1ST HALF YEAR 2011

Orders	**22 FALCON**	*2 in the 1st half year 2010*

Deliveries	**19 FALCON**	*45 in the 1st half year 2010*
	6 RAFALE	*5 in the 1st half year 2010*

Net sales	**EUR 1,317 million**	*-34% / 1st half year 2010*
Operating income	EUR 99 million	*-62% / 1st half year 2010*
Operating margin	7.5 %	*13.2% in the 1st half year 2010*
Net income (excluding THALES)	EUR 94 million	*-45% / 1st half year 2010*
Net margin (excluding THALES)	7.1 %	*8,5% in the 1st half year 2010*
Net income (1)	**EUR 129 million**	*-35% / 1st half year 2010*
Net margin	**9.8 %**	*9,9 % in the 1st half year 2010*

(1) net income before amortization of Purchase Price Allocation; including: EUR 88 million

Saint-Cloud, July 28, 2011 – The Board of Directors, which met the day before, chaired by Mr. Charles EDELSTENNE, approved the financial statements for the 1st half year 2011. These consolidated condensed interim financial statements were reviewed by the statutory auditors who expressed an unqualified opinion.

1. Message from the Chairman

Our Group still faces the uncertainties of the global economy.

Concerning business jets, the situation is recovering slowly. This activity is growing, although it remains far from 2008 level.

The one-off number of orders cancellations seems to be behind us. The pre-owned business jets market slightly re-starts: a little increase of sales has reduced the number of available-for-sale pre-owned aircraft and has stabilized prices. This trend has to emphasize before new aircraft orders take off again, considering sales are often financed by prior pre-owned aircraft resales.

Moreover, American and European markets are cautious, as too many uncertainties remain before growth earnings being transformed into new investments. Latin America and India show significant dynamism. China is becoming our first market since the beginning of the year. Middle East was sending positive signals but recent unrest clearly affects short term international trade adversely.

From a macroeconomic point of view, the dollar weakness, compared to the euro, remains. This unfavourable parity penalizes our production costs in France. Public debts increase has led to budget austerity. It negatively affects military investments of some countries which postpone their invitation to tender.

However, we have passed a key milestone in India and keep in competition in United Arab Emirates, Brazil and Switzerland. RAFALE exportation is a priority for our Group and for the French Government, considering the importance of military aircraft industry, on political, technological and economical standpoints.

We must continue to lead a cautious industrial policy, while being ready to enter the market recovery with the best possible assets: an even more improved competitiveness, cutting edge products and ambitious processes.

Further to June 30th, we are pleased with the decision made by French Defense Ministry on the 20th of July, to launch talks with DASSAULT AVIATION for the supply of a new MALE drone system (Medium Altitude Long Endurance) to the French Forces by 2014, based on a French version of the HERON^{TP} made by IAI. This will structure the industrial course in order to prepare the future MALE drone by 2020, developed in the frame of the cooperation agreement between BAE SYSTEMS and DASSAULT AVIATION.

2. Consolidated results

2.1 Order intake

1st half year 2011 consolidated order intake amounted to **EUR 953 million** compared to EUR 989 million in the 1st half year 2010:

	DEFENSE		FALCON	Total	% Export
	France	Export			
1st half year 2010	184	100	705	989	76%
	29%		71%		
1st half year 2011	**89**	**58**	**806**	**953**	88%
	15%		**85%**		

FALCON programs
1st half year 2011 order intake for brand new aircraft, minus cancellations, was positive by **22** FALCON. In the 1st half year 2010, it was slightly positive by 2 FALCON.

Euro amount of FALCON order intake was up by 14% between the two periods. This relatively moderate increase (referring to the higher number of aircraft ordered: +20) was explained by an unfavourable dollar effect. Indeed, our backlog is valued using the closing $/€ exchange rate (including currency hedging), and the $/€ had unfavourably developed between June 30, 2010 (1.23 $/€) and June 30, 2011 (1.45 $/€). Differential is taken into account through the Euro amount of new orders.

DEFENSE programs
New orders mainly corresponded to military support and development programs. They decreased by 48% compared to the 1st half year 2010.

2.2 Net sales

Consolidated 1st half year 2011 net sales amounted to **EUR 1,317 million**, down by 34% compared to EUR 1,990 million in the 1st half year 2010:

<table>
<tr><td rowspan="2"></td><td colspan="2">DEFENSE</td><td rowspan="2">FALCON</td><td rowspan="2">Total</td><td rowspan="2">% Export</td></tr>
<tr><td>France</td><td>Export</td></tr>
<tr><td rowspan="2">1st half year 2010</td><td>370</td><td>118</td><td>1,502</td><td rowspan="2">1,990</td><td rowspan="2">77%</td></tr>
<tr><td colspan="2">25%</td><td>75%</td></tr>
<tr><td rowspan="2">1st half year 2011</td><td>385</td><td>95</td><td>837</td><td rowspan="2">1,317</td><td rowspan="2">69%</td></tr>
<tr><td colspan="2">36%</td><td>64%</td></tr>
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FALCON programs

FALCON net sales were down by 44% between the two periods, which explained the decrease in the total net sales. Indeed, **19** brand new aircraft were delivered in the 1st half year 2011 compared to 45 in the 1st half year 2010. The 1st half year 2011 was marked by postponed deliveries due to delayed customer acceptances and the F7X incident.

DEFENSE programs

6 RAFALE were delivered to French Air Force and Navy, compared to 5 in the 1st half year 2010. Nevertheless, net sales were down by 2% due to the decrease in military support and development programs.

2.3 Backlog

The consolidated backlog on June 30, 2011 amounts to **EUR 9,037 million**, down by 4% compared to EUR 9,401 million on December 31, 2010.

2.4 Change in accounting presentation

As of June 30, 2010, the Group posted the research-based tax credits of its French companies as a reduction of its income taxes. Noting other French listed groups practice, the Group has decided, from December 31, 2010, to post them in operating income, into other revenue heading.

In order to provide comparable figures, in accordance with IFRS norms, 1st half year 2010 consolidated financial data are not the published ones but are restated. These restated figures have been calculated as if the Group had always applied this presentation policy to research-based tax credits.

1st half year 2010 net income remains unchanged: the EUR 15 million increase of the operating income is offset by an increase for the same amount of the income tax.

2.5 Operating income

1st half year 2011 **Consolidated operating income** amounted to **EUR 99 million**, down by 62% compared to the 1st half year 2010 restated figure (EUR 262 million).

Operating margin stood at **7.5%**, compared to 13.2% in the 1st half year 2010 (restated of research-based tax credits).

This is mainly due to the net sales drop.

2.6 Net income

Excluding THALES, 1st half year 2011 **net income** was **EUR 94 million**, down by 45% compared to the 1st half year 2010 (EUR 170 million). Net margin stood at **7.1%**, compared to 8.5% in the 1st half year 2010.

1st half year 2011 **net income** including THALES was **EUR 129 million**, down by 35% compared to EUR 197 million in the 1st half year 2010(*). Net margin was **9.8%** compared to 9.9% in the 1st half year 2010.

Net income included a EUR 29 million net financial income, compared to a EUR 16 million net financial expense in the 1st half year 2010. This improvement resulted from the following factors:

- in the 1st half year 2011, the Group sold some available-for-sale marketable securities (notably for borrowings repayment) that made a profit of EUR 36 million,
- borrowing costs were EUR 10 million compared to EUR 17 million in the 1st half year 2010.

(*) 1st half year 2011 net income including THALES after amortization of Purchase Price Allocation was EUR 88 million compared to EUR 141 million in the 1st half year 2010.

3. Financial structure and balance sheet items

3.1 Available cash

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 2,920 million** as of June 30, 2011 compared to EUR 3,064 million as of June 30, 2010.

This decline (- EUR 144 million) was notably due to an increase in working capital (- EUR 55 million), investments (- EUR 48 million) and dividends payment (- EUR 108 million) partially offset by consolidated net cash from operating activities before working capital changes shown in the 1st half year 2011 (+ EUR 108 million).

3.2 Balance sheet

Apart from working capital, balance sheet was impacted by the repayments of borrowings related to the purchase of THALES shares.

4. Group activities

- ***FALCON programs:***

  The 1st half year 2011 was marked by:
  - the delivery of 19 FALCON,
  - the launch of a new FALCON 2000 version, FALCON 2000S, during EBACE air show,
  - the EASA and FAA certification of FALCON 900LX EASy II cockpit,
  - FALCON 7X enhanced flight vision system certification,
  - continued developments in progress,
  - prompt resolution of a pitch trim issue which grounded the FALCON 7X fleet for a few weeks.

- ***DEFENSE programs:***

  Concerning the RAFALE, the 1st half year 2011 was marked by:
  - the delivery of 6 RAFALE,
  - the participation of Air and Navy RAFALE in several campaigns (Agapanthe, Harmattan),
  - RAFALE shortlisted in the Indian tender and continued negotiations for export sales of this aircraft.

As regards other programs, it has to be highlighted:

- nEUROn UCAV demonstrator Air Vehicle final assembly started in Istres and progress in nEUROn SW integration leading to a foreseen first flight in 2012. The nEUROn program, managed by DASSAULT AVIATION as prime contactor, involves five European industrial partners,
- signature of a MOU between BAE Systems and DASSAULT AVIATION in order to prepare a joint proposal for a MALE (Medium Altitude Long Endurance UAV). The project, named TELEMOS, will be proposed to French and UK MoDs. BAE Systems will be the prime contractor and DASSAULT AVIATION will be responsible of Mission systems,
- continuation of negotiations related to the MIRAGE modernization contract in India.

5. Outlook

In 2011, The Group expected to deliver around 65 FALCON and 11 RAFALE. Net sales should decrease significantly compared to 2010.

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

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