



RESULTS 2016

Press Conference

Saint-Cloud - March, 8th 2017

Éric TRAPPIER

Chairman & CEO

ACTIVITIES and PROGRAMS in 2016

The year 2016 will remain above all as a year marked by uncertainty :

- in geopolitical terms
 - ✓ Brexit,
 - ✓ American presidential election,
 - ✓ conflicts in the Middle East and Africa,
 - ✓ tensions around Russia.
- in economic terms
 - ✓ delayed effects of the 2008 crisis,
 - ✓ instability of oil prices,
 - ✓ fluctuation of the dollar,
 - ✓ slowing growth in countries such as China and Brazil.

2016 major events

- **RAFALE INDIA**

Success and coming into force of the contract for the sale of 36 RAFALE in 2016, strategic cooperation since 1953.



- **FALCON 8X**

- Maturity of the aircraft at its entry into service
- 1st delivery: October 5th, 2016
- Certification :
 - EASA : June 24th, 2016
 - FAA : June 27th, 2016



Centennial of Dassault Aviation

Celebration of the centennial of Dassault Aviation,

it was the opportunity to reaffirm our Company's DNA, defined by Marcel Dassault, confirmed by Serge Dassault and shared by all the collaborators since 1916 :

- the passion for aeronautics,
- the civil and military duality,
- the search for technological innovation,
- the teamwork,
- the responsiveness,
- the tenacity,

not forgetting the element of luck, symbolized by the clover in our logo.



Dassault Aviation favorite company of the French people



March 24th, 2016

Dassault Aviation, favorite company of the French people.

Dassault Aviation received the 2016 Randstad Award of the most attractive French company, all categories combined.

January 26th, 2017

Dassault Aviation, best employer in France.

Dassault Aviation was elected the best employer in France, all categories combined, by a panel of 20,000 employees interviewed by the Statista Institute for the Capital financial magazine.



RAFALE in operation by French forces.



- Delivery of 6 RAFALE, bringing total deliveries to 148 out of 180 ordered,
- Delivery of 2 Naval RAFALE retrofitted to the F3 standard,
- Continued the development of the F3-R standard,
- Continued supporting the RAFALE, in the context of various out-of-area operations.
- French military procurement plan :
 - ✓ 1 RAFALE France in 2017, 3 RAFALE in 2018, then 28 RAFALE to be delivered after 2021,
 - ✓ negotiations for a F4 standard and a 5th Tranche.

RAFALE Export

- **INDIA**

Success and coming into force of the contract for the sale of 36 RAFALE in 2016, following a strategic cooperation with Dassault Aviation since 1953, and simultaneous signature of an offset contract.



- **EGYPT**

Delivery of 3 RAFALE, bringing total deliveries to 6 out of 24 ordered.

- **QATAR**

Ongoing execution of the contract for the 24 RAFALE.

Joint Venture in India

« Dassault Reliance Aerospace Limited »

Goal: manage the implementation of offsets related to the sale contract of 36 RAFALE to India.



November 28th, 2016 : Signature of the Joint Venture agreements with the group 

- shareholders : 51 % Reliance – 49 % Dassault Aviation,
- governance : major decisions taken unanimously,
- industrial management by Dassault Aviation.

February 10th, 2017 : Incorporation of the Joint Venture
« Dassault Reliance Aerospace Limited »

MIRAGE 2000

INDIA :

Ongoing support to HAL in India for aircraft upgrades.

FRANCE :

Notification of the MIRAGE 2000D upgrade contract.

Continued support of MIRAGE 2000 fleets around the world.



Maritime Surveillance and Maritime Patrol

JAPAN :

Notification from the Japanese Coastguards of the order of a 3rd FALCON 2000 Maritime Surveillance Aircraft.



FRANCE :

Notification of the contract for the addition of drop hatches on 4 Naval FALCON 50.



Continuation of the renovation of the ATLANTIQUE 2 combat system.



Drones – nEUROn

Prepare the future

- Award of a new 2016 flight test campaign for FRANCE :
 - ✓ additional confrontations to air-air and ground-based air defense systems,
 - ✓ assessment in a naval environment.
 - ✓ radar signature measurements by the French defense procurement agency DGA in Bruz.
- Preparation for a new flight test campaign in 2017.



Drones – FCAS

Prepare the future



FCAS (Future Combat Air System)

Extension notified for one year of the feasibility phase preparing a demonstration program.

Preparation with our industrial partners of a proposal to launch at the end of 2017 the first development phase of an operational UCAS demonstrator, following the UK-France summit of Amiens on March 3rd, 2016.

Notification by the DGA of national works of technological maturation.

Drones - MALE RPAS

Prepare the future



MALE RPAS

(Medium Altitude Long Endurance Remotely Piloted Aircraft System)

Airbus Defense & Space, Leonardo and Dassault Aviation are conducting a 2-year definition study to develop a MALE drone. This study was notified in 2016 by the OCCAR (Organization for Joint Armament Cooperation), in liaison with the French, German, Italian and Spanish Ministries of Defense.

Business aircraft market conditions

Our FALCON sales suffered from :

- the sluggish market for new business aircraft,
- high inventory levels of used aircraft driving down selling prices,
- the delay of the FALCON 5X following the difficulties encountered by Safran in the development of the new SilverCrest engine,
- our competitor advantages in terms of competitiveness and flexibility.

➔ *Competitive market with strong price pressure.*

Maturity of the aircraft at its entry into service, 1st delivery : October 5th, 2016.

- FALCON “Ultra Long Range”
- Range: 6,450 NM
- 1st flight : February 6th, 2015
- worldwide intensive flight tests campaign demonstrating the maturity of the aircraft
- Certification :
 - EASA : June 24th, 2016
 - FAA : June 27th, 2016



FALCON 5X



Following the announcement by Safran Aircraft Engines of its rescheduling in the development of the SilverCrest engine (delayed delivery of the first complete engine from the end of 2013 to the beginning of 2018), the new schedule for the FALCON 5X program has been defined, leading to the postponement of the 1st deliveries from late 2017 to early 2020.

Engine modifications are under development. The first engine with all the corrections will be tested in 2017 by Safran on the ground and in flight on aircraft test bench before the integration campaign in 2018.

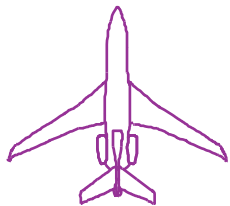
FALCON Family



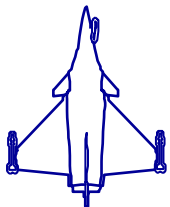
2016 RESULTS

DASSAULT AVIATION GROUP

Order intake, deliveries, and backlog in units

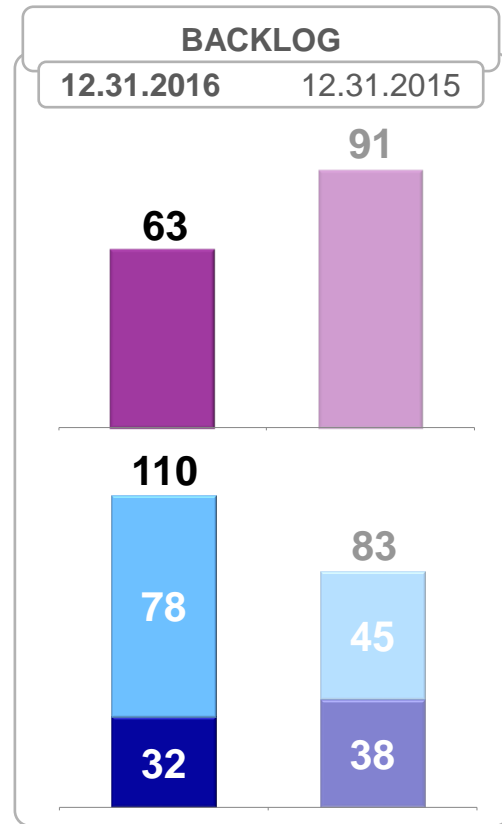
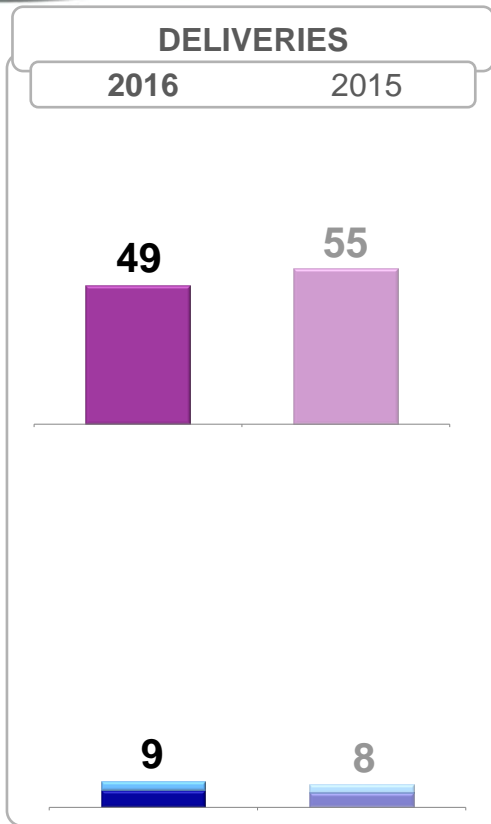
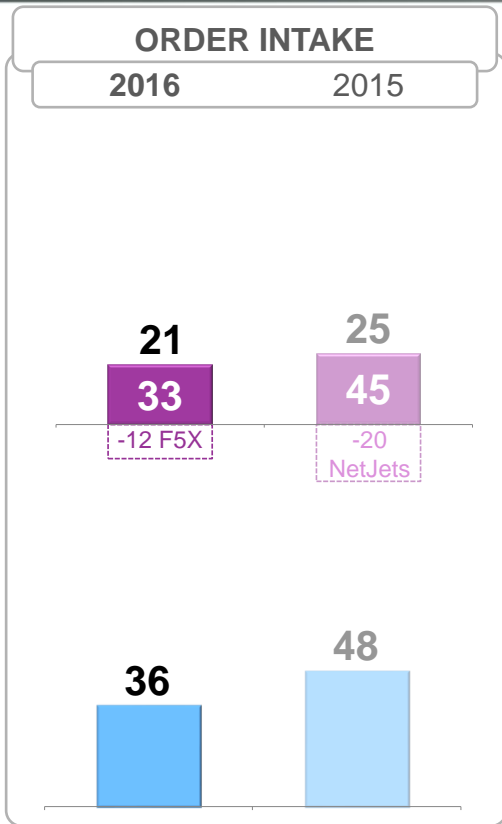


FALCON



RAFALE Export

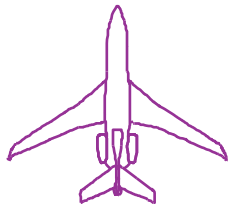
RAFALE France



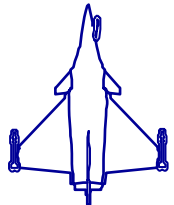
Order intake, deliveries, and backlog

in € Bn

N.B.: DASSAULT AVIATION recognizes the RAFALE Export contracts in their entirety (i.e. including the THALES and SNECMA parts), whereas for France, only the DASSAULT AVIATION part is recognized.

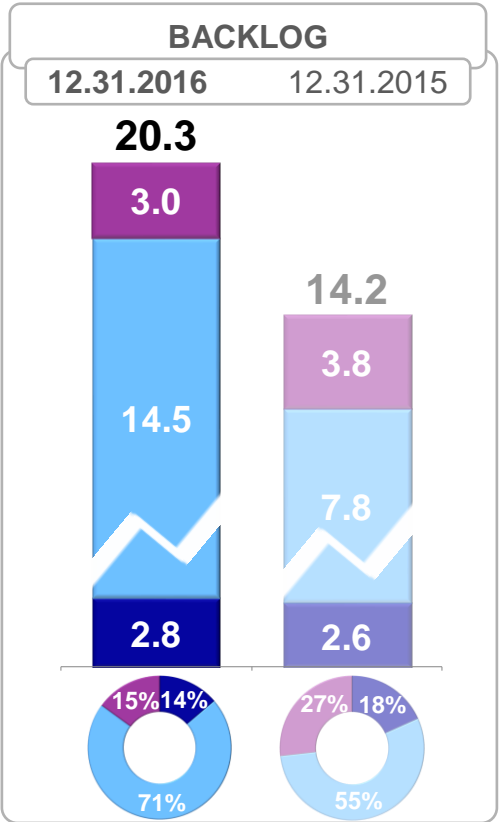
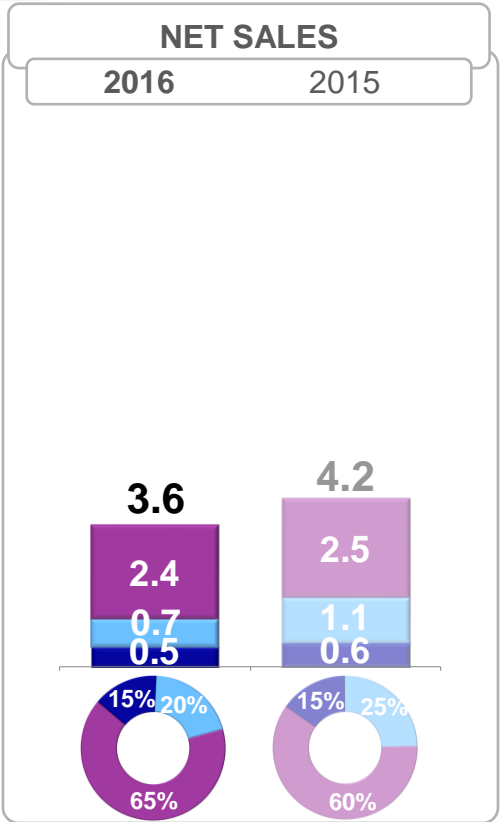
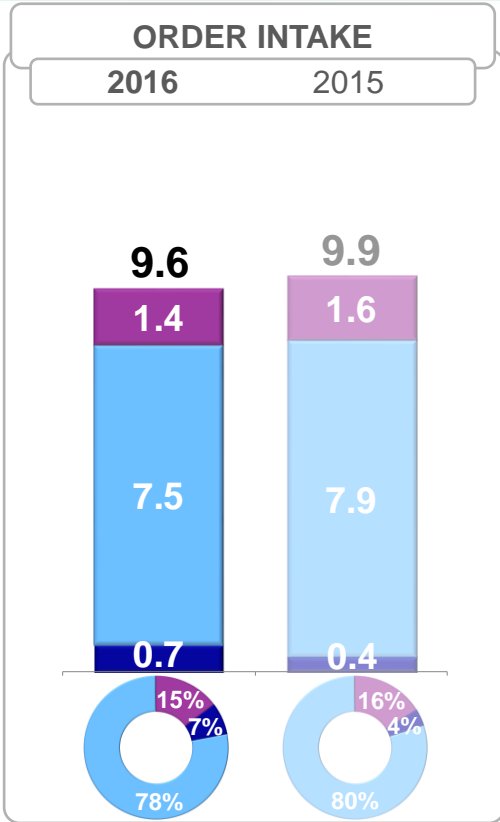


FALCON



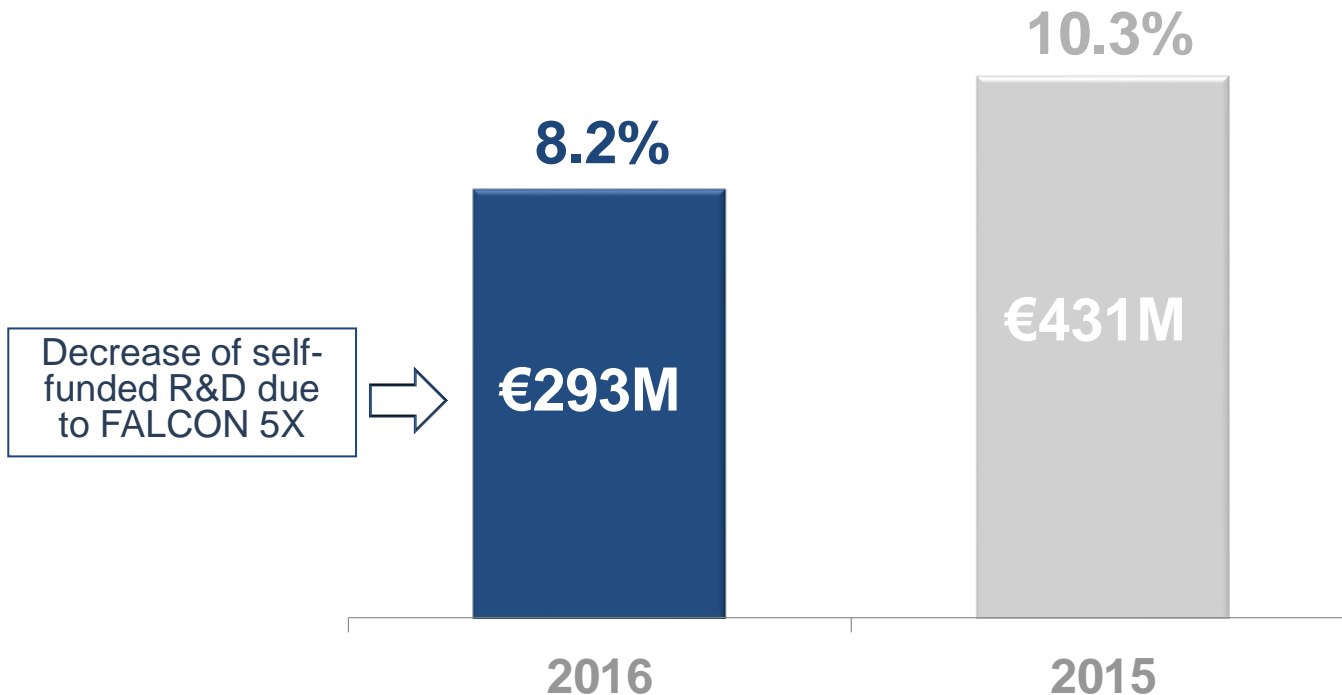
DEFENSE Export

DEFENSE France



Self-funded R&D

in € million and in % of net sales



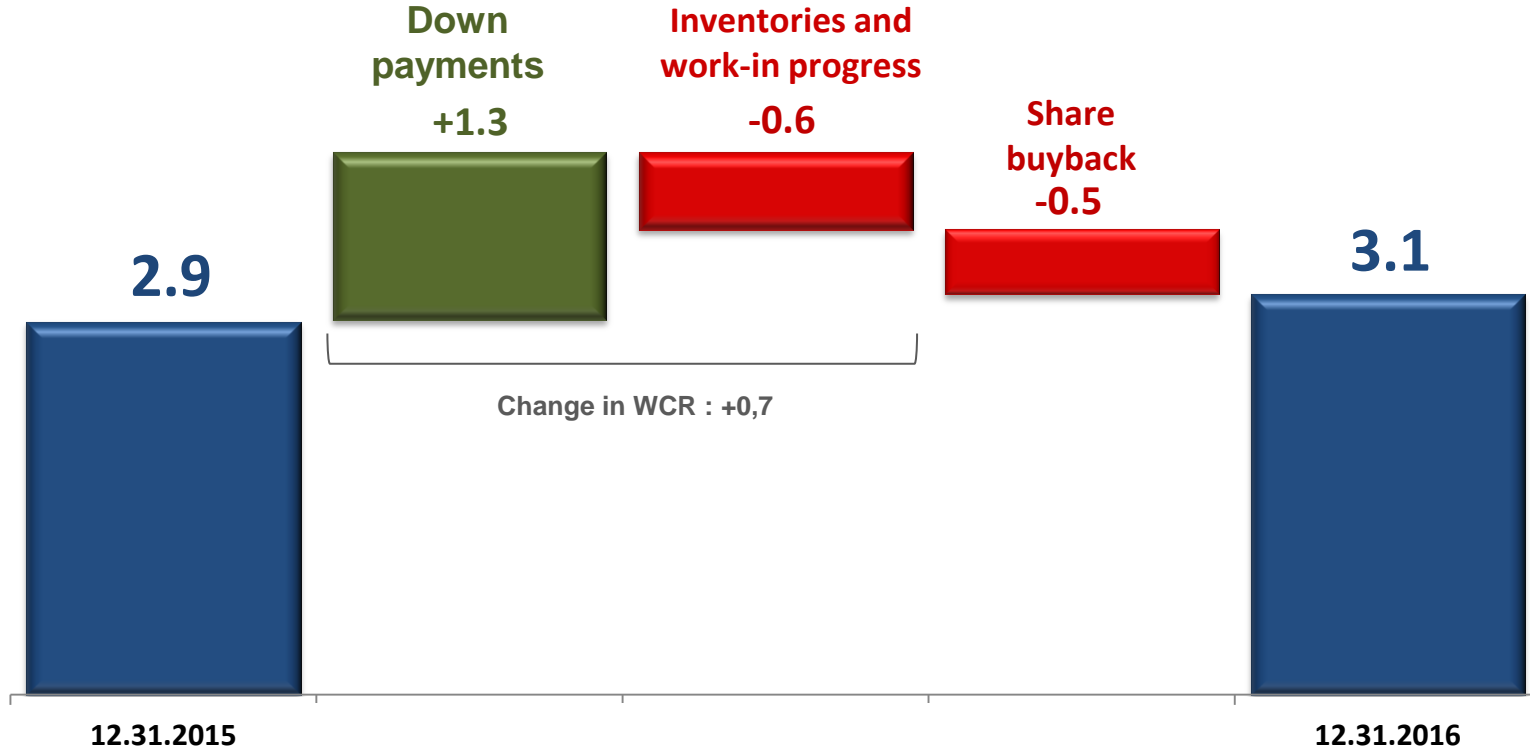
- Dassault Aviation has been a shareholder of Thales since 2009 and as a leading industrial shareholder Dassault Aviation has entered into a shareholders' agreement with the French State.
- Thales is continuing its process of improving its margins while maintaining its R&D efforts and mastering the development of its programs.
- The change in adjusted net income since 2009 is as follows :

<i>in € million</i>	2009	2010	2011	2012	2013	2014	2015	2016
Adjusted net result	-128	-45	517	570	642	562	809	897
<i>Adjusted net margin</i>	-1.0%	-0.3%	4.0%	4.0%	5.1%	4.3%	5.8%	6.0%

Group adjusted income statement

<i>in € million</i>	2016	2015
Net sales	3,586	4,176
Operating income	218	361
<i>Operating margin</i>	6.1%	8.6%
Financial income	11	19
THALES and other equity affiliates	223	193
Taxes	-68	-91
Net income	384	482
Net margin	10.7%	11.5%
<i>nb : Earnings per share</i>	45.5 €	54.6 €

Available cash in € Bn




Changes in capital (1/2)

On June 10, 2016, Airbus Group sold 825,184 Dassault Aviation shares to institutional investors and 502,282 shares to Dassault Aviation at a price of € 950 per share and simultaneously issued bonds exchangeable into 825,184 Dassault Aviation shares.

Dassault Aviation acquired 502,282 shares (5.5% of the capital) for a total amount of € 477 million.

In the event of an exchange of bonds or the exercise of its shares redemption option, Airbus Group will no longer hold any share nor voting right in Dassault Aviation.

Changes in capital and voting rights following this transaction:




	12/31/2015			06/30/2016		
	Shares	% Capital	% Voting rights	Shares	% Capital	% Voting rights
GIMD	5,118,240	56.1%	58.7%	5,118,240	56.1%	73.2%
FREE FLOAT	1,441,671	15.8%	16.6%	2,266,861	24.9%	16.2%
AIRBUS GROUP	2,152,656	23,6%	24.7%	825,184	9.0%	10.6%
DASSAULT AVIATION	409,971	4.5%	0.0%	912,253	10.0%	0.0%
TOTAL	9,122,538	100.0%	100.0%	9,122,538	100.0%	100.0%

NB : since April 3rd, 2016, shares held in registered form for more than two years have a double voting right.

Changes in capital (2/2)

The Board of Directors decided the cancellation of 871,753 shares, which took place on December 23rd, 2016.

The structure of capital has evolved as follows:



	06/30/2016			12/31/2016		
	Shares	% Capital	% Voting Rights	Shares	% Capital	% Voting Rights
GIMD	5,118,240	56.1%	73.2%	5,118,240	62.0%	76.8%
FREE FLOAT	2,266,861	24.9%	16.2%	2,267,811	27.5%	17.0%
AIRBUS GROUP	825,184	9.0%	10.6%	825,184	10.0%	6.2%
DASSAULT AVIATION	912,253	10.0%	0.0%	39,550	0.5%	0.0%
TOTAL	9,122,538	100.0%	100.0%	8,250,785	100.0%	100.0%

As a reminder, the 39,550 treasury shares held by the Board of Directors at the 31st of December 2016 were allocated to an eventual liquidity contract or to the allocation of performance shares.

**Dividend's proposal € 12.1 per share
to be submitted to the Annual General Meeting on May 18th, 2017**

	2016	2015
Ajusted net result (group)	€ 384 M	€ 482 M
<i>Dividend</i>	€ 100 M	€ 110 M
<i>Payout</i>	26%	23%
<i>Dividend per share</i>	€ 12.1	€ 12.1

NB : in terms of earnings distribution policy, Group employees will receive, under profit-sharing and incentives schemes, **€ 84 million** (whereas the legal formula would have led to an amount of € 2 million).

Payment of the dividend in shares

Option for payment of the dividend in shares :

- ✓ share price: average fixing of the 20 days preceding the Shareholders' Meeting of May 18th, 2017, less the amount of the dividend (no discount applied),
- ✓ option, in whole or in part, for the payment of the dividend in cash or in new shares,
- ✓ subscription period for the shareholder's choice: from May 29th to June 9th, 2017 included,
- ✓ management of the fractions at the superior rounding: the shareholder has the possibility of paying a balance in order to receive the number of shares immediately superior,
- ✓ payment of the dividend in shares and / or in cash: June 21st, 2017.

Balancing working time over 3 years

- Considering the decrease of the production workload in 2017, due to the weakness of Falcon orders, the Company proposed to the unions to implement a plan based on work time modulation over a three-year period for factories with low workload (around 2,000 people involved).
- This modulation, which is permitted by labor laws and by the metalworking branch agreement of October 2016, would have involved a reduction in working hours in 2017 (6-30 days, depending on the factory and the work team) for the same salary, compensated by an increase in the number of hours worked per week in 2018 and/or 2019 (from 1 to 4 hours maximum, with a 10% increase in pay).
- The proposal was approved by the CFE-CGC but rejected by the CGT. CFDT decided not to sign the proposed agreement in spite of the commitment that there would be no facility closing down and no layoff for the duration of the proposed agreement. Therefore, this proposal was abandoned.
- Taking into account the low production workload for 2017, we have to take measures to reduce the production workforce through early retirements in accordance with the current agreement related to jobs and skills forecast management.

Transformation plan (1/2)

« Leading our future »

Today, our challenge is to prepare for the future in an increasingly unpredictable and competitive environment. Our transformation shall contribute to the launch of a new FALCON and allow us to increase our markets shares, particularly by increasing our flexibility and by reducing our costs in a competitive environment

To achieve this goal, we launched a transformation plan called “Leading our Future”. It is based on:

- culture, skills and organization,
- digital tools, processes and innovation,
- industrial tools (Dassault Aviation industrial sites and subcontracting),
- program management,

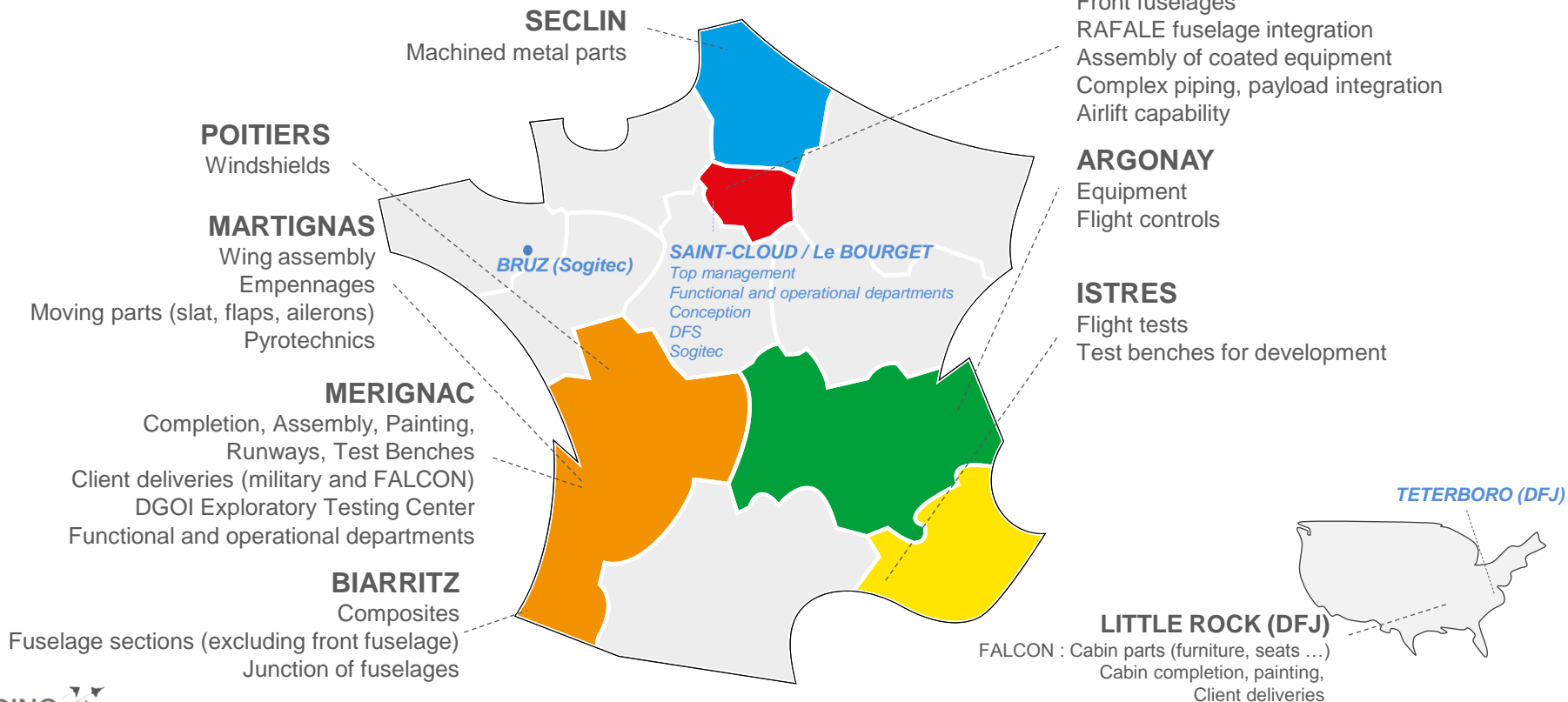
and relies on :

- women and men, at the center of the transformation,
- user-oriented digital technology, which will be the driver of transformation.

Transformation plan (2/2)

« Leading our future »

Industrial sites specialization



Outlook and strategy for 2017

2017 objectives :

- to sell FALCON aircraft and obtain new RAFALE Export contracts,
- further to the execution of the RAFALE contract with India, to implement the offset contract notably through the Joint-Venture in India,
- to ensure that the SilverCrest engine program keeps on track in accordance with the new schedule, on which the FALCON 5X schedule depends,
- to reinforce the France roadmap for RAFALE and drones,
- to define the technological “building blocks” for the future FALCON, and establish the conditions to launch a new FALCON, according to the results of a market survey,
- to ensure the Company’s transformation in order to, in particular, improve industrial tools and competitiveness.
- deliveries: **45 FALCON** (vs 49 delivered in 2016), and **9 RAFALE** : 1 France and 8 Egypt (vs 9 in 2016, 6 France and 3 Egypt). 2017 net sales should be higher than in 2016 given the RAFALE Export net sales.



RESULTS 2016

Press Conference

Saint-Cloud - March, 8th 2017

Éric TRAPPIER

Chairman & CEO