



Dassault Aviation

2021 FY Results

March 4, 2022

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

PRESS CONFERENCE

Éric Trappier
CEO

Good morning, and welcome to this press conference to report our 2021 business results. And for once you're in new premises, that is our auditorium. Physically present and also there are people attending the conference remotely. We're going to start this conference with a short video with the highlights of 2021.

At the end of 2021, the contract from Falcon Maritime's resilience and intervention [ph 00:00:42] programme, AVSIMAR, called Albatross, came into force. This contract was announced by the French Minister of the Armed Forces during a visit on November 19th to our plant in Seclin near Lille, where the Presidents of their Defence Committees of the National Assembly and the Senate were attending.

In accordance with the French military programme, the initial order is for seven aircraft to be delivered as from 2025 out of the planned total of 12, a symbol of the civil military [? 00:01:11]. This aircraft is based on the Falcon 2000LXS [ph 00:01:15] and will feature multi-radar under the fuselage, a high-performance [? 00:01:20] windows, search and rescue kit release system, and dedicated communication systems.

SLIDE MAIN TITLE

Video Speaker

On January 25th, 2021 in Athens, just four months after Greece expressed its intention to purchase, Éric Trappier signed two contracts for the acquisition of 18 Rafales and their associated logistical support. The ceremony was attended by the French Minister of the Armed Forces and the Greek Minister of Defence. The order for the 18 Rafales includes 12 aircraft currently in service in the French Air and Space Force and six new aircraft produce in Dassault Aviation plant.

The delivery ceremony for the Hellenic Air Force's first Rafale took place in Istres on July 21st, just six months after the contracts were signed. Today, the delivery of these first Rafale, number 401, shows that Greece, a European NATO member country, is willing to choose France, a proactive political choice, as is shown here. Buying American is not the only option. The Rafale is an omni-role, fighter aircraft who has unsurpassed operational capabilities on the international scene. It is combat proven and fully interoperable in particular with NATO.

The Rafale, whose acquisition and operating costs are well understood and managed, is constantly evolving based on the feedback from operational experience. The Rafale is undoubtedly at the forefront of technological innovation and will remain so for decades to come.

At the end of January, during her visit to our plant in Argonay, Haute-Savoie, where all Dassault's aircraft flight control [ph 00:02:56] systems have been produced since 1963, French Minister of the

Armed Forces, Florence Parly, announced her decision to order 12 Rafales to replace those being transferred to the Greek Air Force.

The Aero India trade show took place from February 3rd to five, 2021, to the Bangalore Air Base. France had the strongest foreign presentation at this event. This shows the French industry's commitment to contribute to the development of the aeronautical space and defence industries.

The Falcon 6X has made its first flight as scheduled on March 10th. The flight carried out by Bruno Ferry and Fabrice Valette lasted nearly two hours and a half hours and reached an altitude of 40,000 feet and speed of Mach 0.80.

This first flight was an opportunity to pay tribute to Olivier Dassault who had died a few days earlier. A keen aviation enthusiast, just like his grandfather, Marcel Dassault and his father Serge Dassault, he always supported the development of our business.

Since the end of June, now, three Falcon 6X are taking part in the flight test campaign, which is in full swing ahead of their entry into service scheduled for the end of 2021. System tests under actual operation conditions as well as flights with sustainable aviation fuel have begun, with almost 4,000 hours of testing, including 1,150 hours in flight. The Pratt & Whitney Canada engine used on the Falcon 6X has received its Canadian certification. In late December, the first round of cold soak [ph 00:04:40] tests for the 6X took place in Iqaluit in Canada. A battery of tests were performed at temperatures of around minus 50 degrees Celsius.

The Falcon 6X layout has won the Private Jet Design Award and the Red Dot Design Award. This cabin, with fluid curves, has redefined the passenger flight experience. The interior layout is designed with innovative solutions in a state of the art hangar in our Little Rock plant in the United States, where the first production Falcon 6X, serial number five, landed on January 28.

In early May, Egypt announced its decision to acquire an additional 30 Rafales. This new order comes after the initial acquisitions of 24 Rafales that was signed in 2015. It also builds on the unwavering bond that has existed between Egypt and Dassault Aviation for nearly 50 years. Egypt is our second export customer to order additional Rafales. Our contract came into force in November 2021. It is a further demonstration of the aircraft's excellent operational and technical qualities that make it a commercial success in export markets.

The new Falcon was unveiled on May the 6th and quite happy to announce today the new Falcon is going to be the Falcon 10.

Due to the COVID pandemic, these virtual and digital launches made use of augmented reality to create a magical event. The Falcon 10X offers the largest, brightest and most comfortable cabin on the market for an unparalleled passenger experience. Its digital flight control system, or digital cockpit and carbon composite structure, make this new aircraft a benchmark product on the market.

Powered by two Rolls-Royce engines, the 10X will be able to travel up 14,000 kilometres. Our new flagship aircraft is scheduled to enter into service at the end of 2025. With two new high end Falcons in development - the 6X and 10X – Dassault Aviation is showing that it is committed to its future.

Dassault Aviation is listed in the first edition of the Financial Times, Europe's Climate Leaders 2021, a ranking of the 300 companies that have succeeded the most in reducing their greenhouse gases emissions. Dassault Aviation is developing new industrial processes and optimising the existing ones to reduce its carbon footprint. The Falcon range is already capable of flying with sustainable fuels.

Dassault Aviation co-organised the Paris Region AI for Industry Challenge 2021 with the Ile-de-France region, in which ten start-ups took part. The goal was to use AI algorithm to develop virtual sensors. The jury for the challenge declared the winners to be the consortium formed by Aquila Data Enabler and the ISAE Supméca Quartz laboratory. The awards ceremony took place on May 28th at the Bourget airport.

This is a result of an innovative partnership between the Dassault Aviation and the engineering school of the ISAE Group. The company is taking part in the Euroglider project, which aims at developing an electrical power two seater glider for teaching, release and training. It falls within the scope of the Clean Sky 2 programme with three considerations: operational, environmental and economic. It also shows how invested Dassault Aviation is alongside schools in shaping the aerospace industry of the future.

On June 18th, the Chiefs of Staff of the three countries were also in the SCAF programme and met with our CEO in Saint Cloud. The first result of the technical and operational studies on the NGF were presented to the French, German and Spanish Generals, accompanied by their delegations.

Dassault Aviation has partnered with CNRS to create a joint research laboratory dedicated to the creation of breakthrough technologies for materials used in acoustics, electromagnetism and anti-icing [ph 00:08:50], named Innovative Functional Materials for Aviation, Moliere in French. This research will benefit the aircrafts of tomorrow, both in the civilian and military sectors. This initiative shows how Dassault Aviation is constantly striving to be more innovative.

For the third year in a row, Dassault Aviation ranked first in the AIN Satisfaction Survey on the support of the fleet of business aircraft, with 5% increase in its overall score compared to 2020.

The new building at our Mérignac plant was inaugurated on September 21st. It hosts a study development and after sales support teams for the company's civilian and military activities. As part of our transformation plan, this building will enable the transfer to Mérignac of some activities based in Saint Cloud to be closer to our aircraft production and in service. This new building, along with some existing ones, will therefore accommodate the defence customer support, Falcon aircraft service's industrial operations, procurements and design office teams. However, for the design office, the centre of gravity will remain in Saint Cloud.

With a total capacity of 26,000 square meters the new building features 1,650 workstations, 24 modular collaborative spaces, and nine project offices. The company is continuing with its transformation plan, Leading Our Future, which has already performed very well in enabling Dassault Aviation to remain competitive in an ever changing world.

On November 25th in Zagreb, this State-to-State contract was signed in the presence of the President of the French Republic and the Prime Minister of the Croatian Republic for the acquisition of 12 Rafales from the French Air and Space Force. Croatia has also signed a logistical support contract with Dassault for all the necessary resources with a three year extension. The Ministry of Armed Forces confirmed that the 12 preowned Rafales sold to Croatia would be replaced by new ones for the French Air and Space Force.

In mid-October, Dassault Aviation was presented at the NBAA trade show in Las Vegas, a key event for business aviation. A full scale model of the Falcon 10X cabin was exhibited for the first time alongside for the Falcon 6X. The Falcon 8X was also presented to the many guests in attendance.

For its 20th year participating in the Race of the Heart, a team sponsored by Dassault won the event. This is no small feat. For four days and four nights, racers take part in various challenges along the 700

kilometres from Paris from Les Arcs Bourg Saint Maurice to raise awareness on organ donation and transplant.

Dassault Aviation exhibited the mock-up of the 6X cabin at the Dubai Air Show in November, as well as the Falcon 8X, which made the trip with sustainable fuel. This edition of the Dubai show confirmed the sign of recovery in the business aviation market. A flight demonstration of the Rafale was also given by the French Air and Space Force.

The Rafale chosen by the United Arab Emirates to equip their army. On December 3rd, our CEO, Éric Trappier, signed a contract in Dubai for the supply of 80 F4 for the UAE Air Force. This took place in the presence of the President of the Republic, Emmanuel Macron, and Sheikh Mohammed ben Zayed Al Nahyane, Crown Prince of Abu Dhabi and Deputy Commander of the UAE armed forces. This contract is the most important in the history of Dassault Aviation and is the result of more than 40 years of trust between the UAE and our company through the Mirage family and in particular, the Mirage 2000-9. It is yet another demonstration of the excellence of the Rafale in the French aviation industry.

The French Ministry of the Armed Forces Directorate of Aeronautical Maintenance awarded Dassault Aviation a new generation contract BALZAC to support the Mirage 2000 fleet of the French Air and Space Force. This contract follows on from the Rafale contracts, which guarantees excellent availability of the Rafales owned by the armed forces. With a period of 14 years, these verticalized [ph 00:13:03] contracts include an all through [ph 00:13:07] maintenance activities for the French Mirage 2000 until their retirement.

On January 19th, six Rafales by Greek Air Force crews took off from our Istres site to the Tanagra air base. Our was the guest of the ceremony presided by the Greek Prime Minister. The entry into operational service of these first six Rafales in the Hellenic Air Force [? 00:13:32] clearly demonstrated the strong partnership between France and Greece, just one year after the signature of the contract for 18 aircraft.

Dassault Aviation was also present alongside GIFAS and the French Air and Space Force during the second edition of the La Fabrique Défense Trade Show in Paris in late January. For three days, defence and industry professionals gave a large number of young people the opportunity to discover the challenges of defence and to find vocations, training opportunities and professions for the future.

On February 10th, Éric Trappier and Air Vice Marshall, Yusuf Jauhari, Head of the Defence Facilities Agency of the Indonesian Defence Ministry, signed a contract in Jakarta for the purchase of 42 latest generation Rafale aircraft in the presence of French Defence Minister, Florence Parly. Indonesia is the eighth country to purchase Rafale aircraft, the seventh international customer, and the first ever customer equipped with Dassault combat aircraft to acquire new Rafales.

CONTEXT

Éric Trappier
CEO

Thank you for watching this film, which summarises the activity of the full year.

First to recall the current context, especially that of the war in Russia, in Ukraine, and this is taking over all the other topics for the moment. We are also affected by what the Ukrainians are going through, and we have activities in Russia, sales of Falcons, and of course, there will be altered because

we are carefully following the measures set up by France and the EU, as well as a certain number of other countries. We are also very much aware of the purchasing of certain materials like titanium, and so therefore we are holding a crisis cell at the GIFAS [ph 00:15:26] and in other organisations, and we are directly connected with the French authorities at the highest level, and we will be able to talk about this later, if you wish.

So, the health crisis seems to be now behind us. We don't need to wear masks anymore from, I think, the 14th of March onwards. And so this is already done, the easing of restrictions in other countries. And so we'll be able to breathe again normally.

But in spite of all this, what I wanted to say is that in 2021, there was a strong economic recovery. If we compare with 2020, it was slightly contrasted. If we compare with 2019, and here I'm talking in general, but since there was a strong recovery, well supported by the French authorities. There were difficulties, shortages that were noticed everywhere. Difficulties in the supply chain after these two years of COVID. The supply chain is slightly affected, and with Ukraine this creates a lot of inflation. And of course, this can be a cause for concern for us.

And at the same time, we are pursuing, although this has come second because of Ukraine, the importance of the environmental issues and societal issues that we are following. And I will say a few words about that also.

HIGHLIGHTS

So, the highlights of the year. You've seen in the film the success of the Rafale in exports, and we're going to pursue the success. There is a ramp-up of the Falcon market. There was an order of 100 aircraft - 49 Rafale, 51 Falcons - and they did not integrate the two major contracts, which are the UAE for 80 and Indonesia, 42 Rafales.

The deliveries in 2021, which will make up most of the total sales, 30 Falcons. You remember our guidance was 25. And the 25 Rafale that will scrupulously follow our guidance. And in the field of development, you have the broadening of the Falcon family with the first maiden flight of the 6X and the unveiling of the 10X.

DASSAULT AVIATION FACING COVID-19

A few words on the programme. The COVID. Well, very quickly on the COVID. We have had the opportunity to talk about this. Just to recall that the supply chain was strongly affected, not only the French supply chain but the global one, with all the issues regarding logistics transport, the stopping, halting of chains, recovery of chains and in manufacturing we had to face all these different difficulties. And if you have a crew of five that does not arrive, it stops the entire manufacturing line.

So, we had to be on the field, and we did this with the GIFAS, with the control towers that we set up, and at Dassault to carefully monitor all the supply chain issues and this is still happening today. It did not stop overnight.

RAFALE EXPORT

Now, as for Rafale export, just to recall the strong success of the Rafale. The orders in Egypt and Greece in 2021. France therefore offset the 12 French aircraft that were sold off to Greece, six out of the 12 and the six others will go in 2023. So, a French order of 12 aircraft. There was also the sales to Croatia from France, from State to State. 12 aircraft and they will be offset later on with the fifth tranche.

UAE - 80 Rafale. We've talked about it. This is the contract of the century, at least of the 21st century,. The greatest contract ever signed by Dassault. Indonesia, a new country, which is important for us. So, the Indo-Pacific area and the political authorities are strongly interested in that area because there's always a lot happening there. So, a new customer for Dassault - Indonesia. It's always very good to note. This contract is not yet enforced, it's signed.

Greece has approved in its parliament at the beginning of the year the acquisition of six additional Rafales that will be added to the 18. So, 12 from the French Air Force and nine more. This contract is not yet signed. It will be in the coming days. And the export prospections are ongoing. We have a few countries that we're looking at. So, the 25 new Rafales delivered in 2021, and we've added the six Rafale from the French Air Force transformed in Istres and they have already been sent to Greece.

RAFALE FRANCE

As for France, the 12 additional aircraft, so the order we've worked on, what we've called the tranche five - the fifth batch - which is a contract awarded in 2023 for deliveries in 2027. We also had to prepare this tranche five with a certain number of definition of material for this future aircraft in this fifth batch. Should this 5T [ph 00:21:04] productivity was signed in 2021 with France. The Air Force standard is still being developed. You know that that is the standard that will be delivered to the French army in the coming years, and it will be the basis for the definition for the UAE.

MILITARY SUPPORT

As for military support, after the verticalized contracts that were signed for the Rafale, Ravel and Ocean for Atlantique 2, the armies wanted to have the same type of contract with all the Mirage 2000 and not for ten years, but for 14 years. And so therefore, we will be able to increase the availability of aircraft in the current context. This is extremely important because, as you know, our aircraft are put to contribution very strongly in the framework of this Ukrainian crisis at the borders with Ukraine and the allied countries.

FUTUR COMBAT AIR SYSTEM (FCAS)

As for the FCAS, 2021 was very active. We pursued phase 1A that will be over in the coming days. We will pursue our technical and operational studies, which were the three air forces and the industrial. You've seen the three Chiefs of Staff - French, German and Spanish. They came and conversed with us on these tactical and operational studies that most prefigure what will be the future air combat aircraft in the coming years.

We pursued this 1A phase with the 1B phase, which prefigures a demonstrator which will be launched into phase two. It was a bit difficult with Airbus at the beginning of 2021, as you know. It was widely commented. We received agreements. We negotiated a contract with the DGA, which is ready, and we were waiting for Airbus to sign the contract with us, which is not the case right now.

EURODRONE

As for the Eurodrone, well, here our situation is slightly different. This is the Airbus in Germany, which is the leader. Dassault with Leonardo. These are two major partners, but subcontractors for Airbus, and we have met the demands of Airbus and signed the contract with OCCAR. The contract between Airbus and Dassault has been signed. So, this project is going to be in the coming days.

SPECIAL MISSION AIRCRAFT

As for the multi-mission Falcons, we are continuing maritime surveillance aircraft programme. We've delivered our sixth Falcon maritime surveillance to the Japanese, which is the last of the six ordered, and we have a few prospects. For the maritime patrol, the modernization, the retrofit of the ATL2, is being pursued with the fourth aircraft out of the seven, and the fifth aircraft, which is in its final stage.

CONTEXTE FALCON

The Falcon context. So, the market is going up. During the COVID crisis, we saw the strong drop in the sales of new aircraft, but we had hopes because the sales of pre-owned aircraft had remained at a good level because there was a stopping of commercial aviation. Those who wanted to keep travelling, especially domestically in the US, needed aircraft. So, this market remained quite buoyant.

From 2021, early 2021 therefore, the buyers came back to us and the projects that had been put off were back on our pile [ph 00:24:55] and started selling again. The market is very active. We are benefiting from the arrival of these two new aircraft, which are the 6X, and we are doing our best to fulfil our orders by the end of the year. We still have supply chain problems. And the 10X, which will arrive at the end of 2025. And this really boosted the relations we could have with our potential buyers.

And of course, there's a problem regarding sales with Russia because all these sales are going to stop, potential sales, and the sales already done will be frozen.

FALCON 6X

As for the 6X, everything is running smoothly. 167 flights. 523 flown hours at the end of 2021. An excellent flight behaviour of the aircraft during flight, during its test in-flight and certification tests because you know that certification is underway. The performance is perfectly in line with what was expected, and so therefore for us, this is very positive. This programme is very positive, and we will reach at the end of the year.

And as for the SAF and the 6X and the whole range, the difficulty is that we can obtain some for a few flights, but then afterwards, it's not easy to have them all around the world.

Aircraft number four and five are under completion. You've seen the arrival of an aircraft at Little Rock in the film, transatlantic. The programme took place properly and we are going around the world with the 6X and this will take place in the first half of this year so that we can check this aircraft operationally and we will be able to show it throughout all the stops we will be making.

FALCON 10X

The 10X, the global launch. I'll not go back on this. We've talked a lot about this. The range is 7,500 nautical miles, two Rolls-Royce engines, and new generation cockpits. So, a very spacey cabin and we can be operational, we can keep working, we can sleep on these flights, which are very long flights.

FALCON: ECO-RESPONSABILITY

As for the eco-responsibility, we're working on the technologies that will allow us to pursue the improvements to reduce our carbon footprint for our future aircraft. So, we are contributing participating in a certain number of programmes. The CORAC programme in France with our partners from GIFAS. It is the State that is partly funding some of these developments. We're working a lot on the material, on the system architecture, on the reduction of the footprint by optimising the flight plans, and we're also working with Europe with Clean Sky, with a certain number of programmes and SESAR for the optimisation of air traffic. And that is to prepare the future generations of aircraft.

FALCON FAMILY

So, this is the range, the 2000 [ph 00:28:19] until the 10X, which is very exhaustive, and this is very good for the future sales of Falcons.

FALCON CUSTOMER SUPPORT

Our customer support, we've always improved our customer support. So, once again, we've won this battle. AIN is an American media that recognises the Falcons as being well-supported in the world, according to the customers. We've have even improved our general ratings because it's rated on all kinds of topics, and we are often the first. And in the general classification, we're generally the first and there's even an improvement of our rating since last year.

So, we are going to pursue these efforts. We could use our service stations. They had stopped during the two years of COVID, but now they're resuming with a stronger number of flights since 2021.

TRANSFORMATION PLAN

The transformation plan, you've seen a few elements. We've kept you informed of the entire infrastructure to prepare for the future and the work on the processes based on the new digital tools from a Dassault system, but not only because we are generalising SAP on a certain number of points. The real ambition for us is to properly master our data and to protect them, and that is the key of this transformation.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

Social and environmental responsibility. I'm not going to read this. You can read it yourselves. But we are working very hard in a certain number of areas. In any case, the constraints coming from Europe - Fit for 55 and all the taxonomy issues, the new laws, climate and resilience - this forces us to improve and strengthen all the processes that allow us to fully meet all these requirements that are arriving. And there are a lot of requirements. It's a lot of work and it's going to cost us quite a lot.

ESG: ECO-RESPONSABILITY

As for eco-responsibility, we're trying to consume less. So I think this is the first time we're presenting this to you. This is the evolution from 2021 and 2019. The COVID showed that we needed to have more paths to aeration [ph 00:30:49], so we use more gas. But as for the rest, we are going towards a reduction in a certain number of consumptions in line with what we want to do in-house to support this energy transition. I'd like to remind you that the REACH standard, which is a very demanding standard, forces us to change a certain number of processes and changing these processes does not mean change our standards in purchasing, but this means our ability to re-certify this material, to re-certify the whole change so that we can check that we have the same performance for the new material compared to the previous one. So, these are important efforts that are being carried out for years now to comply with this standard.

ORDER INTAKE, DELIVERIES AND BACKLOG IN UNITS – NEW AIRCRAFT

Now, as for the results, I'll be very quick so that we can have time for the questions. So, the number of orders 2021 - 51 Falcons, 49 Rafales. Out of the 49, 37 are for export and 12 for France, compared to the 15 Falcon in 2020. So, this is not a book to bill above one. It is much above one considering the total sales, but it is a real strong recovery in the number of orders which hadn't happened in 2020 for the reason you know of, which is COVID.

As for the deliveries 30 Falcons compared to the 34. We have the COVID effect. We ordered less, so we delivered less. As for the Rafales, the export contracts - zero deliveries in France in 2021. I'd like to underline this is not to promote exports. That's because the French plan, the French military programming law, has asked to defer the delivery of French aircraft for four to five years. And so you'll see it in the total sales. This will increase total sales considering the 13 Rafale delivered in 2021. So the backlog is fleshed out with 86 aircraft - 46 Rafale and 40 Falcons.

ORDER INTAKE, DELIVERIES AND BACKLOG IN € BILLION

Now, the figures, as such. Order intake is 12.1 billion for 2021, with the breakdown that you can see here on this chart. 6.2 billion for defence exports, 3 billion for defence France, and 2.9 billion for the Falcons.

As for the net sales, the deliveries - 7.2 billion. The breakdown is 4.5 billion for Rafale export, 2 billion for Falcons, and 0.7 billion for France. The consolidated backlog, it stands at 20.8 billion. It's broken down with 9.9 billion for Rafale export. I'd like to specify that in this backlog, you don't have the UAE for 80 aircraft, nor Indonesia, nor the six additional aircraft for Greece that we should be signing. So, we're going to leave that for 2022. We always need to keep some for later on.

For France, we have 7.8 billion and 3.1 billion because in the 7.8 billion, these are all the French aircraft that we have retained the orders. The fourth tranche plus the 12. That is 40 aircraft in our backlog for France that we need to deliver in the future. And the Falcon, 3.1 billion with a greater flow for the Falcons.

CONSOLIDATED SELF FINANCED R&D

As for the self-financed R&D, we are still spending heavily in self-financed R&D. We have two falcons in development - the end of the 6X, which is in development, and the beginning of its operational life by the end of 2022 and the ramping up of the development of the 10X. So, we're going to remain at that level until we get these two aircraft, which is quite a significant effort for the company.

THALES

The results of Thales. You saw them yesterday. The results of Thales are good. A net margin of 8.4%. An operating margin above 10%. This is drawn by defence and mainly drawn by the Rafale orders in the framework of our defence programme.

ADJUSTED CONSOLIDATED INCOME STATEMENT

The income statement. The operational income over the total sales – 7,233 million. Operating result, 427 [ph 00:35:33] million, 3%. So the financial income 26 million euros. Thales has given its contribution 341 [ph 00:35:44] million euros and after taxes, net result of 693 million, which is a net margin of 9.6%.

And the result of R&D, which is at 7.6%, self-financed, which is slightly lower than last year because the total sales is higher, so the earnings per share is 8.3 euros compared to the result last year, 4.8 euros. So, a very good year for 2021.

CONSOLIDATED AVAILABLE CASH

The available cash. Well, the available cash is increasing - 4.9 billion - which is a very positive point.

DIVIDENDS

Dividends for this year. We've proposed after the shareholder meeting, and we will be presenting this at our meeting, a dividend per share at 2.49 euros and there will be a share price for the employees of 139 million for profit sharing. And if we were at the minimum legal, we would have 28 million of dividends. Dassault is by far the one distributing the most in terms of profit sharing and incentives.

OUTLOOK AND STRATEGY

Outlooks and strategies. 2022 will be very full: execute the Rafale contracts; execute the three contracts - UAE, Indonesia and Greece; pursue our developments, the F4 more particularly; prepare the standards of the future post F4 because the Rafale is going to last a certain number of years; the Falcon, seize all the opportunities of this market recovery to sell as many as possible; to commission the 6X; pursue with the 10X, keeping our design office busy; pursue our support, military support and our French forces, considering our context; the Falcon also to maintain this nice image that Dassault has in the field of support; and ensure the availability of our aircraft support energy transition by continuing to contribute to R&D and look at our expenditure in this area; the Make in India, which is part of our strategy, which is quite substantial - quite a number of Falcon 2000 parts are coming out of our plant in Nagpur; the NGF, we are still waiting for the setting up of the second part of phase 1B of this demonstrator; and the launching of the Eurodrone.

We have a guidance for 2022 of 13 Rafale and 35 Falcon with, as I was saying earlier on, a strong tension in our supply chain. And so the net sales will be going down, will be decreasing, because we will deliver only 13 Rafale and although our backlog is well furnished, it'll all depend on the deliveries planned in the contract. So, 13 is under 25. So, the sales will be slightly lower.

This is what I want you to tell you this morning and now I'm ready to answer your questions. We have 45 minutes for that.

QUESTIONS AND ANSWERS

[? 00:39:33] (**Magazine Challenge**): [? 00:39:33], Magazine Challenge. I have two questions. What would be the pace of production for Rafales because you have the Mérignac plant, which will probably be ramping up. Will it then be three or four aircraft?

And then a question on NGF. It seems that there is some new tensions between the industrial partners. Do you think it is the right time to launch your B plan that you announced a year ago?

Éric Trappier (Dassault Aviation): Production pace. I'd like to set the stage. It's always difficult because you have the deliveries and that's per the contract. But for Falcons, it's slightly different. We sell per slot available. For the Rafale, it is as per the terms and conditions of the contracts. In 2022, we will be meeting the delivery deadlines but the pace of production, we have had great difficulties to explain it to the official services. During COVID, we were below one, and for some plants we were close to zero because when you deliver an aircraft at Mérignac, you started to manufacturing two years and a half before, three years before, particularly in our plant in Seclin.

So, from the industrial standpoint, we need to smooth out the manufacturing pace. It went almost down to zero. We were very concerned in 2021 plus the pressure on orders which were going down, but Dassault has been able to recover when it comes to our backlog. So, our pace of production is close to two now. On average, it's two. So the orders are such that we will have to ramp up to meet the contract deadlines in the coming years. And we will move up to *cadence trois*, or pace three, production pace three, because of the orders that were put by the Emirates and Indonesia.

But for the Emirates, the aircraft won't be delivered from 2026 to 2031 - one for Egypt and Indonesia. The deliveries will be in the shorter term. So there will be a peak in our production.

And now I anticipate another question because success calls for success. Should there be more orders? We would be able to take them in in the short term. We would rather, of course, have them delivered later because for the tranche five aircraft, which will start for France as from 2027, at the same time as that of the United Emirates would be at a pace of two. We will be keeping a base of three if new orders were to be taken in.

Now, for the NGF, the New Generation Fighter. Well, that's the very essence of cooperation [ph 00:42:51]. We consider that first and foremost France has defined and expressed its intention to take the lead in this area. Now, you may interpret it the way you want. So France could be the prime contractor, for instance, and we have designed a series of pillars in the SCAF [ph 00:43:14] programme. One of the pillars is aircraft where Dassault should be a leader and should be the main contractor.

This has resulted in difficult negotiations. I thought it was history and everything was on to start a fresh negotiation from this starting point. But you have Airbus in Spain, Airbus in Germany, Dassault in France. So the three countries, also the three States behind that. Additional requests were introduced to support this programme. I said that there was a red line not to be crossed. It is that there is a need to have a leader. But if it is only for co- [ph 00:44:05] construction, co- [ph 00:44:06] something, I won't go for it because it would be lying to the armed forces to say that we have a co-development with no leader because we also have to meet the deadlines in terms of costs and operations. I'm not ready to sign yet. France is a leading State for this contract. We're ready to sign, but we've done everything the which was possible to sign with Airbus, and I'm waiting for Airbus's signature.

Para Bettel (Bloomberg): Pira Battel [ph 00:44:47] from Bloomberg. On the same topic. It seems to me that a German minister made a statement about it and about the need to promote further this project because of the events in Ukraine. Do you think it would help the situation?

Éric Trappier (Dassault Aviation): The intention of the German government to mobilise its investments in defence is a good thing, but NGF, we said the first aircraft should be ready in 2040, but it will be after 2040 because of the delay, because we need to have a final standard because we also have the armed forces to have it integrated in 2050. And I think that by that time, Ukraine will have a particular status.

Now, for the next 30 years for France and Dassault, the priority is Rafale. But we're ready to work on the new generation. My engineers in my study design offices are eager to work on this. The current situation can make the signing of agreements between governments easier, provided the rules are complied with.

Para Bettel (Bloomberg): An additional question. You've said that you had to freeze contracts with Russia.

Éric Trappier (Dassault Aviation): Well, Russia has generated a certain number of clients for Falcons. We have some Falcons that are being flown in Russia. We will have some difficulties in supporting them because we will be complying by the sanctions decided by the authorities, of course. So, we will stop customer prospection in this area, and we had a few aircraft for Russia, and we will see on a case-by-case basis how these contracts will be frozen. Because of force majeure, terms and conditions are difficult to interpret. So, we try to interpret this as an industry.

We're not the only one in this situation, as you will easily understand. So we'll check the current status of these contracts.

What are the aircrafts? All types of aircraft. High end Falcons because Russia is a big country and their users were using 8X, for instance, 10x, the whole range.

Speaker 1: Same question, if you could give a little bit of forecast or more details on what the conflict will do on business jet deliveries and orders, please?

Éric Trappier (Dassault Aviation): Forecasts. Well, the US were the main focus of recovery. This is from the US that the demand went up. We're not the only ones in the US market. Of course, there are some competitors, so there was a kind of market sharing. And at the mid-2021 and now we've also noticed that there was a recovery in Europe. So, the two areas of recovery are the US and Europe.

We sell also a few aircraft in Asia, but COVID is still very active. I went to sign the contract in Indonesia that. We barely had access to the country. You know the situation in China. In the neighbouring countries, they are still more or less in a lockdown because of the Omicron wave and we're hoping that this new COVID wave will be behind us and that we will be resuming with standard business also in Asia. But Asia is not the biggest market, unlike Europe and the United States.

Speaker 2: I have several questions on SCAF [ph 00:49:17]. You say you're waiting for Airbus to sign and for the FCAS, you said that you have to make a decision on the phase 1A. And if nothing happens by the end of the year, what's going to happen?

And I have a question also about the orders from Egypt. 30 or 31 [ph 00:49:40]?

Éric Trappier (Dassault Aviation): So, there's an additional aircraft. Well, for the first question on the FCAS. Well, the phase 1B was signed in September. We've maintained our teams on track up to the

end of 2021, saying that everything will be unlocked, but one has had to realise that things are not as smooth as we expected, and I can't have 100 engineers who are very high level workers and highly skilled on duty waiting for the green light for from X, Y, Z. So, I have reorganised or reshuffled the team to other businesses or other sectors because I cannot have my engineers remain idle.

Now, I'm not saying that if the signature is not made in the coming weeks, we will not redirect those people to design a new aircraft, because I know they are eager to design an NGF demonstrator and maybe some would say I've found another job and I don't want to. It depends on engineers also. Now, if the order comes in six month or at the end of 2022, there is no problem, but we'll have to take our time before saying yes.

So, in 2022, we'll have to make a decision. We cannot wait with our pen in our hand over a blank page. So, we have to come to a solution because it's a problem to be settled amongst the industries and the States involved. But in my view, it has taken a bit too much time.

The order from Egypt. The additional order was 30 aircraft then there was some budget remaining from the previous contract of the 24 aircraft, so an additional aircraft was ordered.

Speaker 3 (Les Echos): Good morning. I'm from Les Echos. On FCAS, could you please tell us why this order of flights [ph 00:52:15] so important and the causes so many tensions for the general public to understand?

And then my second question is, don't you think that it should be written in black and white in what is called a strategic compass or *la boussole stratégique* and when the law will be passed?

Éric Trappier (Dassault Aviation): Because for the time being, the strategic compass or *la boussole stratégique* is something that will be driving cooperation throughout the EU member states, but FCAS is only three countries. It may change, but then we're not going to have six months - much more time.

Now for the flight controls. Well, it's because there are some specialists in the developing flight controls. Dassault is the only aircraft manufacturer in the world designing its aircraft by designing the flight controls in the same design office here in Saint Cloud. And that's the strength of Dassault for generations of aircraft. So we have a long accumulated experience in flight controls leading us to think that we are amongst the best in class worldwide, if not the best in class.

When it comes to the contracting format, since the three countries are going to entrust us with this contract and in order to come up with a demonstrator - and I'm speaking about a demonstrator - the one who designs the aircraft is also the ones who design the flight controls. And that's Dassault. And the expertise is here in Saint Cloud. Not only here in Saint Cloud. It's also in Argonay where we manufacture the flight controls because we have 100% capacity, the software for the computers, and we test them in our various sites. So, that's the software for the computers embedded in the flight controls. So as an aircraft architect, we are also the flight control architect.

So to me, there's no problem. If you hear about a problem, I will need to have some explanation. If others think that they're better than we are or just as good as we are to manufacture the flight controls. I'm ready to work with them [ph 00:54:58]. Airbus is doing pretty well with its flight controls, and their design office is in Toulouse, not in Germany. But it's part of our architecture. We take responsibility for the leadership of the aircraft design and defining the flight controls.

It doesn't mean that we are excluding the others in the work packages that have been defined for the flight controls. There is some work for the others in Germany. It could be Airbus in some instances. It

could be also other companies like [? 00:55:30], for instance, with whom we work, because one day or another, they will also be able to design and manufacture flight controls.

So as far as I'm concerned, there are no problems with the flight controls. The problem is on the other shore of the Rhine River [ph 00:55:44].

François d'Orcival: François d'Orcival. Mr. Chairman, as for the Rafale, could you today tell us how many Rafales are flying? If you add the ones delivered to the French armed forces and those delivered to the other armed forces today, how many Rafales are flying?

Éric Trappier (Dassault Aviation): That's a different calculation to make. I should have the answer somewhere in my papers. For France, out of the 192 ordered, we've delivered 100 and a few. So, there are at least 100 flying for France. Here you go. So 152 delivered to France and for exports we have 24 for Egypt, 30 for Qatar, and 33 for India. So, that is 239 aircraft delivered today on the whole.

This does not include, we need to add the six Greek pre-owned aircraft that we've delivered, but that we have deducted from France, so 239 is the right figure. But it changes every day because we keep delivering. We are still delivering today. But on the whole, we have 200 aircraft for France before tranche five and 300 aircraft for exports, including the UAE, Indonesia and the additional Greek aircraft. This is more or less. It's a little under 300 and 192 [ph 00:57:43] and you will have tranche five. So how much will it be? 30, 42 or more if our armed forces need more considering the context and because of the high intensity preparation to war.

Speaker 4: I'd like to go back to your last comment. If the needs increase, if that was expressed, would you be able not to increase the production output but accelerate production because you say you need three years to make a Rafale?

Éric Trappier (Dassault Aviation): No, we cannot accelerate production. Well, we do it. We try to do our best. But there is a cycle, and the cycle begins with the supply of material. And it's not that simple considering the context. The delivery of all kinds of – I'm going to use a word - all kinds of things around each plant so that all the companies working around the plants, subcontractors, we have 500 companies working for us. And they themselves, they have cycles. So, therefore, these cycles, if we increase the production output, of course, we facilitate things. You can correct better if there are problems arising, but it isn't easy to bring down the cycle to less than three years. Three years is a good cycle.

We've made efforts on a case-by-case basis so that we can go a little faster. So, if France was to order additional aircraft, but we first have to already deliver those that have been ordered a long time ago. Those are the famous 28 that were ordered. I have forgotten the date they were ordered. I wasn't even the Chairman. So it's more than ten years now. So, it's not a problem with the cycle. It's a problem of accepting deliveries. So it's a financial issue. The military do not renounce their aircraft. There are some budgetary choices.

And you know that very often the Rafale is the adjustment variable of the French budget. Luckily, we have exports otherwise we would have trouble maintaining the manufacturing line. Not only Dassault, but all the other 400 companies that build Rafale in a very random way in one corner of their workshops.

So, there was a difficult COVID period, but now the Rafale is bringing work to them, and it is almost exclusively in France that the Rafale is produced at Dassault, Safran, Thales, and the entire supply chain on our territory. And so that is very good news, the increase of this production output for our entire aeronautical line.

Thierry Vigoureux (Le Point): Thierry Vigoureux, Le Point. So, in terms of employment, what are the hiring perspectives for 2022?

Éric Trappier (Dassault Aviation): So in 2022, we were a bit moderate in 2020-21. There was less work. We didn't increase the number of people. Now we are going to hire more people because the production output is going to increase but during these difficult years, we reduced our load. Now we're going to give more work to our subcontractors, and that's normal. It's give and take. So, we're going to take support on subcontracting to help us in this increase in production.

But of course, we're going to hire. There's a cycle of people who are going to retire. So, therefore we do need to hire to offset that, and we have to hire because we're going to get more work. So, we're going to hire. It's not simple at Dassault because there's a lot of tension on employment. There's always this paradox; we have some millions of people who are on the dole [ph 01:01:59], and we have trouble hiring but Dassault is attractive, whatever some people might say, and we hire engineers, and we hire manufacturers and technicians. So, several hundreds of new hirings that will be carried out in 2022 within Dassault, but some strong hirings among our subcontractors too. And the furlough will go back into full employment.

[? 01:02:32] (Le Figaro): Hello. [? 01:02:32] for Le Figaro. The crisis in Ukraine has caused a kind of reaction. In the EU, they want to strengthen their sovereignty, their defence. Germany announced 100 billion euros in 2022 for its armies and reached 2% of the German GDP. Emmanuel Macron two days ago said that France would strengthen its efforts in defence, so there will be an increase in the military budgets. What do you feel about that? Do you think that there'll be a European preference, although we see that in Germany? I'm referring to my counterpart here from Challenge [ph 01:03:22]. There is a want to order from the Americans. So, what do you think about all this and what is your call?

Éric Trappier (Dassault Aviation): Now, as for France as such, the French authorities and the presidency of Emmanuel Macron was such that the defence budget has increased. There was a deflation for dozens of years, so there was an effort made in France, and we have to welcome that, and the announcements made, which are political announcements.

The defence will have to be strengthened, and so we're welcoming this with great interest because there is a need in our armies. We need to catch up. And this hasn't been done. Although the budgets have increased we have to catch up the capacities of the previous two decades and prepare for the future. So, this creates a lot of budget tension at a time when you know about the state of the budget right now. So, we are perfectly supporting this announcement.

Now in Germany, before talking about Europe, the topic is slightly different. For years now, the NATO has asked for the 2%. I'm saying NATO has asked for 2% according to the calculations. Now, if the first decision is to increase the budget to 100 billion - which was lower than what France was doing, so you cannot compare - Germany was slightly behind.

If the first decision is to buy the F-35, well, that will refresh our support in that area, but I don't want to be a bad omen, but I'm sure they're going to buy the F-35. This said, so even before the Ukraine matter, it was what the German government wanted to do. They have to have a certain type of American armament that they had with the Tornados [ph 01:05:37], which was a European aircraft, and now the Americans are saying, "You have to exclusively have American aircraft." And I've understood, over the last three or four years I've been strongly interested in Germany, the Germans could envisage the F-18 [ph 01:05:53], but the Americans have said, "No, it's the F-35." So, they don't have the choice.

So yes, European preference, you see, that's a white lie. The president is fighting to obtain the possibility of having more European in Europe. We're supporting his approach very strongly. But we will see with our partner number one - that is Germany - if their first choice is to sign the FCAS contract or to buy the F-35, knowing that it's not the same need and capacity. The NGF will be operational in quite a number of years, whereas the F-35 can be delivered in three years from now. And it is a strategic topic.

Now, as for Europe, I'd like to congratulate the EU to be interested in defence. I'm saying congratulations, but of course there is a nuance. Great, you're interested in defence for defence. If it is just to have taxonomic arms and stigmatise the defence industry because they are manufacturing arms in Europe by Europeans, then I don't understand. Let's leave this schizophrenic debate to our friends from the Commission. But I really denounce this. Taxonomy is not an efficient weapon against the current threats. It is a weapon against us armament industries and the large companies can manage, but the smaller companies - and I'm the President of the defence industry - the smaller ones are having trouble with banks.

The banks are saying armament is like tobacco, alcohol. You shouldn't have it. So I'm not going to put money in those companies. If that is a notion of strategic autonomy and the strategic autonomy is to buy exclusively from the Americans, that is not my idea. I don't think that's the idea of the President either. So, there's something we need to do here.

Speaker 5: I don't understand where you're going to deliver fewer Rafale next year because you have Qatar, Egypt. You're going to start the new manufacture as per the new orders.

Éric Trappier (Dassault Aviation): We have the contracts that have already signed. We have not started for France for budget reasons, so we are finishing. It's the tail of the deliveries for Egypt. Qatar or Egypt is on [ph 01:08:52]. We still have Qatar and India.

Speaker 5: And what about inflation pressure on your business and the collective bargaining agreements? And have you found an agreement with the employees? And is it a threat on your production programme?

Éric Trappier (Dassault Aviation): Well, in September last year, it was the beginning of our annual negotiation or collective bargaining agreements for the wage increase. Our French, European, international partners said that there is a one-off inflation as a consequence of the slowdown on the market because of COVID, but this one-off inflation is now becoming more structural than market related because it's been lasting for a few months. So, this inflation is here to stay, apparently, in France but in the US, more than in France, inflation is such that the Central Banks are thinking about having some corrective measures on interest rates since the countries have huge debts if the rates go up. Paying the debt with a new debt is quite a problem. So, inflation has gone up even before the crisis.

At the end of 2021, December to December, we said inflation is 2.8%, but as it was calculated, the average inflation increase was identified as 1.6% because there is always a time lag. So, it has generated some claims from our workers. Our mandatory negotiations were held and then signed by the unions, representing more than 60% of the employees in the works councils.

So, legally, we are bound by an agreement, but this agreement has been signed by two unions and other organisations, other unions have started a strike because they disagreed with this 1.8% general wage increase. In this annual negotiation, you have a general agreement on a pay rise and also per individual and based on seniority. This agreement, called NAO, is 3.75% for Executives. That's individual pay rise. And for the non-executive staff, it's 3.5%, split as an 1.8% general increase for

everybody and 1.7% per individual, which does include seniority. And the 1.8% was the problem compared with the 2.8%.

Now, these unions have come up with several requests or claims after that. And I'm not blind, neither am I deaf. I've realized that inflation went up, so we have granted a bonus, a purchasing power bonus, let's say, that the French authorities will allow. So, that's 500 euros to all employees who do not have a wage equivalent to three minimum wage per month, and this was paid at the end of the year. These 500 euros are excluded from tax and social contribution.

Now, over ten years, the general wage increase over the last ten years are higher than the inflation rate at Dassault. So, there was no impoverishment, as you might have heard. Nevertheless, people are worried about the inflation. So, we've decided to start and talk to these unions who started to go on strike, and we agreed with their claims they said. Instead of having a 1% increase, they said everybody should have the same. So, a wage increase and not a bonus to everybody, but it's the same. So, for a small wage, of course, it is having a greater impact than on those employees with higher wages.

After lengthy negotiations, we came up with this agreement on a 100 euros gross salary, which does include already the 1.8%, so that for the lowest wages, it would be a 3.2% general increase. So, we are above the 2.8%. It covers much more than the 2.8%. It covers 5.4% for the lowest wages, so 5.4% increase thanks to these general wage increase.

That's what we've offered. No agreement has been signed yet. Some people are on strike. It doesn't mean that the production has completely stopped in our plants. Some unions are ready to discuss. Others are claiming for 200 instead of 100, but we have to negotiate. We started from 42 euros and now we are at 100. As you know, I'm keen on negotiating saw I'm expecting the other party to come up with another proposal. It wouldn't be reasonable and responsible not to start a negotiation again.

Speaker 6 (Frankfurter Allgemeine Zeitung): Good morning from Frankfurter Allgemeine Zeitung. Once again on the purchasing of weapons for Germany. And will Dassault Aviation enjoy the historical decision, which was made in Germany?

Éric Trappier (Dassault Aviation): No, we are first and foremost working with the French armed forces, and we are going to wait and see what the President is going to announce for the future. Since he's now expressed that he's candidate for the forthcoming presidential election, he will be announcing his programme.

Now, if we can get organised with Germany and take advantage of this intervention of the German government to come up with something that is shared. Let's not forget the Eurodrone. We've accepted that Airbus would be a leader. We would like Airbus to let us be a leader on pillar one where we're not a leader. Airbus is everywhere. So, we're just asking for avoiding an overlap of capacities. German-French cooperation would be fruitful as long as we share the workload, and we said we would share it based on the best fleets [ph 01:17:07].

So, better aircraft at a lower price. Rafale was said to be too expensive - too much this, too much that. It's not that expensive considering its functionalities, and our armies are very happy with it. They do not need an F-35 to complement a Rafale. So, we're ready to get prepared for the next generation. That's our responsibility. And we will be ready to look into that with the countries that are directed to us by our authorities.

We started with the British and then we stopped in 2018 and then there was the German and then we opened up the door to the Spaniards and Airbus in Spain and Germany. So, we only have one third

of the pie. So if we are involved in manufacturing the aircrafts, we will be only sharing the work packages so that we will have only one third. So one third in Germany, one third in Spain, and one third in France. But one third in Spain and one third in Germany means two thirds for Airbus.

So, the answer to your question is yes - if we think that France and Germany can benefit from this involvement in the armed forces, I guess that the German military will be going on [? 01:18:34] just like the French military. And to us, what is important is the operations and the operating experience to better define the aircrafts of the future.

One last question.

Speaker 7: There was little said about the Eurodrone. What is your share in this project? Does that generate a high revenue?

Éric Trappier (Dassault Aviation): 7.1 billion euros, as far as I remember. There's 1.2 billion for us out of 7.1 billion. And you will be surprised that we are developing the flight controls for these drones, for these Eurodrones. We are also involved in the architecture of the communication systems because for a drone, the communication system is absolutely key because this is what controls the flight. So, communication and flight controls and the delivery of these boxes [ph 01:19:57] is made with one of our subcontractors – Thales [ph 01:20:01] - for communication and radio. So that's our contribution to the Eurodrone programme and also have test flights, et cetera, et cetera.

Thank you. Thank you to all of you and talk to you soon and have a nice day. Thank you.