

KEY FIGURES FOR THE 1st HALF OF 2020

	H1 2020	H1 2019
Order intake	€ 984 million 5 Falcon	€ 2,900 million 7 Falcon Rafale OCM RAVEL
<u>Adjusted</u> net sales ^(*)	€ 2,641 million 7 Rafale Export 16 Falcon	€ 3,058 million 10 Rafale Export 17 Falcon
	as of June 30, 2020	as of December 31, 2019
Backlog	€ 16,193 million 68 Rafale of which 28 Rafale France 40 Rafale Export 42 Falcon	€ 17,798 million 75 Rafale of which 28 Rafale France 47 Rafale Export 53 Falcon
	H1 2020	H1 2019
<u>Adjusted</u> operating income ^(*)	€ 55 million	€ 250 million
<u>Adjusted</u> operating margin	2.1% of net sales	8.2% of net sales
Research & Development	€ 262 million 9.9% of net sales	€ 258 million 8.4% of net sales
<u>Adjusted</u> net income ^(*)	€ 87 million	€ 286 million
<u>Adjusted</u> net margin	3.3% of net sales	9.3% of net sales
	as of June 30, 2020	as of December 31, 2019
Available cash	€ 3,921 million	€ 4,585 million

Note: Dassault Aviation recognizes Rafale Export contracts in their entirety (including the Thales and Safran parts).

Main aggregates under IFRS in € million (see reconciliation table in appendix)

^(*) Consolidated net sales	2,646	3,066
^(*) Consolidated operating income	57	259
^(*) Consolidated net income	32	254

Saint-Cloud, July 23, 2020 - The Board of Directors met yesterday under the chairmanship of Mr. Éric Trappier and approved the 2020 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.

The Covid-19 epidemic triggered an unprecedented global crisis as to its sanitary and economic consequences, its magnitude, its geographic scope and its duration.

First of all, I would like to thank, from the bottom of my heart, the healthcare workers who took care of all the patients with an admirable devotion, as well as all the employees of the Group for their involvement and the team spirit they made proof of on a daily basis.

We contributed to the national effort in France by providing our Falcons. Dassault Aviation took part in the operation called “Résilience”, with the French Ministry of Armed Forces, our Falcons flew healthcare workers and medical equipment within France and worldwide. Besides, in the frame of the operation organized by Aviation Without Borders (ASF), our Falcon repatriated and transported healthcare personnel or medical equipment on request.

During this period, Dassault Aviation Group adapted and reorganized its operations to ensure employee safety, and launched a Business Continuity Plan.

Regarding Dassault Aviation Parent Company, after production activities were suspended on March 18, followed by tertiary activities on March 23, business gradually resumed in successive steps from April 3, in an ongoing dialogue with staff representative bodies (including the Central Economic and Social Committee and the Health, Safety and Working Conditions Committee), in accordance with health and social constraints by focusing on remote working and by deploying temporary furlough measures when this was unavoidable. On June 8, further to the national lockdown lifting, on site presence became the norm, together with remote working to cope with the workspace occupancy rate.

All our subsidiaries adjusted to their local situation with the implementation of sanitary measures, a large use of remote working and temporary furlough when unavoidable. Some sites were temporarily shut down.

As of April 1, the Board of Directors canceled the dividend proposal and we suspended our 2020 guidance.

The Business Continuity Plan prioritized our efforts; we focused on customer support (Armed Forces in priority), on production and delivery of Rafale and Falcons, and on the development of the Falcon 6X. Despite remote working and except for Falcon 6X and Rafale India, programs have been delayed.

Covid-19 crisis results in a decrease of Falcon deliveries which leads to a new forecast for 2020 of 30 Falcons whereas 40 were initially guided. Beyond this lag in net sales, costs associated with unworked hours and sanitary measures have harshly affected the 1st half results and were partially offset by government support, alleviated charges and SG&A reduction at Dassault Aviation Group.

Throughout this crisis, we have supported and assisted our sub-contractors and suppliers. The Aeronautics Support Plan announced by the French government on June 9, drafted in collaboration with GIFAS, structures support to the sector’s ecosystem and investment in the future, among which the future “decarbonized” aircraft within the frame of the Civil Aviation Research Council (CORAC).

In terms of activity, in the military domain, we delivered 7 Rafale Export, continued works on the F4-standard for Rafale France, delivered an upgraded ATL2, and continued to support our military

customers. The first half also saw the award to Dassault Aviation, Airbus and their partners, of the initial framework contract for the launch of the Future Combat Air System (FCAS) demonstrators, specifically the New Generation Fighter (NGF) demonstrator.

In the civil domain, we continued to support our customers, delivered 16 Falcons, pursued the Falcon 6X program development keeping it in line for a maiden flight in early 2021 and an entry into service in 2022, and continued the development works on the future Falcon.

The effects of the crisis are likely to be long-lasting as numerous economic sectors are impacted. Our Falcon market is directly impacted (the lag in Falcon deliveries and orders leads to a lowering adjustment of Falcon production rates) and a potential new Rafale Export contract is postponed.

In a harsh and uncertain economic environment, our objectives are to:

- Sell and deliver Falcons,
- Falcon 6X: comply with our schedule (entry into service in 2022),
- Rafale: negotiate an additional batch for France and pursue export prospection,
- Pursue the development of the future Falcon,
- Pursue developments in the frame of multi-mission Falcon,
- Contribute to CORAC technologies of environmental transition,
- Bring forward the FCAS/NGF program and contribute to the MALE program.

This will be performed in the context of:

- High self-financed Research and Development,
- continuity of the Transformation Plan (digital, collaborative engineering platform and sites): rescheduled,
- Adjustment of workforce to the planned workload rescheduled in accordance with our backlog.

In an uncertain Covid-19 context and its economic consequences, new Dassault Aviation full year 2020 guidance is the following:

- delivery of 30 Falcons (vs 40 planned before the Covid-19) and 13 Rafale aircraft (equal to the pre-Covid-19 forecast),
- decrease in net sales.

The Board of Directors would like to thank all the personnel for their involvement, efficiency and skills in executing our programs.

Éric TRAPPIER,
Chairman and Chief Executive Officer of Dassault Aviation.

1. FIRST HALF 2020 ADJUSTED CONSOLIDATED RESULTS

(see reconciliation table in appendix)

1.1 ORDER INTAKES

Order intake for the first half of 2020 was **€984 million**, compared to €2,900 million for the first half of 2019. The **Export** order intake component stood at **80%**.

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

	H1 2020	%	H1 2019	%
Defense	315	32%	2,273	78%
<i>Defense Export</i>	132		180	
<i>Defense France</i>	183		2,093	
Falcon	669	68%	627	22%
Total order intake	984		2,900	
<i>% Export</i>	80%		27%	

The order intake item is entirely composed of firm orders.

Defense programs

Defense order intake stood at **€315 million** during the first half of 2020 vs €2,273 million during the first half of 2019.

The **Defense Export** component stood at **€132 million** for the first half of 2020 vs €180 million for the first half of 2019.

The **Defense France** component stood at **€183 million** for the first half of 2020, vs €2,093 million for the first half of 2019, which mainly included notification of the RAVEL contract for the Operational Condition Maintenance of Rafale France over 10 years.

Falcon programs

During the first half of 2020, **5 Falcon orders** were made vs 7 in the first half of 2019.

Falcon order intake represented **€669 million** in the first half of 2020 vs €627 million in the first half of 2019.

1.2 ADJUSTED NET SALES

Adjusted net sales for the first half of 2020 was **€2,641 million** compared to €3,058 million for the first half of 2019. The **export** component of net sales stood at **89%** in the first half of 2020.

The change in net sales was as follows, in **€ million**:

	H1 2020	%	H1 2019	%
Defense	1,581	60%	2,072	68%
<i>Defense Export</i>	1,319		1,537	
<i>Defense France</i>	262		535	
Falcon	1,060	40%	986	32%
Total net sales	2,641		3,058	
<i>% Export</i>	89%		82%	

Defense programs

7 Rafale Export (India and Qatar) were delivered during the first half of 2020 vs. 10 Rafale Export for the first half of 2019.

Defense net sales for the first half of 2020 amounted **€1,581 million** vs €2,072 million for the first half of 2019.

The Defense Export component stood at **€1,319 million** for the first half of 2020 vs €1,537 million for the first half of 2019. This decrease was mainly due to a fall in the number of Rafale aircraft delivered between the two semesters (7 vs 10).

The Defense France component stood at **€262 million** for the first half of 2020, vs €535 million for the first half of 2019. During the first half of 2019, the development works on upgrading the combat system for the ATL2 and the first upgraded aircraft had been delivered to the French government and had a positive impact on net sales.

Falcon programs

16 Falcon were delivered in the first half of 2020 vs 17 in the first half of 2019.

Falcon net sales for the first half of 2020 amounted **€1,060 million**, vs €986 million for the first half of 2019. It should be noted that there is a positive scope effect associated with the acquisition of service centers acquired in 2019 and early 2020.

The "book-to-bill ratio" (order intake/net sales) is 0.37 for the first half of 2020.

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1.3 BACKLOG

The consolidated backlog as of June 30, 2020 was **€16,193 million** compared to €17,798 million as of December 31, 2019. It consists of:

- the **Defense Export backlog**, which stood at **€9,538 million** vs €10,725 million as of December 31, 2019. It consists primarily of 40 Rafale Export vs 47 Rafale Export as of December 31, 2019,
- the **Defense France backlog**, which stood at **€4,661 million**, vs €4,740 million as of December 31, 2019. It specifically includes 28 Rafale (same as December 31, 2019) and the RAVEL contract for the Rafale,
- the **Falcon backlog**, which stood at **€1,994 million**, vs €2,333 million as of December 31, 2019. It specifically includes 42 Falcons vs 53 as of December 31, 2019.

1.4 ADJUSTED RESULTS

Operating income

Adjusted operating income for the first half of 2020 is **€55 million**, compared to €250 million in the first half of 2019.

Operating margin stood at **2.1%** vs 8.2% for the first half of the previous year. This decrease is mainly due to the under-activity due to the Covid-19 crisis (hours furloughed and cost of sanitary measures being recognized as expenses), the weight of self-funded R&D expenses in proportion of net sales (9.9% compared to 8.4% in 2019 first half-year), and lower absorption of fixed costs due to the decrease of sales. SG&A savings and the various governmental aid packages (in France, United States and Switzerland), consisting in alleviating charges and furlough measures, partially offset these negative impacts.

The hedging rate for the first half of 2020 was **\$/€1.18**, same as 2019 first half and full year.

Net financial income

The adjusted financial income for the first half of 2020 was **€ - 19 million** vs. € - 26 million for 2019 first half. This financial loss was due to accounting principle of the long-term military contracts' financing component.

Net income

Adjusted net income for the first half of 2020 came to **€87 million**, compared to €286 million in the first half of 2019. The contribution of Thales to the Group's net income was €58 million, compared to €141 million during the first half of 2019.

Adjusted net margin thus stood at **3.3%** for the first half of 2020, vs 9.3% for the first half of 2019.

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, current financial assets (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 stands at **€3,921 million**, lower by €664 million compared to December 31, 2019. This decrease is mainly caused by the raise of working capital (decrease in Export contracts’ down payments due to first half deliveries, increase in inventories and work-in-progress), investments being offset by the cash flow generated during the first half year.

2.2 BALANCE SHEET (IFRS DATA)

Total equity stands at **€4,277 million** as of June 30, 2020, vs. €4,446 million as of December 31, 2019.

Borrowings and financial debts stand at €322 million as of June 30, 2020 vs. €558 million as of December 31, 2019. €250 million of bank borrowings were reimbursed during the 1st semester. Borrowings and financial debts are mainly composed by locked-in employees’ profit sharing plan for €131 million and finance lease liabilities booked following the implementation of IFRS16 for €175 million.

Inventories and work-in-progress increased by €191 million and stand at €3,560 million as of June 30, 2020. The increase of the Falcon and Defense France components was partly offset by the decrease of the Defense Export component linked to Rafale Export deliveries.

Down-payments collected on orders net of down-payments paid lower by €293 million as of June 30, 2020 mainly due to Rafale Export deliveries and associated services during the period.

The market value of derivative financial instruments stands at €-134 million as of June 31, 2020 vs. €-71 million as of December 31, 2019. This decrease is partly due to the variation of the US Dollar exchange rate between June 30, 2020 and December 31, 2019 (1.1198 \$/€ vs. 1.1234 \$/€) and the decrease in US Dollar interest rates (decrease of forward points).

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APPENDIX

FINANCIAL REPORTING

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

The entire activity of the Dassault Aviation Group relates to the aerospace domain. The internal reporting made to the Chairman and Chief Executive Officer, 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 of:

- 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 financial statements, 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 or 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,
- amortization of assets valued as part of the purchase price allocation (business combinations), known as “PPA”,
- 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 recorded following the application of IFRS 16 “Leases”.

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

IMPACT OF ADJUSTMENTS

The impact of the adjustments of income statement aggregates for the 1st half 2020 is set out below:

<i>(in EUR thousands)</i>	Consolidated income statement H1 2020	Foreign exchange derivatives		PPA	Adjustments applied by Thales	Adjusted income statement H1 2020
		Foreign exchange gain/loss	Change in fair value			
Net sales	2,645,678	-4,430	184			2,641,432
Operating income	56,747	-4,430	154	2,484		54,955
Net financial income/expense	-37,733	4,430	14,897			-18,406
Share in net income of equity associates	17,251			1,427	41,249	59,927
Income tax	-4,256		-4,404	-454		-9,114
Net income	32,009	0	10,647	3,457	41,249	87,362
<i>Group share of net income</i>	<i>32,009</i>	<i>0</i>	<i>10,647</i>	<i>3,457</i>	<i>41,249</i>	<i>87,362</i>
Group share of net income per share <i>(in euros)</i>	3.8					10.5

The impact of the adjustments of income statement aggregates for the 1st half 2019 is set out below:

<i>(in EUR thousands)</i>	Consolidated income statement H1 2019	Foreign exchange derivatives		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