Dassault Aviation
2022 First half-year results

20 July 2022

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

PRESS CONFERENCE
JULY 20, 2022

Éric Trappier
CEO

Good afternoon. Welcome to this press conference on the half yearly accounts for the first half of 2022. Welcome to all those who are here and those who are connected online. And as usual, we're going to begin with a film summarizing the events of this first half of 2022.

Video Speaker

The Rafale chosen by the United Arab Emirates to equip their air forces in December, our CEO, Éric Trappier, signed a contract in Dubai for the supply of 80 Rafale aircraft to the UAE Air Force. The signing took place in presence of the President of the Republic, Emmanuel Macron, and Sheikh Mohamed bin Zayed Al Nahyan, then Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE armed forces. It is the largest contract in Dassault Aviation's history. Its effective date was announced on 19th of April 2022. It is the result of more than 45 years of trust between the UAE and our company through The Mirage family, and in particular The Mirage 2009 [ph 00:01:23].

It is yet another demonstration of the excellence of the Rafale and the French aviation industry. The Rafale demonstrates its versatility, efficiency and reliability daily in many theatres of operation. It continuously integrates feedback from the armed forces and the latest innovations to stay at the cutting edge of technology.

The French Ministry of the Armed Forces, Directorate of Aeronautical Maintenance, has awarded the Dassault Aviation a new generation contract, Balzac, to support the French Air and Space Forces' Mirage fleet. This follows from the Ravel [ph 00:02:00] contract which guarantees excellent Rafale availability for the armed forces. Covering a period of 14 years, this verticalized contract includes all through life maintenance activities for the French Mirage 2000, excluding the engine and the ejection seat.

On January 19, six Rafales flown by the Greek Air Force's crews, took off from an east side to the Tanagra Air Base. Our CEO was a guest at the ceremony, presided over by the Greek Prime Minister. The entry into operational service for these first six Rafales in the Hellenic Air Force 332 [ph 00:02:33] Squadron clearly demonstrate the strong partnership between France and Greece, just one year after the signature of the contract for 18 aircraft.

On March the 24th, the CEO and the Greek Defence minister signed a new contract for six additional Rafales in Athens in the presence of the French Minister of the Armed Forces. This will bring the number of Rafales operated by the Hellenic Air Force to 24. This year, two Greek Rafales also took part in the traditional 14th of July parade. Among [? 00:03:05] a total of 44 Dassault aircraft mobilised for this national day.

In late January, Dassault Aviation attended the second edition of *La Fabrique Défense* trade show in Paris alongside GIFAS and the French aerospace [? 00:03:16]. For three days, defence and industry

professionals gave a large number of young people the chance to discover the challenges of defence and to find vocations, training opportunities, and professions for their future.

On February the 3rd and 4th, Dassault Aviation took part in the Aviation Summit in Toulouse, an event which was organised as part of French presidency of the European Union. We showcased the Falcon [? 00:03:42], operational, our combined vision system for optimising approaches to demonstrate how improving flight operations can reduce carbon emissions.

The company has been contributing for numerous years to the European Clean Aviation and CESAR [ph 00:03:57] Environmental Research programme as well as Corac [ph 00:03:59] in France.

On February the 10th, Éric Trappier and Air Vice Marshal Yusuf Jauhari, Head of Defence Facilities Agency for the Indonesian Defence Ministry, signed a contract in Jakarta for the purchase of 42 latest generation Rafale aircraft in the presence of French Defence Minister, Florence Parly. Once the contract comes into effect, Indonesia will become the eight country to purchase a Rafale and the seventh international customer and the first country having never had a Dassault aircraft to acquire new Rafales.

The contract for the supply of 20 MALE Eurodrone systems, i.e. 60 aircraft and their support for five years, was signed at the end of February by OCCAR and Airbus Defence and Space, which is the prime contractor for the programme. Dassault Aviation is one of the first three main subcontractors. It is specifically responsible for flight controls and mission communications.

The CASAC research and training chair were set-up in 2016 under the impetus of Dassault Aviation and the ISAE-SUPAERO Foundation with the aim of rethinking the relationship between cruise [ph 00:05:09] and the systems used in aviation. The initial results have been promising and we have renewed our partnership for an additional three years.

The Dassault team has won the *Course du Coeur* race in support of organ donation for the second year running. 850 kilometres from Paris to Les Arcs are covered in four days and four nights in the spirit of cohesion and solidarity. It's a sporting success and, above all, a human achievement, without, of course, forgetting the core message, which is to promote organ donation.

In 2022, as in 2021, Dassault Aviation was designed on one of the Europe climate leaders by The Financial Times. This ranking acknowledges the 400 European companies having made the most significant reforms to reduce the intensity of their greenhouse gas emissions. The method used for this year's ranking was even stricter than that used previously. We are one of the five aerospace and defence companies to be present in this ranking.

Dassault Aviation has moved up this year in the Universum 2022 ranking for most attractive employer for engineer school students, all fields combined [ph 00:06:18]. Dassault Aviation is positioned fourth amongst the top 100 most attractive employers, which is one of the best positions we've ever had. For the past decade our company has appeared consistently as one of the top ten companies preferred by engineer school students.

The EBACE Convention exhibition took place in Geneva for May 23rd to 24th. The first time we set-up a full scale Falcon 10X [ph 00:06:44] cabin at our exhibition booth. This attracted numerous visitors, all impressed by the new aircraft’s interior and the quality of design. We were present able to present the Falcon 6X for the first time to customers and the press, exhibited in the static display along the 8X and the 2000LXS. At the press conference, Éric Trappier confirmed that all the technical steps for the 6X required for certification are going as planned. The CEO has also explained that given the pressure

placed by the COVID epidemic on the company and our partners and suppliers, Dassault has taken the reasonable decision to postpone the 6X launch by six months - now scheduled for mid-2023.

The Falcon 6X first production has completed a world tour with its team of onboard engineers and technicians. This summer the 6X will be facing the hot Middle East weather. Then it will fly low altitude routes over the desert to test the peak efficiency of the environmental control system. This follows on from the extreme cold tests which were carried out last year in Iqaluit in Canada where the aircraft was tested at minus 37 degrees Celsius. The first customer aircraft are currently being finalised at our Little Rock facility in Arkansas.

For over 20 years, Dassault Aviation has been a close partner of the *Les Chevaliers du Ciel* association, organising the '*Rêves de gosse*' initiative, aimed at realising the dreams of disabled children. A nine-stop aerial tour is organised to promote inclusion and acceptance of differences by giving ordinary and extraordinary children battered by life or illness and opportunity to meet. With the help of volunteer crews, the association is able to offer about 1,500 children a first flight.

On the occasion of various site visits carried out in the first half of the year, Éric Trappier and [? 00:08:39] were able to check the progress on the Dassault Aviation Transformation Plan. On June 28th, the CEO visited Mérignac, where he enjoyed the exciting presentations at the New Generation Science Day organised simultaneously in Saint-Cloud, Istres and Mérignac by the *Direction Générale Technique.* Éric Trappier witnessed the latest lab development, in particular the 10X wings mounted on test equipment and the conditioning laboratories.

While on the same trip, the CEO presided over a ceremony in honour of the martyrs of the aeronautics industry in front of the statue [ph 00:09:17] dedicated to the memory of workers and members of the resistance who died or who were shot or deported during the Second World War.

Today at our own level we're striving to ensure that France continues to keep control of its destiny with powerful tools that will guarantee its freedom of decision and action. In a troubled world, we refuse subjection and withhold our spirit of resistance to defend the independence of our country and its armed forces. This is not always understood. Nevertheless, it is undoubtedly a major feature of a corporate culture which has been transmitted to us by Marcel and Serge Dassault, and by all those memories engraved on this [? 00:09:54].

On July the 8th, General Stéphane Mille, Chief of Staff of the French Air and Space Force and our CEO, Éric Trappier, inaugurated the [? 00:10:10] to the Rafale 70 Years of Industrial and Operational Excellence Exhibition. An example of each of these aircraft will be on display throughout the summer in front of the prestigious *Hôtel National des Invalides* in Paris; an opportunity to remind ourselves that the Rafale is the result of 70 years of technological achievements in French jet fighters and that it was begun with [? 00:10:29].

Les Invalides is one of the greatest symbols of military prowess, a field in which aviation has secured a prominent place in times of war. It cannot accomplish everything, but nothing can be accomplished without it. There can be no modern and efficient army without combat aircraft.

And at the same time there cannot be combat aircraft without an efficient industry. Jet fighters are the human achievement that concentrates the most critical technologies in such a small volume. It is so complex that only three or four countries in the world, including France, currently have the knowhow to master and build a combat aircraft with no outside help. Mastering this complexity is a slow learning process, a process of cumulation, maturation, and knowledge transfer from one generation to the next.

You cannot cut corners. We were able to develop the Rafale before we had already succeeded with Mirage 2000, and this was possible thanks only to the Mirage F1 and [? 00:11:32]. Aviation is an industry shaped by cumulative experience. You cannot become an aircraft manufacturer overnight.

SLIDE MAIN TITLE

Éric Trappier
CEO

So, after these beautiful pictures, we're going to present the results.

First of all, a few highlights. The highlights for the first half is a record-breaking order intake with the export Rafales and especially those of the UAE, AT, Greece for six additional aircraft and a strong recovery of Falcon orders with 41 Falcon ordered this first half.

HIGHLIGHTS

At the same time, the new difficulty is the difficulty because of the crisis you have gone through, this creates a certain complexity in the supply chain, and the shortage of workforce that we can see in our company and in all the companies that contribute to the building of our aircraft.

CONTEXT 1/3

The context. You know about the context. It's a difficult context between Russia and Ukraine with the war in Russia, a global health crisis that is still persisting. Although we thought that the COVID was behind us, actually at the beginning of this year, in January, we were still hit. We went back to working from home. Some countries closed their borders, like China, and there was a re-emergence of the virus. And it still is the case now.

The presidential elections in France, with the re-election of President Macron, the Legislatives that didn't give any majority to any party, and so a new formula in the Fifth Republic in terms of our government. These crises created high inflation that you can see today, and this might remain at this very high level, and so we're beginning to see signs of concerns about growth and our supply chain is under pressure.

It has started again with our Rafale and Falcon successes, but also with the recovery of Airbus. So the ramp-up is once again the topic and after two years of whatever might happen in France, this intensive going back to work is difficult, especially since we have shortages in terms of our resources and energy is also going to weigh on this issue, in terms of our supply chain and socially also because of inflation. So therefore we have a very complex environment.

CONTEXT 2/3: DASSAULT AVIATION FACING THE UKRAINIAN CRSIS

As for the Ukraine crisis, sanctions have been decided by the EU and by the United States and by other countries. So we complied with these sanctions, and we implemented in Dassault and for our subcontractors the whole issue related to these sanctions. So, this means freezing all our plants in Russia. We had an office in Moscow in the civil area for our Falcons. We had a subsidiary of Dassault Falcon services to support our Falcon aircraft locally, falcons that are operating in Russia therefore, and we stopped and seized all our commercial activities, our sales of aircraft to that country. There are some counter-sanctions also in certain areas that have affected us and our supply chain.

CONTEXT 3/3: SUPPLY CHAIN RISKS

Now, the risks of our supply chain, the crisis in 2020 because of the COVID - this continued until 2021 - The crisis in Russia and Ukraine, and a new supply chain that had to be installed. Strong risk in our electronic components because of the COVID crisis, and if there was an extension of the crisis in other areas in the globe, we all have trouble finding electronic components. And this is a major concern.

Of course we've taken a certain number of measures, and as you might have seen last week, the President launched and increased the manufacturing and development capacity of STMicroelectronics with the Franco-Italian partnership. So, the outlooks are favourable for the company. When you look at the orders historically, they're quite strong. So, we'll have to increase our pace and ramp up. And the supply chain is still concerning us. We are keeping a close eye on it thanks to the control towers that we have set-up at Dassault and at the GIFAS.

RAFALE EXPORT

As for our programmes, the Rafale and other contracts were signed last year, but they were implemented in April this year, so this would ensure workload until 2031 for our factories. Greece has ordered six more Rafales. Indonesia has signed two contracts; 36 aircraft. They are still not enforced, so we're waiting for this enforcement this year and we are executing and delivering seven export Rafales. And the guidance for the year is to deliver 13 Rafales in 2022. We have a lot of prospects with whom we are discussing, and these are additional promising contracts for the years to come.

RAFALE FRANCE

Now we're going to continue the development of work in France on our F4 standard, which is the armed forces standard for the UAE and for France, the launch of the productivity works to allow Batch 5 contracts for 2023; around 42 aircraft. We’re thinking with France about a war economy because the President talked about the war economy.

We are talking about this with the Ministry of Armed Forces to see what that would mean for us industrialists. On the whole, and on a case per case basis – so this is generic work that we are beginning to do – and we will see this in the future French military programme law that was announced last week by the President.

MILITARY SUPPORT

So, military support, as you've seen in the film. And before talking about the support for the Mirage 2000, we are delivering the retrofits of Mirage 2000D. The Mirage 2000D will keep flying together with the Rafale aircraft air/air and air/ground improvements. Ravel for Rafale, or ATL 2 for Ocean, and Balzac contract for the Mirage 2000D but also for the other Mirage 2000 that will still be flying in the coming years.

For the export support for our fleets and all the service platforms that we're setting up to improve the support and be as close as possible to our clients for all the Rafales that were delivered to four countries - Egypt, Qatar. India and Greece. Our training centre in Mérignac is still running, especially now, to train pilots and Greek mechanics who have bought the Rafale.

FUTURE COMBAT AIR SYSTEM (FCAS)

Future Combat Air System launched in February 2020. Phase 1 work was completed at the beginning of the year. We are waiting for the contractualisation of the Phase 1B after Phase 1A. This contract should have been signed at the end of last year or before the end of 2021, and we encountered a few interpretation difficulties of what 'prime contractor' means between Dassault and Airbus, and we are still at that point right now.

EURODRONE

Eurodrone, as we saw in the film, the contract was signed by UCAR [ph 00:20:03] to Airbus. Airbus is a prime contractor. Dassault will be the subcontractor. That's not a problem for us, and we're working with Thales on the communication system within this framework and on the control systems of the Eurodrone.

MISSION AIRCRAFT

Falcon mission aircraft. Four Falcons were ordered by the Southern Korean Republic. This will become surveillance maritime aircraft. And the Albatros, this is being developed. There are seven aircraft. And Archange, the military aircraft with two aircraft in backlog after the Gabriel [ph 00:20:51]. Maritime patrol aircraft. We will deliver the fifth aircraft, there's still more to be delivered and we're thinking about what could be the future maritime surveillance system in France. And we have a Falcon 10X that we will give to the DGA as a pre-study in the coming weeks.

FALCON

As for the Falcon, as I was saying at the beginning, sales are picking up; 41 deliveries. This figure is slightly higher actually because we've cancelled the aircraft ordered from Russia in accordance with the clients since we won't be able to deliver them. So therefore, a very good number of Falcon orders. The market is very buoyant, especially in Europe and in the United States.

We are enriching the range, but the end of the development of the 6X, the programme is running well, and I'll have the opportunity to talk about this again. And we're still working with other partners on the development and the use of technologies to reduce the carbon footprint of business jets and especially the use of the SAF; whether they're green or the future SAFs, the alternative ones, the open ones which are synthetic so that we can really reduce therefore, by 50%, the consumption of the existing aircraft and we will go beyond with the future aircraft.

But of course the reservation is that these SAFs have to be produced according to the right quantity and distributed to the airports. These SAFs will cost a little more than kerosene but we, in-house – Dassault and our business jet [ph 00:22:45] clients - are ready to pay a little more for the use of these aircraft with fuels that will have less carbon in them.

FALCON

So, this is the range, the Falcon range. Falcon 2000 – 4,000 nautical miles [ph 00:23:06] – to the 10X. You have the 6X at 5,500 nautical miles. The 8X – 6,500 nautical miles. 7X, slightly under. And the older ones, the Falcon 900, which is still being sold with a range of 4,750 nautical miles.

FALCON 6X

The 6X was entered into service, as we said, at the EBACE business show. We had a lot of difficulties because of the COVID crisis and therefore we were a bit behind schedule. We would rather take more

time to make sure that we have the certification and the capacity to deliver the first aircraft. So the commissioning was put off to mid-2023 when it was actually planned beforehand to the beginning of 2023. The aircraft is finalising a world tour. It has gone round the world almost. It has gone through Asia, the United States, Europe. It's a world tour that allows us to show the aircraft to our clients on the spot and to test the aircraft in operational conditions, so with an entire crew on board that can see all the defects because this aircraft is very young.

And so we are still ramping up our industrial pace. We have the first aircraft that are being prepared at Little Rock for completion. The cabin, which is a very space spacious cabin - you saw a few pictures in the film - was awarded for its design by several organisations and this is a real success for us, and I hope that our clients really appreciated the flight.

FALCON 10X

Falcon 10X, we are still developing it. Servicing will be at the end of 2025 with a wide range [ph 00:25:18]. So, this is an ultra-long range aircraft. We are developing a new cockpit. We have a technology and innovations centre. All this was presented. The cabin; we are really insisting on that in terms of comfort because these are long flights, because it's an ultra-long range aircraft, and the design has already received a certain number of awards thanks to the mock-ups of size one that we have manufactured and that we're taking around the world so that our future clients might realise how pleasant it is and how efficient this cabin is once this aircraft will be flying.

The state of the programme - we finished the wind tunnel test. We have produced the first parts of the Falcon 10X. The development of the Pearl10X engine is taking place well with 1,000 test hours. So therefore we are quite satisfied with this development. But of course, it's a very ambitious plan and the COVID issues have stopped us from working as we usually do, with an integrated platform in Saint Cloud before each one goes back to his company to carry out the ad hoc developments. So all the difficulties in 2020/2021 can be felt on our programme. But we're still ambitious and we are sticking to this schedule for late 2025.

FALCON AFTERSALE

The Falcon aftersale, Falcon support. We've gone round with our in-person seminars and our clients can be informed about the latest in terms of support, the possibility to improve, to optimise the Falcon flights. So, a lot of publications that we carry out, but it's easier to explain all that when the clients are there in presence. So all this is very popular. And the fact that we can reorganise these seminars, we can meet our clients again, therefore.

We are developing a global SAP for global management. You know we had one in France for the eastern part of the world and another one in the United States in our subsidiary, Dassault Falcon Jet in the United States, and the whole of the US, Canada, and Southern America. We've done that to facilitate the life of our clients. It’s not easy to merge two existing subsidiaries, so we met a few difficulties that bothered our clients, but now we're correcting all of that. There are some good things, and sometimes there are difficulties, and we should be able to talk about that.

The Service Centre network suffered because of the COVID, and part of this network is suffering because of the Russian crisis because a certain number of Russian aircraft were supported in Switzerland by our subsidiary, Tag Maintenance Services. So, now it is still a difficulty because they haven't gone back to the level of activity that they had in 2019.

ORDER INTAKES, DELIVERIES AND BACKLOG
IN UNITS – NEW AIRCRAFT

So, from this general presentation, and as a complement to the film, I will give you some first half results. 127 aircraft have been ordered - 41 Falcons and 86 Rafales. So, a sharp increase - 21 aircraft delivered; seven Rafale and 14 Falcons. So, our backlog stands at 247 aircraft - 82 Falcon, 125 exported Rafale, and 40 Rafale for France. That is 28 for 42, plus the 12 to replace the second hand aircraft which were shipped to Greece.

ORDER INTAKES, NET SALES AND BACKLOG
IN € BILLION

This means €16.3 billion in terms of order intake. In terms of sales, €3.1 billion. That's equivalent to last year. And backlog as consolidated one [ph 00:29:48] is now at €34.1 billion, with a high percentage thanks to the export of Rafale, 65% of our backlog, and 22% for Rafale France, and 13% for Falcons because that's the accumulative backlog.

And of course, the Falcons will be delivered faster than the Rafales, but the turnover is slightly different. There's a high percentage of Rafale to export - 22% also for France, 31% for Falcons, which does reflect how buoyant the activity is in the company when it comes to the distribution between export, France, Falcon and Rafale.

CONSLIDATED SELF-FUNDED R&D
IN € MILLION AND IN % OF NET SALES

So, we have the 10X and the 6X, and one is ramping up. So, €278 million of net sales, increasing compared with last year's H1. So, we will have self-funded R&D which will be higher than in 2021.

THALES

Thales has also closed its books for the first half. It will be publishing tomorrow. So 10.8% of net sales, EBIT €726 million, that is 0.8% of net sales versus 7.7% in the first half of last year. So, it shows the contribution to the net sales.

ADJUSTED CONSLIDATED INCOME STATEMENT

So, €3.098 billion 2022 to be compared with last year. €200 million of operating income. 6.5% of operating margin increasing by 0.9% compared with the first half of 2021.

Financial income is the same. Thales and other equity affiliates or percentage [ph 00:32:00] helps to consolidate €183 million. Corporate taxes, roughly the same as last year. So, our net margin of €318 million, that is 10.3%. A sharp increase comparing with 2021.

CONSOLIDATED AVAILABLE CASH

Our cash is standing at €6.3 billion thanks to the Rafales exports contracts.

2022 TARGETS

Now, the guidance remains unchanged. Delivery of 13 Rafales and 35 Falcons in 2022, with a slight decrease in our net sales compared with 2021, as announced earlier this year, in spite of all the difficulties in accessing spare parts and the supply chain shortages that we have reported so far.

DISCLAIMER

So, that's all for our results and now we can move on to the Q&A session.

QUESTIONS AND ANSWERS

Speaker 1: I'm from [? 00:33:15]. You mentioned the negotiation on SAF [ph 00:33:18] with Airbus, Airbus defence aerospace and I have three questions. Do you think that there could be some failing contract and would there a Plan B for the FCAS? And is there any political support for this project? And thirdly, you've mentioned that 2040/2050 are more realistic as a due date for the FCAS. Could you tell us why?

Éric Trappier (Dassault Aviation): The first question is, what do you mean by failure? To me a failure would be that the armed forces are not happy with the aircraft we deliver. So what is really important is that we're sure - just like when you build a house - that you have the right robust and solid foundations which do require a prime contractor and an architect who will be committing themselves so that the house will be solid because of solid foundations.

And we've used explicit assumptions that any industry would abide by. That is a strong prime contractor. That's why Leonardo [ph 00:34:46] and myself have asked Airbus to be strong prime for this project. And we have accepted this. We just ask for reciprocity [ph 00:35:06] and to be recognised as one key partner for the [? 00:35:06].

This is only one part of the FCAS. It's the one pillar of the FCAS and for this particular pillar we have been appointed to be the prime contractor so that we ask for this to be complied with; not only in Phase 1B, but up to the flight because we want to deliver aircraft to operational armed forces. That's our commitment. This is our pledge. That's what we've asked Airbus to trust us so that this leadership by Dassault Aviation can be performed without any obstacle.

It doesn't mean that we are against cooperation. We want to cooperate just like we did with the Eurodrone [ph 00:35:57] with six countries and this has allowed us to have a demonstrator being shown. This is what we've done with the NGF [ph 00:36:05]. We have a demonstrator which was compliant to the expected performance level and even better than that. With Dassault Aviation as lead architect of the project and DGA. The French DGA was the lead in this programme with various partners who accepted their role. This is what we are calling for as a success.

Now, if it's not possible, you might call it a failure. I'm just saying this is a reality. Is it a political project? Well, of course it is. But should a political project give preference to political constraints or preference to industrial development which will help us to achieve a high level of performance in our armed forces? And the context is such that we should guarantee a high level of performance of our armed forces.

Then the third question regarding the time scale. I said in an exaggerated fashion 2040 to 2050, but everything was to be well organised so that the first flight would be at the end of 2025, and then it was 2026, and then 2027. We've lost three years over the last two years now. If I were to extrapolate on a 20 year programme, I've added ten years, so it's rather short.

So, what does that mean, the 2050? It means that if every two years or every year we have to rediscuss with our partner because they disagree with us while we are supposed to be the lead, then it's not possible, unless we have all the time available. So, these are the statements that I've made.

Speaker 2: Yesterday, [? 00:38:20] was presented with 2025 for the demonstrator and 2035 for an operational aircraft. Don't you think, as my colleague said, that it would be a failure for the FCAS if there is a competition? We've seen that in Europe; some European Member States would buy some American aircraft. Wouldn't they buy also aircraft from the British/Italian coalition?

Éric Trappier (Dassault Aviation): And what main system [ph 00:38:51] has announced is in line with what I've just said. BAE Systems [ph 00:38:54] is the leader. SAB [ph 00:38:58] is not a co-contractor or a main partner. BAE Systems are the lead. They said we will have our aircraft flying in 2025. Okay, we'll see. It's in three years from now.

This is what I'm asking for. I'm not opposed to a partnership with three partners. That is France, Germany and Spain. Right from the beginning, this is what I said, which is quite unusual and exceptional for our Group, but not with any type of organisation [? 00:39:34]. I'm not saying that I'm right and that Airbus is wrong. It's just that we have diverging views. I'm asking for a strong leadership by Dassault so that we can quickly achieve the result; that is having a demonstrator flying where the specifications are more or less agreed upon by the three countries.

And now in order to get to the point you need a leader. In the industry when you build a high level building or an Airbus aircraft, you have a leader. It doesn't mean that you do not cooperate with others. We do cooperate with Falcons with subcontractors, just like I do accept being a subcontractor of Airbus for Eurodrone.

Airbus committed itself with OCCAR, so we'll make sure that we meet our commitments provided Airbus also meets its commitments for OCCAR. I didn't ask for being the co-developer of Eurodrone. We've asked for some parts of the contract, and this is what made sense. It's not a duplication that's going to make Europe efficient.

It's not about copying or doing the same as what others do. And that's my view. And indeed it is a political project and BAE is a leader, and NGF is only one pillar. As I said, Dassault should be the strong prime leader of the NGF and recognised by the three nations and by our main partner. That is Airbus. Once this is in black and white, there's no problem. And, as Guillaume Faury said, we're not far from it, but we're not there yet.

Speaker 3: It seems to me that so far you've been quite successful. These Rafales sell like hotcakes. Falcons are all over the world. With the 10X, you've gone come from an industrial action which was quite difficult, but it seems to me that there will be many more obstacles, at least two.

First of all, the FCAS. Don't you think that it's just an entanglement of impossibilities? Both countries, France and Germany, are not compatible when it comes to industrial cooperation and defence policy. And the two companies, Airbus and Dassault, are not compatible. Airbus doesn't have the capacity. It doesn't want to hear you are the best athlete theory [ph 00:42:28]. So, don't you have a B plan? And could you please tell us more about this B plan?

The second obstacle that I foresee is this huge workload on the company. How are you going to cope? Have you planned to hire more people at the Group level? And what are the profiles that you want to hire? And, above all, are you going to have more people in the shop floor? This is an obstacle which is probably a challenge which is far more difficult to take up than others because the recruitment of engineers will be faced with difficulties with many young graduate students who are demonstrating against aircraft because of CO2 emissions. How are you going to attract this new generation of young engineers?

Éric Trappier (Dassault Aviation): Well, thank you for highlighting all the future challenges. I'll try and answer your questions one by one. No, the non-compatibility, I think we've found a solution. That is a clear leadership by Dassault and the first pillar, if it is not accepted - well, you may call it a failure or there will be a Plan B, whatever it is - but there will be a Plan B. But I cannot disclose anything at this

stage because the day I'll talk about it, I'll first report to the authorities and first and foremost to the French Minister of Armed Forces. So, the time hasn't come to talk about it. But we're working on it.

Now, the reference to the [? 00:44:56] is rather closer to Airbus than Dassault. So, any industry should have a Plan B. Now, the FCAS, the NGF is still on the table. We're still working on it, but I cannot accept any conditions. And I'm not going to challenge the initial assumptions just because we have diverging views today. So I would like to be in the command and control position, and this is not accepted by Airbus. This is the only problem to be solved.

Now, regarding the recruitment, the second question. It is difficult. Even though we have a high unemployment rate in France, all companies in all sectors have difficulties in hiring people. But we are fortunate at Dassault thanks to our DNA as people who join Dassault love aircrafts and what you've said, and which has meant our success, is that we have programmes on the way and that when we export one [ph 00:46:16] Rafale, you need to develop new Rafales. You need second people all over the world to support the aircrafts. And people know that they will be touching the aircraft. And we try to have some good connection between Saint Cloud, Mérignac and Istres so that people still are in touch with kerosene. Sorry for that. So, yes, we need more engineers and more trainees and interns in our shop floor.

When it comes to the recruitment, it's 1,300 people for the Group. At this stage we have already hired more than 700 people. So, more than 50% of the 1,300 we were planning. We've simplified the processes. We went through the fast track process even though we have all these clearances to go through. So you cannot hire anyone, but it's complex because we're a cutting edge defence industry. But we have managed.

Now, when it's more difficult is the supply chain. I'm also [ph 00:47:38] the President of the, UMM [ph 00:47:40], the steel industry union in France and all the companies in this sector in France have great difficulties in attracting, recruiting and hiring. So we'll have to be attractive to have more people hired in the industry.

And that's why I'm champion of the industrialisation of our country. And industry doesn't mean only design. It's also manufacturing and the chain of some contractors. It doesn't mean that everything's going to be made in France, but that we have strong assets in France. So, we'll have to be able to lead a policy of industrialisation that everybody's calling for, even though over the last 20 years we've observed a deindustrialisation of France. Maybe the COVID pandemic was an eye-opener to many people, but we'll have to help the training centres, the national education system, higher education institutions to gear these young people to the industry.

But we are still fortunate at Dassault. We have a turnover, which is very, very low compared with the average rate. It's a few people who resign per year. People join after their university studies, and they leave when they retire. We are a small company. We're not like Lockheed or Airbus or Boeing. We are 12,000 people. We all know each other. We are all aircraft lovers and people do not demonstrate in the streets in front of our buildings because they don't like aircrafts.

It doesn't mean for the same reason that there's not going to be work to find solutions to reduce our greenhouse emissions. We have nice challenges ahead, but I'd rather have these challenges with a backlog rather than having a very low level in our backlog and difficulties in hiring people now. There are some issues that will keep us very busy for many days around.

Sarah White (The Financial Times): Good afternoon. Sarah White from The Financial Times. I'd like to go back to the FCAS. So, how long can you continue like this without an agreement with Airbus? And

do you have a deadline to decide? I had another question. Industrially today, what is your major challenge? Is it your supply chain or energy issues? What is concerning you most? I just wanted to have an idea about your major challenge.

Éric Trappier (Dassault Aviation): To answer your second question first, our major challenge is the supply chain. The supply chain is huge and by supply chain I mean first our rankers [ph 00:50:33] and we work with SMEs, but each company with whom we work, they work with other companies and when the crisis with Ukraine started we started mapping who worked with whom until the bottom because you have the supplies, major elements, and then you have the material also. Material; how do we secure it, et cetera? So that's the first challenge currently with the crisis in Ukraine. The COVID crisis, because that did not help in our logistics. It made things more complicated. And the redistribution on who was going to do what in a certain number of domains. So, that's number one really for us.

And as for the FCAS, I have already expressed myself and will just say it once again. Sooner or later we have to say go our stop. We're going to leave ourselves until the end of the year. This is what I had said. Our teams have been redistributed elsewhere. We have work. They cannot just stay for six months a year without doing anything and remain idle until the deal is signed. So they have been redeployed. If we find an agreement that would suit everybody, then we will need to have the time to remobilise our teams, to find the forces to do all this. Right now, they're doing other tasks. So, we'll need time to enforce this contract if we ever manage to sign it. So, the end of the year for me so that we can make a decision in the next weeks, in the coming couple of months. End of the year, it is not an ultimatum, but we cannot just stay like that with the pen up in the air for years.

Pierre Tran (SLDinfo): Pierre Tan, SLDinfo. You talked directly with Mr. Guillaume Faury?

Éric Trappier (Dassault Aviation): We talk to each other every day. He's the manager of GIFAS. We have a lot in common, a lot of topics in common, especially the aeronautical supply chain. We're both worried about that and we talk a lot about this. We don't talk much about the FCAS.

Pierre Tran (SLDinfo): Why? Why not? That's the question.

Éric Trappier (Dassault Aviation): Because the people I talk to are German and Spanish and Guillaume Faury is not German nor Spanish.

Pierre Tran (SLDinfo): A small explanation.

Éric Trappier (Dassault Aviation): Well, you have a programme in defence. So, you have Germany, Spain and France and there's a champion. In pillar one, you have the French champion who is Dassault, who is French, and with a French man managing it. In Germany, you have a company called Airbus Defence and Space and the manager is German, Michael Schoellhorn. That doesn't mean that Guillaume is not piloting the whole, but the main person is Michael Schoellhorn for the FCAS. And you have another person in Spain, which is Airbus Spain, and when we are all three of us together I have two Airbus in front of me and then I can still talk to Guillaume.

Pierre Tran (SLDinfo): But Mr. Faury is the manager of all managers.

Éric Trappier (Dassault Aviation): Well, Germany and Spain, yes, he's the manager, but I'm not to deal with that; whether it's Michael or the Spanish. And the Spanish person reports directly to Michael, you see. So, it's Airbus, no doubt about that. I have no doubt about who is steering Airbus and have precisely answered your question.

Speaker 4: A very quick question on the acceleration of the production units of Rafale. The President talked about the war economy and how far can you go in your production?

Éric Trappier (Dassault Aviation): Well, we had anticipated what the President was going to say because we anticipated the passage to Phase 3 of Rafale. We might not need it today, but we've anticipated because we believe that we might have some other contracts. So, we wanted to go a bit faster, and we were hoping to have contracts for France. We hope that Batch 5 will be signed.

I'd just like to remind you that for France there was a delay in the deliveries of aircraft delivered to France. So, the 4T2, 28 [ph 00:55:19] aircraft. It's been a long time. We should have delivered this to France and upon the request of the French authorities, we've delayed this, and it will be delivered only at the end of the year 2022, and especially from 2023 onwards, plus the 12 aircraft replacing the 12 Greek ones. So, that would be 40. So, all these aircraft are planned according to the French military programming law.

And if we have to accelerate, we will accelerate, but we need time to accelerate. We can't just click our fingers and accelerate the delivery of fighter aircraft. We cannot. It's not that we cannot accelerate things at Dassault. There's the entire supply chain. And as I've been telling you, there are difficulties, so everybody should be able to accelerate at the same time.

And in order to increase the pace by one point, it requires a year. So, if you deliver and manufacture an aircraft in three years, the time to increase the pace, you need one more year. But of course we can always make efforts and mobilise ourselves. But there is a shortage of workforce.

We cannot double the production chains overnight. We won't have enough labour. We can't ask people to work day and night. And our employees agree to work overtime, and that's great because it can increase their wages. They agree to work a little more. That's great. And we call on part-time workers, but that helps us save time because we have to train. You hire young people, but it isn't because they come out of school that they know what an aircraft is.

So, the acceleration [ph 00:57:05] we're going through right now - well, we have to accelerate even further and today it won't be that easy to do so. But we are discussing with the Ministry of Armed Forces on what a war economy means. I mean, just beginning our discussions. So, we have to think about the acquisition processes. You were talking about. The FCAS.

Well, you know with the nEUROn, it was fast because the nEUROn was ordered. The demonstrator was ordered up to the first flight and even the test period. There wasn't a phase 1A, 1B, 2 and endless discussions between each phase. If we had signed all these contracts right from the beginning, it would have gone faster. So, we need to prepare our contracts faster.

It's not only the industrialists, but it's the industrialists with the DGA, the Ministry of Armed Forces, and the budget. We need to have the budget too. So we're thinking about all this, and this is just the beginning.

Speaker 5: Tell me if I'm wrong, but when on TV I saw the two Rafales colliding and landing without any problems, I thought I understood why you were so strict about the controls. They must be really robust because the two aircraft landed as if nothing had happened.

Éric Trappier (Dassault Aviation): Well, here, more than the flight controls. It's the 'four leaf clover' that worked because they were very lucky. It could have been far worse. It could have ended very

badly. They were very lucky. In spite of all the damage they could go back, fly back, and it was a real miracle.

We're very proud of our flight controls, as you know, but we're very proud of them because it is the cornerstone wanted by Marcel Dassault and we've developed our capacities based on that. We develop our components, our electrical [ph 00:59:21] boards, the architecture, et cetera, and all this is integrated at the beginning with at the design office.

Even the Americans recognise that that's the place where we are best in the world, so that's why we're very proud of this. And it's good if it can save aircraft, but we have high performance aircraft especially; not only Rafale but our Falcons too.

Well, I think that we're through with all the questions for the summer. There are maybe more questions in March [ph 01:00:09], but it's really great to have this exceptional number of new orders. We want to always have such semesters.

So, I'd like to thank you all. Wish you a nice summer, either working or on holiday for those who can take holidays. And you must take holidays from time to time to take rest. So, thank you very much and have a nice evening.