



# **Dassault Aviation 2017 Full Year Results**

**Thursday, 8 March 2018**

List of MAIN speakers	Company	Job title
Éric Trappier	Dassault Aviation	Chairman & CEO

List of Conference Call participants	Company	Job title
Chloé Lemarié	Exane	
Guillaume Lecompte-Boinet	AIN	
Thierry Vigoureux	Le Point	
Philippe Bonnet	L'Echo	
Jean-Dominique Merchet		
Vincent Lamigeon	Challenge Magazine	
Olivier Brochet	Credit Suisse	
Pierre Tran	Defence News	Journalist
Thierry Dubois	Aviation Week	France Bureau Chief

### PRESENTATION (TC: 00:07:59)

#### Voiceover

Armies together with armament delegate was there at East for a nEUROn flight. It was an opportunity to present the new features in the range, combined system called FalconEye, which, for its great security to the crews in the night and in the daytime. In the company of Anil Ambani, the president of the Reliance Group and the French Minister of the Armed Forces, a presentation was made of Dassault Reliance Aerospace Ltd, DRAL. The first stone was laid, and this, of course, is part of the Make in India programme, which will give a new impetus to the 65 years of sound partnership between Dassault and India. It all goes well for future industrial developments together. The armed forces of the United Arab Emirates, on 14<sup>th</sup> November at the Dubai Air Show, announced their intent to sign a contract with Dassault Aviation for the upgrading of the Mirage 2000-9 fleet. The Egyptian air force took delivery of three additional Rafales. Egypt, therefore, now has fourteen Rafales out of the twenty-four that have been ordered. An important contract was signed on the acquisition of twelve Rafales, signed by the armed forces of Qatar on 7<sup>th</sup> December in Doha, in the presence of the French president, Emmanuel Macron. In 2015, Qatar had ordered 24 Rafales, Doha had put down a new option for 36 additional Rafales. Dassault Aviation also embarked on the process to terminate the Silvercrest (TC: 00:10:00) contract, leading to the termination of the Falcon 5X programme.

The Safran engine, in line with the specification of the contract, should have been delivered at the end of 2013, but there was a succession of difficulties that lead to a postponement of the delivery from 2013 to 2017, four years later, on the basis of this situation. Dassault Aviation postponed the entry into service until 2020 of the Falcon 5X, so there were lots of cancellations of orders, and there were provisional Silvercrest engines used to fit out the 5X. It made its maiden flight on 5<sup>th</sup> July, and there were preliminary tests as well, however, constrained by the engine capabilities, but it met expectations. There was an announcement made of further delays, further downgrading of the performance of the engine, so it would be impossible to launch this aircraft, the Falcon 5X, in 2020, hence Dassault Aviation has embarked on the process to terminate the contract with Silvercrest, because it needs to meet the demands of its clients for this premium grade of aircraft. It will therefore embark on a new production programme, an aircraft with a range of 5,500 nautical miles to be launched in 2022.

Dassault has also continued with its Leading our Future programme. This is inspired by the DNA of our group. It is a group that services dual, military and civilian, needs, and it intends to be responsible in the future, as in the past, and keep its people at the heart of its transformation, which will, of course, use as a main enabler, digital technology. This transformation plan will enable Dassault Aviation to be stronger, and nimbler, more agile, and come into line with the changes in the world around us, meet the challenges it comes up against and remain a leader in the world. In the Le Bourget, which is an iconic venue for the aviation world, Éric Trappier, in the Le Bourget at the end of February, presented our new aeroplane. Almost 80 journalists from the whole world had actually come to listen to this announcement.

### **Éric Trappier**

*Chairman & CEO*

So, last December, after getting information about the engine development status, I had no choice but to stop the 5X development and to look for the best possible alternative engine. We have selected the Pratt & Whitney 812D engine, which was the closest match, and defined an aircraft that could take benefit from this more powerful engine in a very short time. This results in an aircraft slightly bigger than the 5X, offering more range and a longer passengers' cabin, and retaining the same wing aerodynamic shape which proved very efficient during our short flight test programme with the 5X. In short, you will discover an aircraft which is the optimum combination of advanced technologies, not for the sake of technology, but for mission capability, for comfort, reliability, and, above all, for safety. So, ladies and gentlemen, it is now time for me and for you to discover this new and roomiest, and most advanced, twin jet in the long-range market. We will create the Falcon 6X.

*Imagination is the raw material of innovation. Fired by passion, fuelled by dedication, guided by experience, details are combined, designs unfold, and perfection is perceived. A new paradigm is born, takes off, and points the way to something wider, taller, smarter. The Falcon 6X, it's a class all its own. (Video plays 13.37-14.27).*

### **Voiceover**

The French Minister of the Armed Forces decided on 1<sup>st</sup> March to entrust to Dassault Aviation the integration of three Falcons of the CUGE facility developed by Paris, our versatile business jets and our acknowledged skills in civil and military aircraft are the reasons for this new mission Falcon capability. (So, thank you, says Mr Trappier).

### **Éric Trappier**

*Chairman & CEO*

Good morning everybody, good morning, Serge. So, we have quite a lot to tell you today. We have the results for 2017 to talk about first. The year was relatively busy. I won't talk about Qatar, that was signed. I'd just like to recall that we're awaiting the first payment that will actually crystallise the start of the programme, but the order intake will be in 2018, not in 2017. The second highlight was recalled in the film, it is the launch of the 6X to replace the 5X. We'll be talking about the 5X, changing the engine, adapting the aeroplane, and so on. These decisions had to be taken in 2017 and the start of 2018. The other highlight, the most recent one I wanted to just put into focus here, is the selection by the GGA, the French Ministry of Defence, and the armed forces, of the Falcon choice so as to have the CUGE capability made by Palace. Now, regarding the activities of the programme, the environment that we were in in 2017 was rather constraining, there was a very direct impact of this context on our activities. Brexit, in particular, we'll talk about that when we talk

about the Franco-British Corporation on combat aircraft. Also, we have seen the ramping up of tensions between Russia and the United States of America, of course, wars in the mid-east, varying degrees of warfare, there's Yemen, also wars going on amongst allies, Emirates and Qatar, for example, issues in Iraq and Syria, basically, a lot of tension in the world.

Of course, we've got to observe what's going on, because we do sell aeroplanes to that part of the world. New coalition, Germany, and the government there, following, for us, the preparation of the future, but we'll talk about that later on, and then the Military Procurement Act in France, a new one, spanning the period from 2019 up to 2025, that was announced a few weeks ago. So, economically speaking, the euro/dollar parity scene has been yo-yoing a lot. The dollar, the dollar has gone down, and that's usually not good news for the aviation industry, and that will oblige us to prepare the future in terms of hedging arrangements for Forex, and in terms of competitiveness. The oil prices are going up again after going down a lot, and that created some tension for companies in the oil arena, and that may lead to consequences in military purchases, and also in terms of the procurement of civil aircraft. For 2017, then, in terms of Rafales, delivery of a Rafale to France, out of the 180 that will have 28 from the fourth tranche, and second part, and three that we'll deliver in 2018. That will be the reimbursement of the three airplanes that we took in advance to Egypt earlier than planned. So, the development of F3-R, that's the new standard, as you've seen, the film in particular, that has the new air meteor long-range missile. That will be delivered to the French authorities in 2018.

Then, support, of course, of the Rafale in operations with our armed forces, that kept our teams going pretty well, and the preparation of the F4 development, with the first contract for preparation that's been notified to us at the end of last year. We hope that the notification of the F4 contract will follow on the heels of F3, or at the end of this year. So, a new military procurement act, I talked about that, three Rafales in 2018 regarding Syria, that is. Then there is the, kind of, gap in deliveries for France that was decided upon by the French authorities, zero Rafales delivered to France in 2019 and 2020. The previous military procurement act provided for a picking up of deliveries in 2021, but there's a slight slippage there in time, so we will pick up deliveries to France only in 2022. So, 28 aircraft that have to be delivered in that period, 2022 up to 2024, over a three-year period. So, an announcement made regarding 2023 that there would be a fifth batch of 30 additional planes that will be delivered in the period between 2025 and 2030. The air force standard, I talked about that order intake there, and also, we've got to make a decision on the airborne component for nuclear capabilities. Those decisions will be taken by the French state in the timeframe decided upon, and the budgets have been set up.

Now, Egypt, we've pursued the deliveries of the Rafale to Egypt, we have now 14 aircraft delivered. We delivered (TC: 00:20:00) eight in 2017, there will remain ten to be delivered there, to Egypt. For Qatar, 24 will be delivered in the future. There is an option on twelve, as I said at the start, that's been signed already, and in the coming few days, we're expecting the down payment to be paid to crystallise this option. Now, in the option with twelve aircraft, we signed for twelve with a new option for 36 aircraft. India then, Rafale India. We have the ongoing execution of the contract for 36 Rafales ordered, we're preparing, however, for the future by achieving our obligation in terms of offsets. We have to work with Indian companies, therefore, using the offset arrangements. We're working in the spirit of what the Prime Minister called Make in India, that is the partnering he seeks to achieve with Indian partners, so as to make aviation products in India itself. We made that choice, we have set up facilities and we'll be setting up further facilities in Nagpur, which is between New Delhi and Mumbai, which is on the strategic development thrust, really, for India.

We're partnering in the joint venture we set up with the Reliance Group. We are investing in manufacturing there. We're starting off by manufacturing Falcon 2000s. As of the end of this year, 2018, we'll be doing that. We have the first parts of Falcon 2000s, and then we'll be ramping up our manufacturing efforts of the Falcon in this plant. We'll also be starting of the production manufacturing of Rafale parts, and we'll see then, after that, if there are additional contracts that come in. We're quite confident that India will have requirements greater than 36 aircraft, and we've started working with the Indian Navy under their request for information, so as to fit out their aircraft carriers, current ones and future ones, with combat aircraft. The Rafale has a major advantage there because it's been designed so as to be operational in that, when it's already operational that way in the French armed forces. Now, Mirage 2000, the military procurement act in France, provides for 55 Mirage 2000Ds that are underway. Also, we saw renewal of the contract which is the Mirage Care MCO contract, in tranches and batches in 2017.

We're pursuing also with HAL, with the upgrading of Mirage 2000s. They're Indian Mirage 2000s that are being transformed in 2000-5s, and the retrofits have been done by HAL. We provide assistance to them, the responsibility is now on the shoulders, however, of HAL. Regarding the United Arab Emirates, at the last Dubai fair, an announcement was made regarding the upgrading and the addition of new capabilities to their Mirage 2000-9s. We're in advanced talks with the UAE authorities on that, so we've got teams in a lot of places doing the main checks of the Mirage 2000s so as to extend, in a way, their service life of those Mirage 2000s. Systematically, we've chosen to send out Dassault teams to the client air forces, so as to do the work. Basically, we've partnered with the local air forces to do the main checks. For the FOMEDEC, we haven't really heard about FOMEDEC much anymore. It's the training of French pilots, it's a contract that was awarded to the back-up company, and we have a JV together with back-up at the service of the French armies, and especially the air force, to work in this field of training. That is, to train the future fighter pilots, and, of course, we're interested in that area. It is the pilots that will be used for this training, that is specialised for advanced training, especially on the base of Cazaux.

Japan has notified its fourth maritime surveillance Falcon. They're buying aircraft one after the other, and we'll deliver the first one in the near future. France has pursued a certain number of works on the Falcon 50. We're still developing the combat system for ATL2. The French military procurement law plans eighteen aircraft for the upgrading of ATL2 into the upgraded version in this French military procurement law. As for the nEUROn, in 2017 we had some additional contracts for targeted tests that were achieved, and right now, we're carrying on discussions to have a new campaign, right from 2018 onwards, and maybe a little later also. So, these are discussions that are underway to keep flying nEUROns, to continue flight tests, facing identified defence, and this is also to prepare our combat drones. As for our combat drones, the Franco-British one, I will say a few words about Brexit. Of course, Brexit is disturbing the British authorities, and not only the British authorities, but the whole economic world. We are carrying out feasibility tests.

We've been doing this for a few years with our partners, BS System, Rolls, Safran, CIDEF and Thales, and right now we are at a time when we have to decide whether we want to launch a drone combat demonstrator. You know, under the (? 25.54) and CIDEF have asked our authorities to launch within the framework of the technology, demonstrated to reduce the risk. So, in the combat drones we'll have to pursue partnership with the British on combat drones. Now, this launching, which is expected, has not been made possible. This is creating a lot of uncertainty in this area. So, this area of combat aircraft is one of our breaks. It's a field of cooperation with the British. As for surveillance drones, our work is continuing. There are four companies supervised by the OCCAR. We have three major industrialists that are working together right now, Airbus, Leonardo, and Dassault. The choice

was to make sure that the fourth nation would be Germany, and the prime contractor would be Airbus.

So, therefore, we have teams in Germany working with our teams from Airbus, and the next step now is a full development and acquisition offer of these surveillance drones. This is part of the military law, and we're waiting for a contract in 2019 from OCCAR to the contractor, and from the contractor to its partners. As for combat aviation, the President of the Republic has shown his determination to work, in the future, with Germany. This is what happened last July, he said that we would need to have a road plan in 2018, and so we are part of that. We're already working with Airbus to prepare this road map. Of course, we're working with the French, with the DGA, with the French armies, with our other partners, Thales and Safran, so as to prepare this road map. We're preparing all the systems in the large sense, the air combat system, which is not only the aircraft, but the aircraft, the drones, the surveillance drones, combat drones, all the networks to link these domains to future (? 28.03), the future, really, aircraft, etc. We are working more particularly on concepts of combat aircraft for the future, so these are our combat aircraft that should be commissioned by 2040.

As for the business jet market, well, this is a difficult market since a number of years now, but there are two interesting pieces of news for us in 2017. First of all, the pre-owned market is feeling better. We've observed the number of aircraft sold, the stocks of pre-owned aircraft amongst our brokers and that we have also. They have sold better, and the drop in prices of these pre-owned aircraft has stopped now, and we are stabilising the prices, which is good news. In general, when the pre-owned aircraft market is doing better, the new aircraft market also does better. There was a strong recovery in the United States at the end of 2017, and that was rather positive for us. In terms of the North American continent and the second topic being the stopping of the Silvercrest engines, we have launched the 6X programme to replace the 5X programme. I will talk about this a little later, but I'd like to say immediately that the launching of the 6X is not to replace the preparation of the future and the launching of the future Falcon that I already mentioned to you, although I hadn't said much. I want to tell you much more, actually, today.

Now, as for the 6X, the market segment, the objective was to do something that would resemble the 5X, because the market is expecting a very covetable cabin. So, we had to choose an engine that would (TC: 00:30:00) be as close as possible to what was the Silvercrest, in terms of technical specifications, and we have not changed that. It is the only engine we've found, which is Pratt & Whitney, the 812 from the family of the Pratt & Whitney's 800 engines. It is a bit heavier, a bit more powerful, and we had to re-optimize the aircraft to make it a 6X. So, the 6X will be slightly longer with a larger volume, same cabin size in terms of width, but slightly longer cabin, more space, more mass, the engines were slightly heavier, that's the 6X. We will reverse the risk curves. Far too many risks with Silvercrest, fewer risks with the Pratt & Whitney. So, we will have a more serious programme which is planned to deliver the first aircraft in 2022 with our first maiden flight which is planned at the very beginning of 2021. The performances, we talked a lot about this when we announced this new aircraft, it is 5,500 NMs at MAC point eight. It can go up to MAC point nine, and at MAC point 85 we can go from Moscow to New York, Paris, Beijing, Shanghai, Melbourne. We can also go from London to Los Angeles. The future Falcon, while we were advancing our studies very seriously, we were in an active phase of predevelopment of this aircraft.

For confidentiality reasons, I can't tell you much more. You can ask your questions, but I will not answer them, and we are setting up the investments to prepare the arrival of this future Falcon. Falcon 8X, it's a great success. It's an aircraft that is mature. Our clients really appreciate it, and it was certified to be used in London City Airport, so the DNA of this aircraft is very flexible. It can be

used on small tracks, it goes from Singapore to London. 8X was equipped right from the beginning with the new FalconEye system that offers very high levels of maturity, that offers better safety to the pilot and it is very much in demand, and will equip our other aircraft and is already equipping our other aircraft, and it will equip our future aircraft for those who choose this option. We want to have a better connectivity in our aircraft because there is some greater demand, each and every day, passing by, a higher rate, and we want people to be able to connect around the world with all the communication networks. That is one of the priorities that we have given to our Falcons.

So, this is the reviewed range, with the arrival of the 6X, so now we have a range which has been completed thanks to the 6X, and the marketing has begun. We've delivered our 2,500<sup>th</sup> Falcon, so we have 2,200-2,300 Falcons in the world today, and the very old ones, Falcon 10s and 20s, are stopping being used. We still have a lot of aircraft that are in service everywhere. Since we have a lot of aircraft in service everywhere, we have to keep improving our support. This is a great expectation from our customers, so a lot of efforts have been made. We've done this year after year in the field of support. These efforts have been recognised, first, by our clients, secondly, they've been recognised by those who rate us. You know that there are pro pilots, REN is very important in this area, and they are rating us in terms of support and we are doing much better. We are not doing this for the rating, but we are doing this for the satisfaction of our clients, and we will keep doing this. There will be more options offered to our clients, and there will be additional services that will also be proposed.

Now to go on to the results of 2017. The results, the number of orders as announced at the beginning of the year, 41 aircraft with a cancellation of three 5X, so a greater number of sales compared to 2016. As for the Rafale, the Qatar contract didn't enter in 2017. I hope that it will enter in the coming days, in 2018, therefore. As for the deliveries, 49 deliveries of Falcons. We thought it would be around 45, so we're slightly above the mark, as in 2016. We also delivered nine Rafales, but not exactly the same breakdown between France and Egypt. So, therefore, the backlog today is 52 Falcons and 101 Rafales. Among these 101 Rafales, you have 70 for export, without those for Qatar, and 31, which is the second part, plus the three we'll deliver in 2018. In terms of our figures, the order intake is €3.2 billion, so up compared to the Falcon order intake. The net sales, €4.8 billion. Here again, it is up compared to 2016, and our backlog is stabilised at €18.8 billion. Now, as for R&D, in terms of percentage this has gone down 6.5% of total sales, but this can be explained by the increase in our net sales.

We have spent €313 billion in 2017, slightly behind, not compared to 2016, but compared to what we thought we would be achieving because we worked a lot on the 5X with our test flights. In September, we stopped as soon as we understood that the engine problem would not allow us to normally develop the 5X before reaching the cancellation of the Silvercrest. So, in the coming years, with the 6X and the future Falcon, we should be increasing this research and development budget. Thales has published its accounts, so, as you might have seen, each year passing by, there's been an improvement in the adjusted net margin of Thales. So, this company is doing well, it has progressed a lot, so we're at 6.2%, €982 million, and we have 25% or 26% of this, which is going to feed the net, as you'll see later on. Do I have to remind you that Thales has decided to purchase Gemalto, and this will be done in 2018? Consolidated income statements, our operational result is going up, €348 million compared to the €218 million, so a net improvement which is related to the net sales. I am skipping the financial result which is identical. Thales, €245 million compared to the €983 million in the previous slide. Slight increase in taxes because of the increase in net sales, and also certain numbers of forecast because the tax code is changing. There will be more taxes and there will be more taxes this year, as you know, to make up for the past.

A net margin, which is at €489 million, up by 23% compared to 2016, and the net margin is 10.2% compared to 10.7% because the proportion of net contribution from Thales proportionately to the sales is slightly under and the tax proportion is slightly higher. Available cash, €1 billion of available cash. Two reasons for that. The first reason is the down payments for the Rafale export contracts, and secondly, we have reduced our stocks because we have slightly slowed down the manufacturing pace of Falcons to adapt ourselves to the market that has declined in the past few years. The free cash flow is around €1.2 billion. I'm speaking under the control of Loik. The proportion of dividends. So, the dividends on the net income are €489 million to maintain the same pay-out. The pay-out is low if we look at the international companies. It's weak if you look at the other French companies. That's the choice of the main shareholder, Mr Dassault. We're going to keep the money in the company to prepare for the future, but we're going to pay out dividends to the shareholder, 26%. That is €127 million for 2017. That is up compared to 2016.

The group's policy, historically, is to pay out shares, to have profit sharing for the employees. So, that all the employees might be part of this, we're going to pay €99 million, which is up compared to 2016. So, we have this rule of three-thirds. One-fourth for the (TC: 00:40:00) shareholder, one-fourth for the employees and two-fourths for the Dassault company that's going to preserve them to prepare for the future. Transformation plan, well, you know that there's a lot of tension in our Falcon prices. There are tensions on the market. So, in this highly competitive world, we need to improve our efficiency, so we've launched a transformation plan that consists in having a lot more digital. We're going to specialise our plans, our factories. We have started a number of projects, a certain number of manufacturing transfers to better specialise our factories, to better invest in the sites that we're going to preserve. We're going to preserve all our sites, so as to be more efficient in the future. Our outlooks for 2018, you see it here on the slide. So, deliver the F3-R standard to the French army. To have a contract for the Rafale F4 standard. Sign the order of electronic war aircraft, CUGE. Take part in the contract that will allow us to launch, develop the whole series of MALE drone. European contract programme. We will definitely be candidates to obtain the European funds for this cooperation programme.

Pursue the development of the nEUROn. nEUROn is a wonderful test to assess stealth and find out what we can have as combat drones. Launch studies for the future combat system. We're working hand-in-hand with Airbus and with the DGA and with the German DGA. Conclude the Mirage 2000-9. Continue promotions of Rafale. There are other countries that are going to join Rafale. Other countries that already have Rafale that would take options. Continue selling Falcons, the whole range, which is being renewed. Execute our contracts underway while respecting the schedules, quality and cost. Pursue our efforts in the field of support. This is something we are pursuing in the civil world and the military world. For France, we will pursue our reforms to allow us to make these aircraft available so that industrialists might be more efficient and at the service of armies. Develop the 6X. Prepare the future Falcon. Build this plant in India. Make sure that the company is efficient in the future through this transformation plan. So, therefore, a very busy year. We are going to have guidance that 40 Falcons will be delivered. You know that we are very prudent, so we are ramping down our production rate. We will see how the market behaves in 2018 to find out if we have to adapt our production rate or increase the rate. The deliveries of twelve Rafales, three to France and nine for exports. A net sales in 2018 that will be close to that we had obtained in 2017.

So, this is what I wanted to tell you as an introduction before answering your questions now.



**QUESTIONS AND ANSWERS****Éric Trappier***Chairman and CEO*

**Chloé Lemarié:** Good morning. I'm from Exan. I have a first question, if you don't mind, on your guidance for 2018. You indicated net sales would be flat, nine Falcons less to be delivered. What will offset the missing revenues apart from the three Rafales delivered to France? I imagine that there would be some part of it that would be the F3-R standard, but what about Falcon support or Rafale exports?

**Éric Trappier:** Well, the first topic is the delivery of the F3-Rs. It's at the time of the delivery that you get in your revenues really, so when the revenues come in. It's quite a lot in this case for F3-R in 2018. That's the first reason. That's when the revenues are in cash. Now, secondly is the mixes aren't always the same between the deliveries in one year and the deliveries in another year, so it's mainly those two reasons that account for our forecast of flat sales.

**Chloé Lemarié:** Okay. Thank you. Well, then the second question I have is the R&D going down this year. I'd like a trend, please, for 2018 regarding where you're headed in terms of R&D spend, and in general, what would be the R&D package for the next peak period? In the coming decade, let's say, when you have a big volume of development with 6X and very advanced in the future Falcon, what will be the R&D spending then?

**Éric Trappier:** Well, I'm going to frustrate people with my answers, but we don't give guidance on R&D. I would correct you. The R&D for 2017 went up compared with R&D in 2016. Not proportionately to our sales, but in absolute figures, it was more than €3 million worth. It was less than that the previous year in 2016. So, what I said in my presentation regarding that was important to bear in mind. The absolute value is one thing, but the sales are something else. The absolute value will go up for R&D because we'll have the 6X. That will be rolled out, and we want it to go as quickly as possible, so we'll have to allocate the resources there too. Also, we'll be pursuing, at the same time, the development, or the launch, of the future Falcon. So, obviously, it's going to involve R&D spending. It's got to go up, but I won't tell you the proportions. You'll find that out when it happens, I suppose, next year when we report on 2018 at this time of the year.

**M1:** Somebody with a question?

**M2:** Yes. I've a question on Malaysia that said this morning that the decision of the European Union to drop its imports of palm oil could have an impact on the calls for tender for future combat planes. I mean, are negotiations continuing? Have you seen any reactions on the side of Malaysia regarding that? The Emirates. You talk about the Emirates. There were talks still going on, I think, on the Rafale. Could you tell us about that and then the options? Are there talks going on at the moment with Egypt regarding further Rafales?

**Éric Trappier:** On Malaysia, well, to be honest, we're in the run-up to elections in Malaysia. Palm oil is a major issue for that country. You know, it's got nothing to do with us directly, but politically, it could impact the relations amongst several countries. The fact is palm oil is the focus of lots of debates between the European authorities, French authorities, Malaysian authorities and other countries in the region. You know, it's a topic that gets talked about. We're in line to propose the best possible combat aircraft to the Malaysian air force. We have started talks with them some time ago. They've evaluated our aircraft. Talks should pick up in that area again depending on when the new government takes office, so I can't really tell you any more about that at this point in time. On

the United Arab Emirates, the answer is, yes, we are talking to the Emirates, but on the Mirage 2000-9. So, we make fairly sound aircraft. They last a long time. As you have seen, the French are going to keep their Mirage 2000 for a long time and also upgrade with the 2000Ds. So, the thing is, our aircraft are sound, but our clients, they're very, very satisfied with our Mirage aircraft. That is, they last a long time. They're efficient in their operations. They're capable of being upgraded. We've seen that in the Emirates, the first time with the 2000-9. We've seen it in Greece, with the Emirates and France, so it's something you can scale, this aircraft.

So, that gives us confidence in our partnerships with these armed forces that use the Mirage 2000s, and we think that the users of Mirage 2000s, starting off with Asia, Qatar and India, it'll all continue along the same path in the future. Now, the third subject, that's the options. Okay. Well, we hope to see the exercising in options. One has been exercised already. That's the Qatar one, and there are other options elsewhere, in India. These aren't options, but we hope to pursue with our success with the first 36. You know, the Indian air force has greater needs than what's already been ordered. So, we hope to continue selling Rafales to countries that we've already sold Rafales to. There are new options then for Qatar as well.

**Guillaume Lecompte-Boinet:** Guillaume Lecompte-Boinet for AIA. You sold 38 Falcons then in 2017 net. Now, what's your objective in terms of order intake for Falcons in 2018? Is it something similar? To have a book-to-bill ratio that would be about 40 for 40 delivered or what?

**Éric Trappier:** Well, the thing to do with deliveries, well, it all hinges on orders, so it's not generic. I can't say it's 40/40, so I won't give you the guidance that we have internally because it's not easy to come up with anyway. So, we've no guidance on the sales of Falcons. We'll try to deliver 40. The 40 we'll be delivering potentially, we're trying to do that for 2018, are nearly all made already because we have an order book of 52 aircraft. Some are 5Xs that'll be transformed into 6Xs, converted, so that's been planned in advance. So, your mathematical calculation isn't totally true, but anyway, we want to sell aircraft. (TC: 00:50:00) We have a full range. We're selling aircraft. Some of today's sales might be delivered in 2018, but very often, they're delivered later on, you know, in the next year and so on because orders come in and then deliveries are made some time later. 52 ordered. If we deliver 40, you know, we're a bit more than a year's worth in the backlog.

**Thierry Vigoureux:** Thierry Vigoureux. I'm from Le Point. It seems that there is some reluctance by Egypt regarding the Rafale because of the SCALP missiles. What about the American component? Could that be developed by the European industry, do you think, in reasonable lead times?

**Éric Trappier:** Well, I won't make any comments on this topic. It's a sensitive issue. It's not in my hands because you're talking about the SCALP missiles. This is a separate contract entered into by MBDA, and also, these are very touchy issues. They have been talked about from one state to another, between the supplier and client states and if their authorisation is to be requested as little as possible. It's all done at state level between the state that supplies the component and the state that supplies the aeroplane, France, in this case, so I've got no particular comments to make on this topic. If you think of Egypt, we've started the deliveries of the aeroplanes, so there's confidence there, there's trust that's been set up between Egypt and ourselves that we'll deliver the Rafales with their weapons.

**Philippe Bonnet:** Philippe Bonnet. L'Echo, Belgium. I'd like to know, what is your schedule for the Belgians in case we sign for the Rafale market, for the deliveries, I mean?

**Éric Trappier:** Well, it all depends on the T0, and the T0 is whether we sign the contract or not. So, when would Belgium like to sign a contact with us? That's a question we need to ask the Belgian

authorities. Well, we, right from tomorrow morning, so long as we get a pen, a few legal clauses, we could sign very quickly. It is France, in terms of government, that is making a state offer to the other states, so we will lend the pen to France, but I think it will be done fast. The problems of deliveries, it will take three years from T0. That is, from the time of the signature and the first payment.

**M5:** Thank you.

**Jean-Dominique Merchet:** What is the production rate today in the Rafale and Falcon factories?

**Éric Trappier:** So, the Falcon, that's quite easy. We've delivered 49. So, 49 divided by 11, that would give you an order of magnitude. It's not exactly that because there could be some delays. You could do 40 divided by 11. That will give you the rate. I'll let you calculate. It'll give you a bracket. As for the Rafale, just as for the Falcons, the question of this production rate is very complex. Why? If you say that the delivery rate, these are the orders we have, the delivery of orders, and we will reach two-and-a-half in the coming years. A little more, actually. Then there is the production rate in each and every factory. So, at Seclin, they have already increased their production rate. Today, we are increasing the production rate in our assembly plants, Biarritz, Martignas, and it is Merignac that will increase its rate at the end because that's the final assembly. So, the production rate is a whole organisation that will allow us to deliver, that's for the Rafales, at the date when we have promised to deliver these aircraft, whilst smoothing out the work carried out in the production plants. We were at rate one. That was in France. Eleven aircraft per year. We are to deliver slightly more, two-and-a-half aircraft per month, in the coming years.

So, there is development of the-, wrapping up of Rafale and from our sub-contractors. I'd like to repeat, because some people have questions on this for me, it is easier to increase the production rate than to go down. I prefer having more work than less work, but it gives headaches to people who have to manufacture the aircraft, but they're paid for that.

**Vincent Lamigeon:** Yes, hello. I'm from Challenge Magazine. We have the impression that you're a bit disappointed regarding the future combat aircraft project between the French and the British, and the fact of moving on from cooperation with the British to cooperation with the Germans. Have you full confidence in their capabilities? How much are you going to develop, with the Germans, the combat aircraft? Would it be less good than what you would develop with the British?

**Éric Trappier:** Well, these are two separate topics actually, so there's no issue there. If you perceive disappointment, it's on the Franco-British-, well, not because of our British friends or anything. They mobilise their efforts along with ourselves on all of this. I'm talking about the British industrialists, the BAE Systems and people like that. The disappointment is because you do the design work-, for five or six years, we've been doing design work, and we wished to obtain a contract so as to build a demonstrator, but it didn't happen, so obviously, there was a certain disappointment because of that. The second thing is we're talking about combat drones in particular. You know, the British have committed to the acquisition of F-35s, so for the moment, up to now, they're under the Lancaster House agreement. The work we've been doing with them, we haven't talked about a future combat aircraft, we've talked about a combat drone, the demonstrator, an additional one, additional to the combat aircraft. Now, regarding the Franco-German efforts, it's quite different. It's an approach seen from the top political and technical level really. Political between two heads of state, and secondly, this happened with the British too, of course, but technically speaking too because by 2040, the idea is, what will make up an air force? Detection of airborne warfare, you know? Surveillance, MALE drones, surveillance aircraft.

What will be the combat aircraft? What will be the weapons used then? For what type of mission or operation? 2040. We're only 2018 right now. So, it's a more holistic approach, an overarching approach. We've started the work on that. There's no transfer from Franco-British efforts to Franco-German efforts. No, there are two totally different processes. One is the Franco-British one that's, kind of, marking time at the moment to certain consequences of Brexit, which of course is keeping the British political authorities busy, and that's understandable. It's very complex to address and it's going to be rather heavy-duty for the British in the coming few years. Then the Franco-German efforts are something different. With a view to 2040, it's a totally different time frame, so we haven't yet defined if we're going to make demonstrators or prototypes or what. We'll probably make them, but we don't know yet. So, quite openly, I'm very enthusiastic about defining a new area of combat systems and new aircraft. We have the skills to do it, and our design office are really happy that there'll be a future combat aircraft in parallel with being able to upgrade the Rafale the whole time and make surveillance drones and maybe even combat drones with the British at the same time. Our design office will be very busy, so we're quite enthusiastic and so am I, of course, very enthusiastic about all of this, preparing the future on the Franco-German basis.

It's good for the French and good for the Germans, and we're very enthusiastic.

**Olivier Brochet:** Good morning. Olivier Brochet, Credit Suisse. I have three questions. So, the first is on business jets. You said that the United States were good for you at the end of 2017. In general, for the entire market, geographical zone, what will be the future outlook? The second question. On one of the slides, you were talking of the cooperation agreement with Qatar. In the framework of the 36-aircraft option, can you tell us what does this cooperation agreement mean exactly? As for the Forex in 2018 and beyond and the hedging of the Forex, can you tell us about the future of this hedging?

**Éric Trappier:** So, the first topic, as I said, the United States, you know that in the United States, a large part of our basis is Falcon aircraft. The renewal of the ranges in the United States was postponed because of the crisis that has been going on for years now, and by the uncertainties generated in the United States because of the elections or because they were expecting some taxation measures. Apparently, there is a kind of stabilisation right now of the American economy. It is progressing. The American tax measures have been announced. They have been understood, anticipated by the American companies, and so now, we feel that there is an upturn in the United States. So, the whole range, the 8X, that we'll start selling in the United States, the 2000 range or the 900 range, which is an aircraft that is really liked in the US, the arrival of the 6X, that can be a very good option for our American friends. The United States is still a priority market for Dassault therefore. Europe, this is our home. Northern Europe is a (TC: 01:00:00) geographical area that is well occupied. Apart from the traditional Falcon 2000 range for those who travel a lot in Europe, 8X, those who go to Asia, all this will be strengthened with the new 6X offer. If you leave from Paris, you can cover a lot of destinations throughout the world with a 6X, so we hope that we can strengthen our sales capacity by launching the 6X and improve our credit worthiness with Pratt & Whitney.

As for the rest of the world, Asia. Asia remains a priority. As I tell you each and every year, it's slow, it's taking a lot of time, but we are patient. We have managed to sell our Rafale, so we have a good range, good Falcon aircraft and we are selling little by little. In China, we've sold 8X. We're going to deliver them. The 8X because China is far away from many countries, and so therefore, that is probably the aircraft we will sell most as we sold a lot of 7Xs in China. Not only China. The rest of Asia is also buying Falcon aircraft. There are new economies developing in Asia, and we really believe in the Asian zone. I'm skipping Japan. Japan, we've sold a few maritime-surveillance aircraft, but we hope to sell more governmental aircraft in maritime surveillance and electronic war in the future.

Africa is doing better. We see it happening. They were really affected by the drop in oil prices. Now, they're doing better, and I think they should also buy more, so we should sell more in Africa. In Europe, I've included Russia in Europe. It is geographical not the EU. We are selling a lot of Falcons to our Russian partners. So, it's just really a global, geographical policy. Each zone has its specificities and preferences. I have no figures to give you particularly on all this.

As for the second question, the cooperation agreement, well, we've agreed automatically on deliveries and prices according to the options exercised for the 36 aircraft. So, they can give us an option of twelve, twelve per twelve, or 24. So, we have mechanisms to allow us to exercise these options. So, for them, it's easier. They don't have to go through the entire financial circuit. They've also set up and booked the provisions, so it is easier for them to buy in the future. Thirdly, the exchange, the hedging. So, we have fixed it at 1.21, and just as everybody else, we're following the dollar, but I think the dollar is going down quite strongly, so we'll have to hedge our currencies. That's the life of our company. There are some underlying capital gains, and we will keep hedging. Our financial manager is here, and he is attentive. It's not good news in general, you know, the drop of the dollar. It's good news for our American friends but not for us.

**M1:** Mr Tran? You have a question? Aviation Week.

**Pierre Tran:** No, that's not me. Pierre Tran is my name but it's not the right journal.

**M1:** Defence News.

**Pierre Tran:** Defence News, yes. That's it. Defence News. The other one. The other weekly. That's the one I'm from. Thank you. So, you hope to enter into a contract for three Falcons under the CUGE arrangement?

**Éric Trappier:** Three Falcons? I thought you said Rafales.

**Pierre Tran:** No, I said Falcons. Are the three Falcons mission Falcons with the CUGE capability?

**Éric Trappier:** Well, they would be long-range ones. 8X maybe. It's still being talked about.

**Pierre Tran:** The total value? The total contract value?

**Éric Trappier:** We don't know. I mean, I can't tell you because I know the price of three airplanes, but having said that, you've got to put in the Thales equipment, and Thales knows this price, and then you've got the integration work to be done. These would be contracts for Thales and for ourselves, so at this stage, until the contract is signed, we don't really know. We can't put a figure on it. I don't know, and even when it's signed, I won't tell you either. It would be up to the DGA to tell you that.

**Pierre Tran:** Okay. Thank you. What about Switzerland? Is there any interest being manifested by Switzerland for the Rafale, you now? They seem to be interested in combat aircraft.

**Éric Trappier:** Switzerland? Okay. Switzerland. Well, you know the fact of the F-5s having to be replaced by Rafales, which were really ahead of those aircraft in terms of operational capabilities. The choice was on the Gripen because a small aircraft was supposed to replace a small aircraft. It's a bit cheaper for the Swiss to buy those ones instead even though we gave them all the arguments to tell them that you wouldn't compare apples with apples here. It was apples and pears between the Gripen and the Rafales. So, the referendum in Switzerland impeded that purchase. I think the Swiss are always very reasonable when they do their referenda. Not just for airplanes but for anything else. So, now, there is a request for a replacement of the F/A-18s as well. Now, I think the Rafale that was

really relevant to replace the F-5, it'll be even more relevant to replace the F-5 and the F/A-18 because I don't think the Swiss wish to drop their capabilities in terms of their armed forces' aircrafts. So, I think the Rafale could replace very well the F/A-18. It's a small aircraft that can do the missions. Gripen is small but it doesn't do the missions in the same way, at least to a lesser extent, and the Typhoon is much bigger than the Rafale and the F-35 is-, well, I don't know how they'd take off and so on. You'd need to do an awful lot of manoeuvring in the middle of the Swiss mountains. So, I think the Rafale should be well-positioned there.

The Swiss will be sending out a call for tender. They'll be opening it up. We're waiting for that call for tender to come out shortly, in the coming number of years. A programme has been announced by Switzerland, and we'll see what happens with their request for proposals.

**Pierre Tran:** Any timeline on that?

**Éric Trappier:** No. Well, it's up to the Swiss to decide when they issue their call for tenders. We're biding our time. We're waiting for it to come out. We have our office in Switzerland. We are in touch with our industrial partners in Switzerland, and you know, we'll be mobilised and motivated when the Swiss call for tender comes out.

**Pierre Tran:** What about Belgium? What about the legal advice on that one?

**Éric Trappier:** I'm not awaiting any legal advice. I know what's in the call for tender. We didn't answer it because France decided to engage in the wider partnership, which in the call for tender, it said in any case, at the outset, there was no commitment by anybody in responding to that call for tender. At least, that was for the Belgium authorities, so I don't want to get involved in what legal counsel might think, but I think what I think. I think a government in a sovereign country can do what it likes. It can stop a call for tender when it likes. It can purchase without making a call for tender. It's quite free to do that. It can buy off the shelf. It's a question of the way it communicates its political choices. It's business really. I mean, states make their choices. It comes out in the newspapers. They're quite entitled to make political choices. Look at India. Look at the process that's been followed. It's not quite the same, but anyway. Our adventures in Korea. It's not necessarily the winner that won. Look at the Netherlands. They called for tender. It was sent to Dassault after the choice was made of the F-35 just to justify the choice that was already made. So, I mean, these things happen. So, you could list quite a lot of situations like that, choices made, with respect to calls for tender.

**Pierre Tran:** Okay. Thank you.

**M1:** Are there any more questions?

**Thierry Dubois:** Thierry Dubois. Aviation Week. A question on the electronic-warfare Falcons. Will these be service aircraft or new aircraft?

**Éric Trappier:** Yes, they'll be new aircraft. So, as the contract is not signed, we'll see, but we'll adapt ourselves accordingly.

**M11:** Mr Chairman, we really appreciated what you said at the French parliament at the Assemblée Nationale, but weren't you too nice vis-à-vis cooperation especially in the field of military aircraft? As far as we know, and according to our experience, this has given way to failing hybrid aircraft. You didn't stick to the deadlines. The costs, we thought they would be lower but they were actually higher, and there were (TC: 01:10:00) problems with exports. Finally, if you look at the Eurofighter,

partners have left and they were angry with each other. So, in order to have Franco-German reconciliation, I think we could have done better than to have had a Franco-German aircraft.

**Éric Trappier:** Well, I'm not always a good person, but good if I am, and there's a difference between the cooperations you are mentioning and the ones where we could be in. If we are in that cooperation, and if we are the leaders, these cooperations could be successful. I'm saying could because it would all depend on what the states impose on us and how they organise themselves. Well, I'm going to give you an example, the example of the nEUROn. We were six countries. We were six industries. For €400 million, we had a flying object, which was flying well. It was very stealthy. There aren't many in the world that can do that, and we did it right on time and within the budget. So, when we are the leaders, and we weren't the leaders for the drone nEUROn because Dassault has a lot of influence everywhere, but we were the legitimate ones. We were legitimate to lead a team because of our aeronautical skills. I'm saying this because this is true. I'm not saying this just to blow my own trumpet. So, it's not that I want to just be nice, but I think that if the states want to co-operate, to share the development costs, and if you find the right ways of co-operating and we allow technique to do the leadership, to stick to the budget and to have rigorous budgetary terms, and if we make the right choices then we can have successful cooperations.

Major cooperation programmes, there were some. The Alpha Jet, for example, was a Franco-German cooperation. So, this is possible. You see, I am probably very naïve in my optimism but there is a certain reality too. So, what we will need to test in the Franco-German or the Franco-British or with two or three or four partners in the future, if the political will is to have this cooperation, we would be ready to do that so long as a result, it's in the best interests of the states not just our interest. The interest of the state is to have the best product to carry out all the operations, the best product for our armies with the optimal cost, the optimal budget, and not to have any budget drifts as we can see in certain programmes and exports. The series for the European-French programmes are not sufficient compared to what the Americans do, and we need exports and the export rules that will be settled between the countries co-operating. They will have to be specified. I think it's in the best interests of France to preserve its export capacity. This is true for the aircraft, the submarines, for ships, for tanks, for any sector. Therefore, it will be a topic for discussion certainly between France and Germany.

**M1:** I don't want to create any controversy but, I'm sorry, the speaker does not have a microphone and the interpreters cannot hear the speaker without the microphone.

**Éric Trappier:** Well, the Breguet Dornier was finally a Franco-German aircraft at the end of it all. Dornier did the drawings. Charles has a very long experience and he can say that. So, you see we could do this, but we were just two and we had a certain capacity for the drawings. The nEUROn, we were six around the table, but it was very well organised and it works. When you see your nEUROn flying, it is very impressive. We fly it during our air shows. This shows the reliability and safety during flight otherwise the prefects would not allow us to fly over a crowd. So, we've managed to do this and we've organised all this. France with Adigi (ph 01.14.30) at the time weren't steering with the others. That's the challenge. What will be our common needs? We have to find a prime contractor. Well determined. Each country cannot do just anything. An industrial architect, as I call it, who will be able to organise the work share, the maneuverers, and make sure that the budget is the proper budget. When you haven't planned for anything, when you haven't done anything, you cannot just say overnight, 'I want to do everything.' We have to look at the risk. A demonstrator is a real risk examination. There were prototypes and there will always be prototypes, and the way in which we'll co-operate, that's going to be the most important point. Okay. Well, I think that we will close our

press conference and the results. Thank you for coming and hope to see you again very soon. Have a nice day. (Music 01.15.31-01.15.45).