Press Conference

Saint-Cloud
July 19, 2018
ACTIVITIES & PROGRAMS
1st half 2018
2018 context

• Economics
  → Trade war between United States and China and between United States and Europe
  → Volatility of the dollar
  → Oil prices rise

• Geopolitics
  → French Defense Procurement 2019-2025 law
  → Military partnership between France and Germany
  → Launch of the European Defense Fund by European Union
  → Brexit
  → United States’ withdrawal from the agreement with Iran
  → Conflicts in the Middle East
Rafale France and French Procurement Law (2019-2025)

• Rafale France
  → 2 Rafale delivered during the 1\textsuperscript{st} half of 2018, bringing up to 151 the total number of aircraft delivered (1 Rafale to be delivered during the 2\textsuperscript{nd} half)
  → For the last 28 Rafale to be delivered to France out of the 180 ordered, resumption of deliveries from 2022 on, i.e. no delivery in 2019, 2020 nor in 2021
  → Delivery of the 9\textsuperscript{th} Naval Rafale, retrofitted to F3 standard (the 10\textsuperscript{th} to be delivered during the 2\textsuperscript{nd} half)
  → F3-R Standard : delivery in 2\textsuperscript{nd} half
  → Standard F4 : notification expected by the end of 2018

• French Procurement Law 2019-2025
  → Additional batch of 30 Rafale, notification in 2023 (?), delivery before 2030
  → Launch of the program of the European MALE drone in 2019
  → Upgrade of 18 ATL2 instead of 15 initially scheduled, and initialization of the replacement program for the ATL 2 (future MARitime PATrol)
  → Renewal of the MARitime SURveillance aircraft fleet
  → Confirmation of the upgrade of the airborne component
Future Combat Air System (FCAS)

Further to the common statement in July 2017 between France and Germany (French President and Chancellor of Germany), both countries signed a Letter Of Intent in June 2018 to launch the Future Air Combat System (FCAS) project to create a combat system around a combat aircraft that combines piloted platforms (future-generation fighter aircraft, tankers, Awacs) and drones: France has been designated as the leading nation.

Agreement signed between Dassault Aviation and Airbus Defense and Space confirming Dassault Aviation’s leadership as architect for the combat aircraft (ILA Berlin in April 2018).

Roadmap definition that shall begin with the studies. Our goal is to obtain the launch of a demonstrator.
• Airbus Defense and Space, Leonardo and Dassault Aviation pursue the study of the definition for a MALE drone

• This 2-year study was notified in 2016 by the OCCAR (Organization for Joint Armament Cooperation), in conjunction with the French, German, Italian, and Spanish Ministries of Defense

• On January, 2018, validation of the “System Requirements Review” milestone that allows construction of the project, on the basis of the twin-engine formula selected at the French German council meeting of July 13th, 2017. Germany country leader, Airbus industrial leader

• Finalization of the “Invitation To Tender” by the OCCAR expected for the second half of 2018
• Notification in 2018 1\textsuperscript{st} half of new stealth flight studies and tests over the period 2018-2020

• Preparation of the demonstrator for the 2018 flight test campaign
Rafale Egypt and Qatar

• **Egypt**
  → Ongoing execution of the contract (10 Rafale left to be delivered)
  → Support of the fleet (technical assistance, spare parts, training, etc.)

• **Qatar**
  → Entry into force in March 2018 of the option for 12 additional Rafale
  → Ongoing execution of the 36 Rafale contract
  → Training of pilots and implementation of support
Rafale India

- Ongoing execution of the contract for 36 Rafale ordered
- Significant needs in India for fighters:
  - Answer to the « Request For Information » for the supply of 57 fighters for the Indian Navy
  - Answer in July 2018 to the « Request for Information » for the supply of 110 fighters to the Indian Air Force
Make in India

- Implementation of a production line in India
  - Joint Venture Dassault Reliance Aerospace Ltd: assembly of civil and military sub-parts
  - Implementation of a supply-chain: pylons, drums, primary parts and engineering
- Construction of the initial infrastructures
- Recruiting and training of Indian employees
- 2018 April 16 to 20:
  - Visit of Dassault Aviation executive board committee members and of a GIFAS delegation
  - Launch of industrial operations

First parts scheduled to be produced in 2018
Ramp-up of the production over 5 years
Mirage 2000

France
- Continued renovation works on the French Mirage 2000D
- Retirement from the French Air Force of the Mirage 2000N that entered into service in 1988

India
- Continuation of support to Hindustan Aeronautics Ltd. (HAL) for the upgrade of aircraft in India

United Arab Emirates (UAE)
- Ongoing discussions with United Arab Emirates armed forces further to their announcement of their intention to upgrade their Mirage 2000-9

Main Checks in the UAE and in Qatar, and support of all Mirage 2000 fleets
Mission Aircraft

Japan
- Sale of a 5\textsuperscript{th} aircraft to the Japanese coastguards
- Continuation of development works on Falcon 2000 Maritime Surveillance Aircraft for the Japanese coastguards

Germany – German Aerospace Research Center (DLR)
- Sale of a Falcon 2000LX converted to a testbed airplane

France
- Continuation of renovation works on the ATL2 combat system
- Announcement by the French Government to choose the Epicure mission Falcon to handle Universale Electronic Warfare Capacity
- Continuation of works to add dropping capacity on 4 Naval Falcon 50
Business jet market

• The positive trend in the business jet market is confirmed:
  → new aircraft market: recovery in North America and in Asia-Pacific
  → pre-owned aircraft market: decrease of the aircraft available for sale inventory but still at low prices
• Persistence of the pressure of competitors
Launch of the Falcon 6X on February 28, 2018:

- Range: 5,500 NM
- Cabin comfort: cross section 2.7 m; volume 52.2 m³
- Engines: 2 Pratt & Whitney PWC 812D
- Avionics: EASy III
- Maximum speed: M 0.90

as well as usual Falcons' advantages:

- Safety (fly by wire, fuel tank)
- Flexibility (short runway)
- Efficiency

Entry into service: 2022
Falcon Family

2000S (3,350 NM)

2000LXS (4,000 NM)

900LX (4,750 NM)

6X (5,500 NM)

7X (5,950 NM)

8X (6,450 NM)
New Falcon Features

- New on-board service offer:
  - Launch of « Falcon Connect », a comprehensive solution designed to facilitate the use, management and control of inflight connectivity
  - Development for in-service aircraft of the high-speed connectivity service (Ka)
- Falcon Eye: completion of flight tests for operational gains certification
Future Falcon

Ongoing specifications
Transformation plan follow-up

(1/2)

Dassault Aviation signed with Dassault Systèmes a cooperation agreement for the implementation of the collaborative engineering platform 3DEXPERIENCE™.
The industrial transformation plan intends to meet effectiveness requirements, and aims at specializing each production facility, by chain field, in order to build a refocused, consistent and effective industrial system.

**Transformation plan follow-up (2/2)**

The industrial transformation plan intends to meet effectiveness requirements, and aims at specializing each production facility, by chain field, in order to build a refocused, consistent and effective industrial system.
2018 1st half Results
### ORDER INTAKE

<table>
<thead>
<tr>
<th>Year</th>
<th>2018 1st Half</th>
<th>2017 1st Half</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>18</td>
<td>14</td>
</tr>
</tbody>
</table>

Incl. 5X cancellations and 6X 1st orders

### DELIVERIES

<table>
<thead>
<tr>
<th>Year</th>
<th>2018 1st Half</th>
<th>2017 1st Half</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>15</td>
<td>17</td>
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### BACKLOG

<table>
<thead>
<tr>
<th>Date</th>
<th>06.30.2018</th>
<th>12.31.2017</th>
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<tbody>
<tr>
<td>Units</td>
<td>55</td>
<td>52</td>
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</table>

Incl. 5X not cancelled

- Incl. 5X cancellations and 6X 1st orders
- Incl. 5X not cancelled

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Order intake, net sales and backlog

in € Bn - 2017 IFRS 15 pro forma

ORDER INTAKE

2018 1st Half 2017 1st half
2.8

Incl. 5X cancellations and 6X 1st orders

1.2

1.4

1.0

0.2

0.2

16%

12%

17%

14%

69%

56%

11%

83%

72%

73%

ORDER INTAKE

2018 1st Half 2017 1st half
1.7

1.2

1.2

0.7

0.2

BACKLOG

06.30.2018 12.31.2017
20.5

2.4

2.5

15.1

14.0

3.0

3.0

N.B.: Dassault Aviation recognizes the Rafale Export contracts in their entirety (i.e. including the Thales and Safran parts), whereas for France, only the Dassault Aviation part is recognized.

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Self-funded R&D

in € million

9.8 % of net sales in average

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td>€</td>
<td>482</td>
<td>488</td>
<td>431</td>
<td>293</td>
<td>313</td>
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</tbody>
</table>

2013 2014 2015 2016 2017

€ 143 M (8.4% of Net Sales)

€ 176 M (8.5% of Net Sales)

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Group adjusted income statement

<table>
<thead>
<tr>
<th>1st Half</th>
<th>2018</th>
<th>2017 IFRS 15 Restated</th>
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<tbody>
<tr>
<td>NET SALES</td>
<td>1,709</td>
<td>2,068</td>
</tr>
<tr>
<td>OPERATING RESULT</td>
<td>111</td>
<td>121</td>
</tr>
<tr>
<td>Operationnal margin</td>
<td>6.5%</td>
<td>5.9%</td>
</tr>
<tr>
<td>FINANCIAL RESULT</td>
<td>-38</td>
<td>-18</td>
</tr>
<tr>
<td>THALES and other equity affiliates</td>
<td>134</td>
<td>97</td>
</tr>
<tr>
<td>TAXES</td>
<td>-21</td>
<td>-34</td>
</tr>
<tr>
<td>NET RESULT</td>
<td>186</td>
<td>166</td>
</tr>
<tr>
<td>Net result margin</td>
<td>10.9%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Earning per share</td>
<td>€ 22.4</td>
<td>€ 20.2</td>
</tr>
</tbody>
</table>
Available cash

*in € Bn*

<table>
<thead>
<tr>
<th>Date</th>
<th>Inventories and work in-progress</th>
<th>Down-payments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.31.2017</td>
<td>-0.3 Bn</td>
<td>€ 1.2 Bn</td>
<td>€ 4.1 Bn</td>
</tr>
<tr>
<td>06.30.2018</td>
<td>€ 5.0 Bn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2018 Outlook and Strategy
same as published in March 2018

- Obtain qualification of the F3-R standard
- Conclude a contract for the Rafale F4 standard
- Sign with France the CUGE order for the Epicure mission Falcon
- Contribute in the definition of the proposal for a contract to launch the MALE program before the end of 2018
- Pursue nEUROn development and tests (additional batch of works)
- Launch technico-operationnal studies to define the roadmap for the airborne warfare of the future
- Conclude with United Arab Emirates the upgrade of their Mirage 2000-9
- Continue promotion and sale of our Falcon and Rafale
- Perform the Falcon and Rafale contracts in terms of quality, time and cost objectives
- Pursue our efforts in fleet support, key to customers’ loyalty
- Develop the Falcon 6X
- Design and engineer the future Falcon
- Make the start of the “Make in India” industrial line successful, from the production of the very first parts
- Ensure good execution of the Transformation Plan

2018 Guidance:
- 40 Falcon deliveries, the Company having reacted to the past years’ market weakness with a conservative management leading to a production rate ramp-down,
- 12 Rafale deliveries (9 Export and 3 France)
- 2018 Net Sales close to 2017’s