2019. It is divided into 8,348,703 shares, each with a par value of € 8. The shares are listed on the regulated "Euronext Paris" market – Compartment A – International Securities Identification Numbers (ISIN Code): FR0000121725.

They are eligible for deferred settlement.

As of June 30, 2019, Dassault Aviation shareholders are as follows:

Shareholders	Number of shares	%	Exercisable voting rights	%
GIMD	5,196,076	62.3	10,363,656	76.9
Free-Float	2,289,498	27.4	2,295,046	17.0
Airbus	827,529	9.9	827,529	6.1
Dassault Aviation	35,600	0.4	0	0.0
TOTAL	8,348,703	100.0	13,486,231	100.0

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

12. RELATED-PARTY TRANSACTIONS

The related parties as of June 30, 2019 are identical to those identified as of December 31, 2018 and the transactions during the period are of the same type.

13. CONCLUSION

The first half of 2019 was dominated by uncertainty over the European elections, geopolitical tensions, terrorism, the trade war between China and the United States, Brexit and environmental pressures. The economic environment and the \$/€ exchange rate remain unpredictable.

The 2019 Paris Air Show was the opportunity to take an important step towards the Future Combat Air System (FCAS) program. Under the aegis of French President Emmanuel Macron, and in the presence of the French, German and Spanish Defense Ministers, Éric Trappier, Chairman and Chief Executive Officer of Dassault Aviation, and Dirk Hoke, Chief Executive Officer of Airbus Defence and Space, signed the joint industrial proposal for the demonstrator programs covering the main FCAS components – namely the New Generation Fighter (NGF) and support drones, whose first mock-ups were also unveiled. France has been designated lead nation and Dassault Aviation lead contractor for the new fighter.

Regarding business jets, a very flat market at the beginning of the year led to an order intake of only 7 Falcon at the end of June despite numerous prospects and negotiations started during the period. July and August saw order intakes finalizations and achievements resulting in a total of 26 Falcon order intakes as of August 31, 2019 (including the 7 Falcon orders of the first half),

Considering the effort made in Falcon support since many years (Falcon Response, spare availability, service centers network...) the business jet market acknowledged Dassault Aviation's great results. Dassault Aviation were ranked N°1 overall (AIN and ProPilot), N°1 for parts availability (AIN and ProPilot), N°1 for parts cost (AIN), N°1 for AOG support (AIN), N°1 overall aircraft availability (AIN) and N°1 for service satisfaction (ProPilot).

We confirm our 2019 targets, as published in the annual release in February 2019. Reminder: delivery forecasts for 2019 of 45 Falcon and 26 Rafale (including the 1st Indian Rafale), and a significant rise in net sales.

The Board of Directors would like to thank all members of staff for their commitment, dedication, expertise and determination to maintain high standards of excellence and continue our role as architect of the future.

The Board of Directors

APPENDIX

Financial reporting

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

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

Definition of alternative performance indicators

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

- gains and losses resulting from the exercise of 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 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, except for lease liabilities recognized following the application of IFRS 16 “Leases”.

Only the consolidated financial statements are audited by the statutory auditors. The adjusted financial data are subject to the verification procedures applicable to all information provided in the annual report.

Impact of the adjustments

The impact on the first half of 2019 of the adjustments to income statement aggregates is presented below:

<i>(in € thousands)</i>	Consolidated income statement H1 2019	Foreign exchange derivatives		Thales PPA	Adjustments applied by Thales	Adjusted income statement H1 2019
		Foreign exchange gain/loss	Change in fair value			
Net sales	3,065,636	-7,216	-555			3,057,865
Operating income	258,939	-7,216	-1,596			250,127
Net financial income/expense	-45,322	7,216	11,744			-26,362
Share in net income of equity associates	118,194			20,636	4,125	142,955
Income tax	-78,106		-2,950			-81,056
Net income	253,705	0	7,198	20,636	4,125	285,664
<i>Group share of net income</i>	<i>253,667</i>	<i>0</i>	<i>7,198</i>	<i>20,636</i>	<i>4,125</i>	<i>285,626</i>
<i>Group share of net income per share (in euros)</i>	<i>30.5</i>					<i>34.4</i>

The impact on the first half of 2018 of the adjustments to income statement aggregates is presented below:

<i>(in € thousands)</i>	Consolidated income statement H1 2018	Foreign exchange derivatives		Thales PPA	Adjustments applied by Thales	Adjusted income statement H1 2018
		Foreign exchange gain/loss	Change in fair value			
Net sales	1,720,122	-8,024	-2,898			1,709,200
Operating income	124,096	-8,024	-5,020			111,052
Net financial income/expense	-86,210	8,024	36,702			-37,884
Share in net income of equity associates	93,601			19,775	20,097	133,473
Income tax	-10,406		-10,520			-20,926
Net income	124,681	0	21,162	19,775	20,097	185,715
<i>Group share of net income</i>	<i>124,665</i>	<i>0</i>	<i>21,162</i>	<i>19,775</i>	<i>20,097</i>	<i>185,699</i>
<i>Group share of net income per share (in euros)</i>	<i>15.1</i>					<i>22.4</i>



**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2019**

ASSETS

(in EUR thousands)	Notes	06/30/2019	12/31/2018
Goodwill	2	52,303	14,366
Intangible assets		30,209	28,881
Property, plant and equipment	3	696,240	489,009
Equity associates	4	1,763,035	1,924,093
Other non-current financial assets	5	209,776	204,618
Deferred tax assets	15	417,285	378,728
TOTAL NON-CURRENT ASSETS		3,168,848	3,039,695
Inventories and work-in-progress	6	3,484,852	3,403,278
Contract assets	11	12,551	16,967
Trade and other receivables		1,157,454	1,068,312
Advances and progress payments to suppliers	11	3,011,112	3,282,220
Derivative financial instruments	18	15,614	40,407
Other current financial assets	5, 7	2,561,586	3,211,968
Cash and cash equivalents	7	3,162,978	2,990,141
TOTAL CURRENT ASSETS		13,406,147	14,013,293
TOTAL ASSETS		16,574,995	17,052,988

EQUITY AND LIABILITIES

(in EUR thousands)	Notes	06/30/2019	12/31/2018
Capital	8	66,790	66,790
Consolidated reserves and retained earnings		4,032,626	4,237,360
Currency translation adjustments		18,656	8,317
Treasury shares	8	-34,888	-36,432
TOTAL ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		4,083,184	4,276,035
Non-controlling interests		592	554
TOTAL EQUITY		4,083,776	4,276,589
Long-term borrowings and financial debt	7, 9	226,463	335,306
Deferred tax liabilities		0	0
TOTAL NON-CURRENT LIABILITIES		226,463	335,306
Contract liabilities	11	8,573,269	9,198,007
Trade and other payables		892,852	914,298
Tax and social security liabilities		358,318	309,191
Short-term borrowings and financial debt	7, 9	924,471	656,070
Provisions for contingencies and charges	10	1,469,293	1,337,402
Derivative financial instruments	18	46,553	26,125
TOTAL CURRENT LIABILITIES		12,264,756	12,441,093
TOTAL EQUITY AND LIABILITIES		16,574,995	17,052,988

INCOME STATEMENT

(in EUR thousands)	Notes	H1 2019	H1 2018	2018
NET SALES	12	3,065,636	1,720,122	5,119,219
Other revenue		45,022	16,655	110,494
Change in work-in-progress		-58,892	306,793	-52,505
Purchases consumed		-1,972,061	-1,286,950	-3,287,081
Personnel expenses (1)		-646,591	-613,467	-1,204,926
Taxes		-40,453	-39,244	-68,935
Depreciation and amortization		-66,233	-39,935	-82,211
Allocations to provisions		-647,102	-774,353	-1,047,885
Reversals of provisions		579,421	831,424	983,211
Other operating income and expenses		192	3,051	-2,852
CURRENT OPERATING INCOME		258,939	124,096	466,529
Other non-current income and expenses		0	0	241,000
OPERATING INCOME		258,939	124,096	707,529
Cost of net financial debt		-31,141	-41,979	-86,507
Other financial income and expenses		-14,181	-40,631	-59,376
NET FINANCIAL INCOME	14	-45,322	-82,610	-145,883
Share in net income of equity associates	4	118,194	93,601	205,849
Income tax	15	-78,106	-10,406	-194,693
NET INCOME		253,705	124,681	572,802
<i>Attributable to the owners of the Parent Company</i>		<i>253,667</i>	<i>124,665</i>	<i>572,741</i>
<i>Attributable to non-controlling interests</i>		<i>38</i>	<i>16</i>	<i>61</i>
Basic earnings per share (in EUR)	16	30.5	15.1	69.1
Diluted earnings per share (in EUR)	16	30.5	15.1	69.1

(1) personnel expenses include incentive schemes and profit-sharing (EUR -70,987 thousand in H1 2019, EUR -60,611 thousand in H1 2018, and EUR -139,713 thousand for 2018).

STATEMENT OF RECOGNIZED INCOME AND EXPENSE**H1 2019**

(in EUR thousands)	Notes	Fully consolidated companies	Equity associates	H1 2019
NET INCOME		135,511	118,194	253,705
Derivative financial instruments (1)	4, 18	-33,505	-9,255	-42,760
Deferred taxes	4, 15	10,148	1,805	11,953
Currency translation adjustment		4,807	5,532	10,339
Items that may be reclassified to P&L		-18,550	-1,918	-20,468
Other non-current financial assets	4, 5	2,729	-1,606	1,123
Actuarial adjustments on pension benefit obligations	4, 10	-73,355	-120,536	-193,891
Deferred taxes	4, 15	17,714	11,016	28,730
Items that will not be reclassified to P&L		-52,912	-111,126	-164,038
Income and expense directly recorded under equity		-71,462	-113,044	-184,506
RECOGNIZED INCOME AND EXPENSE		64,049	5,150	69,199
<i>Owners of the Parent Company</i>		<i>64,011</i>	<i>5,150</i>	<i>69,161</i>
<i>Non-controlling interests</i>		<i>38</i>		<i>38</i>

H1 2018

(in EUR thousands)	Notes	Fully consolidated companies	Equity associates	H1 2018
NET INCOME		31,080	93,601	124,681
Derivative financial instruments (1)	4, 18	-54,487	-20,204	-74,691
Deferred taxes	4, 15	17,164	6,442	23,606
Currency translation adjustment		20,370	625	20,995
Items that may be reclassified to P&L		-16,953	-13,137	-30,090
Other non-current financial assets	4, 5	484	98	582
Actuarial adjustments on pension benefit obligations	4, 10	36,334	37,393	73,727
Deferred taxes	4, 15	-8,001	-74	-8,075
Items that will not be reclassified to P&L		28,817	37,417	66,234
Income and expense directly recorded under equity		11,864	24,280	36,144
RECOGNIZED INCOME AND EXPENSE		42,944	117,881	160,825
<i>Owners of the Parent Company</i>		<i>42,928</i>	<i>117,881</i>	<i>160,809</i>
<i>Non-controlling interests</i>		<i>16</i>		<i>16</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.

Consolidated Financial Statements

Year 2018

(in EUR thousands)	Notes	Fully consolidated companies	Equity associates	2018
NET INCOME		366,953	205,849	572,802
Derivative financial instruments (1)	4, 18	-108,511	-26,262	-134,773
Deferred taxes	4, 15	33,839	8,961	42,800
Currency translation adjustment		33,987	-782	33,205
Items that may be reclassified to P&L		-40,685	-18,083	-58,768
Other non-current financial assets	4, 5	-1,699	0	-1,699
Actuarial adjustments on pension benefit obligations	4, 10	49,818	72,434	122,252
Deferred taxes	4, 15	-9,862	-1,124	-10,986
Items that will not be reclassified to P&L		38,257	71,310	109,567
Income and expense directly recorded under equity		-2,428	53,227	50,799
RECOGNIZED INCOME AND EXPENSE		364,525	259,076	623,601
<i>Owners of the Parent Company</i>		<i>364,464</i>	<i>259,076</i>	<i>623,540</i>
<i>Non-controlling interests</i>		<i>61</i>		<i>61</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

(in EUR thousands)	Capital	Consolidated reserves and retained earnings		Currency translation adjustment	Treasury shares	Total attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Additional paid-in capital, consolidated retained earnings and other reserves	Derivative financial instruments					
As of 01/01/2018	66,495	3,616,050	100,386	-24,888	-37,828	3,720,215	493	3,720,708
Capital increase	295	60,937				61,232		61,232
Net income for the year		572,741				572,741	61	572,802
Income and expense directly recorded under equity		109,567	-91,973	33,205		50,799		50,799
Recorded income and expense		682,308	-91,973	33,205		623,540	61	623,601
Dividend in shares		-59,675				-59,675		-59,675
Dividend in cash		-66,929				-66,929		-66,929
Dividends paid		-126,604				-126,604		-126,604
Share-based payment		1,689				1,689		1,689
Movements on treasury shares (1)		-1,396			1,396	0		0
Other changes (2)		-4,037				-4,037		-4,037
As of 12/31/2018	66,790	4,228,947	8,413	8,317	-36,432	4,276,035	554	4,276,589
Impact of IFRS 16 (3)		-6,070				-6,070		-6,070
As of 01/01/2019	66,790	4,222,877	8,413	8,317	-36,432	4,269,965	554	4,270,519
Net income for the year		253,667				253,667	38	253,705
Income and expense directly recorded under equity		-164,038	-30,807	10,339		-184,506		-184,506
Recorded income and expense		89,629	-30,807	10,339		69,161	38	69,199
Dividends paid in cash		-176,238				-176,238		-176,238
Share-based payment		1,645				1,645		1,645
Movements on treasury shares (1)		-1,544			1,544	0		0
Other changes (2)		-81,349				-81,349		-81,349
As of 06/30/2019	66,790	4,055,020	-22,394	18,656	-34,888	4,083,184	592	4,083,776

(1) see Note 8.

(2) for Thales, this represents in particular the change in treasury shares, employee share issues and share-based payments. In H1 2019, the other changes also include the impact on equity of Thales of the purchase of minority interests after the date of Gemalto's takeover, as Thales chose to determine goodwill according to the partial goodwill method (therefore, the difference between the purchase price of these interests and Thales's share in the net assets acquired has been recorded as a reduction in equity).

(3) see paragraph 1.3 of the accounting principles.

Consolidated Financial Statements

(in EUR thousands)	Capital	Consolidated reserves and retained earnings		Currency translation adjustment	Treasury shares	Total attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Additional paid-in capital, consolidated retained earnings and other reserves	Derivative financial instruments					
As of 01/01/2018	66,495	3,616,050	100,386	-24,888	-37,828	3,720,215	493	3,720,708
Capital increase	295	60,937				61,232		61,232
<i>Net income for the year</i>		124,665				124,665	16	124,681
<i>Income and expense directly recorded under equity</i>		66,234	-51,085	20,995		36,144		36,144
Recorded income and expense		190,899	-51,085	20,995		160,809	16	160,825
<i>Dividend in shares</i>		-59,675				-59,675		-59,675
<i>Dividend in cash</i>		-66,929				-66,929		-66,929
Dividends paid		-126,604				-126,604		-126,604
Share-based payment		1,167				1,167		1,167
Movements on treasury shares (1)		-1,396			1,396	0		0
Other changes (2)		1,125				1,125		1,125
As of 06/30/2018	66,790	3,742,178	49,301	-3,893	-36,432	3,817,944	509	3,818,453

(1) see Note 8.

(2) for Thales, this represents in particular the change in treasury shares, employee share issues and share-based payments.

CASH FLOW STATEMENT

(in EUR thousands)	Notes	H1 2019	H1 2018	2018
I - NET CASH FLOWS FROM OPERATING ACTIVITIES				
NET INCOME		253,705	124,681	572,802
Elimination of net income of equity associates, net of dividends received	4	-31,927	-22,019	-108,111
Elimination of gains and losses from disposals of non-current assets		3,926	155	4,444
Change in the fair value of derivative financial instruments	18	11,716	36,469	37,958
Change in the fair value of other current financial assets	5	-1,656	-2,046	-4,820
Income tax (including deferred taxes)	15	78,106	10,406	194,693
Allocations to and reversals of depreciation, amortization and provisions (excluding those related to working capital)		122,999	32,395	361,123
Other items		1,645	1,167	1,689
Net cash from operating activities before working capital changes and taxes		438,514	181,208	1,059,778
Income taxes paid		-85,068	-35,277	-222,409
Change in inventories and work-in-progress (net)	6	-79,023	-334,283	68,156
Change in contract assets	11	4,416	0	-16,967
Change in advances and progress payments to suppliers		271,108	-736,665	-756,349
Change in trade and other receivables (net)		-77,675	27,999	-199,941
Change in contract liabilities	11	-625,701	1,900,280	1,071,034
Change in trade and other payables		-26,686	-52,171	178,544
Change in tax and social security liabilities		46,825	73,667	71,575
Increase (-) or decrease (+) in working capital		-486,736	878,827	416,052
Total I		-133,290	1,024,758	1,253,421
II - NET CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of intangible assets and property, plant & equipment		-72,321	-92,698	-140,206
Increase in other non-current financial assets	5	-2,451	-864	-17,542
Disposals of or reductions in non-current assets		4,128	22,096	26,720
Net cash from acquisitions and disposals of subsidiaries		-47,348	0	0
Total II		-117,992	-71,466	-131,028
III - NET CASH FLOWS FROM FINANCING ACTIVITIES				
Net change as an acquisition cost of other current financial assets	5	652,038	152,781	-52,235
Capital increase and share premiums		0	61,232	61,232
Increase in financial debt	9	102,579	69,384	70,866
Repayment of financial debt	9	-154,690	-118,072	-174,665
Dividends paid during the year		-176,238	-126,604	-126,604
Total III		423,689	38,721	-221,406
IV - Impact of exchange rate changes and others	Total IV	430	17,439	27,735
CHANGE IN NET CASH AND CASH EQUIVALENTS (I+II+III+IV)		172,837	1,009,452	928,722
Opening net cash and cash equivalents	7	2,990,141	2,061,419	2,061,419
Closing net cash and cash equivalents	7	3,162,978	3,070,871	2,990,141

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Note 1 - Accounting principles

1.1 General principles

On September 4, 2019, the Board of Directors closed and authorized the publication of the condensed consolidated financial statements of Dassault Aviation as of June 30, 2019.

Dassault Aviation Group prepares its interim condensed 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 interim financial statements are prepared in accordance with the accounting rules and methods used to prepare the 2018 consolidated financial statements, and take into account the change in accounting principles mentioned in paragraph 1.2 below. The impacts resulting from the first-time application of IFRS 16 "Leases" are described in paragraph 1.3.

Specificities of interim consolidated financial statements

Seasonality

In previous years, a recurring seasonality phenomenon has been observed. As a result, the interim results as of June 30, 2019 are not necessarily representative of what might be expected for the full-year 2019.

Income taxes

In the context of the first-half year closing, the tax expense (current and deferred) is calculated by applying to the accounting result of the period the estimated annual weighted average tax rate expected on the basis of the rates adopted on June 30, 2019.

Provisions for retirement costs

Pension costs for the half-year are calculated on the basis of the actuarial valuations performed at the end of the previous 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.

1.2 Changes in basis of accounting

Standards, amendments, and interpretations whose application has become mandatory as of January 1, 2019

Since January 1, 2019, the Group has applied the following standards, amendments, and interpretations:

- IFRS 16 “Leases”,
- the interpretation IFRIC 23 “Uncertainty over Income Tax Treatments”,
- amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”,
- annual improvements to IFRS 2015-2017,
- amendments to IAS 19 “Employee Benefits”,
- amendments to IFRS 9 “Financial Instruments”.

The impacts of applying IFRS 16 are detailed in paragraph 1.3. The other texts have no impact on the Group’s consolidated financial statements.

Standards, amendments, and interpretations for mandatory application after January 1, 2019

The texts presented below were not applied in advance by the Group when that option was offered.

The main texts published by the IASB and not yet adopted by the European Union are:

- amendments to IFRS 3 “Business Combinations”,
- amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”,
- amendments to the conceptual framework.

The impacts of these texts on the Group’s financial statements are currently in the course of evaluation.

1.3 Application of IFRS 16

Implementation of IFRS 16

With effect from January 1, 2019, the Group has applied IFRS 16 “Leases”, which replaces IAS 17 “Leases” and associated interpretations.

IFRS 16 treats all leases according to a single model where the lessee recognizes a lease liability (sum of discounted future payments) and a right-of-use asset classified in the balance sheet according to the underlying asset (intangible asset or property, plant and equipment). The lease expense for the year is reallocated to amortization of the right of use and to interest expense on the lease liability.

IFRS 16 has been applied using the modified retrospective approach as of January 1, 2019, recognizing the cumulative effect of the initial application of the standard at the date of the first application. As a result, comparative figures for 2018 have not been restated.

Leases falling within the scope of this standard mainly concern real estate leases (land and buildings). The Group applies the two exemptions provided for in the standard (leases with a term of less than 12 months and leases for low-value assets).

The term of each lease corresponds to the non-cancellable period of the lease together with an option to extend the lease if the lessee is reasonably certain to exercise that option and an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The Group has thus determined the period during which the lease is binding on a lease-by-lease basis.

For each lease, the Group has chosen to value the right-of-use asset by determining the carrying amount as if this standard had been applied since the inception date of the lease, but by discounting it using its marginal borrowing rate as of the first application. The weighted average marginal borrowing rate applied to lease liabilities recognized as of the transition date is 1.2%.

The Group also considered that the exemption from the initial recognition of deferred taxes did not apply. Deferred taxes will thus be recognized over the life of each lease.

The difference between the amount of EUR 222,192 thousand disclosed for operating leases in Note 25 of the consolidated financial statements as of December 31, 2018 and the net value of rights of use of EUR 165,304 thousand as of January 1, 2019 (see Note 3) is mainly due to the discounting of lease liabilities.

1.4 Segment reporting

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

Note 2 - Scope of consolidation

2.1 Scope as of June 30, 2019

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

Name	Country	% Interest (1)		Consolidation method (2)
		06/30/2019	12/31/2018	
DASSAULT AVIATION (3)	France	Parent company	Parent company	
DASSAULT FALCON JET	United States	100	100	FC
- DASSAULT FALCON JET WILMINGTON	United States	100	100	FC
- DASSAULT AIRCRAFT SERVICES	United States	100	100	FC
- DASSAULT FALCON JET LEASING	United States	100	100	FC
- AERO PRECISION	United States	50	50	EM
- MIDWAY	United States	100	100	FC
- DASSAULT FALCON JET DO BRAZIL	Brazil	100	100	FC
DASSAULT FALCON SERVICE	France	100	100	FC
- FALCON TRAINING CENTER	France	50	50	EM
EXECUJET				
- EXECUJET MAINTENANCE AUSTRALIA	Australia	100	-	FC
- ABELAG TECHNICS	Belgium	100	-	FC
- EXECUJET MALAYSIA	Malaysia	100	-	FC
- EXECUJET NEW ZEALAND MRO	New Zealand	100	-	FC
- EXECUJET MAINTENANCE	South Africa	100	-	FC
SOGITEC INDUSTRIES	France	100	100	FC
THALES	France	25	25	EM

(1) the equity interest percentages are identical to the percentages of control for all Group companies except for Thales, for which the Group held 24.63% of the capital, 24.70% of the interest rights and 29.86% of the voting rights as of June 30, 2019.

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

(3) identity of the parent company: Dassault Aviation, a Société Anonyme (limited company) with capital of EUR 66,789,624, listed and registered in France, Paris Trade Register No. 712 042 456 - 9, Rond-Point des Champs-Élysées - Marcel Dassault, 75008 Paris.

2.2 2019 changes in scope

The Group acquired ExecuJet's global maintenance business in order to expand its international network. 5 subsidiaries have therefore joined the scope of consolidation following the completion of their acquisition on March 28, 2019. The impacts of these acquisitions on the financial statements as of June 30, 2019 are not material.

The financial statements as of June 30, 2019 include provisional goodwill of EUR 37,937 thousand. The work required to finalize the allocation of the acquisition price will be carried out during the second half of the year.

The completion of the acquisition of the remaining maintenance activities of ExecuJet, TAG Aviation and RUAG is planned for the second half of the year.

Note 3 - Property, plant and equipment

Following the application of IFRS 16, property, plant and equipment are as follows:

(in EUR thousands)	Right of use (1)	Other property, plant and equipment	Total
Net value as of December 31, 2018	0	489,009	489,009
First-time application of IFRS 16	165,304	0	165,304
Changes in scope	8,628	6,809	15,437
Acquisitions/increases	26,943	66,586	93,529
Disposals/decreases	-3,877	-3,933	-7,810
Amortization	-25,039	-37,040	-62,079
Allocations to/reversals of provisions for impairment	0	1,232	1,232
Other	197	1,421	1,618
Net value as of June 30, 2019	172,156	524,084	696,240

(1) mainly real estate leases (land and buildings, see paragraph 1.3 of the accounting principles).

Note 4 - Equity associates

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

As of June 30, 2019, Dassault Aviation held 24.70% of the interest rights of the Thales Group, compared with 24.73% as of December 31, 2018. 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		
	06/30/2019	12/31/2018	H1 2019	H1 2018	2018
Thales (1)	1,741,850	1,902,173	115,799	91,527	201,823
Other	21,185	21,920	2,395	2,074	4,026
TOTAL	1,763,035	1,924,093	118,194	93,601	205,849

(1) the value of the securities includes goodwill amounting to EUR 1,101,297 thousand. The Group share in Thales' net income after consolidation restatements is detailed in Note 4.3.

4.2 Change in equity associates

(in EUR thousands)	H1 2019	2018
As of January 1	1,924,093	1,766,792
First-time application of IFRS 16	1,408	0
Share in net income of equity associates	118,194	205,849
Elimination of dividends paid (1)	-86,267	-97,738
Income and expense directly recognized in equity		
- Securities at fair value	-1,606	0
- Derivative financial instruments (2)	-9,255	-26,262
- Actuarial adjustments on pensions	-120,536	72,434
- Deferred taxes	12,821	7,837
- Currency translation adjustments	5,532	-782
Share of equity associates in other income and expense recognized directly through equity	-113,044	53,227
Other movements (3)	-81,349	-4,037
At end of period	1,763,035	1,924,093

(1) in H1 2019, the Group received EUR 83,000 thousand in dividends from Thales for 2018. In 2018, Thales paid the Group EUR 68,291 thousand in dividends for 2017 and EUR 26,266 thousand in interim dividends for 2018.

(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) for Thales, this represents in particular the change in treasury shares, employee share issues and share-based payments. In H1 2019, the other changes also include the impact on equity of Thales of the purchase of minority interests after the date of Gemalto's takeover, as Thales chose to determine goodwill according to the partial goodwill method (therefore, the difference between the purchase price of these interests and Thales's share in the net assets acquired has been recorded as a reduction in equity).

4.3 Share in the net income of Thales

The breakdown between the Group share of Thales' published net income and that applied by Dassault Aviation is noted below:

(in EUR thousands)	H1 2019	H1 2018	2018
Thales net income (100%)	556,900	457,200	981,800
Thales net income - Dassault Aviation share	137,554	113,020	242,799
Post-tax amortization of the purchase price allocation (1)	-20,636	-19,775	-39,580
Other consolidation restatements	-1,119	-1,718	-1,396
Dassault Aviation share in the net income of Thales	115,799	91,527	201,823

(1) amortization of identified assets for which the modes and periods of depreciation are identical to those used for the year ended December 31, 2018.

4.4 Impairment

Based on the market price of Thales shares as of June 30, 2019 (EUR 108.65 per share), Dassault Aviation's investment in Thales is valued at EUR 5,708 million.

In the absence of any objective indication of impairment, the Thales investments were not subject to an impairment test as of June 30, 2019.

Note 5 - Other current and non-current financial assets

(in EUR thousands)	12/31/2018	Acquisition/ Increase	Disposal/ Decrease	Change in fair value	Other	06/30/2019
Non-listed securities (1)	119,443	278	-3,066	8,573	0	125,228
Embraer shares (1)	32,547	0	0	-2,778	0	29,769
Other financial assets	52,628	2,173	-211	0	189	54,779
<i>Receivables from equity investments</i>	<i>16,863</i>	<i>21</i>	<i>-33</i>	<i>0</i>	<i>0</i>	<i>16,851</i>
<i>Advance lease payments</i>	<i>33,822</i>	<i>1,912</i>	<i>-13</i>	<i>0</i>	<i>189</i>	<i>35,910</i>
<i>Housing loans and other</i>	<i>1,943</i>	<i>240</i>	<i>-165</i>	<i>0</i>	<i>0</i>	<i>2,018</i>
Other non-current financial assets	204,618	2,451	-3,277	5,795	189	209,776
Other current financial assets (2)	3,211,968	0	-652,038	1,656	0	2,561,586

(1) these shares have been measured at fair value against other income and expenses recorded under equity, which cannot be recycled to P&L.

(2) this essentially represents marketable securities. Given their liquidity, the latter could be disposed of in the short-term. These securities are measured at fair value through profit or loss. The corresponding risk analysis is described in Note 18.

Note 6 - Inventories and work-in-progress

(in EUR thousands)	06/30/2019			12/31/2018
	Gross	Impairment	Net	Net
Raw materials	204,866	-88,802	116,064	97,814
Work-in-progress	2,782,678	-13,483	2,769,195	2,823,241
Semi-finished and finished goods	907,040	-307,447	599,593	482,223
Inventories and work-in-progress	3,894,584	-409,732	3,484,852	3,403,278

Note 7 - Cash

7.1 Net cash

(in EUR thousands)	06/30/2019	12/31/2018
Cash equivalents (1)	2,098,529	1,923,547
Cash at bank and in hand	1,064,449	1,066,594
Cash and cash equivalents in assets	3,162,978	2,990,141
Bank overdrafts	0	0
Net cash in the cash flow statement	3,162,978	2,990,141

(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 indicator, referred to as "Available cash," which reflects the total liquidities available to the Group, net of any financial debt, except for lease liabilities recognized following the application of IFRS 16. It is calculated as follows:

(in EUR thousands)	06/30/2019	12/31/2018
Other current financial assets (at market value) (1)	2,561,586	3,211,968
Cash and cash equivalents (at market value)	3,162,978	2,990,141
Sub-total	5,724,564	6,202,109
Borrowings and financial debt, excluding lease liabilities (2)	-968,393	-991,376
Available cash	4,756,171	5,210,733

(1) see Note 5.

(2) see Note 9.

Note 8 - Equity

8.1 Share capital

The share capital amounted to EUR 66,790 thousand and consisted of 8,348,703 common shares of EUR 8 each as of June 30, 2019, the same as of December 31, 2018.

The distribution of share capital as of June 30, 2019 is as follows:

	Shares	% Capital	% Voting rights
GIMD (1)	5,196,076	62.3%	76.9%
Float	2,289,498	27.4%	17.0%
Airbus	827,529	9.9%	6.1%
Dassault Aviation (treasury shares)	35,600	0.4%	-
Total	8,348,703	100%	100%

(1) the Parent Company, Groupe Industriel Marcel Dassault (GIMD), located at 9, Rond-Point des Champs-Élysées - Marcel Dassault, 75008 Paris, consolidates the Group's financial statements globally.

8.2 Treasury shares

Movements on treasury shares are detailed below:

(in number of shares)	H1 2019	H1 2018	2018
Treasury shares as of January 1	37,175	38,600	38,600
Purchase of treasury shares	0	0	0
Cancellation of shares	0	0	0
Share-based payment (see Note 8.3)	-1,575	-1,425	-1,425
Treasury shares at the closing date	35,600	37,175	37,175

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

The 35,600 treasury shares held as of June 30, 2019 (EUR 980 per share) were allocated to potential allocations of performance share plans and a potential liquidity contract to ensure the market activity.

8.3 Share-based payment

The Group grants performance shares to corporate officers. The features of these share plans are described in the 2018 annual financial report.

Grant date	Vesting period	Number of shares allocated	Share price on the grant date	Number of shares delivered in 2019	Number of shares canceled (1)	Balance of performance shares as of 06/30/2019
03/07/2018	from 03/07/2018 to 03/06/2019	1,575	€1,405	1,575	0	0
02/27/2019	from 02/27/2019 to 02/26/2020	2,025	€1,400	0	0	2,025

(1) shares canceled in the event of partial or total non-achievement of performance conditions.

The Group did not grant any stock option plans to its employees and corporate officers.

2018 Plan

An expense of EUR 1,221 thousand was recognized in 2019 for this plan, which had a fair value of EUR 2,068 thousand (average of EUR 1,313 per share).

2019 Plan

An expense of EUR 424 thousand was recognized in 2019 for this plan, which had a fair value of EUR 2,515 thousand (average of EUR 1,242 per share).

Note 9 - Borrowings and financial debt

(in EUR thousands)	Bank borrowings (1)	Lease liabilities (2)	Other financial liabilities (3)	Total (4)
As of December 31, 2018	874,565	0	116,811	991,376
First-time application of IFRS 16	0	174,544	0	174,544
Change in scope	0	9,949	0	9,949
Increase	361	26,943	102,218	129,522
Repayment	-24,979	-29,128	-100,583	-154,690
Other	0	233	0	233
As of June 30, 2019	849,947	182,541	118,446	1,150,934

(1) initially at a variable rate, loans taken out by the Group were swapped at fixed rate. Of these euro-denominated loans, EUR 600 million is repayable in 2019 and EUR 250 million in 2020.

(2) lease liabilities recognized following the application of IFRS 16 (see paragraph 1.3 of the accounting principles).

(3) other financial liabilities essentially correspond to the locked-in employee profit-sharing funds.

(4) short-term borrowings and financial debt represent EUR 924,471 thousand as of June 30, 2019.

Note 10 - Provisions for contingencies and charges

(in EUR thousands)	12/31/2018	Allocations	Reversals	Other	06/30/2019
Warranties (1)	903,772	95,246	-23,838	230	975,410
Services provision (1)	226,023	28,032	-50,794	363	203,624
Retirement payments (2)	194,015	22,087	-8,870	73,274	280,506
<i>French companies</i>	164,469	15,718	-8,668	43,083	214,602
<i>US companies</i>	29,546	6,369	-202	30,191	65,904
Others	13,592	711	-4,576	26	9,753
Provisions for contingencies and charges	1,337,402	146,076	-88,078	73,893	1,469,293

(1) provisions take account of changes in the fleet in operation and delivered contracts. In the first half of 2019, this change was mainly due to delivered military contracts.

(2) the discount rate used to calculate the provision for retirement payments for French companies (determined by reference to the yield for high-quality corporate long-term bonds rated AA) was at 1.0% as of June 30, 2019, compared with 1.60% as of December 31, 2018. The rate used to calculate the provision for retirement payments for U.S. companies was 4.05% on June 30, 2019, compared with 4.55% on December 31, 2018. The actuarial adjustments contributed to the increase in provisions for retirement payments in the amount of EUR 73,355 thousand.

A 0.50 point decrease in the discount rate would increase the total commitment by EUR 71,395 thousand, while a 0.50 point increase in the discount rate would decrease the total commitment by EUR 63,842 thousand.

Note 11 - Contract assets and liabilities

(in EUR thousands)	Contract assets	Contract liabilities
Contract assets/liabilities as of December 31, 2018	16,967	-9,198,007
<i>Advances and payments received</i>	-57,433	-9,231,141
<i>Other contract assets/liabilities</i>	74,400	33,134
Change in customer advances and progress payments	-5,736	829,098
Change in other contract assets/liabilities	1,320	-204,360
Contract assets/liabilities as of June 30, 2019	12,551	-8,573,269
<i>Advances and payments received</i>	-63,169	-8,402,043
<i>Other contract assets/liabilities</i>	75,720	-171,226

The decrease in contract liabilities is mainly the result of the reduction in progress payments received under the Rafale Export contracts following deliveries during the period.

As Dassault Aviation is principal on the Rafale Egypt, Qatar and India contracts, the advances received include the co-contractors' parts. The progress payments made reflect the transfer of these parts to the co-contractors:

(in EUR thousands)	06/30/2019	12/31/2018
Advances and payments received	-8,465,212	-9,288,574
Supplier advances and progress payments	3,011,112	3,282,220
Advances and progress payments received net of advances and progress payments paid	-5,454,100	-6,006,354

Note 12 - Net sales

Net sales by region breakdown are as follows:

(in EUR thousands)	H1 2019	H1 2018	2018
France (1)	545,574	337,682	1,132,841
Export (2)	2,520,062	1,382,440	3,986,378
Net sales	3,065,636	1,720,122	5,119,219

(1) mainly the French state, with whom the Group generated more than 10% of its total net sales in H1 2019, same as in 2018 and in H1 2018.

(2) more than 10% of the Group's net sales was generated with the Qatar government in H1 2019. In H1 2018 and in 2018, more than 10% had been generated with the Egyptian government. The net sales from the Rafale Export contracts are recognized on a gross basis (including the co-contractors' parts).

Net sales are as follows:

(in EUR thousands)	H1 2019	H1 2018	2018
Falcon	993,665	1,197,518	2,634,824
Defense	2,071,971	522,604	2,484,395
Net sales	3,065,636	1,720,122	5,119,219

Interim data is not representative of annual net sales.

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 2019	H1 2018	2018
Research and development costs	-257,895	-143,302	-391,775

Note 14 - Net financial income/expense

(in EUR thousands)	H1 2019	H1 2018	2018
Income from cash and cash equivalents	5,658	3,164	3,374
Change in fair value of other current financial assets	1,656	2,046	4,820
Cost of gross financial debt (1)	-38,455	-47,189	-94,701
Cost of net financial debt	-31,141	-41,979	-86,507
Dividends and other investment income	15	265	305
Interest income and gains/losses on disposal of other financial assets (excluding cash and cash equivalents)	4,764	3,830	8,724
Foreign exchange gain/loss (2)	-18,960	-44,726	-68,405
Other	0	0	0
Other financial income and expenses	-14,181	-40,631	-59,376
Net financial income/expense	-45,322	-82,610	-145,883

(1) the financial expense recognized for the financing component of long-term Defense contracts was EUR -31,903 thousand in H1 2019, versus EUR -42,137 thousand in H1 2018, and EUR -84,273 thousand in 2018. The cost of gross financial debt also includes EUR -1,563 thousand in financial expenses on lease liabilities in H1 2019, following the adoption of IFRS 16 (see paragraph 1.3 of the accounting principles).

(2) foreign exchange gain/loss for the period includes the change in market value and gain/loss resulting from the exercise of foreign exchange hedging instruments which do not qualify for hedge accounting under IFRS 9 "Financial Instruments". The amounts are not representative of the real gain/loss that will be recognized when the hedges are exercised.

Note 15 - Tax position**15.1 Deferred tax sources**

(in EUR thousands)	06/30/2019	12/31/2018
Temporary differences on provisions (profit-sharing, pension, etc.)	316,654	301,429
Other current and non-current financial assets and cash equivalents	-2,802	-2,567
Derivative financial instruments	9,487	-3,921
Other temporary differences	93,946	83,787
Net deferred taxes (1)	417,285	378,728
<i>Deferred tax assets</i>	<i>417,285</i>	<i>378,728</i>
<i>Deferred tax liabilities</i>	<i>0</i>	<i>0</i>

(1) the deferred tax bases are taxed at the rate applicable to the year on which the reversal of the base is expected.

15.2 Reconciliation of theoretical and actual tax charge

(in EUR thousands)	H1 2019	H1 2018	2018
Net income	253,705	124,681	572,802
Cancellation of the income tax	78,106	10,406	194,693
Cancellation of the Group share in the net income of equity associates	-118,194	-93,601	-205,849
Income before tax and equity associates	213,617	41,486	561,646
Theoretical tax expenses calculated at the current rate (1)	-68,400	-14,284	-193,375
Effect of tax credits (2)	5,142	6,781	14,805
Effect of differences in tax rates	-8,503	-4,794	-24,922
Other	-6,345	1,891	8,799
Taxes recognized	-78,106	-10,406	-194,693

(1) a rate of 32.02% applies for H1 2019. In 2018, the tax rate was 34.43%.

(2) Research Tax Credit, recognized as other revenue, amounted to EUR 15,350 thousand in H1 2019, compared with EUR 15,450 thousand in H1 2018, and EUR 32,443 thousand for 2018. The Tax Credit for Competitiveness and Employment, which is recognized as a deduction from personnel expenses, represented EUR 4,030 thousand in H1 2018 and EUR 8,367 thousand in 2018. It was replaced by a reduction in social security contributions as of January 1, 2019.

Note 16 - Earnings per share

Earnings per share	H1 2019	H1 2018	2018
Net income attributable to the owners of the Parent Company (in EUR thousands) (1)	253,667	124,665	572,741
Average number of shares outstanding	8,312,537	8,275,055	8,293,441
Diluted average number of shares outstanding	8,313,550	8,275,843	8,294,229
Basic earnings per share (in EUR)	30.5	15.1	69.1
Diluted earnings per share (in EUR)	30.5	15.1	69.1

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

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

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

Note 17 - Financial instruments

The valuation method used in 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 in 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 06/30/2019			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current assets				
Other non-current financial assets	54,779		154,997	209,776
Current assets				
Trade and other receivables	1,157,454			1,157,454
Derivative financial instruments		5,940	9,674	15,614
Other current financial assets		2,561,586		2,561,586
Cash equivalents (2)		2,098,529		2,098,529
Total financial instruments (assets)	1,212,233	4,666,055	164,671	6,042,959
Level 1 (2)		4,660,115	29,769	
Level 2		5,940	9,674	
Level 3		0	125,228	

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

(2) including time deposits as of June 30, 2019: EUR 2,059,862 thousand.

As of December 31, 2018, the data were as follows:

(in EUR thousands)	Balance sheet value as of 12/31/2018			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current assets				
Other non-current financial assets	52,628		151,990	204,618
Current assets				
Trade and other receivables	1,068,312			1,068,312
Derivative financial instruments		7,984	32,423	40,407
Other current financial assets		3,211,968		3,211,968
Cash equivalents (2)		1,923,547		1,923,547
Total financial instruments (assets)	1,120,940	5,143,499	184,413	6,448,852
Level 1 (2)		5,135,515	32,547	
Level 2		7,984	32,423	
Level 3		0	119,443	

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

(2) including time deposits as of December 31, 2018: EUR 1,884,827 thousand.

17.2 Financial instruments (liabilities)

(in EUR thousands)	Balance sheet value as of 06/30/2019			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	0			0
Lease liabilities	128,724			128,724
Other financial liabilities (2)	97,739			97,739
Current liabilities				
Bank borrowings	849,947			849,947
Lease liabilities	53,817			53,817
Other financial liabilities (2)	20,707			20,707
Trade and other payables	892,852			892,852
Derivative financial instruments		27,890	18,663	46,553
Total financial instruments (liabilities)	2,043,786	27,890	18,663	2,090,339
Level 1		0	0	
Level 2		27,890	18,663	
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, 2018, the data were as follows:

(in EUR thousands)	Balance sheet value as of 12/31/2018			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	250,008			250,008
Other financial liabilities (2)	85,298			85,298
Current liabilities				
Bank borrowings	624,557			624,557
Other financial liabilities (2)	31,513			31,513
Trade and other payables	914,298			914,298
Derivative financial instruments		18,218	7,907	26,125
Total financial instruments (liabilities)	1,905,674	18,218	7,907	1,931,799
Level 1		0	0	
Level 2		18,218	7,907	
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 debt

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

18.1.2 Cash, cash equivalents and other current financial assets

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

(in EUR thousands)	06/30/2019			
	Historical cost	Unrealized capital gain	Consolidated asset value	As %
Cash at bank, money market investments and time deposits	4,181,002	1,646	4,182,648	73%
Investments in bonds (1)	325,983	38,853	364,836	6%
Unspecified investments (1)	831,926	345,154	1,177,080	21%
Total	5,338,911	385,653	5,724,564	100%

(1) investments in bonds subscribed by the Group are investments with a short-term management horizon. Unspecified investments as defined by the AMF classification are invested in short-term bond and money market funds. Most of them are also backed by warranties, which limits the risk of loss of value.

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

Fair value classification:

(in EUR thousands)	06/30/2019		
	Impact on net income	Impact on equity	Total
Cash at bank, money market investments and time deposits	4,182,648	0	4,182,648
Investments in bonds	364,836	0	364,836
Unspecified investments	1,177,080	0	1,177,080
Total	5,724,564	0	5,724,564

18.2 Credit and counterparty risks

18.2.1 Credit risk on bank counterparties

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

18.2.2 Customer default risk

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

Given the arrangements in risk mitigation 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 amount of the Bpifrance Assurance Export guarantees and collateral obtained and not exercised as of June 30, 2019 is comparable to that as of December 31, 2018.

Manufacturing risk is also covered by Bpifrance Assurance Export for major military export contracts.

18.3 Other market risks

18.3.1 Market risks

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

(in EUR thousands)	06/30/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivatives	15,614	44,327	40,407	22,043
Interest rate derivatives	0	2,226	0	4,082
Derivative financial instruments	15,614	46,553	40,407	26,125
Net derivative financial instruments		30,939	14,282	

Foreign exchange derivatives

The Group is exposed to a foreign exchange risk through the Parent Company in relation to its Falcon sales, which are virtually all denominated in US dollars. This risk is partially hedged by using forward exchange contracts and foreign exchange options.

The Group partially hedges its cash flows that are considered highly probable. It ensures that the initial future cash flows will be sufficient to use the foreign exchange hedges in place. The hedged amount may be adjusted as a function of changes over time in expected net cash flows.

The foreign exchange derivative instruments used by the Group do not all qualify for hedge accounting under the terms of IFRS 9 "Financial Instruments". The analysis of the instruments is presented in the table below:

(in EUR thousands)	Market value as of 06/30/2019	Market value as of 12/31/2018
Instruments which qualify for hedge accounting	-7,343	27,990
Instruments which do not qualify for hedge accounting	-21,370	-9,626
Foreign exchange derivatives	-28,713	18,364

The fair value of derivatives by maturity breaks down as follows:

(in EUR thousands)	Less than one year	More than one year	Total
Foreign exchange derivatives	-26,903	-1,810	-28,713

Interest rate derivatives

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

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)	12/31/2018	Impact on equity (1)	Impact on net financial income (2)	06/30/2019
Foreign exchange derivatives	18,364	-35,333	-11,744	-28,713
Interest rate derivatives	-4,082	1,828	28	-2,226
Net derivative financial instruments	14,282	-33,505	-11,716	-30,939

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

(2) change in fair value of foreign exchange hedging instruments which do not qualify for hedge accounting under IFRS 9 "Financial Instruments".

The change in fair value of foreign exchange derivatives is mainly due to the change in closing rate between December 31, 2018 (\$/€1.1450) and June 30, 2019 (\$/€1.1380) and the fall in dollar interest rates.

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.

Portfolio market value (in EUR thousands)	06/30/2019		12/31/2018	
Net balance sheet position	-28,713		18,364	
Closing US dollar/euro exchange rate	\$/€1.1380		\$/€1.1450	
Closing US dollar/euro exchange rate +/- 10 cents	\$/€1.2380	\$/€1.0380	\$/€1.2450	\$/€1.0450
Change in value (1)	+204,249	-252,770	+157,947	-190,721
<i>Impact on net income</i>	+66,356	-88,308	+35,209	-44,496
<i>Impact on equity</i>	+137,893	-164,462	+122,738	-146,225

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

Note 19 - Contingent assets and liabilities

There are no contingent assets or liabilities as of June 30, 2019.

Note 20 - Related-party transactions

The related parties as of June 30, 2019 are identical to those identified as of December 31, 2018 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, 2019 and the date of approval of the financial statements by the Board of Directors.

Statutory auditors' review report on the 2019 first half-year financial information

To the Shareholders,

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

- The review of the accompanying condensed half-yearly consolidated financial statements of DASSAULT AVIATION, for the period from January 1st to June 30th ;
- 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.

I- 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 could 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.

Without qualifying the conclusion expressed above, we draw your attention on note « 1.3 Application of IFRS 16 » in the appendix to the condensed consolidated financial statements which highlights the change of accounting method relating to the application on January 1, 2019 of IFRS 16 « Leases ».

II- 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.

Paris-La Défense, September 4th, 2019

The Statutory Auditors

MAZARS
Mathieu MOUGARD

DELOITTE & ASSOCIES
Marc de VILLARTAY