2021 ANNUAL
FINANCIAL REPORT

The English language version of this report is a free translation from the original, which was prepared in French language. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

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Declaration of the person responsible for the report

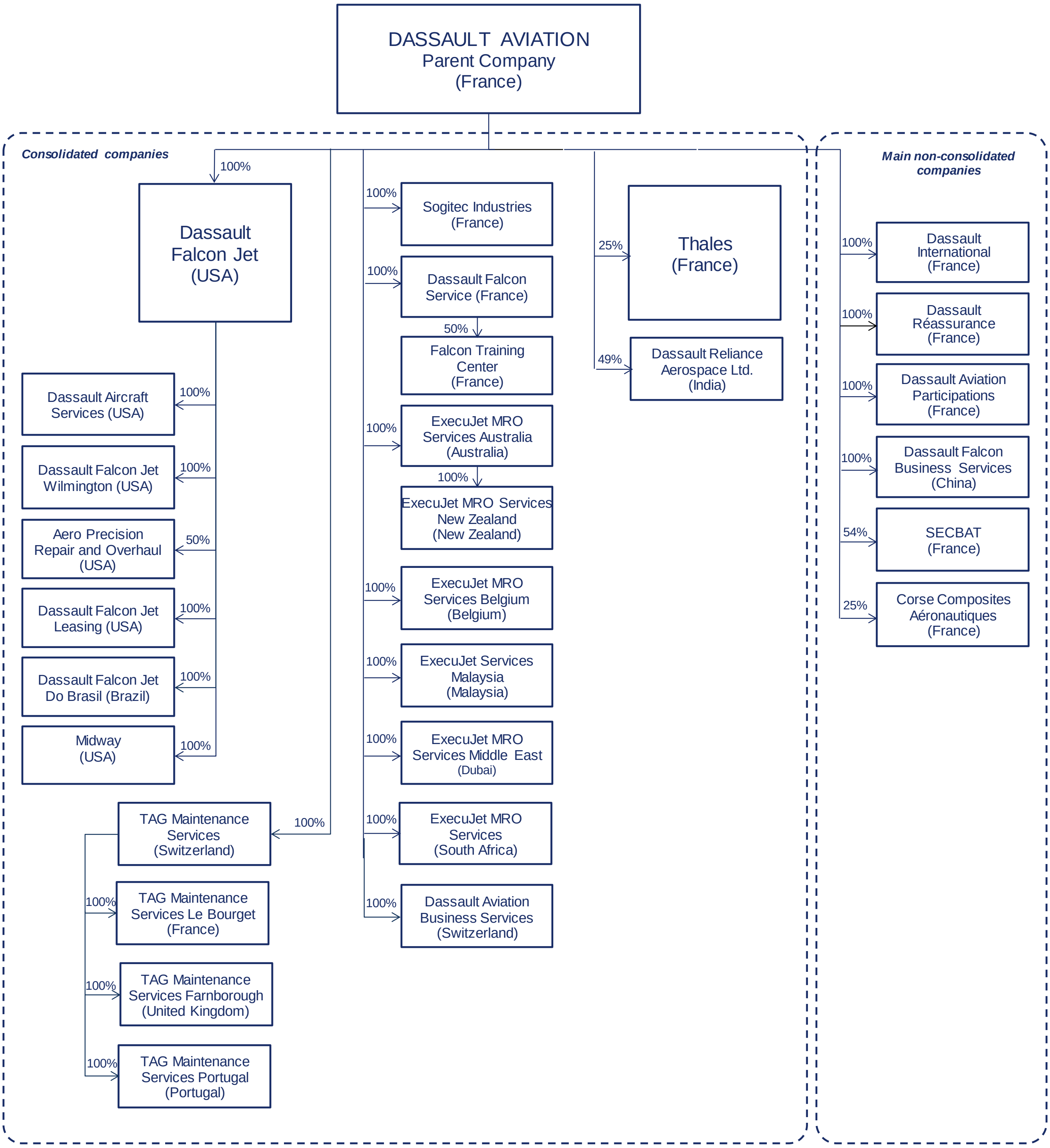
I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the company and all the other entities included in the scope of consolidation, and that the enclosed directors' report presents a fair view of the development of the business, performance and financial situation of the company and of all the other companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Paris, March 3, 2022

Éric Trappier
Chairman and Chief Executive Officer

Group structure as of December 31, 2021

The Dassault Aviation Group is an international group that encompasses most of the aeronautical business of the Marcel Dassault Industrial Group. The main Group companies are as follows:



Detailed information on the main Group companies is given in paragraph 1.3 of the Directors' Report.

The list of consolidated entities is presented in Note 2, "Scope of consolidation", to the consolidated financial statements.

Board of Directors as of December 31, 2021

Honorary Chairman
Charles Edelstenne

Chairman of the Board of Directors
Éric Trappier

Directors
Besma Boumaza
Thierry Dassault
Charles Edelstenne
Marie-Hélène Habert
Henri Proglio
Lucia Sinapi-Thomas
Stéphane Marty

Executive Management

Chief Executive Officer
Éric Trappier

Chief Operating Officer
Loïk Segalen

Executive Committee as of December 31, 2021

Chairman of the Committee
Éric Trappier, Chairman and Chief Executive Officer,

Loïk Segalen, Chief Operating Officer,

Carlos Brana, Senior Executive Vice-President, Civil Aircraft,
Bruno Chevalier, Senior Executive Vice President, Military Customer Support,
Bruno Coiffier, Senior Executive Vice President, Procurement and Purchasing,
Denis Dassé, Chief Financial Officer,
Florent Gateau, Senior Executive Vice President, Total Quality,
Jean-Marc Gasparini, Executive Vice-President, Military and Space Programs,
Gérard Giordano, Senior Vice-President, Sales,
Bruno Giorgianni, Executive Committee Secretary and Executive Vice-President, Public Affairs and Security,
Valérie Guillemet, Senior Vice-President, Human Resources,
Richard Lavaud, Senior Executive Vice-President, International,
Frédéric Lherm, Senior Executive Vice-President, Industrial Operations,
Nicolas Mojaïsky, Senior Executive Vice-President, Engineering,
Frédéric Petit, Senior Vice-President, Falcon Programs,
Jean Sass, Chief Information Officer and Chief Digital Officer.

Government Commissioner

Mr. Jean-Luc Sourdois, French Armed Forces General Inspector

Auditors

Mazars S.A., represented by Mr. Mathieu Mougard, partner
PricewaterhouseCoopers Audit S.A., represented by Mr. Édouard Demarcq, partner

Directors’ report

Dear Shareholders,

Before submitting the company and consolidated financial statements for the year ended December 31, 2021, and the appropriation of earnings, we would like to take this opportunity to present our consolidated results, the activities of the Group and of the Parent Company during the past year, their future prospects and the other information required by law.

Business Model

Resources

Human

12,371
Employees, including 78% in France

Expertise

A design office recognized for its expertise

A century of experience

Industrial

18
Specialized facilities, including 13 in France

A global network of service centers

Corporate

500
Partner companies

Environmental

ISO 14001
A certification policy encompassing all production facilities

Financial

€5.3 billion
Total equity

Dassault Aviation

Shaping the future

True to the passion for aircraft and the sense of social responsibility bequeathed to it by its founder Marcel Dassault, Dassault Aviation continues to pursue its mission as an innovative industrial architect, contributing, through its expertise, to the safety, autonomy and sustainable economic development of the key actors shaping a world on the move.

2021 Achievements

Human

998
New hires, including 234 women

Expertise

Business aircraft
Falcon 6X maiden flight
Falcon 10X reveal

F4
Ongoing works on new Rafale standard

Special Falcons
Albatros and Archange programs under development

SCAF/NGF
Development of a demonstrator

Industrial

25
Rafales delivered

30
Falcons delivered

1,000
Combat aircraft supported

2,100
Falcons supported

Corporate

Regional development

3D printing cluster developed in the Auvergne-Rhône-Alpes region

ACE fund to support the supply chain

Technical and aeronautical engineering training in India

Boosting partner companies thanks to Rafale contracts (49 aircraft) and Falcon sales (51 aircraft)

Environmental

↘8.1%
Electricity consumption compared to 2019

80%
Recovered waste

Financial

€693 million
Adjusted net income

89%
Of sales in export markets

Financial and other contributions

Employees

€139 million
In profit-sharing and incentive payments, including corporate social contribution

€58,849
Gross average annual compensation, excluding profit-sharing and incentive payments

Shareholders

€208 million
Dividends[1]

Industry

At the hub of a strategic French ecosystem

Core shareholder in Thales

Society

Inclusion, cultural and humanitarian activities

AAE Foundation, FOSA, French Air and Space Museum, French National Maritime Museum, Solidarity Defense Association, Foch Foundation, Course du Coeur, Rêves de Gosse, ASF, Habitat for Humanity, Arkansas Food Bank, American Red Cross, Muscular Distrophy Association

Sustainable development

Contribution to 8 United Nations sustainable development goals (SDG)

(1) Proposed at the Annual General Meeting of Shareholders on May 18, 2022.

BACKGROUND

In 2021 – as in the previous year – the Group proved its agility and responsiveness in both the tertiary sector and within the production value chain. Several crisis teams were appointed, prioritizing the health and safety of employees and their families. Special arrangements were put in place to ensure business continuity in compliance with the government guidance specific to each country where the Group is located.

Specifically, the Group's French companies have maintained their Covid-19 and employee protection policies by:

- implementing a robust health protocol and regular social dialog with staff representative bodies,
- following guidance on preventive measures,
- providing all employees with sanitization equipment (workstations, public transport, etc.),
- introducing remote working at the height of the pandemic, in accordance with government guidance,
- offering vaccinations on site.

On that basis, Dassault Aviation demonstrated its resilience and met or exceeded its targets.

1. DASSAULT AVIATION GROUP

1.1. Results

1.1.1. Key figures

	2021	2020
Order intake	**EUR 12,080 million** 49 Rafale *of which* *37 Rafale Export [1]* *and 12 Rafale France* BALZAC support contract 51 Falcon *[1] 80 Rafale UAE order not booked*	**EUR 3,463 million** OCEAN support contract 15 Falcon
Adjusted net sales (*)	**EUR 7,233 million** 25 Rafale Export 30 Falcon	**EUR 5,489 million** 13 Rafale Export 34 Falcon
Backlog *as of December 31*	**EUR 20,762 million** 86 Rafale *of which 46 Rafale Export [1] and* *40 Rafale France* 55 Falcon *[1] 80 Rafale UAE order not booked*	**EUR 15,895 million** 62 Rafale *of which 28 Rafale France* *and 34 Rafale Export* 34 Falcon
Adjusted operating income (*) *Adjusted operating margin*	**EUR 527 million** 7.3% of net sales	**EUR 261 million** 4.8% of net sales
Research and Development	**EUR 551 million** *7.6% of net sales*	**EUR 538 million** *9.8% of net sales*
Adjusted net income (*) *Adjusted net margin* *Earnings per share*	**EUR 693 million** *9.6% of net sales* €8.34 per share	**EUR 396 million** *7.2% of net sales* €4.76 per share [2]
Available cash *as of December 31*	**EUR 4,879 million**	**EUR 3,441 million**
Dividends	**EUR 208 million** *€2.49 per share*	**EUR 103 million** *€1.23 per share [2]*
Employee profit-sharing and incentives incl. 20% correlated social tax *Headcount as of December 31*	**EUR 139 million** *12,371*	**EUR 85 million** *12,441*

[2] 2021 proforma following the stock split

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

Main IFRS aggregates (see reconciliation table below)

(*) Consolidated net sales	*EUR 7,246 million*	*EUR 5,492 million*
(*) Consolidated operating income	*EUR 545 million*	*EUR 246 million*
(*) Consolidated net income	*EUR 605 million*	*EUR 303 million*

1.1.2. Definition of alternative performance indicators

To reflect the Group's actual economic performance, and for monitoring and comparability reasons, the Group presents an income statement adjusted with the following elements:

- gains and losses resulting from the exercise of hedging instruments, which do not qualify for hedge accounting under IFRS standards. This income, presented as financial income in the consolidated financial statements, is reclassified as net sales and thus as operating income in the adjusted income statement,
- the valuation of foreign exchange derivatives which do not qualify for hedge accounting, by neutralizing the change in fair value of these instruments (the Group considering that gains or losses on hedging should only impact income as commercial flows occur), with the exception of derivatives allocated to hedge balance-sheet positions whose change in fair value is presented as operating income,
- amortization of assets valued as part of the purchase price allocation (business combinations), known as "PPA,"
- adjustments made by Thales in its financial reporting.

The Group also presents the "available cash" indicator, which reflects the amount of the Group's total liquidities, net of financial debt. It covers the following balance sheet items:

- cash and cash equivalents,
- other current financial assets (essentially available-for-sale marketable securities at their market value),
- financial debt, excluding lease liabilities.

The calculation of this indicator is detailed in the consolidated financial statements (see Note 9).

Only consolidated financial statements are audited by statutory auditors. Adjusted financial data are subject to the verification procedures applicable to all information provided in the annual report.

1.1.3. Impact of the adjustments

The impact in 2021 of adjustments to income statement aggregates is presented below:

(in EUR thousands)	2021 consolidated income statement	Foreign exchange derivatives		PPA	Adjustments applied by Thales	2021 adjusted income statement
		Foreign exchange gain/loss	Change in fair value			
Net sales	7,246,197	-13,005	-686			**7,232,506**
Operating income	545,069	-13,005	-8,655	3,349		**526,758**
Net financial income/expense	- 68,512	13,005	29,604			-25,903
Share in net income of equity associates	271,611			3,003	67,102	341,716
Income tax	-142,776		-5,614	-735		-149,125
Net income	605,392	0	15,335	5,617	67,102	**693,446**
Group share of net income	605,392	*0*	*15,335*	*5,617*	*67,102*	**693,446**
Group share of net income per share *(in euros)*	7.28					8.34

The impact in 2020 of adjustments to income statement aggregates is presented below:

(in EUR thousands)	2020 consolidated income statement	Foreign exchange derivatives		PPA	Adjustments applied by Thales	2020 adjusted income statement
		Foreign exchange gain/loss	Change in fair value			
Net sales	5,491,592	-873	-1,608			**5,489,111**
Operating income	246,163	-873	11,488	4,221		**260,999**
Net financial income/expense	12,216	873	-46,811			-33,722
Share in net income of equity associates	121,282			2,852	111,924	236,058
Income tax	-76,902		9,992	-802		-67,712
Net income	302,759	0	-25,331	6,271	111,924	**395,623**
Group share of net income	*302,759*	*0*	*-25,331*	*6,271*	*111,924*	***395,623***
Group share of net income per share *(in euros)*	3.64[(1)]					4.76[(1)]

[(1)] *2021 proforma following the stock split*

1.1.4. Order intake

2021 order intake was **EUR 12,080 million** versus EUR 3,463 million in 2020. **Export** represented **74%.**

Recent year figures are as follows, **in millions of euros**:

	2021	2020	2019
Defense	**9,165**	1,546	3,385
Defense Export	***6,173***	*224*	*769*
Defense France	***2,992***	*1,322*	*2,616*
Falcon	**2,915**	1,917	2,308
Total order intake	**12,080**	3,463	5,693
% Export	**74%**	41%	49%

The order intake is composed entirely of firm orders.

Defense programs

In 2021, **Defense order intake** totaled **EUR 9,165 million**, compared with EUR 1,546 million in 2020.

The Defense Export figure was **EUR 6,173 million** in 2021, versus EUR 224 million in 2020. We recorded orders from Egypt for 30 Rafale – followed by an order for an additional aircraft to complete the original order of 2015 – from Greece for 6 new and 12 pre-owned Rafale (which we bought back from the French Air and Space Force), and a support contract for Croatia following its acquisition of 12 pre-owned Rafale directly from the French government.

The **Defense France** amounted to **EUR 2,992 million** in 2021, compared with EUR 1,322 million in 2020. It mainly includes the order for 12 Rafale, the 14-year "Balzac" support contract for the Mirage 2000 (excluding engines), and the productibility contract for Tranche 5 of the Rafale. In 2020, it was essentially the 10-year "Ocean" integrated support contract (excluding engines) for the ATL2 with the French Naval Air Force that was recorded.

Falcon programs

In 2021, **51 Falcon orders** were recorded, compared with 15 in 2020. Order intake totaled **EUR 2,915 million**, versus EUR 1,917 million in 2020. The growth in orders is being driven by the recovery of business jet market.

In 2020, the main order was for 7 Falcon 2000LXS "Albatros" maritime surveillance and response aircraft for France, plus the associated support.

1.1.5. Adjusted net sales

Net sales for 2021 were **EUR 7,233 million** versus EUR 5,489 million in 2020. **Export** represented **89%**.

Recent year figures are as follows, in **EUR million**:

	2021	2020	2019
Defense	**5,281**	3,263	5,148
Defense Export	***4,549***	*2,699*	*4,261*
Defense France	***732***	*564*	*887*
Falcon	**1,952**	2,226	2,193
Total adjusted net sales	**7,233**	5,489	7,341
% Export	**89%**	89%	88%

Defense programs

In 2021, **25 Rafale Export** were delivered, in line with our forecast, versus 13 Rafale Export in 2020.

Defense net sales in 2021 were **EUR 5,281 million** versus EUR 3,263 million in 2020.

The Defense Export share was **EUR 4,549 million** versus EUR 2,699 million in 2020. The strong growth is largely due to the delivery of 25 new Rafale Export with the associated support, whereas 13 Rafale Export were delivered in 2020. In addition, 2021 net sales include the first 6 pre-owned Rafale delivered to Greece, among the 12 ordered.

The Defense France share was **EUR 732 million** versus EUR 564 million in 2020. As in 2020, Defense France net sales in 2021 do not include the delivery of Rafale in accordance with France's Military Procurement Law. However, they do take into account maintenance services (for the Rafale under the Ravel contract and the ATL2 under the Ocean contract), as well as support for other aircraft in service.

Falcon programs

There were **30 Falcon** delivered in 2021 (higher than the 25 guidance), versus 34 in 2020.

Falcon net sales in 2021 totaled **EUR 1,952 million**, versus EUR 2,226 million in 2020. The decrease is mainly due to the number of Falcon delivered (30 vs. 34).

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The "book-to-bill ratio" of the Group (order intake/net sales) is 1.67 for 2021.

1.1.6. Backlog

The consolidated backlog as of December 31, 2021 (determined in accordance with IFRS 15) was **EUR 20,762 million**, versus EUR 15,895 million as of December 31, 2020. The backlog has evolved as follows:

As of December 31	2021	2020	2019
Defense	**17,633**	13,748	15,465
Defense Export	**9,874**	8,249	10,725
Defense France	**7,759**	5,499	4,740
Falcon	**3,129**	2,147	2,333
Total backlog	**20,762**	15,895	17,798
% Export	**58%**	59%	72%

The backlog as of December 31, 2021 consists of the following:

- **Defense Export**: **EUR 9,874 million** versus EUR 8,249 million as of December 31, 2020. This figure notably includes 46 new Rafale and 6 pre-owned Rafale, compared with 34 new Rafale as of December 31, 2020,
- **Defense France**: **EUR 7,759 million** versus EUR 5,499 million as of December 31, 2020. This figure mainly comprises 40 Rafale (versus 28 as of December 31, 2020), the Ravel support contract for the Rafale, the Balzac support contract for the M2000, the Ocean support contract for the ATL2, and the Rafale F4 standard,
- **Falcon** (including the Albatros and Archange mission aircraft): **EUR 3,129 million** versus EUR 2,147 million as of December 31, 2020. It includes 55 Falcon, compared with 34 as of December 31, 2020.

Additional information on the backlog can be found in Note 25 to the consolidated financial statements.

1.1.7. Adjusted results

Adjusted operating income

Adjusted operating income for 2021 was **EUR 527 million**, compared with EUR 261 million in 2020.

R&D costs totaled EUR 551 million in 2021 and accounted for 7.6% of net sales, as against EUR 538 million and 9.8% of net sales in 2020. These amounts reflect the self-funded R&D effort focused on the Falcon 6X and Falcon 10X programs.

Operating margin was **7.3%**, versus 4.8% in 2020. This increase is mainly due to the reduction in the rate of self-funded R&D.

The foreign exchange hedging rate was $1.19/€ in 2021, compared with $1.18/€ in 2020.

Adjusted financial income

2021 adjusted financial income was **EUR -26 million** compared to EUR -34 million in 2020. In 2021, the impact associated with the financing component recorded under long-term military contracts was less significant due to deliveries of Rafale Export.

Adjusted net income

Adjusted net income for 2021 was up 75% at **EUR 693 million**, compared with EUR 396 million in 2020. Thales' contribution to the Group's net income was EUR 336 million, versus EUR 231 million in 2020.

As a result, **adjusted net margin** was **9.6%** in 2021, as against 7.2% in 2020. This increase is mainly due to the increase in operating income).

Net income per share for 2021 was €8.34, compared with €4.76* in 2020

** 2021 proforma following the stock split.*

1.1.8. Consolidated key figures under IFRS

Consolidated operating income (IFRS)

Consolidated operating income for 2021 was **EUR 545 million**, compared with EUR 246 million in 2020.

R&D costs totaled EUR 551 million in 2021 and accounted for 7.6% of consolidated net sales (EUR 7,246 million), as against EUR 538 million and 9.8% of consolidated net sales in 2020. These amounts reflect the self-funded R&D effort focused on the Falcon 6X and Falcon 10X programs.

Consolidated operating margin was **7.5%**, versus 4.5% in 2020.

This increase is mainly due to the reduction in the amount of self-funded R&D.

Consolidated financial income (IFRS)

Consolidated financial income for 2021 was **EUR -69 million**, compared with EUR 12 million in 2020. The decline in financial income was mainly due to the negative change in the market value of hedging instruments not eligible for hedge accounting under IFRS. The market value of these instruments, purchased because of the efficient economic hedge they offer the Group, was adversely impacted by the evolution in the dollar exchange rate ($1.1326/€ at year end-2021, versus $1.2271/€ at year end-2020). The reduced impact of the financing component recognized under long-term military contracts due to Rafale Export deliveries partially offsets this decrease.

Consolidated net income

Consolidated net income for 2021 was up 100% at **EUR 605 million**, compared with EUR 303 million in 2020. Thales' contribution to the Group's net income was EUR 266 million, versus EUR 116 million in 2020.

As a result, **consolidated net margin** was **8.4**% in 2021, as against 5.5% in 2020. This increase is mainly due to the increase in operating income.

Consolidated net income per share for 2021 was EUR 7.28, compared with EUR 3.64 in 2020*

** 2021 proforma following the stock split.*

1.1.9. Dividends and profit-sharing/incentives

The Board of Directors decided to propose to the Annual General Meeting a dividend distribution, in 2022, of **EUR 2.49 per share**, corresponding to a total of **EUR 208 million**, i.e. a payout of 30%.

For 2021, the Group will pay **EUR 139 million** in employee profit-sharing and incentives, including 20% correlated social tax, whereas the application of the legal formula would have resulted in a EUR 28 million payment.

Dividends per share over the five last years are outlined in Note 32 to the Parent Company Financial Statements.

1.1.10. Financial reporting

IFRS 8 "Operating Segments" requires the presentation of information per segment according to internal management criteria.

The entire activity of the Dassault Aviation Group relates to the aerospace domain. Internal reporting to the Chairman and Chief Executive Officer, and to the Chief Operating Officer, used for strategy and decision-making, does not include a performance analysis under IFRS 8 at a lower level then this sector.

1.2. Financial structure

1.2.1. Available cash

The Group uses a specific indicator called "Available cash", which reflects the amount of total cash available to the Group, net of financial debts. It includes the following balance sheet items: cash and cash equivalents, current financial assets (at market value) and financial debt, excluding lease liabilities. The calculation of this indicator is detailed in the consolidated financial statements (see Note 9 of the 31.12.2021 consolidated financial statements).

The Group's available cash stands at **EUR 4,879 million**, an increase of EUR 1,438 million from December 31, 2020. The increase is mainly due to operating cash flow generated during the year and the decline in working capital requirement, partially offset by investments during the year and the payment of dividends.

The decline in working capital requirement is largely due to advances and progress payments received under the Defense France and Falcon contracts. This is partially offset by the decrease in advances and progress payments under the Rafale export contracts, following the services delivered during the period.

1.2.2. Consolidated balance sheet

Total equity stood at **EUR 5,300 million** as of December 31, 2021, versus EUR 4,560 million as of December 31, 2020.

Borrowings and financial debt stood at EUR 226 million as of December 31, 2021, compared with EUR 270 million as of December 31, 2020. Borrowings and financial debt include locked-in employees' profit-sharing funds, for EUR 98 million, and lease liabilities, for EUR 128 million.

Inventories and work-in-progress rose to EUR 3,480 million as of December 31, 2021, compared with EUR 3,382 million as of December 31, 2020. The increase in inventories and work-in-progress relating to the performance of Defense France contracts and Falcon operations was partially offset by the decrease in inventories and work-in-progress for Defense Export following the services delivered during the period.

Advances and progress payments received on orders, net of advances and progress payments paid, rose by EUR 278 million as of December 31, 2021. This was mainly due to progress payments received on Defense France and Falcon orders, partially offset by the reversal of Rafale Export progress payments following the services delivered during the period.

Derivative financial instruments had a market value of EUR -81 million as of December 31, 2021, compared with EUR 81 million as of December 31, 2020. This change is essentially due to the change in the US dollar exchange rate between December 31, 2021 and December 31, 2020 ($1.1326/€ as of 12/31/2021 versus $1.2271/€ as of 12/31/2020).

1.3. Group structure

Dassault Aviation, the Parent company, plays a predominant role in the Group structure.

The holding percentages are stated in the 2021 Annual Financial Report, in the notes to the Group's consolidated financial statements, Note 2 – Scope of consolidation.

1.3.1. Consolidated subsidiaries and companies

Dassault Falcon Jet Corp. (DFJ) (United States) markets our Falcon on the American continent and is responsible for interior fittings. The company is headquartered in Teterboro, New Jersey, and industrial activities are located in Little Rock, Arkansas.

The principal subsidiaries of DFJ are:

- Dassault Falcon Jet - Wilmington Corp. (United States), aviation services and maintenance,
- Dassault Aircraft Services Corp. (United States), promotion of aviation maintenance and service sales in the United States,
- Aero Precision Repair And Overhaul Company Inc. (APRO) (United States) (held 50/50 with Safran Landing Systems Miami, Inc.), repair and maintenance of landing gear and flight controls,
- Midway Aircraft Instrument Corp. (United States), overhaul and repair of civil aviation equipment for French equipment manufacturers,
- Dassault Falcon Jet Do Brasil Ltda (Brazil), aviation services and maintenance,
- Dassault Falcon Jet Leasing LLC (United States), company that holds the Falcon financing structures.

Sogitec Industries (France) designs, produces and distributes simulation tools.

Dassault Falcon Service (DFS) (France), located in Le Bourget and Mérignac, contributes to Falcon's after-sales service through its Falcon maintenance centers. DFS is also present at the Moscow-Vnukovo airport (Russia). DFS also leases and manages Falcon as a Public Passenger Transport activity.

DFS owns 50% of Falcon Training Center (France), which provides Falcon training at Le Bourget.

TAG Maintenance Services (TMS) (Swiss), based in Geneva and operating in the aviation maintenance sector.

TMS holds the following subsidiaries:

- TAG Maintenance Services Portugal (Portugal), a wholly owned subsidiary of TAG Maintenance Services,
- TAG Maintenance Services Farnborough (United Kingdom), a wholly owned subsidiary of TAG Maintenance Services,
- TAG Maintenance Services Le Bourget (France), a wholly owned subsidiary of TAG Maintenance Services.

Dassault Aviation Business Services, based in Geneva, operates in the airport services sector.

ExecuJet operates in the aviation maintenance sector.

This network is composed of the following subsidiaries:

- ExecuJet MRO Services Belgium (Belgium),
- ExecuJet MRO Services Australia (Australia),
    - ExecuJet MRO Services New Zealand (New Zealand, a wholly owned subsidiary of ExecuJet MRO Services Australia),
- ExecuJet MRO Services (South Africa),
- ExecuJet MRO Services Malaysia (Malaysia),
    - ExecuJet Handling Services (Malaysia), a subsidiary of ExecuJet MRO Services Malaysia, which has a 49% stake,
- ExecuJet MRO Services Middle East (United Arab Emirates).

Dassault Reliance Aerospace Limited, a company 49% held by Dassault Aviation, which assembles and produces military and civil aerostructure parts and subassemblies,

Thales (France), a group listed on Euronext Paris, operates in the aviation, aerospace, defense and security markets. Its activities are described in its Universal Registration Document (URD).

Additional information on consolidated subsidiaries and companies is provided in Note 2 – Scope of consolidation to the consolidated financial statements.

1.3.2. Non-consolidated subsidiaries and holdings

The main non-consolidated holdings of the Group are:

- GIE Rafale International (France), coordination of feasibility and definition studies for Rafale combat aircraft (60% owned, with the other 40% equally held by Thales and Safran Aircraft Engines),
- GIE French Defense Aeronautical Institute (FDAI) (France), a service provider in the domain of military aircraft mechanics training (owned 50/50 with Défense Conseil International),
- Dassault Assurances Courtage, Dassault-Réassurance and Agence Aéronautique d'Assurances (France), insurance and reinsurance brokerage,
- Corse Composites Aéronautiques (France), production of composite aviation parts, particularly for its corporate shareholders (Airbus, Latécoère, Safran and Dassault Aviation),
- SECBAT (France), responsible for cooperation in the Atlantic maritime patrol program (PATMAR),
- Cognac Formation Aéro (France), training of fighter pilots.

The Group is present in India:

- Dassault Aircraft Services India, which is responsible for our promotion in India and is 100% held by Dassault Aviation Participations (France),
- Reliance Airport Developers, a company 35% held by Dassault Aviation, which operates in the management and development of airport infrastructure.

The Group is also present in China through Dassault Falcon Business Services Co. (Beijing) and Dassault Aviation Falcon Asia-Pacific (Hong Kong).

1.3.3. Branch

The Group has branch in Cairo (Egypt), Doha (Qatar) and Athens (Greece).

1.4. Related-party transactions

The 2021 related parties are identical to those identified in 2020. Some subsidiaries are related with the Parent Company via development and equipment supply contracts, along with software and associated services contracts.

Transactions occurred during 2021 are specified under Note 27 to the consolidated financial statements.

1.5. Group activities

The highlights for 2021 were:

- exceptional order intake of EUR 12.1 billion, 100 aircraft (49 Rafale, 51 Falcon),
- the signing of a contract for 80 Rafale for the United Arab Emirates (not in 2021 year-end backlog),
- the delivery of 30 Falcon and 25 Rafale,
- the expansion of the Falcon product line, notably with the maiden flight of the Falcon 6X and the launch of the Falcon 10X.

1.5.1. Program development

Defense programs

Rafale

The Rafale's success was confirmed in 2021.

On the export side:

- signing and entry into force of the contract for 18 Rafale ordered by Greece. This order comprises 6 new aircraft and 12 pre-owned aircraft, which were initially in-service in the French Air and Space Force. Greece, which is one of our longstanding customers, is the first European country to buy the Rafale after France and the fourth Rafale Export customer. In response to the urgent requirement of the Greek authorities, the first 6 pre-owned Rafale were delivered in the second half of 2021,
- signing and entry into force of the contract for 30 Rafale ordered by Egypt, followed by the order for an additional aircraft. This completes the original order that Egypt (first export country to order Rafale) placed in 2015 for 24 Rafale,
- signing and entry into force of a contract between France and Croatia for the acquisition of 12 pre-owned Rafale currently in service with the French Air and Space Force. This government-to-government contract is accompanied by a support contract between Croatia and Dassault Aviation. Croatia thus becomes the fifth Rafale Export customer, as well as the second European export customer after Greece, and the first not previously equipped with Dassault aircraft,
- signing of a historic contract for 80 Rafale for the United Arab Emirates (not in 2021 year-end backlog),
- delivery of 25 Rafale Export (India and Qatar), in line with our forecast,
- continuation of marketing and negotiations with other countries,

Early 2022, Rafale success was also confirmed by the signature, of a 42 (6+36) Rafale contract for Indonesia awaiting T_0, and by the Greek parliament authorizing the signature of an order of 6 additional new Rafale. In early 2022 as well, Rafale M (navy version) has successfully performed tests in India.

in France:

- order placed by the French Air and Space Force for 12 Rafale to replace the 12 aircraft sold to Greece. This contract brings the number of Rafale ordered by France to 192,
- continuation of development work on the F4 standard,
- award of productivity contract for tranche 5 of the Rafale. In accordance with France's Military Procurement Law, the first deliveries of tranche 5 are anticipated starting in 2027, with an order expected (in 2023?) for 42 aircraft: 30 originally forecast + 12 to replace the aircraft sold to Croatia.

Future Combat Air System (FCAS)

The FCAS consists of creating a combat system built around a New Generation Fighter (NGF) combining piloted platforms (current and future generation fighters, tankers, AWACS) and drones. France has been designated lead nation on the project and Dassault Aviation lead contractor on the NGF.

Launched in February 2020, phase 1A of the FCAS demonstrators – including the New Generation Fighter – will be completed in the first quarter of 2022.
The joint concept studies (JCS) works are ongoing. The next phase of the program, Phase 1B, has not been contractualized by the parties, for no agreement having been found.

Eurodrone (Medium Altitude Long-Endurance drone)

On February 24th 2022, Airbus and the Organization for Joint Armament Cooperation (OCCAR) signed the Eurodrone contract relative to the development, the production and the 5 year maintenance of 20 systems.

Airbus Defence and Space GmbH signed the contract as prime contractor, on behalf of the 3 main contractors, Airbus Defence and Space S.A.U in Spain, Dassault Aviation in France and Leonardo S.p.A. in Italia.

OCCAR represents the first 4 countries to order: Germany, France, Italy and Spain.

Dassault Aviation will be in charge of flight control and mission communication systems, (with Thales).

ATL2 maritime patrol aircraft

- The fourth modernized aircraft has left the production line, while the fifth is in the final phase. A total of seven are to be upgraded by Dassault Aviation.

Falcon mission aircraft

For the multi-mission Falcon, the following key events took place in 2021.

For France:

- Albatros: continued development of the “AVSIMAR” maritime surveillance and response program on a Falcon 2000LXS platform (for the record: seven aircraft are on order, with an option for a further five),
- Archange: continuation of the strategic intelligence program based on a Falcon 8X platform (for the record: two aircraft are on order, with an option for one more).

For Japan:

- delivery of the sixth and last Maritime Surveillance Falcon 2000 for the Japan Coast Guards.

Commercial prospections are ongoing.

Falcon programs

The business aviation market rebounded in 2021, particularly in the United States and in Europe. The pre-owned market was extremely buoyant, with historically low inventories of aircraft for sale at year-end. Lastly, business aviation traffic in the high-end segment exceeded 2019 levels, especially in the United States.

We delivered 30 Falcon (for a guidance of 25) and recorded 51 new orders this year (compared with 34 deliveries and 15 new orders in 2020).

To be noticed in 2021

- **Maiden flight of the Falcon 6X** on March 10, 2021. The aircraft demonstrated excellent flight behavior and performance, in line with expectations.
    - Three development aircraft are in the flight-testing phase. More than 167 flights were completed in 2021, equating to 523 hours of flying time, Aircraft #4 and #5 and undergoing their completion,
    - the PW812D engine that powers the Falcon 6X was certified by the Canadian authorities in December, while certification by EASA and the FAA is under way; at the end of December 2021, it had accumulated more than 4,900 hours of testing, including more than 1,150 hours of flight time,
    - the cockpit will be equipped with the EASy IV avionics suite, improving the aircraft’s operability (improved data link) and safety,
    - the Falcon 6X cabin has received several awards for its design (including the Red Dot Award and the International Yacht and Aviation Award for Interior Design),
    - tests, trials and validation of major maintenance and handling principles took place at Le Bourget in November 2021, with a return flight to Istres using sustainable aviation fuel (SAF),
    - Falcon customer service is gearing up for the entry into service of the aircraft scheduled for the end of 2022 by actively preparing the global network of service centers, tools and spare parts, and by training mechanics and crew. A dedicated team of customer service experts, including four technicians from the MRO (maintenance, repair and operations) network, is involved in flight tests at Istres.

- **Official unveiling of the Falcon 10X** on May 6, 2021.

  This brand new aircraft is characterized by its long range (7,500 nm, for example New York to Shanghai, Los Angeles to Sydney, or Paris to Santiago de Chile) and the size of its cabin, the most spacious on the market, while maintaining the operational capabilities of the Falcon family. It is fitted with two Rolls Royce Pearl 10X 100% SAF-compatible engines. It has a top speed of 0.925 Mach and can land and take off on short runways, such as at London City Airport. It features innovations and technologies, some of which are borrowed from our military aircraft (smart throttle controlling the two engines, recovery mode, composite wingbox, dual head-up display for primary flight data, etc.) and a state-of-the-art cockpit.

  Its cabin, the most spacious and luxurious on the market, will offer a level of modularity, which is unparalleled in its class in terms of layout. The refined cabin environment will ensure passenger comfort on long flights, with equivalent, if not better, acoustics to those of the Falcon 8X (recognized as the quietest on the market), 3,000 feet felt pressurization when cruising at 41,000 feet, improved air quality, high-speed Satcom Ka-band connectivity, and excellent flight properties (turbulence damping using digital flight controls). With all these features, it sets a new benchmark for the business jet market.

  Two full-scale models are used to market the cabin worldwide.

  Its entry into service is scheduled for late 2025. This brand new aircraft has been well received by the market and the first orders have already been placed.

- In addition, October saw the launch of the new Falcon 8X cabin. Numerous innovations have improved the passenger experience, including a sleek contemporary design, unprecedented ergonomic solutions and a new cabin management interface. The Falcon has maintained its traditional properties as a flexible, efficient aircraft offering outstanding cabin comfort and acoustics and unparalleled flight performance.
- About sustainability: the Falcon range is compatible with fuels containing up to 50% sustainable aviation fuel, the production and distribution network of which is expanding; studies are under way to increase capability to 100%. Dassault Aviation has adopted a sustainable approach encompassing the aircraft's entire life cycle, from design, choice of materials, to production and recycling, etc. The Company is actively involved in French, European and international environmental research programs for a "greener" aviation. It is also studying a flight plan optimization tool, which will help reduce the Falcon's carbon footprint.

Make in India

The joint venture Dassault Reliance Aerospace Limited (DRAL) continued its activities, despite the challenging context of the Covid-19 crisis in both India and France. In 2021, the central section (T4) and fuselage junction (T15) of the Falcon 2000 were transferred to India. DRAL now makes the T12 forward sections and T3 forward tanks for the Falcon 2000, and the windshields, canopies, flight control surfaces and engine doors for the Rafale.

The Company is also continuing to:

- develop an Indian supply chain (primary parts, tools, struts, cans, etc.),
- expand the engineering center in Pune,
- run the Dassault Skill Academy (a vocational training program for aeronautical fitters and a prestigious higher education pathway).

1.5.2. Customer support

Military customer support

In 2021, despite the ongoing health crisis, support for aircraft in service in the fleets of our military customers remained a priority.

Beyond executing the Rafale (Ravel) and ATL2 (Ocean) support contracts with the French Air and Space Force and French Naval Air Force to meet availability targets, the success of "vertically integrated" contracts in France was confirmed with the award of the support contract for the French Mirage 2000 (Balzac). This means that Dassault Aviation is now responsible for all services and equipment (excluding the engine, seat, radar pod and services provided by the French naval aircraft maintenance service, or SIAé) for a 14-year period.

Also worth highlighting:

- support for the Egyptian, Qatari, Indian and Greek Rafale,
- successful completion in the first half of 2021 of the training of Indian Rafale pilots and mechanics at our Conversion Training Center (CTC) in Mérignac, France, and the continuation of workshop training in France and India,
- for Greece, the training of Greek pilots and mechanics, initially with the French Air and Space Force, and then at the CTC. We also planned the development and provision of logistical support for use by the Hellenic Air Force at the Tanagra base from January 2022,
- for Croatia, preparations to arrange support for the 12 Rafale sold by the French Air and Space Force.

Civil customer support

For the third year running, the support efforts (Falcon Response, spare parts availability, network of maintenance centers, etc.) were recognized at the highest level by means of surveys conducted by Aviation International News (AIN) and ProPilot magazines:

No. 1 in the overall rankings (AIN)
No. 1 for spare parts availability (AIN)
No. 1 for spare parts price (AIN)
No. 1 for AOG support speed (AIN & ProPilot)
No. 1 for fulfillment of warranty terms (AIN)
No. 1 for technical manuals (AIN)
No. 1 for technical representatives (AIN)
No. 1 for support programs based on hours of flight time for new aircraft (AIN)

This reinforces our strategy of acquiring maintenance centers globally. In 2021, the Group continued to integrate its network of excellence while increasing its market share in Falcon maintenance by:

- developing our MRO network by upgrading skills at our new Falcon service centers,
- carrying out the first Falcon C visits at ExecuJet in the Middle East, Australia and Malaysia, and at TMS in the United Kingdom.

The increase in our maintenance capabilities will continue with the expansion of two network centers: ExecuJet Dubai and ExecuJet Kuala Lumpur.

Having been announced: in 2021, closure of DFJ Wilmington and in 2022 the opening of a maintenance facility in North East (Islip, New York State).

The global network of Dassault Aviation maintenance centers now comprises more than 60 sites.

We also:

- maintained regular contact with our service customers, holding regular webinars on technical and operational issues,
- supported our customers through Falcon Response. Our two dedicated Falcon have flown more than 6,000 hours on 975 missions since the service was launched in 2015,
- implemented new FalconCare maintenance contracts to meet the expectations of Falcon service customers (FalconCare Elite and Select),
- rolled out the latest version of field 6 electronic maintenance documentation,
- expanded our pilot training capability with the commissioning of a new Falcon 8X simulator at Flight Safety in Teterboro,
- merged, as part of our transformation plan, most of the customer support teams in Mérignac with a view to facilitating teamwork by bringing them closer to assembly lines, technical experts, Falcon spare parts teams and MRO (DFS),
- continued engineering activities for the monitoring of aircraft in service and for the development of the Falcon 10X,
- contributed to supporting the special Falcon pipeline and the extended Falcon platform.

1.6. Research and development

Most of our Research and Development (R&D) focuses on the development of the Falcon 6X, the Falcon 10X and the Rafale, in particular the F4 standard, and the FCAS.

The Group is also keen to improve existing products and pave the way for future products, continually striving to reduce environmental impacts while offering its customers increasing levels of service and efficiency.

Dassault Aviation is notably involved in the European CleanSky 2 project and launching Clean Aviation. Since 2008, it has been a member of CORAC (*Conseil pour la Recherche Aéronautique Civile* – the French Civil Aviation Research Council) within which leading manufacturers have drafted plans as part of the national Recovery Plan, which will gradually carry on initiatives from where France's "Investments for the Future" program.

Within these European and national frameworks, we are actively working on developing technologies to improve environmental performance.

More specifically, this research and innovation work includes technological development projects and concepts such as:

- reducing the weight of primary structures with new materials and processes (new metal alloys, composites),
- reducing the weight of certain equipment and additional components (metal additive manufacturing, thermoplastics),
- consolidating the principles of design and manufacture of surfaces with increased laminar flow and performance, achievable due to the drag reduction thus obtained,
- the use of sustainable aviation fuels (SAF), which must be compatible with fuel systems and engines when blended with conventional kerosene at high percentage levels, with a view to achieving 100% SAF operation in the medium term,
- optimized flight planning and management to reduce fuel consumption (and therefore CO_2) and optimize take-off and landing trajectories to reduce external noise,
- research into concepts and technologies for the reduction of noise at source, which must not increase aircraft mass and/or aerodynamic drag,
- reduction of pilot workload as part of this optimization process, and development of protective features for piloting systems,
- optimization of the cabin air system to maximize passenger comfort and reduce health risks.

In addition, we are continuing to make a significant effort to increase the efficiency and reduce the environmental footprint from design, production processes and maintenance services by using the tools offered by digital technology:

- co-engineering methods are tested and implemented to ensure the best trade-offs between design, production and support,
- optimization of the entire testing process (new types of instrumentation, processing and data analysis) and hybridization of simulation models and test data should reduce the number of development flight tests and the processing cycle for any adjustments,
- advances in digital technology should make it easier to demonstrate why the aircraft meets the certification criteria,
- optimizing the production cycle involves research into eco-design, new materials, additive manufacturing and waste recycling, and finding alternative solutions for treating and protecting parts from corrosion, such as the removal of chromates and baths in the processes,
- the development of algorithms for automated fleet data processing should increase predictive maintenance capabilities.

As part of the Man-Machine Teaming (MMT) advanced study program, we are strengthening our scientific and industrial collaboration on methods and tools for the development, validation, verification and qualification of reliable artificial intelligence (AI) functions. We are working with the academic community and innovative companies as part of innovation ecosystems such as the one organized during the MMT program, or with technology research institutes coordinating at the national level the European movement for trusted and sovereign AI.

These projects are technically part of the plans for future military and civilian cockpits: augmented head-up displays, collaborative mission management, 3D tactical overview, crew monitoring, multi-modality and virtual assistant.

To strike a balance between short-cycle innovations and technological developments over the long term, we are working on architectures that can effectively integrate changes and disruptions, while meeting the highest safety requirements. With our InnovLab process, we bring together and formalize our rapid-application proof of concept (feasibility) demonstrations. Several of them have been launched as part of the network-based innovation process that networks creative laboratory initiatives to foster their collaborative work. We pay particular attention to relationships with a dynamic ecosystem of start-ups.

A joint research laboratory with two universities focusing on new functional materials for aviation was launched this year with two academic institutions.

A partnership agreement has also been signed with the University of Bordeaux for non-destructive testing (NDT) with multi-spectral instrumentation. The eventual creation of a large-scale, multi-technology robotic NDT platform and research work is one of the identified objectives of this cooperation.

As part of the "Paris Region AI Challenge for Industry" competition, we launched a collaborative project on the development of high-performance algorithms for the processing of time data with the winning team.

1.7. Transformation plan: Leading Our Future

The "Leading Our Future" transformation plan aims at modernizing our infrastructure and processes to improve our competitiveness, develop, produce and support aircraft with reduced cycles and costs, and better meet the expectations of our current and future civil and military customers by drawing on the know-how of the Company's employees.

Thanks to the investment made in the Leading Our Future plan, we were able to put in place the new methodological framework, new collaborative platforms and modernized infrastructure and facilities. Some programs in development and in service are already using these assets.

Using this framework, we will continue developing the Company's transformation plan in order to meet our target of achieving supply chain continuity in all our processes and business lines until our products and services are delivered to customers.

Continuity:

- between the different business lines involved in the value chain (including the collaborative engineering platform),
- between the different processes equipped,

via a reference data model supporting all stakeholders (internal and external) and providing daily management indicators.

Levers have been put in place to make our production system more responsive and more resilient to supply chain contingencies:

- by reorganizing purchasing and production management to better serve the industrial sectors and strengthen supplier performance management,

- by rolling out SAP at all our production sites in France, with a single set of guidelines for our entire production network,
- with new methods for managing safety stock via the SAP platform,
- with a plan to significantly reduce the parts production cycle by managing work in progress using the Conwip method, which is routinely implemented on production lines.

Dassault Systèmes' 3DExperience™ for the collaborative engineering platform this year includes automation of the aircraft's industrialization from the design stage, as well as collaborative work with our partners during the detailed aircraft specification phase (on a virtual platform). Following its rollout on the Falcon 10X and New Generation Fighter programs, the 3DExperience™ was implemented into the AVSIMAR maritime patrol program this year.

The new Mérignac datacenter is hosting operational data which has been gradually migrated. At our industrial sites, new buildings have been equipped with digital technology to support new collaborative work methods.

Users now have access to the new SAP-based solution for optimized global spare parts management (WorldWide Spares Distribution – WWSD).

Lastly, the Big Data plan has enabled the first management cockpits to be delivered in order to provide a management "control tower" (finance, production management, purchasing) and AI analysis of operational and production data from our aircraft to improve quality. Military Big Data based on the Dassault Systèmes platform, designed to facilitate vertically integrated support for the Rafale (Ravel), was presented to the French Chiefs of Staff. It will be available to the DMAé (*Direction de la Maintenance Aéronautique* – Aviation Maintenance Department within the French Armed Forces Ministry) in early 2022.

The process of transforming our industrial sectors in the context of Industry 4.0 is under way. A digital twin has been set up for the Cergy site with a model of the building and production facilities. The rollout of digital solutions to support assembly and control operations continued at all our sites, alongside the implementation of IoT (geolocation, capture of industrial environment data).

In 2021, we continued our efforts to modernize our production facilities:

- Argonay: building extension to accommodate 100% REACH-compliant surface treatments and flight control system test beds, as well as the installation of a second aluminum additive manufacturing machine,
- Biarritz: composite building operational,
- Cergy: commencement of works with delivery scheduled for the first half of 2023,
- Little Rock: preparations for construction of a paint shop for the Falcon 10X,
- Martignas: construction of a new Falcon 10X wing assembly plant (delivery scheduled for summer 2022) and new paint shop,
- Mérignac: tertiary building opened in mid-2021 with collaborative workspaces, installation of an air system laboratory, adaptation of buildings for the Falcon 10X, and creation of a new data center,
- Istres: extension of the Falcon 10X system test bed facility,
- Saint-Cloud: launch of the refurbishing.

1.8. Total quality

The raison d'être of the Dassault Aviation's total quality is to ensure right from the start that the quality of our products and services fully meets the expectations of our customers.

At Dassault Aviation, total quality also includes the environment: we strive for continuous improvement in the environmental performance of our products and operations. We are also committed to workplace health and safety, with the aim of ensuring a high quality, safe and healthy work environment for the Company's employees.

Total quality objectives are shared with all Dassault Aviation employees. Achieving them is possible because people at the company embody the culture of quality, and because our efficient management and quality assurance system is universally applied.

Thanks to its integrated management system, Dassault Aviation holds the following certification:

- ISO 9001, EN 9100 and AQAP 2110, for the development, production and maintenance of our products and services,
- ISO 14001, for the environment.

In addition, it has successfully passed the 2021 certification follow-up audits by Bureau Veritas.

The Company's organization and management system have also allowed it to hold design, production and maintenance airworthiness approvals for its civil and military aircraft. These approvals, which were issued by the French, European, American and Chinese airworthiness authorities, are a recognition of Dassault Aviation's ability to design, produce and maintain civil and military aircraft in compliance with the airworthiness requirements applicable to us.

This year, we continued to modernize our quality management system, particularly in the following areas:

- APQP (Advanced Product Quality Planning), which encourages collaborative work and focuses, very early in the process, on the management of product and process risks,
- trouble-shooting methods to diagnose problems and ensure that corrective and preventive measures are taken.

2. RISK FACTORS

This chapter describes the main risks to which the Dassault Aviation Group is exposed. Some of the risks listed are covered in the Non-Financial Performance Declaration ("NFPD") in the chapter 4 of this report.

The Group is exposed to various risks and uncertainties which may affect its activities, reputation or ability to achieve its objectives.
These various factors are taken into account using a comprehensive risk management system in order to:

- continually identify the sources of risk at the earliest possible opportunity so that the consequences can be better managed,
- map the risks each year across all of the Group's functions, under the aegis of the Corporate Risk Committee.

The risks described are the most significant net risks, categorized by residual importance (high/medium/low) following measures to mitigate them. For each risk, its impact is combined with its probability of occurrence or its short/medium/long-term nature.

SUMMARY OF MATERIAL RISKS

Exposure to risk	Identified Risk	Risk Category
High	○ Dependence on supply chain	Operational risks
	○ Cyber risks for IT systems	Operational risks
	○ Security risks	Operational risks
Medium	○ Risks related to the global economic and geopolitical environment	Economic and Market risks
	○ Covid-19 crisis	Economic and Market risks
	○ Market risks	Economic and Market risks
	○ Risks related to program management	Operational risks
	○ Risks related to personnel	Operational risks
	○ Environmental risks	Operational risks
	○ Corporate Social Responsibility	Reputational, regulatory and legal risks
	○ Protection of intellectual property	Reputational, regulatory and legal risks
	○ Financial (forex risk)	Financial and Market risks
Low	○ Implementation of Make In India	Operational risks
	○ Compliance	Reputational, regulatory and legal risks
	○ Financial	Financial and Market risks
	○ Coverage Risks	Insurance

2.1. Economic and market risks

Risks related to the global economic and geopolitical environment

The nature of Dassault Aviation Group's business exposes it to risks related to the uncertainties and volatility of the global economy, as well as political instability.

The Group generates a significant part of its business from government customers, and particularly from defense contracts. Public spending on these types of contracts depends on political and economic factors, which are likely to influence opportunities.

In the field of business aviation, customers are sensitive to the global economic situation and their financing capacity may depend on it.

Risks caused by the Covid-19 crisis

The Covid-19 crisis continued in 2021, with repercussions for the Group's activities. Given its cooperation programs and the extent of its supply chain, the Group has had to cope with a series of constraints affecting its operations. An ending to the crisis could be impacted by the emergence of new variants, delaying the prospect of a return to normal.

Market risks

After an uncertain start to the year, the civil aviation market began to recover in the second half, driven by the global economic recovery in the United States, Asia and Europe. Our updated range and extended network of service centers have positioned the Group to support the recovery, just as global interest in business aviation is increasing owing to the reduced health risks and flexibility it offers.

In the highly competitive civil aviation market, our competitors have updated their product range and are benefiting from favorable economic factors and flexibility due to their location in the dollar zone.

To address this, we are pursuing our efforts to innovate and expand our Falcon range, as well as streamline our production and reduce costs.

In addition, mindful of our customers' carbon footprint, we are fully engaged with the industry's commitments to the environmental transition and have factored the use of sustainable fuel into our strategy. In the short term, we are continuing to look at optimizing aircraft already in operation, as well as researching innovation solutions for our projects. In the medium term, Dassault Aviation is taking into account the tightening of French and European environmental regulations associated with climate change (measures adopted are detailed in §4.7"). This complex regulatory environment could potentially lead to risks of competitiveness and distortion of competition.

In the defense sector, the favorable export situation continued in 2021, driven by the geopolitical context. The search for Rafale contracts remains an ongoing challenge to synchronize production, while the launch of demonstrators remains essential for future programs.

2.2. Operational risks

Risks related to program management

In view of the timescales required for the development and production of our products, the complexity of aviation technology and the existence of long-term contractual obligations, managing our programs is essential for meeting our schedules and customer commitments and thus protecting our net sales.

As an industrial architect and integrator, we must manage a multitude of partners and suppliers while observing technical, legal and financial constraints, particularly in relation to contracts involving transfers of technology.

Our R&D investments, technical and technological choices, and program innovations must satisfy our customers' long-term operational needs and expectations, while integrating the requirements of increasingly stringent environmental emission standards for civil aircraft (noise, NOx, CO_2, etc.).

To adapt to the market environment, we need to have flexible and responsive production lines, including within our supply chain, to ensure that our potential is in line with our production commitments and that we can cater to customer demand.

Since 2020, the effectiveness of our program management has been impacted by the crisis, which was made even more complex by the travel restrictions.

Risks related to the implementation of Make In India

The Group launched Make in India in view of the offset obligations linked to India's contract for the purchase of 36 Rafale. Accordingly, the joint venture (Dassault Reliance Aerospace Limited) created in 2017 between Dassault Aviation and Reliance Infrastructure began manufacturing the first Falcon 2000 components in 2018.

Since 2020, despite an environment made even more complex by the health crisis, we have continued to develop our facilities, production lines and engineering department activities with our Indian partners. This will continue to be scaled up – having been significantly affected by the local health situation in 2021 – by executing the transfers, while maintaining control of quality, costs and lead times.

Risks of dependence on the Supply Chain

The contribution of suppliers makes up a significant part of our products. As a result, supplier performance (price, quality and lead time) feeds into the Group's performance, and the failure of a supplier could jeopardize our programs.

The crisis within the aviation industry caused by Covid-19 has weakened the supply chain. As our production performance depends on an adequate supply for our production lines, any instability or failure of suppliers could lead to significant disruption, delays, or even production shutdowns. In addition, current shortages of raw materials and electronic components, and the sharp increase in requirements for some industry players in 2021, have exposed us to a potential delivery risk.

Similarly, any delay or failure by our partners or suppliers in terms of development could pose major risks for our programs under development.

There are different kinds of supplier risk:

- structural risks (financial soundness or changes in equity ownership),
- operational risks (technical failures, quality issues, supply disruptions, delivery delays, cyberattacks, etc.),
- compliance risks (legal, regulatory, etc.) and export bans,
- global risks (geopolitical, natural disaster, pandemic, etc.).

These risks are addressed during Supplier Risk Committee meetings, which examine suitable preventive or corrective measures. In addition to these measures, Dassault Aviation has tightened the process of evaluating and managing the operational performance of suppliers, so as to identify their structural and operational risks in lockstep with our production line requirements.

Cyber risks for IT systems

With the Covid-19 crisis, the cyber exposure of companies has increased and the risk of attacks has become much greater for the Group and its supply chain.

Since any IT system failure can result in data loss and business disruption, the Group has procedures in place and has taken steps to protect itself against the risk of its IT systems being attacked. Because the human factor is a major issue in cybersecurity, regular efforts are made to raise awareness and remind employees and partners of the need for vigilance.

Our surveillance and protection systems are continually being adapted at Group level in response to the changing threat. Communications infrastructure and systems have evolved in view of the need to work and interact online within a secure environment.

Our recovery plan in the event of system shutdown is tested annually to ensure the continuity of our operations.

Effective IT protection also requires all sub-contractors in the supply chain to have robust systems. To that end, an agreement was signed at the end of 2019 between the French Ministry of Armed Forces and the defense industry, calling on the latter to supply the armed forces with equipment that is more resistant to cyberattack.

The Group has also factored in the changing threat to onboard systems, the services offered to our customers, and our production facilities.

Security risks

The alert level in France and abroad remains very high. The Company has remained and will continue to remain extremely vigilant against this threat, since the nature of its industrial activities and the use of its fighter jets make it a symbolic target.

The Group's personnel and its industrial, technical and scientific assets are safeguarded by systematic site access control procedures, physical protection systems, operational assessment of suppliers and a "security" step in the recruitment process. The blurring of private and work lives caused by organizational changes put in place to combat the Covid-19 pandemic has prompted greater awareness about the importance of protective measures.

The security risk is also addressed by protecting our IT systems. The gradual introduction of remote working has significantly increased exposure to the risk of industrial espionage, particularly through attempts to steal data by phishing or other Trojan horses.

Employees are made aware of the cyber risk and radicalization in the workplace, as well as procedures to remind "travelers" of the precautions necessary for a safe trip.

Lastly, the Group does not reveal any attempt to damage its image or reputation. Employees are educated on the correct use of social media in order to maintain the high level of security of our industrial assets.

Risks related to personnel

Risks related to the Group's attractiveness and the development and retention of talent (see NFPD)

The Group's performance is highly dependent on its ability to recruit, retain and grow the talent necessary to manage and develop programs. The loss of our technical skills is a risk as they are our main asset and guarantee the quality expected by our customers.

The competitive environment requires the adaptation and continuous improvement of our organizational structure. Dassault Aviation has implemented a variety of support and training initiatives with its employees for all projects in its Transformation Plan.

Risks related to occupational health and safety (see NFPD)

The activities of the Dassault Aviation Group can lead to various situations in which the health and safety of its staff could be at risk. A systematic policy of reducing occupational risks and improving working conditions has been in place for several years. The measures taken are described in Section 4.6.

The health risk posed by the Covid-19 pandemic potentially exposes our staff and could affect their wellbeing and availability. The health protocol implemented in 2020 and updated in 2021 made it possible to control the risk of infection within the Company.

Risks related to social movements

Social tensions could have an impact on our production.

Environmental risks

The Group complies with the national and international regulations applicable in the countries in which it operates, as well as standards relating to the environmental performance of its products and activities.

Risks of pollution or damage to the environment

In terms of environmental risk control, the Environmental Management System (EMS) includes a risk analysis deployed in Dassault Aviation facilities and in its major subsidiaries.

No court has ever found the Group guilty of pollution or ordered it to pay compensation to repair damage caused to the environment. In 2021, the Group did not have to recognize any environmental liabilities.

The preventive measures taken are described in §4.7

Regarding the environmental risk of classified installations, Dassault Aviation is only required to provide financial security for one of its facilities (Decree No. 2012-633 of May 3, 2012).

Risks related to the consequences of climate change (see NFPD)

Due to its geographical location, the Group has low exposure to the physical consequences of climate change, whether for its industrial sites or supply chain, which are mainly European and North American. The Group's only facility exposed to the risk of tornadoes, in Little Rock, Arkansas, has put in place a business continuity plan.

The fight against climate change is one of the European and national strategic ambitions, with a target of net zero carbon emissions by 2050 and ambitious intermediate targets in 2030 and 2040. The International Civil Aviation Organization (ICAO) has adopted those targets in environmental standards incorporated into our product design requirements. This allows us to mitigate the transition risk associated with climate change.

The measures taken are described in Section 4.7

2.3. Reputational, regulatory and legal risks

2.3.1. Corporate social responsibility

The Group may be exposed to potential risks resulting from its products, activities or practices. To protect itself from risks that could have a lasting impact on its image, the Group has put in place organizational measures and tools consistent with the risks identified. It has also established various operating procedures and issued guidance on best practice. These measures form part of its strategy on corporate social responsibility.

Most of these risks are regulated, and some are included in the Non-Financial Performance Declaration ("NFPD") in Chapter 4 of this report.

2.3.2. Compliance

The nature of the Group's business means that it is subject to an extremely diverse and continually changing legal and regulatory framework with increasingly stringent requirements:

- in terms of product airworthiness, with aircraft program developments being regulated at the national, European and international level,
- in terms of employees (see Section 4.5) and the protection of personal data;
- in terms of the environment and occupational health and safety (see Section 4.6);
- in terms of customs, economic, ethics, tax and financial regulations.

Other regulations, at times extra-territorial in nature (particularly from the United States), create additional constraints and uncertainties (embargos, restrictive measures, ITAR, ethics, etc.).

This complex regulatory environment has the potential to cause compliance risks and risks of obsolescence (particularly among certain suppliers and sub-contractors, with the associated costs and lead times), competitiveness or distortion of competition.

To mitigate this risk, the Group has established a compliance program to ensure strict compliance with laws and regulations.

2.3.3. Protection of intellectual property

Innovation has become an essential tool to guarantee the success of the Group's products.

The protection of intellectual property, principally via patents, copyright and trademarks, is a major challenge in the protection of our assets. In particular, Dassault Aviation uses intellectual property rights to protect its technology, to prevent competitors from using that protected technology, and to remain competitive. Regarding the FCAS/NGF contract, the Company shall guard against the risk of know-how leakage.

Dassault Aviation has always focused on protecting its innovations through confidentiality. Employees are encouraged to take the necessary measures to avoid any inadvertent disclosure. Some of our innovations remain secret and evidence of their creation is produced, if necessary. Other innovations are patented.

The portfolio of Dassault Aviation patents continues to grow. It comprises French or foreign patents filed in strategic countries. Trademarks are also registered regularly to protect the names of the Company's leading products and services in the countries where it operates. Awareness-raising sessions focusing on intellectual property and confidentiality are organized periodically for the employees concerned to ensure they are able to actively protect the Company's technological assets.

Employees are encouraged to create inventions through a pay policy that has been tailored accordingly. An "Intellectual Property Committee" meets regularly to decide on the necessary protections for the Company's strategic inventions.

2.4. Financial and market risks

Financial risks

Cash and liquidity risks

The Group investment portfolio is primarily composed of money market investments as classified by the AMF, with no significant risk of impairment.

The bond investments made by the Group are mainly investments with a short-term management horizon, and the unspecified investments, as defined by the AMF classification, are mainly invested in short-term and money mutual funds.

Credit and counterparty risks

The Group performs its cash and foreign exchange transactions with recognized financial institutions. It divides its investments and bank accounts among the various selected institutions.

The Group limits counterparty risk by conducting most of its sales in cash and ensuring that the loans granted to a limited number of customers are secured by export insurance guarantees (Bpifrance Assurance Export) or collateral. The manufacturing risk is also guaranteed with Bpifrance Assurance Export for major military export contracts.

Additional information is available in Notes 8 “Trade and other receivables” and 24.2 “Management of credit and counterparty risks” to the consolidated financial statements.

Market risks

Foreign exchange risks

The Group is exposed to a foreign exchange risk through the Parent Company’s Falcon sales, which are virtually all denominated in US dollars. The Parent Company’s foreign exchange risk is partly hedged by its purchases in dollars, and partly by the use of forward currency contracts and options(1). This risk is permanent, taking into account exchange rate fluctuations and volatility. This is a significant risk for the Group, since the measures put in place to limit this risk are not sufficient to make the net risk zero (periods not covered by hedges, possible financial impact of hedges already taken in the event of reversal of market assumptions).

(1) A sensitivity analysis of the hedge portfolio can be found in Note 24.3 “Management of market risks”.

For the sale of our military aircraft, movements in the dollar exchange rate can affect our competitiveness, since we are compared to our competitors in this currency.

Embraer shares

The Parent Company owns Embraer shares. Embraer is listed on the Brazilian market and is stated in the Group’s financial statements on the basis of its market value at the balance sheet closing date, in Brazilian reals converted into euros. The value of the shares may therefore fluctuate according to the exchange rate between these two currencies.

In addition, the Group is exposed to a risk related to fluctuations in Embraer’s share price. A sensitivity analysis can be found in Note 24.3.4 “Risks related to Embraer shares.”

2.5. Insurance

The Legal Affairs and Insurance Department implements the risk transfer policy of the Dassault Aviation Group defined by the Executive Management.

Coverage of all the risks generated by the aeronautical activities of Dassault Aviation and its subsidiaries (work-in-progress, changing aircraft, civil liability after delivery, maintenance and logistical support, etc.) constitutes the largest item of the insurance budget.

Coverage is obtained from a broad panel of insurers and reinsurers that specialize in the aviation industry and offer high solvency margins to ensure they are able to handle any long-term claims.

The Group’s Sites, as well as its industrial facilities, are insured for fire and other risks.

The Legal Affairs and Insurance Department oversees a regular audit program of the Group’s Sites. It disseminates the risk prevention and industrial facilities protection policy to reduce the frequency and intensity of accidental risks. To do this, it relies on the specialized engineers of the property damage insurer.

Other programs are purchased in order to reduce risks not related to aviation activity: general civil liability, environmental damage, the fleet of vehicles, construction sites including assembly and testing and the civil liability of corporate officers and directors.

The Legal Affairs and Insurance Department ensures that the Group's insurance coverage constantly adapts to changes in its structure and business, especially in the context of the Transformation Plan "Leading Our Future," recent acquisitions in aircraft maintenance and in support of its international developments.

Dassault Assurances Courtage and Agence Aéronautique d'Assurances are involved in the placement of risks. Dassault-Réassurance handles the subscription of reinsurance portions for our aviation and fire risks.

3. INTERNAL AUDITING AND RISK MANAGEMENT PROCEDURES

3.1. Internal auditing objectives

The purpose of the internal auditing procedures set up in our Company is to:

- ensure that the conducting of operations and management actions, and the behavior of staff fall within the framework defined by Executive Management, applicable laws and regulations, and our Company's internal values and rules,
- verify that the information provided and communications addressed to the Board of Directors and to the General Meetings are reliable and give a true and fair view of the Company's activity.

One of the main purposes of the internal auditing system is to anticipate and control the risks resulting from the Company's activity and risks of error or fraud, particularly with respect to finance and accounting. However, as with any control system, it cannot provide absolute assurance that these risks have been totally eliminated.

3.2. Environment and general organization of internal auditing

Internal auditing reference documents

The Company's internal auditing is guided by the following reference documents:

- the Quality Manual, which describes the Company processes,
- the Organization Manual, which describes the tasks and organization of each department,
- the economic and financial data management procedure described in the Quality Manual for accounting and financial activities,
- an Anticorruption Code and an Internal Alert Procedure complete the processes that already exist,
- a Supplier Vigilance Plan.

Dassault Aviation also draws on the AMF reference framework of July 22, 2010.

Internal auditing bodies

The main internal auditing bodies in Dassault Aviation are the following:

Management Committee

The composition and the role of this Committee are detailed in Section 1.9 of the Report on Corporate Governance. Each Committee member is responsible for the internal auditing of his or her department.

The actions decided upon by the Committee are assigned to one or more of its members, and a manager is tasked with coordination. At each meeting, the Committee secretary monitors the progress of these actions through to their effective completion.

Total Quality Management Department

through the Internal Audit and Risk Department (IARD)

The IARD ensures that the risk management process relating to corporate programs, products and activities runs smoothly. It identifies Company risks and makes sure that Executive Management is alerted of them.

through the Quality Management System (QMS) and Environment and Health and Safety at Work management systems

The QMS is coordinated by the Total Quality Management Department and implemented by the Quality Control Managers, the Health, Safety & Environment (HSE) managers of the facilities and the Quality Representatives of operational departments.

The system uses a structured document repository, comprised of process descriptions and procedures and instructions.

The Management System is monitored through a program of internal audits, quality assessments and Management reviews.

Program Departments through Program Management

The Program Departments report to Executive Management on the completion of programs for all costs, deadlines and performance.

Financial Department

In particular, regular budget reviews allow for reporting to Executive Management and all economic performance actors.

Ethics and Compliance Department

The Ethics and Compliance Department, which reports to the Chairman and Chief Executive Officer, is responsible for enforcing the fairness of practices. It handles procedures implemented under the "Sapin 2" law.

Control of subsidiaries

The Company maintains an effective presence on the Boards of Directors and management bodies of its subsidiaries.

Periodic directors' reports are prepared by each subsidiary for the Parent Company.

Internal auditing

Attached to the Total Quality Management Department, the Internal Audit and Risk Department is tasked with assessing risk management and internal auditing processes.

The Internal Audit and Risk Director reports to Executive Management on the results of the audits and the recommendations implemented. The Internal Audit Director also presents the Internal Audit plan to Executive Management for approval prior to its implementation.

The Audit Committee meets with the Internal Audit and Risk Director and examines the Group's major risks, the audit plan and the findings of the audits.

External auditing factors

The Company operates in a particular external auditing environment due to its French government contracts and aviation activity:

- the calculation of our cost price components (hourly rates, procurement and non-production expenses) as well as the cost prices of our activities related to French government contracts are examined by the French Defense Procurement Agency (DGA),
- in the field of military aviation, product monitoring, our acknowledgment of design skills and our acknowledgment of skill in the production of Rafale for Export is overseen by the DGA,
- the Company, in the field of civil aviation, possesses design, production and maintenance certifications. These certifications are subject to ongoing monitoring by the airworthiness authorities that have issued them:
    - the French Civil Aviation Authority (DGAC),
    - the European Aviation Safety Agency (EASA),
    - the Federal Aviation Administration (FAA).

The Parent Company and its subsidiaries DFJ and DFS are EN 9100-, ISO 9001- and ISO 14001-certified. Audits conducted in 2021 by outside organizations confirmed the compliance of our management systems with the requirements of the standards.

3.3. Risk management procedures

The risk management organization detailed in Chapter 2 of this report is based on a risk mapping updated by each of the Company's major departments and primary subsidiaries of the Group for the activities that concern them.

Each of the risks identified in this mapping, whatever its nature, has been assessed according to its seriousness and its frequency of occurrence. The procedures for handling risks are also recorded in this mapping.

The risk management procedures are defined and applied by the departments of the Company.

In particular, Program risk control at Dassault Aviation is performed through regular risk reviews organized by the Program Departments with the Operational Departments.

Risks are monitored at the various stages in a product's life cycle for various reviews. The purpose of these reviews is to identify new risks and monitor and reduce existing risks.

The Total Quality Management Department, through the Internal Audit and Risk Department, notifies Executive Management of risks by transmitting the list of most critical risks identified.

Finally, the Risk Committee's mission, based on risk mapping and a campaign of interviews with all Departments, is to:

- validate the identified risks, their classification and the risk reduction actions carried out,
- ensure that new risks are identified, taken into account and their financial impacts measured.

To this end, the Committee conducts interviews with senior directors of the Company who are responsible for updating the risk map.

The Committee also ensures that the risk management system is taken into account in its subsidiaries, notably by holding discussions with the officers of Dassault Falcon Jet, Dassault Falcon Service, Sogitec and will the functional managers of all other Group subsidiaries.

It is chaired by the Senior Executive Vice President, Total Quality, assisted by the Director of Internal Audit and Risks, secretary of the Committee, and reports to the Executive Management.

3.4. Internal auditing procedures for financial and accounting purposes

Organization of the financial and accounting function

This function, described in the Quality Manual, is managed by the Finance Department for both the Parent Company and Group consolidation. This aforesaid function consists of:

- validating and auditing the Company's financial and accounting information system, implemented by Information Systems General Management,
- updating the consolidation software configuration used by the Parent Company and its subsidiaries.

General references

The financial statements are prepared in accordance with:

- the accounting standards applicable to French companies:
  - Accounting Standards Authority (ANC) Regulation 2014-03,
  - subsequent opinions and recommendations of the ANC.
- the international standards for the measurement and presentation of IFRS financial information in force as of December 31, 2021, as adopted by the European Union, which must be applied for fiscal periods beginning on or after January 1, 2021, for the consolidated financial statements,

- the operating and control procedures described in the economic and financial data management procedure, supplemented by the special procedures for the preparation of company and half-yearly financial statements of the Parent Company and the Consolidated Group. These procedures and the IT applications used by the finance and accounting department are regularly reviewed by the Statutory Auditors in connection with their annual certification of the financial statements.

Financial and accounting information process

In 2021, the Finance Department centralized the accounting data and produced the financial statements for the Parent Company and the Group.

It distributed a schedule of the tasks and controls to be performed at each period-end to the relevant persons in the Parent Company and subsidiaries. This schedule indicated the start date for the Statutory Auditors' certification procedures at approximately four weeks prior to the Board meeting at which the financial statements are submitted for approval.

In parallel, the reports and financial statements are checked by a review committee, independent of the teams participating in the drafting of these documents.

3.5. 2021 actions

The Internal Audit and Risks Department and the Total Quality Management Department continued to monitor the internal audit procedures for all parties involved by using the risk mapping that was updated during the year.

They performed the audits in order to verify the proper application of the internal auditing procedures.

3.6. 2022 action plan

For 2022, the Internal Audit Department and the Total Quality Management Department are tasked with continuing the audits that ensure oversight of internal controls and risk management, and the proper application of procedures.

4. NON-FINANCIAL PERFORMANCE DECLARATION ("NFPD")

4.1. General Policy and Sustainable Development Goals (SDGs)

Since the United Nations Global Compact was signed in 2003, Dassault Aviation has committed itself to an active Corporate Social Responsibility (CSR) policy. This policy, which has been enhanced over time, demonstrates the Group's commitment to its employees, environment and suppliers.

Built on current CSR issues and backed by industry standards and rules, Dassault Aviation's CSR policy is built on five pillars.

With this approach, Dassault Aviation is putting the social, environmental, and societal aspects of its business first.

The commitments thus made at the Group level reflect the sustainable development challenges adopted by the UN in 2015. The actions taken in this respect mostly contribute to 8 of the 17 Sustainable Development Goals (SDGs).

Contribution of the Dassault Aviation Group to the Sustainable Development Goals

PEACE, JUSTICE AND STRONG INSTITUTIONS

The zero tolerance policy, the strengthening of procedures and resources for fighting against corruption characterize our search for rigorous business ethics.

CLIMATE ACTION

The innovations made by Dassault Aviation's teams on its activities and products, both on technological research and optimization of flight or on SAF use, contribute to reduce the air sector impact on the climate.

GOOD HEALTH AND WELL-BEING

The Dassault Aviation Group, through its CSR policy, is committed to the well-being of its employees, the workplace conditions improvement and the occupational risks reduction.

GENDER EQUALITY

Convinced that diversity is a major issue and a performance factor for the company, we affirm our commitment to promote diversity and gender equality at work.

RESPONSIBLE CONSUMPTION AND PRODUCTION

Optimizing resource and energy consumption, controlling emissions and managing waste are fundamental elements of our CSR policy.

REDUCED INEQUALITIES

The Dassault Aviation Group strives to promote diversity, equality of opportunities and treatment and prevent discriminations through the implementation of company agreements.

DECENT WORK AND ECONOMIC GROWTH

Close links developed with regional and international industrial fabrics contribute to the sustainable economic growth of the global aviation industry.
The Dassault Aviation Group is also committed to improve its employees' skills, consistent with its operational needs and the individual desires of its employees.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

As part of its "Leading Our Future" transformation plan, Dassault Aviation is modernizing its industrial tool through the use of better performing and more environmentally friendly technologies.

4.2. CSR organization

Following a period of several years in which CSR issues became increasingly important for the company, a commitment was made in late 2021 to strengthen the organization with the appointment of a Group CSR Manager in charge of Dassault Aviation's and its subsidiaries' Corporate Social Responsibility. The operational implementation of this new organization will be the main focus in 2022.

4.3. Listening to the Company's stakeholders and meeting their expectations

Listening to external and internal stakeholders and meeting their expectations is of fundamental importance for Dassault Aviation.

When it comes to our customers, this is one of our main priorities, as evidenced by the results of the Falcon customer support surveys conducted by *Aviation International News* and *Professional Pilot* magazines over the last three years. It is also apparent at trade fairs and at the open days that are held regularly for customers.

Regular events are also held with our shareholders and suppliers. In addition, we are actively involved in industry bodies both in France (UIMM, GIFAS, AFEP, AFNOR, etc.) and internationally (ICAO, GAMA, EBAA, ASD, IAEG, IAQG, etc.).

We also maintain close ties with the academic community and with students in aeronautical disciplines, who are often invited to our facilities.

Listening to our internal stakeholders is equally important. It is facilitated by meetings of the Central Economic and Social Committee (CSEC), of the Economic and Social Committee (CSE) Health, Safety and Working Conditions Committee (CSSCT), commissions and thematic committees (economic, training, employment/gender equality surveys, disability, etc.), or during the various annual negotiations.

The special relationships we forge with our stakeholders enable us to identify their expectations and factor them into our products, services and CSR policy.

4.4. Identification of non-financial risks

Non-financial risks and issues are identified on the basis of a materiality assessment. This is carried out by a multi-departmental working group [(1)] with the help of:

- mapping of the main company risks (see Section 2 Risk factors),
- CSR issues identified for aerospace companies by the Sustainability Accounting Standard Board (SASB),
- a summary of CSR issues identified in a panel of comparable national and international companies in terms of activity,
- a non-financial risk assessment that takes into account the importance of issues for both Dassault Aviation and its stakeholders.

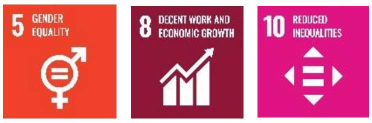
[(1)] the Legal Affairs and Insurance Department the Communications Department, the Ethics and Compliance Department, he Financial Department, , the Purchasing Department within the Total Quality Management the Human Resources

Following this identification, the following issues and risks were selected in the Non-Financial Performance Declaration:

Challenges	Risk factors (risk exposure)	Policies	2021 key performance indicator	Sustainable Development Goals (SDGs) affected
Attractiveness, employment and skills	Section 2.2 Risks related to personnel (moderate)	Section 4.5	% of staff trained: 70.31%	5 GENDER EQUALITY 10 REDUCED INEQUALITIES
Health, safety and workplace conditions	Section 2.2 Risks related to personnel (moderate)	Section 4.6	Frequency rate of work-related accidents: 7.67 (target: 7.50) Severity rate of work-related accidents: 0.38 (target: 0.33)	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH
Climate change	Section 2.2 Environmental risks (moderate)	Section 4.7.1 Section 4.7.2 Section 4.7.4	Energy consumption by source: - Gas: +4.1% (target in 2023: -5.0%) - Electricity: -8.1% (target in 2023: -5.0%) Greenhouse gas emissions (scope 1 excluding kerosene and scope 2): -8.6% (target in 2023: -5.0%)	13 CLIMATE ACTION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Traceability and obsolescence of hazardous substances	Section 2.3.2 Compliance (low)	Section 4.57.2	Number of substituted hazardous products: 395	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
supply chain: customer duty	Section 2.3.1 Corporate social responsibility (moderate)	Section 4.8.3 Section 4.8.6	% of new suppliers processed: 100% (annual target: 100%) % of suppliers with potential risks: 1%	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Business ethics	Section 2.3.1 Corporate social responsibility (moderate)	Section 4.8.7 Section 4.8.8	Number of acts of corruption: None (target: 0) Number of people trained: 198 (868 since 2018)	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

4.5. Offering an attractive and motivating employment model

Contribution to SDGs



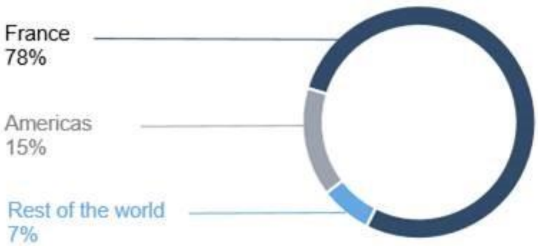
The development of the Dassault Aviation Group is based on the quality and commitment of its people. They are its main source of wealth. This principle is enshrined in the Code of Ethics.

Changes in registered headcount	**Headcount as at 31/12/2021**	**Headcount as at 12/31/2020**
Dassault Aviation Parent Company	**8,815**	8,681
Dassault Falcon Jet	**1,846**	2,052
Dassault Falcon Service	**570**	589
Sogitec	**250**	243
TAG Maintenance Services / DABS	**455**	458
ExecuJet	**435**	418
Total	**12,371**	12,441

Changes in active headcounts	**Headcount as at 31/12/2021**	**Headcount as at 12/31/2020**
Dassault Aviation Parent Company	**8,481**	8,372
Dassault Falcon Jet	**1,831**	2,048
Dassault Falcon Service	**519**	546
Sogitec	**242**	237
TAG Maintenance Services / DABS	**441**	443
ExecuJet	**405**	418
Total	**11,919**	12,064

More than 97% of the Group's employees are on open-ended contracts.

The geographical distribution of the Group's headcount is as follows:



4.5.1. Attracting and retaining talent

The Group's Companies invest in preparing the talent who will join us after they complete their studies.

To that end, the Group works in tandem with the academic community, focusing on two key areas: training and research.

In this context, the Group's companies:

- support students during their studies through internships, work-study programs and France's international business volunteer program. The Group's Companies have taken on 272 interns and nearly 276 work-study students, thus demonstrating our willingness to support the training of young people in our businesses and encourage their entry into professional life,
- participate in consultations on how to adapt curricula to the medium and long-term needs of the aviation industry. These consultations are carried out within professional bodies such as GIFAS, and with educational institutions and organizations (engineering colleges, universities, vocational high schools),
- encourage their staff to take part in vocational or multidisciplinary courses and examination boards and to supervise technical projects,
- make their recruiters available to educational institutions several times a year to conduct mock interviews with future graduates,
- promote an awareness of our business lines by organizing meetings (forums, Group presentations, etc.) and visits to our sites for pupils, students and their advisors (teachers, career counselors, principals, etc.). Targeted initiatives to promote gender diversity have been spearheaded aimed at technical roles for women.

We also contribute to the general skills development of future technicians, engineers and researchers by creating or participating in teaching and research chairs. This contribution takes the form of financial support, which we supplement with the participation of our experts in the development of educational and research projects for the benefit of the academic and scientific community.

The Indian government-approved Dassault Skill Academy was created in 2018 to develop new training courses in India for the aviation industry. It was designed to be a two-year training course equivalent to the French professional aviation diploma (Baccalauréat professionnel aéronautique). Since the start of the 2019/2020 school year, the academy has been based in a public high school in Nagpur (Maharashtra State). In parallel with the first intake, high school teachers and teacher trainers underwent training to enable the courses to be rolled out nationwide.

Within higher education, networks of excellence have forged links between Indian engineering colleges and partner schools in France. For example:

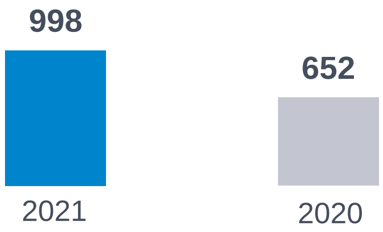
- the Pune College of Engineering has partnered with ISAE-ENSMA in Poitiers and ESTIA in Bidart to develop expertise in integrated aircraft design,
- the Defence Institute of Advanced Technology (DIAT) in Pune has joined forces with ISAE-SUPAERO in Toulouse to develop expertise in aircraft systems and flight tests,
- the Visvesvaraya National Institute of Technology (VNIT) in Nagpur has teamed up with ESTIA in Bidart and CESI in Nanterre to develop expertise in the digital industry.

To enhance its employer brand image, the Group has bolstered its presence on social media and become more vocal about its recruitment needs, increasing the number of actions to be more visible at a national and local level.

According to the 2021 EPOKA survey, these initiatives have earned Dassault Aviation a spot as the third most popular company in the Industry sector (excluding the automotive and pharmaceutical sectors), according to students and young professionals who have graduated from France's prestigious grandes écoles. Dassault Aviation also came in sixth in the Universum ranking of the 130 best places to work according to engineering students. This cements the Group's position as one of the top 10 companies as voted for by students at France's leading engineering colleges over the last decade.

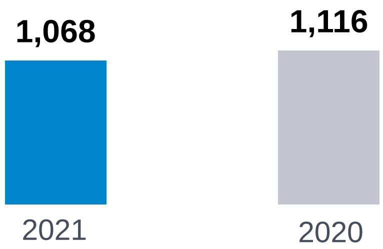
Despite the challenging environment in 2021, the Group continued recruiting by seeking the best possible match between costs, headcount and skills requirements.

As a result of this policy, 998 employees were recruited.



To facilitate the integration of their new hires, the Group's Companies have put in place programs to explain their business, set-up and operation.
Recruitment and onboarding initiatives are essential. They help prepare for the future and facilitate the intergenerational transfer of skills.

Employees leaving the Group



Within this, the Group has a resignation rate of around 2.7% of the workforce.

4.5.2. Development and transfer of skills

Individual development of each employee is an essential condition of collective success.
With more than 70% of staff trained in 2021, the Group has demonstrated its commitment to maintaining and developing its employees' skills, despite the continuing pandemic.

Vocational training

Against the backdrop of the ongoing pandemic in 2021, the Group's companies alternated between distance learning and classroom teaching in a bid to maintain and enhance employees' skills. The initiatives took into account the operational needs of the Group's Companies, the development of the roles and technologies, and individual preferences.

Professional training represents 259,339 hours of training for the Dassault Aviation Group.

Dassault Falcon Jet also relies on a tuition assistance plan to enable its employees to join a higher education program that will develop their skills. This program, directly related to the position held by the employee, reflects his or her career development prospects. 313 employees have benefited from this scheme over the last ten years.

Skills Conservatory

Dassault Aviation continued the transformation of its skills conservatory, which began in 2017. Alongside the design and implementation of technical modules, the conservatory offers vocational training courses (training courses for assemblers, process planners, etc.). The conservatory also offers training courses that create synergy between businesses that work together on platforms, such as "Industrialization: from Conception to Completion." These sessions supplement employees' initial training with the specific skills necessary to perpetuate Dassault Aviation's expertise. Launched 30 years ago, the conservatory marked the occasion in 2021 by applauding the commitment of employees who are highly invested in perpetuating, enhancing and passing down our technical heritage.

Strengthening the Group's management

Strengthening its management is a priority for the Dassault Aviation Group, which guides the development of its managers throughout their career. The Dassault Institute has continued to develop and hold training courses for the Group's French subsidiaries. In 2021, 243 Group employees were trained.

In addition, with a view to improving management practices, Sogitec has trained more than 45% of its managers and employees in a supervisory role.

Moreover, around 10 managers from Dassault Falcon Jet, enrolled on the American Management Association (AMA) "Certified Professional in Management (CPM)" manager development program, have been awarded a certificate in management excellence.

Lastly, TAG Maintenance Services is pursuing its performance appraisal scheme to improve listening and dialog between employees and their managers.

4.5.3. Promoting diversity and equal opportunities

The Group promotes diversity in the workplace and is highly committed to the principles of non-discrimination. Firmly believing that diversity is a major issue and a performance factor for the company, the Group restates its commitment to preventing discrimination and commits to promoting equal opportunity and treatment.

This commitment is reflected in compliance with national regulations and in the signing of company-level agreements in the following areas:

- professional equality between women and men,
- employment and retention in employment of persons with disabilities,
- careers of staff representatives.

Professional equality between women and men

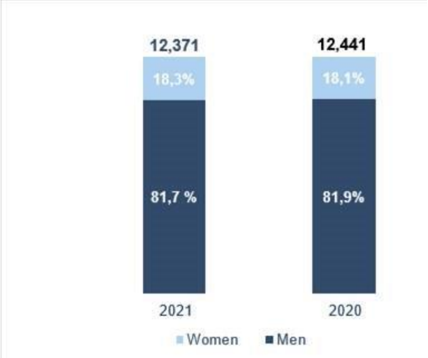
The Group pursues its policy of developing gender balance in the company by implementing actions aimed at improving gender diversity, particularly in the management, technical, industrial and aircraft maintenance professions.

The Group is facing the issue of fewer women enrolling in technical and industrial training courses. The development of scientific and technical careers among women is therefore an important issue.

Various actions are carried out in partnership with the non-profit organization Elles Bougent ("Girls on the Move") to generate interest among middle school and high school students.

The Group adopts a proactive policy, as a result of which women made up more than 23.4% of all recruits in 2021.

Women account for 18.3% of the Group's workforce, a slight increase from 2020.



The Group also pays particular attention to the training and development of women's careers, promoting them to positions of responsibility, particularly in management and senior management.

The Group is also mindful of gender equality in its compensation and promotion policies. Dassault Aviation and Dassault Falcon Service have a gender equality score of 87 out of 100 (published in March 2021 for the 2020 fiscal year). This is well above the regulatory threshold of 75.

The French Companies of the Group all have an agreement on the professional and wage equality of women and men. In 2021, Dassault Aviation put its agreement signed on December 22, 2020 into effect, prioritizing career paths for women to enable them to rise to positions of responsibility.

Employment and retention in employment of persons with disabilities

The Group continues its policy of recruitment and retention of persons with disabilities. The Group's French Companies all have an agreement on hiring and retaining people with disabilities.

Regular communication initiatives are carried out, particularly with the academic community, local organizations for the employment of disabled people and disability-friendly companies. The Group's Companies participate in specialized forums and organize awareness-raising actions with employees and recruiters.

Concrete measures are being taken to modify workstations and to facilitate and encourage formal recognition of the status of employees with disabilities and renewal of that recognition. The Group relies on cooperation between its HR teams, medical professionals from occupational health services, EHS staff and ergonomists to institute the necessary initiatives and arrangements to retain employees with disabilities. The parent company has earmarked an annual budget of EUR 400,000 for the period 2021-2023.

The Group is also committed to ensuring that employees with disabilities benefit from the same opportunities for pay increases and career advancement in accordance with the principle of non-discrimination.

In late 2021, the Dassault Aviation Group employed 510 disabled workers, compared to 492 in 2020.

Careers of staff representatives

Dassault Aviation and Dassault Falcon Service are implementing agreements signed in 2019 on social dialog to facilitate the functioning of union organizations and staff representative institutions. More specifically, those agreements provide a career monitoring mechanism for the careers of staff representatives to ensure equal treatment.

Furthermore, the French Companies of the Group give employee representative institutions many additional resources compared to those provided for by law.

4.5.4. Offering attractive compensation and benefits

The Dassault Aviation Group is committed to attracting talent and keeping its employees highly motivated by offering them stimulating projects along with an attractive compensation policy.

This compensation policy rewards and inspires loyalty among its employees, while adapting to the economic situation and the economic environment to maintain the Group's competitiveness in a highly competitive market.

The average annual salary of Group employees in 2021 was EUR 58,849.

In Dassault Aviation, minimum annual gross salary is of € 27,120 in 2022, being 1,4 times the French minimum wage (SMIC). The average annual gross salary for a blue collar in Dassault Aviation is of € 35,580 in 2021 being 1,9 time the French minimum wage.

In addition, the Group's French Companies are developing a very attractive employee profit-sharing and incentive policy. Profit-sharing opt-out agreements and particularly advantageous incentive agreements have been signed, enabling employees to have a share in the profits.

The average annual salary of the Group's French Companies, including profit-sharing and incentives, was

EUR 63,783. For Dassault Aviation, minimum wage is at € 31,129 , including the Profit-sharing policy paid in 2021 relative to 2020, or € 33,334 , including the Profit-sharing policy paid in average for the last 5 years.

These companies also promote employee savings by offering company savings plans with a wide choice of investments, as well as a group pension plan.

The Group offers all its employees medical cover.

The Group's French Companies paid EUR 27 million (i.e. more than 5% of the payroll) to the social and economic committees at their facilities, enabling employees to enjoy numerous social, sporting and cultural activities at very advantageous prices.

4.5.5. Constructive employee relations

The Group has an employee relations policy which is built on trust, compromise, and mutual respect.

In Group entities with employee representative bodies, regular negotiations give rise to constructive social dialog based on the search for collective agreement.

In 2021, 17 agreements and amendments were signed. They covered in particular topics such as working hours, pay, quality of life at work, remote working, the "working time account", and permanent part-time work.

For Dassault Aviation, in the context of a strong inflation in late 2021, negotiation and implementation of the salary policy had consequences on the social climate in the sites.

Regular constructive discussions between management and labor have made it possible to tackle the pandemic by tailoring measures to the different national policies for combating and preventing Covid-19. Staff representatives are also supporting the Group in implementing health measures across all sites.

This social dialog within the Group helps to maintain a climate conducive to the proper functioning of the Companies. It is also expressed at joint committee meetings during which plans for the organization of the Group's Companies, questions of employment and gender equality, and issues around health, safety and working conditions are discussed. This labor agenda provides a framework for employee relations and allows staff representatives to stay up to date on the issues facing the Group.

In addition, some Group entities that do not have staff representatives have set up direct communication channels with senior management.

4.6. Ensuring a high-quality, safe and healthy work environment

Contribution to SDGs

4.6.1. Fostering an effective culture of prevention throughout the company

Developing a safety culture is necessary to maximize performance. In 2021, Dassault Aviation continued its actions to amplify this culture. This development involves the sustainability of practices and tools that promote proactive management of occupational safety and health and the training and awareness of prevention actors.

In this respect, Dassault Aviation has designed an EHS management framework built around four levels of maturity, in line with the ISO 45001 and ISO 14001 standards. Today, the parent company is close to reaching level 3 ("mature"), which was the target originally set.

4.6.2. Continuing to reduce occupational risks and improve working conditions

Controlling the risk of workplace accidents and occupational diseases means reducing physical and chemical risks.

Actions to reduce chemical risk exposure are ongoing. In 2021, plans went ahead for new paint booths.

Safety initiatives for "working at height" and "load handling" risks are also underway.

Group-wide, absenteeism in 2021 was 97,186 days from all causes, compared with 154,941 in 2020, excluding maternity and parental leave. The decrease is due to the fact that the pandemic had a lower impact than in 2020.

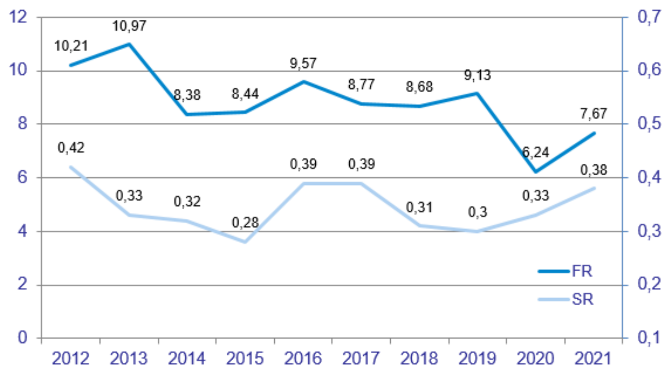
The number of work-related accidents with lost time was 150 in 2021. The corresponding number of days lost was 7,516 days.

The Group frequency rate(1) (FR) rose from 6.24 to 7.67 in 2021.

(1) the frequency rate represents the number of accidents with lost time of more than one day that occurred over a 12-month period per million hours of work.

The severity rate(2) (SR) rose from 0.33 to 0.38. *

(2) The severity rate represents the number of days lost per 1,000 hours worked.



In 2021, 20 occupational illnesses were identified by the various competent authorities, compared with 15 in 2020. These were primarily musculoskeletal disorders.

4.6.3. Developing quality of life at work and fostering employee well-being

Ergonomics and working conditions

To promote a culture of ergonomics and ensure that ergonomic considerations are factored into new projects and programs, the Group has held and led training courses with a view to expanding the network of ergonomics officers at Dassault Aviation facilities: 35 new ergonomics officers were trained in 2021, making a total of 76 ergonomics officers across all sites.

The conservatory has introduced a special "Ergonomics" training module to ensure that these considerations are factored into the industrialization phase. The vocational course for process planners and toolmakers has trained 34 process planners and toolmakers.

The company has expanded its network of trainers specializing in risk prevention during physical activities and in body posture and movement. It now has 15 trainers.

The workplace transformation continued in 2021, focusing on:

- reducing the risk of accidents linked to manual load handling by purchasing suitable equipment (trolleys, stacker trucks, lifting platforms, hoists, etc.), reorganizing storage facilities, and redesigning tools to make them more lightweight,
- addressing the causes of musculoskeletal disorders (setting up and equipping workstations, workbenches and desks so that they can be raised, lowered and/or reclined, using pivotable tripods, and acquiring exoskeletons for hand/arm systems),
- accommodating disabilities (adapting workstations, purchasing suitable equipment, etc.).

Ergonomic aspects were also taken into account with the introduction of remote working. Recommended improvements for working from home have been published in a guide distributed to employees working remotely.

At the same time, innovative studies are still under way to introduce collaborative robot technologies, exoskeleton (arms/hands/back) and automated postural stress assessment systems.

Preventing psychosocial risks

The pandemic has led to a renewed focus on psychosocial risks. In 2021, the parent company introduced a system for assessing collective psychosocial risks in the workplace in order to gauge the risk and take the necessary corrective measures.

Quality of life at work

The Group has long encouraged a work/life balance, particularly through schemes to help parents.

Some Group Companies provide a company crèche.

Since 2021, Dassault Aviation has been experimenting with a digital and physical corporate concierge scheme. The aim is to offer employees local services that are readily accessible and help them manage personal tasks.

Working hours also contribute to quality of life at work. Tailoring working hours to accommodate the personal needs of individual employees leads to a more flexible organization and improves shift management within the Group's French Companies.

Since the start of the pandemic, Group Companies have implemented a remote working system which goes far beyond normal remote working practices. In 2021, the Group's French Companies used that experience to sign company-level agreements reconciling individual and collective performance while maintaining the social link.

Medical monitoring of employees

The Dassault Aviation Group has autonomous occupational health services or assistance programs at all of its sites.

Employees in high-risk positions or who are expatriates or on mission receive specific monitoring and specialized support.

Dassault Aviation has an agreement in place with the Psychological Support and Resources Institute (IAPR), which offers a listening and support system for employees who are victims of workplace stress and psychological trauma.

Prevention and awareness campaigns, local or Group-wide, are organized, periodically or occasionally, on a variety of themes:

- influenza (awareness campaign and free vaccinations),
- Covid-19 vaccinations: vaccination campaigns on site or delivered by external partners,
- heat wave-related risks,
- low back pain and injuries from carrying heavy loads,
- addiction (tobacco, alcohol, psychotropic products, games, cyberdependency),
- aid for ending addictions,
- food hygiene,
- psychosocial risks,
- cardiovascular diseases,
- organ donation,
- sleep disorders.

Managing the health risk

The Covid-19 global pandemic continued in 2021. The Group has demonstrated agility and responsiveness both in the tertiary sector and in its industrial organization.

In response, several crisis teams have been maintained within the Group, prioritizing the health and safety of employees and their families. Special arrangements have been put in place to ensure that our operations continue in compliance with the government guidance specific to each country where the Group is located.

Our health protocols are updated regularly as the pandemic evolves.

The protocols describing the range of health measures include:

- workplace guidelines, taking into account the measures specific to each activity,
- the provision of personal protective equipment (anti-bacterial gel, cleaning/disinfection products, protective masks, goggles, etc.),
- procedures for entering and returning to sites,
- the use of remote working wherever possible,
- flexible working hours,
- educating all staff about the new risk,
- instructions in the event of suspected infection,
- procedures to follow in the event of contact.

Independent health services follow up on employees who test positive for Covid-19 and are responsible for contact-tracing. Occupational health services also organized Covid-19 vaccination campaigns for employees.

The Company health protocol will be maintained and updated as and when required and for the duration of the pandemic.

4.7. Improving the environmental performance of our activities and products

Contribution to SDGs

The environment is the core focus of Dassault Aviation's CSR policy. The main aim is to reduce the environmental footprint of the Group's products and activities, while mitigating the risks of pollution and environmental damage. The policy takes the form of an environmental methodology ("Ecodémarche") consisting of projects and actions to improve environmental performance throughout the life cycle of our products.

Reducing our environmental footprint essentially means factoring EHS requirements into aircraft development programs, into contracts with suppliers and partners, into the search for new processes and materials, into plans for new infrastructure or production facilities, and into the operational support given to our customers.

Dassault Aviation has been committed to this proactive environmental approach for more than 15 years, relying to that end on the ISO 14001 management standard. The Group's research offices and production facilities are certified. This includes all Dassault Aviation sites, the Dassault Falcon Jet facility in Little Rock, and the Dassault Falcon Service locations in Le Bourget and Mérignac, which represents 85.9% of the Company's total headcount.

4.7.1. Factoring eco-design into the search for innovative technical solutions

Over the past 40 years, technological progress with regard to engine efficiency, aerodynamics and weight saving has reduced fuel consumption, CO_2 emissions and noise levels from our aircraft.

The Group is continuing on this path, both in the search for technological innovations and in the optimization of the aircraft in operation.

To support this strategy, Dassault Aviation has adopted the objectives set forth in 2000 by the Advisory Council for Aeronautics Research in Europe (ACARE), and participates in European studies that contribute to them, such as the CleanSky program.

In France, Dassault Aviation, as a member of the Civil Aviation Research Guidance Council (CORAC), is also involved in the studies conducted in that framework.

Dassault Aviation reaffirmed its commitment ahead of COP 26 by signing "The Sustainability of Aviation – Update" statement with six other major aviation players (Airbus, Boeing, GE Aviation, Pratt & Whitney, Rolls Royce and Safran), recognizing the shared goal of achieving net zero carbon emissions by 2050.

The environmental footprint is modeled using a life-cycle analysis (LCA) approach, in accordance with ISO 14040 and ISO 14044, for the Falcon 8X, Falcon 7X and Falcon 2000. The modeling identifies the environmental impact of each stage in the aircraft's life cycle, from the extraction of raw materials to its end-of-life solution. Various indicators are used, including the depletion of natural resources, the depletion of the ozone layer, the potential for acidification, the eutrophication of water, and the potential for global warming.

These studies show that aircraft use accounts for more than 95% of greenhouse gas emissions over the entire life cycle (40-year operational lifespan). The life cycle analysis shows that the kerosene production phase contributes significantly to those emissions. In light of this analysis, Dassault Aviation has directed its efforts towards improving energy efficiency during the operational phase and promoting the use of sustainable aviation fuels (SAF).

However, other environmental aspects have not been overlooked, with action plans in place that cover the manufacturing phase in particular.

The aircraft sold by Dassault Aviation have a lifespan of more than 40 years, are repairable throughout their entire operation and offer considerable potential for end-of-life recycling owing to the significant proportion of reusable equipment, aluminum and other metals.

Technological aircraft innovation

Dassault Aviation is involved in European and national initiatives (Clean Sky and Clean Aviation) and leads or participates in concept and development studies in conjunction with the entire aviation sector.

These studies relate to:

- reducing the weight of primary structures with new materials and processes (new metal alloys, composites),
- reducing the weight of certain equipment and additional components (metal additive manufacturing, thermoplastics),
- consolidating the principles of design and manufacture of surfaces with increased laminar flow and performance, achievable due to the drag reduction thus obtained,
- the use of sustainable aviation fuels, which must be compatible with fuel systems and engines when blended with conventional kerosene at high percentage levels, to achieve 100% SAF operation in the medium term,
- exploring far upstream the possibility of hydrogen-fueled business jets,
- optimized flight planning and management to reduce fuel consumption and optimize take-off and landing trajectories to reduce external noise,
- research into concepts and technologies for noise reduction at source, which must not increase aircraft mass and/or aerodynamic drag.

Methods and processes

The Dassault Aviation Group is continuing to make a significant effort to increase the efficiency and reduce the environmental footprint of its design methods, production processes and maintenance services by harnessing the tools offered by digital technology:

- optimization of the entire testing process (new types of instrumentation, processing and data analysis) and hybridization of simulation models and test data are expected must reduce the number of development flight tests and the processing cycle for any adjustments,
- advances in digital technology should make it easier to demonstrate why the aircraft meets the certification criteria,
- efforts to optimize the production cycle are taking the form of research into eco-design, new materials, additive manufacturing and waste recycling,
- automated fleet data processing should increase predictive maintenance capabilities.

Optimization of aircraft in operation

Dassault Aviation relies on the discussions and demonstrations conducted as part of the Single European Sky ATM Research (SESAR) program to take full advantage of the technological gains across all aircraft operations and to minimize its footprint.

The integration of advanced technologies on board the Falcon already optimizes flight paths. This includes such features as the digitization of dialog between pilots and air controllers, automatic digital aircraft position communication, and the on-board advanced vision system that allows for low visibility approaches.

In addition, Dassault Aviation contributes to the development of mission preparation and management tools optimized to minimize consumption and therefore CO_2 emissions.

An optimization guide (Falcon Service Advisory) is also available for all Falcon fleet operators in service. It identifies best practices to minimize fuel consumption of aircraft in service.

Sustainable Aviation Fuels (SAF)

Falcon models are compatible with sustainable aviation fuels up to a currently certified rate of 50%. Dassault Aviation is working with the engine manufacturers of its aircraft currently in development to validate the feasibility of 100% SAF. The same goal is shared by the VOLCAN project, in which Dassault Aviation is involved in partnership with Airbus, ONERA, Safran and the French Ministry of Transport.

The overall reduction in CO_2 emissions over the life cycle of SAF (production followed by use in flight) could come close to 80%, according to international benchmarks. During their combustion, SAF also release fewer pollutants into the atmosphere, such as sulfur, and could limit the production of condensation trails.

With supply chains taking shape, Dassault Aviation is committed to promoting the use of SAF for its own operations and to its customers, working closely with GAMA, NBAA and EBAA in particular. For example, a 30% SAF available at Le Bourget airport was used to fuel the Falcon 6X on its mission 0 as part of the program's development. This opened up the possibility of using SAF for flights to airshows, such as the Dubai Airshow in November 2021.

4.7.2. Reducing our environmental footprint according to the principles of the circular economy

As part of its CSR policy, Dassault Aviation has set three-year targets for reducing its environmental footprint. The desired performance improvement targets energy consumption, water consumption, air emissions and waste recovery.

By the end of the 2018-2020 period, which saw the implementation of the transformation plan "Leading Our Future" and the Covid-19 crisis, the targets had been met.

New targets for the period 2021-2023 have been set following a performance review, assuming a gradual recovery of the aviation sector. Since 2020 was disrupted by the Covid-19 crisis and is not representative of the company's activities, 2019 was chosen as the baseline for the 2021-2023 three-year plan.

In 2021, resource consumption and waste generation were directly impacted by the ongoing pandemic. This impact is less pronounced than in 2020 due to the gradual resumption of activity.

Themes		Group performance			
		2023 targets (Ref. 2019)	**2021**	2020	Like-for-like change since 2019*
Optimize consumption of resources	Electricity (GJ)	**-5%**	**502,710**	485,616	-8.1%
	Gas (GJ)	**-5%**	**376,686**	302,681	4.1%
	Renewable electricity (GJ)	**NA**	**Not available****	**Not available****	NA
	Domestic fuel oil (GJ)	**stability**	**4,392**	5,571	-58.6%
	TOTAL	**-5%**	**883,789**	793,868	-3.7%
	Kerosene (GJ)	**NA**	**581,922**	502,001	NA
	Water (m3)	**stability**	**217,680**	199,737	-14.8%
Minimize the use of hazardous chemicals	Hazardous products removed or substituted	**NA**	***395 (since 2013)***	385 *(since 2013)*	39
Reduce waste generation and discharges into the water and air	VOC (T)	**stability**	**106**	101	-28.8%
	Non-hazardous waste (T)	**stability**	**5,528**	4,323	-25.3%
	Hazardous waste (T)	**stability**	**1,462**	1,514	-43.5%
	Total waste (T)	**stability**	**6,990**	5,837	-30.1%

**The subsidiaries TMS and ExecuJet have only been consolidated since 2020, so there is no reference data for 2019.*
***Installation in 2021, consolidated data in 2022.*

Energy consumption

The energy management system is coupled to the ISO 14001 certified environmental management system. A decision has been made not to seek ISO 50001 certification. However, the principles of this certification are known and are being rolled out in the Group's facilities.

Energy is mostly consumed within the framework of the industrial activity of the production sites (electricity and gas), and the aviation activity (kerosene).

Electricity consumption has fallen sharply as a result of the crisis and the energy-saving efforts made by all the Group's entities, including works to upgrade air-conditioning units, install LED lighting and optimize consumption management.

Gas consumption has not followed the same trend, since any beneficial effects from improvements were canceled out by frequently ventilating premises in accordance with the various health protocols.

Heating oil continues to be substituted in the Group's historical subsidiaries, leading to a 58% drop in consumption on a like-for-like basis compared with 2019.

As part of the "Leading Our Future" transformation plan, energy and environmental performance is systematically sought in the interests of economic balance. The new buildings designed prior to 2021 were part of an objective that goes beyond the requirements of the applicable French thermal regulations (RT 2012 minus 30%), while promoting the installation of photovoltaic panels on surfaces where they can be installed.

A network of energy experts has been set up at the parent company level to improve energy performance management and the rollout of improvements, particularly those resulting from the energy audits carried out at Dassault Aviation facilities in late 2019.

Kerosene consumption is on the rise, a direct result of the number of aircraft delivered in 2021 and of the Falcon 6X test program being ramped up.

Water consumption

Since Dassault Aviation's facilities are mostly located in regions without high levels of water stress (France, United Kingdom, Switzerland, United States, etc.), it has access to a sufficient quantity and quality of water. The Group's consumption in countries with high levels of water stress is limited and applies only to TMS Portugal and to ExecuJet in the United Arab Emirates.

Most water comes from public water supply networks, and to a lesser extent from groundwater pumping (8.2% in 2021). Most water is used for non-industrial purposes.

On a like-for-like basis, consumption in 2021 was almost 15% lower than in 2019. This was due to the decline in the number of employees on site (a corollary of the increase in remote working), and repairs to major leaks that occurred in 2019.

Raw materials

Aluminum, titanium, steel and composites are the materials most widely used for the manufacturing of our products. In terms of mass, aluminum (80% of which is obtained from recycled raw materials) is preponderant in aircraft structures.

The search for a reduction in raw material consumption is a permanent objective, which includes:

- the development of new technologies, such as composite or direct metal and plastic fabrication, which consumes less raw material,
- the use of centralized platforms to regulate raw material volumes consumed,
- selective sorting of scrap metal and reinjecting it into the raw material sector, according to circular economy principles.

The pandemic and the use of remote working are having a discernible effect on paper consumption, which has dropped 30% relative to 2019.

Chemicals

For several years, actions aimed at limiting the use of hazardous chemicals have been carried out for CMR products (Carcinogens, Mutagens, Reprotoxics) subject to the REACH regulation (chromates, nonylphenols, siloxanes, terphenyls, etc.).
The modernization of the machinery fleet and the changes in processes favored by the "Leading Our Future" transformation plan contribute to the optimization of the quantities of chemicals used.

This optimization involves the qualification and deployment of alternative processes: replacement of chemical machining by mechanical machining, removal of chromates in surface treatment processes (Anodic Chromic Oxidation replaced by Anodic Sulfuric Oxidation, stripping without chrome VI) and in paint primers, and removal of octylphenols from sealants.

Since 2013, 395 hazardous products have been removed, replaced or are being substituted.

Wastewater

The production sites likely to generate industrial wastewater are equipped with detoxification stations or wastewater treatment installations of the "zero liquid discharge" type. For heavy metals, these installations have discharge rates lower than the value limits set by the regulations.

Out of all the sites involved in the monitoring of the Release of Hazardous Substances in Water (RSDE), only Mérignac is subject to continuous regulatory monitoring.

Volatile Organic Compounds (VOCs) and other atmospheric releases (excluding GHGs)

Production activities require the implementation of chemical products, including solvent-based paints and cleaning products that emit VOCs. These VOC emissions are monitored under solvent management and facility emission control plans.

The 28.8% fall in emissions compared with 2019 is mainly due to the decline in activity caused by the pandemic.

Fight against food waste and insecurity

The Group has identified no specific challenges for this issue.

Waste

2021 saw a 30.1% decrease in the tonnage of total waste compared with 2019, mainly due to the decline in activity during the pandemic.

The development of direct manufacturing processes is also contributing to this decline.

Development of the circular economy

Themes		**2023 targets** (Ref: 2019)	**Group performance**		
			2021	2020	Like-for-like change since 2019*
Developing the circular economy, in particular through the recovery of waste	% recovery total waste	**80.0**	**80.0**	78.0	+5.9
	% recovery non-hazardous waste	**90.0**	**83.4**	82.9	+0.9

**The subsidiaries TMS and ExecuJet have only been consolidated since 2020, so there is no reference data for 2019.*

According to the principles of the circular economy, sites identify their waste streams and seek the most suitable recovery and disposal solutions for their local environment, such as new recycling channels for furniture, sorting densification and landfill limitation.

The increasing integration of composite materials in aircraft provides significant weight saving, which means a reduction in CO_2 emissions during the operational phase. At present, the waste generated by these new activities is relatively difficult to recycle. In keeping with its CSR policy, Dassault Aviation is keen to foster the development of value chains for these materials. To that end, it has been involved in an industry task force since 2021.

Tests are also under way with a manufacturer specializing in the recycling of composites.

Three main channels are used for the recycling and recovery of our other waste:

- metal, paper, cardboard and plastic recycling,
- energy recovery,
- bio-waste recovery.

With a non-hazardous waste recovery rate of 96.3% at its sites in France, the Dassault Aviation Group is now looking to achieve a 100% recovery rate.

4.7.3. Keeping industrial accident risks to a minimum

In order to prevent accidental pollution, the sites are equipped with oil separators, fitted dumping areas and containment basins for fire-extinguishing water.

Sites located over water tables have instituted monitoring of the water quality (piezometer) when their activities so require.

Each site has a collection area specifically designed for the storage of its waste to avoid accidental pollution.

Soil pollution diagnostics are carried out prior to civil engineering works or when buildings are sold. If historical pollution is identified, technical solutions are put in place to render the soil compatible with the intended use.

The risks of fire and explosion are assessed in each facility, and are covered by action plans to minimize them. The actions carried out as part of these plans include risk segregation, automatic fire detection and protection, and organizational measures.

For new buildings completed under the “Leading Our Future” transformation plan, environmental risks are considered from the early stages of design.

The Group’s French industrial sites are subject to ICPE (Classified Installations for the Protection of Environment) legislation. They hold the required administrative authorizations and none are classified as SEVESO.

4.7.4. Strengthening the company’s low-carbon plan in response to climate change

Tackling climate change is one of the priorities of the company’s CSR policy. GHG emissions reduction targets are set over three-year periods.

To align those targets with the 2050 trajectory, in 2021 Dassault Aviation began working with an expert company in this field.

The aim is to draw up feasible climate scenarios and the associated action plans.

Themes		2023 targets (Ref. 2019)	Group performance		
			2021 *(TCO2e)*	2020 *(TCO2e)*	Like-for-like change since 2019*
Control GHG emissions	Scope 1 Non-kerosene	**-5%**	**21,906**	18,401	1.5%
	Scope 1 Kerosene	**NA**	**39,382**	33,973	NA
	Scope 2	**-5%**	**25,098**	25,747	-15.8%

**The subsidiaries TMS and ExecuJet have only been consolidated since 2020, so there is no reference data for 2019.*

Scope 1 and 2 emissions

The greenhouse gases taken into account are those covered by the Kyoto Protocol. Their emissions are expressed in metric tons of CO_2 equivalent.

Greenhouse Gas (GHG) emissions are derived for scope 1 from direct emissions from the Group’s air activity, combustion plants, the use of company vehicles and refrigerant leaks.

Scope 1 emissions increased slightly during the year by 1.5% on a like-for-like basis. This was due to the increase in gas consumption caused by frequent ventilation of premises in accordance with the various health protocols. The replacement of an oil-fired boiler and the reduced use of service and company vehicles minimized this increase.

By amending the parent company's acquisition policy in 2019, the fleet of company vehicles – historically composed of diesel vehicles – is continuing to shift toward hybrid, electric or gasoline engines. At the end of 2021, gasoline vehicles made up 65% of the fleet. Studies are under way to accelerate the fleet's replacement with low-emission vehicles ahead of the French Mobility Orientation Law (*Loi sur l'Orientation des Mobilités*) for Dassault Aviation's facilities in France.

38% of the service vehicle fleet were electric vehicles at the end of 2021, with the remainder due to be replaced by electric vehicles as soon as practicable.

Scope 2 emissions from electricity consumption fell sharply in 2021. The replacement of energy-intensive equipment (e.g. lighting, engines and compressors) has continued. This has been facilitated by the use of Energy Savings Certificates both in new buildings and in buildings undergoing refurbishment or maintenance. A major Technical Energy Management project was launched in 2021 with the aim of standardizing operation across all of the parent company's facilities by 2022. This enhanced management should lead to a significant decline in energy consumption and the associated GHG emissions.

In accordance with regulatory requirements, GHG assessments and energy audits were updated at eligible sites in France at the end of 2019.

Emissions associated with kerosene combustion are directly related to air operations. As in previous years, CO_2 emissions reports required for the Emissions Trading Scheme were produced for the Group's aviation activity. An emissions monitoring plan was also filed with the UK aviation authority under the UK-ETS in 2021.

Scope 3 indirect emissions

Dassault Aviation has initiated studies in 2021 to define the low-carbon trajectory and to quantify when possible the emissions of each of the sources of thescope 3 and define the associated objectives and milestones.

<u>Purchases of products and services</u>

A quantification of this item using the methodology developed by the IAEG (International Aerospace Environmental Group) is undergone in the frame of the low carbon trajectory launched 2021.

Initiatives have also been launched to raise the awareness of the supply chain to climate and environmental issues, including through specific contractual clauses and a supplier approval process incorporating environmental aspects.

Dassault Aviation is a signatory to a commitment charter on relations between customers and suppliers in the aviation industry. As such, the company contributes to the work led by GIFAS (French Aerospace Industries Group) to rally the industry behind the shared goals of reducing the carbon footprint of aviation.

<u>Upstream and downstream freight transport</u>

In 2021, discussions with freight carriers continued in order to improve the coverage and reliability of carbon emissions data in all sectors (road, air, maritime and rail).

Logistics platforms contribute to the optimization of transport flows and the associated CO_2 emissions.

Business travel

Still dominated by Covid-19 and the associated travel constraints, 2021 saw a review of working methods and the increase of remote working, collaborative tools and videoconferencing. These measures have helped reduce carbon emissions by nearly 12,000 metric tons of CO_2 Group-wide compared with 2019.

The Parent Company's travel policy encourages the use of airlines with a carbon offsetting policy. In 2021, domestic flights accounted for 865 tons of CO_2, 98.9% of which has been offset.

Under the terms of vehicle rental agreements negotiated in 2021 for business trips, electric vehicles must be provided wherever possible.

Use of Falcon products sold

The reduction in fuel consumption and the resulting carbon footprint is a historic concern of Dassault Aviation. Falcon aircraft are recognized as being among the least-emitting aircraft on the market with an equivalent range. To go further, many actions are being taken both in the technical and operational fields and in alternative fuels (see Section 4.7.1).

Modeling studies of emissions from Falcon aircraft delivered in 2021 are ongoing, according to the "GHG Protocol" method, taking into account the ramp-up of the SAF. Indeed, given the significant potential for reducing the carbon emissions of these fuels, the progressive use of the different generations of SAF in the air activity of business aviation makes it possible to consider a significant reduction of the carbon footprint over the aircraft lifetime.

Impacts of climate change

Due to its geographical location, the Group has low exposure to the physical consequences of climate change, whether for its industrial sites or its supply chain, which are mostly European and North American. The Group's only facility exposed to the risk of tornadoes, in Little Rock, Arkansas, has instituted a business continuity plan.

Actions to reduce the environmental footprint of the Group's products and activities help mitigate the transition risks linked to climate change described in Chapter XX "Risk factors", particularly market risks.

Eligible activities under the taxonomy

Under European environmental taxonomy regulations (Regulation (EU) 2020/852 and the Climate Delegated Act), and pending the aeronautical component of the taxonomy expected in 2022, the Dassault Aviation Group has reviewed its activities in all sectors defined in Annexes I and II of the Delegated Act relating to the climate component of the taxonomy.

After selecting the relevant macro-sectors (industry, energy, transport, construction, information/communication, scientific activities), all investments and current expenditures were evaluated to identify the most significant eligible activities for the Group (parent company and subsidiaries).

Only the environmental objective of mitigating climate change was selected in 2021, since the eligible activities identified are predominantly related to this.

Area	Eligible activities	Taxonomy activity
Industry	Manufacture of other low carbon technologies	3.6
Energy	Electricity generation using solar photovoltaic technology	4.1
Transport	Transport by motorbikes, passenger cars and light commercial vehicles	6.5
Construction	Renovation of existing buildings	7.2
	Installation, maintenance and repair of energy efficiency equipment	7.3
	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4
	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5
Information and communication	Data processing, hosting and related activities	8.1
Scientific activities	Close to market research, development and innovation	9.1

The financial ratios were defined in accordance with the definitions given in Annex I to the Delegated Act of July 6, 2021.

With regard to capital expenditure (CapEx):

- The denominator is taken directly from the Group's IFRS consolidated financial statements (after elimination of intra-group transactions). The scope covered corresponds to the entire scope of the consolidated financial statements, excluding associates and joint ventures accounted for using the equity method. Capital expenditure includes inflows of property, plant and equipment and intangible assets during the fiscal year under review, before depreciation, amortization and revaluation, and inflows of property, plant and equipment and intangible assets from business combinations.
- The numerator includes the share of capital expenditure related to the eligible activities identified.

With regard to operating expenditure (OpEx):

- The denominator is taken directly from the Group's IFRS consolidated financial statements (after elimination of intra-group transactions). The scope covered corresponds to the entire scope of the consolidated financial statements, excluding associates and joint ventures accounted for using the equity method. The denominator includes non-capitalized direct costs related to research and development, building refurbishment, short-term leases (i.e. less than six months), maintenance and repairs, and any other direct expenses related to the routine maintenance of plant, property and equipment necessary for those assets to continue to function properly.
- The numerator includes the share of operating expenditure related to the eligible activities identified.

With regard to net sales:

Since the Delegated Act has not been published for aviation, no net sales were considered eligible.

For this first iteration of the taxonomy, simplified reporting was used, as permitted under the regulations.

Together the eligible activities represent 19% of CapEx and 9% of OpEx for the year.

The high percentage of CapEx 2021 is due to infrastructure works associated with the company's transformation plan.

4.7.5. Biodiversity

Preservation of biodiversity is taken into account when challenges require it. Accordingly, whenever new buildings are constructed at the Group's facilities, action is taken to avoid or mitigate any impacts on biodiversity. Environmental offsetting measures have also been deployed, such as reforestation or restoration of wetlands and protected species habitats (birds, butterflies, amphibians, orchids).

4.7.6. Respect for animal welfare and responsible food

The Dassault Aviation Group's activities have no impact in these areas.

4.8. Adopting a responsible approach

Contribution to SDGs

4.8.1. Sustainability policy

The service life of aircraft (up to 40 years) means that life cycle constraints must be anticipated in the design phase. To achieve this, Dassault Aviation takes an innovative approach, supported by efficient digital industrial processes such as Product Lifecycle Management (PLM).

Due to the specific features of its sector of activity, and in accordance with its purchasing policy, Dassault Aviation is committed to sustainability processes in the choice of its partners.

4.8.2. Safety culture

The Group works closely with the French and international airworthiness authorities, both civil and military. Dassault Aviation has set up an organization to meet airworthiness requirements for civil (PARTS 21 and 145) and military (FRA 21-G and FRA 145) aircraft.

The Group is regularly audited by the authorities (the French Department of Civil Aviation, the French Defense Procurement Agency, etc.), which verify compliance with the regulations on design, production and testing, maintenance, and safety management.

In an ongoing effort to improve the safety of our civil and military aircraft, Dassault Aviation has introduced a Safety Management System (SMS) covering the entire aircraft life cycle. Managed by an Executive Safety Aviation Officer, the SMS is based on ICAO recommendations.

The SMS is being rolled out to all Group companies and is already in place for Dassault Aviation sites in France.

4.8.3. Upgrading our approach to sustainable procurement

In the framework of its industrial and purchasing activities, the Dassault Aviation Group:

- supplies, purchases, manufactures and integrates all the constituent elements of its aircraft,
- builds the interior fittings of Falcon business jets according to its customers' requirements,
- controls its supply chain,
- installs replacement and maintenance equipment that ensures the best service for customers,
- ensures the operational availability of the aircraft,

- handles any procurement instabilities to comply with its commitments for aircraft production and throughout the aircraft service cycle.

These activities are based on an extensive supply chain with a strong national component, with a significant economic and social impact at the territorial level.

SMEs and intermediate-sized enterprises

In the context of the economic crisis resulting from the health crisis, Dassault Aviation:

  - participated, under the aegis of GIFAS, in the development of the recovery plan for the aviation sector, signed on June 9, 2020. As part of this recovery plan, Dassault Aviation helped to draft and then signed the “Commitment charter for customer and supplier relations in the French aviation sector.” Dassault Aviation is actively involved in monitoring the actions implemented under this charter;
  - has introduced support measures to minimize the impact of the crisis on its suppliers, paying particular attention to payment terms, particularly as regards SMEs and intermediate-sized enterprises;
  - has continued its collaborative approach to draw up shared procurement plans with suppliers.

For several decades, the Dassault Aviation Group has worked with and supported a broad network of aerospace companies and contributes to the evolution of many SMEs. The very nature of Dassault Aviation’s products and the related services entails a long-term relationship with its SME (Small and Medium-Sized Enterprise), intermediate-sized enterprise (ETI) or major group suppliers.

Active participation in professional bodies such as GIFAS (French Aerospace Industries Group) allows Dassault Aviation to support SMEs and intermediate-sized enterprises in the French aerospace supply chain in their plans to improve competitiveness.

Dassault Aviation is a signatory to the SME Defense Pact membership agreement with the French Ministry of the Armed Forces, thereby reaffirming its commitment to advancing the French SMEs and ETIs in the Defense sector, and to strengthening good business practices.

In the prospective countries, Dassault Aviation involves SMEs and intermediate-sized enterprises in cooperation and offsets.

Purchasing policy

Dassault Aviation’s purchasing policy is designed to secure the Group’s supply chain by improving the structural assessment of suppliers. This assessment is performed when referencing or monitoring a supplier to ensure that it is maintained in compliance with the guidelines. Structural risks are now taken into consideration in the Purchasing Policy.

The supplier approval procedure has been in place since 2007. It has been changed to include the provisions relating to the “Sapin 2” and “Duty of Vigilance” laws.

To allow the referencing of a supplier, a structural assessment consists of four components:

- Financial health,
- Safety / Compliance / Anti-Corruption,
- EHS (Environment Health and Safety),
- HRFF (Human Rights and Fundamental Freedoms).

Supplier monitoring, which takes into account these same themes, is performed regularly through semi-annual campaigns, or when a significant event occurs.

For example, Dassault Aviation carried out a structural analysis of 100% of new suppliers approved in 2021.

The collaborative work with suppliers is based on the deployment of the “BoostAeroSpace/Air Supply” digital platform, which is the aviation industry standard. Dassault Aviation is reinforcing this approach with the commitments set out in the recovery plan and the Supplier Charter.

For improved supply chain management, the Purchasing Department is split into two sections: Strategic Purchasing and Operational Purchasing.

The supply chain committee, on which the company's senior executives sit (Executive Vice-Presidents for Purchasing, Total Quality and Industrial Operations), defines the strategy in this area.

Volume of purchases

In 2021, the order commitments of the Dassault Aviation Group were in the region of EUR 3 billion.

France accounts for almost 70% of purchases.

4.8.4. Territorial influence

The Dassault Aviation Group has a significant French and international territorial network:

- Dassault Aviation: nine sites in France,
- Dassault Falcon Service: three sites, two in France and one in Russia,
- Sogitec: two sites in France,
- Dassault Falcon Jet and its subsidiaries: five sites, four in the United States, and one in Brazil,
- Dassault Aviation Business Services: two sites in Europe,
- TAG Maintenance Services SA and its subsidiaries: four main sites in Europe,
- ExecuJet companies and their subsidiaries: nine main sites, one in South Africa, two in Belgium, one in Malaysia, one in the United Arab Emirates and four in Australia/New Zealand,
- Dassault Reliance Aerospace Limited: one site in India.

The Falcon maintenance subsidiaries also have several international technical divisions which are not listed because their size does not warrant it.

All these entities rely on a large number of suppliers who contribute to the local economy.

Dassault Aviation is a certified Approved Economic Operator.

The Group actively participates in local bodies, competitiveness clusters and regional professional bodies:

- In France: Chambers of Commerce and Industry, Territorial Economic and Social Councils, Environment Committees, Aerospace Valley, SAFE in Provence-Alpes-Côte d'Azur, BAAS, Aérocampus, ESTIA campus, Agency for Development and Innovation (ADI), Alpha Route des Lasers (Alpha RLH), Bordeaux Technowest, PDIE and AEROTEAM in the Nouvelle Aquitaine region and ASTech in Ile-de-France,
- In the United States: Little Rock Regional Chamber of Commerce, State of Arkansas Work-force Development, Delaware River Administration, and the Arkansas, Delaware and New Jersey Economic Advisory Committees.

For the record, Dassault Aviation is implementing a memorandum of understanding for the industrialization of additive manufacturing applied to aeronautics (memorandum signed on November 5, 2018 with the Auvergne-Rhône-Alpes region in France). The Aéroprint project puts a premium on excellence. All public and private stakeholders in Auvergne-Rhône-Alpes are sharing their expertise and know-how to create, with the support of the region, a benchmark additive manufacturing line.

4.8.5. Inclusion, culture and humanitarian issues

Through its sponsorship agreements and charitable actions, the Dassault Aviation Group supported several non-profit organizations in 2021, including Course du Cœur (organ donation), Rêves de Gosses (flying experiences for children with disabilities), Aviation sans Frontières, the Fondation Foch, the Association Solidarité Défense, the Fondation Armée de l'Air et de l'Espace, the Fondation Œuvres Sociales de l'Air, the Musée de l'Air et de l'Espace, and the Musée de la Marine

4.8.6. Duty of care

Through its Code of Ethics and adherence to the UN Global Compact in 2003, Dassault Aviation affirmed its commitment in this area at a very early stage.

A system for assessing the risks at Group level (see section 3.3 Risk management procedures) identifies the main company risks and manages their potential consequences for the company and its stakeholders.

In parallel with this system, a Group-wide vigilance plan was drawn up in 2017 to manage the risks of serious breaches in the areas of the environment, occupational health and safety, human rights, and fundamental freedoms. The plan covers all suppliers with whom the Group has an established business relationship.

General framework

Through its organization and internal processes (Human Resources, EHS, Ethics, etc.), Dassault Aviation takes into account the risks generated by its activities and services in the fields of workplace health and safety, the environment, human rights and fundamental freedoms.

In this context, the risks of serious harm directly related to the Group's activities are addressed by the Company Risk Committee.

An evaluation and monitoring mechanism for production sub-contractors, which was extended to Europe and India in 2019 and covers environmental and occupational health and safety risks, is also in place. In this framework, 192 production sub-contractors were evaluated, enabling those sub-contractors at risk to be identified, with the management of chemicals being an area of particular concern. Of those, 32 have undergone a surveillance audit with information sessions since 2015.

Specific framework supplementing the Duty of Care law

In relation to its subsidiaries and in view of its extensive international supply chain, the Group is implementing a vigilance plan to assess and monitor companies potentially at risk of a serious breach of human rights, fundamental freedoms, health and safety, and environmental protections.

These measures comply with Law 2017-399 of March 27, 2017 on the Duty of Care.

This vigilance plan is based on the Group's organization.

The main components of the vigilance plan are:

- risk mapping by country, taking into consideration environmental criteria, rights and freedoms of work, and health, safety and working conditions. It is based on global indicators published periodically by specialized organizations such as Yale University, UNICEF and ILO,
- risk mapping by activity (industrial, tertiary, completion, infrastructure, etc.),
- an assessment of the risks by supplier integrated in the approval and oversight process, which relies on the standardized questionnaires of the International Aerospace Environmental Group (IAEG) and questionnaires specific to the company,
  In 2021, Dassault Aviation updated this questionnaire in keeping with the latest versions published by IAEG for the Environment section and GIFAS for the Occupational Health and Safety section. This now includes a topic on chemicals management.

- an onsite evaluation process that may result in an audit for high-risk subsidiaries and suppliers,
- a mechanism for the internal reporting of potentially risky situations detected among suppliers that gives anyone outside the Company an additional opportunity to use one of the existing means of communication to submit any reports,
- a "vigilance" commission which examines aggregated reports.

The vigilance plan has been implemented within the main subsidiaries: Dassault Falcon Service, SOGITEC and Dassault Falcon Jet.

The subsidiaries of the network of service centers were also evaluated on this basis.

The aim of Dassault Aviation is to assess all suppliers that are pending approval, newly accredited, or the subject of a follow-up action, in accordance with its duty of care. To that end, authorized suppliers of Dassault Reliance Aerospace Limited are integrated into the Dassault Aviation process since 2018.

Themes		**Group performance**		
		Objective	**2021**	2020
Anticipate supplier risks, especially for sub-contracted activities	Number of suppliers processed	**All suppliers in the process of approval or follow-up**	**594 (100%)**	719 (100%)
	% of suppliers with a high-risk location or business	**-**	**22%**	16%
	% of progress in the assessments of production sub-contractors at risk	**100%**	**93.2%**	91%
	% of suppliers with a negative opinion	**-**	**1%**	0.7%
Anticipate the supplier risks of subsidiaries	Number of suppliers processed by subsidiaries	**-**	**1782**	**418**

Since the scheme was introduced in 2018, the Group has not detected any supplier with an immediate significant risk. Nevertheless, of these assessments, a few suppliers had weaknesses in one of the areas of assessment. They were placed under surveillance and have been or will be given a special audit.

The Total Quality Management Department coordinates the vigilance plan and ensures the correct operation and effectiveness of the process in place. In 2021, an audit was conducted by the Internal Audit and Risks Department of Dassault Aviation on the company's compliance with Law 2017-399 of March 27, 2017 governing the Duty of Care.

Conflict minerals (tin, tungsten, tantalum and gold)

Dassault Aviation does not source these minerals directly. However, the company remains vigilant about the sources of supply used by its equipment suppliers, which may be subject to regulations on the sourcing of minerals from conflict zones.

In order to share information with its customers, Dassault Aviation has set up an organization to collect declarations from its supply chain. It has also included this topic in the latest version of its supplier evaluation questionnaire in an effort to compile information on the provenance of these minerals.

4.8.7. Respect for human rights

The Group addresses the risks related to respect for human rights and is committed to respecting those rights through its Code of Ethics, its internal organization and its vigilance plan, which details the measures put in place to prevent and mitigate the risks around human rights in compliance with international conventions.

The Dassault Aviation Group, whose main facilities are located in France and the United States, is committed to the respect of all national and international laws and regulations regarding human rights, especially as regards occupational health and safety of employees and non-discrimination in the workplace. It acts in conformity with the Universal Declaration of Human Rights, and the provisions of the OECD and the International Labour Organization relating to Human Rights.

Dassault Aviation joined the UN Global Compact in 2003 and adopted the 10 principles, including the principle relating to Human Rights.

The Dassault Aviation Group has a Group Code of Ethics that reflects these commitments. This Charter is available on the Dassault Aviation website and on the Dassault Aviation Intranet; it is always distributed to new hires.

The Code also pays particular attention to respect for human rights and fundamental labor rights and to the proper application of essential principles:

- non-discrimination on grounds of origin, morals, gender, sexual orientation, disability, political or religious opinions, trade union membership;
- respect for the individual and his or her private life;
- maintenance of a safe working environment and conditions (see Section 4.6).

Our General Purchasing Conditions require our suppliers and service providers to comply with our Code of Ethics when they execute their orders.

Under our purchasing and supply chain security policy, the evaluation procedure for suppliers and sub-contractors in place since 2007 now includes criteria for evaluating respect for human rights. More specifically, they are evaluated on the basis of a completed questionnaire, the answers to which will allow the Group to decide whether to embark on a business relationship with them.

Environmental risks are also taken into account to respect the right to a healthy environment to live in dignity and welfare, in accordance with the 1992 Rio Declaration. In this context, Dassault Aviation has adopted a series of measures to reduce its carbon and environmental footprint (see section 4.7).

Finally, the Ethics and Compliance Department, an independent body under the Chairman and Chief Executive Officer, is required to intervene in the whistleblowing procedure for all crimes and offenses, and for any reporting of violations of international law and conventions, including those relating to human rights.

4.8.8. Preventing risks of corruption and upholding business ethics

The Group addresses the risks of corruption and takes appropriate measures to prevent and detect, in France and abroad, acts of corruption or influence peddling in accordance with Law 2016-1691 of December 9, 2016 on transparency, the fight against corruption and modernization of the economy.

Through its Code of Ethics, the Dassault Aviation Group asserts the values that serve to unite the actions of all its employees. This charter also sets out a code of conduct that the Group applies with its customers, partners, suppliers and sub-contractors.

Observing a strict code of ethics, the Group commits to acting in accordance with the Convention of the Organization for Economic Cooperation and Development (OECD), the United Nations Convention and national laws.

In addition, Dassault Aviation is a signatory to numerous international commitments on the prevention of corruption (Global Compact, Common Industry Standards, Global Principles). It is also a member of several associations and forums on ethical business conduct and corporate responsibility at the national, European and international levels (see website www.dassault-aviation.com, Ethics section). Dassault Aviation is a member of the IFBEC (International Forum on Business Ethical Conduct) and adheres to the standards of the ASD (AeroSpace and Defence Industries Association of Europe) with a view to maintaining its anti-corruption system at the highest level.

For many years, the Dassault Aviation Group has implemented strict internal procedures to prevent corruption and ensure the integrity, business ethics and reputation of the Group in its industrial and commercial relations.

Pursuant to the Sapin 2 Law of December 9, 2016 concerning the fight against corruption and the modernization of economic life, the Dassault Aviation Group supplemented and strengthened its process to prevent and detect corruption and influence peddling at the level of both the Parent Company and its subsidiaries under the leadership of the Chairman and Chief Executive Officer who promotes a zero-tolerance policy.

The Ethics and Compliance Department is tasked with implementing, updating, monitoring and auditing procedures related to the fight against corruption and influence peddling. As a result, risk maps on the fight against corruption and influence peddling have been developed and deployed within the Group in consultation with the various operational units and are regularly updated. These risk maps are designed to identify, analyze and prioritize the risks of the Group's exposure to corruption and influence peddling, taking into account internal processes, risks factors, the nature of the civil and military activities, and the geographical areas in which the company operates. These maps serve as the basis for the Group's compliance policy, which led the Dassault Aviation Group to strengthen existing anti-corruption procedures and implement new measures in its various activities.

An Anti-Corruption Code specifically dedicated to the prevention of and fight against corruption is in place in the Dassault Aviation Group alongside the Code of Ethics. This Code defines and illustrates the different types of employee behavior to be proscribed as likely to constitute acts of bribery or influence peddling. It is integrated into the internal rules of Dassault Aviation's various sites. Any violation is therefore punishable. The Anti-Corruption Code is supplemented by an Anti-Corruption Guide consisting of practical examples and scenarios.

An Internal Whistleblowing Procedure that allows employees and external contractors to report a crime or offense, violations of international commitments, laws or regulations, or even the Anti-Corruption Code, is also in place. The Ethics and Compliance Department is responsible for receiving and processing internal whistleblowing reports. For this purpose, a dedicated email address with an encryption system guaranteeing confidentiality is available to all employees. In fiscal year 2021, no acts of corruption or influence peddling were brought to the attention of the Ethics and Compliance Department.

Since 2018, the Ethics and Compliance Department has organized specific training sessions for the managers and personnel most exposed to risks of corruption and influence peddling. The purpose of this training is to make staff aware of the potential risks and the vigilance and behavior required in such situations. They are provided in person by a specialized law firm. In 2021, 198 exposed staff were trained, compared with 258 in 2020. The content of each session is set in consultation with the Ethics and Compliance Department, the relevant Management Department and the law firm. Its purpose is to provide a customized corpus for the most exposed employees. These sessions must allow the fundamental principles of the Sapin 2 Law to be acquired based on concrete situations. In addition to training, the Ethics and Compliance Department organizes awareness sessions for less exposed staff. These awareness sessions enable it to reach out to more employees on anti-corruption issues. Since 2018, 868 employees exposed to corruption risks have been trained in the fundamental principles of the Sapin 2 Law and combating corruption.

The procedures for evaluating the situation of customers, suppliers, sub-contractors and consultants in the light of the risk map have been strengthened. Before the Dassault Aviation Group agrees to do business with them, special committees are tasked with going through the various stages to ensure that they comply with its business ethics.

Special internal and external accounting control procedures intended to ensure that the books, ledgers and accounts do not mask acts of corruption or influence peddling are deployed within the Finance Department, thus reinforcing existing procedures.

Throughout fiscal year 2021, the Ethics and Compliance Department conducted follow-up and audit missions as part of the evaluation procedure for tier 1 suppliers and sub-contractors, civil aircraft customers and consultants. It also handled accounting procedures in association with the Financial Department. These follow-up missions confirmed that evaluation procedures covering the Sapin 2 Law had been put in place and were working.

The compliance program deployed by Dassault Aviation and its subsidiaries, including Dassault Falcon Service, Dassault Falcon Jet, Sogitec, Tag Maintenance Services and ExecuJet, demonstrates our commitment to effectively combating corruption and influence peddling.

A page dedicated to the Ethics and Compliance Department is available on the parent company intranet site. This page outlines the company's policy on business ethics, provides details of contacts within the Ethics and Compliance Department, and gives a list of reference documents, including the Anti-Corruption Code, the Anti-Corruption Guide and the Internal Whistleblowing Procedure.

A page dedicated to ethics and compliance is also accessible on the Group's website.

4.8.9. Fight against tax evasion

The Dassault Aviation Group complies with the tax regulations in force and, as such, pays taxes and social security contributions in the countries in which its industrial operations are based.

4.9. Complying with European, national and local regulations

Contribution to SDGs

The main Group entities have a regulatory oversight system that makes it possible to identify or anticipate the requirements applicable to their activities and carry out compliance actions when it is necessary.

The year 2021 saw the publication of several major regulatory measures related to climate change:
- delegated acts on the climate component of the European environmental taxonomy,
- revision of the EU Non-Financial Reporting Directive (NFRD) as part of a move towards a new corporate Sustainability Reporting Directive (CSRD),
- "Fit for 55" legislative package,
- new draft EU Directive on Corporate Due Diligence and Corporate Accountability, etc.

Compliance with regulatory requirements contributes significantly to the reduction of the risks of accidents at work and occupational illness and to the control of risks of environmental accidents and exposure of the area surrounding the sites.

To supplement the regulatory oversight systems put in place, Dassault Aviation participates in activities, studies and work carried out by aerospace organizations. This enables the Group to anticipate the regulations applicable to its activities.

5. DASSAULT AVIATION, PARENT COMPANY

5.1. Activities

The activities of Dassault Aviation (Parent Company), particularly in the area of programs development, Research & Development, and production, have been presented to you within the framework of the Group's activities.

5.2. Results

5.2.1. Order intake

Parent Company **order intake in 2021** was **EUR 11,074 million**, compared with EUR 2,905 million in 2020. Export order intake represented 73%.

Changes were as follows, in **millions of euros**:

	2021	2020	2019
Defense	**8,955**	1,536	3,249
Export	***6,109***	*278*	*676*
France	***2,846***	*1,258*	*2,573*
Falcon	**2,119**	1,369	1,790
Total	**11,074**	2,905	5,039
% Export	**73%**	33%	43%

The order intake is composed entirely of firm orders.

Defense programs

In 2021, **Defense order intake** totaled **EUR 8,955 million**, compared with EUR 1,536 million in 2020.

The Defense Export share was **EUR 6,109 million** in 2021, versus EUR 278 million in 2020. We recorded orders from from Egypt for 30 Rafale – followed by an order for an additional aircraft to complete the original order from 2015, from Greece for 6 new and 12 pre-owned Rafale (which we bought back from the French Air and Space Force), and a support contract for Croatia following its acquisition of 12 pre-owned Rafale directly from the French government.

The **Defense France portion** amounted to **EUR 2,846 million** in 2021, compared with EUR 1,258 million in 2020. It mainly includes the order for 12 Rafale, the 14-year "Balzac" support contract for the Mirage 2000 (excluding engines), and the award of productivity contract for tranche 5 of the Rafale. In 2020, it was essentially the 10-year "Ocean" integrated support contract (excluding engines) for the ATL2 with the French Naval Air Force that was recorded.

Falcon programs

In 2021, **49 Falcon orders** were recorded, compared with 15 in 2020. Order intake totaled **EUR 2,119 million**, versus EUR 1,369 million in 2020. The growth in orders is being driven by the recovery of the business jet market.

In 2020, the main order was for 7 Falcon 2000LXS "Albatros" maritime surveillance and response aircraft for France, plus the associated support.

5.2.2. Net sales

Net sales in 2021 totaled **EUR 6,358 million**, versus EUR 4,817 million in 2020.

Changes were as follows, in **millions of euros**:

	2021	2020	2019
Defense	**5,042**	3,146	5,076
Export	***4,369***	*2,638*	*4,250*
France	***673***	*508*	*826*
Falcon	**1,316**	1,671	1,900
Total	**6,358**	4,817	6,976
% Export	**88%**	88%	88%

Defense programs

In 2021, **25 Rafale Export** were delivered, versus 13 Rafale Export in 2020.

Defense net sales in 2021 were **EUR 5,042 million** versus EUR 3,146 million in 2020.

The Defense Export share was **EUR 4,369 million** versus EUR 2,638 million in 2020. The strong growth is largely due to the delivery of 25 new Rafale Export with the associated support, whereas 13 Rafale Export were delivered in 2020. In addition, 2021 net sales include the first 6 pre-owned Rafale delivered to Greece, out of the 12 ordered.

The Defense France share was **EUR 673 million** versus EUR 508 million in 2020. As in 2020, Defense France net sales in 2021 do not include the delivery of the Rafale in accordance with France's Military Procurement Law. However, they do take into account maintenance services (for the Rafale under the Ravel contract and the ATL2 under the Ocean contract), as well as support for other aircraft in service.

Falcon programs

29 Falcon were delivered in 2021, compared with 34 in 2020.

Falcon net sales in 2021 totaled **EUR 1,316 million**, versus EUR 1,671 million in 2020. The decrease is mainly due to the number of Falcon delivered (29 vs. 34).

5.2.3. Backlog

The **backlog** of the Parent Company as of December 31, 2021 was **EUR 19,482 million**, compared with EUR 14,743 million at December 31, 2020.

As of December 31	**2021**	2020	2019
Defense	**16,623**	12,711	14,320
Defense Export	***9,271***	*7,531*	*9,891*
Defense France	***7,352***	*5,180*	*4,429*
Falcon	**2,859**	2,032	2,223
Total backlog	**19,482**	14,743	16,543
% Export	**57%**	58%	71%

The backlog as of December 31, 2021 consists of the following:

- **Defense Export**: **EUR 9,271 million** versus EUR 7,531 million as of December 31, 2020. This figure notably includes 46 new Rafale and 6 pre-owned Rafale, compared with 34 new Rafale as of December 31, 2020,
- **Defense France**: **EUR 7,352 million** versus EUR 5,180 million as of December 31, 2020. This figure mainly comprises 40 Rafale (versus 28 as of December 31, 2020), the Ravel support contract for the Rafale, the Balzac support contract for the M2000, the Ocean support contract for the ATL2, and the Rafale F4 standard,
- **Falcon** (including the Albatros and Archange mission aircraft): **EUR 2,859 million** versus EUR 2,032 million as of December 31, 2020. It includes 54 Falcon, compared with 34 as of December 31, 2020.

5.2.4. Net income

Net income for 2021 was EUR 364 million, compared to EUR 176 million in 2020.

In 2022, employees will receive EUR 108 million on 2021 profit-sharing and incentive plans, including:

- profit-sharing: EUR 88 million
- incentive plan: EUR 20 million

These figures account for 20% of salaries in 2021. The application of the legal mandatory profit-sharing formula would have resulted in a payment for 2021 of EUR 26 million.

5.2.5. Allocation of earnings

If you approve the accounts for fiscal year 2021, we propose that you allocate the net earnings for the year of EUR 364,323,130.74, plus retained earnings from previous fiscal years, i.e., EUR 3,025,487,340.20, less the dividends applied to shares other than treasury shares(*), to the retained earnings balance.

(*) The amount of dividends which, in accordance with the provisions of the fourth paragraph of Article L. 225-210 of the French Commercial Code, may not be paid to the treasury shares held by the Company, will be reallocated to the retained earnings account.

5.2.6. Five-year summary

The Dassault Aviation five-year summary is shown in Note 32 to the annual financial statements.

5.2.7. Tax consolidation

Our Company opted for the tax consolidation scheme in 1999. Since January 1, 2012, the Group's tax consolidation scope includes Dassault Aviation, Dassault Aéro Service and Dassault Aviation Participations. A tax integration agreement, tacitly renewable for five-year periods, was signed with these companies.

5.3. Risk management

The risks and uncertainties to which the Company is exposed are the same as those outlined regarding the Group in Section 2 "Risk factors" above, since the Parent Company plays a predominant role within the scope of consolidation.

5.4. Terms of payment

In application of the law, Dassault Aviation implemented the necessary procedures to assure payment to its suppliers at EOM (End-Of-Month) +45 days. The composition of unpaid past-due supplier invoices received by the balance sheet date was as follows (in EUR millions, VAT excluded):

Late payment tranches	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total	
Number of invoices involved			2,832 (*)			
Total amount of invoices involved (before VAT)	9.6	8.2			17.8	(*)
% of FY purchases (before VAT)	0.20%	0.17%			0.37%	

(*) *3,307 invoices for EUR 22.7 million excluded as related to disputes*

Contractual payment terms: EOM + 45 days.

The composition as of December 31, 2021 of unpaid past-due invoices issued by the closing date was as follows (in EUR millions, VAT excluded):

Late payment tranches	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total
Number of invoices involved			7,129		
Total amount of invoices involved (before VAT)	103.2	10.5	9.9	68.7	192.3
% of FY net sales (before VAT)	1.62%	0.17%	0.16%	1.08%	3.03%

Payment terms: defined in the General Purchasing Conditions

5.5. Shareholder information

5.5.1. Capital structure

As of December 31, 2021, the share capital of the Company is EUR 66,789,624. It is divided into 83,487,030 shares, each with a par value of EUR 0.80. The shares are listed on the regulated “Euronext Paris” market in Compartment A, International Securities Identification Number (ISIN): FR0014004L86. They are eligible for the Deferred Settlement Service (SRD). Following the increase in its free float, in 2016 Dassault Aviation joined the following stock market indices: Sociétés des Bourses Françaises 120 (SBF 120) and the Morgan Stanley Capital International World (MSCI World).

The Annual General Meeting of May 11, 2021 approved the 10-for-1 stock split of Dassault Aviation shares (Resolution 16). This transaction was carried out on September 29, 2021 by a mandatory exchange of the old shares (ISIN FR0000121725) for new shares (ISIN FR0014004L86), on the basis of 10 new shares with a par value of EUR 0.80 for one old share with a par value of EUR 8.00.

As of December 31, 2021, the shareholding of Dassault Aviation is as follows:

Shareholders	Number of shares	%	Exercisable voting rights [(2)]	%
GIMD	51,960,760	62.24%	103,921,520	76.85%
Float	22,940,850	27.48%	23,030,961	17.03%
Airbus SE	8,275,290	9.91%	8,275,290	6.12%
Treasury shares [(1)]	310,130	0.37%	0	0.0%
TOTAL	**83,487,030**	**100.0%**	**135,227,771**	**100.0%**

[(1)] Treasury shares recorded in the "fully registered shares" account, without voting rights.
[(2)] Pursuant to the "Florange" Law, and in the absence of contrary provisions in the bylaws of Dassault Aviation, shares held in a registered account for more than two years are entitled to double voting rights.

5.5.2. Information on capital, shareholders and voting rights

Direct or indirect shareholdings in the Company of which it is aware, pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code, are shown in the table above.

As of December 31, 2021, 23 139 shares (0.03% of the capital) were held by one of the corporate investment funds whose members are current or former employees of the Company.

Pursuant to Law No. 2014-384 of March 29, 2014, "seeking to reconquer the real economy," and since April 3, 2016, shares issued by the Company and held in a registered account for two years or more are entitled to double voting rights.

The Company has not issued any securities representative of its current capital.

The Company did not create any stock options in 2021.

The General Meeting of May 11, 2021 authorized the Board of Directors to allocate, in one or more stages, existing performance shares of the Company (to the benefit of Company employees or certain employee categories it may determine, and to the benefit of eligible corporate officers of the Company).

This authorization is valid for a period of 38 months from the Annual General Meeting and concerns a maximum of 278,000 shares representing 0.33% of the capital as of May 11, 2021. It states that the Board of Directors shall determine the identity of the beneficiaries of such allocations and, as required, the conditions and the criteria for allocating the shares, as well as the vesting and lock-in period of those shares.

Pursuant to this authorization (see Table 9 of the Report on Corporate Governance), on March 4, 2021 the Board of Directors decided to award 15,000 performance shares[(1)] to the Chairman and Chief Executive Officer and 12,000 performance shares[(1)] to the Chief Operating Officer.
[(1)] *proforma, following the 10-for-1 stock split*

Said shares will become vested (between 0% and 112%) provided the following performance criteria are met:

- adjusted Group operating margin,
- qualitative assessment of individual performance.

In addition, the same Board Meeting defined the following other conditions:

- a one-year vesting period, ending on March 3, 2022 (evening),
- presence in the workforce at the end of the vesting period,
- a one-year holding period, beginning on March 4, 2022 and ending on March 3, 2023 (evening),
- starting on March 4, 2023, the retention of 20% of those shares for the duration of their term of office.

The General Meeting has not agreed to delegate any authority or powers to the Board of Directors regarding capital increases.

Since the General Meeting of May 20, 2015, there has been a statutory obligation to provide information on the crossing of ownership thresholds for any fraction equal to or greater than 1% of the capital and voting rights of the Company, and any multiple of that percentage.

The Company's bylaws do not include any restrictions on the exercise of voting rights or on the transfer of shares.

No shareholder has special control rights. In particular, there is no shareholding system offering employees specific control.

5.5.3. Securities transactions by corporate officers

The securities transactions executed in 2021 by corporate officers consisted of the acquisition of performance shares on March 04, 2021 (see Report on Corporate Governance).

No other acquisition or sale of Dassault Aviation shares was executed by corporate officers. Such transactions, when they occur, must be reported to the AMF and the Company, pursuant to the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and Articles 223-22-A et seq. of the AMF General Regulation.

5.5.4. Shareholders' agreements

There is no shareholders' agreement between Groupe Industriel Marcel Dassault (GIMD) and Airbus Group SE. However, the following two agreements are in place:

a) Agreement between the French Government, Airbus SE (previously Airbus Group N.V.) and Airbus SAS:

Pursuant to Article L. 233-11 of the French Commercial Code, the Company has been informed by the French Commissioner of State Holdings that on June 21, 2013, the French government signed a shareholders' agreement with Airbus SE and Airbus SAS that established concerted action with respect to Dassault Aviation. This agreement provides as follows:

- Airbus SAS may exercise its voting rights in General Meetings following consultation with the French government,
- the French government is granted the right of first refusal and the right of first offer should Airbus SAS seek to dispose of all or part of its shares in the stock of Dassault Aviation.

Airbus SE, which also signed the agreement, is bound by these commitments.

b) Agreement between the French Government and GIMD:

In application of Article L. 233-11 of the French Commercial Code, the Company was informed by GIMD that, on November 28, 2014, the French Government signed an agreement with GIMD, which would enter into force on December 2, 2014. The purpose of this agreement is to confer on the French Government preemptive rights in case of transfer of Dassault Aviation shares by GIMD that would drop below the 40% threshold in Dassault Aviation capital, and in case of any subsequent shares transfers below this threshold.

This agreement does not constitute a concerted action between the French government and GIMD, each remaining at total liberty to manage its shareholding and exercise its voting rights.

These two agreements have no impact on the Company's governance.

GIMD holds the majority of the capital and voting rights in Dassault Aviation.

5.5.5. Implementation of a share buyback program

To allow Dassault Aviation to trade its own shares on the market or off-market, the Annual General Meeting of May 11, 2021 authorized a new share buyback program, identical to the previous programs approved on September 24, 2014, January 28, 2015, May 19, 2016, May 18, 2017, May 24, 2018, May 16, 2019 and May 12, 2020.

This new authorization, valid for a period of 18 months as of May 11, 2021 (until November 10, 2022 inclusive), terminates, on the date it was implemented by the Board of Directors on July 22, 2021, the share buyback program previously authorized by the Annual General Meeting on May 12, 2020, for the unused portion of that program.

This share buyback program is in compliance with the provisions of Articles L. 22-10-62 et seq. of the French Commercial Code and European Regulation 596/2014 of April 16, 2014.

This share buyback authorization may be used by the Board of Directors for the following objectives:

- to cancel shares in order to increase the profitability of shareholders' equity and earnings per share,
- to ensure market trading or liquidity of Dassault Aviation stock through an investment services provider under a liquidity contract compliant with an ethics charter recognized by the French Financial Markets Authority (the "AMF"),
- to transfer or allocate shares to employees and corporate officers of the Company and/or of associated companies under the terms and conditions stipulated by law, particularly in case of the exercising of stock options or a bonus issue of existing shares, or by the sale and/or top-up of existing shares in an employee stock ownership scheme,
- to retain the shares with a view to subsequent use, to remit them as payment or in exchange, including as part of any external growth transactions, for up to 5% of the share capital,
- to remit the shares upon exercise of rights attached to debt securities convertible to Dassault Aviation shares,
- to implement any market practice that would be recognized by the law or by the French Financial Markets Authority (the "AMF").

The shares may, within the limits imposed by the regulations, be acquired, sold, traded or transferred by any means, on whatever market (regulated or not), on a multilateral trading facility (MTF), via a systematic internalizer or over the counter including through buyback of blocks of shares or otherwise, at times that the Board of Directors or the person acting in a sub-delegated capacity decides, in accordance with the provisions provided for by law.

These means include the use of available cash as well as recourse to any derivative financial instruments, including the use of options or warrants, and without limitations.

The authorization given by the Annual General Meeting to the Board of Directors entitles Dassault Aviation to buy its own shares, up to a limit of 10% of its capital, for a unit price capped at EUR 140[(1)] exclusive of acquisition costs, subject to adjustments linked to corporate actions, particularly through the incorporation of reserves and allocation of performance shares and/or stock split or reverse stock split.

(1) *proforma, following the 10-for-1 stock split*

The maximum amount to be used to buy back the Company's shares is EUR 1,168,818,000; this condition is combined with the condition for a 10% cap on the Company's share capital.

The General Meeting conferred all powers to the Board of Directors, with an option to subdelegate in the cases authorized by the law, to place any stock market or off-market orders, sign any agreements, draw up any documents including information documents, set the terms for the Company's market or off-market dealings, as well as the terms and conditions for acquisition and disposal of shares, to make any declarations including to the French Financial Markets Authority (the "AMF"), fulfill any formalities and, in general, do whatever is necessary to complete these transactions.

On July 22, 2021, the Board of Directors, meeting after the General Meeting, implemented this new share buyback program and sub-delegated the aforementioned powers to the Chairman and Chief Executive Officer.

The General Meeting also conferred all powers to the Board of Directors if the law or the French Financial Markets Authority (the "AMF") were to extend or add to the objectives authorized for the share buyback program, in order to bring to public attention, within applicable legal and regulatory terms and conditions, any amendments with regard to the program's objectives.

As of December 31, 2021, the Company still held 310,130 treasury shares, allocated for distribution of performance shares and the establishment of a possible liquidity contract to stimulate the market or ensure the liquidity of the stock through an investment services provider.

In order to allow the Company to act at any time with regard to its own shares, on March 3, 2022, the Board of Directors proposed to the General Meeting of May 18, 2022, that a new share buyback program be launched with a maximum price per share fixed at € 170, other conditions remaining unchanged (12th resolution).

Pursuant to the provisions of Articles L. 225-211 and R. 225-160 of the French Commercial Code, the Company maintains registers of the purchase and sale of shares acquired and sold in the context of its share buyback program.

5.5.6. Authorization of reduction in the Company's share capital

On May 11, 2021, the General Meeting authorized the Board of Directors, on the same terms as the authorization of May 16, 2019 and May 12, 2020, to:

- reduce its share capital by way of cancellation, in one or more stages, of all or some of the shares acquired by the Company under its share buyback program, limited to 10% of the capital per 24-month period,
- allocate the difference between the buyback value of canceled shares and their nominal value to premiums and available reserves.

To this end, the General Meeting has granted all powers to the Board of Directors to set the terms and conditions for any capital reductions consecutive to any cancellation operations decided upon.

This authorization was given for a period that expires at the end of the Annual General Meeting called to approve the financial statements for the year ended December 31, 2021.

There was no cancellation of shares in 2021.

In order to allow the Company to reduce its share capital at any time, the Board of Directors, at its meeting of March 3, 2022, recommended to the Annual General Meeting of May 18, 2022 that it authorize the Board to reduce the Company's share capital by the cancellation of shares purchased or to be purchased under a share buyback program (13th resolution).

5.5.7. Significant agreements entered into by the Company

The Company did not enter into any major agreement that would be amended or automatically terminated in the event of a change in control of the Company.

However, in such a case, the National Defense contracts entered into with the French government would be reexamined by the French Ministry of Defense, which could require that all or some of these contracts be transferred to another French company for reasons of national interest.

There is no agreement offering compensation for:

- members of the Board of Directors, should they resign or be dismissed,
- employees, should they resign or be dismissed unjustifiably and without proper cause, or should their employment contract be terminated due to a takeover, over and above the provisions of the collective bargaining agreement.

6. PROPOSED RESOLUTIONS

The resolutions submitted to your vote concern the following points:

Resolutions for the Ordinary General Meeting

- **Approval of company and consolidated financial statements**

First of all, you are asked to approve the annual financial statements of the Parent Company (resolution No. 1), which show a net profit of EUR 364,323,130.74, and the consolidated financial statements, which show a consolidated net profit of EUR 605,392 thousand for the fiscal year ended December 31, 2021 (resolution No. 2).

Those financial statements were approved by the Board of Directors on March 3, 2022 after prior examination by the Audit Committee. They were the subject of unqualified opinions from the Statutory Auditors, which can be found in the 2021 Annual Report.

- **Allocation and distribution of the net income of the Parent Company**

Then, you are asked to allocate the net income for the fiscal year, plus the retained earnings from prior years, which constitutes a distributable total of EUR 3,389,810,470.94, to the distribution of a dividend for fiscal year 2021 in the amount of EUR 2.49 per share, with the remaining balance to retained earnings (resolution No. 3).

The dividend would be paid on May 25, 2022.

- **Approval of the elements of compensation paid or allocated for fiscal year 2021**

In accordance with Article L. 22-10-9 I, L. 22-10-34 I and L. 22-10-34 II of the French Commercial Code, you are asked to approve the elements of compensation of all directors, for the fiscal year ended December 31, 2021, mentioned in Article L. 22-10-9 I of the French Commercial Code (resolution No. 4), except for the aforementioned elements concerning the Chairman and Chief Executive Officer, Mr. Éric Trappier, and the Chief Operating Officer, Mr. Loïk Segalen (resolutions No. 5 and 6), for the financial year ended December 31, 2021.

These items are presented in paragraph 2.1 of the Report on Corporate Governance.

- **Approval of the 2022 compensation policy**

Pursuant to Article L. 22-10-8 II of the French Commercial Code, the Board of Directors submits for the approval of the Annual General Meeting the 2022 compensation policy for directors (resolution No. 7), for the Chairman and Chief Executive Officer (resolution No. 8), and for the Chief Operating Officer (resolution No. 9).

These elements were agreed by the Board of Directors on March 3, 2022 and are presented in paragraph 2.2 of the Report on Corporate Governance.

- **Re-election of two directors**

Since the terms of office of Marie-Hélène Habert and Henri Proglio expire at the end of the Annual General Meeting, it is proposed that they be re-elected for four years (resolutions No. 10 and 11).

- **Authorization to be given to the Board of Directors to allow the Company to purchase its own shares under a share buyback program**

Companies whose shares are admitted to trading on a regulated market are allowed to purchase their own shares if they are authorized by the General Meeting of Shareholders.

Under Article L. 22-10-62 et seq. of the French Commercial Code and the provisions of European Regulation 596/2014 of April 16, 2014, we ask you to reauthorize the Board of Directors to implement a share buyback program for a period of 18 months.

The share buyback program would enable the Company:

1) to cancel shares in order to increase the return on equity and earnings per share (subject to adopting Resolution 13),
2) to ensure market trading or liquidity of Dassault Aviation stock through an investment services provider under a share liquidity contract compliant with an ethics charter recognized by the French Financial Markets Authority,

3) to transfer or allocate shares to employees and corporate officers of the Company and/or of associated companies under the terms and conditions stipulated by law, particularly in case of the exercising of stock options or allocation of existing performance shares, or by the sale and/or top-up of existing shares in an employee stock ownership scheme,

4) to retain the shares with a view to subsequent use, to remit them as payment or in exchange, including as part of any external growth transactions, for up to 5% of the share capital,

5) to remit the shares upon exercise of rights attached to debt securities convertible to Dassault Aviation shares,

6) to implement any market practice recognized by the law or by the French Financial Markets Authority.

The Board could proceed with the buyback of Dassault Aviation shares within the statutory limit of 10% of the Dassault Aviation share capital.

The maximum buyback price would be EUR 170 per share, i.e., a maximum investment of EUR 1,419,279,510.

This authorization would take effect at the next meeting of the Board of Directors which would decide whether to implement the new share buyback program, on which date the under-used portion of the share buyback program previously authorized by the Annual General Meeting of May 11, 2021 (resolution No. 12) would be terminated.

Resolutions for the Extraordinary General Meeting

- **Authorization to be given to the Board of Directors to reduce the Company's share capital by cancellation of shares purchased or to be purchased under the scope of a share buyback program**

Pursuant to the provisions of Article L. 22-10-62 of the French Commercial Code, the Annual General Meeting is asked to authorize the Board of Directors, with the option of sub-delegation, to:

  - reduce its capital by way of cancellation, in one or more stages, of all or some of the shares acquired by the Company under its share buyback program, limited to 10% of the capital per 24-month period,
  - allocate the difference between the buyback value of canceled shares and their nominal value to premiums and available reserves.

This new authorization would be granted for a period that expires at the end of the Annual General Meeting called to approve the financial statements for the year ended December 31, 2022.

As of May 18, 2022, it would render the similar authorization granted by the Combined General Meeting of May 11, 2021 ineffective for the under-used portion (resolution No. 13).

- **Harmonization of the first paragraph of Article 15 of the Articles of Association relating to the holding of shares by directors**

It is proposed that you amend the first paragraph of Article 15 of the Company's Articles of Association to take into account the consequences of the 10-for-1 stock split of Dassault Aviation shares authorized by the Annual General Meeting of May 11, 2021 (resolution No. 14).

7. CONCLUSION AND OUTLOOK

Last year we mourned the death of Olivier Dassault who, like all members of his family, strongly supported the Group's development throughout his whole life.

The board of directors, chaired by of Éric Trappier, validated the 2021 statement of accounts in the context of a new crisis related to the war between Russia and Ukraine.

The Covid-19 crisis continued in 2021. The Group adapted during the year and regularly updated its prevention, employee protection and remote working measures in response to the guidance issued by the authorities. Global economic activity saw a strong rebound in 2021, particularly in the industry. However, this rapid recovery has caused disruption to the supply chain in a background of inflationary tension. 2021 was also marked by growing environmental pressures.

For Dassault Aviation, 2021 was a good year for both civil aviation and military sectors, with an exceptional order intake of 100 aircraft (49 Rafale and 51 Falcon) and net sales of EUR 7.2 billion. In addition, the Group delivered 30 Falcon (compared with the guidance of 25) and 25 Rafale (consistent with the guidance).

In the military sector, 2021 saw:

- marketing efforts for the Rafale succeeding, leading to:
  - the order for 49 new Rafale (Egypt 30+1, France 12, Greece 6) and 12 pre-owned Rafale (Greece). The backlog as of December 31, 2021 now includes 86 new Rafale (46 Export, 40 France),
  - the signing of a contract for 80 Rafale for the United Arab Emirates, awaiting T_0,
  - the purchase by Croatia, following an international call for tenders, of Rafale previously in service with the French Air and Space Force. Alongside this order, Dassault Aviation signed a contract to provide associated support for the fleet ordered,
- the delivery of 25 Rafale to our export customers, Qatar and India,
- the continuation of development work on the Rafale F4 standard,
- the award by France of a new vertically integrated support contract (Balzac) for the support of its Mirage 2000. The other vertically integrated contracts signed with France for the Rafale (Ravel) and the ATL2 (Ocean) are continuing, with performance exceeding the contractual targets.
- for the FCAS, an area in which Dassault Aviation is the leader with the New Generation Fighter demonstrator, the initial work phases on the demonstrators (Phase 1A) continued in 2021 and will be completed in first semester 2022. Joint Concept Studies (JCS) are ongoing. The next phase of the work (Phase 1B) has not been awarded no agreement having been found with Airbus Defence & Space.

Rafale success has also been confirmed in early 2022 by signature of a 42 (6+36) Rafale contract for Indonesia for which the T_0 is awaited and the authorization by the Greek parliament of the signature a contract for an additional 6 new Rafale.

Regarding the Eurodrone, on February 24th 2022, Airbus GmbH as prime contractor and on behalf of the 3 main contractors, Airbus Defence and Space S.A.U in Spain, Dassault Aviation in France and Leonardo S.p.A. in Italia and the Organization for Joint Armament Cooperation (OCCAR) representing the first 4 customers (Germany, France, Italy and Spain) signed the Eurodrone contract relative to the development, the production and the 5 year maintenance of 20 systems. Dassault Aviation will be in charge of flight control and mission communication systems, (with Thales).

For the multi-mission Falcon, work continued on "Albatros" (surveillance and maritime response aircraft on a Falcon 2000LXS platform) and "Archange" (electronic warfare aircraft on a Falcon 8X platform). The sixth Falcon 2000 for the Japan Coast Guard was delivered. Furthermore, commercial prospections are ongoing.

In the civil aviation segment, 30 Falcon were delivered (for guidance of 25) and 51 Falcon were ordered in 2021. This increase in activity is due to the recovery of business aviation market and expansion of the product line with the Falcon 6X and Falcon 10X. The year also saw:

- the maiden flight of the Falcon 6X on March 10, 2021,
- the announcement of the Falcon 10X, an ultra-long-range aircraft with the most spacious and luxurious cabin on the market,
- recognition of Falcon customer support, ranked top by AIN for the third year in a row.

The backlog as of December 31, 2021 is 55 new Falcon, compared with 34 at the end of 2020.

The “Leading Our Future” transformation plan continued in 2021. The aim of this plan is to modernize the infrastructures and processes to improve the competitiveness of the Group. In 2021, we were able to put in place the new methodological framework, collaborative platforms and modernized infrastructure and resources by relying on digital levers.

The Company also pursued its efforts to reduce the impact of its processes and products on the environment. The Falcon range is already capable of operating with 50% sustainable fuel.

in the continuity of the elapsed year, our objectives for 2022 are:

- Rafale: to perform contracts, secure the first advance on the contracts signed and continue business development
- Military developments: to continue the programs under way and prepare future Rafale standards
- Falcon: to support the market recovery and boost sales
- Falcon 6X: to ensure a successful entry into service and ramp up mass production
- Falcon 10X: to adhere to the development schedule for an entry into service in late 2025
- Civil and military aircraft support and availability: to maintain the highest standards
- Energy transition: to pursue the R&T in conception
- Make in India: to continue ramping up the activities transferred to DRAL
- New Generation Fighter: decide on Phase 1B
- Eurodrone: to perform the contract

The Guidance for 2022 is to deliver 13 Rafale and 35 Falcon. Net sales will be down compared to 2021.

The Board of Directors would like to congratulate all the Group’s employees for the past year’s success and express its confidence in achieving the objectives for the coming year.

This Directors' Report may contain forward-looking statements which represent objectives and cannot be construed as forecasts regarding the Company's results or any other performance indicator. The actual results may differ significantly from the forward-looking statements due to various risks and uncertainties, as described in this report.

Appendix to the Directors' Report

Indicators

In accordance with Order No. 2017-1180 of July 19, 2017 and Decree No. 2017-1265 of August 9, 2017, the Directors' Report includes a non-financial performance declaration (NFPD) containing the following information:

- Social information,
- Environmental information,
- Information relating to respect for Human Rights,
- Information relating to the fight against corruption,
- Information relating to the fight against tax evasion.

Scope of consolidation of the non-financial performance declaration

The scope of the NFPD is based on the financial consolidation scope. However, due to restricted activity and/or workforce or the lack of monitoring by Dassault Aviation, some subsidiaries have not been included. Therefore, the following were excluded:

- Dassault Reliance Aerospace Ltd, Thales, Falcon Training Center and Aero Precision Repair & Overhaul Co., Inc., in which Dassault Aviation's stake is 50% or less,
- Dassault Falcon Jet Leasing Ltd (a wholly owned subsidiary of Dassault Falcon Jet Corporation), which had no significant CSR activity.

Audit and consolidation of the NFPD

Each published indicator is subject to a reporting protocol detailing the definition of the indicator, the scope and the calculation methodology. Indicators are calculated on the basis of a calendar year (from January 1 to December 31).

Taking into account the mode of data gathering and the locations of the subsidiaries, the reporting scope may vary according to the indicators. Certain indicators cannot be consolidated on account of the differences in regulations between the countries.

Under the framework of ISO 14001 certification, reporting procedures for environmental indicators are applied by the Parent Company.

Social and Human Resources Data

The social data of this report is based on fact sheets and methodology sheets that form the reference base for reporting social data of the Dassault Aviation Group, in force in 2021. The defined indicators are in compliance with national regulations.

The following details are given for the following indicators:

- Employment:
  - Registered headcount: all employees registered in the workforce as of December 31, regardless of the duration and nature of their employment contract (CDI, CDD, professional training contracts and apprentices). The departures on December 31, temporary workers, interns and subcontractors are excluded from this count.
  - Active headcount: registered headcount less suspended contracts (sabbatical leave, business creation leave, other unpaid leave, uncompensated illnesses, disabilities, parental leave, end-of-career leave) and professionalization and apprenticeship contracts.
  - the definition of certain contracts (fixed-term contract and work-study contract) differs according to the regulations in force in the various countries where the Group's subsidiaries are located. A study is being conducted in order to harmonize the consideration of these contracts.
- absenteeism: the causes of absences taken into account for the absenteeism indicator are sickness, stoppages for work-related accidents and accidents when traveling to/from work, and unjustified absences. The indicated number of days are normal working days,

- departures and dismissals: contractual terminations are to be counted as departures but are not counted within the number of dismissals,
- Group compensation: the average annual compensation is a gross compensation that includes the base salary, the 13th month and the seniority bonus, excluding other bonuses,
- Parent Company compensation: the average annual compensation is a gross figure that includes the base salary, the 13th month and the seniority bonus, excluding other bonuses, plus profit-sharing and incentive schemes,
- training hours: work-study training hours recorded in the training plan as well as the in-school training hours of professional development contracts are also taken into account. Training hours in the workplace are also taken into account when they are part of a training program with precise formal monitoring.

Environmental Data

The environmental indicators and the associated generation methods are subject to descriptive methodological procedures both for the Parent Company and for its subsidiaries.

These procedures are included in the documentation repository of the Parent Company and distributed to the various entities contributing to the generation of these indicators.

The year 2020, disrupted by the covid 19 crisis, is not representative of the Company's activities. The year 2019 was therefore chosen as the reference year. In addition, the reporting of subsidiaries TMS and Execujet has only been effective since 2020, year of their integration into the Group.

Changes in environmental indicators having as reference the year 2019 are therefore only available on the consolidated scope Parent Company, DFS, Sogitec and DFJ.

The balances are produced per calendar year and consolidated, when the data so allows, against invoices and meter readings for the period from January to December. Unavailable information relating to the last months of the year is estimated by comparison with the equivalent months of the previous year or based on the average for the same month of the last three years. In the absence of data, it is possible to extrapolate from the data for year n-1.

The data for year n-1, estimated at the time of publication of that financial year, are likely to change in the publication of the report for year n, after receiving the actual data.

The consumption of kerosene for maintenance activities is calculated on the basis of the purchased, non-reinvoiced fuel.

The consumption of kerosene for production activities includes both civil and military aircraft.

Scope 3 sources of greenhouse gas emissions were analyzed and retained in the non-financial performance declaration if they were assessed as significant, or as non-significant but with accessible decarbonization levers. This analysis and quantitative reporting are based on the comprehensive carbon footprint assessment carried out in 2021 on 2019 data with the help of a specialist firm.

Work on scope 3 is ongoing in 2022, which explains the lack of certain data. This applies mainly to the reduction targets and “upstream and downstream freight transport” and “travel to and from work” data calculated for 2019, which could not be recalculated in 2020 and 2021.

The scope 3 emissions source “use of Falcon products sold” is calculated in accordance with the GHG protocol. The effect of contrails and nitrogen oxides (NOx) are not included in the reporting at this stage, as recommended in the “GHG Protocol” according to the *2006 IPCC Guidelines for National Greenhouse Gas Inventories*.

Information relating to respect for Human Rights

Dassault Aviation is committed to respecting human rights through its Code of Ethics, internal organization, the evaluation and monitoring of its suppliers, and the various international texts we adhere to. The measures taken to further this commitment are detailed in Section 4.8.

Information relating to the fight against corruption

In accordance with Article 17 of Law No. 2016-1691 of December 9, 2016 respecting transparency, the fight against corruption and the modernization of economic life, Dassault Aviation takes measures to prevent and detect, in France and abroad, acts of corruption or influence peddling.

Information relating to the fight against tax evasion

Dassault Aviation complies with the tax regulations in force and, as such, pays taxes in the countries in which it operates its industrial activity.

External Verification

The non-financial data contained in the Non-Financial Performance Declaration and the methods used to compile and validate the data were subjected to an external audit by the independent third party Mazars.

Report of one of the Statutory Auditors, appointed as independent third party, on the consolidated non-financial statement

For the year ended December 31, 2021

To the Shareholders,

In our capacity as Statutory Auditor of Dassault Aviation, appointed as independent third party and accredited by COFRAC under number 3-1058 (scope of accreditation available at www.cofrac.fr), we performed procedures to provide a reasoned opinion expressing a limited assurance conclusion on the historical financial information of the consolidated non-financial performance declaration, prepared by applying the company's procedures (hereinafter the "Guidelines"), for the year ended December 31, 2021 (hereinafter the "Information" and the "Declaration", respectively), presented in the Director's Report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Conclusion

Based on the procedures performed, as described in the section "Nature and scope of procedures" and the evidences obtained, nothing has come to our attention that causes us to believe that the non-financial performance declaration does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Preparation of the non-financial performance declaration

The absence of a generally accepted and commonly used framework or established practices on which to base the assessment and measurement of Information allows for the use of different, but acceptable, measurement techniques that may affect comparability across entities and over time.

Consequently, the Information should be read and understood referring to the Guidelines whose the significant elements are presented in the Declaration and available on request at the company's head office.

Inherent limitations in the preparation of Information

As indicated in the Declaration, Information may be subject to uncertainty inherent in the state of scientific or economic knowledge and in the quality of the external data used. Some information is sensitive to the methodological choices, assumptions and/or estimates made in preparing it and presented in the Declaration.

Company's responsibility

The Board of Directors is responsible for:

- selecting or establishing appropriate criteria for the preparation of the Information
- preparing a Declaration pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators, and in addition, the information requested pursual to Article 8 of the Regulation (EU) 2020.852 (environmental taxonomy).
- as well as implementing the internal control procedures as it determines are necessary to enable it to produce the Information that is free from material misstatement, whether due to frauds or errors.

The Declaration has been prepared by applying the Guidelines as mentioned above.

Responsibility of the statutory auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Declaration with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the historical financial information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, i.e. the outcomes of policies, including key performance indicators, and measures relating to the main risks.

As it is our responsibility to make an independent conclusion on the Information as prepared by management, we are not authorized to be involved in the preparation of the Information, as this might compromise our independence.

It is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions (in particular with regard to the information provided for in the Article 8 of Regulation (EU) 2020/852 (environmental taxonomy), the vigilance plan and the fight against corruption and tax evasion);
- the fairness of the information provided for in the Article 8 of Regulation (EU) 2020/852 (environmental taxonomy);
- the compliance of products and services with applicable regulations.

Regulatory provisions and applicable professional doctrine

We performed our work in accordance with Articles A. 225-1 et seq. of the French Commercial Code and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement in place of verification program and with ISAE 3000 (revised).

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (*Code de déontologie).* In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the applicable legal and regulatory requirements, ethical requirements and French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this procedure.

Means and resources

Our work engaged the skills of five people between October 2021 and February 2022 and took a total of 4 weeks.

We conducted some 20 interviews with the people responsible for preparing the Declaration, representing in particular the environment health and safety, human resources, purchasing and ethics departments.

Nature and scope of procedures

We planned and preformed our work taking into account the risk of material misstatement of the Information.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion:

- we familiarized ourselves with the Group's business activity and the description of the principal risks associated.
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector.
- we verified that the Declaration covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs as well as the respect for human rights and the fight against corruption and tax evasion.
- we verified that the Declaration provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code.
- we verified that the Declaration presents the business model and a description of principal risks associated with all the entity's activities, including where relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks.
- we referred to documentary sources and conducted interviews to
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important[1] ; concerning certain risks (e.g. EHS regulatory compliance, traceability and obsolescence of hazardous in the supply chain, customer duty, business ethics), our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities.
- we verified that the Declaration covers the consolidated scope, i.e. all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Declaration.
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information.
- for the key performance indicators and other quantitative outcomes[2] that in our judgment were of most significance, we carried out:
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  - substantive tests, on a sampling basis or by another selection method, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities[3] and covered between 17 and 100% of the consolidated data for these tests;
- we assessed the overall consistency of the Declaration in relation to our knowledge of all the consolidated entities.

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[1] Qualitative information: attractiveness, employment and skills; health, safety and workplace conditions; climate Change; EHS regulatory compliance; traceability and obsolescence of dangerous substances; Supply Chain: customer duty; business ethics.

[2] Quantitative information: % of personnel trained; frequency rate of workplace accidents; severity rate of workplace accidents; energy consumption by source; greenhouse gas emissions (scope 1 and 2); % of new suppliers evaluated; % of suppliers at potential risk; number of incidents of corruption; number of training provided; number of people trained; average number of regulatory texts; maximum number of applicable requirements

[3] Selected sites: Dassault Aviation Biarritz, Dassault Falcon Jet – Little Rock, Dassault Falcon Service – Le Bourget

The procedures implemented within the framework of a limited assurance audit are less extensive than those required for a reasonable assurance performed in accordance with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*); a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, March 11, 2022

One of the statutory auditors,

Mazars

Mathieu Mougard
Partner

Edwige Rey
CSR & Sustainable Development Partner

Souad El Ouazzani
CSR & Sustainable Development Partner

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Report on corporate governance

Dear Shareholders,

The purpose of this report is to update you about the corporate governance of Dassault Aviation (hereinafter the "Company"), the policy relating to the corporate officers' compensation, and the components of that compensation.

Prepared in application of Articles L. 225-37 et seq. and L. 22-10-8 et seq of the French Commercial Code, it is presented to you along with the Director's Report. The Legal Affairs and Insurance Department and the Financial Department carried out preparatory checks on the drafting of said report, which was then reviewed by the statutory auditors as part of their due diligence and approved by the Board of Directors on March 3, 2022.

1. CORPORATE GOVERNANCE

1.1. Corporate governance guidelines

Standard of reference for corporate governance used by Dassault Aviation

In accordance with Article L. 22-10-10(4) of the French Commercial Code, the Board of Directors of Dassault Aviation decided in 2021, after reviewing the provisions of the current corporate governance codes issued by AFEP-MEDEF and Middlenext, that those codes do not constitute its corporate governance guidelines.

- The Company does not refer to the aforementioned codes as a result of its specific situation and in particular due to:
  - the family nature of its shareholding structure since its beginning, with a majority of the shares held by GIMD, a company owned by the Dassault family, which is a full-fledged stakeholder in the Company's strategic choices,
  - its uniqueness, which is the distinctive feature of Dassault Aviation's pioneering role in the implementation of certain practices, especially in the area of labor relations, such as paid vacations and profit-sharing and incentive schemes,
  - its simple, centralized and reactive organization,
  - its story marked by the high stability of its management team, with five Chairmen and Chief Executive Officers since the post-war period, in line with the long cycles specific to its industry sector,
  - a rigorous culture that guides its operations on a day-to-day basis.

- The Company's governance is based on the following principles:
  - the desire to foster a stable shareholding structure, reflecting its nature as a family business with long-term shareholder investment,
  - a skilled, experienced Board of Directors with in-depth knowledge of the business,
  - the striving for balance on the Board of Directors, with directors from the family circle, independent directors and a director representing employees,
  - the ambition for diversity and gender parity in the composition of the Board of Directors, with balanced representation of women and men on the Board of Directors,
  - the transparency of the corporate officers' compensation.

Furthermore, Dassault Aviation has decided to adopt a certain number of governance rules in addition to the legal requirements:

- the Board of Directors' bylaws posted on the Company's website (www.dassault-aviation.com), which specifies the operating rules governing the Board of Directors,
- a specific definition of independence (see paragraph 1.2 "Composition of the Board of Directors"),
- the introduction of specific rules concerning the identification and prevention of conflicts of interest on the Board of Directors, supplementing the Internal Charter on regulated agreements (see paragraph 1.4 "Conditions for preparing and organizing the work of the Board of Directors"),
- the staggered renewal of directors' terms of office (see paragraph 1.2 "Composition of the Board of Directors"),
- detailed information communicated to shareholders when Directors are appointed or reappointed (see paragraph 1.2 "Composition of the Board of Directors"),
- ownership by each director of a minimum number of shares to be retained as registered shares throughout his or her term of office (see paragraph 1.2 "Composition of the Board of Directors"),
- a reminder to directors of the qualities required and of the rules of professional ethics for the performance of their duties (this information is available in the Board of Directors' bylaws available on the Company's website www.dassault-aviation.com),

- attendance at a minimum of two meetings per year of the Board of Directors and the Audit Committee, given the Group's long business cycles (see paragraph 1.4 "Conditions for preparing and organizing the work of the Board of Directors"),
- suspension of the employment contracts of corporate officers.

Lastly, with regard to the corporate officers' compensation, the Company applies all provisions of the laws in force.

1.2. Composition of the Board of Directors

As of the date of this report, the Board of Directors is composed of eight members with the experience and expertise required to fulfill their office: Éric Trappier (Chairman and Chief Executive Officer) and Charles Edelstenne (Honorary Chairman), Besma Boumaza, Marie-Hélène Habert and Lucia Sinapi Thomas, Thierry Dassault, Henri Proglio and Stéphane Marty (appointed as director representing employees as of January 1, 2021), with renewable four-year terms of office.

The table below shows the expiration dates of the terms of office of the directors, which are renewed on a staggered basis.

COMPOSITION OF THE BOARD OF DIRECTORS on 12/31/2021

Name	Office	Age at 12/31/2021	Independent Director	First term of office	End of current term	Years of service on the Board
Éric Trappier	Chairman and Chief Executive Officer	61		2013	2023	
	Director			2012	2023	9
Charles Edelstenne	Honorary Chairman Director Member of the Audit Committee	83		1989	2023	32
Thierry Dassault (1)	Director	64		2021	2023	1
Marie-Hélène Habert	Director	56		2014	2022	7
Besma Boumaza (2)	Director	45	Yes	2021	2024	1
Henri Proglio	Director Chairman of the Audit Committee	72	Yes	2008	2022	13
Lucia Sinapi Thomas	Director Member of the Audit Committee	57	Yes	2014	2023	7
Stéphane Marty (3)	Director representing employees	63		2021	2022	1

(1) Following the death of Olivier Dassault on March 7, 2021, Thierry Dassault was co-opted on April 12, 2021 for the remainder of his predecessor's term of office, i.e. until the Annual General Meeting due to be held in 2023.

(2) Following the resignation of Catherine Dassault, Besma Boumaza was co-opted on April 12, 2021 for the remainder of her term of office, i.e. until the Annual General Meeting due to be held in 2024.

(3) Following the retirement of Richard Bédère, Stéphane Marty was appointed as of January 1, 2021 for the remainder of his term of office, i.e. until July 10, 2022.

The aforementioned directors are all of French nationality.

At December 31, 2020, the directors are aged between 45 and 83 with an average age of 64. This includes the director representing employees.

Three women currently sit on the Board of Directors, out of a total of seven members (excluding the director representing employees, in accordance with the law). This equates to a percentage of 43% women, which is above the legal requirement of 40% set by Article L. 22-10-3 of the French Commercial Code concerning gender-balanced representation on Boards of Directors.

Independence of Directors

Dassault Aviation recognizes the importance of having a number of independent directors on its Board of Directors. The Group considers a director to be independent if he or she has no vested interests and contributes, through his or her skills and freedom of judgment, to the Board's ability to perform its duties. To be classified as independent, directors must not be in a position likely to alter their freedom of judgment or place them in a real or potential conflict of interest.

The status of independent director is reviewed annually and when a new director is appointed or their term of office is renewed, in view of following formal criteria:

1. not being an employee or holding an executive position within the Company or a company controlled by it in the five preceding years,
2. not being a corporate officer of a company in which the Company directly or indirectly holds a directorship, or in which an employee designated as such or a corporate officer of the Company holds a directorship,
3. not being or representing a major shareholder,
4. not being or representing, in a significant way, a commercial (customer, supplier) or financial partner (investment banker, commercial banker), stakeholder or consultant,
5. not be closely related to a major shareholder or executive member,
6. not have been a statutory auditor of the Company.

The Board of Directors may find that a director who does not meet these criteria is nevertheless independent.

The outcomes of this review are communicated to the shareholders annually in the present Report on Corporate Governance and prior to any vote on the first appointment or reappointment of a director.

The table below summarizes the outcome of the independence review of each of the directors concerned according to the criteria set out above:

	Besma Boumaza	Lucia Sinapi Thomas	Henri Proglio
1 - not being an employee or holding an executive position in the five preceding years,	✓	✓	✓
2 - does not exercise cross mandates	✓	✓	✓
3 - not representation of a major shareholder	✓	✓	✓
4 – no close relationship with a commercial or financial partner	✓	✓	✓
5 - not be closely related to a major shareholder or executive member	✓	✓	✓
6 - not have been a statutory auditor of the Company	✓	✓	✓

At its meeting on March 3, 2022, the Board of Directors confirmed, following consideration, that Besma Boumaza, Lucia Sinapi Thomas and Henri Proglio were independent directors in accordance with the Company's independence criteria. The three independant directors out of a total of seven board members represent 43% of the Board of Directors (excluding the director representing employees).

Information for shareholders in the event of the appointment of a director or renewal of his or her term of office

Whenever a director is appointed or reappointed, shareholders are provided with detailed information on his or her education and professional experience, which, in addition to his or her personal qualities and values, reflects his or her skill and ability to serve out that term of office.

Director representing employees

Stéphane Marty replaced Richard Bédère as the director representing employees with effect from January 1, 2021, following his retirement after a six-year term of office.

Directors' share ownership obligation

In accordance with Article 15 of the Company's Articles of Association and Article 4 of the Board of Directors' bylaws, each director, with the exception of the director representing employees in accordance with the law, is required to own a minimum of two hundred and fifty shares in registered form throughout his or her entire term of office (proforma after the division of the par value of the shares). The number of shares held as of December 31, 2021 by each director is specified in paragraph 1.3 "Offices held and duties performed by corporate officers in 2021".

1.3. Offices held and duties performed by corporate officers in 2021

Honorary Chairman

Charles Edelstenne

Director
Honorary Chairman
Member of the Audit Committee

Date of first appointment as director: January 27, 1989

Expiration of current term: General Meeting of 2023

Number of Dassault Aviation shares held: 670

List of offices and duties held in other companies during the last fiscal year

Groupe Industriel Marcel Dassault SAS	Chairman
Dassault Systèmes SE (listed company)	Chairman
	Director
Thales SA (listed company)	Director
	Member of the Strategy and CSR Committee
Carrefour SA (listed company)	Director
	Member of the Compensation Committee
	Chairman of the Governance Committee
Dassault Médias SAS	Chairman
	Board Member
Groupe Figaro SASU	Chairman
	Board Member
Dassault Wine Estates SASU	Chief Executive Officer
Rond-Point Immobilier SAS	Chairman
Rond-Point Investissements EURL	General Manager
Société du Figaro SAS	Chairman
Dassault Falcon Jet Corp. (USA)	Director
SITAM Belgique SA (formerly Dassault Belgique Aviation SA)	Chairman of the Board of Directors
GIFAS	Honorary Chairman
Arie SC	General Manager
Arie 2 SC	General Manager (non-partner)

Nili SC	General Manager
Nili 2 SC	General Manager
SCI de Maison-Rouge	General Manager
Monceau Dumas SICAV	Director

Other offices held and duties performed over the last five years

Groupe Industriel Marcel Dassault SAS	Chief Executive Officer Member of the Supervisory Board
Dassault International (USA)	Director
Sogitec Industries	Director
Lepercq, de Neuflize and Co Corp.	Director
SABCA SA (listed company)	Director
Rond-Point Holding SAS	Chairman
Dassault Médias SA	Chairman and Chief Executive Officer

Chairman and Chief Executive Officer

Éric Trappier

Chairman and Chief Executive Officer

Date of first appointment as director: December 18, 2012

Expiration of term of office as director: General Meeting of 2023

Date of first appointment as Chairman and CEO: January 09, 2013

Expiration of term of office as Chairman and CEO: General Meeting of 2023

Number of Dassault Aviation shares held: 51,660

List of offices and duties held in other companies during the last fiscal year

Thales SA (listed company)	Director Member of the Governance and Compensation Committee
Dassault Falcon Jet Corp. (USA)	Chairman Director
Dasbat Aviation LLC (UAE)	Director
Dassault Reliance Aerospace Ltd (India)	Chairman Director
GIFAS	Honorary Chairman
ASD	Board Member
CIDEF	Chairman
UIMM	Chairman

Other offices held and duties performed over the last five years

GIFAS	Senior Vice-Chairman Chairman
ASD	Chairman of the Defense Committee Chairman
Dassault International (USA)	Chairman Director
Sogitec Industries	Director

Directors

Olivier Dassault

Director

Date of first appointment as director: April 17, 1996

Expiration of term of office as director: General Meeting of 2023

Number of Dassault Aviation shares held: 260

List of offices and duties held in other companies during the last fiscal year

Groupe Industriel Marcel Dassault	Member of the Supervisory Board
Dassault Médias SAS	Chairman of the Strategy and Development Committee
Dassault Médias SAS	Director
Groupe Figaro SAS	Board Member
Rond-Point Immobilier SAS	Member of the Supervisory Board
Particulier et Finances Éditions	Chairman of the Supervisory Board
Rod Spontini (SCI)	General Manager
Groupement Forestier des Hautes Bruyères	General Manager
Nasthel II (SCI)	General Manager
Rhetho (SC)	General Manager
Tod (SC)	General Manager
Société civile d'attribution D. Dunois (SC)	General Manager
HRT (SC)	General Manager
DOLIJET SASU	Chairman

Other offices held and duties performed over the last five years

Groupe Industriel Marcel Dassault	Chairman of the Supervisory Board
Valmonde Group	Vice-Chairman Director
Rubis SA	Member of the Supervisory Board
Rasec International SAS	Director
HR Finance SAS	General Manager
Jours de Passions SAS	Vice-Chairman of the Management Committee

Following the death of Olivier Dassault on March 7, 2021, Thierry Dassault was co-opted on April 12, 2021 for the remainder of his predecessor's term of office, i.e. until the Annual General Meeting due to be held in 2023.

Thierry Dassault

Director

Date of first appointment as director: April 12, 2021

Expiration of term of office as director: General Meeting of 2023

Number of Dassault Aviation shares held: 1,320

List of offices and duties held in other companies during the last fiscal year

GIMD (Groupe Industriel Marcel Dassault)	Chief Operating Officer and Member of the Supervisory Board
ARTCURIAL	Director
Immobilière Dassault SA	Member of the Supervisory Board
Dassault Médias	Director
Groupe FIGARO	Board Member
SCEA des Hautes Bruyères (SC)	General Manager
TDH (SC)	General Manager
Goya (SCI)	General Manager
TCBD & Fils (SC)	General Manager
Particuliers et Finance Editions SAS	Member of the Supervisory Board
Falke (SC)	General Manager

Marie-Hélène Habert

Director

Date of first appointment as director: May 15, 2014

Expiration of term of office as director: General Meeting of 2022

Number of Dassault Aviation shares held: 250

List of offices and duties held in other companies during the last fiscal year

Groupe Industriel Marcel Dassault SAS	Chairman of the Supervisory Board
Rond-Point Immobilier SAS	Chairman of the Supervisory Board
Immobilière Dassault SA (listed company)	Vice-Chairman of the Supervisory Board
	Member of the Supervisory Board
Dassault Systèmes SE (listed company)	Director
Biomérieux SA (listed company)	Director
	Member of the Human Resources and CSR Committee Director and Member of the Strategic Committee
Artcurial	Director
Fondation Serge Dassault	Chairman
	Director
HDF SAS	Chairman
	Member of the Strategic Committee
Duquesne (SCI)	General Manager
H. Investissements SARL	General Manager
Siparex Associés SA	Director
HDH Immo SCI	General Manager
Fondation Fondamentale	Director

Other offices held and duties performed over the last five years

Groupe Industriel Marcel Dassault	Chairman of the Supervisory Board
Rond-Point Immobilier SA	Member of the Supervisory Board
HDH SC	General Manager

Catherine Dassault

Director

Date of first appointment as director: March 07, 2017

Expiration of term of office as director: General Meeting of 2024

Number of Dassault Aviation shares held: 260

List of offices and duties held in other companies during the last fiscal year

Dassault Systèmes SE (listed company)	Director
Institut de l'Engagement (association)	Director responsible for development
Green Spark Invest (SARL)	General Manager
Goya (SCI)	General Manager
Falke (SC)	General Manager
TCBD & Fils (SC)	General Manager
Citadelle (endowment fund)	Chairman

Other offices held and duties performed over the last five years

Fondation pour la recherche sur la maladie d'Alzheimer	Member of the Organizing Committee Member of the Strategic Committee for Communications Member of the Honorary Committee

Following the resignation of Catherine Dassault, Besma Boumaza was co-opted on April 12, 2021 for the remainder of her term of office, i.e. until the Annual General Meeting due to be held in 2024.

Besma Boumaza

Independent Director

Date of first appointment as director: April 12, 2021

Expiration of term of office as director: General Meeting of 2024

Number of Dassault Aviation shares held: 250

List of offices and duties held in other companies during the last fiscal year

Société Française de Participations et d'Investissements Européens	Chairman of the Board of Directors and Chief Executive Officer Permanent representative of Sodetis
Société française de promotion touristique et hôtelière	Director Permanent representative of Sodetis
Actimos SAS	Chairman
Chammans	Director
SOPARAC SAS	Chairman
Le Hameau SCI	General Manager
Compagnie Générale de Restauration et de Services	Permanent representative of Sodetis and of Société de Participation de l'Ile de France

Other offices held and duties performed over the last five years

DEVIMCO	Permanent representative of Soparac

Henri Proglio

Independent Director
Chairman of the Audit Committee

Date of first appointment as director: April 23, 2008

Expiration of term of office as director: General Meeting of 2022

Number of Dassault Aviation shares held: 270

List of offices and duties held in other companies during the last fiscal year

Natixis SA (listed company)	Censor Member of the Compensation Committee Member of the Strategic Committee
Henri Proglio Consulting SAS	Chairman
HJF Development SAS	Chairman
Atalian SAS	Director
Akkuyu Nuclear JSC (Turkey)	Director
ABR Management (Russia)	Director
Fomentos de Construcciones y Contratas (Spain)	Director
SCI du 19 janvier	General Manager
SCI La Tramontane	General Manager

Other offices held and duties performed over the last five years

Natixis SA (listed company)	Director
Les Bougainvilliers (SCI)	General Manager

Lucia Sinapi Thomas

Independent Director
Member of the Audit Committee

Date of first appointment as director: May 15, 2014

Expiration of term of office as director: General Meeting of 2023

Number of Dassault Aviation shares held: 260

List of offices and duties held in other companies during the last fiscal year

Capgemini SE (listed company)	Director representing employee shareholders Member of the Compensation Committee
Capgemini Ventures	Executive Director
SOGETI SVERIGE AB (Sweden)	Director
FCPE Capgemini	Chairman of the Supervisory Board
FCPE Esop Capgemini	Member of the Supervisory Board
Bureau Veritas SA	Director Member of the Appointments and Compensation Committee Member of the Strategic Committee
Azqore (Switzerland)	Director
FIFTY FIVE GENESIS PROJECT INC. (USA)	Director

Other offices held and duties performed over the last five years

Capgemini Reinsurance International (Luxembourg)	Director
Capgemini Outsourcing Services SAS	Chief Executive Officer
Capgemini Polska Spz.z.o.o. (Poland)	Director
Business Platforms Capgemini	Executive Director
Sogeti France SAS	Chief Executive Officer
PROSODIE SAS (Luxembourg)	Chairman
Bureau Veritas SA	Member of the Audit and Risk Committee
SOGETI NORGE A/S (Norway)	Director
Capgemini Danmark A/S (Denmark)	Director
Capgemini Employees Worldwide SAS	Chairman
SOGETI SVERIGE MITT AB (Sweden)	Director
Capgemini Business Services (Guatemala)	Director

Mathilde Lemoine

Mathilde Lemoine resigned from her position effective September 28, 2021 and has not been replaced.

Independent Director

Date of first appointment as director: March 07, 2017

Expiration of term of office as director: General Meeting of 2024

Number of Dassault Aviation shares held: 250

List of offices and duties held in other companies during the last fiscal year

Carrefour SA (listed company)	Director Chairman of the Compensation Committee Member of the Audit Committee
CMA CGM SA	Director Member of the Audit and Accounts Committee Member of the Appointments and Compensation Committee

Other offices held and duties performed over the last five years

École Normale Supérieure	Board Member
High Council of Public Finances	Member
Neptune Orient Lines Ltd. (Singapore)	Director
Institut Français des Relations Internationales (IFRI)	Member

Stéphane Marty

Director representing employees

Date of first appointment as director: January 1, 2021

Expiration of term of office as director: July 10, 2022

Number of Dassault Aviation shares held: none

List of offices and duties held in other companies during the last fiscal year

FCPE Dassault Aviation Gestion	Member of the Supervisory Board

Other offices held and duties performed over the last five years

FCPE Dassault Aviation Gestion	Chairman of the Supervisory Board

Following the retirement of Richard Bédère, Stéphane Marty was appointed as of January 1, 2021 for the remainder of his term of office, i.e. until July 10, 2022.

Chief Operating Officer

Loïk Segalen

Chief Operating Officer

Date of first appointment as Chief Operating Officer: January 09, 2013

Expiration of term of office as Chief Operating Officer: General Meeting of 2023

Number of Dassault Aviation shares held: 43,820

List of offices and duties held in other companies during the last fiscal year

Thales SA (listed company)	Director Member of the Audit and Accounts Committee
Dassault Falcon Jet Corporation (USA)	Director
SITAM Belgique SA (Belgium)	Director
GIFAS	Vice-Chairman

Other offices held and duties performed over the last five years

Dassault International (USA)	Vice-Chairman and Director
Sogitec Industries	Director
Midway Aircraft Instrument Corporation (USA)	Director
SABCA Limburg (Belgium)	Director
SABCA (listed company) (Belgium)	Director Member of the Audit Committee

1.4. Conditions for preparing and organizing the work of the Board of Directors

Directors information

To ensure the attendance of Directors at Board meetings, the Board of Directors determines the meeting schedule of the Board of Directors and the Audit Committee from one year to the next. This schedule is updated and regular reminders are sent to participants by the Secretary to the Board of Directors.

The Board of Directors meets at least twice a year to approve the company and interim financial statements and as often as required in the interests of the Company.

The notices of Board meetings specifying the agenda are sent to the directors, the statutory auditors and the Government Commissioner at least one week in advance, except in case of emergencies.

Prior to each Board meeting, the Chairman of the Board of Directors ensures that each director receives a complete, relevant, balanced file of information with a sufficient period of time, except in case of emergencies, to enable him or her to prepare for said meeting.

The statutory auditors and the Government Commissioner receive the same documents as the Directors.

Activities of the Board of Directors in 2021

In 2021, the Board of Directors met three times, on March 4, April 12 and July 22. Given the continuing exceptional circumstances surrounding Covid-19 and in accordance with Decree No. 2020-321 of March 25, 2020, extended by Order No. 2020-1497 of December 2, 2020 and Decree No. 2020-164 of December 18, 2020, the Board meeting of April 12, 2021 was held by teleconference to allow all directors to attend remotely.

The average attendance rate at Board meetings was 100%.

In 2021, the Board of Directors continued to monitor developments in the Covid-19 pandemic situation and the measures taken by the Executive Management.
In addition, the Board of Directors supervised the implementation of the strategies chosen and reviewed the Company's general operations. In particular, the Board of Directors:
- analyzed the amount for order intake, the order book and net sales, and self-financed consolidated research and development,
- monitored the roll-out of civil and military programs and changes in the workforce of the Parent Company and subsidiaries,
- set the medium-term strategy in the civil and military domains,

In addition, the Board of Directors:
- approved the fiscal year 2020 company and consolidated financial statements,
- proposed that the Annual General Meeting be held closed doors on May 11, 2021 to take into account the health situation on that date,
- approved the financial statements for the first half-year of 2021,
- reviewed the parent company's forward-looking management documents in March and July 2021, and reviewed the budgets for self-financed technology investments and industrial investments,
- carried out the annual review of regulated agreements approved in previous fiscal years,
- delegated authority to the Chairman and Chief Executive Officer to grant sureties, endorsements or guarantees, for commitments by controlled subsidiaries, without limitation as to amount or duration, with the Chairman and Chief Executive Officer reporting annually on such arrangements to the Board of Directors,
- realized the Company's 10-for-1 stock split, as approved by the Annual General Meeting on May 11, 2021,
- conducted a comparative study on whether or not the Company should apply a corporate governance code and approved the new bylaws of the Board of Directors,
- approved the wording of the half-yearly and annual financial press releases,
- reminded the directors of their obligation to refrain from trading the Company's shares when financial statements or financial communications are being approved and of their obligation to declare their transactions and the registration of their shares to the Autorité des Marchés Financiers (AMF),

- co-opted two new directors and submitted these appointments for ratification by the Annual General Meeting on May 11, 2021,
- evaluated the performance criteria relating to performance shares granted in 2020 and noted the acquisition of said shares by their beneficiaries at the end of the vesting period,
- conducted another performance share plan by preparing the list of beneficiaries and defining the conditions under which their shares become fully vested (achievement of performance criteria, vesting and holding periods, employment on the day the shares become fully vested), with delegation to the Chairman and Chief Executive Officer of all powers to implement the allocation of performance shares,
- conducted an assessment of the performance criterion for additional pension rights, for the 2020 fiscal year, for corporate officers, members of the Management Committee and cabin crew, that was consistent with legal requirements,
- approved the compensation to be allocated and paid in fiscal year 2020 to the Chairman and Chief Executive Officer, the Chief Operating Officer and the directors,
- set the principles of compensation for the Chairman and Chief Executive Officer, the Chief Operating Officer and the Directors for fiscal year 2021,
- put the new share buyback program into effect and sub-delegated to the Chairman and Chief Executive Officer the powers granted by the General Meeting to the Board of Directors to implement the Company's new share buyback and capital reduction program.

Audit Committee

Pursuant to the order ("Ordonnance") of December 8, 2008, which transposed Directive 2006/43/EC of May 17, 2006 on statutory audits of company and consolidated financial statements, on July 22, 2009 the Board of Directors established an Audit Committee.
In 2021, the Audit Committee met twice : on March 1 for the 2020 financial statements and on July 21 for the financial statements for the first half of 2021. The attendance rate of Committee members at meetings in 2021 was 100%.
The Audit Committee consists of Henri Proglio, Chairman, Charles Edelstenne and Lucia Sinapi Thomas. They were appointed because of the expertise they received from their academic training, their experience in finance and accounting for listed companies, and their time as members of executive management. All three are non-executive directors.
This composition meets the requirements of the aforementioned order ("Ordonnance"). The Board of Directors considered that Lucia Sinapi Thomas and Henri Proglio met the independence criteria set forth in paragraph 1.2 above.
The Audit Committee is responsible for monitoring:
- the procedure for preparing the financial information,
- the effectiveness of the risk management and internal auditing systems,
- the auditing of the company and consolidated financial statements by the statutory auditors,
- the independence of the statutory auditors.

The Audit Committee meets at least twice a year. Participants, including the statutory auditors, are notified of this via a schedule set from one year to the next. The schedule is sent to all participants and meeting reminders are sent by the Secretary of the Board.

The Audit Committee:
- examined the consolidated and Parent Company financial statements and the main events of the relevant year or half-year,
- reviewed the risk factors, the internal auditing and the risk management of the Directors' report,
- met with the statutory auditors, with no Company representatives being present, after examining the conclusions of their work and their declaration of independence,
- reviewed the annual feedback on the assessment carried out by the Financial Department and the Legal Affairs and Insurance Department on regulated agreements,
- questioned the Internal Audit Director and examined actions in progress as well as the review of internal audits conducted in 2020, and reviewed the 2021 audit plan,
- reported back on its work to the Board of Directors.

Board of Directors' bylaws

In addition to the Articles of Association, which set out the Company's rules of operation, the Board meeting of July 25, 2012 approved the Board of Directors' bylaws, which allow in particular directors to take part in meetings (debating and voting) by means of telecommunications that are compliant with applicable regulations. On March 4, 2021, the Board of Directors approved a new version of the Board of Directors' bylaws.

The Board of Directors' bylaws are available for viewing online on the Company's website at www.dassault-aviation.com.

Prevention and management of conflicts of interest

With respect to the prevention and management of conflicts of interest, directors are required to inform the Board of Directors of any situation of potential or actual conflict of interest between them and the corporate interests of Dassault Aviation and must, where applicable, refrain from attending the discussions and abstain from voting on the corresponding deliberation at the meeting.

In particular, at any time, the participation of any director in a transaction in which Dassault Aviation has a direct interest or of which he or she became aware as a director shall be brought to the attention of the Board of Directors prior to its conclusion.

In addition, GIMD, as the majority shareholder of Dassault Aviation, takes care to prevent potential conflicts of interest with respect to the Directors appointed on its proposal.

As of the date of this report and to the best of the Company's knowledge, there is no potential conflict of interest between the duties of the directors with respect to Dassault Aviation and their private interests.

These measures are supplemented by the Internal Charter on regulated agreements and agreements relating to current operations and concluded under normal conditions described in paragraph 1.5 of this report.

Prevention and management of insider trading

In accordance with the recommendations stated in the November 3, 2010 AMF Guide, the European Regulation of April 16, 2014 on market abuses and the October 26, 2016 AMF Guide for permanent information and the management of privileged information, the Company established procedures for "black-out periods" (periods to refrain from transactions involving the shares issued by the Company), which begin at least 30 days before the publication of company and half-yearly financial statements. Since the financial press releases are in general published by the Company before the opening of the stock market, the date of publication is included in the prohibited period.

Every year, the directors are informed by letter of the calendar of "black-out periods" for the coming year.

The financial calendar is published online on the Company's website at the start of each financial period.

In addition, the list of permanent and occasional insiders is reviewed quarterly and at any other time as needed.

1.5. Regulated agreements

Agreements between a shareholder of the Company and one of its subsidiaries

Pursuant to Article L. 225-37-4-2° of the French Commercial Code, must be mentioned in the Report on Corporate Governance, agreements entered into, directly or indirectly or by proxy:
- between one of the corporate officers or shareholders of Dassault Aviation holding a fraction greater than 10% of the voting rights,
- and a controlled company by Dassault Aviation under Article L. 233-3 of the French Commercial Code,

with the exception of "agreements representing a current transaction entered into under normal terms and conditions."

To the Company's knowledge, there is no agreement:

- between a corporate officer of Dassault Aviation or GIMD, which holds more than 10% of the voting rights in Dassault Aviation, or one of the Dassault Aviation subsidiaries,
- and Dassault Falcon Jet (or one of its subsidiaries), Dassault Falcon Service, Sogitec Industries or any other controlled company by Dassault Aviation under Article L. 233-3 of the French Commercial Code,

that would not constitute a current transaction concluded under normal terms and conditions.

Internal Charter on regulated agreements and agreements relating to current operations and concluded on normal terms and conditions

In accordance with Law No. 2019-486 of May 22, 2019 on the growth and transformation of so-called "Pacte" companies, the Board of Directors of the Company established a procedure for regularly assessing whether agreements deemed to be current fulfill the following two conditions: they relate to current transactions and are entered into under normal conditions.

This procedure, as expressed in an Internal Charter, was approved by the Dassault Aviation Board of Directors on February 26, 2020 and has been applicable since that date. It is based on the joint evaluation by the Chief Financial Officer and the Legal Affairs and Insurance Director of the Company, followed by the Audit Committee.

1.6. Operations of Executive Management

In accordance with the laws in force, the possibility of separating the duties of Chairman of the Board of Directors and of Chief Executive Officer was introduced into the Company's bylaws during the General Meeting of April 25, 2002.

On April 25, 2002, the Board of Directors decided that the Chairman of the Board of Directors would be responsible for the Executive Management of the Company.

This was because the Board of Directors had chosen the Executive Management option that it deemed best suited to the Company's specific features. The decision was therefore made not to separate the duties of Chairman of the Board of Directors and of Chief Executive Officer.

Since January 9, 2013, the Chairman and Chief Executive Officer has been assisted by a Chief Operating Officer.

This mode of Executive Management was maintained by the Board of Directors on May 16, 2019, when it also renewed the terms of the Chairman and Chief Executive Officer and of the Chief Operating Officer for four years with the same powers.

1.7. Powers of the Chairman and Chief Executive Officer

The powers of the Chairman and Chief Executive Officer are not limited by the Company's bylaws nor by the Board of Directors, in the decision renewing his term of office.

The Chairman of the Board of Directors organizes and directs the work of the Board, reporting back on this to the General Meeting. The Chairman executes the decisions of the Board. He sees to it that the Company management bodies run smoothly and ensures that the directors are able to fulfill their duties.

The Chief Executive Officer is vested with the broadest powers to act in all circumstances on behalf of the Company. The Chief Executive Officer therefore exercises his powers with no limitations other than those set forth by the applicable regulations concerning the powers attributed expressly by law to General Meetings of shareholders and to the Board of Directors.

1.8. Powers of the Chief Operating Officer

The Chief Operating Officer assists the Chairman and Chief Executive Officer. With respect to third parties, he has the same powers as the Chief Executive Officer.

1.9. Executive Committee

Presided over by the Chairman and Chief Executive Officer, this committee includes the persons in charge of the Company's various departments.

As of December 31, 2021, it consisted of:

- Éric Trappier, Chairman and Chief Executive Officer,
- Loïk Segalen, Chief Operating Officer,

- Carlos Brana, Senior Executive Vice-President, Civil Aircraft,
- Bruno Chevalier, Senior Executive Vice President, Military Customer Support,
- Bruno Coiffier, Senior Executive Vice President, Procurement and Purchasing,
- Denis Dassé, Chief Financial Officer,
- Florent Gateau, Senior Executive Vice President, Total Quality,
- Jean-Marc Gasparini, Executive Vice-President, Military and Space Programs,
- Gérard Giordano, Senior Vice-President, Sales,
- Bruno Giorgianni, Executive Committee Secretary and Executive Vice-President, Public Affairs and Security,
- Valérie Guillemet, Senior Vice-President, Human Resources,
- Richard Lavaud, Senior Executive Vice-President, International,
- Frédéric Lherm, Senior Executive Vice-President, Industrial Operations,
- Nicolas Mojaïsky, Senior Executive Vice-President, Engineering,
- Frédéric Petit, Senior Vice-President, Falcon Programs,
- Jean Sass, Chief Information Officer and Chief Digital Officer.

This Committee covers all subjects related to running and operating the different aspects of the Company. It meets once per week.

Gender parity on the management bodies (information referred to in Article L. 22-10-10 2° of the French Commercial Code)

Our Company is mainly masculine due to the highly industrial and technical nature of its activity. Women represent between 15% and 20% of the engineering schools population.

Being conscious of the importance of gender parity, the Company has adopted a proactive policy for hiring women, which has been strengthened since 2010 with quantified recruitment targets. This led to an increase in the percentage of women from 15.5% in 2010 to 18.8% in 2021.

At December 31, 2021, women account for 14% of the most senior positions (position IIIB and above) and 7% of management positions. The Company has set quantitative and qualitative objectives to improve this situation:

- continue with educational cooperation schemes to promote careers in aeronautics and encourage young women to enter this field,
- 25% of senior position's hires must be female, to increase the percentage of women,
- improve the presence of women in the chain of command, in management positions and in positions of responsibility,
- ensure each year that the gender parity is respected in the distribution of individual increases and promotions,
- converge toward an equivalent average length of time between two promotions between male and female executives in the PIIIA, PIIIB and PIIIC positions in the metallurgy engineer and executive classification grid.

In addition, promotions to the highest levels of responsibility are subject to an annual review by the Executive Management to ensure that women are properly represented.

1.10. General Meeting of shareholders

Specific conditions governing shareholders' attendance at the General Meeting

Admission

The conditions governing shareholders' attendance at General Meetings are set forth in Articles 29 and 31 of the bylaws. These conditions are as follows:

- the right to attend General Meetings is subject to:
  - for holders of registered shares, registration in the registered shareholder accounts held by the Company,
  - for holders of bearer shares, registration in the bearer shareholder accounts held by the authorized intermediary (bank, financial institution or investment service provider) and production of a shareholding certificate issued by the intermediary,

- the period during which these formalities must be completed is two business days before the General Meeting, in accordance with the provisions of Decree No. 2014-1466 of December 8, 2014,
- the Board of Directors retains the right to accept the attendance certificate after the above deadline,
- shareholders may be represented by proxy according to legal and regulatory conditions.

Notification of the designation and revocation of the proxy agent may be made either on paper or by electronic means. In the latter case, the shareholder's signature may constitute in practice a reliable means of identification guaranteeing his/her link to the associated document, and may in particular consist of a login and password.

These conditions are reiterated in the meeting notice and the final notice of the General Meeting that are published in the BALO (Bulletin des Annonces Légales Obligatoires) and made available online on the Company's website.

Voting rights

Subject to special circumstances set forth by law, all members present at the General Meeting have as many votes, without limitation, as the number of fully paid-up shares they own or represent.

Since April 3, 2016, the shares issued by the Company registered in nominal accounts for more than two years receive double voting rights.

Voting is performed by the raising of hands and/or use of voting slips.

A secret ballot may be requested, either by the Board of Directors or by shareholders representing at least one quarter of the share capital, subject to the submission of written notification to the Board of Directors or the authority convening the meeting at least three days prior to the General Meeting.

Shareholders may also vote by correspondence in accordance with the legal conditions.

Furthermore, the bylaws of the Company state that:

- voting may be performed using OCR slips or electronically,

- shareholders may also, if the Board has so decided upon convening the meeting, vote by any means of telecommunication that enables them to be identified, subject to and according to the procedures provided for by applicable laws and regulations.

Convening of General Meetings of Shareholders

General Meetings of Shareholders are called by the Board of Directors in accordance with applicable laws and regulations. All shareholders, regardless of the number of shares they own, may take part. The date of each Annual General Meeting is provided on the Company's website (www.dassault-aviation.com) approximately six months in advance.

No later than 21 days before the General Meeting, the documentation may be viewed on the aforementioned website in the Finance/General Meetings section.

The results of the vote on the resolutions and the minutes of the General Meeting are also placed online within 15 days following the meeting.

Given the changes in the national environment linked to the coronavirus epidemic (Covid-19), to comply with the restrictions then related to gatherings and travel imposed by the Government, guarantee the safety of its shareholders and Dassault Aviation's employees and prevent the spread of the coronavirus, the Annual General Meeting of May 11, 2021 was held closed doors.

Shareholders were able to exercise their remote voting rights by mail or by using the VOTACCESS platform and submit their questions in advance of the Meeting in accordance with legal provisions. In addition, the Annual General Meeting was broadcast live on the Company's website, in accordance with the regulations in force.

2. COMPENSATION OF CORPORATE OFFICERS

This report is prepared pursuant to Articles L. 22-10-8 et seq. of the French Commercial Code, derived from Law No. 2016-1691 of December 9, 2016 (the “Sapin 2” Law), Law No. 2019-486 of May 22, 2019 on growth and transformation of companies so-called “Pacte” and Order (“Ordonnance”) No. 2019-1234 of November 27, 2019 supplemented by Decree No. 2019-1235 of the same day.

2.1. Compensation paid to directors and corporate officers in 2021

Compensation of Charles Edelstenne, Honorary Chairman

- for GIMD, which controls Dassault Aviation:

Charles Edelstenne received gross compensation of EUR 910,284 in his capacity as Chairman.

He had a chauffeur-driven company car (benefit in kind valued at EUR 10,326) and reimbursement of actual costs incurred in connection with his functions.

- for Dassault Aviation:

Charles Edelstenne received EUR 44,000 gross in compensation: EUR 38,000 gross as a member of the Board of Directors and EUR 6,000 gross as a member of the Audit Committee.

- for other French and foreign companies of the Dassault Aviation Group:

Charles Edelstenne received EUR 39,656 gross in compensation in France as a member of the Board of Directors of Dassault Falcon Jet and EUR 39,500 gross in compensation as a member of the Board of Directors of Thales.

Supplementary pension
Dassault Aviation agreed to pay a supplementary pension to Charles Edelstenne. It represents a gross amount of EUR 316,753 per year. Dassault Aviation has made a provision for this amount in its books, for payments which should have begun in 2013.

However, at the end of his term of office as Chairman and Chief Executive Officer of Dassault Aviation in January 2013, Charles Edelstenne did not retire from his positions at Dassault Systèmes and GIMD. He cannot therefore draw on his statutory pension.
Consequently, in spite of its commitment, Dassault Aviation has had to postpone the payment of this pension.

- **Compensation of Directors**

Olivier Dassault, director (January 1, 2021 to March 7, 2021)

- for GIMD, which controls Dassault Aviation:

Olivier Dassault received gross compensation of EUR 27,288 as Chairman of the Supervisory Board and EUR 120,176 gross as an employee.

He enjoyed the use of a company car (benefit in kind valued at EUR 1,450).

- for Dassault Aviation:

Olivier Dassault received EUR 28,000 gross in compensation as a member of the Board of Directors.

Thierry Dassault, director (from April 12, 2021)

- for GIMD, which controls Dassault Aviation:

Thierry Dassault received gross compensation of EUR 40,000 as a member of the Supervisory Board and EUR 213,360 annual gross as an employee.

- for Dassault Aviation:

Thierry Dassault received EUR 30,000 gross in compensation as a member of the Board of Directors.

Marie-Hélène Habert, director

- for GIMD, which controls Dassault Aviation:

Marie-Hélène Habert received gross compensation of EUR 20,000 as a member of the Supervisory Board and, as Director of Communications and Sponsorship, a gross annual amount of EUR 380,142.

She enjoyed the use of a company car (benefit in kind valued at EUR 1,725).

- for Dassault Aviation:

Marie-Hélène Habert received EUR 38,000 gross in compensation as a member of the Board of Directors.

Catherine Dassault, director (until April 12, 2021)

- for Dassault Aviation:

Catherine Dassault received EUR 28,000 gross in compensation as a member of the Board of Directors.

For the other French and foreign companies of the Dassault Aviation Group, Catherine Dassault did not receive any compensation or benefits in kind.

Henri Proglio, director

- for Dassault Aviation:

Henri Proglio received EUR 50,000 in compensation: EUR 38,000 gross as a member of the Board of Directors and EUR 12,000 gross as a member of the Audit Committee, double compensation for the Chairman of the Audit Committee.

For the other French and foreign companies of the Dassault Aviation Group, Henri Proglio did not receive any compensation or benefits in kind.

Lucia Sinapi Thomas, director

- for Dassault Aviation:

Lucia Sinapi Thomas received EUR 44,000 gross in compensation: EUR 38,000 gross as a member of the Board of Directors and EUR 6,000 gross as a member of the Audit Committee.

For the other French and foreign companies of the Dassault Aviation Group, Lucia Sinapi Thomas did not receive any compensation or benefits in kind.

Mathilde Lemoine, director (until September 28, 2021)

- <u>for Dassault Aviation:</u>

Mathilde Lemoine received EUR 38,000 gross in compensation as a member of the Board of Directors.

For the other French and foreign companies of the Dassault Aviation Group, Mathilde Lemoine did not receive any compensation or benefits in kind.

Besma Boumaza, director (from April 12, 2021)

- <u>for Dassault Aviation:</u>

Besma Boumaza received EUR 30,000 gross in compensation as a member of the Board of Directors.

For the other French and foreign companies of the Dassault Aviation Group, Besma Boumaza did not receive any compensation or benefits in kind.

Stéphane Marty, director

- <u>for Dassault Aviation:</u>

Stéphane Marty received EUR 38,000 gross in compensation as a member of the Board of Directors.

For the other French and foreign companies of the Dassault Aviation Group, Stéphane Marty did not receive any compensation (other than as an employee of the parent company) or benefits in kind.

The total compensation awarded and paid to all directors on the basis of their terms on the Board of Directors of Dassault Aviation during fiscal year 2021 is presented in Table 3 on page 22. These items are subject to the approval of the Ordinary General Meeting of Shareholders (Resolution No. 4 as presented in paragraph 2.2.3).

Compensation of corporate officers in 2021

Éric Trappier, Chairman and Chief Executive Officer

- <u>for Dassault Aviation:</u>

Éric Trappier received gross annual fixed compensation as Chairman and Chief Executive Officer of EUR 1,628,053 gross, an increase of 1.87% from 2020.

His compensation does not include any variable or exceptional compensation.

He was not awarded any stock options.

At its meeting of March 4, 2021, the Board of Directors allotted him 15,000 performance shares (subject to performance conditions). These performance shares were valued at EUR 88 per share on December 31, 2021, or EUR 1,320,000 in aggregate for 15,000 performance shares. These shares accounted for 0.02% of the capital as of December 31, 2021.
He does not benefit as an executive officer from any compensation linked to the cessation of his term of office. He had a chauffeur-driven company car (benefit in kind valued at EUR 9,767) and reimbursement of actual costs incurred in connection with his functions.

As Chairman of the Board of Directors (double remuneration), he received compensation of EUR 76,000 gross. This consisted of EUR 56,000 as the fixed portion of his compensation for 2021 as Chairman of the Board of Directors, and EUR 20,000 as the variable portion of his compensation for 2020, paid in 2021 following approval by the General Meeting of May 11, 2021.

He will receive compensation of EUR 20,000 gross as the variable portion of the annual compensation awarded to him as Chairman of the Board of Directors of Dassault Aviation, subject to approval by the Ordinary General Meeting of Shareholders to be held on May 18, 2022 (Resolution 5, as presented below in the paragraph entitled "Presentation of resolutions submitted to shareholder vote").

On January 9, 2013, the date of his appointment as Chairman and Chief Executive Officer, the employment contract of Éric Trappier was suspended due to:

- his length of service of 28 years in the Company on the date of his appointment as Chairman and Chief Executive Officer in January 2013,

- the desire of the Company to use internal promotion in the appointment of Corporate Officers, entrusting these responsibilities to experienced executives with deep knowledge of the industry and the aviation sector.

The decision to suspend his employment contract was consistent with the AMF's position in its reports on corporate governance in relation to the contracts of corporate officers.

He has the supplementary retirement plan provided for the members of the Executive Committee and the flight crew.

This plan, which has been applicable since January 1, 2020, complies with Order No. 2019-697 of July 3, 2019 and allows for the annual acquisition of additional pension benefits equal to 2% of annual gross compensation, subject to performance conditions defined each year by the Board of Directors. The amount for 2021 was EUR 32,756.

During his term of office, the Chairman and Chief Executive Officer also has the benefit of health and welfare plans applicable to all executive employees of the Company.

The Chairman and Chief Executive Officer has not entered into a service agreement directly or indirectly with Dassault Aviation or its subsidiaries.

Pursuant to Article L. 22-10-9 of the French Commercial Code, the table below shows the Chairman and Chief Executive Officer's salary ratios in relation to the average and median compensation of Dassault Aviation employees, changes thereto and the benchmark indicators over the last five years.

Éric Trappier	2017	2018	2019	2020	2021 (**)
Compensations ratios					
relative to average wages (parent Company) (*)	35,8	40,4	41,5	38,7	47,5
relative to median wages (parent Company) (*)	43,3	49,1	50,4	46,7	57,4
Annual growth					
of the compensation of Éric Trappier	17,3%	17,2%	10,9%	-4,9%	4,9%
of the average compensation of employees (*)	0,5%	3,8%	7,9%	1,9%	-13,8%
Adjusted net income	489 234	681 138	814 035	395 623	693 446
change from previous year	27%	39%	20%	-51%	75%

(*) including profit-sharing and incentive schemes

(**) on the basis of the shares allocated

- <u>for other French and foreign companies of the Dassault Aviation Group:</u>

In France, Éric Trappier received EUR 39,656 gross in compensation as a member of the Board of Directors of Dassault Falcon Jet and EUR 35,750 gross in compensation as a member of the Board of Directors of Thales.

Loïk Segalen, Chief Operating Officer

- <u>for Dassault Aviation:</u>

Loïk Segalen received gross annual fixed compensation as Chief Operating Officer of EUR 1,440,265, an increase of 1.87% from 2020.

His compensation does not include any variable or exceptional compensation.

He was not awarded any stock options.

At its meeting of March 4, 2021, the Board of Directors alloted him 12,000 performance shares (subject to performance conditions). These performance shares were valued at EUR 88 per share on December 31, 2021, or EUR 1,056,000 in aggregate for 12,000 performance shares. These shares accounted for 0.01% of the capital as of December 31, 2021.

He does not benefit as an executive officer from any compensation linked to the cessation of his term of office.

He had a chauffeur-driven company car (benefit in kind valued at EUR 8,938) and reimbursement of actual costs incurred in connection with his functions.

On January 9, 2013, the date of his appointment as Chief Operating Officer, the employment contract of Loïk Segalen was suspended due to:

- his length of service of 27 years with the Company on the date of his appointment as Chief Operating Officer in January 2013,

- the desire of the Company to use internal promotion in the appointment of Corporate Officers, entrusting these responsibilities to experienced executives with deep knowledge of the industry and the aviation sector.

The decision to suspend his employment contract was consistent with the AMF's position in its reports on corporate governance in relation to the contracts of corporate officers.

He has the supplementary retirement plan provided for the members of the Executive Committee and the flight crew.

This plan, which has been applicable since January 1, 2020, complies with Order No. 2019-697 of July 3, 2019 and allows for the annual acquisition of additional pension benefits equal to 2% of annual gross compensation, subject to performance conditions defined each year by the Board of Directors. The amount for 2021 was EUR 28,984.

During his term of office, the Chief Operating Officer also benefits from health and welfare plans applicable to all executive employees of the Company.

The Chief Operating Officer has not entered into a service agreement directly or indirectly with Dassault Aviation or its subsidiaries.

Pursuant to Article L. 22-10-9 of the French Commercial Code, the table below shows the Chief Operating Officer's salary ratios in relation to the average and median compensation of Dassault Aviation employees, changes thereto and the benchmark indicators over the last five years.

Loïk Segalen	2017	2018	2019	2020	2021 (**)
Compensations ratios					
relative to average wages (parent Company) (*)	30,7	34,2	35,0	32,2	39,2
relative to median wages (parent Company) (*)	37,2	41,6	42,5	38,9	47,4
Annual growth					
of the compensation of Éric Trappier	16,6%	15,6%	10,3%	-6,1%	4,9%
of the average compensation of employees (*)	0,5%	3,8%	7,9%	1,9%	-13,8%
Adjusted net income	489 234	681 138	814 035	395 623	693 446
change from previous year	27%	39%	20%	-51%	75%

(*) including profit-sharing and incentive schemes

(**)on the basis of the shares allocated

- <u>for other French and foreign companies of the Dassault Aviation Group:</u>

Loïk Segalen received EUR 39,656 gross in compensation in France as a member of the Board of Directors of Dassault Falcon Jet and EUR 39,500 gross in compensation as a member of the Board of Directors of Thales.

Summary table of compensation of corporate officers and directors

<u>Table 1 Summary table of compensation due and options and shares granted to each corporate officer (in EUR)</u>

	2021	2020
Éric Trappier, Chairman and Chief Executive Officer		
Compensation paid during the fiscal year (breakdown in table 2)	1,713,820	1,663,725
Value of year-on-year variable compensation granted during the fiscal year	-	-
Value of stock options granted during the fiscal year	-	-
TOTAL	1,713,820	1,663,725
Loïk Segalen, Chief Operating Officer		
Compensation paid during the fiscal year (breakdown in table 2)	1,449,203	1,422,329
Value of year-on-year variable compensation granted during the fiscal year	-	-
Value of stock options granted during the fiscal year	-	-
TOTAL	1,449,203	1,422,329

<u>Valuation of shares granted to each corporate officer (in EUR)</u>

	2021	2020
Éric Trappier, Chairman and Chief Executive Officer Value of performance shares granted during the fiscal year *(see tables 6 and 9)*	1,320,000	1,206,250
Loïk Segalen, Chief Operating Officer Value of performance shares granted during the fiscal year *(see tables 6 and 9)*	1,056,000	965,000

Table 2 Summary table of compensation paid to each Corporate Officer (in EUR)

	2021 - amounts		2020 - amounts	
	Attributed	**Paid**	**Attributed**	**Paid**
Éric Trappier, Chairman and Chief Executive Officer				
Fixed compensation	1,628,053	1,628,053	1,598,212	1,598,212
Annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Compensation for the term of office of Chairman of the Board of Directors (1)	76,000	76,000(2)	76,000	56,000(2)
Benefits in kind	9,767	9,767	9,513	9,513
TOTAL	**1,713,820**	**1,713,820**	**1,683,725**	**1,663,725**
Loïk Segalen, Chief Operating Officer				
Fixed compensation	1,440,265	1,440,265	1,413,843	1,413,843
Annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Compensation for the term of office of a director (1)	-	-	-	-
Benefits in kind	8,938	8,938	8,486	8,486
TOTAL	**1,449,203**	**1,449,203**	**1,422,329**	**1,422,329**

(1) Éric Trappier and Loïk Segalen each received EUR 39,656 gross in compensation as members of the Board of Directors of Dassault Falcon Jet. In addition, Eric Trappier and Loïk Segalen received compensation as members of the Board of Directors of Thales of, respectively, EUR 35,750 and EUR 39,500.

(2) In 2021, Éric Trappier received the variable portion of 2020 compensation in his capacity as Chairman of the Board of Directors of Dassault Aviation, following approval by the Ordinary General Meeting of Shareholders of May 11, 2021.

Table 3 Compensation received by non-executive corporate officers for serving on the Board of Directors (in EUR)

Non-executive corporate officers	Amounts allocated in 2021 (Gross)	Amounts paid in 2021 (Gross)	Amounts allocated in 2020 (Gross)	Amounts paid in 2020 (Gross)
Charles Edelstenne (1)				
Compensation	44,000	44,000	44,000	44,000
Other compensation	-	-	-	-
Olivier Dassault (2)				
Compensation	28,000	28,000	38,000	38,000
Other compensation	-	-	-	-
Catherine Dassault (3)				
Compensation	28,000	28,000	34,667	34,667
Other compensation	-	-	-	-
Thierry Dassault (4)				
Compensation	30,000	30,000	-	-
Other compensation	-	-	-	-
Marie-Hélène Habert				
Compensation	38,000	38,000	38,000	38,000
Other compensation	-	-	-	-
Besma Boumaza (5)				
Compensation	30,000	30,000		
Other compensation	-	-	-	-
Mathilde Lemoine				
Compensation	38,000	38,000	38,000	38,000
Other compensation	-	-	-	-
Henri Proglio (6)				
Compensation	50,000	50,000	50,000	50,000
Other compensation	-	-	-	-
Lucia Sinapi Thomas (7)				
Compensation	44,000	44,000	44,000	44,000
Other compensation	-	-	-	-
Stéphane Marty (8)				
Compensation	38,000	38,000	38,000	38,000
Other compensation	salary	salary	salary	salary
TOTAL	**368,000**	**368,000**	**286,667**	**286,667** (9)

(1) In addition, in 2021, Charles Edelstenne received EUR 39,656 gross in compensation as a member of the Board of Directors of Dassault Falcon Jet (versus EUR 43,578 gross in 2020) and EUR 39,500 gross in directors' fees as a member of the Board of Directors of Thales (versus EUR 34,000 gross in 2020).

(2) until March 7, 2021.

(3) until April 12, 2021.

(4) from April 12, 2021.

(5) from April 12, 2021.

(6) including EUR 12,000 in 2021 and 2020 for the Audit Committee.

(7) including EUR 6,000 in 2021 and 2020 for the Audit Committee.

(8) Mr Stéphane Marty was appointed as director representing employees as of January 1, 2021, following the retirement of Mr. Richard Bédère.

(9) Mr Richard Bédère received EUR 38 000 in 2020. The total amount of compensation received by directors is EUR 324 667 .

Table 4 Options to subscribe for or purchase shares allocated during the fiscal year to each corporate officer by the issuer and by any Group company

N/A

Table 5 Options to subscribe for or purchase shares exercised during the fiscal year by each corporate officer

N/A

NB: the number of shares indicated in the tables below is restated pro forma following the 10-for-1 stock split carried out in 2021.

Table 6 Performance shares awarded during the fiscal year to each corporate officer by the issuer or any Group company

	Plan name and date	Number of performance shares awarded during 2021	Value of shares (in EUR) (1)	Vesting date	Date of availability	Performance conditions
Éric Trappier	2021 Shares 03/04/2021	15,000	1,320,000	03/04/2022	03/04/2023	Yes
Loïk Segalen	2021 Shares 03/04/2021	12,000	1,056,000	03/04/2022	03/04/2023	Yes
TOTAL		**27,000**				

(1) price of EUR 88 per share (IFRS 2)

(2) the total number of shares vested is capped at 112% of the number of shares allocated at the Board of Directors meeting of March 04, 2021.

Table 7 Performance shares that became available during the fiscal year for each corporate officer

	Plan name and date	Number of shares that became available during fiscal year 2021	Vesting conditions
Éric Trappier	2019 Shares 02/27/2019	11,840	Shares vested after a vesting period of one year and subject to performance conditions
Loïk Segalen	2019 Shares 02/27/2019	9,950	Shares vested after a vesting period of one year and subject to performance conditions
TOTAL		**21,790**	

Table 8 History of allocations of options to subscribe for or purchase shares - Information on subscription or purchase options

N/A

Table 9 Stock options allocated to the ten employees who are not company officers holding the most options and options exercised by these employees.

N/A

Table 10 Summary table of variable multi-year compensation for each corporate officer

	2017 Shares	2018 Shares	2019 Shares	2020 Shares	2021 Shares
Date of General Meeting	09/23/2015	09/23/2015	05/24/2018	05/24/2018	05/11/2021
Date of Board of Directors meeting	03/07/2017	03/07/2018	02/27/2019	02/26/2020	03/04/2021
Total number of shares allocated	14,250	15,750	20,250	22,500	27,000
corporate officers	14,250	15,750	20,250	22,500	27,000
• Éric Trappier	7,500	8,500	11,000	12,500	15,000
• Loïk Segalen	6,750	7,250	9,250	10,000	12,000
Vesting date of shares	03/07/2018	03/07/2019	02/27/2020	03/04/2021	03/04/2022
End date of holding period	03/06/2019	03/06/2020	02/26/2021	03/03/2022	03/03/2023
Performance conditions	yes	yes	yes	yes	Yes
Number of shares acquired	14,250	15,750	21,790(1)	24,080(2)	29,700(3)
corporate officers	14,250	15,750	21,790	24,080	29,700
• Éric Trappier	7,500	8,500	11,840	13,380	16,500
• Loïk Segalen	6,750	7,250	9,950	10,700	13,200
Cumulative number of canceled or expired shares	0	0	0	0	0

(1) Based on the performance criteria recorded by the Board of Directors on February 26, 2020, the number of vested shares (capped at 112%) represents 107,6% of the shares awarded.

(2) Based on the performance criteria recorded by the Board of Directors on March 04, 2021, the number of vested shares (capped at 112%) represents 107% of the shares awarded.

(3) Based on the performance criteria recorded by the Board of Directors on March 3, 2022, the number of vested shares (capped at 112%) represents 110.0% of the shares awarded.

Table 11 Other information on the corporate officers

Corporate officers	Employment contract	Supplementary pension plan	Compensation or benefits payable or likely to be payable due to termination or change of office	Compensation for non-compete agreement
Éric Trappier Chairman and Chief Executive Officer *start of term: 01/09/2013* *end of term: General Meeting of 2023*	yes (1)	yes	no (2)	no
Loïk Segalen Chief Operating Officer *start of term: 01/09/2013* *end of term: General Meeting of 2023*	yes (1)	yes	no (2)	no

(1) employment contract suspended as of January 9, 2013,

(2) at the end of their terms of office, corporate officers receive retirement allowances according to the rules applicable to employees in their category, it being understood that depending on the formula chosen, the seniority taken into account may cover the years during which their employment contract was suspended.

2.2 Compensation policy for corporate officers and directors in 2022

The purpose of this paragraph is to set forth the components of the compensation policy for directors and corporate officers for 2022. This compensation policy is subject to the approval of the Ordinary General Meeting of Shareholders (Resolutions 7, 8 and 9 as described in the paragraph “Presentation of resolutions submitted to shareholder vote” below).

Pursuant to Article L. 22-10-8 paragraph II of the French Commercial Code, we confirm that the payment of variable and exceptional compensation elements is contingent on approval by the Ordinary General Meeting of the compensation elements of the persons concerned in the terms and conditions stipulated in Article L. 225-100 of the aforesaid Code.

Compensation policy for Directors

Compensation is allocated annually according to the following principles:

- for the Board of Directors:
  - fixed compensation of EUR 28,000,
  - variable compensation of EUR 10,000 multiplied by the attendance rate at meetings,

these amounts are doubled for the Chairman of the Board of Directors,

- for the Audit Committee: variable compensation only dependent on attendance at meetings of EUR 3,000 per meeting (double for the Chairman).

The overall amount authorized by the General Meeting of May 15, 2014 (EUR 444,000) was not modified.

In addition, each Director is covered by a Directors’ and Officers’ liability insurance policy (known as RCMS). This policy covers all managers and corporate officers of the Company and its subsidiaries.

Compensation policy for corporate officers

The principles of the compensation policy for the Chairman and Chief Executive Officer and the Chief Operating Officer were established by the Board of Directors.

The compensation of the Chairman and Chief Executive Officer and of the Chief Operating Officer consists of fixed compensation.

This compensation changes according to the increase policy for executives of the Company resulting from the Annual Mandatory Negotiations, unless decided otherwise by the Board of Directors.

In 2022, the Chairman and Chief Executive Officer and the Chief Operating Officer, under their respective mandates, will not receive:

- any variable or exceptional compensation,
- any stock options,
- any private unemployment insurance,
- any severance packages,
- any special supplementary pensions.

In 2022, the Chairman and Chief Executive Officer and the Chief Operating Officer will receive performance shares.

On March 3, 2022, the Board of Directors decided to award them 20,000 and 14,500 shares respectively. These shares will become vested (between 0% and 112%) provided the following performance criteria are met:

- adjusted Group operating margin,
- qualitative assessment of individual performance.

Furthermore, the Board of Directors has determined the following additional conditions:

- a vesting period of one year, expiring on March 2, 2023 inclusive,
- presence in the workforce at the end of the vesting period,
- a one-year holding period, beginning on March 3, 2023 and ending on March 2, 2024 inclusive,
- starting on March 3, 2024, retention by the corporate officers of 20% of those shares for the duration of their term of office.

In addition, the 2022 Share plan prohibits corporate officers who have been granted performance shares from using risk hedging until after the end of the holding period.

The employment contracts of the Chairman and Chief Executive Officer and of the Chief Operating Officer have been suspended. Upon effective reinstatement of the contracts, they will recover the rights of salaried senior executives in their category, according to Company rules, which will be revalued at the date of termination of their term of office by the average percentage increase in executive salaries during the period of suspension of the employment contract.

In particular, upon effective reinstatement of their contracts, the Chairman and Chief Executive Officer and the Chief Operating Officer shall be subject to the conditions of severance pay applicable to employees of their category in accordance with Company rules, it being specified that, depending on the formula chosen, the seniority taken into account may cover the years during which their employment contract was suspended, like the other employees.

For supplementary pensions, they are eligible for:

- the rights acquired under the plan applicable to executives of the Company, which have been frozen as of December 31, 2017.
- the rights acquired in 2018 and 2019 under the pension plan established on January 1, 2018, which is

applicable to members of the Executive Committee and to the Company's currently grounded flight crew in accordance with order ("Ordonnance") No. 2019-697 of July 3, 2019 regarding supplementary defined-benefit pensions,

- the rights acquired under the plan applicable as of January 1, 2020 to members of the Executive Committee and the company's flight crew, which provides for the annual vesting of additional pension rights equal to 2% of gross annual compensation, subject to performance conditions defined each year by the Board of Directors, which shall duly note the achievement thereof.

In addition, the Chairman and Chief Executive Officer and the Chief Operating Officer, like the Directors, are each covered by a Director and Corporate Officer Liability Insurance policy (known as RCMS). This policy covers all managers and corporate officers of the Company and its subsidiaries.
Finally, the Chairman and Chief Executive Officer and Chief Operating Officer shall each receive, during the performance of their terms of office, a chauffeur-driven company car, reimbursement of the actual expenses incurred in their duties, and health and welfare plans applicable to all of the Company's executive employees.

Presentation of resolutions submitted to shareholder vote

The "Sapin 2" Law introduced a new shareholder consultation regime for the compensation of corporate officers, as amended by order ("Ordonnance") No. 2019-1234 of November 27, 2019, and supplemented by Decree No. 2019-1235 of the same day.

Shareholders are called upon to express an opinion in two stages:

- vote after the fact (referred to as an "ex-post vote"): the compensation elements paid or attributed to directors and corporate officers during the past fiscal year, as presented in the Report on Corporate Governance, shall be subject to the approval of the shareholders.

- advance vote on compensation policy (referred to as an "ex-ante" vote): the compensation policy for directors and corporate officers, as presented in the Report on Corporate Governance, shall be subject to the approval of the shareholders,

Consequently, the following resolutions will be submitted for your approval:

- Approval of compensation elements paid or allocated during fiscal year 2021 to the directors as presented in the Report on Corporate Governance in paragraph 2.1 "Compensation paid to directors and corporate officers in 2021" (Resolution 4),

- Approval of compensation elements paid or allocated during fiscal year 2021 to the Chairman and Chief Executive Officer as presented in the Report on Corporate Governance in paragraph 2.1 "Compensation paid to directors and corporate officers in 2021" (Resolution 5),

- Approval of compensation elements paid or allocated during fiscal year 2021 to the Chief Operating Officer as presented in the Report on Corporate Governance in paragraph 2.1 "Compensation paid to directors and corporate officers in 2021" (Resolution 6),

- Approval of the 2022 compensation policy for the directors as presented in the Report on Corporate Governance in paragraph 2.2 "Compensation policy for corporate officers and directors in 2022" (Resolution 7),

- Approval of the 2022 compensation policy for the Chairman and Chief Executive Officer as presented in the Report on Corporate Governance in paragraph 2.2 "Compensation policy for corporate officers and directors in 2022" (Resolution 8),

- Approval of the 2022 compensation policy for the Chief Operating Officer as presented in the Report on Corporate Governance in paragraph 2.2 "Compensation policy for corporate officers and directors in 2022" (Resolution 9).

3. INFORMATION MENTIONED IN ARTICLE L. 225-37-5 OF THE FRENCH COMMERCIAL CODE

The information set forth in this Article is contained in paragraph 5.5 of the accompanying Directors' Report, to which this report is attached. Both these reports are included in the 2021 Annual Financial Report that has been published electronically and filed with the AMF by our distributor, "HUGIN AS, part of NASDAQ OMX." They are published online on our Company website in the Finance/Publications section.

The Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

ASSETS

(in EUR thousands)	Notes	12/31/2021	12/31/2020
Goodwill	3	65,957	65,957
Intangible assets	4	62,377	56,224
Property, plant and equipment	4	1,139,299	1,130,072
Equity associates	5	2,095,582	1,753,928
Other non-current financial assets	6	191,081	189,791
Deferred tax assets	20	389,443	334,762
Non-current assets		**3,943,739**	**3,530,734**
Inventories and work-in-progress	7	3,480,409	3,381,541
Contract assets	14	6,489	10,252
Trade and other receivables	8	2,416,299	1,391,578
Advances and progress payments to suppliers	14	1,390,293	1,748,750
Derivative financial instruments	24	802	84,303
Other current financial assets	9	955,281	868,015
Cash and cash equivalents	9	4,022,551	2,696,283
Current assets		**12,272,124**	**10,180,722**
Total assets		**16,215,863**	**13,711,456**

EQUITY AND LIABILITIES

(in EUR thousands)	Notes	12/31/2021	12/31/2020
Capital	10	66,790	66,790
Consolidated reserves and retained earnings		5,240,191	4,580,248
Currency translation adjustments		23,894	-54,334
Treasury shares	10	-30,393	-32,753
Total attributable to the owners of the parent company		**5,300,482**	**4,559,951**
Non-controlling interests		0	0
Equity		**5,300,482**	**4,559,951**
Long-term borrowings and financial debt	11	185,502	220,995
Deferred tax liabilities	20	4,482	5,440
Non-current liabilities		**189,984**	**226,435**
Contract liabilities	14	7,289,333	6,225,243
Trade and other payables	13	1,201,204	922,898
Tax and social security liabilities	13	326,328	311,246
Short-term borrowings and financial debt	11	40,852	49,419
Provisions for contingencies and charges	12	1,786,231	1,412,702
Derivative financial instruments	24	81,449	3,562
Current liabilities		**10,725,397**	**8,925,070**
Total equity and liabilities		**16,215,863**	**13,711,456**

INCOME STATEMENT

(in EUR thousands)	Notes	2021	2020
Net sales	15	**7,246,197**	**5,491,592**
Other revenue	16	105,779	79,382
Change in work-in-progress		98,869	-237,184
Purchases consumed		-4,967,165	-3,772,749
Personnel expenses (1)		-1,276,437	-1,206,355
Taxes		-60,805	-66,976
Depreciation and amortization	4	-151,835	-156,880
Net allocations/reversals of provisions	12	-454,640	159,511
Other operating income and expenses	17	5,106	-44,178
Operating income		**545,069**	**246,163**
Cost of net financial debt		-3,889	-3,278
Other financial income and expenses		-64,623	15,494
Net financial income/expense	19	**-68,512**	**12,216**
Share in net income of equity associates	5	271,611	121,282
Income tax	20	-142,776	-76,902
Net income		**605,392**	**302,759**
Attributable to the owners of the parent company		*605,392*	*302,759*
Attributable to non-controlling interests		*0*	*0*
Earnings per share (in EUR)	21	**7.28**	**3.64**
Diluted earnings per share (in EUR)	21	**7.28**	**3.64**

(1) personnel expenses include incentive schemes and profit-sharing (EUR -115,462 thousand in 2021 and EUR -70,822 thousand in 2020) as well as contributions paid to French pension plans, comparable to defined contribution plans (EUR -98,210 thousand in 2021 and EUR -95,952 thousand in 2020).

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

2021

(in EUR thousands)	Notes	Fully consolidated companies	Equity associates	2021
Net income		**333,781**	**271,611**	**605,392**
Derivative financial instruments (1)	5, 24	-131,784	-38,094	-169,878
Deferred taxes	5, 20	34,189	9,451	43,640
Currency translation adjustments		59,777	18,451	78,228
Items to be subsequently recycled to P&L		**-37,818**	**-10,192**	**-48,010**
Other non-current financial assets	6	25,508	10,738	36,246
Actuarial adjustments on pension benefit obligations	5, 12	108,863	181,885	290,748
Deferred taxes	5, 20	-31,837	-2,502	-34,339
Items that will not be recycled to P&L		**102,534**	**190,121**	**292,655**
Income and expense recognized directly through equity		**64,716**	**179,929**	**244,645**
Recognized income and expense		**398,497**	**451,540**	**850,037**
Owners of the parent company		*398,497*	*451,540*	*850,037*
Non-controlling interests		*0*		*0*

(1) the amounts stated represent the change in the market value over the period for instruments that qualify for hedge accounting. They are not representative of the actual gain/loss that will be recognized when the hedges are exercised.

2020

(in EUR thousands)	Notes	Fully consolidated companies	Equity associates	2020
Net income		**181,477**	**121,282**	**302,759**
Derivative financial instruments (1)	5, 24	104,552	37,106	141,658
Deferred taxes	5, 20	-29,178	-11,059	-40,237
Currency translation adjustments		-61,625	-27,317	-88,942
Items to be subsequently recycled to P&L		**13,749**	**-1,270**	**12,479**
Other non-current financial assets	6	-19,493	-13,770	-33,263
Actuarial adjustments on pension benefit obligations	5, 12	-9,008	-158,417	-167,425
Deferred taxes	5, 20	6,417	13,368	19,785
Items that will not be recycled to P&L		**-22,084**	**-158,819**	**-180,903**
Income and expense recognized directly through equity		**-8,335**	**-160,089**	**-168,424**
Recognized income and expense		**173,142**	**-38,807**	**134,335**
Owners of the parent company		*173,142*	*-38,807*	*134,335*
Non-controlling interests		*0*		*0*

(1) the amounts stated represent the change in the market value over the period for instruments that qualify for hedge accounting. They are not representative of the actual gain/loss that will be recognized when the hedges are exercised.

STATEMENT OF CHANGES IN EQUITY

(in EUR thousands)	Capital	Consolidated reserves and retained earnings: Additional paid-in capital, consolidated income and other reserves	Consolidated reserves and retained earnings: Derivative financial instruments	Currency translation adjustments	Treasury shares	Total attributable to owners of the parent company	Non-controlling interests	Total equity
As of 12/31/2019	**66,790**	**4,431,615**	**-52,191**	**34,608**	**-34,888**	**4,445,934**	**151**	**4,446,085**
Net income for the year		*302,759*				*302,759*		*302,759*
Income and expense recognized directly through equity		*-180,903*	*101,421*	*-88,942*		*-168,424*		*-168,424*
Recognized income and expense		121,856	101,421	-88,942		134,335		134,335
Dividends paid (1)		0				0		0
Share-based payments (2)		2,568				2,568		2,568
Movements on treasury shares (2)		-2,135			2,135	0		0
Other changes (3)		-22,886				-22,886	-151	-23,037
As of 12/31/2020	**66,790**	**4,531,018**	**49,230**	**-54,334**	**-32,753**	**4,559,951**	**0**	**4,559,951**
Net income for the year		*605,392*				*605,392*		*605,392*
Income and expense recognized directly through equity		*292,655*	*-126,238*	*78,228*		*244,645*		*244,645*
Recognized income and expense		898,047	-126,238	78,228		850,037		850,037
Dividends paid		-102,308				-102,308		-102,308
Share-based payments (2)		2,388				2,388		2,388
Movements on treasury shares (2)		-2,360			2,360	0		0
Other changes (3)		-9,586				-9,586		-9,586
As of 12/31/2021	**66,790**	**5,317,199**	**-77,008**	**23,894**	**-30,393**	**5,300,482**	**0**	**5,300,482**

(1) Due to the pandemic, the Annual General Meeting of May 12, 2020 approved the Board of Directors' proposal of April 1, 2020 not to pay a dividend in respect of the 2019 results.

(2) see Note 10.

(3) for Thales, this represents in particular the impact of changes in scope, change in treasury shares, employee share issues and share-based payments. In 2021, other changes also include the impact of including Dassault Reliance Aerospace Ltd in the scope of consolidation (see Note 2).

CASH FLOW STATEMENT

(in EUR thousands)	Notes	2021	2020
I - Net cash flows from operating activities			
Net income		**605,392**	**302,759**
Elimination of net income of equity associates, net of dividends received	5	-164,021	-95,833
Elimination of gains and losses from disposals of non-current assets	17	2,906	24,842
Change in the fair value of derivative financial instruments	24	29,604	-47,015
Change in fair value of other current and non-current financial assets	6, 9	3,080	448
Tax expense (including deferred taxes)	20	142,776	76,902
Allocations to and reversals of depreciation, amortization and provisions (excluding those related to working capital requirement)	4, 12	615,251	41,417
Other items	10	2,388	2,568
Net cash from operating activities before working capital changes and taxes		**1,237,376**	**306,088**
Income taxes paid	20	**-191,846**	**-5,885**
Change in inventories and work-in-progress (net)	7	-67,224	-47,616
Change in contract assets	14	3,840	4,482
Change in trade and other receivables (net)	8	-1,014,383	-172,529
Change in advances and progress payments to suppliers	14	358,632	614,854
Change in contract liabilities	14	1,050,452	-1,137,681
Change in trade and other payables	13	273,075	-147,302
Change in tax and social security liabilities	13	12,905	20,360
Increase (-) or decrease (+) in working capital requirement		**617,297**	**-865,432**
Total I		**1,662,827**	**-565,229**
II - Net cash flows from investing activities			
Change, as acquisition cost, of other current financial assets (1)	9	-90,031	564,608
Purchases of intangible assets and property, plant and equipment	4	-172,781	-470,845
Increase in other non-current financial assets	6	-1,660	-2,455
Disposals of or reductions in non-current assets		54,409	1,867
Net cash from acquisitions and disposals of subsidiaries (2)		-3,573	-13,257
Total II		**-213,636**	**79,918**
III - Net cash flows from financing activities			
Increase in financial debt	11	43,647	116,546
Repayment of financial debt	11	-100,881	-430,517
Dividends paid during the year	22	-102,308	0
Total III		**-159,542**	**-313,971**
IV - Impact of exchange rate fluctuations		36,619	-37,318
Change in net cash and cash equivalents (I+II+III+IV)		**1,326,268**	**-836,600**
Opening net cash and cash equivalents	9	2,696,283	3,532,883
Closing net cash and cash equivalents	9	4,022,551	2,696,283

(1) the change, as acquisition cost, of other current financial assets, previously classified as net cash flows from financing activities, is now classified as net cash flows from investing activities.

(2) in 2021, the amount corresponds to the capital increase of Dassault Reliance Aerospace Ltd, which the Group accounts for using the equity method. In 2020, net cash from acquisitions and disposals of subsidiaries concerned the acquisition of ExecuJet MRO Services Middle East.

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Note 1 - Accounting principles

1.1. General principles

On March 3, 2022, the Board of Directors closed and authorized the publication of the Dassault Aviation consolidated financial statements for the year ended December 31, 2021. These consolidated financial statements will be submitted for approval to the Annual General Meeting on May 18, 2022.

Dassault Aviation Group consolidated financial statements are prepared in accordance with IFRS standards, amendments and interpretations as adopted by the European Union and applicable at the closing date.

1.1.1. Changes in 2021 to the accounting standards applicable to Dassault Aviation

Standards, amendments and interpretations whose application has become mandatory as of January 1, 2021

Since January 1, 2021, the Group has applied the amendments to IFRS 9, IAS 39, and IFRS 7 in connection with the reform of interbank reference rates.

These texts have no impact on the Group's consolidated financial statements.

In addition, the Group has finalized its analysis of the implications of the interpretation related to the attribution of post-employment benefits to periods of service. The impacts on the Group's financial statements are not material.

Standards, amendments and interpretations whose application is mandatory after January 1, 2021

The following texts were not applied in advance by the Group when that option was offered.

The main texts adopted by the European Union whose application is mandatory after January 1, 2021 are as follows:

- amendments to IFRS 16 "Leases" on Covid-19-related rent concessions;
- amendments to IFRS 3 "Business Combinations,"
- amendments to IAS 16 "Property, Plant and Equipment" on proceeds before intended use,
- amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets";
- annual improvements to IFRS 2018-2020.

The main texts published by the IASB and not yet adopted by the European Union are as follows:

- amendments to IAS 1 "Presentation of Financial Statements,"
- amendments to IAS 8 "Definition of Accounting Estimates,"
- amendments to IAS 12 on deferred tax related to assets and liabilities arising from a single transaction.

The impacts of these texts on the Group's financial statements are currently being assessed.

1.1.2. Accounting choices and management estimates

To prepare the Group's financial statements, Management is required to make estimates and issue assumptions that could have an impact on the amounts entered in the balance sheet and in the income statement.

These estimates concern, in particular:

- the results of contracts in progress,
- the calculation of provisions for contingencies and charges and provisions for impairment,
- the calculation of development costs that meet capitalization criteria,
- the recoverability of deferred tax assets.

These estimates are calculated by taking into account past experience, elements known at the closing date and any reasonable change assumptions.

Subsequent results may therefore differ from such estimates.

1.1.3. Presentation of the consolidated financial statements

Consolidated balance sheet items are presented as current/non-current. The Group's activities have long operating cycles. As a result, the assets/liabilities generally realized in the context of the operating cycle (inventories and work-in-progress, contract assets and liabilities, receivables, payables, etc.) are presented in the consolidated balance sheet as current assets and liabilities, without distinction between the amount due within one year and the amount due at more than one year.

Consolidated income statement items are presented by nature.

Net operating income represents all income and expenses not arising from financial activities, equity associates, discontinued operations or operations being sold, and income taxes. It is composed of two separate parts: current operating income and other non-current income and expenses. Only significant unusual items are recorded in other non-current income and expenses.

1.1.4. Segment reporting

IFRS 8, "Operating Segments," requires the presentation of information according to internal management criteria. The activity of the Dassault Aviation Group relates entirely to the aerospace domain. Internal reporting to the chairman and chief executive officer and to the chief operating officer, used for strategy and decision-making, does not include a performance analysis, under IFRS 8 terms, at a lower level than this sector.

1.2. Consolidation principles and methods

1.2.1. Scope and methods of consolidation

Companies under exclusive control

Companies over which Dassault Aviation exercises exclusive control, directly or indirectly, are fully consolidated if their relative significance justifies it.

Companies under significant influence

Companies over which Dassault Aviation exercises significant influence, directly or indirectly, are consolidated using the equity method if their relative significance justifies it.

Companies under joint control

Joint arrangements classified as joint ventures are accounted for using the equity method if their relative significance justifies it.

Consolidation thresholds

For the application of the factor of relative significance, a company controlled by the Group or in which it has significant influence is included in the scope of consolidation if all of the following criteria are met:

- total assets and liabilities exceed 2% of the Group total,
- total net sales exceed 2% of the Group total,
- equity exceeds 3% of the Group total.

Entities can be consolidated by a management decision even though they do not meet the criteria previously defined. As of December 31, 2021, all non-consolidated companies do not collectively exceed the thresholds described above.

Elimination of inter-company transactions

All material inter-company transactions and internal margins included in non-current assets, inventories and work-in-progress are eliminated.

1.2.2. Closing date

The majority of companies close their fiscal year on December 31.

1.2.3. Conversion of financial statements of non-euro area subsidiaries

The currency used in the preparation of the consolidated financial statements is the euro.

The financial statements of non-euro area subsidiaries are translated as follows:

- assets and liabilities are translated at the year-end rate,
- the income statement is translated at the average annual rate.

Currency translation adjustments are recognized in equity and do not impact the income statement.

1.3. Valuation principles

1.3.1. Goodwill and business combinations

Business combinations are recognized under the acquisition method as described in IFRS 3. Under this method, the Group recognizes the identifiable assets acquired and liabilities assumed at their fair value on the acquisition date.

Goodwill, which reflects the difference between the acquisition cost of investments and the share of the revalued net assets, is recognized:

- immediately as a loss when it is negative,
- on the asset side of the balance sheet when it is positive:
    - under Goodwill if the acquired company is fully consolidated,
    - under Equity associates if the acquired company is consolidated under the equity method.

The allocation of the purchase price is finalized within a maximum period of one year from the date of acquisition.

Goodwill is not amortized but is subject to annually impairment tests (see Note 1.3.3. Impairment and recoverable value).

When IFRS were initially applied, Dassault Aviation has chosen not to restate goodwill recognized prior to January 1, 2004. The goodwill recognized on this date represents the value net of any previously recognized amortization.

Acquisition-related costs (valuation fees, consulting fees, etc.) are recognized under operating income as incurred.

1.3.2. Intangible assets and property, plant and equipment

Accounting principles

Intangible assets and property, plant and equipment are recognized at acquisition or production cost, less accumulated depreciation or amortization and impairment. Each identified component of an intangible asset or item of property, plant and equipment is recognized and depreciated and amortized separately.

The rights of use relating to leases as defined by IFRS 16 are recorded on the balance sheet at the lease contract conclusion for the discounted value of future lease payments. Contracts within the scope of IFRS 16 are mainly related to real estate leases (land and buildings). The terms selected generally correspond to the firm duration of the contract unless an intention to renew or terminate the contract is known. The Group applies the two exemptions provided for by the standard (leases of less than 12 months and leases for low-value assets).

Depreciation and amortization are calculated using the straight-line method. No residual value is taken into account, except for aircraft.

Property, plant and equipment and intangible assets are depreciated and amortized over their estimated useful lives. Useful lives are reviewed at each year-end for material assets.

In accordance with IAS 38 “Intangible Assets” concerning development costs, the Group determines the development phase of its programs that meets the criteria for capitalization. Development costs are capitalized if they satisfy the following three determining criteria:

- the technical criterion is met when the period for validation of results after the maiden flight has elapsed without questioning the project,
- the economic criterion is validated by the orders placed or options obtained on the date the technical criterion is considered satisfied,
- the financial information reliability criterion is satisfied for significant programs because the information system differentiates between research and development phases. If such a distinction cannot be made, as may be the case for minor developments (e.g. modification, improvement, etc.), those development costs are not capitalized.

The asset must generate clearly identifiable future economic benefits attributable to a specific product.

Capitalized development costs are valued at the production cost. They are amortized on the basis of the number of aircraft delivered during the year, divided by an estimated number of aircraft to be delivered under the program.

Useful lives

Initial useful lives are determined as follows:

Software	3-4 years
Development costs	depend on the number of units to be produced
Industrial buildings	20-25 years
Office buildings	20-25 years
Fixtures and fittings	7-15 years
Plant, equipment and machinery	3-10 years
Aircraft	4-15 years
Rolling stock	4 years
Other property, plant and equipment	3-10 years
Used property	on a case-by-case basis
Rights of use	based on the duration of each lease contract

The initial useful life of an asset is extended or reduced if the conditions in which the asset is used justify it.

Derecognition

Any gain or loss arising from the derecognition of an asset (difference between the net disposal gain and the net carrying value) is included in the income statement in the year of derecognition.

1.3.3. Impairment and recoverable value of intangible assets, plant, property and equipment and goodwill

In accordance with IAS 36 “Impairment of Assets,” all non-current assets (tangible and intangible) and goodwill are subject to an impairment test when an indication of impairment is detected, and at least once a year on December 31 for goodwill and intangible assets with an indefinite useful life.

Indications of impairment derive from significant adverse changes of a lasting nature, affecting the economic environment or the assumptions or objectives used by the Group.

Impairment tests consist in ensuring that the recoverable values of the property, plant and equipment, intangible assets and cash-generating units or group of cash-generating units to which the goodwill is assigned are at least equal to their net book value. Otherwise, impairment is recognized in net income and the net book value of the asset is reduced to its recoverable value.

The recoverable value of property, plant and equipment or an intangible asset is the higher value between its fair value, less the costs of disposal, and its value in use.

The recoverable amount of a cash-generating unit corresponds to its value in use. Each consolidated company represents a cash-generating unit, i.e. the smallest identifiable group of assets that generates cash inflows and outflows.

The value in use is calculated using the discounted future cash flow method. Discount rates are reviewed each year. As of December 31, 2021, the Group's after-tax discount rate was 8.4% (8.7% as of December 31, 2020). Post-tax cash flows are projected over a period not exceeding 5 years and the method takes into account a terminal value. These future cash flows result from the economic assumptions and projected operating conditions adopted by the Management.

When a cash-generating unit needs to be impaired, the impairment is first of all applied to the goodwill then, if appropriate, to the other assets of the cash-generating unit proportionate to their net book value. Impairments may be reversed, except for those relating to goodwill.

1.3.4. Equity associates

Investments in equity associates undergo an impairment test once there are objective indications of any long-term loss in value.

An impairment is recognized if the recoverable value is lower than the carrying value, with the recoverable value being equivalent to the value in use, as defined in paragraph 1.3.3, or the fair value net of transaction costs, whichever is higher.

Concerning the equity investment in Thales, when an impairment test is carried out, the operational and financial assumptions used come directly from data provided by Thales management.

An impairment may be reversed if the recoverable value once again exceeds the carrying value.

1.3.5. Other non-current financial assets

Non-listed securities and Embraer shares

These securities are recognized at their fair value.

In the absence of any external valuation elements, the fair value of unconsolidated investments, non-listed, represents the share in net assets plus any significant unrealized gains. Fair value is calculated on the basis of the most recent financial statements available at year-end. These items are classified as level 3 (according to IFRS 13).

The fair value of Embraer shares corresponds to the market price as of the balance sheet date. These items are classified as level 1 (according to IFRS 13).

Changes in fair value and gains or losses on disposal for these securities will be recognized under other income and expenses directly recorded through equity, without any impact on income or loss. Only dividends continue to be recorded in income.

Other non-current financial assets

Other financial assets mainly comprise advance lease payments, loans granted to investments and loans granted to employees for a housing loan. Loans are recorded at amortized cost (historical cost less repayments). Other assets are recorded at their historical cost.

Other non-current financial assets also include Dassault Aviation's investment in the aeronautical investment fund, valued at fair value through income or loss.

1.3.6. Inventories and work-in-progress

Incoming raw materials, semi-finished and finished goods inventories are measured at acquisition cost for items purchased and production cost for items produced. Outgoing inventories are valued at the weighted average cost, except for used aircraft which are stated at acquisition cost. Work-in-progress is stated at production cost.

Inventories and work-in-progress are impaired when their net realizable value is less than their carrying amount.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs for completion and making the sale. It takes into account the technical or commercial obsolescence of articles and the risks associated with their low turnover.

1.3.7. Contract assets and liabilities

For a given contract, the amount of cumulative revenue accounted for in respect of all performance obligations, less payments received and trade receivables which, in the balance sheet, are booked separately, is recognized under contract assets or contract liabilities.

1.3.8. Receivables

Trade and other receivables are presented separately on the balance sheet. They are systematically classified as current assets. Trade receivables include receivables arising from finance leases. These represent the discounted amount of the expected lease revenues, plus the residual value of the aircraft at the end of the finance lease.

A provision for impairment is recorded when the recoverable value of a receivable is lower than the book value.

The recoverable value of a receivable is estimated based on expected losses and takes into account the type of customer and the history of payments.

The receivable is impaired up to the amount of the estimated risk for the portion not covered by credit insurance (Bpifrance Assurance Export or collateral).

Non-impaired receivables are recent receivables and/or receivables with no material credit risk.

Foreign currency receivables, translated by each subsidiary into their local currency at the day's rate, are revalued at each closing on the basis of the closing rate. Revaluation differences are recognized in operating income.

1.3.9. Other current financial assets

These mainly correspond to cash investments in the form of marketable securities.

They are recognized at fair value, corresponding to the market price as of the balance sheet date. These items are classified as level 1 (according to IFRS 13).

Changes in fair value and gains or losses on the sale of these securities are recognized in financial income, as a change in fair value of other current financial assets.

1.3.10. Cash and cash equivalents

Cash and cash equivalents satisfy the criteria set forth in IAS 7, "Statement of Cash Flows": short-term investments that are readily convertible to known amounts of cash and that are not subject to a material risk of changes in value.

They are initially recognized at acquisition cost, and subsequently at fair value; this is the market price on the account closing date for listed securities.

The change in fair value and net gains or losses from disposals are recognized in financial income as income from cash and cash equivalents.

1.3.11. Treasury shares

Treasury shares

Treasury shares are deducted from equity at their acquisition cost. Any gains or losses from the sale of treasury shares are recognized directly in equity and do not contribute to the income for the fiscal year.

Share-based payments

Dassault Aviation has settled plans to grant performance shares. These allotments are recognized as an expense representing the fair value of the services rendered by the beneficiaries.

The fair value of the services is determined by reference to the fair value of the shares on the grant date, adjusted for dividends not received during the vesting period and the cost of non-transferability.

The performance conditions are taken into account when estimating the number of shares to be granted at the end of the vesting period.

The benefits granted constitute personnel expenses and are recognized on a straight-line basis over the vesting period. This expense is recognized against consolidated reserves.

1.3.12. Provisions for contingencies and charges

Provisions for warranties and other contract risks

Dassault Aviation has formal obligations under sales or procurement contracts relating to the equipment, products and/or services delivered (software development, systems integration, etc.).

These obligations can be distinguished between:

- “current” warranty: repair of defective equipment during the contractual warranty period or by implicit obligations, handling hardware or software malfunctions identified following qualification and handover to users, etc.,
- “regulatory” warranty: treatment by the manufacturer of any changes to the regulatory framework determined by the regulatory authorities or any regulatory non-compliance identified by the manufacturer or a user after delivery of materials or products,
- other risks in connection with the performance of the contract.

The amount of provisions is mainly determined as follows:

- on the basis of feedback on the costs incurred,
- on the basis of quotes provided by specialists in the relevant fields.

Retirement costs

Commitments to employees for retirement costs are provisioned for the remaining obligations. The commitments are estimated for all employees on the basis of vested rights and a projection of current salaries, after taking into account the mortality risk, employee turnover, and a discounting assumption. The rates used have been determined based on the yield for top-ranking corporate long-term bonds, with maturity equivalent to the duration of the calculated liabilities.

The Group applies the revised IAS 19 which stipulates:

- the recognition of all actuarial adjustments in income and expense recognized directly through equity,
- immediate recognition of the cost of past services,
- alignment of the expected return from the plan’s assets to the discount rates,
- the recognition of the sole administrative costs relating to management of the assets as a deduction from their actual return.

The provision that appears in the balance sheet corresponds to the total commitment net of plan assets. The impact on the income statement is fully recognized in operating income.

1.3.13. Borrowings and payables

Foreign currency borrowings and payables, translated by each subsidiary into their local currency at the day's rate, are revalued at each closing based on the closing rate. Revaluation differences are recognized in operating income.

Loans taken out by the Group are initially recorded at the amount received net of transaction costs, and subsequently at the amortized cost, calculated using the effective interest rate.

Lease liabilities relating to leases as defined by IFRS 16 are recognized on the balance sheet at the origin of the lease for the discounted value of future payments.

1.3.14. Discounting of receivables, payables and provisions

Receivables and payables are recognized for their discounted amounts when the payment date is more than one year and the effects of the discounting are significant.

The provision relating to retirement severance payments and related benefits is discounted in accordance with IAS 19 "Employee Benefits" and the lease liabilities are discounted in accordance with IFRS 16 "Leases."

Other provisions are stated at their current value.

In accordance with IFRS standards, deferred tax assets and liabilities are not discounted.

1.3.15. Derivative financial instruments

Derivative financial instruments subscribed by the Group

The Group uses derivatives to hedge its exposure to the risk of changes in foreign exchange rates.

Exchange rates risks mainly arise from US dollar-denominated sales. The corresponding future cash flows are partially hedged using forward exchange contracts and currency options.

Evaluation and recognition of derivatives

Upon initial recognition, derivatives are booked at acquisition cost in the balance sheet under "Derivative Financial Instruments."

They are subsequently stated at fair value, calculated on the basis of the market price communicated by the relevant financial institutions and the market parameters observed on the closing date, taking into account any counterparty risks. The valuation of financial instruments is level 2 (according to IFRS 13).

The Group applies hedge accounting when the criteria defined by IFRS 9 "Financial Instruments" are met. Foreign exchange derivatives are documented, on a case-by-case basis, on the basis of spot or forward prices.

Derivatives eligible for hedge accounting are recognized as follows:

- changes in fair value of hedging instruments are posted, net of tax, to other income and expense recognized through equity, with the exception of the ineffective amount of the hedge, if any, which is recognized in income,
- when the cash flow is received, the gain or loss on the foreign exchange hedging instrument is recognized in income.

If a derivative, chosen for the effectiveness of the economic hedging it provides to the Group, does not meet the conditions required by the hedge accounting standard (foreign exchange options), then changes in its fair value are recognized in financial income.

1.3.16. Net sales and income

Recognition of net sales and operating income

The results on completion are based on estimates of net sales and costs at completion (taking into account the program departments' forecasts) which are revised as the contract progresses and take into account the latest known events at the closing date. The potential losses on completion are recognized as soon as they are known.

Sale of goods

Net sales and net income are recognized over time if the transfer of control of goods is gradual and at a point in time otherwise.

For the majority of its contracts, the IFRS 15 criteria for the recognition of revenue over time are not met, in particular for Rafale and Falcon sales whose alternative use could be demonstrated. Revenue is therefore recognized when the goods are delivered in the majority of cases.

Finance leases are recognized as credit sales in application of IFRS 16, “Leases.”

Sale of services

Revenue from performance of services is recognized over time, if the criteria of IFRS 15 are met, as it is the case for maintenance contracts. The percentage-of-completion method used by the Group will be the cost-to-cost method: whereby revenue is recognized based on costs incurred at a given date divided by total costs expected at completion.

Services for which the criteria of IFRS 15 are not met, as is the case for certain development contracts, are recognized at the end of the service provided.

Agent/principal

Contracts involving co-contractors and for which Dassault Aviation is the sole signatory are analyzed to determine the Company’s status as a principal or agent. If the analysis classifies the Company as an agent, only the proportionate share of net sales due to the agent is recognized. Otherwise, the entirety of net sales and related expenses (including the share attributable to co-contractors) is recognized.

Backlog

The backlog (see Note 25) corresponds to the transaction price allocated to the remaining performance obligations on the closing date.

Government grants

Research tax credits are included in operating income in “other revenue” when obtaining them does not depend on the realization of a tax profit.

Allowances received under partial activity schemes are also classified as “other revenue.”

Net financial income/expense

Net financial income/expense primarily represents:

- financial income related to cash and cash equivalents and other current financial assets,
- financial expenses related to loans taken out by the Group and locked-in employee profit-sharing funds,
- the financing component when there is, for a given contract, a significant difference between the moment when the cash is received and the moment when the revenue is recognized,
- interest expenses related to lease liabilities under IFRS 16,
- dividends from non-consolidated companies recognized when the Group – as shareholder – is entitled to receive payment,
- financial income from finance lease contracts,
- losses and gains on derivative instruments that do not meet the conditions required by the standard for hedge accounting.

1.3.17. Deferred tax

Deferred taxes linked to temporary differences are calculated per company.

In accordance with the requirements of IAS 12 “Income Taxes,” deferred tax assets are only recognized, for each company, insofar as the estimated future income is sufficient to cover these assets and their maturity does not exceed ten years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is paid, based on local tax rates (and tax laws) that have been enacted by year-end.

Taxes on items recognized directly through equity are charged or credited to equity.

Deferred tax assets and liabilities are offset per entity for presentation on the balance sheet.

Note 2 - Scope of consolidation

2.1. Scope as of December 31, 2021

Dassault Aviation is a French group that designs and manufactures military aircraft, business jets and space systems. The Group mainly operates in France.

The consolidated financial statements comprise the financial statements of Dassault Aviation and the following entities:

Name	Country	% interest (1)		Consolidation method (2)
		12/31/2021	12/31/2020	
Dassault Aviation (3)	**France**	**Parent company**	**Parent company**	
Dassault Aviation Business Services	**Switzerland**	**100**	**100**	**FC**
Dassault Falcon Jet	**United States**	**100**	**100**	**FC**
- Dassault Falcon Jet Wilmington	United States	100	100	FC
- Dassault Aircraft Services	United States	100	100	FC
- Dassault Falcon Jet Leasing	United States	100	100	FC
- Aero Precision	United States	50	50	EM
- Midway	United States	100	100	FC
- Dassault Falcon Jet Do Brazil	Brazil	100	100	FC
Dassault Falcon Service	**France**	**100**	**100**	**FC**
- Falcon Training Center	France	50	50	EM
Dassault Reliance Aerospace Ltd	**India**	**49**	**-**	**EM**
ExecuJet				
- ExecuJet MRO Services Australia	Australia	100	100	FC
- ExecuJet MRO Services New Zealand	New Zealand	100	100	FC
- ExecuJet MRO Services Belgium	Belgium	100	100	FC
- ExecuJet Services Malaysia	Malaysia	100	100	FC
- ExecuJet MRO Services	South Africa	100	100	FC
- ExecuJet MRO Services Middle East	Dubai	100	100	FC
Sogitec Industries	**France**	**100**	**100**	**FC**
TAG Maintenance Services	**Switzerland**	**100**	**100**	**FC**
- TAG Maintenance Services Le Bourget	France	100	100	FC
- TAG Maintenance Services Farnborough	United Kingdom	100	100	FC
- TAG Maintenance Services Portugal	Portugal	100	100	FC
Thales	**France**	**25**	**25**	**EM**

(1) the equity interest percentages are identical to the percentages of control for all Group companies except for Thales, in which the Group held 24.62% of the capital, 24.67% of the interest rights and 29.79% of the voting rights as of December 31, 2021.

(2) FC: full consolidation, EM: equity method.

(3) identity of the parent company: Dassault Aviation, a Société Anonyme (limited company) with capital of EUR 66,789,624, listed and registered in France, Paris Trade and Companies Register No. 712 042 456 – 9, Rond-Point des Champs-Élysées Marcel Dassault – 75008 Paris.

2.2. Changes in scope

From January 1, 2021, Dassault Reliance Aerospace Ltd joined the scope of consolidation of the Dassault Aviation Group.

Established in 2017 and 49% owned, Dassault Reliance Aerospace Ltd assembles and produces civil and military aerostructure parts and subassemblies.

Dassault Reliance Aerospace Ltd is consolidated by the equity method. The impacts of this change in scope on the Group's financial statements are not material.

Note 3 - Goodwill

Goodwill as of December 31, 2021 breaks down as follows:

(in EUR thousands)	12/31/2021	12/31/2020
Dassault Aviation Business Services	6,625	6,625
Dassault Falcon Jet	5,887	5,887
Dassault Falcon Service	3,702	3,702
ExecuJet	34,914	34,914
Sogitec Industries	4,777	4,777
TAG Maintenance Services	10,052	10,052
Goodwill	**65,957**	**65,957**

As the tests performed in accordance with IAS 36 "Impairment of Assets" (see Note 1.3.3 on accounting principles) did not indicate any impairment loss, no provision for goodwill impairment was recognized.

A 10% increase in the discount rate, a 10% reduction in the growth rate or a 1-point decrease in operational profitability would not lead to any impairment.

Pursuant to IFRS, the goodwill for Thales, which is consolidated under the equity method, is included under "Equity associates" (see Note 5).

Note 4 - Intangible assets and property, plant and equipment

4.1. Geographic breakdown

(in EUR thousands)	12/31/2021	12/31/2020
Net value		
France	920,605	912,789
United States	191,775	186,261
Other	89,296	87,246
Total	**1,201,676**	**1,186,296**
of which intangible assets	62,377	56,224
of which property, plant and equipment	1,139,299	1,130,072

4.2. Intangible assets

4.2.1. Changes in net intangible assets

(in EUR thousands)	Intangible assets acquired (PPA)	Other intangible assets	Total
Net value as of December 31, 2020	**10,752**	**45,472**	**56,224**
Acquisitions/increases	0	21,425	21,425
Disposals/decreases	0	-2,929	-2,929
Depreciation and amortization	-2,396	-15,509	-17,905
Currency translation adjustments	105	315	420
Other	0	5,142	5,142
Net value as of December 31, 2021	**8,461**	**53,916**	**62,377**

4.2.2. Breakdown by type

(in EUR thousands)	12/31/2021			12/31/2020
	Gross	Amortization	Net	Net
Intangible assets acquired	14,762	-6,301	8,461	10,752
Development costs (1)	162,925	-157,330	5,595	6,766
Software, patents, licenses and similar assets	212,585	-170,013	42,572	23,875
Intangible assets in progress, advances and progress payments	5,749	0	5,749	14,831
Intangible assets	**396,021**	**-333,644**	**62,377**	**56,224**

(1) see note 1.3.2 of accounting principles.

4.3. Property, plant and equipment

4.3.1. Changes in net tangible assets

(in EUR thousands)	Rights of use (1)	Other property, plant and equipment	**Total**
Net value as of December 31, 2020	**136,423**	**993,649**	**1,130,072**
Acquisitions/increases	20,197	151,356	171,553
Disposals/decreases	-10,826	-32,556	-43,382
Depreciation and amortization	-34,251	-99,679	-133,930
Provisions for impairment	-1,413	5,263	3,850
Currency translation adjustments	3,052	13,226	16,278
Other	0	-5,142	-5,142
Net value as of December 31, 2021	**113,182**	**1,026,117**	**1,139,299**

(1) mostly real estate leases (land and buildings).

4.3.2. Breakdown by type

(in EUR thousands)	**12/31/2021**				**12/31/2020**
	Gross	Depreciation	Impairment (1)	**Net**	**Net**
Rights of use	375,889	-261,232	-1,475	113,182	136,423
Land	148,608	-7,948	0	140,660	129,689
Buildings	992,299	-429,034	-4,755	558,510	498,693
Plant, equipment and machinery	780,958	-595,217	-941	184,800	130,638
Other property, plant and equipment	183,878	-133,311	-5,263	45,304	65,281
Intangible assets in progress, advances and progress payments	96,843	0	0	96,843	169,348
Property, plant and equipment	**2,578,475**	**-1,426,742**	**-12,434**	**1,139,299**	**1,130,072**

Note 5 - Equity associates

5.1. Group share in net assets and net income of equity associates

As of December 31, 2021, Dassault Aviation held 24.67% of the interest rights of the Thales Group, compared with 24.68% as of December 31, 2020. Dassault Aviation has significant influence over Thales, especially with regard to the shareholders' agreement between Dassault Aviation and the Public Sector.

(in EUR thousands)	Equity associates		Share in net income of equity associates	
	12/31/2021	12/31/2020	2021	2020
Thales (1)	2,064,714	1,731,178	265,604	116,451
Other	30,868	22,750	6,007	4,831
Total	**2,095,582**	**1,753,928**	**271,611**	**121,282**

(1) The Group share in Thales net assets and net income is detailed in Note 5.3.

5.2. Change in equity associates

(in EUR thousands)	2021	2020
As of January 1	**1,753,928**	**1,841,218**
Share in net income of equity associates	271,611	121,282
Elimination of dividends paid (1)	-107,590	-25,449
Income and expense recognized directly through equity		
- Securities at fair value	10,738	-13,770
- Derivative financial instruments (2)	-38,094	37,106
- Actuarial adjustments on pension benefit obligations	181,885	-158,417
- Deferred taxes	6,949	2,309
- Currency translation adjustments	18,451	-27,317
Share of equity associates in other income and expense recognized directly through equity	179,929	-160,089
Other movements (3)	-2,296	-23,034
At period-end	**2,095,582**	**1,753,928**

(1) In 2021, Thales paid the Group EUR 71,443 thousand in dividends for 2020 and EUR 31,519 thousand in interim dividends for 2021. In 2020, Thales paid the Group EUR 21,013 thousand in interim dividends for 2020 (Thales did not pay the final dividend for 2019 in 2020).

(2) the amounts stated correspond to the change in the market value of the portfolio over the period. They are not representative of the actual gain/loss that will be recognized when the hedges are exercised.

(3) for Thales, this represents in particular the impact of changes in scope, change in treasury shares, employee share issues and share-based payments. Other changes also include the impact of Dassault Reliance Aerospace Ltd including in the scope of consolidation.

5.3. Thales financial statements summary (100%) and share in net assets and in net income of Thales, accounted for under the equity method by Dassault Aviation

Thales Group operates in the fields of aerospace, transport, defense and security and provides integrated solutions and equipment designed to increase reliability and secure, monitor and control, protect and defend (see http://www.thalesgroup.com). The headquarters of Thales Group is located at Tour Carpe Diem, 31, place des Corolles, 92098 Paris La Défense, France.

The Thales financial statements summary are as follows:

(in EUR thousands)	2021	2020
Non-current assets	13,137,200	14,381,300
Current assets (1)	19,703,600	17,426,500
Equity attributable to the owners of the parent company	6,480,100	5,114,900
Non-controlling interests	244,400	195,000
Non-current liabilities (2)	7,548,400	9,322,200
Current liabilities (3)	18,567,900	17,175,700
Total balance sheet	32,840,800	31,807,800
Net sales	16,192,000	16,988,900
Net income attributable to the owners of the parent company (4)	1,088,800	483,400
Other items of comprehensive income, net of tax attributable to the shareholders of the parent company	692,900	-640,900
Total comprehensive income attributable to the shareholders of the parent company	1,781,700	-157,500

(1) of which cash and cash equivalents: EUR 5,049,400 thousand in 2021 (EUR 5,003,900 thousand in 2020).

(2) of which non-current financial liabilities: EUR 4,609,700 thousand in 2021 (EUR 5,223,200 thousand in 2020).

(3) of which current financial liabilities: EUR 1,553,100 thousand in 2021 (EUR 2,522,700 thousand in 2020).

(4) of which amortization and depreciation allowances: EUR -1,062,600 thousand in 2021 (EUR -1,178,000 thousand in 2020),

including financial interest on gross debt: EUR -54,100 thousand in 2021 (EUR -67,300 thousand in 2020),

of which financial interest related to cash and cash equivalents: EUR 2,500 thousand in 2021 (EUR 7,600 thousand in 2020),

including income tax: EUR -147,700 thousand in 2021 (EUR -90,300 thousand in 2020).

The breakdown between the net assets, attributable to owners of the parent company, published by Thales and the carrying amount of the Group share in Thales is shown in the table below:

(in EUR thousands)	2021	2020
Share of Thales equity, attributable to owners of the parent company	6,480,100	5,114,900
Homogenization restatements and PPA	-2,574,885	-2,562,708
Thales restated equity, attributable to owners of the parent company	**3,905,215**	**2,552,192**
Group share	963,417	629,881
Goodwill	1,101,297	1,101,297
Share in net assets of Thales	**2,064,714**	**1,731,178**

The breakdown between the net income, attributable to owners of the parent company, published by Thales and the Group share in net income is as follow:

(in EUR thousands)	2021	2020
Thales net income (100%)	**1,088,800**	**483,400**
Group share in Thales net income	**268,607**	**119,303**
Post-tax amortization of the purchase price allocation (1)	-3,003	-2,852
Dassault Aviation share in net income of equity associates	**265,604**	**116,451**

(1) amortization of identified assets for which the modes and periods of amortization are identical to those used for the year ended December 31, 2020.

5.4. Impairment

Based on the Thales share price as of December 31, 2021 (EUR 74.80 per share), Dassault Aviation's stake in Thales is valued at EUR 3.929 billion. In the absence of any objective indication of impairment, the Thales investment was not subject to an impairment test as of December 31, 2021.

Note 6 - Other non-current financial assets

(in EUR thousands)	12/31/2020	Increase	Decrease	Change in fair value	Other	12/31/2021
Non-listed securities (1)	119,385	0	-3,717	8,530	-18	124,180
Embraer shares (1)	9,264	0	0	16,978	0	26,242
Other financial assets (2)	61,142	1,660	-21,835	-315	7	40,659
Receivables related to investments	*21,438*	*468*	*-53*	*0*	*0*	*21,853*
Advance lease payments	*37,265*	*594*	*-21,514*	*0*	*7*	*16,352*
Other	*2,439*	*598*	*-268*	*-315*	*0*	*2,454*
Other non-current financial assets	**189,791**	**1,660**	**-25,552**	**25,193**	**-11**	**191,081**

(1) unconsolidated investments, non-listed, and Embraer shares are measured at fair value against other income and expenses recognized directly through equity, which are not recyclable to income. The decrease in non-listed securities corresponds to the removal of the securities of Dassault Reliance Aerospace Ltd, consolidated by the equity method since January 1, 2021. The risk analysis relating to other non-current financial assets of the Group is described in Note 24.

(2) maturing at more than one year: EUR 36,681 thousand.

Historical costs of non-current assets and related unrealized gains/losses are presented below:

(in EUR thousands)	12/31/2021			12/31/2020		
	Historical cost	Capital gain or loss	**Asset value**	Historical cost	Capital gain or loss	**Asset value**
Non-listed securities	82,811	41,369	124,180	86,546	32,839	119,385
Embraer shares	32,120	-5,878	26,242	32,120	-22,856	9,264
Other financial assets	40,974	-315	40,659	61,142	0	61,142
Other non-current financial assets	155,905	35,176	**191,081**	179,808	9,983	**189,791**

Note 7 - Inventories and work-in-progress

(in EUR thousands)	12/31/2021			12/31/2020
	Gross	Impairment	Net	Net
Raw materials	263,012	-82,793	180,219	158,992
Work-in-progress	2,394,438	-19,597	2,374,841	2,254,906
Semi-finished and finished goods	1,213,856	-288,507	925,349	967,643
Inventories and work-in-progress	**3,871,306**	**-390,897**	**3,480,409**	**3,381,541**

The increase in inventories and work-in-progress is linked to the performance of Defense France contracts and to the Falcon business. The decrease in Defense Export inventories and work-in-progress following Rafale deliveries during the period partially offset this increase.

Note 8 - Trade and other receivables

8.1. Details

(in EUR thousands)	12/31/2021			12/31/2020
	Gross	Impairment	Net	Net
Trade receivables (1)	1,239,486	-75,382	1,164,104	717,249
Corporate income tax receivables	76,151	0	76,151	89,854
Other receivables	311,563	0	311,563	365,012
Prepaid expenses	864,481	0	864,481	219,463
Trade and other receivables	**2,491,681**	**-75,382**	**2,416,299**	**1,391,578**

(1) see Note 8.3 for receivables relating to finance leases.

The part of outstanding receivables not written-down at year-end is subject to regular individual monitoring. Dassault Aviation's exposure to credit risk is presented in Note 24.2.

8.2. Schedule

(in EUR thousands)	12/31/2021			12/31/2020		
	Total	Within one year	In more than	Total	Within one year	In more than
Trade receivables (1)	1,239,486	1,130,540	108,946	794,780	656,548	138,232
Corporate income tax receivables	76,151	76,151	0	89,854	89,854	0
Other receivables	311,563	294,273	17,290	365,012	345,985	19,027
Prepaid expenses (2)	864,481	841,163	23,318	219,463	163,126	56,337
Trade and other receivables	**2,491,681**	**2,342,127**	**149,554**	**1,469,109**	**1,255,513**	**213,596**

(1) see Note 8.3 for receivables relating to finance leases.

(2) the increase in prepaid expenses reflects the co-contractors' share of the increase in deferred income (see Note 14).

8.3. Receivables relating to finance leases

(in EUR thousands)	12/31/2021	12/31/2020
Minimum lease receivables	114,031	121,021
Unearned financial income	-8,284	-12,464
Provisions for impairment	0	-734
Receivables relating to finance leases	**105,747**	**107,823**

The amount of lease receivables due within one year is EUR 35,011 thousand as of December 31, 2021.

Note 9 - Cash

9.1. Net cash

(in EUR thousands)	12/31/2021	12/31/2020
Cash equivalents (1)	2,784,943	1,696,105
Cash at bank and in hand	1,237,608	1,000,178
Cash and cash equivalents	**4,022,551**	**2,696,283**
Bank overdrafts	0	0
Net cash in the cash flow statement	**4,022,551**	**2,696,283**

(1) primarily time deposits and cash equivalent marketable securities. The corresponding risk analysis is described in Note 24.1.

9.2. Available cash

The Group uses an alternative performance indicator called "Available cash," which reflects the amount of total liquidity available to the Group, net of financial debts except for lease liabilities recognized as a result of the application of IFRS 16. It is calculated as follows:

(in EUR thousands)	12/31/2021	12/31/2020
Other current financial assets (market value) (1)	955,281	868,015
Cash and cash equivalents (market value)	4,022,551	2,696,283
Sub-total	**4,977,832**	**3,564,298**
Borrowings and financial debts, excluding lease liabilities (2)	-98,374	-122,973
Available cash	**4,879,458**	**3,441,325**

(1) other current financial assets, which include, in particular, Group cash investments in the form of listed marketable securities, are measured at fair value through profit or loss. Given their liquidity, the latter could be sold in the short term.

(2) see detail of financial debts in Note 11.

An analysis of the performance of listed marketable securities classified as other current financial assets and cash equivalents is performed at each closing date. The investment portfolio does not show, line-by-line, any objective indication of significant impairment as of December 31, 2021 (as was the case on December 31, 2020). The corresponding risk analysis is described in Note 24.

Note 10 - Equity

10.1. Share capital

The share capital stands at EUR 66,790 thousand and consists of 83,487,030 common shares of EUR 0.80 each as of December 31, 2021, the par value of Dassault Aviation shares having been divided by 10 on September 29, 2021. At the same par value, the number of shares comprising the share capital is unchanged compared with December 31, 2020.

The distribution of share capital as of December 31, 2021 is as follows:

	Shares	% Capital	% Voting rights
GIMD (1)	51,960,760	62.2%	76.9%
Float	22,940,850	27.5%	17.0%
Airbus SE	8,275,290	9.9%	6.1%
Dassault Aviation (treasury shares)	310,130	0.4%	-
Total	**83,487,030**	**100%**	**100%**

(1) the parent company, Groupe Industriel Marcel Dassault (GIMD), located at 9, Rond-Point des Champs-Élysées - Marcel Dassault - 75008 Paris, fully consolidates the Group financial statements.

The Group regularly distributes dividends.

10.2. Treasury shares

Movements on treasury shares are detailed below:

(in number of shares)	2021	2020
Treasury shares as of January 1	**334,210**	**356,000**
Share-based payments (cf. Note 10.3)	-24,080	-21,790
Treasury shares at the closing date	**310,130**	**334,210**
Amount recognized in less from equity (in EUR thousands)	*-30,393*	*-32,753*

In order to ensure the comparability of the information, the data reported for treasury shares take into account the 10-for-1 stock split.

The impact of treasury shares on the Group's consolidated financial statements is detailed in the statement of changes in equity.

The 310,130 treasury shares held as of December 31, 2021 were allocated to potential performance share awards and to a potential liquidity contract to guarantee market activity.

10.3. Share-based payments

The Group grants performance shares to corporate officers. The characteristics of these allocation plans are described in the directors' report. In order to ensure the comparability of the information, the data reported for the plans take into account the 10-for-1 stock split.

Grant date	Vesting period	Number of shares allocated	Share price on the grant date	Number of shares delivered in 2021	Number of shares canceled (1)	Balance of performance shares as of 12/31/2021
02/26/2020	from 02/26/2020 to 02/25/2021	22,500	EUR 107.60	24,080	0	0
03/04/2021	from 03/04/2021 to 03/03/2022	27,000	EUR 94.40	0	0	27,000

(1) shares canceled in the event of partial or total non-achievement of performance conditions.

The Group did not grant any stock-option plans to its employees and corporate officers.

2020 plan

An expense of EUR 1,404 thousand was recorded in 2021 in respect of this plan, the fair value of which totaled EUR 2,324 thousand (average value of EUR 96.50 per share).

2021 plan

An expense of EUR 984 thousand was recorded in 2021 in respect of this plan, the fair value of which totaled EUR 2,376 thousand (average value of EUR 88.00 per share).

Note 11 - Borrowings and financial debt

(in EUR thousands)	Bank borrowings	Lease liabilities	Other borrowings and financial liabilities (1)	**Borrowings and financial debt**
As of December 31, 2020	**463**	**147,441**	**122,510**	**270,414**
Increase	0	20,197	43,647	63,844
Decrease	-463	-43,467	-67,783	-111,713
Other	0	3,809	0	3,809
As of December 31, 2021	**0**	**127,980**	**98,374**	**226,354**

(1) other financial liabilities mainly includes locked-in employee profit-sharing funds. Employee profit-sharing corresponds to "other long-term benefits," and should be valued and discounted according to the principles of IAS 19 (revised). However, in view of the low historical differences between remuneration rate and discount rate, the Group considers that the valuation method by amortized cost constitutes a reasonable approximation of the profit-sharing liability.

By maturity, the distribution of financial debt is as follows:

(in EUR thousands)	**Total as of 12/31/2021**	**Amount due within one year**	**Amount due in more than 1 year**		
			Total	*>1 year and <5 years*	*> 5 years*
Bank borrowings	0	0	0	*0*	*0*
Lease liabilities	127,980	28,434	99,546	*31,815*	*67,731*
Other borrowings and financial liabilities	98,374	12,418	85,956	*85,956*	*0*
Borrowings and financial debt	**226,354**	**40,852**	**185,502**	*117,771*	*67,731*

(in EUR thousands)	**Total as of 12/31/2020**	**Amount due within one year**	**Amount due in more than 1 year**		
			Total	*>1 year and <5 years*	*> 5 years*
Bank borrowings	463	463	0	*0*	*0*
Lease liabilities	147,441	27,913	119,528	*55,255*	*64,273*
Other borrowings and financial liabilities	122,510	21,043	101,467	*101,467*	*0*
Borrowings and financial debt	**270,414**	**49,419**	**220,995**	*156,722*	*64,273*

The change in borrowings and financial debt between 2020 and 2021 breaks down as follows:

(in EUR thousands)	**12/31/2020**	Cash flow	Lease liabilities (1)	Other movements	**12/31/2021**
Bank borrowings	463	-463	0	0	0
Lease liabilities	147,441	-32,635	9,365	3,809	127,980
Other borrowings and financial liabilities	122,510	-24,136	0	0	98,374
Borrowings and financial debt	**270,414**	**-57,234**	**9,365**	**3,809**	**226,354**

(1) liabilities from new leases entered on the balance sheet over the period and termination of leases, with no impact on cash.

Note 12 - Provisions

12.1. Provisions for contingencies and charges and for impairment

(in EUR thousands)	**12/31/2020**	**Allocations**	**Reversals**	**Other (1)**	**12/31/2021**
Provisions for contingencies and charges	1,412,702	737,170	-269,904	-93,737	1,786,231
Provisions for impairment	481,694	464,090	-476,716	9,799	478,867
Non-current financial assets	*154*	*0*	*0*	*0*	*154*
Property, plant and equipment	*17,170*	*5,415*	*-9,265*	*-886*	*12,434*
Inventories and work-in-progress	*386,839*	*383,434*	*-389,874*	*10,498*	*390,897*
Trade receivables	*77,531*	*75,241*	*-77,577*	*187*	*75,382*
Provisions for contingencies and charges and for impairment	**1,894,396**	**1,201,260**	**-746,620**	**-83,938**	**2,265,098**

(1) including foreign exchange differences and actuarial adjustments recorded as income and expense recognized directly through equity.

12.2. Details of provisions for contingencies and charges

(in EUR thousands)	**12/31/2020**	**Allocations**	**Reversals**	**Other**	**12/31/2021**
Warranty (1)	913,730	143,477	-138,871	2,298	920,634
Other risks related to contracts (1)	151,983	535,265	-73,807	4,654	618,095
Retirement severance payments (2)	335,100	50,499	-55,244	-101,233	229,122
French companies	*221,633*	*34,891*	*-23,504*	*-83,460*	*149,560*
US companies	*113,467*	*15,608*	*-31,740*	*-17,773*	*79,562*
Other operational risks (3)	11,889	7,929	-1,982	544	18,380
Provisions for contingencies and charges	**1,412,702**	**737,170**	**-269,904**	**-93,737**	**1,786,231**

(1) provisions are updated to reflect changes to the fleet in service, deliveries during the period and contractual obligations induced by the execution of contracts.

(2) the application of the interpretation related to attribution of post-employment benefits to periods of service had no material impact on the Group's financial statements. These impacts were recognized in the P&L of the period. Actuarial adjustments contributed to the decrease in the provision for retirement severance payments in the amount of EUR 108,863 thousand. They are distributed as follows:

French companies	*-83,460*
US companies	*-25,403*
Total actuarial adjustments	*-108,863*

(3) As of December 31, 2021, the other long-term benefits relating to long-service awards amounted to EUR 3,484,000, compared with EUR 3,698 thousand at the end of 2020.

12.3. Provisions for retirement severance payments

12.3.1. Calculation methods (defined benefit plans)

Commitments relating to retirement severance payments are calculated for all Group employees using the projected unit credit method. They are provisioned in full for the remaining obligations.

Employment projections are weighted using French insurance code mortality rates and the recorded employee turnover rate (this may vary according to age). The obligation estimate depends on the employee's length of service at the end of the fiscal year in relation to their total career expectancy.

For the record, none of the Group companies have commitments for medical insurance plans.

12.3.2. Assumptions used

	French companies		US companies	
	2021	**2020**	**2021**	**2020**
Inflation rate	2.00%	2.00%	2.21%	1.93%
Discount rate	1.00%	0.30%	3.10%	2.90%
Weighted average salary increase rate	3.85%	3.80%	2.21%	1.93%

The discount rates were based on the yield for top-ranking corporate long-term bonds (rated AA) corresponding to the currency and the maturity of the commitments.

12.3.3. Changes in commitments and plan assets

Changes in commitments and plan assets over the last five years are as follows:

(in EUR thousands)	**2021**	**2020**	**2019**	**2018**	**2017**
Total commitment	996,513	1,029,185	965,305	794,245	800,621
Plan assets	767,391	694,085	621,028	600,230	500,007
Unfunded status	**229,122**	**335,100**	**344,277**	**194,015**	**300,614**

Changes in commitments over the year break down as follows:

(in EUR thousands)	2021			2020		
	France	United States	**Total**	France	United States	**Total**
As of January 1	629,372	399,813	**1,029,185**	578,080	387,225	**965,305**
Current service cost	34,128	13,065	47,193	37,567	13,788	51,355
Interest expense	1,978	11,679	13,657	4,562	13,035	17,597
Benefits paid	-29,059	-11,629	-40,688	-27,828	-11,330	-39,158
Actuarial adjustments	-72,972	-13,217	-86,189	-18,570	33,187	14,617
Foreign exchange differences and other	0	33,355	33,355	55,561	-36,092	19,469
As of December 31	563,447	433,066	**996,513**	629,372	399,813	**1,029,185**

A 0.5-point decrease in the discount rate would increase the total commitment by EUR 77,681 thousand, while a 0.5 point increase in the discount rate would decrease the total commitment by EUR 69,213 thousand.

Changes in plan assets during the period are as follows:

(in EUR thousands)	2021			2020		
	France	United States	**Total**	France	United States	**Total**
As of January 1	407,739	286,346	**694,085**	335,885	285,143	**621,028**
Expected return on plan assets	1,215	9,136	10,351	2,745	9,784	12,529
Actuarial adjustments	10,488	12,186	22,674	7,123	-1,514	5,609
Employer contributions	0	31,740	31,740	0	30,240	30,240
Benefits paid	-5,555	-11,629	-17,184	-7,597	-11,330	-18,927
Foreign exchange differences and other	0	25,725	25,725	69,583	-25,977	43,606
As of December 31	413,887	353,504	**767,391**	407,739	286,346	**694,085**

The costs for defined benefit plans can be analyzed as follows:

(in EUR thousands)	2021			2020		
	France	United States	**Total**	France	United States	**Total**
Current service cost	34,128	13,065	47,193	37,567	13,788	51,355
Interest expense	1,978	11,679	13,657	4,562	13,035	17,597
Expected return on plan assets	-1,215	-9,136	-10,351	-2,745	-9,784	-12,529
Costs for defined benefit plans	34,891	15,608	**50,499**	39,384	17,039	**56,423**

Plan assets are invested as follows:

	2021		2020	
	France	United States	France	United States
Bonds and debt securities	84%	100%	87%	93%
Real estate	8%	0%	8%	0%
Shares	8%	0%	5%	0%
Liquidities	0%	0%	0%	7%
Total	**100%**	**100%**	**100%**	**100%**

The fund invests largely in bonds with a minimum guaranteed annual yield.

Note 13 - Operating liabilities

(in EUR thousands)	12/31/2021			12/31/2020		
	Total	Within one year	In more than	Total	Within one year	In more than
Trade payables	1,062,948	1,062,948	0	824,377	824,377	0
Other liabilities	135,865	135,865	0	93,665	93,665	0
Deferred income	2,391	1,500	891	4,856	3,734	1,122
Trade and other payables	**1,201,204**	**1,200,313**	**891**	**922,898**	**921,776**	**1,122**
Corporate income tax	3,147	3,147	0	950	950	0
Other tax and social security liabilities	323,181	323,181	0	310,296	310,296	0
Tax and social security liabilities	**326,328**	**326,328**	**0**	**311,246**	**311,246**	**0**

Note 14 - Contract assets and liabilities

(in EUR thousands)	12/31/2021	12/31/2020
Unbilled receivables	72,566	93,005
Deferred income	-8,290	0
Advances and progress payments received from customers	-57,787	-82,753
Contract assets	**6,489**	**10,252**
Unbilled receivables	292,176	302,636
Deferred income	-2,062,261	-953,105
Advances and progress payments received from customers	-5,519,248	-5,574,774
Contract liabilities	**-7,289,333**	**-6,225,243**

For a given contract, a contract asset (liability) represents the unbilled receivables, less deferred income and advances and progress payments received from the customer.

The increase in contract liabilities due to advances received under the Defense France and Rafale Export contracts, as well as Falcon orders, was partially offset by the reduction in contract liabilities resulting from reversals of progress payments following Rafale Export deliveries during the period.

The increase in deferred income is essentially due to the alignment of billed revenue with the rate of transfer of control of development services provided to customers under Rafale Export contracts.

As Dassault Aviation acts as “principal” on the Rafale Export contracts (Egypt, Qatar, India and Greece), the progress payments received include the co-contractors’ share. The progress payments paid reflect the repayment of the co-contractors’ share:

(in EUR thousands)	12/31/2021	12/31/2020
Advances and progress payments received	-5,577,035	-5,657,527
Advances and progress payments paid	1,390,293	1,748,750
Advances and progress payments received net of advances and progress payments paid	**-4,186,742**	**-3,908,777**

Note 15 - Net sales

By origin, net sales break down as follows:

(in EUR thousands)	2021	2020
France	6,186,779	4,506,183
United States	895,454	813,364
Other	163,964	172,045
Net sales	**7,246,197**	**5,491,592**

The breakdown of net sales by geographical area is as follows:

(in EUR thousands)	2021	2020
France (1)	794,465	613,772
Export (2)	6,451,732	4,877,820
Net sales	**7,246,197**	**5,491,592**

(1) mainly the government, with whom the Group realized more than 10% of its total net sales in 2020.

(2) more than 10% of Group net sales were made with Qatar and India in 2021, as in 2020. The net sales from Rafale Export contracts are recognized on a gross basis (including the co-contractors' parts).

By activity, net sales break down as follows:

(in EUR thousands)	2021	2020
Falcon	1,965,248	2,228,791
Defense	5,280,949	3,262,801
Defense France	*731,940*	*563,559*
Defense Export	*4,549,009*	*2,699,242*
Net sales	**7,246,197**	**5,491,592**

By revenue recognition method, net sales break down as follows:

(in EUR thousands)	2021	2020
At a point in time	6,136,026	4,587,845
Over time	1,110,171	903,747
Net sales	**7,246,197**	**5,491,592**

Note 16 - Other revenue

(in EUR thousands)	2021	2020
Research tax credits	33,651	33,931
Interest on arrears	623	1,301
Capitalized production	6,611	7,022
Other income (1)	64,894	37,128
Other revenue	**105,779**	**79,382**

(1) the allowances received under partial activity programs totaled EUR 2,974 thousand in 2021. They amounted to EUR 8,397 thousand in 2020.

Note 17 - Other operating income and expenses

(in EUR thousands)	2021	2020
Income or losses from disposals of non-current assets	-2,906	-24,842
Foreign exchange gains or losses from business transactions (1)	8,062	-18,502
Other operating expenses	-50	-834
Other operating income and expenses	**5,106**	**-44,178**

(1) particularly foreign exchange gains and losses on trade receivables and payables.

Note 18 - Research and development costs

Non-capitalized research and development costs are recognized as expenses for the period in which they are incurred and represent:

(in EUR thousands)	2021	2020
Research and development costs	-551,366	-537,775

The Group's research and development strategy and initiatives are described in the directors' report.

Note 19 - Net financial income/expense

(in EUR thousands)	2021	2020
Income from cash and cash equivalents	3,134	2,283
Change in fair value of other current and non-current financial assets	-3,080	-448
Cost of gross financial debt	-3,943	-5,113
Cost of net financial debt	**-3,889**	**-3,278**
Dividends and other investment income	0	0
Interest income and gains/losses on disposal of other financial assets	3,742	6,187
Foreign exchange gain/loss (1)	-42,609	45,938
Other (2)	-25,756	-36,631
Other financial income and expenses	**-64,623**	**15,494**
Net financial income/expense	**-68,512**	**12,216**

(1) the foreign exchange loss for the period includes the change in market value and the loss associated with the exercise of foreign exchange hedging instruments not eligible for hedge accounting as defined in IFRS 9 "Financial Instruments." The amounts are not representative of the actual gain/loss, which will be recognized when the hedges are exercised.

(2) the line item "other" includes the financing component of long-term Defense contracts. The latter, classified as the cost of net financial debt in 2020, is now classified as other financial income and expenses.

Note 20 - Taxes

20.1. Income tax

(in EUR thousands)	2021	2020
Corporate tax	-191,846	-5,885
Deferred tax	49,070	-71,017
Income tax	**-142,776**	**-76,902**

20.2. Taxes recognized directly through equity

(in EUR thousands)	12/31/2021	12/31/2020
Derivative financial instruments	34,189	-29,178
Other non-current financial assets	-4,503	5,223
Actuarial adjustments	-27,334	1,194
Taxes recognized directly through equity	**2,352**	**-22,761**

20.3. Reconciliation between theoretical and recognized income tax expense

(in EUR thousands)	2021	2020
Net income	605,392	302,759
Less tax expense	*142,776*	*76,902*
Less share in net income of equity associates	*-271,611*	*-121,282*
Income before tax	476,557	258,379
Theoretical tax expenses calculated at the current rate (1)	**-135,390**	**-82,733**
Effect of tax credits (2)	11,009	12,024
Effect of differences in tax rates (3)	-18,937	-11,009
Other	542	4,816
Income tax recognized	**-142,776**	**-76,902**

(1) the theoretical rate is the rate applicable to the parent company of the Group. This is 28.41% for 2021, versus 32.02% in 2020.

(2) the impact of tax credits essentially includes the effect of the non-taxation of research tax credits, recognized in other revenue. This amounted to EUR 33,651 thousand in 2021 compared with EUR 33,931 thousand in 2020.

(3) includes the impact of the future decrease in the tax rate in France.

20.4. Deferred tax sources

(in EUR thousands)	Consolidated balance sheet		Consolidated income statement	
	12/31/2021	12/31/2020	2021	2020
Provisions (profit-sharing, pensions, etc.)	293,415	249,474	68,207	-68,304
Other current and non-current financial assets and cash equivalents	-3,376	-2,998	4,799	-5,289
Derivative financial instruments	19,988	-21,932	7,731	-13,756
Other temporary differences	74,934	104,778	-31,667	16,332
Net deferred taxes	**384,961**	**329,322**	**49,070**	**-71,017**
Deferred tax assets	*389,443*	*334,762*		
Deferred tax liabilities	*-4,482*	*-5,440*		

20.5. Deferred tax assets not recognized on the balance sheet

(in EUR thousands)	12/31/2021	12/31/2020
Deferred tax assets not recognized	2,131	10,698

These are temporary differences for which reversal is not expected before 10 years.

Note 21 - Earnings per share

Earnings per share	2021	2020
Net income attributable to the owners of the parent company (in EUR thousands) (1)	605,392	302,759
Average number of shares outstanding (2)	83,172,810	83,149,430
Diluted average number of shares outstanding (2)	83,186,310	83,160,680
Earnings per share (in EUR)	**7.28**	**3.64**
Diluted earnings per share (in EUR)	**7.28**	**3.64**

(1) net income is fully attributable to income from continuing operations (no discontinued operations).

(2) the par value of Dassault Aviation shares was divided by 10 on September 29, 2021. To ensure the comparability of the information, the number of shares outstanding was restated to reflect the new par value of the shares.

Earnings per share are calculated by dividing the net income attributable to the owners of the parent company by the weighted average number of common shares outstanding during the year, minus treasury shares.

Diluted earnings per share correspond to the net income attributable to the owners of the parent company divided by the diluted weighted average number of shares. This corresponds to the weighted average number of common shares outstanding, increased by performance shares granted.

Note 22 - Dividends paid and proposed

Dividends on ordinary shares	2021	2020
Decided and paid during the year (in EUR thousands) (1) (2)	102,308	0
i.e. per share (EUR) (3)	1.23	0
Submitted to the AGM for approval, not recognized as a liability as of December 31 (in EUR thousands)	207,883	102,689
i.e. per share (EUR) (3)	2.49	1.23

(1) net of dividends on treasury shares.

(2) due to the pandemic, the Annual General Meeting of May 12, 2020 approved the Board of Directors' proposal of April 1, 2020 not to pay a dividend on 2019 net income.

(3) the par value of Dassault Aviation shares was divided by 10 on September 29, 2021. To ensure the comparability of the information, the number of 2020 shares was restated to reflect the new par value of the shares.

Note 23 - Financial instruments

The valuation method on the balance sheet (cost or fair value) of financial instruments (assets or liabilities) is detailed in the tables below.

The Group used the following hierarchy for the fair value valuation of financial assets and liabilities:

- Level 1: quoted prices on an active market,
- Level 2: valuation techniques based on observable market data,
- Level 3: valuation techniques based on non-observable market data.

23.1. Financial instruments (assets)

(in EUR thousands)	Balance sheet value as of 12/31/2021			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current assets				
Other non-current financial assets	39,674	985	150,422	191,081
Current assets				
Trade and other receivables	2,416,299			2,416,299
Derivative financial instruments		0	802	802
Other current financial assets		955,281		955,281
Cash equivalents (2)		2,784,943		2,784,943
Total financial instruments (assets)	**2,455,973**	**3,741,209**	**151,224**	**6,348,406**
Level 1 (2)		3,741,209	26,242	
Level 2		0	802	
Level 3		0	124,180	

(1) the carrying amount of the financial instruments (assets) recognized at cost or amortized cost corresponds to a reasonable approximation of the fair value.

(2) including time deposits as of December 31, 2021: EUR 1,336,396 thousand.

As of December 31, 2020, the data were as follows:

(in EUR thousands)	Balance sheet value as of 12/31/2020			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current assets				
Other non-current financial assets	60,440	702	128,649	189,791
Current assets				
Trade and other receivables	1,391,578			1,391,578
Derivative financial instruments		23,148	61,155	84,303
Other current financial assets		868,015		868,015
Cash equivalents (2)		1,696,105		1,696,105
Total financial instruments (assets)	**1,452,018**	**2,587,970**	**189,804**	**4,229,792**
Level 1 (2)		2,564,822	9,264	
Level 2		23,148	61,155	
Level 3		0	119,385	

(1) the carrying amount of the financial instruments (assets) recognized at cost or amortized cost corresponds to a reasonable approximation of the fair value.

(2) including time deposits as of December 31, 2020: EUR 1,361,444 thousand.

23.2. Financial instruments (liabilities)

(in EUR thousands)	Balance sheet value as of 12/31/2021			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	0			0
Lease liabilities	99,546			99,546
Other financial liabilities (2)	85,956			85,956
Current liabilities				
Bank borrowings	0			0
Lease liabilities	28,434			28,434
Other financial liabilities (2)	12,418			12,418
Trade and other payables	1,201,204			1,201,204
Derivative financial instruments		7,277	74,172	81,449
Total financial instruments (liabilities)	**1,427,558**	**7,277**	**74,172**	**1,509,007**
Level 1		0	0	
Level 2		7,277	74,172	
Level 3		0	0	

(1) the carrying amount of the financial instruments (liabilities) recognized at cost or at amortized cost corresponds to a reasonable approximation of the fair value.

(2) primarily locked-in employee profit-sharing funds.

As of December 31, 2020, the data were as follows:

(in EUR thousands)	Balance sheet value as of 12/31/2020			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	0			0
Lease liabilities	119,528			119,528
Other financial liabilities (2)	101,467			101,467
Current liabilities				
Bank borrowings	463			463
Lease liabilities	27,913			27,913
Other financial liabilities (2)	21,043			21,043
Trade and other payables	922,898			922,898
Derivative financial instruments		821	2,741	3,562
Total financial instruments (liabilities)	**1,193,312**	**821**	**2,741**	**1,196,874**
Level 1		0	0	
Level 2		821	2,741	
Level 3		0	0	

(1) the carrying amount of the financial instruments (liabilities) recognized at cost or at amortized cost corresponds to a reasonable approximation of the fair value.

(2) primarily locked-in employee profit-sharing funds.

Note 24 - Financial risk management

24.1. Cash and liquidity risks

24.1.1. Financial debts

The Group has no significant risk in relation to its financial debt. A description of the financial debts appears in Note 11.

24.1.2. Cash, cash equivalents and other current financial assets

The Group has a solid financial structure and works only with top-tier banks.

The Group investment portfolio is primarily composed of money market investments with no significant risk of impairment.

(in EUR thousands)	Market value	%
Cash at bank and in hand, money market investments and time deposits	4,057,614	81%
Investments in bonds (1)	183,703	4%
Unspecified investments (1)	736,515	15%
Total	**4,977,832**	**100%**

(1) the bond investments subscribed by the Group are mainly investments with a short-term management horizon. Unspecified investments, as defined by the AMF classification, are mainly invested in short-term and money mutual funds.

A full analysis of the performance of listed marketable securities is conducted at each balance sheet date. The investment portfolio does not show, line-by-line, any objective indication of significant impairment as of December 31, 2021 (as was the case on December 31, 2020).

Cash resources and its portfolio of marketable securities allow the Group to meet its commitments without any liquidity risk. The Group is not faced with restrictions with regard to the availability of its cash and its portfolio of marketable securities.

Fair values classification:

(in EUR thousands)	12/31/2021		
	Impact on net income	**Impact on equity**	**Total**
Cash at bank and in hand, money market investments and time deposits	4,057,614	0	4,057,614
Investments in bonds	183,703	0	183,703
Unspecified investments	736,515	0	736,515
Total	**4,977,832**	**0**	**4,977,832**

24.2. Credit and counterparty risks

24.2.1. Credit risk on bank counterparties

The Group allocates its investments and performs its cash and foreign exchange transactions with recognized financial institutions. The Group has no investments or accounts with financial institutions presenting a significant risk of default.

24.2.2. Customer default risk

The Group limits counterparty risk by conducting most of its sales in cash and ensuring that the loans are secured by export insurance guarantees (Bpifrance Assurance Export) or collaterals. The share of receivables not covered by these procedures is subject to regular individual monitoring and, if necessary, a provision for impairment.

Given the arrangements in risk mitigation that are in place, and the provisions made in its accounts, the Group's residual exposure to the risk of default by a customer in a country subject to uncertainties is limited.

The Bpifrance Assurance Export guarantees and collateral obtained and not exercised as of the closing date are of the same nature as those as of December 31, 2020.

The amount of Bpifrance Assurance Export guarantees and collaterals obtained and not exercised at year-end appears in the table of off-balance sheet commitments (see Note 25).

The manufacturing risk is also guaranteed with Bpifrance Assurance Export for major military export contracts.

24.3. Other market risks

24.3.1. Market risks

The Group covers risks from exchange rates and interest rates using derivative financial instruments whose book value is presented below:

(in EUR thousands)	12/31/2021		12/31/2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Exchange rate derivatives	802	81,449	84,303	3,562
Interest rate derivatives	0	0	0	0
Derivative financial instruments	**802**	**81,449**	**84,303**	**3,562**
Net derivative financial instruments		**80,647**	**80,741**	

Exchange rate derivatives

The Group is exposed to a foreign exchange risk through the parent company in relation to its Falcon sales, which are mainly denominated in US dollars. This risk is partially hedged by using forward currency contracts and foreign exchange options.

The Group partially hedges its cash flows that are considered highly probable. It ensures that the initial future cash flows will be sufficient to use the foreign exchange hedges in place. The hedged amount may be adjusted in accordance with changes over time in expected net cash flows.

This risk is permanent, taking into account exchange rate fluctuations and volatility. This is a significant risk for the Group, since the measures put in place to limit this risk are not sufficient to make the net risk zero (periods not covered by hedges, possible financial impact of hedges already taken out the event of reversal of market assumptions).

The foreign exchange derivatives subscribed by the Group are not all eligible for hedge accounting under IFRS 9 "Financial instruments." The breakdown is presented in the table below:

(in EUR thousands)	**Market value as of 12/31/2021**	**Market value as of 12/31/2020**
Instruments which qualify for hedge accounting	-73,370	58,414
Instruments which do not qualify for hedge accounting	-7,277	22,327
Exchange rate derivatives	**-80,647**	**80,741**

The counterparty risk for exchange rate derivatives (CVA/DVA) is based on the current exposure method and on the historical default probabilities per rating class communicated by the rating agencies. As of December 31, 2021, this counterparty risk is insignificant.

The breakdown of the fair value of the derivative financial instruments by maturity rate is as follows:

(in EUR thousands)	**Within one year**	**In more than one year**	**Total**
Exchange rate derivatives	-33,538	-47,109	**-80,647**

Interest rate derivatives

The Group is no longer exposed to interest rate volatility via variable-rate loans (see Note 11).

24.3.2. Impacts of derivatives on the Group's financial statements

The impact on net income and equity of the change in fair value in hedging instruments over the period is as follows:

(in EUR thousands)	**12/31/2020**	**Impact on equity (1)**	**Impact on net financial income (2)**	**12/31/2021**
Exchange rate derivatives	80,741	-131,784	-29,604	-80,647
Interest rate derivatives	0	0	0	0
Net derivative financial instruments	**80,741**	**-131,784**	**-29,604**	**-80,647**

(1) recognized directly under income and expenses recognized directly through equity, share of fully consolidated companies. The amount of income and expenses recognized directly in equity and recycled to operating income over the period is EUR 5,765 thousand.

(2) change in fair value of foreign exchange hedging instruments which do not qualify for hedge accounting under the terms of IFRS 9 "Financial Instruments."

The change in fair value of foreign exchange derivatives is due in particular to the change in the closing price between December 31, 2020 (USD/EUR 1.2271) and December 31, 2021 (USD/EUR 1.1326).

24.3.3. Sensitivity testing of foreign exchange derivatives

A sensitivity analysis was conducted to determine the impact of a 10 cent increase or decrease in the US dollar/euro exchange rate.

Market value of the portfolio (in EUR thousands)	**12/31/2021**	
Net balance sheet position	-80,647	
Closing US dollar/euro exchange rate	$1.1326/€	
Closing US dollar/euro exchange rate +/- 10 cents	$1.0326/€	$1.2326/€
Change in net balance sheet position (1)	-182,076	148,820
Impact on net income	*-31,441*	*+22,627*
Impact on equity	*-150,635*	*+126,193*

(1) data calculated based on existing market conditions on the balance sheet dates. They are not representative of the actual gain/loss to be recognized when hedging is carried out.

24.3.4. Risks related to Embraer shares

On December 31, 2021, Embraer shares were valued at EUR 26,242 thousand (see Note 6). The Group is exposed to a currency risk on its stake in Embraer, which is listed in reals on the Brazilian market, and a price risk related to the fluctuation in the stock market price. A 10% upward or downward variation in the exchange rate and/or share price would not have a significant impact on the Group financial statements.

Note 25 - Off-balance sheet commitments

The off-balance sheet commitments of the Group relate essentially to its operational activities and can be analyzed as follows:

(in EUR thousands)	**12/31/2021**	**12/31/2020**
Commitments given under commercial contracts	9,846,854	10,094,570
Guarantees and deposits	21,052	59,479
Commitments given secured by bank guarantees	1,770,381	1,021,551
Commitments given	**11,638,287**	**11,175,600**

(in EUR thousands)	**12/31/2021**	**12/31/2020**
Backlog	20,761,506	15,895,483
Other commitments received under commercial contracts	1,633,129	1,633,129
Collateral	60,335	61,373
Bpifrance Assurance Export guarantees	14,243	17,807
Commitments received secured by bank guarantees	20,331	23,675
Commitments received	**22,489,544**	**17,631,467**

The breakdown of the backlog by maturity is as follows:

(in EUR thousands)	Less than one year	Between one and five years	More than five years	**Total**
Backlog	6,056,624	12,069,506	2,635,376	**20,761,506**

Note 26 - Contingent assets and liabilities

There are no contingent assets or liabilities as of December 31, 2021.

Note 27 - Related-party transactions

The Group's related parties are:

- Groupe Industriel Marcel Dassault and its subsidiaries,
- equity associates, including the Thales group and its subsidiaries,
- the Chairman and Chief Executive Officer and the Chief Operating Officer of Dassault Aviation,
- the directors of Dassault Aviation.

Terms and conditions of related-party transactions

Sales and purchases are made at market price. Balances outstanding at year-end are not guaranteed and payments are made in cash. No guarantees were provided or received for related-party receivables. For 2021, the Group did not recognize any provisions for bad debts relating to amounts receivable from related parties. This assessment is performed each year by examining the financial position of the related parties and the market in which they operate.

27.1. Details of transactions

(in EUR thousands)	2021	2020
Income	8,271	2,957
Expenses	1,301,868	1,138,904
Receivables	664,594	1,241,563
Payables	332,318	57,553

27.2. Compensation of corporate officers and benefits in kind

The compensation and benefits in kind paid by the Dassault Aviation Group to the corporate officers can be analyzed as follows:

(in EUR thousands)	2021	2020
Fixed compensation	3,068	3,012
Directors' fees	563	512
Benefits in kind	19	18
Allocation of performance shares	2,324	2,706
Compensation of corporate officers and benefits in kind	**5,974**	**6,248**

Note 28 - Average number of employees

The Group's average number of employees was 12,387 in 2021. It was 12,750 in 2020.

Note 29 - Auditors' fees

The statutory auditors' fees certifying the financial statements as of December 31, 2021, recognized as expenses for 2021 and 2020, are as follows:

(in EUR thousands)	PwC		Mazars	
	2021	**2020**	**2021**	**2020**
Certification of accounts (1)	274	223	586	564
Other audit services (2)	55	4	125	90
Auditors' fees	**329**	**227**	**711**	**654**

(1) these fees primarily include the review and certification of the Group's consolidated financial statements, certification of the financial statements of the parent company Dassault Aviation and its subsidiaries and compliance with local regulations.

(2) these fees are mainly for services related to non-financial performance declaration checks, drafting of specific certifications and technical consultations.

Note 30 - Subsequent events

The conflict between Russia and Ukraine has no material impact on the financial statements as of December 31, 2021.

No other events likely to have a material impact on the financial statements occurred between December 31, 2021 and the date the financial statements were approved by the Board of Directors.

Statutory auditors' report
on the consolidated financial statements

Year ended December 31, 2021

To the Annual General Meeting of Dassault Aviation Company,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting we have audited the accompanying consolidated financial statements of Dassault Aviation Company for the year ended December 31, 2021.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules stipulated in the French Commercial Code and in the French Code of Ethics (*Code de Déontologie*) for statutory auditors, for the period from January 1, 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 paragraph 1 of Regulation (EU) No 537/2014.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

<table>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td>
Revenue recognition in accordance with IFRS 15 “Revenue from Contracts with Customers”

(Notes 1.3.16 14, 15 and 25 to the consolidated financial statements)

Dassault Aviation operates its activities through contracts for which the net sales and the margin are accounted for in the accounts in accordance with IFRS 15 standard.

A significant share of Group net sales and current operating income is related to the accounting for complex contracts.
For those of these contracts for whose transfer of control is over time (EUR 1,110 million as of December 31, 2021, i.e. 15% of the Group's net sales), the cost-to-cost method is used to recognize revenue. For those whose transfer of control takes place at a given time (EUR 6,136 million i.e. 85% of the Group's net sales), the revenue is recognized upon completion of this event.

Revenue recognition according to IFRS 15 is a key point of the audit since the analysis of contracts required a significant amount of judgment in:

the identification of performance obligations;
the assessment of whether or not the financing component is significant for determining the transaction price;
the allocation of the transaction price to each of the performance obligations; and
the determination of the revenue recognition rate (over time or at a point in time).

</td><td>
Our work consisted of:

for the new most significant contracts in terms of revenue, assessing the relevance of the analyses carried out by the Group and carry out a critical review on:

the identification of performance obligations;
the evaluation of the materiality or otherwise of the financing components by assessing their impact on the economics of the contracts and also by corroborating the payment schedule with the contractual data and rates used in the calculations;
the allocation of the transaction price by examining the contracts;
the rate of revenue recognition based in particular on (i) technical analyses documenting the notion of alternative use, (ii) contractual clauses and analyses prepared by the Group to document the notion of reasonable margin in the event of termination for customer convenience;

reconciling the basic data used to determine the impacts of IFRS 15 on the financial statements and backlog with accounting and contractual data.

</td></tr>
</table>

<table>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td>
Accounting for the result to be recognized on Defense contracts and related provisions

(Notes 1.3.12, 1.3.16, 12.2, 14 and 15 of the consolidated financial statements)

As of December 31, 2021, Defense net sales amounted to EUR 5,281 million i.e. 73% of the Group's activity. As described in note 1.3.16, the results at completion on Defense contracts, as well as any provisions for loss on completion and provisions for risks and charges at the closing date depend on the capacity of the entity:

to measure the costs incurred on a contract, and
to reliably estimate the costs yet to be incurred until the end of the contract.

The estimates of the costs to be incurred are based on a program monitoring process ensured by the Programs Department and Finance Department under the control of the Executive Management. The estimates of results at completion of the contracts are updated at each closing date.

Accounting for the result to be recognized of Defense contracts is seen as a key point of the audit because of the high level of judgment and of estimates required to determine the methods on the recognition of results at completion of contracts, and consequently, their potentially significant impact on consolidated profit and loss and equity.
</td><td>
Based on discussions with the relevant Operational Departments, we took note of the procedures to identify the costs and valuation of margins at completion. We also tested the functioning of internal key controls that we considered relevant to our audit.

Our work consisted of:

testing controls for net sales and cost to be incurred forecasts with respect to contracts;
conducting interviews with program monitoring managers and carry out tests on sampled documents for a selection of the contracts that contributed most to the results of the period, in order to:

confirm the performance of the contract benefits when the revenue is recognized at a point in time;
test the costs incurred and thus corroborate the degree of progress as revenue is gradually recognized;
appreciate the reasonability significant assumptions used for the determination of results at completion, of provisions for risks and charges and test by survey observed data and costs retained for the valuation of provisions as well as the calculations made.

reconciling the accounting data with their operational analytical monitoring for these contracts;
verifying the correct analytical allocation of costs to contracts;

For a selection of contracts, for which there was a significant change in the estimated results at completion compared with previous estimates, we sought to explain the origin of the changes observed in order to corroborate these with technical and operational justifications for the basis of our experience and interviews with the relevant management.
</td></tr>
</table>

<table>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td>
Valuation of warranty provisions

(Note 1.3.12 and 12.2 of the notes to the consolidated financial statements)

Dassault Aviation provides warranties for its aircraft deliveries against hardware or software defects and is required to correct any regulatory non-compliance identified after the delivery of the equipment. These warranties therefore constitute a commitment for the Company. The costs of this commitment must be provisioned upon delivery of the airplane.

The estimated amount of the provisions is based on the data and expenses recorded by airplane model and type of transactions taken as collateral and on estimated costs, in particular cost estimates for specialists, handling of malfunctions and regulatory non-compliance. Given the fleet in service and the variety of costs potentially incurred, provisions for warranties are determined by complex models that require judgments by several Operational Departments.

Management's valuation of these commitments caused Dassault Aviation to recognize provisions for warranties of EUR 921 million as at December 31, 2021.

The valuation of these provisions is a key point of the audit due to:

the high level of judgment required for their determination,
the complex nature of their valuation,
their significant amount,
and, consequently, the potentially significant impact on earnings and consolidated equity if their estimates vary.

</td><td>
On the basis of discussions with the relevant operational departments, we took note of the procedures to identify the risks to be guaranteed and the procedures put in place to determine the costs and other data used as a basis for the valuation of provisions for guarantees. We also tested the functioning of key controls that we considered relevant to our audit.

In addition, our work consisted of:

assessing the adequacy of the funding methodology used by the Group's management and the judgments exercised by it,
assessing, through discussions with the relevant operational departments, the reasonableness of the main assumptions used to determine provisions for guarantees,
randomly testing the source data and observed costs used for the valuation of the provisions and the accuracy of the calculations made.

</td></tr>
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Specific Verifications

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial performance declaration required by Article L.225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information pertaining to the Group presented in the management report. Pursuant to Article L.823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. A report will be issued on this information by an independent third-party.

Other verification or information stipulated in Legal and Regulatory documents

Annual accounts lay-out to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the responsibility of the Group Managing Director, complies with the single electronic format defined in the European Delegated Regulation n° 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the annual accounts that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Dassault Aviation Company by the General Meeting held on June 19, 1990 for cabinet Mazars and held on May 12, 2020 for cabinet PricewaterhouseCoopers Audit.

As at December 31, 2021, audit firm Mazars and audit firm PricewaterhouseCoopers Audit were in the 32nd year and 2nd of total uninterrupted engagement respectively.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were closed by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N°537-2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. When appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 11, 2022

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Edouard Demarcq	Mathieu Mougard

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report also includes information relating to the specific verification of information given in the management report.
This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

COMPANY FINANCIAL STATEMENTS
PARENT COMPANY
AS OF DECEMBER 31, 2021

ASSETS

(in EUR thousands)	Notes	12/31/2021			12/31/2020
		Gross	Depreciation, amortization and provisions	Net	Net
Intangible assets	2	144,552	-127,448	17,104	17,086
Property, plant and equipment	2	1,681,944	-860,288	821,656	800,847
Financial assets	3	2,465,171	-31,587	2,433,584	2,417,104
TOTAL NON-CURRENT ASSETS		**4,291,667**	**-1,019,323**	**3,272,344**	**3,235,037**
Inventories and work-in-progress	4	3,538,256	-287,985	3,250,271	3,039,502
Advances and progress payments to suppliers		1,421,665	0	1,421,665	1,790,659
Trade receivables	6	1,321,513	-66,187	1,255,326	920,101
Other receivables and prepayments	6	1,329,707	0	1,329,707	724,659
Marketable securities and cash instruments	9	2,054,819	-2,813	2,052,006	856,368
Cash at bank and in hand		1,550,941	0	1,550,941	1,428,528
TOTAL CURRENT ASSETS		**11,216,901**	**-356,985**	**10,859,916**	**8,759,817**
TOTAL ASSETS		**15,508,568**	**-1,376,308**	**14,132,260**	**11,994,854**

EQUITY AND LIABILITIES

(in EUR thousands)	Notes	12/31/2021	12/31/2020
Capital	10, 13	66,790	66,790
Share premiums	13	137,186	137,186
Reserves	12	3,036,302	2,962,849
Net income for the year		364,323	175,761
Investment subsidies		1,143	1,838
Regulated provisions	14	127,386	128,650
TOTAL EQUITY	13	**3,733,130**	**3,473,074**
PROVISIONS FOR CONTINGENCIES AND CHARGES	14	**1,648,638**	**1,218,275**
Borrowings and financial debt (1)	15	97,043	119,754
Advances and progress payments received on orders		5,500,250	5,576,701
Trade payables	16	985,523	733,839
Other liabilities, cash instruments, accruals and deferred income	17	2,167,676	873,211
TOTAL LIABILITIES		**8,750,492**	**7,303,505**
TOTAL EQUITY AND LIABILITIES		**14,132,260**	**11,994,854**
(1) including bank overdrafts:		0	0

INCOME STATEMENT

(in EUR thousands)	Notes	2021	2020
NET SALES	20	**6,357,665**	**4,816,505**
Change in work-in-progress		209,318	-234,072
Reversals of provisions, depreciation and amortization, charges transferred		665,572	663,255
Other income		59,933	26,936
OPERATING INCOME		**7,292,488**	**5,272,624**
Purchases consumed		-4,307,628	-3,195,274
Personnel expenses		-832,545	-779,824
Other operating expenses		-440,657	-412,727
Taxes and social security contributions		-55,894	-74,230
Depreciation and amortization	2	-83,107	-63,720
Allocations to provisions	14	-1,081,111	-497,309
OPERATING EXPENSES		**-6,800,942**	**-5,023,084**
NET OPERATING INCOME		**491,546**	**249,540**
NET FINANCIAL INCOME/EXPENSE	22	**119,070**	**-14,695**
CURRENT INCOME		**610,616**	**234,845**
Non-recurring items	23	1,952	-28,470
Employee profit-sharing and incentive schemes		-108,362	-64,899
Income tax	24	-139,883	34,285
NET INCOME		**364,323**	**175,761**

CASH FLOW STATEMENT

(in EUR thousands)	Notes	2021	2020
I – NET CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME		364,323	175,761
Elimination of gains and losses from disposals of non-current assets	23	-379	26,004
Net allocations to and reversals of depreciation, amortization and provisions (excluding those related to Working Capital Requirement)	2, 14	492,761	-15,787
Net cash from operating activities before working capital changes		**856,705**	**185,978**
Change in inventories and work-in-progress (net)	4	-210,769	17,002
Change in advances and progress payments to suppliers		368,994	647,275
Change in trade receivables (net)	6	-335,225	-23,253
Change in other receivables, cash instruments and prepayments	6	-599,369	-118,199
Change in customer advances and progress payments received		-76,451	-1,248,598
Change in trade payables		251,684	-118,298
Change in other liabilities, cash instruments, accruals and deferred income	17	1,294,465	-88,453
Increase (-) or decrease (+) in working capital requirement		**693,329**	**-932,524**
Total I		**1,550,034**	**-746,546**
II - NET CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of intangible assets and property, plant and equipment	2	-135,253	-421,894
Increase in financial assets	3	-25,061	-80,673
Change in investment subsidies		-695	-30
Disposals of or reductions in non-current assets	2, 3, 23	59,963	19,774
Total II		**-101,046**	**-482,823**
III - NET CASH FLOWS FROM FINANCING ACTIVITIES			
Change in capital	13	0	0
Change in other equity items	13	0	0
Increase in financial debt	15	43,657	115,822
Repayment of financial debt	15	-66,368	-355,965
Dividends paid during the year	32	-102,308	0
Total III		**-125,019**	**-240,143**
CHANGE IN NET CASH AND CASH EQUIVALENTS (I + II + III)		**1,323,969**	**-1,469,512**
Opening net cash and cash equivalents (1)		2,281,158	3,750,670
Closing net cash and cash equivalents (1)		3,605,127	2,281,158

(1) cash comprises the following balance sheet items:

[cash at bank and in hand] + [gross marketable securities] – [bank overdrafts]

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

General

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DASSAULT AVIATION
9, Rond-Point des Champs-Élysées Marcel Dassault - 75008 Paris

A French société anonyme (Corp.) capitalized at EUR 66,789,624, listed and registered in France
Paris Trade Register number 712 042 456

Note 1 - Accounting rules and methods

1.1. General principles

The financial statements of the parent company as of December 31, 2021 were closed by the Board of Directors on March 3, 2022, and will be submitted for approval to the Annual General Meeting on May 18, 2022. The company financial statements are prepared in accordance with ANC Regulation 2014-03 on the French General Accounting Plan, which has since been updated by a series of amending regulations and by the subsequent opinions and recommendations of the French Accounting Standards Authority.

The methods used to present the financial statements are comparable year-on-year.

The general accounting conventions have been applied, in compliance with the principle of prudence, and in line with the following basic assumptions:

- going concern of operations,
- permanence of the accounting methods from one year to the next,
- independence of fiscal years,

and in line with the general rules for the establishment and presentation of annual financial statements. The individual financial statements have been prepared on the basis of historical cost.

The preparation of the Company's financial statements requires management to make estimates and assumptions that could have an impact on the amounts reported in the balance sheet and in the income statement. Those estimates concern, in particular:

- the results of contracts in progress,
- the calculation of provisions for contingencies and charges and of impairments.

These estimations are calculated by taking into account past experience, items known at the closing date and any reasonable change assumptions. Subsequent results may therefore differ from such estimates.

1.2. Valuation principles

1.2.1. Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are recognized at acquisition or production cost, less accumulated depreciation or amortization and impairment. Interest expense is not capitalized.

Each identified component of an intangible asset or item of property, plant and equipment is recognized and depreciated or amortized separately.

Depreciation and amortization are calculated using the straight-line method. No residual value is taken into account, except for aircraft.

Depreciation and amortization periods depend on their estimated useful lives. Useful lives are reviewed at each year-end for material non-current assets. The initial useful life of an asset is extended or reduced if the conditions in which the asset is used justify it.

Useful lives are as follows:

Software	3-4 years
Industrial buildings	20-25 years
Office buildings	20-25 years
Fixtures and fittings	7-15 years
Plant, equipment and machinery	3-10 years
Aircraft	10-15 years
Rolling stock	4 years
Other property, plant and equipment	3-10 years
Pre-owned assets	on a case-by-case basis

1.2.2. Impairment of assets

The Company conducts an impairment test if an indication of loss of value has been detected. Indications of impairment come from significant long-term adverse changes that affect the economic environment or the assumptions or objectives used by the Company.

Intangible assets and property, plant and equipment are impaired by the Company when the net carrying amount exceeds their current value. The amount of impairment recognized in income is equal to the difference between the net carrying amount and current value. The current value of an asset is the higher of its market value (less selling costs) and its value in use.

The value in use of an asset is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.4% (compared with 8.7% as of December 31, 2020) and a 2% long-term growth rate (unchanged from December 31, 2020). Post-tax cash flows are projected over a period not exceeding 5 years and the method takes into account a terminal value. These future cash flows result from the economic assumptions and projected operating conditions adopted by the Management.

1.2.3. Equity investments and other non-current and marketable securities

Gross values are represented by the purchase cost excluding incidental charges, except in the case of those subject to the 1976 legal revaluation. An impairment is recognized when the book value is lower than the gross value. The book value is the higher of its market value and its value in use.

Dassault Aviation assesses the book value for listed investment securities based on the quotation for the reporting month and for non-listed securities, in the absence of any external valuation elements, according to the share in net assets.

Concerning the equity investment in Thales, when an impairment test is carried out, the operational and financial assumptions used come directly from data provided by Thales management.

1.2.4. Inventories and work-in-progress

Incoming raw materials, semi-finished and finished goods inventories are measured at acquisition cost for items purchased and production cost for items produced. Outgoing inventories are valued at the weighted average cost, except for used aircraft which are stated at acquisition cost. Work-in-progress is measured at production cost and does not include interest expense.

Inventories and work-in-progress are impaired when their net realizable value is less than their carrying amount.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs for completion and making the sale. It takes into account the technical or commercial obsolescence of articles and the risks associated with their low turnover.

1.2.5. Receivables

Receivables are stated at nominal value. A provision is recognized when the recoverable value is lower than the carrying amount. The Company did not have to recognize any significant provisions, since its military trade receivables are represented by government customers and the vast majority of Falcon's sales are in cash.

1.2.6. Borrowings

Borrowings are recorded at the amount received. Transaction costs are posted to expenses for the year.

1.2.7. Regulated provisions

Regulated tax provisions appearing on the balance sheet include provisions for price increases and depreciation by derogation.

1.2.8. Provisions for contingencies and charges

Warranty provisions and other contract risks

Within the framework of sales or procurement contracts, Dassault Aviation has formal obligations under sales or procurement contracts relating to the equipment, products and/or services (software development, systems integration, etc.) delivered.

These obligations can be distinguished between:

- "current" warranty: repair of defective equipment during the contractual warranty period or based on a constructive obligation, correcting hardware or software malfunctions identified following qualification and handover to users, etc.,
- "regulatory" warranty: implementation by the manufacturer of any changes to the regulatory framework determined by the regulatory authorities or any regulatory non-compliance identified by the manufacturer or a user after delivery of equipment or products,
- other risks in connection with the performance of the contract.

The amount of the provisions is mainly determined as follows:

- on the basis of feedback on the costs incurred,
- on the basis of quotes provided by specialists in the relevant fields.

Retirement payments and related benefits

A provision for remaining obligations of commitments to employees for retirement payments and related benefits is recorded. The commitments are estimated for all employees on the basis of vested rights and a projection of current salaries, after taking into account the mortality risk, employee turnover, and a discounting assumption. The rates used have been determined on the basis of the yield for top-ranking corporate long-term bonds, with maturity equivalent to the duration of the calculated liabilities.

Actuarial gains or losses, or those gains or losses that are analyzed as such, are fully recognized in operating income in the period during which they are incurred. The provision that appears in the balance sheet is the amount of the total commitment net of outsourced amounts.

1.2.9. Hedging instruments

The Company uses derivatives to hedge its exposure to the risk of changes in foreign exchange rates.

Exchange rate risks mainly arise from US dollar-denominated sales. The corresponding future cash flows are partially hedged using forward exchange contracts and currency options.

The Company reviewed the highly probable nature of the flows associated with financial instruments which qualify for hedge accounting and could find no evidence challenging this position at the end of December 2021.

The effects of the hedge, including the carrying forward/backwardation, are recorded at the rhythm of the hedged item and follow the same classification as the hedged item, i.e. the operating profit.

Premiums paid or received on the purchase or potential sale of options are recognized as income only at the expiration of these options, with the exception of the premiums relating to “zero premium” hedging strategies, which are immediately recognized as income to avoid temporary timing differences.

Hedging instruments that hedge balance sheet positions are accounted for in cash instruments.

1.2.10. Foreign currency transactions

Expenses and income in foreign currencies are recognized at their equivalent value in euros on the date of the payment or settlement transaction, with the exception of the net flows associated with global foreign exchange hedging, which are recorded at the hedge rate for the year.

Currency receivables and payables outstanding at year-end are revalued into euros at the closing rate of exchange.

When the application of the translation rate on the closing date has the effect of modifying the amounts in euros previously recognized, the currency translation differences are booked to transitory accounts:

- under assets, when unrealized translation balance is a loss,
- under liabilities, when unrealized translation balance is a gain.

An overall foreign exchange position is calculated by maturity of unhedged receivables and payables. When an overall foreign exchange position by maturity is an unrealized loss, a provision is set up for that risk.

Translation gains and losses arising on cash at bank and in hand as of December 31 are recognized on the income statement.

1.2.11. Net sales and income

The results on completion are based on estimates of net sales and costs at completion (taking into account the program departments’ forecasts). These are revised as the contracts progress and take into account the latest known events at the closing date. The potential losses on completion are recognized as soon as they are known.

Sales of goods and development contracts

Net sales and net income are recognized when Dassault Aviation has transferred the main risks and benefits of ownership to the buyer, and it is probable that the future economic benefits will benefit the Company.

As a general rule, net sales are recognized upon delivery of goods or development services. The corresponding costs are valued on the basis of net income at completion estimated in the contract. If the estimated costs are lower than the actual costs, the difference is classified as work-in-progress. If the estimated costs are higher than the actual costs, a provision for services and work still to be performed is recognized at closing.

Other service contracts

Income from sales of services is recognized under the percentage of completion method according to the milestones set forth in contracts. Income or loss is recognized at each stage of completion if it can be reliably measured.

Contracts involving co-contractors for which Dassault Aviation is the only signatory are recognized for the entire amount of net sales and related expenses (including the co-contractors' share).

1.2.12. Unrealized capital gains and losses on marketable securities

Unrealized capital gains on marketable securities are not recognized in the income statement until effectively realized. The tax charge relating to unrealized gains is recorded under prepayments until the gain is recognized in financial income.

This method, which constitutes an exception to the general principle of full recognition of deferred taxes, has been adopted to provide a fairer presentation of the Company's results.

Unrealized capital losses on marketable securities are subject to a provision.

1.2.13. Treasury shares

The book value of treasury shares at year-end is determined by the average market price in the month before closing. If the market price is lower than the purchase value, an impairment is recorded, with the exception of securities being canceled or shares held for allotment under a defined plan.

1.3. Tax consolidation

The Company opted for the tax consolidation scheme in 1999, pursuant to Articles 223-A and following of the French General Tax Code. As of January 1, 2012, the tax consolidation scope of the Group includes Dassault Aviation, Dassault Aéro Service and Dassault Aviation Participations.

This tax consolidation arrangement is tacitly renewable per period of five fiscal years.

By agreement, it does not have an impact on the results of consolidated companies: tax liabilities are borne by the tax group companies as if no tax consolidation existed.

Note 2 - Intangible assets and property, plant and equipment

2.1. Intangible assets

(in EUR thousands)	12/31/2020	Acquisitions Allocations	Disposals Reversals	Other	12/31/2021
Gross value					
Software, patents, licenses and similar assets	132,434	7,688	-2	3,394	143,514
Assets in progress; advances and progress payments	3,879	553	0	-3,394	1,038
	136,313	**8,241**	**-2**	**0**	**144,552**
Depreciation, amortization					
Software, patents, licenses and similar assets	-119,227	-8,224	3	0	-127,448
	-119,227	**-8,224**	**3**	**0**	**-127,448**
Net value					
Software, patents, licenses and similar assets	13,207				16,066
Assets in progress; advances and progress payments	3,879				1,038
Total	**17,086**	**17**	**1**	**0**	**17,104**

2.2. Property, plant and equipment

(in EUR thousands)	12/31/2020	Acquisitions Allocations	Disposals Reversals	Other	12/31/2021
Gross value					
Land	120,939	10,318	-10	892	132,139
Buildings	546,271	16,537	-265	73,528	636,071
Plant, equipment and machinery	572,996	34,220	-10,293	50,112	647,035
Other property, plant and equipment	217,208	4,040	-46,060	2,393	177,581
Assets in progress; advances and progress payments	154,146	61,897	0	-126,925	89,118
	1,611,560	**127,012**	**-56,628**	**0**	**1,681,944**
Depreciation, amortization					
Land	-6,882	-1,070	4	0	-7,948
Buildings	-229,868	-30,130	245	0	-259,753
Plant, equipment and machinery	-468,978	-33,761	10,089	0	-492,650
Other property, plant and equipment	-95,870	-9,922	8,465	0	-97,327
	-801,598	**-74,883**	**18,803**	**0**	**-857,678**
Impairment (1)					
Other property, plant and equipment	-9,115	-2,610	9,115	0	-2,610
	-9,115	**-2,610**	**9,115**	**0**	**-2,610**
Net value					
Land	114,057				124,191
Buildings	316,403				376,318
Plant, equipment and machinery	104,018				154,385
Other property, plant and equipment	112,223				77,644
Assets in progress; advances and progress payments	154,146				89,118
Total	**800,847**	**49,519**	**-28,710**	**0**	**821,656**

(1) impairment tests on property, plant and equipment (see Note 1 of the accounting rules and methods):

- A provision of EUR 2,610 thousand was recognized in 2021 on capitalized aircraft.
- In the absence of any objective evidence of impairment, other property, plant and equipment had not been subject to an impairment test as of December 31, 2021.

Note 3 - Financial assets

(in EUR thousands)	12/31/2020	Acquisitions Allocations	Disposals Reversals	Other	12/31/2021
Equity associates (1)	2,368,953	23,573	0	0	2,392,526
Receivables related to investments	21,438	468	-53	0	21,853
Other investment securities	35,023	598	0	0	35,621
Loans	1,890	0	-267	0	1,623
Other financial assets	34,566	422	-21,440	0	13,548
Total	**2,461,870**	**25,061**	**-21,760**	**0**	**2,465,171**
Impairments	-44,766	-31,433	44,612	0	-31,587
Net value	**2,417,104**	**-6,372**	**22,852**	**0**	**2,433,584**

(1) inc. Thales: EUR 1,984,272 thousand.

Thales share price and impairment test

Based on the Thales share price as of December 31, 2021 (EUR 74.80 per share), Dassault Aviation's stake in Thales is valued at EUR 3,929,000 thousand.

In the absence of any objective evidence of impairment, the Thales investment had not been subject to an impairment test as of December 31, 2021.

Maturity of financial assets

(in EUR thousands)	Total	Less than one year	More than one year
Receivables related to investments	21,853	1,023	20,830
Loans	1,623	151	1,472
Other financial assets	13,548	0	13,548
Total	**37,024**	**1,174**	**35,850**

Information relating to subsidiaries and associates

Since the Company publishes consolidated financial statements, the table of subsidiaries and associates is presented in an aggregate form.

(in EUR thousands)	Book value of securities held		Loans and advances granted by the Company	Amount of deposits and guarantees provided by the Company	Dividends received by the Company during the fiscal year
	Gross	Net			
Subsidiaries					
French subsidiaries	119,156	119,156	0	0	0
Foreign subsidiaries	240,525	220,525	0	21,052	0
Total	**359,681**	**339,681**	**0**	**21,052**	**0**
Equity investments					
French associates	1,989,042	1,986,928	0	0	102,962
Foreign associates	79,424	70,106	21,853	0	0
Total	**2,068,466**	**2,057,034**	**21,853**	**0**	**102,962**
Grand total	**2,428,147**	**2,396,715**	**21,853**	**21,052**	**102,962**

Note 4 - Inventories and work-in-progress

(in EUR thousands)	12/31/2021			12/31/2020
	Gross	Impairment	Net	Net
Raw materials	258,560	-80,878	177,682	156,472
Work-in-progress	2,279,832	0	2,279,832	2,070,514
Semi-finished and finished goods	999,864	-207,107	792,757	812,516
Total	**3,538,256**	**-287,985**	**3,250,271**	**3,039,502**

Note 5 - Interest on assets

No interest is included in the value of inventories and work-in-progress.

Note 6 - Trade and other receivables

6.1. Details

(in EUR thousands)	12/31/2021			12/31/2020
	Gross	Impairment	Net	Net
Trade receivables				
Trade receivables	1,321,513	-66,187	1,255,326	920,101
	1,321,513	**-66,187**	**1,255,326**	**920,101**
Other receivables and prepayments				
Other receivables	317,470	0	317,470	355,147
Prepayments	1,003,901	0	1,003,901	356,632
Adjustment accounts	8,336	0	8,336	12,880
	1,329,707	**0**	**1,329,707**	**724,659**
Total	**2,651,220**	**-66,187**	**2,585,033**	**1,644,760**

The percentage of outstanding receivables not written-down at year-end is regularly monitored individually.

6.2. Aged debtor schedule

(in EUR thousands)	12/31/2021			12/31/2020		
	Total	Less than one year	More than one year	Total	Less than one year	More than one year
Trade receivables (1)	1,321,513	1,234,351	87,162	986,382	891,341	95,041
Other receivables	317,470	317,470	0	355,147	355,147	0
Prepayments (2)	1,003,901	980,583	23,318	356,632	300,295	56,337
Adjustment accounts	8,336	8,336	0	12,880	12,880	0
Total	**2,651,220**	**2,540,740**	**110,480**	**1,711,041**	**1,559,663**	**151,378**

(1) including receivables represented by commercial paper: EUR 14,993 thousand as of December 31, 2021 and EUR 18,744 thousand as of December 31, 2020.

(2) see Note 8.

Note 7 - Accrued income

Accrued income included in the following balance sheet items (in EUR thousands)	**12/31/2021**	**12/31/2020**
Receivables from equity investments	51	608
Trade receivables	589,617	409,188
Marketable securities	63	66
Cash at bank and in hand	1,047	987
Total	**590,778**	**410,849**

Note 8 - Prepaid expenses and deferred income

(in EUR thousands)	**12/31/2021**	**12/31/2020**
Operating income	1,757,072	515,822
Operating expenses (1)	1,003,901	356,632
(1) including income tax on unrealized capital gains	142,560	143,234

The increase in deferred revenue is primarily due to the alignment of the net sales, based on invoicing, with the transfer cycle of control related to the development services provided to the Rafale Export product customers.

The increase in prepaid expenses reflects the co-contractors part in the deferred revenue.

Note 9 - Difference in measurement of marketable securities

Marketable securities and cash instruments (in EUR thousands)	**12/31/2021**	**12/31/2020**
Marketable securities and cash instruments - gross balance sheet value (1)	2,024,426	826,188
Marketable securities and cash instruments - market value	2,404,461	1,208,988

(1) net of treasury shares (see Note 10).

Note 10 - Share capital and treasury shares

10.1. Share capital

The share capital stands at EUR 66,790 thousand and comprises 83,487,030 common shares with a par value of EUR 0.8 each as of December 31, 2021, Dassault Aviation shares having undergone a 10-for-1 stock split on September 29, 2021. At the same par value, the number of shares comprising the share capital is unchanged compared with December 31, 2020.

10.2. Treasury shares

Movements on treasury shares are detailed below:

(in number of shares)	2021	2020
Treasury shares as of January 1	**334,210**	**356,000**
Purchase of treasury shares	0	0
Cancellation of shares	0	0
Share-based payments	-24,080	-21,790
Treasury shares as of December 31	**310,130**	**334,210**

In order to ensure the comparability of the information, the data reported for treasury shares take into account the 10-for-1 stock split.

The 310,130 treasury shares held as of December 31, 2021 are allocated to potential performance share awards and to any liquidity contract to guarantee market activity.

10.3. Share-based payments

Performance shares were granted to corporate officers at the board of directors' meetings of February 26, 2020 and March 4, 2021 (the plan features are described in paragraph 5.5 of the directors' report).

A total of 24,080 performance shares were acquired by corporate officers on February 26, 2021, as the performance conditions set by the board of directors on February 26, 2020 had been achieved.

Shares granted and not yet vested are subject to performance conditions.

In order to ensure the comparability of the information, the data reported for the plans take into account the 10-for-1 stock split.

Grant date	Vesting period	Number of shares allocated	Number of shares delivered in 2021	Number of shares canceled (1)	Balance of performance shares as of 12/31/2021
02/26/2020	From 02/26/2020 to 02/25/2021	22,500	24,080	0	0
03/04/2021	From 04/03/2021 to 03/03/2022	27,000	0	0	27,000

(1) shares canceled in the event of partial or total non-achievement of performance conditions.

Note 11 - Identity of the consolidating parent company

	%
Groupe industriel Marcel Dassault (GIMD) 9, Rond-Point des Champs-Élysées - Marcel Dassault 75008 Paris	62.47%

Note 12 - Reserves

12.1. Reserves

(in EUR thousands)	12/31/2021	12/31/2020
Revaluation difference	4,136	4,136
Legal reserve	6,679	6,679
Retained earnings	3,025,487	2,952,034
Total	**3,036,302**	**2,962,849**

12.2. Revaluation reserves

(in EUR thousands)	Change in revaluation reserves			
	12/31/2020	2021 movements		12/31/2021
		Decreases due to disposals	Other changes	
Land	3,615	0	0	3,615
Equity investments	521	0	0	521
Total	**4,136**	**0**	**0**	**4,136**
Revaluation reserve (1976)	**4,136**	**0**	**0**	**4,136**

Note 13 - Statement of changes in equity during the year

13.1. Net income for the year

	2021		2020	
Accounting income				
In EUR thousands	364,323		175,761	
In EUR per share (1)	4.36		2.11	
Change in equity excluding net income for the year				
In EUR thousands	-1,959		2,275	
In EUR per share (1)	-0.02		0.03	
Dividends				
In EUR thousands	207,883	(2)	102,689	(3)
In EUR per share (1)	2.49	(2)	1.23	(3)

(1) the par value of Dassault Aviation shares was divided by 10 on September 29, 2021. In order to ensure the comparability of the information, the data reported for 2020 take into account the 10-for-1 stock split.

(2) proposed by the Board of Directors to the Annual General Meeting.

(3) dividends of EUR 102,308 thousand were paid for the year ended December 31, 2020, net of dividends on treasury shares.

13.2. Statement of changes in equity excluding net income for the year (in EUR thousands)

	Before allocation of 2020 earnings 12/31/2021	After allocation of 2020 earnings 12/31/2021
A -		
1. 2020 closing equity excluding net income for the year	3,297,313	3,297,313
2. 2020 net income before appropriation	175,761	
3. Appropriation of 2020 net income to net equity by the AGM		73,453
4. 2021 equity at opening	3,473,074	3,370,766
B - Additional paid-in capital, effective retroactively to beginning of 2021		**0**
1. Change in capital		0
2. Change in other items		0
C - (= A4 + B) Equity at 2021 opening		**3,370,766**
D - Changes during the year excluding 2021 net income		**-1,959**
1. Change in capital		0
2. Change in additional paid-in capital, reserves, retained earnings		0
3. Revaluation offsetting entries – reserve		0
4. Change in tax provisions and investment subsidies		-1,959
5. Other changes		0
E - 2021 closing equity excluding 2021 net income before AGM (= C + D)		**3,368,807**
F - Total change in equity in 2021 excluding 2021 net income (= E - C)		**-1,959**

Note 14 - Provisions

14.1. Provisions

(in EUR thousands)	12/31/2020	Allocations		Reversals		Other	12/31/2021
Regulated provisions							
For price increases	64,057	8,594	(3)	-17,629	(3)	0	55,022
Depreciation by derogation	64,575	19,664	(3)	-11,893	(3)	0	72,346
Realized gains reinvested	18	0	(3)	0	(3)	0	18
	128,650	**28,258**		**-29,522**		**0**	**127,386**
Provisions for contingencies and charges							
Operating	1,218,275	724,329	(1)	-293,966	(1)	0	1,648,638
Financial	0	0	(2)	0	(2)	0	0
Non-recurring	0	0	(3)	0	(3)	0	0
	1,218,275	**724,329**		**-293,966**		**0**	**1,648,638**
Provisions for impairment							
On intangible assets	0	0	(1)	0	(1)	0	0
On property, plant and equipment	9,115	2,610	(1)	-9,115	(1)	0	2,610
On financial assets	44,766	31,433	(2)	-44,612	(2)	0	31,587
On inventories and work-in-progress	294,902	287,985	(1)	-294,902	(1)	0	287,985
Trade receivables	66,281	66,187	(1)	-66,281	(1)	0	66,187
On marketable securities	2,574	2,813	(2)	-2,574	(2)	0	2,813
	417,638	**391,028**		**-417,484**		**0**	**391,182**
Total	**1,764,563**	**1,143,615**		**-740,972**		**0**	**2,167,206**

	{ - Operating	1,081,111	(1)	-664,264	(1)
Allocations and reversals	{ - Financial	34,246	(2)	-47,186	(2)
	{ - Non-recurring	28,258	(3)	-29,522	(3)
		1,143,615		**-740,972**	

14.2. Details of provisions for contingencies and charges

(in EUR thousands)	12/31/2020	Allocations	Reversals	Other	12/31/2021
Operating					
Retirement payments and related benefits (1)	209,820	38,664	-107,476	0	141,008
Early retirement	1,900	139	-299	0	1,740
Warranties (2)	879,700	131,000	-126,700	0	884,000
Other contract risks (2)	123,127	550,154	-55,763	0	617,518
Foreign exchange losses	3,728	4,372	-3,728	0	4,372
	1,218,275	**724,329**	**-293,966**	**0**	**1,648,638**
Financial					
Other	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
Non-recurring					
Other	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
Total provisions for contingencies and charges	**1,218,275**	**724,329**	**-293,966**	**0**	**1,648,638**

(1) provisions for retirement payments and related benefits:

Retirement payment commitments are calculated for all employees using the projected unit credit method. They are provisioned in full for the remaining obligations.

Employment projections are weighted using French insurance code mortality rates and the recorded employee turnover rate (this may vary according to age). The obligation depends on the employee's length of service at the end of the period relative to total career expectancy (see Note 1.2.8 of the valuation principles).

The calculation takes into account the following annual assumptions: salary increase of 3.89% and discount rate of 1.0%.

The application of the ANC 2013-02 recommendation dated on November 7, 2013 and updated on November 5, 2021, relative to the attribution of post-employment benefits to periods of service, had no material impact on the Company financial statements. The impacts were recorded to P&L.

As of December 31, 2021, the balance of the provision for long-service awards was EUR 3.4 million.

(2) provisions for warranties and other contract risks:

Provisions are updated to reflect changes to the fleet in service, deliveries during the period and contractual obligations induced by the execution of contracts.

Note 15 - Borrowings and financial debt

(in EUR thousands)	12/31/2021	12/31/2020
Bank borrowings	0	0
Other borrowings and financial debt (1)	97,043	119,754
Total	**97,043**	**119,754**

(1) as of December 31, 2021 and December 31, 2020, other financial debt mainly includes locked-in employee profit-sharing funds.

There are no participating loans.

Note 16 - Maturity of borrowings

(in EUR thousands)	Total	Less than one year	Between 1 and 5 years	More than 5 years
Bank borrowings (1)	0	0	0	0
Other borrowings and financial debt (1)	97,043	11,729	85,229	85
Trade payables (2)	985,523	985,523	0	0
Tax and social security liabilities	267,450	267,450	0	0
Liabilities on fixed assets and related accounts	21,514	21,514	0	0
Other liabilities	108,546	108,546	0	0
Total	**1,480,076**	**1,394,762**	**85,229**	**85**

(1) see Note 15.

(2) including liabilities represented by commercial paper: EUR 75,786 thousand.

Note 17 - Other liabilities, cash instruments, accruals and deferred income

(in EUR thousands)	12/31/2021	12/31/2020
Tax and social security liabilities	267,450	249,472
Liabilities on fixed assets and related accounts	21,514	26,944
Other liabilities	108,546	68,742
Deferred income (1)	1,757,072	515,822
Accruals and deferred income	7,038	9,152
Cash instruments	6,056	3,079
Total	**2,167,676**	**873,211**

(1) see Note 8.

Note 18 - Accrued expenses

Accrued expenses included in the following balance sheet items (in EUR thousands)	12/31/2021	12/31/2020
Borrowings and financial debt	57	108
Trade payables	545,229	374,316
Other payables and deferred income	282,350	202,217
Total	**827,636**	**576,641**

Note 19 - Notes on affiliated companies

All affiliated company transactions were concluded under normal market conditions.

Note 20 - Net sales

(in EUR thousands)	2021	2020
A) By product:		
Finished goods	4,988,468	3,840,459
Services	1,369,197	976,046
Total	**6,357,665**	**4,816,505**
B) By geographic region:		
France	746,383	569,769
Export (1)	5,611,282	4,246,736
Total	**6,357,665**	**4,816,505**

(1) the net sales from Rafale Export contracts are recognized on a gross basis (including the co-contractors parts).

Note 21 - Research and development costs

Research and development costs are recognized as expenses for the period in which they are incurred and represent:

(in EUR thousands)	2021	2020
Research and development costs	-530,821	-518,154

The Company's research and development strategy and initiatives are described in the directors' report.

Note 22 - Net financial income/expense

(in EUR thousands)	2021	2020
Investment income (1)	103,382	21,701
Income from other securities and assets	22	22
Other interest and similar income	4,562	8,540
Reversals of provisions for equity investments	20,000	0
Reversal of provisions for other investment securities	24,612	8,011
Reversals of provisions for marketable securities	2,574	75
Financial income	**155,152**	**38,349**
Allocations to provisions for equity investments	-20,000	-20,000
Allocations to provisions for other investment securities	-11,433	-24,612
Allocations to provisions for marketable securities	-2,813	-2,574
Interest and similar expenses	-215	-1,301
Net losses on sales of marketable securities	-1,621	-4,557
Financial expenses	**-36,082**	**-53,044**
Net financial income/expense	**119,070**	**-14,695**

(1) in 2021, Thales paid the Company EUR 71,443 thousand in dividends for fiscal year 2020 and EUR 31,519 thousand in interim dividends for fiscal year 2021. In 2020, Thales paid EUR 21,013 thousand in interim dividends for fiscal year 2020 and did not pay the balance of the dividends for fiscal year 2019.

Note 23 - Non-recurring items

(in EUR thousands)	2021	2020
Gains on sales of assets		
- Property, plant and equipment	38,203	577
- Financial assets	0	1,116
	38,203	**1,693**
Other non-recurring income	**539**	**22**
Reversals of regulated provisions		
- For price increases	17,629	10,458
- Depreciation by derogation	11,893	10,954
	29,522	**21,412**
Non-recurring income	**68,264**	**23,127**
Non-recurring expenses on operating activities	**0**	**-11**
Carrying value of assets sold		
- Property, plant and equipment	-37,824	-24,490
- Financial assets	0	-3,099
	-37,824	**-27,589**
Other non-recurring expenses	**-230**	**-280**
Allocations to regulated provisions		
- For price increases	-8,594	-9,742
- Depreciation by derogation	-19,664	-13,975
	-28,258	**-23,717**
Other non-recurring provisions	**0**	**0**
Non-recurring expenses	**-66,312**	**-51,597**
Non-recurring items	**1,952**	**-28,470**

Note 24 - Analysis of corporate income tax

(in EUR thousands)	Income before tax	Corporate income tax	Income after tax
Current income	610,616	-158,643	451,973
Non-recurring items (including profit-sharing and incentive schemes)	-106,410	18,760	-87,650
Net income	504,206	-139,883 (1)	364,323

(1) including Research Tax Credit: EUR 32,890 thousand.

Note 25 - Off-balance sheet commitments

The Company's off-balance sheet commitments essentially concern its operating activities and break down as follows:

Commitments given (in EUR thousands)	**12/31/2021**	**12/31/2020**
Commitments in connection with the performance of operating contracts	9,968,868	10,050,523
Guarantees and deposits	21,052	59,479
Commitments secured by bank guarantees	1,770,381	1,021,551
Total	**11,760,301**	**11,131,553**

Commitments received (in EUR thousands)	**12/31/2021**	**12/31/2020**
Backlog	19,481,463	14,742,600
Other commitments in connection with the performance of operating agreements	1,633,129	1,633,129
Collateral	60,335	61,373
Bpifrance Assurance Export guarantees	14,243	17,807
Commitments secured by bank guarantees	20,331	23,675
Total	**21,209,501**	**16,478,584**

Operating leases (in EUR thousands)	**Total**	**Within 1 year**	**More than 1 year**
Minimum future payments not subject to cancellation (not discounted)	**48,637**	20,374	28,263

The Company's main operating leases concern industrial office buildings.

Note 26 - Contingent assets and liabilities

There are no contingent assets or liabilities as of December 31, 2021.

Note 27 - Financial instruments: dollar foreign exchange transaction portfolio

Dassault Aviation is exposed to a foreign exchange risk on its Falcon sales that are almost all denominated in US dollars. This risk is partially hedged by using forward currency contracts and foreign exchange options.

The financial instruments held by Dassault Aviation are valued below at market value.

Market value represents the amounts received or paid in the event of total liquidation of the portfolio; the equivalent in euros is calculated on the basis of the closing US dollar/euro exchange rate. This is not representative of the actual gain/loss which will be recognized when the transactions are made.

The market value of the portfolio is therefore provided for information only. All derivatives subscribed by the Company are for hedging purposes. The subscribed options are derivatives with an optimization component without additional risk taking.

	12/31/2021		12/31/2020	
Market value	In USD thousands	In EUR thousands	In USD thousands	In EUR thousands
Foreign exchange options	-8,242	-7,277	27,397	22,327
Forward transactions	-83,099	-73,370	71,680	58,414
Total	**-91,341**	**-80,647**	**99,077**	**80,741**

Sensitivity testing of foreign exchange derivatives

A sensitivity analysis was conducted to determine the impact of a 10 cent increase or decrease in the US dollar/euro exchange rate.

Market value of the portfolio (in EUR thousands)	**12/31/2021**	
Market value	-80,647	
Closing US dollar/euro exchange rate	1.1326	
Closing US dollar/euro exchange rate +/- 10 cents	1.2326	1.0326
Change in net balance sheet position (1)	+148,820	-182,076

(1) data calculated based on existing market conditions on the balance sheet dates. They are not representative of the actual gain/loss to be recognized when hedging is conducted.

Note 28 - Impact of tax valuations by derogation

(in EUR thousands)	**12/31/2021**	**12/31/2020**
Net income for the year	364,323	175,761
Income tax	139,883	-34,285
Income before tax	**504,206**	**141,476**
Depreciation by derogation	7,771	3,021
Provision for price increases	-9,035	-716
Change in regulated provisions	**-1,264**	**2,305**
Net income excluding tax valuations by derogation (before tax)	**502,942**	**143,781**

Note 29 - Increases and reductions in deferred tax

(in EUR thousands)	12/31/2021	12/31/2020
Regulated provisions:		
- For price increases	55,022	64,057
- Depreciation by derogation	72,346	64,575
- Realized gains reinvested	18	18
Basis for increases	**127,386**	**128,650**
Increases in deferred tax	***36,190***	***41,194***
Items not deductible in the current year:		
- Employee profit-sharing	88,362	47,990
- Retirement payments and related benefits	136,296	205,103
Other temporary timing differences	971,029	738,619
Basis for reductions	**1,195,687**	**991,712**
Reductions in deferred tax	***339,695***	***317,546***
Long-term capital losses	0	0

Tax rate at December 31, 2021 of 28.41% compared with 32.02% as of December 31, 2020.

Note 30 - Compensation of corporate officers

Total compensation received by corporate officers, as detailed in the Board of Directors' report on corporate governance, amounted to EUR 5,890,863 for 2021.

Note 31 - Average headcount

The Company's average headcount was 8,731 in 2021. It was 8,811 in 2020.

Note 32 - Financial summary over the last five fiscal years

Nature of information (in EUR thousands except for point 3, stated in EUR/share)	2017	2018	2019	2020	2021	
1/ Financial position at year-end						
a. Share capital	66,495	66,790	66,790	66,790	66,790	
b. Number of shares outstanding (1)	83,119,210	83,487,030	83,487,030	83,487,030	83,487,030	
2/ Summary of operating results						
a. Net sales, excluding tax	4,184,368	4,398,911	6,976,456	4,816,505	6,357,665	
b. Earnings before tax, depreciation, amortization and provisions	513,312	734,937	929,034	81,763	989,954	
c. Corporate income tax	68,912	158,003	194,812	-34,285	139,883	
d. Earnings after tax, depreciation, amortization and provisions	309,500	442,438	490,290	175,761	364,323	
e. Dividends paid (2)	127,172	176,993	0	102,689	207,883	(3)
3/ Earnings per share in euros (1)						
a. Earnings after tax, but before depreciation, amortization and provisions	5.35	6.91	8.79	1.39	10.18	
b. Earnings after tax, depreciation, amortization and provisions	3.72	5.30	5.87	2.11	4.36	
c. Dividend paid per share	1.53	2.12	0	1.23	2.49	(3)
4/ Personnel						
a. Average number of employees during the year	8,155	8,108	8,563	8,811	8,731	
b. Total wages and salaries	475,416	492,506	517,276	514,106	539,291	
c. Social security and other staff benefits	250,896	266,212	288,862	265,718	293,254	
5/ Employee profit-sharing	**74,019**	**110,835**	**127,306**	**47,990**	**88,362**	
6/ Incentive payments	**20,000**	**20,000**	**20,000**	**16,909**	**20,000**	

(1) the par value of Dassault Aviation shares was divided by 10 on September 29, 2021. In order to ensure the comparability of the information, the data reported for previous years take into account the 10-for-1 stock split.

(2) dividends of EUR 102,308 thousand were paid for the year ended December 31, 2020, of EUR 176,238 thousand for the year ended December 31, 2018, and of EUR 126,604 thousand for the year ended December 31, 2017, net of dividends on treasury shares. Due to the pandemic, no dividends were paid for 2019.

(3) proposed by the board of directors to the annual general meeting, subject to the dividend not paid to treasury shares at the time of payment.

Note 33 - Subsequent events

The conflict between Russia and Ukraine has no material impact on the financial statements as of December 31, 2021.

No other events likely to have a material impact on the financial statements occurred between December 31, 2021 and the date the financial statements were approved by the Board of Directors.

Statutory auditors' report on the financial statements

Year ended December 31, 2021

To the General Meeting of Dassault Aviation Company,

Opinion

In compliance with the engagement entrusted to us by the annual General Meeting of Dassault Aviation, we have audited the accompanying financial statements of Dassault Aviation Company for the year ended December 31, 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2021 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules stipulated in the French Commercial Code and in the French Code of Ethics (Code de Déontologie) for statutory auditors, for the period from January 1, 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 paragraph 1 of Regulation (EU) No 537/2014.

Observation

Without qualifying the opinion expressed above, we draw your attention on the impact of the first application of ANC 2013-02 recommendation amended on November 5, 2021 relative to the attribution of rights post-employment benefits described in note 14.2 to the annual financial statement.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

In this complex and changing context and in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement taht, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

<table>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td>
Accounting for the result to be recognized on Defense contracts and related provisions

(Notes 1.2 .8, 1.2.11, 14.2 and 20 to the annual financial statements)

As described in note 1.2.11, the profit or loss at completion on Defense contracts, as well as any provision for losses on completion and provisions for risks and charges at the closing date depend on the capacity of the entity:
• to measure the costs incurred on a contract, and
• to reliably estimate the costs yet to be incurred until the end of the contract.

The estimates of the costs to be incurred are based on a program monitoring process ensured by the Programs Department and Finance Department under the control of the Executive Management. The estimates of profit or loss at completion of the contracts are updated at each closing date.

Accounting for the result to be recognized of Defense contracts is seen as a key point of the audit because of the high level of judgment and of estimates required to determine the methods on the recognition of profit or loss at completion of contracts, and consequently, their potentially significant impact on consolidated profit and loss and equity.
</td><td>
Based on discussions with the relevant Operational Departments, we took note of the procedures to identify the costs and valuation of margins at completion. We also tested the functioning of internal key controls that we considered relevant to our audit

Our work consisted of:
• testing controls relating to net sales and cost to be incurred forecasts with respect to contracts;
• conducting interviews with program monitoring managers and carry out tests on sampled documents for a selection of the contracts that contributed most to the results of the period, in order to:
  ○ confirm the performance of the contract benefits when the revenue is recognized upon completion;
  ○ test the costs incurred and thus corroborate the applied degree of progress when the revenue is gradually recognized;
  ○ appreciate the reasonability of significant assumptions used for the determination of results at completion and of provision for risks and charges, then test by sampling observed data and costs retained for the valuation of provisions as well as for the calculations made.
• reconciling the accounting data with their operational analytical monitoring for these contracts;
• verifying the correct analytical allocation of costs to contracts;

For a selection of contracts, for which there was a significant change in the estimated results at completion compared with previous estimates, we sought to explain the origin of the changes observed in order to corroborate these with technical and operational justifications for the basis of our experience and interviews with the relevant management.
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<table>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td>
Valuation of warranty provisions

(Note 1.2.8 and 14.2 to the annual financial statements)

Dassault Aviation provides warranties for its aircraft deliveries against hardware or software defects and is required to remedy any regulatory non-compliance identified after the delivery of the necessary equipment. These warranties therefore constitute a commitment for Dassault Aviation. The costs of this commitment must be accrued upon delivery of the airplane.

The estimated amount of the provisions is based on the data and expenses recorded by airplane model and type of transactions taken as collateral and on estimated costs, in particular cost estimates for specialists, handling of malfunctions and regulatory non-compliance. Given the fleet in service and the variety of costs potentially incurred, warranty provisions are determined by complex models that involve the judgment of several Operational Departments.

Management’s valuation of these commitments caused Dassault Aviation to recognize warranty provisions of EUR 884 million as at December 31, 2021.

The valuation of these provisions is a key point of the audit due to:

the level of judgment required for their determination,
the complexity of their valuation,
their significant amount,
and, consequently, the potentially significant impact on earnings and equity if their estimates vary.

</td><td>
Based on discussions with the relevant operational departments, we took note of the procedures to identify the risks to be guaranteed and the procedures put in place to determine the costs and other data used as a basis for the valuation of provisions for guarantees. We also tested the functioning of key internal controls that we considered relevant to our audit.

In addition, our work consisted of:

assessing the adequacy of the accruing methodology used by the Dassault Aviation’s management and of the judgments exercised by it,
assessing, through discussions with the relevant operational departments, the reasonableness of the assumptions used to determine provisions for guarantees,
testing by sampling the observed data and costs used for the valuation of the provisions and the calculations made.

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Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents provided to shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to shareholders with respect to the financial position and the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors report on corporate governance sets out the information required by Articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code relating to remunerations and benefits received or attributed to the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Concerning the information related to factors that your company have considered as likely to have an impact in case of a public takeover or swap bid, given in accordance with the requirements of Article L.22-10-11 of the French Commercial Code, we have verified its conformity with the source documents which we were provided. Based on this work, we have no remarks to make on this information.

Other Information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Other verification or information stipulated in Legal and Regulatory documents

Annual accounts lay-out to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the responsibility of the Group Managing Director, complies with the single electronic format defined in the European Delegated Regulation n° 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Dassault Aviation Company by the General Meeting held on June 19, 1990 for cabinet Mazars and held on May 12, 2020 for cabinet PricewaterhouseCoopers Audit.

As at December 31, 2021, audit firm Mazars and audit firm PricewaterhouseCoopers Audit were in the 32nd year and 2nd of total uninterrupted engagement respectively.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit.

Furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee that includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement which, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N°537-2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics (Code de Déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 11, 2022

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Edouard Demarcq	Mathieu Mougard

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report also includes information relating to the specific verifications of information given in the management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.