

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

Saint-Cloud, September 4th, 2019 - The Board of Directors met yesterday under the chairmanship of Mr. Éric Trappier and approved the 2019 half year financial statements. The statutory auditors performed a limited review of these consolidated financial statements and the audit report for certification purposes is being issued.

Éric Trappier, Chairman and Chief Executive Officer of Dassault Aviation, stated:

“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.”

1. ADJUSTED CONSOLIDATED RESULTS OF THE FIRST HALF OF 2019

1.1 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.

1.2 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.

1.3 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).

1.4 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.

2. FINANCIAL STRUCTURE

2.1 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.

2.2 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).

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>	Consolidate d 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>
Group share of net income per share <i>(in euros)</i>	30.5					34.4

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

<i>(in € thousands)</i>	Consolidate d 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>
Group share of net income per share <i>(in euros)</i>	15.1					22.4