

## DASSAULT AVIATION GROUP – KEY FIGURES

|  | 2016   | 2015  |
|--|--|---|
| Order intake   | <b>EUR 9,558 million</b><br>36 RAFALE India<br>21 FALCON<br><i>including 12 cancellations of FALCON 5X</i> | EUR 9,884 million<br>24 RAFALE Egypt<br>24 RAFALE Qatar<br>25 FALCON<br><i>including 20 cancellations of FALCON NetJets</i> |
| <u>Adjusted net sales</u> (*)  | <b>EUR 3,586 million</b><br>6 RAFALE France<br>3 RAFALE Egypt<br>49 FALCON                                 | EUR 4,176 million<br>5 RAFALE France<br>3 RAFALE Egypt<br>55 FALCON   |
| Backlog<br>(as of December 31)                                       | <b>EUR 20,323 million</b><br>110 RAFALE<br>63 FALCON   | EUR 14,175 million<br>83 RAFALE<br>91 FALCON  |
| <u>Adjusted net income</u> (*)                                       | <b>EUR 384 million</b><br><i>EUR 45.5/share</i>  | EUR 482 million<br><i>EUR 54.6/share</i>  |
| <u>Adjusted net margin</u> (*)                                       | <b>10.7% of net sales</b>  | <i>11.5% of net sales</i>   |
| Available cash<br>(as of December 31)                                | <b>EUR 3,105 million</b>   | EUR 2,885 million   |
| Dividend   | <b>EUR 100 million</b><br><i>EUR 12.1/share</i>  | EUR 110 million<br><i>EUR 12.1/share</i>  |
| Profit-sharing and incentive schemes<br><i>Workforce as of 12/31</i> | <b>EUR 84 million</b><br><i>11,942</i>   | EUR 92 million<br><i>12,177</i>   |

(\*) See table of reconciliation between the consolidated income statement and the adjusted income statement in appendix.

Note: Dassault Aviation recognizes RAFALE Export contracts in their entirety (including the Thales and Safran parts), whereas for France, only the Dassault Aviation part is recognized.

**Saint Cloud, March 8, 2017** - The Board of Directors, chaired yesterday by Mr. Éric TRAPPIER, closed the 2016 financial statements. These consolidated financial statements were certified by the Statutory Auditors, who expressed an unqualified opinion.

Éric TRAPPIER, Dassault Aviation's Chairman and Chief Executive Officer, stated:

"In 2016, we celebrated our centennial, which presented an opportunity to reaffirm our Company's DNA: a passion for aviation, our civil and military duality, the search for technological innovation, sound management to ensure the financial health of the Company whilst investing in the future, family shareholding and spirit, teamwork, responsiveness and tenacity, not forgetting the element of luck, symbolized by the clover in our logo.

2016 will be remembered for two major events:

- a further success for RAFALE with the sale of 36 RAFALE to India,
- the first delivery of a FALCON 8X, on October 5, 2016 following its certification in June 2016 by the EASA and the FAA, and the particularly successful flight campaign around the world that demonstrated the maturity of our new flagship aircraft.

Furthermore, Dassault Aviation's values were recognized in 2016 when it received the Randstad Award for the most attractive French company for all categories combined, which was followed by the Company being elected the best employer in France, all categories combined, in early 2017 by the Statista Institute for the Capital financial magazine.

Despite these successes and this collective pride, 2016 will also be remembered for the global economic and geopolitical uncertainty that weighed heavily on the business aviation market, which had already been difficult in 2015, in an increasingly gloomy and fierce price war backdrop.

In terms of business aviation, in addition to the first delivery of a FALCON 8X on October 5, 2016, the year was marked by:

- 21 FALCON ordered (including 12 FALCON 5X that were canceled as a result of Safran Aircraft Engines being late with the SilverCrest engine), compared to 25 FALCON ordered (including 20 FALCON Netjets canceled) in 2015,
- 49 FALCON delivered, compared to 55 in 2015, in line with our guidance of 50 deliveries,
- after the announcement by Safran Aircraft Engines of its schedule for catching up with development of the SilverCrest engine (delay in delivery of the first complete engine from the end of 2013 to the beginning of 2018), it was possible to draw up a new schedule for the FALCON 5X program, which led to the deferral of the first customer deliveries from the end of 2017 to the beginning of 2020. Engine modifications are in the course of development. The first engine with all the corrections will be tested in 2017 by Safran on the ground and in flight on the aircraft test bench before the integration campaign in 2018,
- the order of a third Maritime Surveillance FALCON 2000 by the Japanese coastguards.

With regard to our military aircraft, 2016 resulted in:

- the signing of an offset agreement simultaneously with the signing and the coming into force of a sales agreement for 36 RAFALE with India,
- the delivery of 6 RAFALE to France and 3 RAFALE to Egypt, in line with our forecasts,
- the delivery of 2 Naval RAFALE retrofitted to the F3 standard to French navy,

- the continuation of development works on the F3-R standard,
- the notification by France of the MIRAGE 2000D upgrade contract,
- the continued development works to upgrade the combat system on the ATLANTIQUE 2.

In terms of future combat drones:

- a new flight test program for the nEUROn unmanned fighter aircraft, dedicated to stealth demonstrations, as well as tests at sea with the Charles de Gaulle aircraft carrier,
- the notification of a one-year extension of the feasibility phase to prepare for a demonstration program; the preparation with our industrial partners of the proposal to launch at the end of 2017 the first development phase of an operational UCAS (Unmanned Combat Air System) demonstrator, one of the components of the Future Combat Aircraft System (FCAS), following the Franco-British Summit in Amiens on March 3, 2016. The DGA (French Defense Procurement Agency) also notified a national technological development works,
- the launch by OCCAR (The Organization for Joint Armament Cooperation), in conjunction with the French, German, Italian and Spanish defense ministries, of a 2-year definition study for a MALE RPAS (Medium Altitude Long Endurance - Remotely Piloted Aircraft System) drone using European technologies. This study brings together Dassault Aviation, Airbus Defence and Space and Leonardo.

In 2016, we also announced the creation of a Joint Venture with RELIANCE Group in view of managing off-sets related to the contract for 36 RAFALE India. On February 10, 2017, Dassault Reliance Aerospace Limited was created.

The year 2016 will also be noted for the continued withdrawal by Airbus Group from the capital of Dassault Aviation, leading to further consolidation by our traditional and majority shareholder, GIMD. Dassault Aviation's capital is now 62.0% held by GIMD, 27.5% by free float, 10.0% by Airbus Group and 0.5% by Dassault Aviation.

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, while improving our competitiveness (costs, quality, competitive advantages).

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 our transformation.

## OUTLOOK FOR 2017

Our objectives for 2017 are:

- 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.

The Group forecasts that in 2017, it will deliver **45 FALCON** and **9 RAFALE** (1 to France and 8 to Egypt). 2017 net sales should be higher than in 2016 given the RAFALE Export net sales.

## GOVERNANCE

The Board of Directors of Dassault Aviation, having noted the resignation of Mrs. Nicole DASSAULT and Mr. Alain GARCIA, has co-opted:

- Mrs. Catherine DASSAULT
- Mrs. Mathilde LEMOINE

for the remaining terms of their predecessors' mandates, or until the Annual General Meeting that will be called to approve the financial statements for fiscal year 2019. Mrs. Mathilde LEMOINE is considered to be an independent director.

These appointments will be definitively settled after the ratification of these co-optations, which will be subject to the approval of the Annual General Shareholders' Meeting of May 18, 2017.

## 2016 KEY FIGURES USING CONSOLIDATED ADJUSTED DATA

*See table of reconciliation between the consolidated income statement and the adjusted income statement in appendix*

### ORDER INTAKE

2016 **order intake** was **EUR 9,558 million**, compared to EUR 9,884 million in 2015. **Exports** represented **92%**.

Order intake consists exclusively of firm orders.

**21 FALCON** were ordered (including **12 FALCON 5X that were canceled** as a result of Safran Aircraft Engines being late with the SilverCrest engine), compared to 25 FALCON ordered (including 20 FALCON Netjets canceled) in 2015. Thus **FALCON orders** represented **EUR 1,419 million**, compared to EUR 1,602 million in 2015. The weakness of orders reflects a difficult business aviation market.

DEFENSE order intake was **EUR 8,139 million** in 2016, compared to EUR 8,282 million in 2015. The signature and coming into force of the contract for **36 RAFALE with India** follow the coming into force in 2015 of contracts with Egypt (24 RAFALE) and Qatar (24 RAFALE). Dassault Aviation recognizes RAFALE Export contracts in their entirety (including the Thales and Safran parts), whereas for France only the Dassault Aviation part is recognized.

### NET SALES

**2016 net sales** amounted to **EUR 3,586 million**, compared to EUR 4,176 million in 2015. **Exports** represented **83%**.

**49 FALCON** were delivered in 2016, compared to 55 in 2015. This is in line with our forecast of 50 deliveries in 2016. 2016 FALCON net sales amounted to **EUR 2,342 million**, compared to EUR 2,507 million in 2015.

**6 RAFALE** were delivered to France and **3 RAFALE** to Egypt during fiscal year 2016. **DEFENSE net sales** in 2016 amounted to **EUR 1,244 million**, compared to EUR 1,669 million in 2015. The higher DEFENSE net sales for 2015 benefited from the delivery of modernization work to bring the Indian MIRAGE 2000 in line with the I/TI standard.

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The book to bill ratio (the order intake/net sales ratio) stood at 2.7 in 2016; this was due particularly to the RAFALE India contract, for which net sales will be recognized over several years.

### BACKLOG

The backlog as of December 31, 2016 was **EUR 20,323 million**, compared to EUR 14,175 million as of December 31, 2015. The increase is explained by the RAFALE India order in 2016.

The FALCON backlog stood at **EUR 3,052 million**, compared to EUR 3,798 million as of December 31, 2015. It particularly includes **63 FALCON** (compared to 91 as of December 31, 2015).

The France Defense backlog stood at **EUR 2,793 million**, compared to EUR 2,622 million as of December 31, 2015. It includes in particular **32 RAFALE** (compared to 38 as of December 31, 2015).

The Defense Export backlog stood at **EUR 14,478 million**, compared to EUR 7,755 million as of December 31, 2015. It includes in particular **36 RAFALE India, 24 RAFALE Qatar** (compared to 24 as of December 31, 2015) and **18 RAFALE Egypt** (compared to 21 as of December 31, 2015).

## RESULTS

### Operating income

The 2016 **operating income** was **EUR 218 million**, compared to EUR 361 million in 2015. **The operating margin** was **6.1%**, compared to 8.6% in 2015. This decrease is the result of an unfavorable volume effect (reduction in net sales) combined with an increase in competitive pressure on the FALCON market. This also led the Group to take measures to downsize the workforce, provisioned at EUR 39 million at the end of 2016.

### Net financial income

**Net financial income** for 2016 was **EUR 11 million**, compared to EUR 19 million in 2015.

### Net income

**Net income** was **EUR 384 million** in 2016, compared to EUR 482 million in 2015. The contribution of Thales to the Group's net income was EUR 218 million, compared to EUR 189 million in 2015. **Net margin** stood at **10.7%** in 2016, compared to 11.5% in 2015.

**Net income per share in 2016** stood at **EUR 45.50/share**, compared to EUR 54.60/share in 2015.

## AVAILABLE CASH

**Available cash** stood at **EUR 3,105 million** as of December 31, 2016, compared to EUR 2,885 million as of December 31, 2015, up by EUR 220 million.

Operational cash flows favorably impacted the available cash. The working capital requirement reduced significantly because of advances received due to RAFALE Export contracts.

The increase in cash related to operational activities was partially offset by own share buybacks of EUR 477 million during 2016.

## BALANCE SHEET

**Total equity** amounted to **EUR 3,317 million** as of December 31, 2016, compared to EUR 3,771 million as of December 31, 2015. This decrease is explained largely by own share buybacks of EUR 477 million, with income for the period partially offsetting this decrease.

Borrowings and financial debts amounted to EUR 1,185 million as of December 31, 2016, compared to EUR 1,210 million as of December 31, 2015. They include loans taken out by the Group in 2014 and 2015 for EUR 1,000 million and locked-in employee profit-sharing funds.

Inventories and work-in-progress increased by EUR 578 million and stood at EUR 4,006 million as of December 31, 2016. This increase is notably explained by the increase in RAFALE Export work-in-progress.

Advances and down-payments received from customers net of advances and down-payments paid to suppliers went up by EUR 1,268 million as of December 31, 2016 due primarily to progress payments received under the scope of RAFALE Export contracts, particularly with the RAFALE India contract.

The market value of financial derivatives as of December 31, 2016 was stable at EUR -507 million (EUR -506 million as of December 31, 2015).

## **DIVIDEND AND PROFIT-SHARING / INCENTIVES SCHEMES**

The Board of Directors decided to propose to the Annual General Shareholders' Meeting the distribution of a dividend of **EUR 12.10/share** in 2017, corresponding to a total of EUR 100 million, i.e. a payout of 26%, as in 2016.

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

### **Option for payment of the dividend in shares**

The Board of Directors proposes to offer shareholders the option to receive the dividend to which they are entitled for fiscal year 2016 in cash or, in part or in full, in shares.

In the case of exercising the option for payment of the dividend in shares, the new shares would be issued without discount, at a price equal to the average of the latest twenty fixings on the Euronext Paris regulated market preceding the day of the Annual General Meeting, less the amount of the dividend and rounded up to the nearest eurocent.

If the amount of the dividend for which the option would be exercised were not to correspond to a whole number of shares, the shareholder may receive the number of shares rounded up to the next number by paying the difference in cash, or receive the number of shares rounded down to the next number with a balancing payment in cash.

All information relating to the publication of our results is available on our website, [www.dassault-aviation.com](http://www.dassault-aviation.com).

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## Appendix: Table of reconciliation between the consolidated income statement and the adjusted income statement

The impact in 2016 of the adjustments of income statement aggregates is presented below:

| <i>(in EUR thousands)</i>                             | 2016 consolidated income statement | Foreign exchange derivatives |                      | Thales PPA    | Adjustments applied by Thales | 2016 adjusted income statement |
|---|------------------------------------|------------------------------|----------------------|---------------|-------------------------------|--------------------------------|
|   |                                    | Foreign exchange gain/loss   | Change in fair value |               |                               |                                |
| <b>Net sales</b>                                      | 3,653,417                          | -67,619                      |                      |               |                               | <b>3,585,798</b>               |
| <b>Operating income</b>                               | 285,531                            | -67,619                      |                      |               |                               | <b>217,912</b>                 |
| Net financial income/expense                          | -33,205                            | 67,619                       | -23,029              |               |                               | 11,385                         |
| Share in net income of equity associates              | 202,711                            |                              |                      | 39,742        | -19,676                       | 222,777                        |
| Income tax  | -75,971                            |                              | 7,688                |               |                               | -68,283                        |
| <b>Net income</b>                                     | 379,066                            | 0                            | -15,341              | 39,742        | -19,676                       | <b>383,791</b>                 |
| <i>Group share of net income</i>                      | <i>379,030</i>                     | <i>0</i>                     | <i>-15,341</i>       | <i>39,742</i> | <i>-19,676</i>                | <i>383,755</i>                 |
| Group share of net income per share <i>(in euros)</i> | 45.0                               |                              |                      |               |                               | 45.5                           |

The impact in 2015 of adjustments to income statement aggregates is set out below:

| <i>(in EUR thousands)</i>                             | 2015 consolidated income statement | Foreign exchange derivatives |                      | Thales PPA    | Adjustments applied by Thales | 2015 adjusted income statement |
|---|------------------------------------|------------------------------|----------------------|---------------|-------------------------------|--------------------------------|
|   |                                    | Foreign exchange gain/loss   | Change in fair value |               |                               |                                |
| <b>Net sales</b>                                      | 4,175,805                          |                              |                      |               |                               | <b>4,175,805</b>               |
| <b>Operating income</b>                               | 361,190                            |                              |                      |               |                               | <b>361,190</b>                 |
| Net financial income/expense                          | -425,862                           |                              | 444,496              |               |                               | 18,634                         |
| Share in net income of equity associates              | 144,409                            |                              |                      | 37,820        | 11,050                        | 193,279                        |
| Income tax  | 61,762                             |                              | -153,040             |               |                               | -91,278                        |
| <b>Net income</b>                                     | 141,499                            | 0                            | 291,456              | 37,820        | 11,050                        | <b>481,825</b>                 |
| <i>Group share of net income</i>                      | <i>141,457</i>                     | <i>0</i>                     | <i>291,456</i>       | <i>37,820</i> | <i>11,050</i>                 | <i>481,783</i>                 |
| Group share of net income per share <i>(in euros)</i> | 16.0                               |                              |                      |               |                               | 54.6                           |

To reflect the Group's actual economic performance and enable its monitoring and comparability, the Group sets out the following alternative performance indicators:

- Net sales and operating income are adjusted by gains and losses resulting from the exercise of derivative hedging instruments which do not qualify for hedge accounting under IFRS standards (recorded in financial income in the consolidated financial statements);
- net income adjusted by the following elements:
  - 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;
  - amortization of the Thales purchase price allocation (PPA);
  - adjustments applied by Thales in its financial reporting.