

DIRECTION DES RELATIONS EXTÉRIEURES ET DE LA COMMUNICATION

KEY FIGURES **1st HALF YEAR 2010**

- **Orders:**
 - ✓ **2 FALCONS** (negative orders for 56 aircraft in the 1st half year 2009)
- **Deliveries:**
 - ✓ **45 FALCONS** (26 FALCONS in the 1st half year 2009)
 - ✓ **5 RAFALEs** (7 RAFALEs in the 1st half year 2009)
- **Net sales: EUR 1,990 million**, up by 44% compared to the 1st half year 2009
- **Operating income: EUR 248 million**, up by 104% compared to the 1st half year 2009
- **Operating margin: 12.4 %**, up from 8.7% in the 1st half year 2009
- **Net income (excluding THALES): EUR 170 million**, up by 37% compared to the 1st half year 2009
(including THALES, net income before amortization of Purchase Price Allocation: 197 M€, net income after amortization of Purchase Price Allocation: 141 M€)
- **Net margin (excluding THALES): 8.5 %**, down from 9.0% in the 1st half year 2009



Saint-Cloud, July 29, 2010 – The Board of Directors, which met the day before, chaired by Mr. Charles EDELSTENNE, approved the financial statements for the 1st half year 2010. These consolidated condensed interim financial statements were reviewed by the statutory auditors who issued an unmodified conclusion.

1. Message from the Chairman

"The 1st half year was characterized by our Group's achievements both in FALCON deliveries and profitability. However, due to the persistent crisis, we are still facing uncertainties:

- even though FALCON orders cancellations pace is decreasing, new orders are taking time to pick up again,
- the soar in national debts will lead to Defense budgets restrictions, notably in France.

As regards RAFALE, we are discussing with several export prospects. They recognized our military aircraft's qualities during its evaluation and we are looking forward to concluding deals.

In this context, we still have to improve our productivity. This improvement is essential as our American competitors, despite their competitive advantage implied by favourable €/ \$ parity, relocate some of their activities in low cost countries.

The unpredictability of the worldwide economy has reinforced us in our option of a cautious industrial policy. It also urges us to prepare for the market recovery with the best possible assets: an even more improved competitiveness, cutting edge products and ambitious processes."

2. Consolidated results

2.1 Orders

1st half year 2010 consolidated orders amounted to **EUR 989 million** compared to EUR (-)1,126 million in the 1st half year 2009.

Orders booked by the Group over the last 12 months are as follows **in EUR millions**:

	DEFENSE		FALCON	Total	% Export
	France	Export			
1 st half year 2009	178	74	(-)1,378	(-)1,126	N/A
	N/A		N/A		
1st half year 2010	184	100	705	989	76%
	29%		71%		



FALCON programs

1st half year 2010 orders for new aircraft, minus cancellations, were slightly positive (2 FALCONs). Due to the crisis, 1st half year 2009 net orders were negative ((-) 56 FALCONs).

Euro amount of FALCON new orders, with respect to the limited number of aircraft ordered, is explained by a favourable €/€ effect. Our order book is valued using the closing €/€ exchange rate and includes currency hedging. As €/€ parity had favourably developed between December 31, 2009 (1.44 \$/€) and June 30, 2010 (1.23 \$/€), a favourable differential was taken into account through the Euro amount of new orders.

DEFENSE programs

Orders were up by 13%. They mainly corresponded to military support and development programs.

2.2 Net sales

1st half year 2010 consolidated net sales were **EUR 1,990 million, up by 44%** compared to EUR 1,384 million in the 1st half year 2009.

Consolidated net sales over the last 12 months are as follows **in EUR millions**:

	DEFENSE		FALCON	Total	% Export
	France	Export			
1 st half year 2009	373	106	905	1,384	71%
	35%		65%		
1st half year 2010	370	118	1,502	1,990	77%
	25%		75%		

FALCON programs

FALCON net sales were up by 66% between the two 1st half years. In particular, **45** brand new aircraft were delivered in the 1st half year 2010 compared to 26 in the 1st half year 2009.

DEFENSE programs

DEFENSE France net sales were comparable between the two 1st half years. **5** RAFALEs were delivered to French Air Force and Navy in the 1st half year 2010, compared to 7 in the 1st half year 2009. This decrease in RAFALE deliveries was offset by a rise in net sales linked to French military support and development programs.

DEFENSE export net sales were up by 11% and were linked to military support programs.



2.3 Operating income

1st half year 2010 **consolidated operating income** was **EUR 248 million, up by 104%** compared to the 1st half year 2009 (**EUR 121 million**).

Operating margin stood at **12.4%** up from 8.7% in the 1st half year 2009.

These improvements were mainly explained by the growth in net sales (and incidentally by better currency hedging: 1.29 \$/€ in the 1st half year 2010 compared to 1.31 \$/€ in the 1st half year 2009).

2.4 Net income

Excluding THALES, 1st half year 2010^(*) **net income** (total Group and net attributable Group profit) was **EUR 170 million, up by 37%** compared to 1st half year 2009 (**EUR 124 million**).

Net margin^(*) stood at **8.5%** down from 9.0% in the 1st half year 2009.

The net income included a EUR 16 million net financial expense, compared to a EUR 44 million net financial income in the 1st half year 2009. This degradation resulted from the following factors:

- in the 1st half year 2009, due to THALES acquisition, the Group sold some available-for-sale marketable securities that made a profit of EUR 38 million;
- 1st half year 2010 borrowing costs were EUR 17 million compared to EUR 4 million in the 1st half year 2009. The borrowings were indeed only taken out in May 2009;
- the fall in the average yield of cash and cash equivalents.

^(*) *net income including THALES:*

- *net income before amortization of Purchase Price Allocation: EUR 197 million.*
- *net income after amortization of Purchase Price Allocation: EUR 141 million.*

3. Financial structure and balance sheet items

The Group has defined a specific indicator, "Available cash", that reflects the Group's total liquidities minus borrowings. It covers the following balance sheet headings:

- cash and cash equivalents;
- available-for-sale marketable securities (at market value),
- borrowings.



Consolidated available cash amounted to **EUR 2.26 billion** as of June 30, 2010 compared to EUR 1.98 billion as of December 31, 2009.

This rise (EUR + 0.28 billion) was notably due to consolidated net cash from operating activities before working capital changes shown in the 1st half year 2010 (EUR + 0.35 billion), partially offset by the dividends paid by the Group (EUR (-) 0.09 billion).

Owing to numerous deliveries and limited net orders, the fall in inventories and work-in-progress was offset by the fall in customer advances and progress payments on work-in-progress. This led to no change in working capital.

Apart from working capital, the major change in the balance sheet regarded hedging instruments, which market value dropped by EUR 0.63 billion. This is related to the variation in €/ \$ closing rate: 1.23 \$/€ as of June 30, 2010 compared to 1.44 \$/€ as of December 31, 2009.

4. Group activities

1st half year 2010 was marked furthermore by:

- continued negotiations for export sales of RAFALE aircraft;
- 2010 best industrial prime contractor Quality Trophy awarded to DASSAULT AVIATION by the French Defense Procurement Agency (Délégation Générale pour l'Armement);
- type certification for FALCON 7X received from the Civil Aviation Administration of China;
- certification for FALCON 2000 EX/LX automatic braking;
- boosted FALCON aircraft maintenance capacities in Asia;
- final assembly of airframe shipsets and first integration tests of the sub systems of the nEUROn unmanned combat aircraft vehicle (UCAV). This program, led by DASSAULT AVIATION as the project manager, includes five other European partners.

5. Outlook for 2010

2010 net sales should be comparable to 2009 net sales, with deliveries of the order of 85 FALCONS and 11 RAFALEs.

Owing to the significant number of available-for-sale pre-owned aircraft on a worldwide scale, the Group does not predict a business aviation market recovery in the short term.

Please note that FALCON 900 LX has been certified in July 2010.

The Group's financial statements are available at our website: www.dassault-aviation.com

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