

2014 first half-year results

Financial information

25 July 2014



Order intake	38 FALCON vs. 27 in the 2013 first half-year
Deliveries	25 FALCON and 5 RAFALE vs. 29 FALCON et 5 RAFALE in the 2013 first half-year
Net sales	EUR 1,514 million , down by 17%
Adjusted net income*	EUR 145 million , down by 17%
Adjusted net margin*	9.6%

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

Saint-Cloud, 25 July 2014 - The Board of Directors, chaired by Mr. Éric Trappier, closed yesterday the financial statements for the 2014 first half-year. These consolidated condensed interim financial statements were reviewed by the Statutory Auditors who expressed an unqualified opinion. In addition, the Board of Directors acknowledged the designation by the CFE-CGC, the trade-union organization which won the 1st turn of the professional elections, of Mr. Richard BEDERE as director representing the employees.

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

«After the launching of the FALCON 5X in October 2013, we unveiled the FALCON 8X in May 2014. Despite the crisis, we have strongly increased the self-funded Research and Development to anticipate the customer requirements through innovation. Today, the FALCON family counts six business jets.

In the military field, the budgetary constraints in France threaten the capital expenditures. However, during his visit in Bordeaux and in Istres last June, the French Minister of Defense repeated how much combat aviation is strategic for our country sovereignty. The capacities of our forces, but also many jobs and strategic competences for our country are at stake.

For the RAFALE, export would guarantee the sustainability of the program which relies on the credibility of the French base, with in particular the on-going development of the F3-R standard.

We are very mobilized in India and we strive, with our French and Indian partners, to concretize the contract of 126 RAFALE as soon as possible.

We remain very active with other prospective customers.

Concerning drones, the nEUROn continues its flight tests successfully. In addition, DASSAULT AVIATION and BAE SYSTEMS welcome the signing, by the French and British governments, of a joint feasibility phase contract for a potential follow-on Future Combat Air System (FCAS) demonstration program, within the framework of the Lancaster House treaty.

In the field of MALE (Medium Altitude Long Endurance) surveillance drones, we submitted, with AIRBUS DEFENCE & SPACE and ALENIA, a proposal for a European MALE program, with division of tasks, to the German, Italian and French governments.

Thus, we need to pursue our efforts to sell RAFALE and FALCON, to ensure the deliveries, to maintain a high level of quality and productivity while innovating».

Order intake

2014 first half-year orders amounted to **EUR 1,865 million** compared to EUR 1,410 million in the 2013 first half-year, up by 32%. **Export** represented **92%** of the total order intake.

New orders stood at **38 FALCON** in the 2014 first half-year, vs. 27 FALCON in the 2013 first half-year. FALCON order intake reached EUR 1,599 million in the 2014 first half-year compared to EUR 1,242 million in the 2013 first half-year.

Defense orders amounted to **EUR 266 million** in the 2014 first half-year compared to EUR 168 million in the 2013 first half-year and corresponded to development and Maintenance and Operational Support Program (MCO). They were up by 58% compared to the 2013 first half-year, in particular following the signing of a contract of MCO of the MIRAGE 2000 France and by after-sales related to the MIRAGE 2000-9 United Arab Emirates.

Net sales

Consolidated net sales amounted to **EUR 1,514 million** in the 2014 first half-year compared to EUR 1,826 million in the 2013 first half-year, down by 17%.

FALCON net sales decreased by 22% compared to last year same period. They stood at EUR 1,043 million in the 2014 first half-year from EUR 1,329 million in the 2013 first half-year. **25 FALCON were delivered in the 2014 first half-year** compared to 29 in the 2013 first half-year.

The FALCON "book to bill" (order intake/deliveries ratio) reached 1.52 in the 2014 first half-year.

5 RAFALE were delivered to French Air Force and Navy in the 2014 first half-year, as in 2013 first half-year. DEFENSE France net sales showed a downturn of 14%, due, more particularly, to the partial invoicing of the nEUROn program in the 2013 first half-year. DEFENSE Export net sales improved by 37% because of an increase in after-sales for United Arab Emirates and India.

Backlog

As of June 30th, 2014, consolidated backlog amounted to **EUR 7,612 million** compared to EUR 7,379 million as of December 31st, 2013, representing an increase of 3%, related to the FALCON "book to bill" ratio which is higher than 1.

Operating income

2014 first half-year **operating income** reached **EUR 113 million** compared to EUR 187 million in the 2013 first half-year, down by 40%.

The operating margin rate stood at **7.5%** compared to 10.3% in the 2013 first half-year.

The continuation of a high self-funded Research and Development level combined with the decrease of the net sales and a less favorable currency hedging (1.27\$/€ vs. 1.24\$/€) explains, for the most part, the deterioration of the operating margin.

Adjusted financial income

In the 2014 first half-year, adjusted financial income amounted to EUR 17 million, compared to EUR 2 million in the 2013 first half-year. In particular, the Group made a profit of EUR 10 million on the sale of some available-for-sale marketable securities in the 2014 first half-year.

Adjusted net income

2014 first half-year **adjusted net income (excluding THALES)** stood at **EUR 84 million** compared to EUR 122 million in the 2013 first half-year.

The **adjusted** net margin rate (**excluding THALES**) reached **5.6%**, compared to 6.7% in the 2013 first half-year.

THALES adjusted contribution to the Group net income, before amortization of Purchase Price Allocation, amounted to EUR 61 million in the 2014 first half-year compared to EUR 53 million in the 2013 first half-year.

2014 first half-year **adjusted net income** stood at **EUR 145 million** compared to EUR 175 million in the 2013 first half-year, down by 17%.

The **Adjusted** net margin rate reached **9.6%**, as in the 2013 first half-year.

Financial situation

The Group has defined a specific indicator, "available cash", that reflects the Group's total liquidities net of borrowings.

Consolidated available cash was **EUR 3,147 million as of June 30th, 2014** compared to EUR 3,708 million as of December 31st, 2013, down by EUR 561 million.

This decrease is mainly due to an increase in working capital (EUR -586 million, consequence of the rise in inventories and work-in-progress), the dividends payout (EUR -90 million), partially offset by the half-year consolidated net cash from operating activities (EUR +127 million).

Group activities

FALCON programs

The 2014 1st half-year period was marked by:

- the launching in May, during the EBACE Exhibition in Geneva, of the FALCON 8X which completes our commercial offer. It has an operating range of 12,000 km (6,450 Nm), the longest passengers' cabin of the FALCON family and a low operating cost. The final assembly has started in Mérignac. Its entry into service is scheduled at the end of 2016,
- the pursuit of the FALCON 5X development whose components of the first fuselage were produced in our Argenteuil, Biarritz, and Seclin facilities and assembled in Biarritz,
- the continuation of the expansion and modernization work of the Little Rock site of DASSAULT FALCON JET,
- the roll out of the 250th FALCON 7X in Mérignac,
- the purchase of a land in Mérignac, in the framework of a joint agreement signed with SABENA TECHNICS. Thanks to this land, which has a direct access to Mérignac airport taxiway, DASSAULT FALCON SERVICE will be able to develop its FALCON 7X maintenance capacity, its facilities in Le Bourget being saturated.

DEFENSE programs

In the 2014 1st half-year, the RAFALE program was marked by:

- the launching of the F3-R standard development, following the notification of the market at the end of 2013; this standard, which is to be delivered in 2018, includes in particular the METEOR long range air-to-air missile, the New-Generation Laser Designator Pod (PDL - NG) and the modular air-to-ground weapon with terminal laser guidance,
- the continuation of exclusive negotiations with the Indian authorities and Indian industrial partners to finalize the contract of 126 RAFALE,
- the pursuit of the prospection and promotion efforts in other countries.

Concerning other programs of military aircraft programs, we can mention:

- the continuation of work and modernization testing of the Indian MIRAGE 2000,
- the continuation of the development and the renovation of the ATLANTIQUE 2 combat system standard,
- the delivery of the 2nd FALCON 50 SURMAR to the DGA (Direction Générale de l'Armement – French Defense Procurement Agency) and the operational entry into service of the 1st aircraft by the French Navy.
- concerning UCAV (Unmanned Combat Air Vehicles):
 - completion of the flight envelop clearance of the UCAV nEUROn demonstrator, and first part of the embedded sensor flight testing,
 - the signing, by the French and British governments, of a two-year joint feasibility phase contract for a potential follow-on Future Combat Air System (FCAS) demonstration program. This phase will be launched, with DASSAULT AVIATION and BAE SYSTEMS as lead contractors of an industrial organization including SAFRAN, ROLLS-ROYCE, THALES and SELEX,
- concerning MALE (Medium Altitude Long Endurance) UAV (Unmanned Air Vehicle): the finalization of our discussions with our partners AIRBUS DEFENCE AND SPACE and ALENIA/AERMACCHI. An update of our common proposal was submitted to the French, German and Italian Ministries of Defense for a definition phase of a European MALE drone program.

In the space field, we obtained the order of a new section of pyrotechnical equipment for 18 new ARIANE 5 launchers.

2014 outlook

In 2014, DASSAULT AVIATION Group expects to deliver around 70 FALCON and 11 RAFALE. 2014 net sales should be lower than 2013 net sales.

Contact:

Stéphane Fort

Corporate Communication

Tel. : + 33 (0)1 47 11 86 90

More information on: www.dassault-aviation.com

Appendix: table of reconciliation between consolidated income and adjusted income

The impact in the 2014 first half-year of the change in fair value of hedging instruments adjustments, the THALES PPA amortization, and THALES adjustments (for its share) on income statement is detailed below:

(EUR thousands)	2014 1 st half-year Consolidated data	THALES PPA amortization (1)	THALES adjustments	Change in fair value of derivative exchange instruments (2)	2014 1 st half-year Adjusted data
Financial income / expense	93,750			-77,235	16,515
Share of income of equity affiliates	85,409	23,843	-48,492		60,760
Income tax	-72,137			26,592	-45,545
Net income	220,230	23,843	-48,492	-50,643	144,938

The impact in the 2013 first half-year of the change in fair value of hedging instruments adjustments, the THALES PPA amortization, and THALES adjustments (for its share) on income statement is detailed below:

(EUR thousands)	2013 1 st half-year Consolidated data	THALES PPA amortization (1)	THALES adjustments	Change in fair value of derivative exchange instruments (2)	2013 1 st half-year Adjusted data
Financial income / expense	-799			2,797	1,998
Share of income of equity affiliates	14,329	28,269	9,814		52,412
Income tax	-66,311			-963	-67,274
Net income	134,699	28,269	9,814	1,834	174,616

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

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

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