

DASSAULT AVIATION GROUP RESULTS

	2019	2018
Order intake	EUR 5,693 M	EUR 5,024 M
	RAVEL support contract 40 Falcon	12 Rafale Export 42 Falcon
<u>Adjusted</u> net sales ^(*)	EUR 7,341 M	EUR 5,084 M
	26 Rafale Export 40 Falcon	3 Rafale France 9 Rafale Export 41 Falcon
Backlog as of December 31	EUR 17,798 M	EUR 19,376 M
	75 Rafale of which 28 Rafale France 47 Rafale Export 53 Falcon	101 Rafale of which 28 Rafale France 73 Rafale Export 53 Falcon
<u>Adjusted</u> operating income ^(*)	EUR 765 M	EUR 669 M
<u>Adjusted</u> operating margin	10.4% of net sales	13.2% of net sales 9.2% without Safran compensation
Research and development	EUR 527 M 7.2% of net sales	EUR 392 M 7.7% of net sales
<u>Adjusted</u> net income ^(*)	EUR 814 M	EUR 681 M
<u>Adjusted</u> net margin	11.1% of net sales	13.4% of net sales 10.8% without Safran compensation
Earnings per share	€97.9/share	€82.1/share
Available cash as of December 31	EUR 4,585 M	EUR 5,211 M
Dividends	EUR 212 M €25.4/share	EUR 177 M €21.2/share
Employee profit-sharing and incentive plans including 20% correlated social tax Workforce as of December 31	EUR 187 M 12,757	EUR 168 M 11,494

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

Main IFRS aggregates (see reconciliation table in the Appendix)

^(*) Consolidated net sales	EUR 7,371 M	EUR 5,119 M
^(*) Consolidated operating income	EUR 796 M	EUR 708 M
^(*) Consolidated net income	EUR 713 M	EUR 573 M

Saint-Cloud, February 27, 2020 - The Board of Directors met yesterday under the chairmanship of Mr. Éric Trappier and approved the 2019 financial statements. The audit procedures were performed and the audit report for certification purposes is being issued.

« 2019 was uniquely busy for our group, with the delivery of 26 Rafale Export, major advances on the Future Combat Air System (FCAS) around the New Generation Fighter (NGF) which we were designated industrial leader for, the delivery of 40 Falcon and the order intake of 40 Falcon in the context of a difficult market, the ranking as world leader by AIN and Propilot for the support of our business aircraft, and the Falcon 6X program on schedule.

2019 order intake that includes the integrated support contract (RAVEL) amounts EUR 5,693 million, up by 13% compared to 2018, which recorded the order intake of 12 additional Rafale for Qatar.

2019 net sales amounts EUR 7,341 million up by 44% compared to 2018 mainly due to the record number of Rafale deliveries.

The adjusted operating margin is 10.4% (13.2% in 2018 including Safran compensation related to the Silvecrest). This 10.4% operating margin is to be compared to a 9.2% operating margin in 2018 without Safran compensation: the operating margin improvement is mainly explained by the sharp increase of net sales.

The sharp rise of self-financed Research and Development (EUR 527 million in 2019, compared to EUR 392 million in 2018) is explained by the simultaneous development of 2 Falcon programs.

2019 adjusted net result is EUR 814 million, up by 20% (EUR 681 million in 2018), i.e. a net margin of 11.1% of net sales.

This leads to a payout amount of EUR 212 million (i.e a dividend of 25.4 euros per share vs. 21.2 euros per share in 2018), a profit-sharing and incentive plans of EUR 187 million (including a correlated social tax) and a total corporate income tax of EUR 215 million mostly paid in France (EUR 210 million i.e. 98%).

Furthermore in 2019:

- acceleration of the implementation of our transformation plan with the ramp up of the Dassault Aviation / Dassault Systèmes strategic partnership (in the form of the 3DEXperience™ collaborative engineering platform), the creation of a Big Data platform, the ongoing deployment of new tools for Industrial Performance management, upgrading and construction of new buildings and industrial rationalization
- the ramp-up of the “Make in India” policy continued mainly through the Dassault Reliance Aerospace Ltd. in Nagpur
- our customer service network grew following the acquisition of 3 additional service-center networks (ExecuJet, TAG Europe, and RUAG),
- the Group workforce rose from 11,494 to 12,757 employees.

In 2020, the Group plans to deliver **40 Falcon** (iso 2019) and **13 Rafale** (vs. 26 in 2019) and **lower net sales.** »

Éric TRAPPIER, Dassault Aviation Chairman and CEO.

1. 2019 ADJUSTED CONSOLIDATED RESULTS

(Cf. reconciliation tables in appendix)

1.1 ORDER INTAKE

2019 order intake was **EUR 5,693 million** versus EUR 5,024 million in 2018. **Export** order intake represented **49%**.

The order intake item is composed entirely of firm orders.

Defense programs

2019 Defense order intake was **EUR 3,385 million** versus EUR 2,710 million in 2018.

The **Defense Export share** of the intake was **EUR 769 million** in 2019, compared to EUR 1,672 million in 2018, a year in which an order for an additional 12 Rafale by Qatar was recorded.

The **Defense France share** was **EUR 2,616 million** in 2019, versus EUR 1,038 million in 2018. Order intake includes the integrated support contract (RAVEL) for French Rafale over the next 10 years and an additional order for supplemental development and integration work in the frame of the contract for the development of the Rafale Standard F4 (notified in 2018).

Falcon programs

In 2019, **40 Falcon orders** were recorded, compared to 42 in 2018.

The Falcon 2019 order intake represented **EUR 2,308 million** versus EUR 2,314 million in 2018. Order intake was steady and included the Archange contract for the acquisition of 2 intelligence aircraft (based on Falcon 8X) to implement the Universal Electronic Warfare Capacity (CUGE) and associated support.

1.2 ADJUSTED NET SALES

Net sales for 2019 were **EUR 7,341 million** versus EUR 5,084 million in 2018. **Export** net sales represented **88%**.

Defense programs

26 Rafale for Export were delivered in 2019 versus 12 Rafale (9 for Export and 3 for France) in 2018.

Defense net sales in 2019 were **EUR 5,148 million** versus EUR 2,485 million in 2018.

The **Defense Export share** was **EUR 4,261 million** versus EUR 1,419 million in 2018. This sharp increase is due to the delivery of 26 Rafale for Export with associated support, whereas, in 2018, 9 Rafale for Export had been delivered.

The **Defense France share** was **EUR 887 million** versus EUR 1,066 million in 2018. Defense France 2019 net sales do not include Rafale deliveries but take into account the delivery of developments of the renovation of the combat system for the ATL2 and the first 2 modernized aircraft to the French Navy. Note that 2018 had recorded the delivery of the F3R standard and 3 Rafale.

Falcon programs

40 Falcon were delivered in 2019, compared to 41 in 2018. Even though we had planned for 45 Falcon deliveries in 2019, we had to contend with difficult market conditions.

Falcon net sales for 2019 were **EUR 2,193 million**, versus EUR 2,599 million in 2018, due to a decrease in the number of new and pre-owned aircraft delivered.

The “book-to-bill ratio” (order intake/net sales) is 0.78 for 2019.

1.3 BACKLOG

The **consolidated order backlog** as of December 31, 2019 was **EUR 17,798 million** versus EUR 19,376 million as of December 31, 2018. It consisted of:

- the **Defense Export backlog**, which was **EUR 10,725 million** versus EUR 14,217 million as of December 31, 2018. It consisted mainly of 47 Rafale versus 73 Rafale as of December 31, 2018,
- the **France Defense backlog**, which was **EUR 4,740 million**, compared to EUR 3,011 million as of December 31, 2018. In particular, it included 28 Rafale (as of December 31, 2018), the RAVEL contract for the Rafale and the Rafale F4 Standard,
- the **Falcon backlog**, which was **EUR 2,333 million**, compared with EUR 2,148 million at December 31, 2018. It included **53 Falcon**, (among which the 2 “Archange” Falcon 8X), same as of December 31, 2018.

1.4 ADJUSTED RESULTS

Operating income

2019 adjusted operating income was **EUR 765 million** compared to EUR 669 million in 2018, an increase of 14%.

The **operating margin** was **10.4%**, compared to 13.2% in 2018. This decrease was mainly due to the recording in 2018 of the compensation of Safran in the amount of USD 280 million following the termination of the Silvercrest engine contract.

The 2019 operating margin of 10.4% was an increase over the 2018 operating margin excluding the Safran compensation of 9.2% and was due to the strong increase in net sales (+44%).

Self-financed research and development costs are up sharply (EUR 527 million in 2019 compared to EUR 392 million in 2018), due to the simultaneous development of 2 Falcon programs, but in view of the strong increase in net sales, they accounted for only 7.2% of net sales in 2019, compared to 7.7% in 2018.

The foreign exchange hedging rate was 1.18 \$/€ in 2019 compared to 1.19 \$/€ in 2018.

Net financial income

2019 adjusted net financial income was **EUR -52 million** compared to EUR -77 million in 2018. This negative financial result was due to the recording of the financing component for long-term military contracts. In 2019, this component was smaller because of the reduction in down payments following the delivery of 26 Rafale for Export and related support over the period.

Net income

2019 adjusted net income was **EUR 814 million** compared to EUR 681 million in 2018, an increase of 20%. Thales' contribution to the Group's net income was EUR 346 million compared to EUR 290 million in 2018.

As a result, **the adjusted net margin** was **11.1%** in 2019 compared to 13.4% in 2018. This decrease was mainly due to the recording of the Safran compensation in 2018. The 2019 adjusted net margin of 11.1% was an increase over the 2018 net adjusted margin excluding Safran compensation of 10.8%.

Thales' contribution to the 2019 net margin was down from 2018 (4.7% in 2019 versus 5.7% in 2018).

2019 net income per share was **EUR 97.9** compared to EUR 82.1 in 2018.

2. FINANCIAL STRUCTURE

2.1 AVAILABLE CASH

The Group uses a specific indicator, referred to as "Available cash", which reflects the total liquidities available to the Group, net of any financial debt. It covers the following balance sheet items: cash and cash equivalents, current financial assets (at market value) and financial debts. It does not take into account the impact on financial debt of the application of IFRS 16 for leases.

Group available cash amounted to **EUR 4,585 million** as of December 31, 2019, compared to EUR 5,211 million as of December 31, 2018. This decrease of EUR 626 million is related to:

- the increase in the working capital requirement resulting from such factors as the reduction in down payments following the delivery of the 26 Rafale for Export and associated support,
- investments made under the transformation plan and acquisitions of the ExecuJet, TAG Aviation and RUAG maintenance centers,
- the payment of dividends to shareholders,
- these items are partially offset by net cash flows from activities before working capital changes.

2.2 BALANCE SHEET (DATA IN IFRS)

Total equity was **EUR 4,446 million** as of December 31, 2019 compared with EUR 4,277 million as of December 31, 2018. This EUR 169 million increase is mainly due to the consolidated net income for the period, partially offset by the actuarial losses on pension benefit obligations. These actuarial losses, recorded as “Other income and expenses recognized directly through equity” are due to the decrease in the discount rate used to assess these obligations.

Borrowings and financial debt amounted to EUR 558 million as of December 31, 2019, compared to EUR 991 million as of December 31, 2018. They mainly include:

- EUR 250 million, the balance of the Group’s borrowings in 2014 and 2015 (EUR 625 million was repaid in 2019),
- employee profit-sharing invested in locked-in funds for EUR 113 million,
- and, for the first time as of December 31, the lease liabilities recorded due to the application of IFRS 16 to leases for EUR 178 million,

Inventories and work-in-progress decreased by EUR 35 million and stood at EUR 3,368 million as of December 31, 2019. The drop due to the delivery of services under the Rafale Export contracts was partially offset by the increase in Falcon and Defense France inventories and work-in-progress.

Down payments received on orders net of down payments paid decreased by EUR 1,448 million as of December 31, 2019, mainly due to decrease the down payments following the delivery of Rafale for Export and associated support during the period.

Derivative financial instruments had a market value of EUR -71million as of December 31, 2019, compared to EUR 14 million as of December 31, 2018. This decrease is related in part to the change in dollar exchange rates between December 31, 2019 and December 31, 2018 (1.12 \$/€ versus 1.15 \$/€).

3. DIVIDENDS AND PROFIT-SHARING/INCENTIVES

The Board of Directors decided to propose to the Annual Shareholders’ Meeting the distribution of a dividend for 2019 of **€25.4/share**, corresponding to a total of EUR 212 million, i.e. a payout of 26%, as in the previous year.

For 2019, the Group will contribute **EUR 187 million** (vs: EUR 168 million for 2018) for employee profit-sharing and incentives including 20% correlated social tax, whereas the application of the legal formula would have resulted in an amount of EUR 38 million.

For 2019, the Group will pay **EUR 215 million** in corporate income tax, of which EUR 210 million (98%) in France.

4. GOVERNANCE

As the terms of Directors Ms. Catherine Dassault and Ms. Mathilde Lemoine expire at the end of the next General Meeting, the Board of Directors at its meeting of 26 February 2020 proposes to submit to this General Meeting their renewal for four years, until the end of General Meeting called to approve the financial statements for fiscal year 2023.

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APPENDIX

DEFINITION OF ALTERNATIVE PERFORMANCE INDICATORS

To reflect the actual economic performance of the Group, and to monitor and compare performance, the Dassault Aviation Group presents an adjusted income statement of the following elements:

- gains and losses resulting from the exercise of derivative hedging instruments that do not qualify for hedge accounting under IFRS. This income/loss, presented as financial income/loss in the consolidated income statement, is reclassified as net sales, and therefore in operating income within the adjusted income statement,
- the valuation of foreign currency derivatives that do not qualify for hedge accounting, by neutralizing the change in fair value of these instruments (the Group considering that the gains and losses on hedging should impact the result only as commercial flows occur), with the exception of the derivatives allocated to hedge balance sheet positions whose change in fair value is presented in operating income,
- amortization of assets valued as part of the PPA “Purchase Price Allocation” (Business combinations),
- adjustments applied 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 (mainly available-for-sale marketable securities at market value),
- financial debt, except for lease liabilities recorded due to the application of IFRS 16 to leases.

Note that only the consolidated financial statements are audited by the Statutory Auditors. Adjusted financial data are subject to the verification procedures applicable to all the information provided in the annual report.

IMPACT OF THE ADJUSTMENTS

The impact in 2019 of adjustments to income statement aggregates is presented below:

<i>(in EUR thousands)</i>	2019 consolidated income statement	Foreign exchange derivatives		PPA	Adjustments applied by Thales	2019 adjusted income statement
		Foreign exchange gain/loss	Change in fair value			
Net sales	7,370,616	-28,520	-1,578			7,340,518
Operating income	796,252	-28,520	-3,272	1,036		765,496
Net financial income	-95,625	28,520	14,858			-52,247
Share in net income of equity associates	258,673			22,228	69 947	350,848
Income tax	-246,578		-3,211	-273		-250,062
Net income	712,722	0	8,375	22,991	69 947	814,035
<i>Group share of net income</i>	712,704	0	8,375	22,991	69 947	814,017
<i>Group share of net income per share (in EUR)</i>	85.7					97.9

The impact in 2018 of adjustments to income statement aggregates is presented below:

<i>(in EUR thousands)</i>	2018 consolidated income statement	Foreign exchange derivatives		PPA	Adjustments applied by Thales	2018 adjusted income statement
		Foreign exchange gain/loss	Change in fair value			
Net sales	5,119,219	-30,162	-5,223			5,083,834
Operating income	707,529	-30,162	-8,527			668,840
Net financial income	-145,883	30,162	38,243			-77,478
Share in net income of equity associates	205,849			39,580	48,545	293,974
Income tax	-194,693		-9,505			-204,198
Net income	572,802	0	20,211	39,580	48,545	681,138
<i>Group share of net income</i>	572,741	0	20,211	39,580	48,545	681,077
<i>Group share of net income per share (in EUR)</i>	69,1					82.1