2020 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.

Contents

Declaration of the person responsible for the report

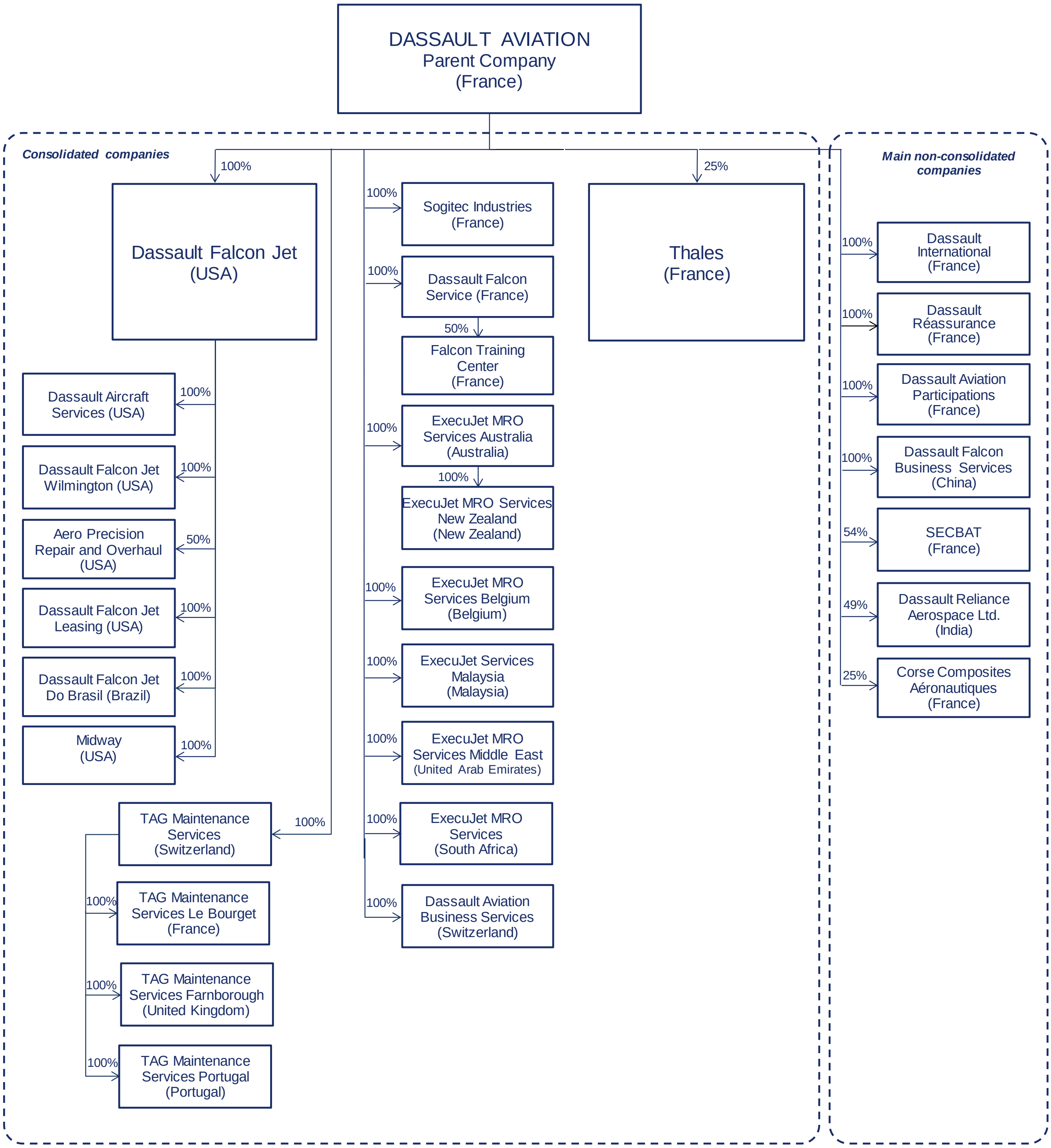
I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the company and all the other entities included in the scope 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 4, 2021

Éric Trappier
Chairman and Chief Executive Officer

Group structure as of December 31, 2020

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 1.5 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, 2020

Honorary Chairman
Charles Edelstenne

Chairman of the Board of Directors
Éric Trappier

Directors
Catherine Dassault
Olivier Dassault
Charles Edelstenne
Marie-Hélène Habert
Mathilde Lemoine
Henri Proglio
Lucia Sinapi-Thomas
Richard Bédère(1) (director representing employees)

(1) As Richard Bédère has retired, Stéphane Marty was appointed to replace him from January 1, 2021, for the remainder of his term of office.

Executive Management

Chief Executive Officer
Éric Trappier

Chief Operating Officer
Loïk Segalen

Executive Committee as of December 31, 2020

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

Loïk Segalen, Chief Operating Officer,

Benoît Berger(2), Senior Executive Vice President, Procurement and Purchasing,
Carlos Brana, Senior Executive Vice-President, Civil Aircraft,
Bruno Chevalier, Senior Executive Vice President, Military Customer Support,
Denis Dassé, Chief Financial Officer,
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,
Gérald Maria, Senior Executive Vice-President, Total Quality,
Nicolas Mojaïsky, Senior Executive Vice-President, Engineering,
Frédéric Petit, Senior Vice-President, Falcon Programs,
Jean Sass, Chief Information Officer and Chief Digital Officer.

(2) Bruno Coiffier since 1st February 2021.

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, 2020, 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

12,441
Employees, including 76% 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

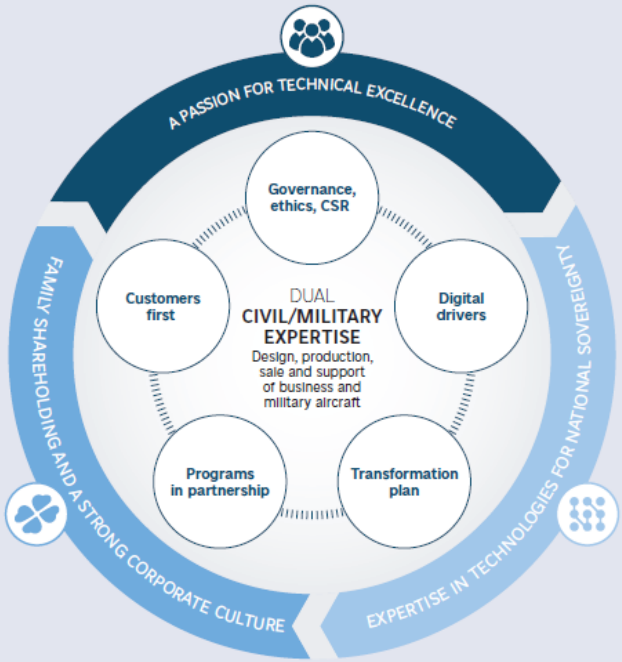
ISO 14001
A certification policy encompassing all production facilities

Financial

€4.6 billion
Share capital

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.

2020 Achievements

Human

652
New hires, including 25.3% women

Expertise

Business aircraft
Development of the Falcon 6X and a "Future Falcon"

F4
Development of a new Rafale standard

Albatros
Launch of a Falcon Albatros for maritime surveillance

FCAS/NGF
Development of a demonstrator

Industrial

13
Rafales delivered

34
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

Paris Region AI Challenge for Industry 2020

Environmental

↘8.6%
Electricity consumption compared to 2019

78.2%
Recovered waste

Financial

€396 million
Adjusted net income

89%
Of sales in export markets

Financial and other contributions

Employees

€85 million
In profit-sharing and incentive payments, including corporate social contribution

€57,820
Gross average annual compensation, excluding profit-sharing and incentive payments

Shareholders

€103 million
Dividends (1)

Industry

At the hub of a strategic French ecosystem

Core shareholder in Thales

Society

Inclusion, cultural and humanitarian activities

The AAE foundation, the French National Maritime Museum, Course du coeur, Rêves de Gosses, as well as the NGOs ASF and Nawraj

Initiatives to combat Covid-19: transporting health care personnel in Falcon business jets, manufacturing visors and oxygenation systems, donations of meals and masks

Sustainable development

Contribution to 8 United Nations sustainable development goals (SDG)

(1) Proposed at the Annual General Meeting of Shareholders on May 11, 2021.

EXCEPTIONAL CIRCUMSTANCES IN 2020: THE COVID-19 CRISIS

The Covid-19 pandemic has sparked a major health and economic crisis, with severe travel restrictions having an unprecedented impact on the aviation sector. The entire industry has been severely affected, which has disrupted and long lastingly weakened the sector.

Dassault Aviation Parent Company's crisis management

The health crisis forced Dassault Aviation Parent Company to suspend its production activities on March 18 and its tertiary activities on March 23 for the protection of its employees. In addition, Dassault Aviation resorted to "under crisis remote working" and, when unavoidable, the temporary furlough scheme (mainly in production).

With an ongoing dialogue with staff representative bodies (Central Economic and Social Committee and Health, Safety and Working Conditions Committee), on-site activity resumed in stages from April 3, with ongoing emergency measures, the implementation of health protocols (preventative measures, maximum occupancy limits, etc.), and continued use of "under crisis remote working" (from 500 people 1 or 2 days per week, to 4,700 people 5 days per week).

The following measures were taken to support those on temporary furlough:

- payment of full salary until April 2,
- signing of an agreement with staff representative bodies,
  - payment of 92% of net salary (versus 84% covered by the French government) from April 3 for employees on temporary furlough,
  - vacation days for employees under temporary furlough,
  - neutralization of the effects of the temporary furlough scheme, particularly on the calculation of profit-sharing and incentive schemes (fixed and proportional components), as well as in terms of healthcare and pension contributions and provisions,
- solidarity fund set up to enable employees not affected by temporary furlough to donate vacation days in order to reduce the number of partially unpaid non-working days.

On April 3, around 12% of the Parent Company's staff were back on site, increasing to 18% on April 29 and 35% on May 11. From June 8, following the national lockdown lifting, we continued implementing progressive on-site presence of staff, by combining a permanent or intermittent on-site working alternated with remote working, in order to comply with the maximum occupancy capacity for the premises. We have significantly reduced our use of furloughing, keeping it only for specific cases such as for those requiring childcare and those at high health risk.

From the second lockdown on November 2, "under crisis remote working" was partially reinstated. At our plants, we were able to continue production while maintaining strict health measures.

The health protocols have been closely monitored by the medical, human resources and occupational safety departments, working closely with staff representative bodies. They have also been updated following each change in government guidance.

Subsidiaries' crisis management

Our subsidiaries have also been impacted:

- Dassault Falcon Jet (United States):
  - 245 redundancies;
  - Teterboro, NJ: implementation of health measures, remote working and temporary furlough;
  - Little Rock, AK: no shutdown, but reorganization of production to comply with local rules (health measures) and use of temporary furlough;
  - Wilmington, DE: a confirmed case of Covid-19 led to a two-week shutdown.

- Dassault Reliance Aerospace Ltd (India): month-long suspension of activities in March/April, followed by a partial resumption of production (80% of capacity) with the introduction of health measures. Fully operational again at the end of August 2020, with French technical assistants returning to India.

- Dassault Falcon Service (France): no shutdown, implementation of health measures, remote working and temporary furlough when unavoidable, and introduction of long-term furlough ("APLD") in November 2020.

- Sogitec (France):
  - 1st lockdown: implementation of remote working for all to avoid temporary furlough and 100% of workforce back on site at the end of June 2020,
  - 2nd lockdown: return to remote working.

- TAG Maintenance Services (TMS), DABS, ExecuJet:
  - 35 redundancies (TMS);
  - Switzerland and South Africa severely impacted, Asia less affected;
  - implementation of health measures, remote working, extensive use of temporary furlough (Switzerland);
  - ExecuJet Dubai resumed operations at the end of September 2020.

Prioritization of activities

Responsive and agile, and despite the health constraints and travel restrictions, we focused on meeting our commitments:

- support for the armed forces and Falcon customers,
- delivery of the Rafale Export and Falcon,
- continuation of the development of the Falcon 6X.

In addition, some delays were caused by the necessary changes in work organization (workplace closures, "under crisis remote working", sub-contractor delays, etc.).

Lastly, despite the numerous challenges posed by the crisis, we have upheld our contractual and ethical commitments to our customers and suppliers (particularly by prioritizing payments to SMEs and intermediate-sized enterprises).

Shareholder support

In these exceptional circumstances, our shareholders have supported us by waiving their 2020 dividends due in respect of the 2019 earnings (expected to be EUR 212 million, before the proposed dividend was canceled), while the payment of the employee profit-sharing and incentives scheme due for the 2019 earnings were maintained.

Contribution to the national effort in France

We have also contributed to the national effort, particularly in the context of:

- Operation Resilience:
  - providing the French Ministry of Armed Forces with two Falcon operated by our subsidiary Dassault Falcon Service,
  - flying healthcare workers and medical equipment around France and worldwide,
- the operation organized by "Aviation Without Borders" (ASF) for the repatriation and transportation of healthcare personnel or medical equipment on request.

In addition, we have:

- distributed masks to regional health agencies and hospitals in the Paris area,
- produced and distributed 3D-printed visors to hospitals, clinics, dental surgeons and medical centers, and to CAP Sciences Bordeaux, a scientific research center,
- used the company restaurant at our Saint-Cloud facility to provide meals for healthcare workers at the Foch hospital in Suresnes.

Support plan for the aviation industry

Apart from temporary furlough, the French government support plan for the aviation industry launched on June 9, 2020 is being implemented:

- Government secured loans and flexible temporary furlough plan enabled to avoid major bankrupcies in 2020.

- The investment fund implemented by Airbus, Dassault Aviation, Thales and Safran and co-funded by the French government, backs and consolidates SMEs and intermediate-sized enterprises in the sector.
- CORAC package: EUR 1.5 billion of public funding of 3 years.

In 2020, Dassault Aviation:

- received EUR 6 million of state temporary furlough allowance,
- paid EUR 1 million to the investment fund out of the EUR 13 million commitment,
- received EUR 8 million from CORAC.

1. DASSAULT AVIATION GROUP

1.1 Results

1.1.1 Key figures

	2020	2019
Order intake	**€ 3,463 M** OCEAN support contract 15 Falcon	€ 5,693 M RAVEL support contract 40 Falcon
Adjusted net sales (*)	**€ 5,489 M** 13 Rafale Export 34 Falcon	€ 7,341 M 26 Rafale Export 40 Falcon
Backlog *as of December 31*	**€ 15,895 M** 62 Rafale *of which 28 Rafale France and 34 Rafale Export* 34 Falcon	€ 17,798 M 75 Rafale *of which 28 Rafale France and 47 Rafale Export* 53 Falcon
Adjusted operating income (*) *Adjusted operating margin*	**€ 261 M** 4.8% of net sales	€ 765 M 10.4% of net sales
Research and Development	**€ 538 M** *9.8% of net sales*	€ 527 M *7.2% of net sales*
Adjusted net income (*) *Adjusted net margin* *Earnings per share*	**€ 396 M** *7.2% of net sales* € 47.6 per share	€ 814 M *11.1% of net sales* € 97.9 per share
Available cash *as of December 31*	**€ 3,441 M**	€ 4,585 M
Dividends	**€ 103 M** *€ 12.3 per share*	Proposed Feb. 2020: € 212 M Revised April 2020: € 0 M
Employee profit-sharing and incentives incl. 20% correlated social tax *Headcount as of December 31*	**€ 85 M** *12,441*	€ 187 M *12,757*

Note: 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*	*€ 5,492 M*	*€ 7,371 M*
(*) *Consolidated operating income*	*€ 246 M*	*€ 796 M*
(*) *Consolidated net income*	*€ 303 M*	*€ 713 M*

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 adjusted income statement 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, except for lease liabilities recorded following the application of IFRS 16 "Leases".

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 adjustments

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)*	36.4					47.6

The impact in 2019 of adjustments to income statement aggregates is presented below:

(in EUR thousands)	2019 consolidated income statement	Foreign exchange derivatives		PPA	Adjustments applied by Thales	2019 adjusted income statement
		Foreign exchange gain/loss	Change in fair value			
Net sales	7,370,616	-28,520	-1,578			**7,340,518**
Operating income	796,252	-28,520	-3,272	1,036		**765,496**
Net financial income/expense	-95,625	28,520	14,858			-52,247
Share in net income of equity associates	258,673			22,228	69,947	350,848
Income tax	-246,578		-3,211	-273		-250,062
Net income	712,722	0	8,375	22,991	69,947	**814,035**
Group share of net income	*712,704*	*0*	*8,375*	*22,991*	*69,947*	*814,017*
Group share of net income per share *(in euros)*	85.7					97.9

1.1.4 Order intake

2020 order intake was **EUR 3,463 million** versus EUR 5,693 million in 2019. **Export** order intake represented **41%.**

The change in order intake was as follows, **in EUR million**:

	2020	2019	2018	2017	2016
Defense	**1,546**	3,385	2,710	905	8,139
Defense Export	**224**	769	1,672	353	7,443
Defense France	**1,322**	2,616	1,038	552	696
Falcon	**1,917**	2,308	2,314	2,384	1,419
Total order intake	**3,463**	5,693	5,024	3,289	9,558
% Export	**41%**	49%	80%	82%	92%

The order intake is composed entirely of firm orders.

Defense programs

In 2020, **Defense order intake** totaled **EUR 1,546 million**, compared with EUR 3,385 million in 2019.

The **Defense Export share** of the intake was **EUR 224 million** in 2020, compared with EUR 769 million in 2019, a year that saw significant military support.

The **Defense France portion** amounted to **EUR 1,322 million** in 2020, compared with EUR 2,616 million in 2019. Order intake includes the 10-year integrated support contract (excluding engines) for the ATL2 with the French Naval Air Force ("OCEAN"), the exercise of complementary options for the F4 standard, and the first study phases for the NGWS ("Next Generation Weapon System"). In 2019, it included the contractualization of the French 10-year integrated support contract for the Rafale ("RAVEL").

Falcon programs

In 2020, **15 Falcon orders** were recorded, compared with 40 in 2019. Order intake totaled **EUR 1,917 million**, versus EUR 2,308 million in 2019. This includes the “AVSIMAR” contract with France, for the development and acquisition of 7 Falcon 2000 LXS Albatros for maritime surveillance aircraft and associated support.

1.1.5 Adjusted net sales

Net sales for 2020 were **EUR 5,489 million** versus EUR 7,341 million in 2019. **Export** net sales represented **89%.**

The change in net sales was as follows, in **EUR million**:

	2020	2019	2018	2017	2016
Defense	**3,263**	5,148	2,485	1,875	1,244
Defense Export	**2,699**	4,261	1,419	1,402	719
Defense France	**564**	887	1,066	473	525
Falcon	**2,226**	2,193	2,599	3,001	2,342
Total adjusted net sales	**5,489**	7,341	5,084	4,876	3,586
% Export	**89%**	88%	78%	89%	83%

Defense programs

As forecast, **13 Rafale Export** were delivered in 2020, versus 26 Rafale in 2019. For the record, on February 27, 2020, we published a guidance of 13 Rafale deliveries. After having suspended this guidance on April 1 due to the Covid-19 crisis, on July 23, 2020, we confirmed the guidance of 13 Rafale deliveries.

Defense net sales in 2020 were **EUR 3,263 million** versus EUR 5,148 million in 2019.

The Defense Export share was **EUR 2,699 million** versus EUR 4,261 million in 2019. This decrease was mainly due to a lower number of Rafale deliveries.

The Defense France share was **EUR 564 million** versus EUR 887 million in 2019. In accordance with the French Military Procurement Law, 2020 net sales for Defense France do not include any deliveries of the Rafale. However, they do include Rafale support services under the RAVEL contract. For the record, 2019 saw the delivery of developments for the upgrade of the ATL2 combat system and delivery of the first two upgraded aircraft to the French Navy.

Falcon programs

There were **34 Falcon** delivered in 2020 (while 30 were guided), versus 40 in 2019. For the record, on February 27, 2020, we published a guidance of 40 Falcon deliveries. After having suspended this guidance on April 1 due to the Covid-19 crisis, on July 23, 2020, we published a new guidance of 30 Falcon deliveries.

Falcon net sales in 2020 totaled **EUR 2,226 million**, versus EUR 2,193 million in 2019. Net sales are stable, despite a lower number of deliveries of new aircraft, offset by an increase in the number of pre-owned aircraft delivered.

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The “book-to-bill ratio” (order intake/net sales) is 0.63 for 2020.

1.1.6 Backlog

The consolidated order backlog as of December 31, 2020 was **EUR 15,895 million** versus EUR 17,798 million as of December 31, 2019. It consisted of:

- the **Defense Export backlog**, which was **EUR 8,249 million** versus EUR 10,725 million as of December 31, 2019. This consisted mainly of 34 Rafale, versus 47 Rafale as of December 31, 2019,
- the **France Defense backlog**, which was **EUR 5,499 million**, compared to EUR 4,740 million as of December 31, 2019. This included 28 Rafale (as of December 31, 2019), the RAVEL support contract for the Rafale, the OCEAN support contract for the ATL2, the Rafale F4 standard and the first study phases for the NGWS,
- the **Falcon backlog** (including the Albatros and Archange mission aircraft), which was **EUR 2,147 million**, compared with EUR 2,333 million as of December 31, 2019. It includes 34 Falcon, versus 53 as of December 31, 2019.

1.1.7 Adjusted Results

Operating income

Adjusted operating income for 2020 was **EUR 261 million**, compared with EUR 765 million in 2019.

Operating margin was **4.8%**, versus 10.4% in 2019. It is directly affected by:

- the financial impacts due to the health crisis (under-used capacity, cost of health measures, decline in activity at Falcon maintenance centers, etc.). The savings associated with the action plans implemented by the Group have cushioned these impacts,
- the significant level of self-financed R&D, representing 9.8% of net sales, compared with 7.2% in 2019. Despite the crisis, we aimed at keeping our current developments going, particularly the Falcon 6X and the future Falcon,
- less absorption of fixed costs due to the 25% drop in net sales.

The foreign exchange hedging rate was 1.18 $/€ in 2020, as in 2019.

Financial income

2020 adjusted financial income was **EUR -34 million** compared to EUR -52 million in 2019. In 2020, the impact associated with the financing component recorded under long-term military contracts was less significant due to deliveries of the Rafale Export. Financial income for 2020 was also positively impacted by the reduction in financial expenses following the repayment of borrowings in late 2019 and early 2020.

Net income

Adjusted net income for 2020 was down 51% at **EUR 396 million**, compared with EUR 814 million in 2019. Thales' contribution to the Group's net income was EUR 231 million, versus EUR 346 million in 2019.

As a result, **adjusted net margin** was **7.2%** in 2020, as against 11.1% in 2019. This decrease is mainly due to the fall in operating income and the smaller contribution to net income from Thales (4.2% of net sales in 2020, versus 4.7% in 2019).

Net income per share for 2020 was EUR 47.6, compared with EUR 97.9 in 2019.

1.1.8 Dividends and profit-sharing/incentives

The Board of Directors decided to propose to the Annual General Meeting a dividend distribution, in 2021, of **EUR 12.3/share**, corresponding to a total of **EUR 103 million**, i.e., a payout of 26%. Note that in view of the 2019 results, the Board of Directors initially proposed a dividend of EUR 212 million, or a payout of 26% – a proposal that was canceled on April 1 due to the Covid-19 crisis.

For 2020, the Group will pay **EUR 85 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 2 million payment.

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

1.1.9 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 level subsidiary to this domain.

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; it excludes lease liabilities recognized following the application of IFRS 16.

The Group's available cash stands at **EUR 3,441 million**, EUR 1,144 million less than at December 31, 2019. The decrease is primarily due to the additional working capital requirement (resulting from the reduction in advances and progress payments received under export contracts following deliveries), and to the significant investments made during the period (including the purchase of land and buildings previously leased). These items are partially offset by operating cash flows generated during the year. In 2020, no dividends were paid to shareholders.

1.2.2 Balance Sheet (IFRS data)

Total equity stood at **EUR 4,560 million** as of December 31, 2020, versus EUR 4,446 million as of December 31, 2019.

Borrowings and financial debt totaled EUR 270 million as of December 31, 2020, against EUR 558 million as of December 31, 2019. EUR 250 million of bank borrowings were repaid in early 2020. Borrowings and financial debt mostly consist of locked-in employees' profit-sharing funds, for EUR 123 million, and lease liabilities recognized following the implementation of IFRS 16, for EUR 147 million.

Inventories and work-in-progress rose slightly to EUR 3,382 million as of December 31, 2020, compared with EUR 3,368 million as of December 31, 2019. The increase in Defense France inventories and work-in-progress was offset by the decrease in Defense Export inventories and work-in-progress, following the delivery of services under the Rafale Export contracts and the reduction in pre-owned Falcon inventory.

Advances and progress payments received on orders, net of advances and progress payments paid, fell by EUR 649 million as of December 31, 2020. This was mainly due to the reduction in progress payments following delivery of the Rafale Export during the period.

Derivative financial instruments had a market value of EUR 81 million as of December 31, 2020, compared with EUR -71 million as of December 31, 2019. This increase is essentially due to the change in the US dollar exchange rate between December 31, 2020 and December 31, 2019 (1.2271 $/€ versus 1.1234 $/€).

1.3 Related-party transactions

The 2020 related parties are identical to those identified in 2019. Some subsidiaries are related with the Parent Company via development and equipment supply contracts, along with software and associated services contracts.

Transactions during 2020 are specified under Note 27 to the consolidated financial statements.

1.4 Group activities

2020 was a very busy ear. We prioritized the meeting of our commitments, especially during the first lock-down :

- support for the armed forces and Falcon customers,
- delivery of the Rafale Export and Falcon,
- continuation of the development of the Falcon 6X.

1.4.1 Programs development

Defense programs

Rafale

For the Rafale, 2020 saw:

- the announcement by Greece on September 12, 2020 of its plans to buy 18 Rafale. The negotiations concluded with the signing of the contract on January 25, 2021.

  This order includes 12 aircraft which recently entered into service with the French Air and Space Force, and six new aircraft to be manufactured at our plants. In order to meet the urgent need of the Greek government, delivery of the used aircraft will begin in summer 2021 and will be spread over two years.

  Greece, which is one of our longstanding customers, is the first European country to buy the Rafale Export. This brings the total number of Rafale Export orders to 102.

  Following this contract, the French Air and Space Force announced the order of 12 additional Rafale to replace its 12 aircraft sold to Greece, bringing the total number of Rafale for France up to 180 ordered and 12 announced,
- the delivery of 13 Rafale to India and Qatar, in line with our commitments,
- the entry into service of the Rafale in India,
- the continuation of development work on the F4 standard,
- no Rafale delivery to the French armed forces in 2020, in accordance with France's Military Procurement Law. Deliveries of the Rafale to France are due to resume in 2022,
- the start of preliminary work on Tranche 5 of the Rafale France; the first deliveries are scheduled under the Military Procurement Law from 2027 (expected to be ordered in 2023),
- the continuation of export marketing, despite the constraints relating to Covid-19.

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.

Following the launch of the JCS (Joint Concept Studies), 2020 started, on February 20, by the award to Dassault Aviation, Airbus Defence and Space GmbH and their partners, Safran Aircraft Engines, MTU Aero Engines, MBDA and Thales, of the initial framework contract (phase 1A) initiating the launch of the FCAS demonstrators, and in particular that of the NGF. This framework contract covers an 18-month period and represents the first stage of an ambitious technological demonstrator program.

Spain's integration was finalized on December 3, 2020 with the notification of an amendment to the initial framework contract, requiring the definition of new balances.

As to prepare phases 1B and 2 of demonstrators, proposals have been submitted, but the balance between the 3 states is tough to achieve: Dassault Aviation is leader on the NGF, but the 3 thirds rule to share workload and responsibilities (equal partners / quality balanced) leads Germany / Spain to a disagreement with France and Dassault Aviation.

Difficulties are still pending on the contractualisation in terms of project management and intellectual property.

Eurodrone

The contract between the Organization for Joint Armament Cooperation (OCCAR) and Airbus Defence & Space GmbH, the prime contractor, has been finalized.

The contracts between Airbus Defence & Space and its main partners, Leonardo and Dassault Aviation, are in the process of being finalized. The announcement is expected in mid-2021.

Dassault Aviation will be responsible in particular for flight controls and mission communications.

Maritime Patrol Aircraft (PATMAR)

In terms of maritime patrol aircraft, the third upgraded ATL2 was delivered to the French Navy; four other aircraft upgrade works will be carried out by Dassault Aviation out of the 18 aircraft to be upgraded; the remainder will be carried out by the SIAé (the French naval aircraft maintenance service).

Multi-mission Falcon

For the multi-mission Falcon, for 2020, there were the following key events:

for France:

- the announcement of the AVSIMAR contract for the Falcon 2000LXS Albatros maritime surveillance aircraft (7 ordered, with an option for a further 5),
- the launch of the Archange program for Falcon 8X strategic intelligence aircraft (2 ordered in 2019, with an option for 1 more),
- the delivery of the third and fourth Falcon 50M, equipped with hatches for dropping SAR (Search And Rescue) kits;

for Japan:

- the delivery of the 5th Maritime Surveillance Falcon 2000 for the Japan Coast Guard, out of the six ordered,

for Germany:

- the delivery of the Falcon 2000LX to the DLR (German Aerospace Research Center).

Falcon programs

Travel restrictions due to the Covid-19 pandemic and the severe economic consequences of the health crisis are affecting the business jet market:

- 15 orders including 7 Albatros aircraft due to customers' lack of visibility,
- continuing price pressures,
- under-used capacity at our maintenance centers due to the decline in aviation activity.

Despite the crisis, we managed to deliver on our customer commitments:

- continuity of customer support,
- aircraft deliveries,
- continuing development of the Falcon 6X.

This year's highlights are:

- the delivery of 34 Falcon, the initial forecast of 40 having been revised to 30 deliveries due to the Covid-19 crisis,
- order intake for 15 Falcon, including 7 Falcon 2000LXS Albatros under the AVSIMAR contract,
- the progress made on the Falcon 6X program despite the impact of the health crisis, with the first flight due to take place in early 2021 and entry into service scheduled for late 2022:
  - the Falcon 6X was unveiled during a virtual rollout on December 8, 2020,
  - the first three development aircraft are being tested, and assembly has begun on production aircraft 4 and 5,
  - the development of the PW812D engine is progressing as expected, with successful ground and flight tests validating the aircraft's flight capability.

  The Falcon 6X is a twin-jet engine with a range of 5,500 nautical miles and a top speed of Mach 0.9. It offers unparalleled comfort with a 2.7 meter wide, 52.2 m^3 cabin. The Falcon 6X cabin won the *International Yacht and Aviation Award for Interior Design*, sponsored by the magazine *design et al*. The aircraft sets new standards for the long-range, ultra-widebody business jet segment.
- continued development of the Falcon range; the future Falcon will be announced in the first half of 2021.

Eco-responsibility:

The Falcon range is 100% compatible with biofuels, for which a distribution network is emerging. Dassault Aviation has also adopted an environmentally responsible approach over the entire aircraft life cycle: design, production, choice of materials, recycling, etc. We are actively involved in French, European and international environmental research programs. In addition, reducing the carbon footprint of our aircraft also involves the promotion and distribution of a navigation tool that can optimize flight plans. Lastly, Dassault Aviation has also continued its research into the decarbonization of aircraft.

Make in India

Our joint venture Dassault Reliance Aerospace Limited (DRAL) continued its ramp up despite the challenging context of the Covid-19 crisis in both India and France. The production and assembly of new Falcon 2000 and Rafale components are taking place in accordance with the business plan for the rollout of our civil and military aviation activities in India. This also contributes to the fulfillment of our offset obligations under the contract signed in 2016 to supply 36 Rafale.

In 2020, the following components were transferred to India:

- Falcon 2000: front section and fuselage elements,
- Rafale: canopy, windshield, flight control surface.

The first sets of engine doors were assembled on the Rafale production line in France.

DRAL has been integrated into our Falcon Production Certification and successfully passed its first audit by the airworthiness authorities.

We are 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 offered by Indian and French academic institutions and the aviation industry), with the second class for the aerotechnics graduation starting in January 2021 and the commencement of training in France for future Indian engineers and technicians on the final assembly line for the Falcon 2000.

1.4.2 Customer support

Military customer support

The highlights in 2020 were:

- continuing to prioritize support for aircraft in service with our military customers during the Covid-19 crisis,
- signing the OCEAN support contract for the ATL2 used by the French Naval Air Force. Dassault Aviation is now the sole contractor, excluding engines, for the 10-year integrated support contract (including Thales) for the ATL2. Like the RAVEL contract, the organization of this support is based on a Dassault Aviation/Dassault Systèmes Big Data platform, which has seen its first application with this contract,
- performing the integrated support contract for the Rafale (RAVEL) in line with the aircraft availability requirements of the French Air and Space Force and Naval Air Force,
- appointing technical support personnel and setting up support systems in India to facilitate the entry into service of the first 5 Indian Rafale at the Ambala air base,
- continuing to train Indian pilots and mechanics throughout the year at our Conversion Training Center in Mérignac,
- continuing to provide support for the Egyptian and Qatari Rafale.

Falcon customer support

The sharp drop in air traffic in 2020 affected the level of activity of our network of maintenance centers.

For the second year running, the efforts made in recent years in the area of support (Falcon Response, spare parts availability, network of maintenance centers, etc.) were recognized at the highest level by *Aviation International News* magazine:

- No. 1 in the overall rankings
- No. 1 for spare parts availability
- No. 1 for Aircraft On Ground (AOG) response
- No. 1 for fulfillment of warranty terms

This validates our approach, which notably involved the acquisition of 17 maintenance centers worldwide in 2019. In 2020, the Group continued to integrate its network of excellence while increasing its market share in Falcon maintenance with:

- the finalization of the acquisition of ExecuJet Dubai in January,
- the reconfiguration of Dassault Falcon Service's maintenance facilities at Le Bourget to increase its Falcon 7X and 8X capacity. The refurbished hangar came into service at the beginning of 2020,
- the continued development of Falcon capacity in Malaysia (Kuala Lumpur), Australia (Brisbane) and the Middle East (Dubai).

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

In addition, at the start of the Covid-19 crisis, our swift reorganization enabled us to maintain the level of service (Command Center, Falcon Response, spare parts, network of maintenance centers) and remain in close touch with the "Falcon Family" by holding videoconferences and e-learning training sessions (Customer Webinars, OAB E-Forums).

We also:

- signed the 500th FalconCare maintenance contract,
- supported our customers through Falcon Response. The two dedicated Falcon have flown 5,400 hours on 830 missions since the service was launched in 2015.

1.5 Group structure

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

The holding percentages are shown in the 2020 Financial Report, in the notes to the Group's consolidated financial statements, Note 2 – Scope of consolidation, and in the annual parent company financial statements, Note 3 – Financial assets.

1.5.1 Consolidated subsidiaries and companies

Dassault Falcon Jet Corp. (DFJ) (United States) markets our Falcon on the American continent and performs interior upgrades. 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 Limitada (Brazil), aviation services and maintenance,
- Dassault Falcon Jet Leasing LLC (United States), company that holds the Falcon financing structures.

Dassault Falcon Service (DFS) (France), located at Le Bourget and in 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 part of Public Passenger Transport activity.

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

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

In 2019, Dassault Aviation took over the maintenance operations of three aviation maintenance networks (Luxaviation/ExecuJet, TAG Aviation and RUAG). During fiscal year 2020, Dassault Aviation completed the acquisition of ExecuJet MRO Services Middle East (Dubai) in the ExecuJet maintenance network.

These companies are listed below and have been integrated into the Dassault Aviation Group's scope of consolidation:

- **TAG Maintenance Services SA (TMS) (Switzerland),**
    - TAG Maintenance Services Portugal Unipessoal LDA (Portugal), a wholly owned subsidiary of TAG Maintenance Services SA,
    - TAG Maintenance Services Farnborough Ltd (United Kingdom), a wholly owned subsidiary of TAG Maintenance Services SA,
    - TAG Maintenance Services Le Bourget (France), a wholly owned subsidiary of TAG Maintenance Services SA,
- **Dassault Aviation Business Services SA** (formerly RUAG Business Aviation AG) **(Switzerland)**, airport services operator.
- **ExecuJet MRO Services Belgium NV (Belgium),**

- **ExecuJet MRO Services Australia Pty Ltd (Australia),**
  - ExecuJet MRO Services New Zealand Ltd (New Zealand; a wholly owned subsidiary of ExecuJet MRO Services Australia Pty Ltd),
- **ExecuJet MRO Services (Pty) Ltd (South Africa),**
- **ExecuJet MRO Services Malaysia Sdn Bhd (Malaysia),**
  - ExecuJet Handling Services Sdn Bhd (Malaysia), a 49%-owned subsidiary of ExecuJet MRO Services Malaysia Sdn Bhd).
- **ExecuJet MRO Services Middle East (United Arab Emirates).**

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.

1.5.2 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% held equally 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,
- 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 Private Ltd., which is responsible for promotion in India and is 100% held by Dassault Aviation Participations (France),
- Dassault Reliance Aerospace Limited, a company 49% held by Dassault Aviation, which assembles and produces military and civil aerostructure parts and subassemblies,
- Reliance Airport Developers Limited, a company 35% held by Dassault Aviation, which operates in the management and development of airport infrastructures.

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

Finally, the Group operates in the United Arab Emirates via DASBAT Aviation LLC.

1.5.3 Branches

The Group also has a branch in Cairo (Egypt) and another in Doha (Qatar).

1.6 Research and development

Most of our Research and Development (R&D) focuses on the development of the Falcon 6X, the future Falcon 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 our customers increasing levels of service and efficiency. Dassault Aviation is involved in the European projects Clean Sky and Clean Sky 2. Since 2008, it has also been a member of the Civil Aviation Research Council (CORAC).

To achieve the balance between technological developments over the long term and short-cycle innovations, we work 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.

We are actively working on the maturity of the technologies to improve environmental performance (reduction of drag, reduction of mass, efficient integration of the propulsion system), with a particular effort devoted to operational aspects (route optimization, new procedures), especially within the framework of the European SESAR (Single European Sky ATM Research) program.

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

- reducing the weight of structures with new materials and processes (new metal alloys, composites, metal and thermoplastic additive manufacturing),
- consolidating the principles of design and manufacture of surfaces with increased laminar flow and performance, achievable due to the drag reduction thus obtained,
- the preparation of a piloting concept that will allow rest at the seat (analysis of procedures, specification of a suitable seat, study of the Dual HUD concept as a means of displaying primary information),
- optimized mission preparation and management to reduce environmental impact, with takeoff and landing paths designed to reduce CO_2 emissions and/or external noise.

We are also continuing to make a significant effort to increase the efficiency of the entire flight test chain (new ways of measuring and optimizing productivity).

We are pursuing our collaborative work with CORAC on electric aircraft technologies and production processes for the aircraft factories of the future, launched as part of France's Investments for the Future program. As part of the new civil aviation support plan set up in the context of the Covid-19 crisis, we are launching new R&D initiatives focusing on:

- the design and development of large composite and metal parts with optimized mass,
- the development of protective features for piloting systems,
- optimization of the cabin air system.

Clean Sky 2 is a collaborative program involving some 20 major partners from seven European countries in a bid to provide a multi-pronged response to environmental issues. Reducing greenhouse gas emissions goes hand in hand with lower fuel consumption. As a result, our work focuses on the reduction of drag (laminar aerodynamics research) and mass (load control methodologies). The optimization of the production cycle takes the form of research into ecodesign, new materials, and aircraft maintenance and recycling technologies. Control of the sound environment entails work on noise control and the development of new acoustic protections.

The Man Machine Teaming upstream program started in early 2018 dedicated to IA. It focuses on the definition and modeling of concepts for the Human-System relationship in future combat systems and the maturation of innovative technologies, especially in decision-making autonomy and learning methodologies. Following a second call for partners, a new batch of 19 studies was announced by the French Defense Procurement Agency (DGA).

Alongside the actions carried out as part of this preliminary research plan, we are reinforcing our scientific collaboration in two areas of artificial intelligence (AI): cognitive AI and trusted AI. Technological research institutes are increasingly at the forefront of these areas and offer good frameworks for collaboration, which has enabled us to launch several projects in 2020.

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

1.7 Transformation plan: Leading Our Future

The “Leading Our Future” transformation plan should enable us to develop and build superior aircraft that are more competitive and increasingly tailored to the expectations of our existing and future customers. The plan relies on the people who work for the Group and leverages digital technology as a means of responding to changing markets and meeting the needs of our military and civilian customers.

There are currently three main priorities:

- collaborative engineering platform, digital technology and tools (Big Data, 3DExperience ™, SAP Prod, etc.),
- industrial performance,
- infrastructure upgrades.

This transformation is based on new digital tools, in a Big Data environment, where data quality and control are critical to ensuring the digital execution and continuity of our tooled processes.

This year, Dassault Systèmes’ 3DExperience™ collaborative engineering platform is operational and open to our partners. It supports the development of our future Falcon, the first aircraft program to fully utilize 3DExperience™.

In terms of Big Data, we have deployed a Dassault Aviation/Dassault Systèmes platform that allows us to:

- meet the performance commitments of the Rafale RAVEL support contract,
- set up digital cockpits to manage our operations in real time.

The modernization of our facilities and working methods continued in 2020 with the deployment of the collaborative engineering platform, and specifically the organization of Falcon mission programs.

As part of our Industrial Performance Management (supply chain), we have developed production planning and management tools and continued the deployment of SAP.

Similarly, we have:

- rolled out the Advanced Product Quality Planning (APQP) process and deployed it on new programs with our partners,
- applied the “ReUse” policy (reuse of mature technical solutions and industry standards) to our new programs,
- launched the first applications of Industry 4.0, such as augmented reality worker assistance.

Despite the health crisis, we have also continued the industrial specialization of our plants and the modernization of our buildings:

- Argonay:
  - extension work to accommodate new surface treatments that are compatible with the Registration, Evaluation, Authorisation and Restriction of Chemicals regulation (REACH),
  - start-up of the collaborative industrial platform for metal additive manufacturing (ALM) based on titanium powder,
- Biarritz: delivery of the new building,

- Cergy: in the process of obtaining planning permission,
- Istres: extension under way of the systems integration building,
- Martignas: pyrotechnics now operational in the new building,
- Poitiers: new hangar space designed to house the production of operational payloads.
- Mérignac and Saint-Cloud: new building and collaborative workspaces, coinciding with the collaborative engineering platform and the centralization of certain activities at Mérignac,
  - Mérignac: interior fitting out of the new office building; commencement of work on the new air system laboratory,
  - Saint-Cloud: refurbishment of the Sénard building and creation of collaborative multi-sector workspaces.

1.8 Total quality

As part of its Integrated Management System, in 2020 Dassault Aviation renewed its EN 9100 certification, a standard specific to the aviation industry, and its ISO 14001 environmental certification.

Dassault Aviation has also established an "Occupational Health and Safety" management system that meets the requirements of ISO 45001 "Occupational Health and Safety Management Systems – Requirements and Guidelines for their use".

We monitor our certifications for the design, production and maintenance of civil and military aircraft.

In 2020, we specifically implemented:

- a strategy for preventing risks from foreign objects during flight,
- a human factors training campaign tailored to the Covid-19 crisis.

In our new programs, we are deploying the APQP quality assurance process in development. This encourages collaborative work and focuses, very early in the process, on the control of product and process risks.

Finally, we continue to implement our program, product, process, environment, and occupational health & safety risk management measures at all Dassault Aviation entities.

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 Group functions.

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 pandemic has triggered an unprecedented crisis in terms of its consequences for public health, its scale and its effects on the economy and the Group’s activities.

Different types of risks have been identified:

- health risk, for which the Group has adopted a series of measures aimed at protecting its employees and ensuring the continuity of its operations,
- market risk, due to the crisis in the aviation sector,
- risks related to the long-term sustainability of our sub-contractors and supply issues, exposing us in terms of production capacity and customer deliveries,
- risks related to travel restrictions affecting business development and the execution of our programs, including new collaborative developments.

Market risks

The consequences of the current economic crisis in the civil aviation sector are significant and are likely to endure over the coming years, and this in an environment that remains highly uncertain. They have led to:

- a wait-and-see attitude in the market, with a lack of medium-term visibility as to when the business aviation market will recover; this has a direct impact on our order intake and net sales. However, there are signs of an upturn in pre-owned aircraft sales with expressions of interest from our customers, eager to have aircraft that are available immediately, but cautious about buying new models,
- a sharp drop in air travel, impacting our spare parts maintenance and distribution activities.

In the highly competitive civil aviation market, both in terms of trade and tariff policy and technological innovation, our competitors benefit from favorable economic factors and flexibility due to their location in the dollar zone.

To address this constraint, 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 design of future carbon-free aircraft into our strategy. In the short term, we are continuing to look at optimizing aircraft already in operation, as well as researching technological solutions for our projects.

In the defense sector, 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, as well as the complexity of aviation technology, 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 for new customer demand.

In 2020, the effectiveness of our program management was impacted by the crisis. This was made even more complex by travel restrictions and the constraints imposed by remote work.

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.

In 2020, despite an environment made even more complex by the health crisis, we continued to develop our facilities, production lines and engineering department activities with our Indian partners. This will be scaled up in 2021 by proceeding with the planned 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 in the aviation sector triggered by Covid-19, which affects all ordering companies, has led to a sharp decline in business for our partners and suppliers. This threatens to undermine their financial position and raises questions around long-term sustainability, skills retention, disposals/acquisitions and restructuring, as well as price increases.

As production performance depends on an adequate supply for our production lines, any instability or failure of the supply chain could lead to significant disruption, delays, or even production shutdowns, exposing us to a potential risk in terms of our deliveries.

Similarly, any delay or failure by our partners or suppliers in terms of development could pose major risks for our programs under development (development of the Falcon 6X and future Falcon).

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, 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. In 2020, a Group subsidiary was the victim of a cyberattack, although its operations were not affected and there was no impact at the Group level.

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

Our surveillance and protection systems are continually being adapted 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 disaster 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 terrorist threat remained very high in 2020. Due to the nature of its industrial activities and the use of its fighter jets in the fight against radical Islamism, the risk of harm to people and property remains considerable.

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 security risk is also addressed by protecting our IT systems. With the Covid-19 crisis, exposure to the risk of industrial espionage rose significantly and the Group faced a growing number of attempted data thefts.

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 motivate 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 an adaptation 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 4.4 "Human resources information."

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

Environmental risks (see NFPD)

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 2020, the Group did not have to recognize any environmental liabilities.

The preventive measures taken are described in Section 4.5.1 "Risks of pollution or damage to the environment."

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

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.

The Group may be exposed to the transition risks associated with climate change in terms of the technology of its products and services, requiring a shift toward solutions with lower CO2 emissions.

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 these targets in environmental standards incorporated into our product design requirements.

The measures taken are described in Section 4.5.4 “Climate change: greenhouse gases.”

Reinforcement of sanctions related to the protection of the environment

The proposed legislation regarding the “fight against climate change and reinforcement of resilience to its effects” introduces the notion of ecocide and strengthens related sanctions.

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 the 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 employment (see Section 4.4 of the NFPD on “Human resources information”),
- in terms of the environment and occupational health and safety (see Section 4.8 of the NFPD on “EHS regulatory requirements and administrative regimes”),
- in terms of customs, economic, 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.

Risks related to data protection

In accordance with Regulation (EU) 2016/679 of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR), the Group has set up a dedicated organization with comprehensive terms of reference and a record of the sensitive data processed.

Risks related to duty of care (see NFPD)

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 violation 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 and are set out in Section 4.7.1 "Duty of care."

Risks related to respect for human rights (see NFPD)

The Group addresses these risks and is committed to respecting human 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 measures taken in support of this commitment are detailed in Section 4.7.3 "Human rights."

Risks related to the fight against corruption (see NFPD)

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.

These measures are detailed in Section 4.7.4 "Fight against corruption."

Risks related to the fight against tax evasion (see NFPD)

We handle these risks in accordance with all applicable tax regulations, as outlined in Section 4.7.5 "Fight against tax evasion."

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. "Intellectual Property Representatives" are tasked with identifying the inventions to be protected within various departments of the Company. 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

Hedging portfolio

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 foreign exchange risk of the Parent Company is partly hedged by its purchases in dollars, and partly by the use of forward currency contracts and options.

The Parent Company partially hedges the cash flows that are considered highly probable.

The Parent Company ensures that the initial future cash flows will be sufficient to use the foreign exchange hedges in place. The hedged amount may be adjusted according to the variability in the timing of expected cash flows.

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

Military competitiveness

Our competitiveness is also impacted by fluctuations in the US dollar for the sale of our military aircraft; comparison with our competitors is done 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”.

Interest rate risks

The Group is no longer exposed to interest rate risk following the repayment of its variable-rate loans in 2020.

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 handles 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.

Finance Department through management auditing

Management auditing is responsible for overseeing the budget process and economic performance.

It consists of a network of management auditors who cover all of the Company's processes. In particular, regular budget reviews allow for reporting to Executive Management and all economic performance actors.

Ethics Department

The Ethics Department, which reports to the Chairman and Chief Executive Officer, is responsible for ensuring compliance with loyal 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 2020 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:
  - ANC Regulation 2014-03,
  - subsequent opinions and recommendations of the Accounting Standards Authority.

- the international standards for the measurement and presentation of IFRS financial information in force as of December 31, 2020, as adopted by the European Union, which must be applied for fiscal periods beginning on or after January 1, 2020, 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 2020, 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 **2020 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 **2021 action plan**

For 2021, 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 makes social, environmental, and societal aspects of its business the heart of its concerns.

The commitments thus made at the Group level form part of the challenges of the 17 Sustainable Development Goals adopted by the UN in 2015.

The Group’s actions in this respect mostly contribute to eight of the Sustainable Development Goals.

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

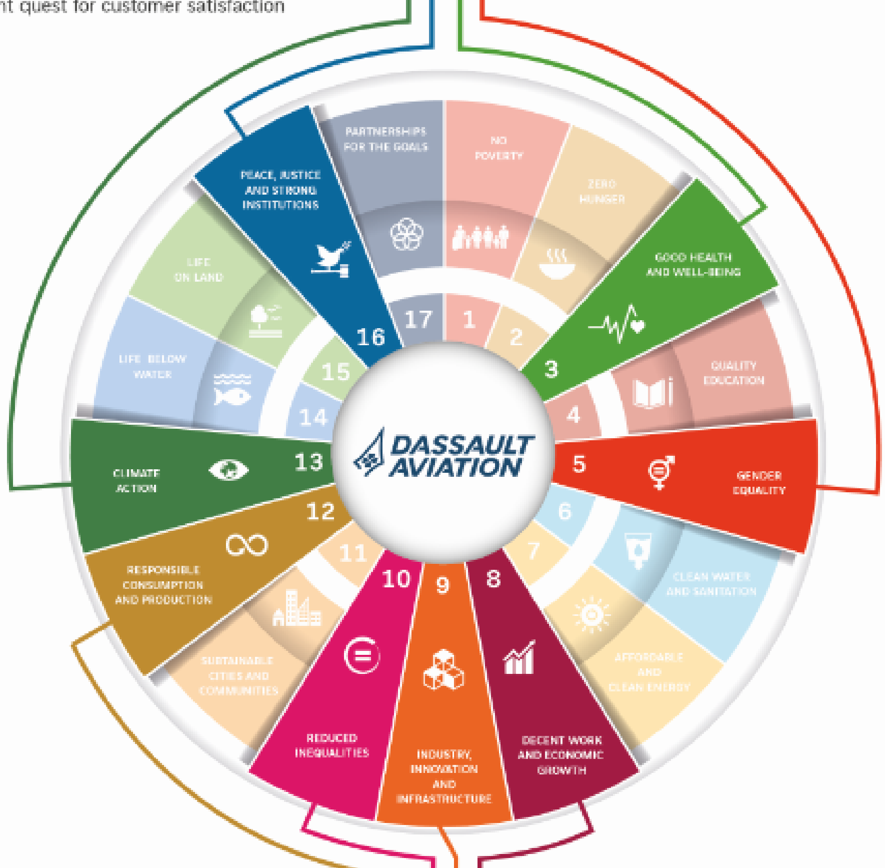
The innovations made by Dassault Aviation's teams both on its activities and its products, allowing for example the optimization of flight paths, contribute to reduce the air sector impact on the environment in a permanent quest for customer satisfaction

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 **Covid-19 health crisis**

2020 was marked by the health crisis of Covid-19. The Group has had to face the constraints generated by the crisis by demonstrating agility and responsiveness both in the tertiary sector and in its industrial organization.

In response, several crisis teams have been appointed 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.

In France, our operations were suspended temporarily in order to define and implement essential health measures, including the large-scale use of remote working and temporary furlough when unavoidable. Ongoing consultation with employee representative bodies has enabled work to resume gradually on site under satisfactory health conditions.

Our health protocols are updated regularly as the pandemic evolves.

In addition, the Group has contributed to the national effort within the framework of the “Resilience” and “Aviation without borders” operations as well as by donating masks, visors and meals to healthcare.

4.3 **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 working group appointed from the main Dassault Aviation support departments[1] with the help of:

- risk mapping (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 Financial Department, the Legal Affairs and Insurance Department, the Human Resources Department, the Environment, Health and Safety Department within the Total Quality Management Department, , the Purchasing Department, the Communications Department and the Ethics Department.

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

Challenges	Risks	Policies	Key performance indicator	Sustainable Development Goals (SDGs) affected
Attractiveness, employment and skills	Section 2.2 Risks related to the Group's attractiveness and the development and retention of talent	Section 4.4	% of staff trained	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES
Health, safety and workplace conditions	Section 2.2 Risks related to occupational health and safety	Section 4.4.7	Frequency rate of work-related accidents Severity rate of work-related accidents	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH
Climate change	Section 2.2 Risks related to the consequences of climate change	Section 4.5.2 Section 4.5.4	Energy consumption by source Greenhouse Gas Emissions (Scopes 1 and 2)	13 CLIMATE ACTION
EHS regulatory compliance	Section 2.3.2 Compliance	Section 4.8	Average number of regulations Maximum number of requirements applicable	3 GOOD HEALTH AND WELL-BEING; 9 INDUSTRY INNOVATION AND INFRASTRUCTURE
Traceability and obsolescence of hazardous substances	Section 2.3.2 Compliance	Section 4.5.3	Number of substituted hazardous products	3 GOOD HEALTH AND WELL-BEING; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Supply chain: customer duty	Section 2.3.2 Risks related to the Duty of Care	Section 4.6.3 Section 4.7.1	% of new suppliers processed % of suppliers with potential risks	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Business ethics	Section 2.3.2 Risks related to the fight against corruption Section 2.3.2 Risks related to the fight against tax evasion	Section 4.7.4 Section 4.7.5	Number of acts of corruption Number of training courses delivered Number of people trained	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

4.4 Human resources information

Contribution to SDGs

4.4.1 A responsible employment policy

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 31/12/2020	Headcount as at 31/12/2019
Dassault Aviation Parent Company	**8,681**	8,819
Dassault Falcon Jet	**2,052**	2,329
Dassault Falcon Service	**589**	595
Sogitec	**243**	246
TAG Maintenance Services / DABS	**458**	516
ExecuJet (*)	**418**	252
Total	**12,441**	12,757

** Acquisition by Dassault Aviation of Execujet MRO Services Middle East – UAE (Dubai)*

Changes in active headcounts

	Headcount as at 31/12/2020	Headcount as at 31/12/2019
Dassault Aviation Parent Company	**8,372**	8,464
Dassault Falcon Jet	**2,048**	2,320
Dassault Falcon Service	**546**	555
Sogitec	**237**	241
TAG Maintenance Services / DABS	**443**	502
ExecuJet*	**418**	252
Total	**12,064**	12,334

** Acquisition by Dassault Aviation of Execujet MRO Services Middle East – UAE (Dubai)*

Almost 97% of French employees work under open-ended contracts.

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

4.4.2 A dynamic talent detection policy

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

To that end, the Dassault Aviation Group works in tandem with the academic community (notably through skills sponsorship) 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 256 interns and nearly 248 work-study students, thus demonstrating our willingness to support the training of young people in our businesses and encourage their entry into professional life. Despite a series of lockdowns, the Group's Companies have opted to maintain the internships and work-study programs that began in 2020 with robust health protocols,
- 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. A distance-learning program was set up to ensure that courses could continue throughout the health crisis,
- 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.).

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 Baccalauréat degree. The first session was opened at the start of the 2019/2020 school year 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.

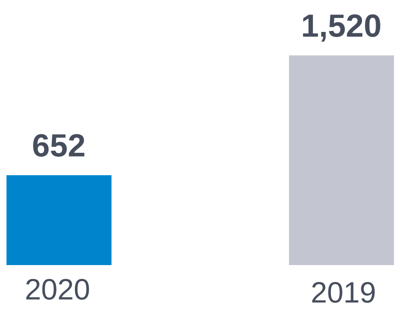
Within higher education, networks of excellence have been set up to forge links between Indian engineering colleges and partner schools in France. For example:

- 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.

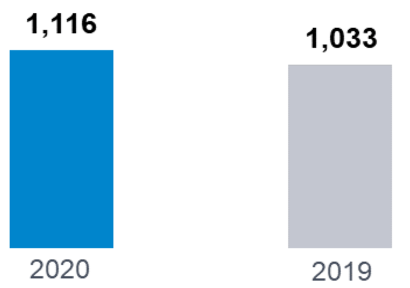
Despite the challenging environment in 2020, the Group continued recruiting by seeking the best possible match between costs, headcount and skills requirements.

As a result of this policy, 652 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.

The recruitment drive and induction process are essential, given that 1,116 employees left the Group in 2020.



4.4.3 Development and transfer of skills

Individual development of each employee is an essential condition of collective success.
With 77% of staff trained in 2020, the Group has demonstrated its commitment to maintain and develop its employees' skills, despite the health crisis.

Dassault Aviation launched the transformation of its Skills Conservatory, which began in 2017. Alongside the design and implementation of technical modules, the Conservatory now offers vocational training courses (training of Adjusters, Preparatory Courses, 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.

In order to identify and prepare future managers more effectively, the Dassault Institute has continued to run training courses which supplement its management programs, open to the Group's French subsidiaries. In 2020, 382 employees were trained.

TAG Maintenance Services has also reviewed its performance appraisal scheme to improve listening and dialog between employees and their managers.

The actions taken in 2020 maintained and enhanced employee skills by taking into consideration the operational needs of the Group's Companies, changes in the businesses and technologies, and individual wishes. Despite the health crisis, the Group's Companies arranged distance training wherever possible.

Professional training represents 207,377 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 is directly related to the position held by the employee or related to his career development prospects. In 2020, 14 employees benefited from this plan.

4.4.4 **Attractive compensation and benefits**

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

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

The average annual salary of Group employees in 2020 was EUR 57,820.

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 73,087.

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.

In addition, the French Companies of the Group paid nearly EUR 26.6 million (nearly 5% of the payroll) to the social and economic committees of institutions that enable employees to enjoy numerous social, sporting and cultural activities at very advantageous prices.

4.4.5 **Constructive employee relations**

The Dassault Aviation 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 2020, 22 agreements and amendments were signed, demonstrating the importance and dynamism of social dialog. They largely focused on topics such as working hours, wages, quality of work life, job and career management, gender equality and equal pay, employment and retention of people with disabilities, furlough schemes, and emergency measures in the context of the Covid-19 pandemic.

Through regular constructive discussions between management and labor, it has been possible for them to tackle the health crisis together. Staff representatives were overwhelmingly in favor of a gradual return to working on-site at the Group's French entities as early as April, expressing their confidence in the health measures implemented to protect employees' health.

This social dialog within the Group helps to maintain a climate conducive to the proper functioning of the Companies.

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

4.4.6 Promotion of diversity and equality of opportunity

The Dassault Aviation 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 desire is manifested in compliance with national regulations, the signing of corporate agreements and the implementation of action plans in the following areas:

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

Balance between generations – *distribution of workforce by age category*

Professional equality between women and men

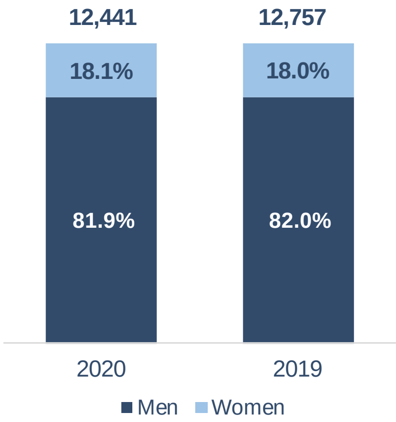
The Group pursues its policy of developing gender balance in the company by implementing actions to make real changes to internal attitudes and practices, thus leading to greater gender balance, particularly in the technical, industrial and aircraft maintenance professions.

The Dassault Aviation Group faces the issue of a smaller proportion of women on technical and industrial training courses. The development of scientific and technical careers among women is therefore an important issue.

Many 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 25.3% of all recruits in 2020.

Women account for 18.1% of the Group's workforce, a slight increase from 2019.



The Group also pays particularly close attention to the training and conduct of women's careers to continue their promotion to positions of responsibility.

The French Companies of the Group all have an agreement on the professional and wage equality of women and men.

Employment and retention in employment of persons with disabilities

The Group continues its policy of recruitment and retention of persons with disabilities.

Regular communication actions are being carried out with the world of education, local structures for the employment of disabled personnel and businesses in the adapted sector. 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.

In late 2020, the Dassault Aviation Group employed 492 disabled workers, compared to 529 in 2019.

Careers of staff representatives

Dassault Aviation and Dassault Falcon Service have implemented 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.

4.4.7 A high-quality, safe and healthy work environment

Quality of life at work

The Group has long taken an approach to promoting the reconciliation of working life and personal life. Mechanisms for parenting and individual arrangements for working hours have thus been developed.

Some Group Companies provide a company crèche.

As a result of the health crisis, Group Companies have introduced a blanket system of remote working which goes far beyond normal remote working practices.

In a context of lockdown, and with employees working from home full time, e-learning courses have been set up for managers to learn about best practices and be proactive in preventing risks linked to the isolation of employees working remotely.

E-learning sessions were also offered to remote workers to help them adapt to the new way of working.

Employee health

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.

Employee prevention and support campaigns

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

- influenza (awareness campaign and free vaccinations),
- 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.

Covid -19 health risk and crisis management

The Covid-19 global pandemic dominated events in 2020.

To tackle the health risk, the Group has introduced guidelines in accordance with government recommendations, which in France take the form of national company protocols.

Special protective measures and arrangements have been established to protect staff and ensure that operations can be ramped up again safely.

The protocols describing the range of health measures include in particular:

- 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 or potential infection.

The effectiveness of the Dassault Aviation protocol is assessed weekly on the basis of specific metrics.

Culture of prevention

Developing a safety culture is necessary to maximize performance. In 2020, 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.

Dassault Aviation has put in place an EHS management framework based on the ISO 45001 standard. ISO 14001 was added to this in 2020.

The maturity targets initially set for 2020 were rolled over to 2021 due to the Covid-19 crisis.

Ergonomics and working conditions

Consideration of ergonomics in activities remains a priority. The workplace transformation continued in 2020, focusing on:

- reducing the risk of accidents (e.g. load handling),
- reducing the causes of occupational illnesses related to musculoskeletal disorders in particular,
- adapting workstations for employees with disabilities.

This has resulted in the installation of ergonomic workbenches, sit-stand desks, mounting/lowering and rotating frames, industrial trucks, joystick arms, etc.

Ergonomic aspects were also taken into account with the acceleration of remote working during the health crisis. 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/back) and automated postural stress assessment systems.

Physical and chemical risks at workstations

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

Actions to reduce chemical risk exposure are ongoing. In 2020, paint booths and ventilation systems were upgraded.

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

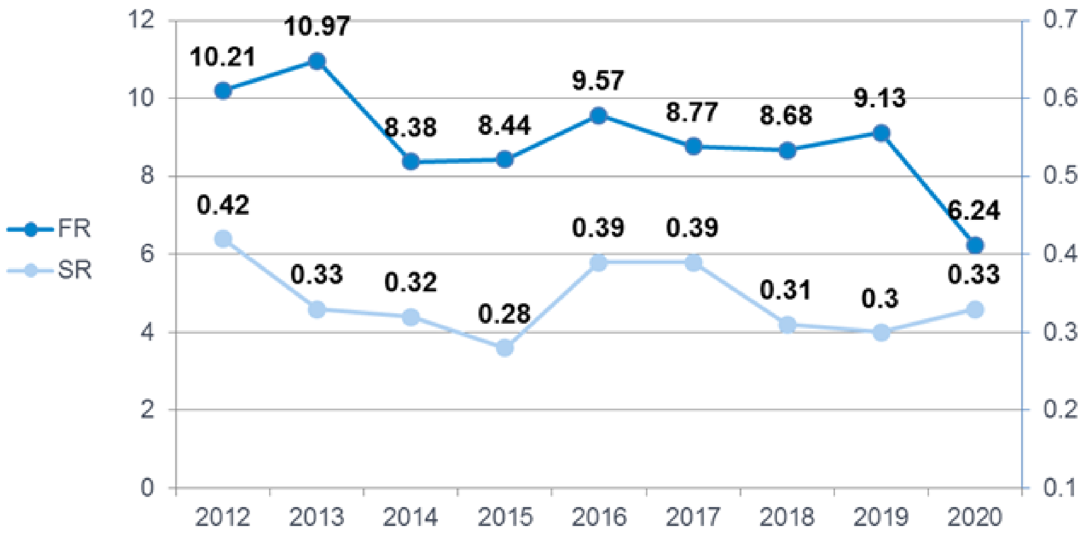
Monitoring indicators

For the Dassault Aviation Group, absenteeism in 2020 was 154,941 days from all causes, excluding maternity and parental leave. This increase is due to the additional lost time caused by the health crisis (vulnerable workers, self-isolation, childcare, employees infected with the virus, etc.) and the measures taken to protect the health of employees (two-week plant closures while health protocols are implemented, gradual resumption of work, etc.).

The number of work-related accidents with lost time was 122 in 2020. The corresponding number of days lost was 6,391 days.

The frequency rate[2] fell from 9.13 to 6.24 in 2020. Dassault Aviation is on target according to its CSR policy, with a 39% reduction in frequency in 2020.

The severity rate[3] rose from 0.30 to 0.33.



In 2020, 15 occupational illnesses were identified by the various competent authorities, compared with 18 in 2019. These were primarily musculoskeletal disorders.

4.5 Environmental information

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 "Ecodémarche" roadmap, 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.

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[2] 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.
[3] The severity rate represents the number of days lost per 1,000 hours worked.

4.5.1 Risks of pollution or damage to the environment

Contribution to SDGs

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.

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.

4.5.2 Environmental footprint of our products

Contribution to SDGs

Over the past forty years, technological progress with regard to engine efficiency, aerodynamics and weight saving has considerably 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 at the Le Bourget 2019 Air Show with the signing of:

- the Sustainability of Aviation commitment with 6 other major aircraft players (Airbus, Boeing, GE Aviation, Safran, Rolls Royce, United Technologies),
- the Joint Declaration of European Aviation Research Stakeholders Related to Clean Aviation (signed jointly by 23 aviation companies), followed in October 2020 by the signing of the Joint Memorandum of Commitment for the European Partnership for Clean Aviation, the future research partnership under the EU's Horizon Europe program.

Environmental footprint models based on a Life Cycle Analysis (LCA) approach show that the use of aircraft accounts for nearly 95% of the Group's carbon emissions.

Technological aircraft innovation

Dassault Aviation is involved in these european and national initiatives and leads or participates in concept and development studies in conjunction with the entire aviation sector. These studies relate to :

- aerostructural optimization from the pre-project phases and the optimization of engine integration,
- the design and production of laminar load-bearing surfaces with low aerodynamic drag, with full-scale demonstrations,
- load and vibration control for new mass gains,
- optimized energy management and the development of more electrical technologies,
- the development of an operational solution for route selection, significantly optimizing consumption for a given mission,
- the continuation of the work already enabling the Falcon fleet to run on alternative fuels, and the qualification (engine and systems) for the use of future sustainable synthetic fuels,
- exploring the possibility of hydrogen-fueled business jets,
- ecodesign through the study of new materials and processes.

Optimization of aircraft in operation

Dassault Aviation relies on the reflexions and demonstrations conducted in the Single European Sky ATM Research (SESAR) program to prepare the future Single European Sky in order to fully exploit technological gains across all aircraft operations 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)

Dassault Aviation is working with engine manufacturers on the compatibility of sustainable aviation fuels (SAF) with aircraft systems and tanks.

The overall reduction in CO_2 emissions over the life cycle of SAF (production followed by use in flight) may ultimately approach 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.

All Falcon models are biofuel compatible. SAF supply chains are starting to become established, particularly in the United States. Dassault Aviation is committed to promoting the use of SAF internally and among its customers, working closely with GAMA, NBAA and EBAA in particular.

4.5.3 Circular economy: environmental footprint of activities

Contribution to SDGs

As part of its CSR policy, Dassault Aviation has set environmental footprint reduction targets for the period 2018-2020. The desired performance improvement targets energy consumption, water consumption, air emissions and waste recovery.

By the end of this 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 will be set following a performance review, assuming a gradual recovery of the aviation sector.

In 2020, resource consumption and waste generation were directly impacted by the health crisis and the economic crisis that followed it. The predominantly downward trend is the result of the improvements made by the Group in the context of its CSR policy, as well as the consequences of the health crisis.

Themes			**Group performance**		
		2020 targets (Ref. 2017)	2020	2019	Like-for-like change since 2017
Optimize consumption of resources	Electricity (GJ)	**-5%**	486,112	**527,744**	-7.6%
	Gas (GJ)	**-5%**	300,774	**342,075**	-15.0%
	Domestic fuel oil (GJ)	**stability**	5,571	**5,570**	6.4%
	Total	**-5%**	792,456	**875,390**	-10.4%
	Kerosene (GJ)	**NA**	508,439	**556,321**	NA
	Water (m3)	**Stability**	200,377	**206,091**	-0.7%
Minimize the use of hazardous chemicals	Hazardous products removed or substituted	**NA**	385 *(since 2013)*	**356 *(since 2013)***	55
Reduce waste generation and discharges into the water and air	VOC (T)	**Stability**	104	**145**	-24.8%
	Total waste (T)	**Stability**	5,808	**9,512**	-23.7%

Energy consumption

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

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 are part of an objective that goes beyond the requirements of 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 down significantly as a direct result of the number of deliveries of military aircraft for export, as scheduled, and of the impact of Covid-19 on Falcon deliveries.

Water consumption

The majority of water comes from public water supply systems and to a lesser extent from groundwater pumping. Most water is used for non-industrial purposes.

On a like-for-like basis, consumption in 2020 was more than 20% 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 health crisis and the use of remote working are having a discernible effect on paper consumption. This has led to a 6.6% fall in consumption 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 (dismantling in December 2020), 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, 385 hazardous products have been deleted, 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 decline in annual VOC emissions is due to the impact of Covid-19 on industrial operations.

Fight against food waste and insecurity

The Group has identified no specific challenges for this issue.

Waste

In 2020, the total waste tonnage fell by more than 39%, partly due to the health crisis. The fall in metal waste was particularly significant (reduction of 55% for the Parent Company).

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

Development of the circular economy

Themes		**2020 targets** (Ref: 2017)	Group performance		
			2020	**2019**	Like-for-like change since 2017
Developing the circular economy, in particular through the recovery of waste	% total waste recovery	**80.0**	78.2	**77.1**	8.9
	% non-hazardous waste recovery	**90.0**	83.1	**86.5**	6.1

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.

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

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

With a non-hazardous waste recovery rate of 94% at its sites in France, the Dassault Aviation Group expects to reach 100% in the near future.

4.5.4 Climate change: Greenhouse Gases

Contribution to SDGs

Themes		2020 targets (Ref. 2017)	Group performance		
			2020 *(TCO2e)*	**2019 *(TCO2e)***	Like-for-like change since 2017
Control GHG emissions	Scope 1 non-kerosene	**-5%**	18,291	**20,142**	-20.8%
	Scope 2	**-5%**	25,753	**27,960**	-12.1%
	Scope 1 kerosene	**NA**	34,409	**37,649**	NA

Scope 1 and 2 emissions

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.

Following the reduction in energy consumption, Scope 1 emissions fell by almost 9% during the year.

The fleet of company vehicles historically composed of diesel vehicles is continuing to shift toward hybrid, electric or gasoline engines.

The fleet of service vehicles consisted of more than one third electric vehicles at the end of 2020.

Scope 2 emissions from electricity consumption also fell in 2020. Energy-intensive equipment (e.g. lighting, engines and compressors) continued to be replaced.

In accordance with regulatory requirements, GHG assessments and energy audits were updated at eligible sites in France at the end of 2019. A feasibility assessment of the proposed improvements is under way to contribute to the Company's low-carbon initiatives.

Emissions associated with kerosene combustion are directly related to air operations. As is the case each year, the CO_2 emission declarations imposed by the Emission Trading Scheme regulations were made for the Group's air activity.

Scope 3 indirect emissions

Dassault Aviation has now identified three significant indirect sources of emissions on which it should focus its efforts.

Use of product

The Dassault Aviation Group, as a responsible player in the aviation sector, is fully aware of the greenhouse gas emissions caused by the use of its products.

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 4.5.2).

Business travel and home offices

Dominated by Covid-19 and the associated travel constraints, 2020 saw the mass introduction of remote working, collaborative tools and videoconferencing. This helped to reduce the Parent Company's CO_2 emissions, which fell by more than 5,600 tons, or 61.8%, relative to 2019.

This exceptional situation also contributed to the reduction in emissions from commuting, through the use of individual carbon-free means of travel, such as cycling. These cyclical developments complement the actions undertaken within the framework of existing mobility plans at the main facilities in France.

The Parent Company's travel policy encourages the use of:

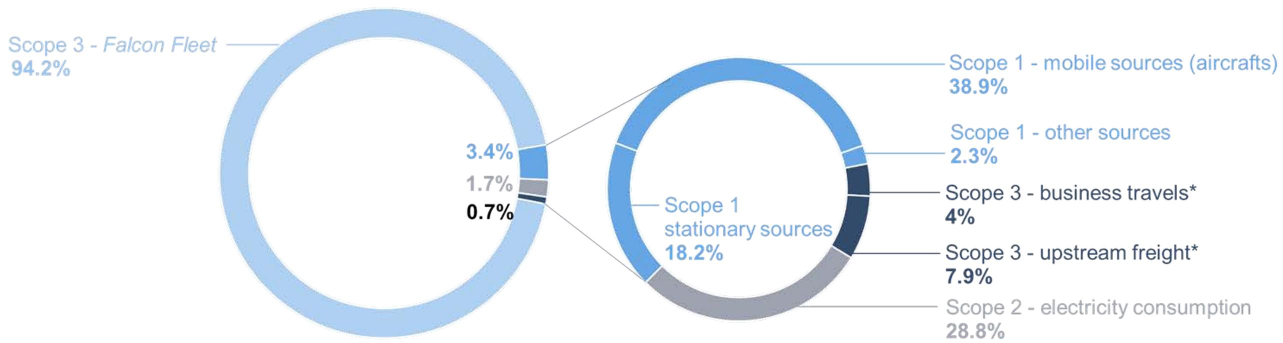
- the train for short journeys,
- airlines with a carbon offsetting policy. In 2020, domestic flights accounted for 1,108 tons of CO2, 98.5% of which has been offset.

Upstream freight

In 2020, 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 associated CO_2 emissions.

Total GHG footprint profile



* Dassault Aviation Parent Company

Impacts of climate change

The geographical location of the Dassault Aviation Group leads to low exposure to the physical consequences of climate change, whether for clean industrial locations or for the supply chain.

Actions to reduce the environmental footprint of the Group's products and activities contribute to the control of transition risks related to climate change.

4.5.5 Biodiversity

Preservation of biodiversity is taken into account when challenges require it. Accordingly, in the context of the new constructions carried out in the Group's facilities, actions are conducted with a view to avoiding or reducing 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).

4.5.6 Respect for animal welfare and responsible food

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

4.6 Corporate responsibility information

4.6.1 Sustainability policy

Contribution to SDGs

The service life of aircraft (several decades) requires to anticipate the constraints relating to their life cycle from the time of their design. To achieve this, Dassault Aviation innovates, 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.

4.6.2 Culture of safety

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.

In 2020, the SMS was rolled out at two pilot sites. It will be extended to the entire Group by 2022.

4.6.3 Corporate commitment for industrial and purchasing activities

Contribution to SDGs

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 long-term 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".
- has implemented support measures to minimize the impact of the crisis on its suppliers:
  - electronic invoicing: to overcome difficulties in issuing and sending physical invoices, suppliers were allowed to submit electronic invoices until the end of the grace period granted by the tax authority,
  - reduction in invoice terms of payment: introduction of a special process involving the Finance Department and the Purchasing Department, enabling a tailored response to be given to our suppliers after reviewing their file (including early payment dates and terms of payment reduced to up to 48 hours).
- adopted a collaborative approach to reach 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 growth 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 ETIs of 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 and supply chain security

Dassault Aviation's Purchasing policy aims to secure its supply chain by strengthening 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 2020.

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.

In 2020, to improve its supply chain management, the Purchasing Department was restructured and all suppliers were grouped within the same entity: the Operational Purchasing Department.

To strengthen supplier control, Dassault Aviation has established a Supply Chain Committee composed of the Company's senior executives (General Directors for Purchasing, Total Quality and Industrial Operations). This committee proposes strategic actions in this area to the General Management.

Volume of purchases

In 2020, the order commitments of the Dassault Aviation Group totaled approximately EUR 2.7 billion.

Each Group subsidiary manages its own purchasing:

- Dassault Falcon Jet, EUR 313 million to carry out its missions (distribution of aircraft and spare parts, interior fittings, maintenance),
- Dassault Falcon Service (airline and maintenance center), EUR 33 million,
- Sogitec, EUR 30 million.

4.6.4 Territorial influence

Contribution to SDGs

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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 sites in Europe,
- ExecuJet companies and their subsidiaries: nine 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.

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 Aeroprint project is driven by 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.

4.6.5 <u>Charitable actions</u>

Through its sponsorship agreements and charitable actions, the Dassault Aviation Group supported several non-profit organizations in 2020, including Course du Cœur (organ donation), Rêves de Gosses (flying experiences for children with disabilities), the Musée de la Libération, the Fondation de l'Armée de l'Air et de l'Espace, and the Musée de la Marine.

In the United States, Dassault Falcon Jet takes part in initiatives including Habitat for Humanity, the Arkansas Food Bank, the American Red Cross and the Muscular Dystrophy Association.

Following the explosion of an ammonium nitrate stockpile in the port of Beirut, Dassault Aviation purchased and sent, on behalf of the NGO Nawraj, medical equipment for a hospital in the Gemmayzeh district, which was badly damaged in the accident.

Dassault Aviation has also contributed to efforts to tackle the Covid-19 pandemic:

- Operation Resilience: the French Ministry of the Armed Forces and the non-profit organization Aviation Sans Frontières have been offered the use of Falcon business jets to transport healthcare workers (doctors and nurses) around France and overseas as quickly and as comfortably as possible. Eighteen flights have taken place in this respect,
- Dassault Aviation has provided direct support to care workers by donating masks and meals, our 3D printing community has made visors,
- The Argonay teams have produced parts for oxygenation systems for three hospitals in Seine-Saint-Denis.

4.7 **Responsible processes**

Contribution to SDGs

4.7.1 <u>Duty of Care</u>

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. The Company's risk assessment process (see Section 3.3 Risk management procedures) allows to manage the risk of serious harm in the areas of environment, workplace health and safety, human rights and fundamental freedoms for the activities of the Group.

In addition, a vigilance plan is defined to cover the suppliers with whom an established commercial relationship is maintained.

Process prior to the Duty of Care law

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, 175 production sub-contractors were evaluated, and the lowest-rated in terms of taking EHS issues into account were identified (with the management of chemicals being an area of particular concern). Of those, 30 have undergone a surveillance audit with information sessions since 2015.

Process set up under the Duty of Care law

Pursuant to Law 2017-399 of March 27, 2017 concerning the Duty of Care of parent companies and companies placing orders, Dassault Aviation strengthened its process through the establishment of a vigilance plan to identify the risks of serious violations with its suppliers and those of its subsidiaries. This vigilance plan is based on the existing Company 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 suppliers' risks by 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,
- 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. In 2020, Dassault Falcon Service and SOGITEC introduced a supplier monitoring system consistent with the Dassault Aviation vigilance plan. Dassault Falcon Jet is currently working on the operational set-up of its system.

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

In addition, authorized suppliers of Dassault Reliance Aerospace Limited were integrated into the Dassault Aviation process in 2018.

Dassault Aviation's objective is to assess, as part of its Duty of Care, all suppliers in the process of being authorized, approved suppliers subject to periodic follow-up, or suppliers who have faced a major event.

Themes		Group performance 2020	2019
Anticipate supplier risks, especially for sub-contracted activities	Number of suppliers processed	**719**	1,021
	% of suppliers with a high-risk location or business	**16%**	NA
	% of progress in the assessments of production sub-contractors at risk	**91%**	82%
Anticipate the supplier risks of subsidiaries	Number of assessments completed	**418**	NA

Since the scheme was introduced, the Group has processed more than 2,000 suppliers, including 1,137 in 2020. It has not detected any supplier with an immediate significant risk. Nevertheless, of these assessments, around 2% of 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.

4.7.2 Conflict minerals

Dassault Aviation's supply chain may be subject to regulations on the sourcing of minerals (tin, tungsten, tantalum and gold) from conflict zones.

Where relevant, suppliers must ensure that the minerals used in the manufacture of their products do not finance armed groups.

To ensure the transmission of information to its customers, Dassault Aviation has set up an organization to compile declarations from its supply chain.

4.7.3 Human rights

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, disabilities, 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 4.4.7).

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 service providers in place since 2007 now incorporates parameters for evaluating respect for human rights. During the supplier approval phase, the human rights and fundamental freedoms aspects are evaluated through a questionnaire in which the supplier summarizes its commitments in those areas.

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.

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

4.7.4 Anti-corruption measures

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) and is a member of several associations and forums on ethical conduct and corporate responsibility at the national, European and international levels (see website www.dassault-aviation.com, Ethics section).

For many years, the Dassault Aviation Group has implemented strict internal procedures to prevent corruption and ensure the integrity, 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 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 Dassault Aviation 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 the company'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 Alert Procedure that allows employees and outside and occasional agents to signal a crime or offense, violations of international commitments, laws or regulations, or even the Anti-Corruption Code, was also implemented. The Ethics Department is responsible for receiving and processing internal alerts. For this purpose, a dedicated e-mail address accessible to employees equipped with an encryption system is in place. In fiscal year 2020, no acts of corruption or influence peddling were brought to the attention of the Ethics Department.

Since 2018, the Ethics 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. Two sessions were held in 2020, enabling 258 staff exposed to this risk to receive training, compared with 282 in 2019. The fall in the number of people trained is due to the health crisis, which has reduced classroom capacity. The second training session held in September 2020 was particularly affected. The content of each session is set in consultation with the Ethics 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.

The procedures for evaluating customer, supplier and consultant situations have been strengthened.

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 2020, the Ethics Department conducted follow-up and audit missions for the evaluation procedures of leading suppliers, civil aircraft customers and consultants. These follow-up missions revealed that evaluation procedures incorporating the Sapin 2 issue have been put in place.

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

A page dedicated to the Ethics Department is available on the Parent Company Intranet site. This page presents the Company's Ethics Policy, Ethics Department contacts, and the reference documents, including the Anti-Corruption Code, the Anti-Corruption Guide and the Internal Alert Procedure.

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

4.7.5 **Fight against tax evasion**

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

4.8 Regulatory requirements and administrative regimes

Contribution to SDGs

The main Group entities have an EHS 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.

On average in France, the EHS regulatory oversight database for each facility contains 258 applicable texts, resulting in a maximum of almost 24,000 requirements for the most highly regulated site.

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.

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 no site is classified as SEVESO.

The industrial sites of foreign subsidiaries are monitored in accordance with local regulations. In this context, EHS regulatory oversight for our industrial activities in India was strengthened in 2019.

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

Dassault Aviation contributes to the working groups of the following organizations:

- IAEG: International Aerospace Environmental Group, as a founding member since 2011,
- ASD: Aerospace and Defense Industries Association of Europe, as a member of the Environment Commission,
- GIFAS: the French Aerospace Industries Group, for which Dassault Aviation is a member of the Environment and Sustainable Development Commission,
- BNAE: Office for the Standardization of Aeronautics and Space,
- ICAO: Committee on Aviation Environmental Protection (CAEP)
    - CAEP 1 - External Noise,
    - CAEP 3 - NOx and CO2 Emissions,
    - CAEP 4 - CORSIA, etc.

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 2020** was **EUR 2,905 million**, compared with EUR 5,039 million in 2019. Export order intake represented 33%.

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

	2020	2019	2018	2017	2016
Defense	**1,536**	3,249	2,521	712	8,094
Export	**278**	676	1,525	223	7,432
France	**1,258**	2,573	996	489	662
Falcon	**1,369**	1,790	1,811	1,908	1,124
Total	**2,905**	5,039	4,332	2,620	9,218
% Export	**33%**	43%	77%	80%	92%

The order intake is composed entirely of firm orders.

Defense programs

In 2020, **Defense order intake** totaled **EUR 1,536 million**, compared with EUR 3,249 million in 2019.

Defense Export order intake amounted to **EUR 278 million** in 2020, compared with EUR 676 million in 2019, a year that saw significant military support.

The Defense France share was **EUR 1,258 million** in 2020, versus EUR 2,573 million in 2019. Order intake includes the 10-year integrated support contract (excluding engines) for the ATL2 with the French Naval Air Force ("OCEAN"), the exercise of complementary options for the F4 standard, and the first study phases for the NGWS ("Next Generation Weapon System"). In 2019, it included the contractualization of the French 10-year integrated support contract for the Rafale ("RAVEL").

Falcon programs

In 2020, **15 Falcon orders** were recorded, compared to 40 in 2019. **Falcon order intake** in 2020 was **EUR 1,369 million** versus EUR 1,790 million in 2019. This includes the "AVSIMAR" contract with France, for the development and acquisition of 7 Falcon 2000 LXS Albatros for maritime surveillance aircraft and associated support.

5.2.2 Net sales

Net sales in 2020 totaled **EUR 4,817 million**, versus EUR 6,976 million in 2019.

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

	2020	2019	2018	2017	2016
Defense	**3,146**	5,076	2,373	1,872	1,210
Export	**2,638**	4,250	1,371	1,378	710
France	**508**	826	1,002	494	500
Falcon	**1,671**	1,900	2,026	2,312	1,951
Total	**4,817**	6,976	4,399	4,184	3,161
% Export	**88%**	88%	76%	86%	81%

Defense programs

2020 Defense net sales amounted to **EUR 3,146 million** compared with EUR 5,076 million in 2019. In 2020, 13 Rafale Export were delivered, versus 26 Rafale Export in 2019.

Defense Export net sales totaled **EUR 2,638 million**, versus EUR 4,250 million in 2019. This decrease was mainly due to the lower number of Rafale delivered.

The Defense France portion totaled **EUR 508 million**, versus EUR 826 million in 2019. In accordance with the French Military Procurement Law, 2020 net sales for Defense France do not include any deliveries of the Rafale. However, they do include Rafale support services under the RAVEL contract. For the record, 2019 saw the delivery of developments for the upgrade of the ATL2 combat system and delivery of the first two upgraded aircraft to the French Navy.

Falcon programs

Falcon net sales in 2020 amounted to **EUR 1,671 million** versus EUR 1,900 million in 2019. 34 Falcon were delivered in 2020, compared to 41 Falcon delivered in 2019. The decrease in net sales is due mainly to the lower number of new aircraft delivered.

5.2.3 Backlog

The **backlog** of the Parent Company as of December 31, 2020 was **EUR 14,743 million**, compared with EUR 16,543 million at December 31, 2019.

- The **Defense Export backlog** stood at **EUR 7,531 million**, compared with EUR 9,891 million at December 31, 2019. It consisted mainly of 34 Rafale versus 47 Rafale as of December 31, 2019.
- The **France Defense backlog** stood at **EUR 5,180 million**, compared with EUR 4,429 million as of December 31, 2019. It included 28 Rafale (as of December 31, 2019), the RAVEL support contract for the Rafale, the support contract for the ATL2 (OCEAN), the Rafale F4 standard, and the first study phases for the NGWS.
- The **Falcon backlog** (including mission aircraft), was **EUR 2,032 million**, compared with EUR 2,223 million as of December 31, 2019. It includes 34 Falcon, versus 53 as of December 31, 2019.

5.2.4 Net income

Net income for 2020 was EUR 176 million, compared to EUR 490 million in 2019.

In 2020, employees will receive EUR 65 million on 2020 profit-sharing and incentives plans, including:

- profit-sharing: EUR 48 million
- incentive plan: EUR 17 million

These amounts represent 13% of salaries received in 2020. The application of the legal formula would have resulted in no payment for 2020.

5.2.5 Allocation of earnings

If you approve the accounts for fiscal year 2020, we propose that you allocate the net earnings for the year of EUR 175,760,914.48, plus retained earnings from previous fiscal years, i.e., EUR 2,952,034,012.72, 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 4th paragraph of Article L. 225-210 of the French Commercial Code, may not be paid in relation to the treasury shares held by the Company, shall be reallocated to the Retained Earnings item.

5.2.6 Five-year results 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			3,868 (*)		
Total amount of invoices involved (before VAT)	11.9	5.2	1.4	7.1	25.6(*)
% of FY purchases (before VAT)	0.31%	0.14%	0.04%	0.19%	0.68%

(*) *1,785 invoices for EUR 13.8 million excluded as related to disputes*

Contractual payment terms: EOM + 45 days.

The composition as of December 31, 2020 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			5,698		
Total amount of invoices involved (before VAT)	97.3	54.6	6.8	58.7	217.4
% of FY net sales (before VAT)	2.02%	1.13%	0.14%	1.22%	4.51%

Payment terms: defined in the General Purchasing Conditions

5.5 Shareholder information

5.5.1 Capital structure

As of December 31, 2020, the share capital of the Company is EUR 66,789,624. It is divided into 8,348,703 shares, each with a par value of EUR 8. The shares are listed on the regulated "Euronext Paris" market – Compartment A – International Securities Identification Numbers (ISIN Code): FR0000121725. They are eligible for deferred settlement. 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).

In addition, the Board of Directors decided to submit for the approval of the Annual General Meeting of May 11, 2021 a split by ten of the par value of the Dassault Aviation shares, reducing the par value of the shares from EUR 8 to EUR 0.80 (see resolution No. 16).

As of December 31, 2020, Dassault Aviation shareholders are as follows:

Shareholders	**Number of shares**	**%**	**Exercisable voting rights** (2)	**%**
GIMD	5,196,076	62.3%	10,392,152	76.9%
Float	2,291,677	27.4%	2,298,853	17.0%
Airbus SE	827,529(3)	9.9%	827,529	6.1%
Treasury shares (1)	33,421	0.4%	0	0.0%
Total	**8,348,703**	**100.0%**	**13,518,534**	**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.
(3) Shares underlying the bonds exchangeable for Dassault Aviation shares issued by Airbus SE on June 9, 2016.

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 set forth in the table above.

As of December 31, 2020, 2,265 shares (0.03% of the share 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 only securities giving rights to Dassault Aviation shares are the bonds issued by Airbus SE on June 9, 2016.

The Company did not create any stock options in 2020.

The General Meeting of May 24, 2018 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). The General Meeting 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.

This authorization was for a maximum of 35,600 shares representing 0.43% of the capital as of May 24, 2018. The Board of Directors is responsible for determining the duration of the vesting and holding period for said shares. The authorization is valid for a period of 38 months from said Annual General Meeting.

Pursuant to this authorization (see Table 9 of the Report on Corporate Governance), on February 26, 2020 the Board of Directors decided to award 1,250 performance shares to the Chairman and Chief Executive Officer and 1,000 performance shares to the Chief Operating Officer.

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, this same Board Meeting defined the following other conditions:

- a vesting period of one year, expiring on March 3, 2021 inclusive,
- presence in the workforce at the end of the vesting period,
- a one-year holding period, beginning on March 4, 2021 and ending on March 3, 2022 inclusive,
- starting on March 4, 2022, 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 2020 by corporate officers consisted of the acquisition of performance shares on February 27, 2020 (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 Agreements between shareholders

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 (formerly 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 share transfers below this threshold.

This agreement does not constitute an act in concert 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

In order to allow Dassault Aviation to trade its own shares on the market or off-market, the Annual General Meeting of May 12, 2020 authorized the establishment of 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 and May 16, 2019.

This new authorization, valid for a period of 18 months as of May 12, 2020 (until November 12, 2021 inclusive), terminates, on the date it was implemented by the Board of Directors on May 16, 2019, the share buyback program previously authorized by the Annual General Meeting on May 16, 2019, for the unused portion of that program.

This share buyback program is in compliance with the provisions of Articles L.225-209 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 1,700 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.

The maximum amount to be used to buy back the Company's shares is EUR 1,419,279,000; this condition is combined with the condition for a 10% cap on the Company's share capital. This program was not used in 2020.

The General Meeting conferred all powers to the Board of Directors, with an option to subdelegate where 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 23, 2020, the Board of Directors, meeting after the Annual 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, 2020, the Company still held 33,421 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 4, 2021, the Board of Directors proposed to the General Meeting of May 11, 2021, that a new share buyback program be launched under the same conditions (14th 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 12, 2020, the General Meeting authorized the Board of Directors, under the same terms as the authorization of May 16, 2019, 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, 2020.

There was no cancelation of shares in 2020.

In order to allow the Company to reduce its share capital at any time, the Board of Directors, at its meeting of March 4, 2021, recommended to the Annual General Meeting of May 11, 2021 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 (15^{th} 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 for your approval concer 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 175,760,914.48, and the consolidated financial statements, which show a consolidated net profit of EUR 302,759 thousand for the fiscal year ended December 31, 2020 (resolution No. 2).

Those financial statements were approved by the Board of Directors on March 4, 2021 after prior examination by the Audit Committee. They were the subject of unqualified opinions from the Statutory Auditors, which can be found in the 2020 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 3,127,794,927.20, to the distribution of a dividend for fiscal year 2020 in the amount of EUR 12.3 per share, with the remaining balance to retained earnings (resolution No. 3).

The dividend would be paid on May 20, 2021.

- **Approval of the elements of compensation paid or allocated for fiscal year 2020**

In accordance with Article L. 225-100 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, 2020, mentioned in Article L. 225-37-3 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).

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

- **Approval of the 2021 compensation policy**

Pursuant to Article L. 225-37-2 II of the French Commercial Code, the Board of Directors submits for the approval of the Annual General Meeting the 2021 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 4, 2021 and are presented in paragraph 2.2 of the Report on Corporate Governance.

- **Ratification of the regulated agreement concerning the Directors' and Officers' liability insurance policy (known as RCMS)**

After having read the Directors' Report and the Statutory Auditors' special report on the regulated agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code, the Annual General Meeting is called upon to ratify the renewal of the regulated agreement on the Directors' and Officers' liability insurance policy (known as RCMS).

This agreement was authorized by the Board of Directors at its meeting on July 23, 2020 (resolution No. 10).

- **Ratification of the regulated agreement related to the acquisition by Dassault Aviation of land and buildings for the Argonay, Mérignac, Martignas and Saint-Cloud facilities**

After having read the Directors' Report and the Statutory Auditors' special report on the regulated agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code, the Annual General Meeting is called upon to ratify the regulated agreement on the acquisition by Dassault Aviation from GIMD of land and buildings for the Argonay, Mérignac, Martignas and Saint-Cloud facilities.

This agreement was authorized by the Board of Directors at its meeting on February 26, 2020 (resolution No. 11).

- **Ratification of the regulated agreement concerning the amendment to the commercial lease for the Mérignac and Martignas facilities**

After having read the Directors' Report and the Statutory Auditors' special report on the regulated agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code, the Annual General Meeting is called upon to ratify the regulated agreement on the amendment to the commercial lease for the Mérignac and Martignas facilities, in order to reflect the acquisition by Dassault Aviation from GIMD of parcel B 1701 in Martignas, with a corresponding reduction in rent.

This agreement was authorized by the Board of Directors at its meeting on February 26, 2020 (resolution No. 12).

- **Ratification of the regulated agreement related to the tacit renewal of the current lease granted to Dassault Aviation for the Argenteuil site**

After having read the Directors' Report and the Statutory Auditors' special report on the regulated agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code, the Annual General Meeting is called upon to ratify the regulated agreement on the tacit renewal of the current lease granted by GIMD to Dassault Aviation for the Argenteuil site.

This agreement was authorized by the Board of Directors at its meeting on February 26, 2020 (resolution No. 13).

- **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. 225-209 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 No. 15),
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 1,400 per share, i.e., a maximum investment of EUR 1,168,818,000.

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 12, 2020 (resolution No. 14) 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. 225-209 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, 2021.

As of May 11, 2021, it would render the similar authorization granted by the Combined General Meeting of May 12, 2020 ineffective for the under-used portion (resolution No. 15).

- **Split by ten of the par value of Dassault Aviation shares**

Dassault Aviation's share price is one of the highest in the SBF 120.

It is proposed that the Annual General Meeting authorize a split by ten of the par value of Dassault Aviation shares, reducing the par value of each share from EUR 8 to EUR 0.80 (resolution No. 16).

This transaction would align the value of Dassault Aviation shares with industry peers, making the stock more easily identifiable and more affordable for retail investors and retail funds, and increasing its liquidity.
The amount of share capital would remain unchanged.

The shares resulting from the stock split would be assigned a new ISIN code, which would be sent to financial intermediaries.

The split of the par value of the shares would take place would take place during the 2nd half of 2021.

- **Authorization for the Board of Directors to allocate Company shares to corporate officers and to certain Company employees**

Lastly, it is proposed that the Annual General Meeting renew the authorization given to the Board of Directors to allocate existing performance shares of the Company to Company employees or certain categories thereof and to eligible corporate officers of the Company.

The similar authorization granted by the Annual General Meeting of May 28, 2018 expires on July 24, 2021.

This allocation would be limited to 27,800 shares (shares not yet allocated).

This new authorization is proposed on the same terms as those currently applicable and within the limit of the shares not yet allocated.

It would be granted for a period of 38 months from the Annual General Meeting and as of today would render the similar authorization granted by the Combined General Meeting of May 24, 2018 ineffective for the under-used portion (resolution No. 17).

7. CONCLUSION AND OUTLOOK

2020 was clearly an extraordinary year, dominated by the Covid-19 pandemic which plunged the whole world into a health and economic crisis. This crisis allowed Dassault Aviation to demonstrate the relevance of its dual model as well as its resilience ability. After a short timeframe, we had to take action and reorganize to face these unprecedented events. Following the temporary shutdown of our production sites, we were able — thanks to a sustained and transparent dialog with employee representative bodies — to put in place a robust health protocol to ensure the safety of our employees and the continuity of the business. “Under crisis remote working” was implemented. When unavoidable, we resorted to temporary furlough in France and redundancies in some subsidiaries.

We also decided to contribute to the national effort, laying on two Falcon to transport health workers in the frame of Operation Resilience. We also supplied masks, visors and parts for respiratory devices to regional health authorities and provided meals to health workers in hospitals.

In these exceptional circumstances, our shareholders have shown their support by waiving their 2020 dividends due in respect of the 2019 earnings.

The aviation sector has been hit hard by the pandemic, one of the main consequences of which has been to shut down much of the commercial aviation business. The French government, in association with GIFAS, has launched a plan to support and modernize the sector.

Responsive and agile, we focused on meeting our commitments:

- support for the armed forces and Falcon customers,
- delivery of the Rafale Export and Falcon,
- continuation of the development of the Falcon 6X.

In addition, some delays were caused by the necessary changes in work organization (workplace closures, “under crisis remote working”, sub-contractor delays, etc.).

In the military segment, we delivered 13 Rafale Export as guided, India’s Rafale entered into service this year, and we continued to develop our export business, despite the constraints linked to Covid-19. These promotional campaigns culminated in the successful sale of 18 Rafale to Greece in January 2021. Greece is thus the first European country to buy the Rafale Export. This order includes 6 new aircraft, and 12 aircraft which recently entered into service with the French Air and Space Force. To replace them, France announced the order of 12 additional Rafale from Dassault Aviation, bringing the total number of Rafale France up to 180 ordered and 12 announced.

We also continued ongoing developments such as the Rafale F4 standard and the New Generation Fighter. With regard to support, we won the integrated support contract for the ATL2 (OCEAN) and went ahead with the first applications of the Big Data 3DExperience™ platform for RAVEL. Our operational availability rate targets have also been met.

As concerns the multi-mission Falcon, following Archange in 2019, the program for the Albatros maritime surveillance aircraft, based on a Falcon 2000LXS platform, was awarded to us by France. The contract is for 7 aircraft, with an option for an additional 5.

In civil aviation, the year was more mixed. We succeeded in delivering 34 Falcon (despite the travel restrictions), carried on working on the Falcon 6X (which completed its virtual rollout in December 2020 and will enter into service in late 2022), and continued to develop the future Falcon to be announced in the first half of 2021. In addition, for the second year running, the quality of Falcon support was again recognized as outstanding by Aviation International News (AIN).

Conversely, only 15 Falcon were ordered in 2020. Order intake was directly affected by the severe travel restrictions and the extreme uncertainty around the global economy. Similarly, our maintenance centers were impacted by the low volume of air traffic.

We continued implementing our transformation plan, and particularly the digitalization of the Company. Digitalization is essential for our processes, from design to support, while mastering our data. We also put emphasize on our industrial performance and on modernizing our infrastructures.

Looking ahead, 2021 will still to be dominated by the pandemic and its consequences for public health and economy. In this context, our efforts and strategy will be:

- Export Rafale: perform contracts and continue to explore new business opportunities,
- Falcon: increase sales,
- Falcon 6X: continue development aiming at its entry into service in late 2022,
- Military developments: pursue the current programs (F4 standard, Archange, Albatros, etc.),
- Preparation of the future: keep to the schedule for the future Falcon,
- New Generation Fighter: obtain the launch of phases 1B and 2,
- Eurodrone: secure a contract,
- 5th batch of the Rafale France: prepare to obtain the productability contract,
- Aircraft support and availability: maintain the highest standards,
- Energy transition: secure CORAC orders,
- Make in India: continue developing the activities transferred to DRAL.

We plan to deliver 25 Rafale and 25 Falcon. Net sales will increase.

The Board of Directors extends its heartfelt thanks and congratulations to all employees for the commitment and team spirit they have shown since the start of the crisis and in the face of the difficulties and constraints we face.

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

For fiscal year 2020, the reporting scope includes Dassault Aviation (Parent Company, including all its sites) and its wholly owned subsidiaries.

It should be noted, however, that the following are excluded from the reporting scope for 2020:

- Dassault Falcon Jet Leasing Ltd (a wholly owned subsidiary of Dassault Falcon Jet Corporation): this company have had no significant CSR activity,
- Dassault Falcon Service Moscow (a wholly owned subsidiary of Dassault Falcon Service),
- Dassault Aircraft Services India Private Ltd (99% subsidiary of Dassault Participation and 1% of Dassault Aéro Services),
- Dassault Falcon Business Services (a wholly owned subsidiary of Dassault Aviation).

It should also be noted that in fiscal year 2019, the following companies were incorporated into the Dassault Aviation Group scope of consolidation:

- TAG Maintenance Services SA (TMS) (Switzerland, a wholly owned subsidiary of Dassault Aviation),
- TAG Maintenance Services Portugal Unipessoal LDA (Portugal, a wholly owned subsidiary of TAG Maintenance Services SA),
- TAG Maintenance Services Farnborough Ltd (United Kingdom, a wholly owned subsidiary of TAG Maintenance Services SA),
- Tag Maintenance Services Le Bourget (France, a wholly owned subsidiary of TAG Maintenance Services SA),
- Dassault Aviation Business Services SA (DABS) (Switzerland, a wholly owned subsidiary of Dassault Aviation),
- ExecuJet MRO Services Belgium NV (Belgium, a wholly owned subsidiary of Dassault Aviation),
- ExecuJet MRO Services Australia Pty Ltd (Australia, a wholly owned subsidiary of Dassault Aviation),
- ExecuJet MRO Services New Zealand Ltd (New Zealand, a wholly owned subsidiary of ExecuJet MRO Services Australia Pty Ltd),
- ExecuJet MRO Services (Pty) Ltd (South Africa, a wholly owned subsidiary of Dassault Aviation),
- ExecuJet MRO Services Malaysia Sdn Bhd (Malaysia, a wholly owned subsidiary of Dassault Aviation),
- ExecuJet Handling Services Sdn Bhd (Malaysia, a 49%-owned subsidiary of ExecuJet MRO Services Malaysia Sdn Bhd).

For these companies, which were integrated into the Dassault Aviation Group in 2019, only some social and societal data could be included in the 2019 NFPD.

Execujet MRO Services Middle East (United Arab Emirates, a wholly owned subsidiary of Dassault Aviation) joined the scope of consolidation of the NFPD in 2020.

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 1st 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 since 2020. The defined indicators are in compliance with national regulations.

The following details are given for the following indicators:

- 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.
As you wish!
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 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.

Due to local difficulties, environmental data for the second half of 2020 for the DFJ Teterboro site were not available for consolidation in the annual report. By analogy, the data for the second half of 2019 were re-used.

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, as well as various international texts to which we adhere. The measures taken to further this commitment are detailed in Section 4.7.3 Human rights.

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

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.

For the year ended December 31, 2020

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 hereby report to you on the consolidated non financial statement for the year ended December 31, 2020 (hereinafter the "Statement"), 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*).

Company's responsibility

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-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.

The Statement has been prepared by applying the company's procedures (hereinafter the "Guidelines"), summarized in the Statement or available on request from the company's headquarters.

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 professional standards.

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 Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the 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, hereinafter the "Information."

However, it is not our responsibility to provide any conclusion on the company's compliance with other applicable legal and regulatory provisions, particularly with regard to the plan of vigilance, and the fight against corruption and tax evasion nor on the compliance of products and services with the applicable regulations.

Nature and scope of procedures

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 and with ISAE 3000 (*Assurance engagements other than audits or reviews of historical financial information)*:

- 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 Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs, the respect for human rights and the fight against corruption and tax evasion.
- We verified that the Statement 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 Statement 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 Statement 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 Statement.
- 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.

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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.

– 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, 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 26 and 100% of the consolidated data for these tests;

– We assessed the overall consistency of the Statement in relation to our knowledge of all the consolidated entities.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work engaged the skills of five people between October 2020 and February 2021 and took a total of 4 weeks.

We conducted some 20 interviews with the people responsible for preparing the Statement, representing in particular the environment health and safety, human resources, purchasing and ethics departments.

[2] Quantitative information: total headcount as of 12/31/2020, % of personnel trained; frequency rate of workplace accidents; severity rate of workplace accidents; energy consumption by source; greenhouse gas emissions (scope 1 and 2); average number of regulatory texts; maximum number of applicable requirements; number of hazardous products removed or substituted; % of new suppliers evaluated; % of suppliers at potential risk; number of acts of corruption; number of training courses provided; number of people trained.

[3] Selected sites: Dassault Aviation SA (France): Argenteuil, Saint-Cloud and Mérignac sites.

Conclusion

Based on our work, nothing has come to our attention that cause us to believe that the non financial statement 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.

Paris-La Défense, March 12, 2021

One of the statutory auditors,

Mazars

Mathieu Mougard
Partner

Edwige Rey
CSR & Sustainable Development Partner

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 and Insurance Department and the Financial Department carried out preparatory checks on the drafting of said report, which was then approved by the Board of Directors on March 4, 2021 and reviewed by the Statutory Auditors in the performance of their mission of due diligence.

1. CORPORATE GOVERNANCE

1.1 Corporate governance guidelines

- **Standard of reference for corporate governance used by Dassault Aviation**

In response to the remarks made in 2020 by the French Financial Markets Authority (Autorité des Marchés Financiers, or "AMF"), the Board of Directors of Dassault Aviation, is having to clarify its standard of reference for corporate governance.

In accordance with Article L. 22-10-10 4° of the French Commercial Code, the Board of Directors confirms, after reviewing the provisions of the current corporate governance codes issued by AFEP-MEDEF and Middlenext, that these 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:
  - a 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 accessible 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 was composed of nine members with the experience and expertise required to fulfill their offices: Éric Trappier (Chairman and Chief Executive Officer) and Charles Edelstenne (Honorary Chairman), Catherine Dassault, Marie-Hélène Habert, Mathilde Lemoine and Lucia Sinapi Thomas, Olivier Dassault, Henri Proglio and Stéphane Marty (appointed as Director representing employees from January 1, 2021), with renewable terms of office of four years.

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 12/31/2020

Name	Office	Age at 12/31/2020	Independent Director	Participation on the Audit Committee	First term of office	End of current term	Years of service on the Board
Éric Trappier	Chairman and Chief Executive Officer	60			2013	2023	
	Director				2012	2023	8
Charles Edelstenne	Honorary Chairman Director	82		yes	1989	2023	31
Olivier Dassault	Director	69			1996	2023	24
Catherine Dassault	Director	53			2017	2024	4
Marie-Hélène Habert	Director	55			2014	2022	6
Mathilde Lemoine	Director	51	Yes		2017	2024	4
Henri Proglio	Director Chairman of the Audit Committee	71	Yes	Yes	2008	2022	12
Lucia Sinapi Thomas	Director	56	Yes	Yes	2014	2023	6
Richard Bédère [(1)]	Director representing employees	64			2014	2022	6

(1) As Richard Bédère has retired, Stéphane Marty was appointed to replace him from January 1, 2021, for the remainder of his term of office.

The aforementioned directors are all of French nationality.

At December 31, 2020, the directors are aged between 51 and 82 with an average age of 62. This includes the director representing employees.

The Board of Directors includes four women out of a total of eight members (excluding the director representing employees, in accordance with the law), a proportion of 50% 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:

- not being an employee or holding an executive position within the Company or a company controlled by it in the five preceding years,
- 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,
- not being or representing a major shareholder,
- not being or representing, in a significant way, a commercial partner (customer, supplier), financial partner (investment banker, commercial banker), stakeholder or consultant,
- not be closely related to a major shareholder or executive member,
- 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.

At its meeting on March 4, 2021, the Board of Directors confirmed, following consideration, that Mathilde Lemoine, Lucia Sinapi Thomas and Henri Proglio were independent directors in accordance with the Company's independence criteria. They represent 37.5% 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**

At its meeting on March 4, 2021, the Board of Directors duly noted the appointment of Stéphane Marty as director representing employees, effective from January 1, 2021, to replace Richard Bédère, who retired after six years as a director.

- **Directors' share ownership obligation**

In accordance with Article 15 of the Company's Articles of Association, each director, with the exception of the director representing employees in accordance with the law, is required to own a minimum of twenty-five shares in registered form throughout his or her entire term of office.

1.3 Offices held and duties performed by corporate officers in 2020

- **Honorary Chairman**

CHARLES EDELSTENNE

Director, Honorary Chairman and Member of the Audit Committee

Date of first appointment as a director:
January 27, 1989

Expiration of current term:
General Meeting of 2023

Number of Dassault Aviation shares held: 67

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 Strategic and CSR Committee
Carrefour SA (listed company)	Director Chairman of the Governance Committee Member of the Compensation Committee
Dassault Media SAS	Chairman Director
Groupe Figaro SASU	Chairman Director
Dassault Wine Estates SASU	Chief Executive Officer
Rond-Point Immobilier SAS	Chairman
Rond-Point Investissements EURL	General Manager
Rond-Point Holding SAS	Chairman
Société du Figaro SAS	Chairman
SABCA SA (Belgium) (listed company)	Director
Dassault Falcon Jet Corporation (USA)	Director
SITAM Belgique SA	Chairman of the Board of Directors
GIFAS	Honorary Chairman
Arie (civil partnership)	General Manager
Arie 2 (civil partnership)	General Manager
Nili (civil partnership)	General Manager
Nili 2 (civil partnership)	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) Inc.	Director
Sogitec Industries SA	Director
Lepercq, de Neuflize and Co Corp.	Director
Dassault Medias SAS	Chairman and Chief Executive Officer

- **Chairman and Chief Executive Officer**

ÉRIC TRAPPIER

Chairman and Chief Executive Officer

Date of first appointment as Director: 18 December 2012

Expiration of term of office as a Director: General Meeting of 2023

Date of first appointment as Chairman and CEO: January 9, 2013

Expiration of term of office as Chairman and CEO: General Meeting of 2023

Number of Dassault Aviation shares held: 3,828

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
Sogitec Industries SA	Director
Dassault Falcon Jet Corporation (USA)	Chairman Director
Dasbat Aviation LLC (UAE)	Director
Dassault Reliance Aerospace Limited (India)	Chairman Director
GIFAS	Chairman
ASD	Chairman
CIDEF	Chairman

Other offices and duties held over the last five years

GIFAS	Senior Vice-Chairman
ASD	Chairman of the Defense Committee
Dassault International (USA) Inc.	President 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: 26

List of offices and duties held in other companies during the last fiscal year

Groupe Industriel Marcel Dassault	Member of the Supervisory Board Chairman of the Strategy and Development Committee
Dassault Médias SAS	Director
Rond-Point Immobilier SAS	Member of the Supervisory Board
Rasec International SAS	Director
Particulier et Finances Éditions	Chairman of the Supervisory Board
HR Finance SAS	General Manager
Rod Spontini (SCI)	General Manager
Jours de Passions SAS	Vice-Chairman of the Management Committee
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
SCI de Maison-Rouge	General Manager
HRT (SC)	General Manager
Dolijet SASU	Chairman

Other offices and duties held over the last five years

Groupe Industriel Marcel Dassault	Chairman of the Supervisory Board
Groupe Figaro SAS	Director
Valmonde Group	Vice-Chairman Director
Rubis SA	Member of the Supervisory Board

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: 25

List of offices and duties held in other companies during the last fiscal year

Groupe Industriel Marcel Dassault SAS	Member of the Supervisory Board
Dassault Systèmes SE (listed company)	Director
BioMérieux SA (listed company)	Director Member of the Human Resources and CSR Committee Member of the Strategic Committee
Artcurial SA	Director
Immobilière Dassault SA (listed company)	Vice-Chairman of the Supervisory Board
Rond-Point Immobilier SAS	Member of the Supervisory Board
Duquesne SCI	General Manager
HDF SAS	Vice-Chairman Member of the Strategic Committee
HDH Immo SCI	General Manager
HDH SC	General Manager
H. Investissements SARL	General Manager
Siparex Associés SA	Director
Fondation Serge Dassault	Chairman Director
Fondation Fondamental	Director

Other offices and duties held over the last five years

Groupe Industriel Marcel Dassault	Chairman of the Supervisory Board
Rond-Point Immobilier SA	Chairman of the Supervisory Board

CATHERINE DASSAULT

Director

Date of first appointment as Director: March 7, 2017

Expiration of term of office as Director: General Meeting of 2024

Number of Dassault Aviation shares held: 26

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 and duties held over the last five years

Fondation pour la recherche sur la maladie d'Alzheimer	Member of the Organizing Committee
Institut de l'Engagement (association)	Director

HENRI PROGLIO

Independent director and 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: 27

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 (FCC) (Spain)	Director
SCI du 19 janvier	General Manager
La Tramontagne (SCI)	General Manager

Other offices and duties held over the last five years

Fennovoima LTD (Finland)	Director
Thales SA	Director
Natixis SA (listed company)	Director
Les Bougainvilliers (SCI)	General Manager

LUCIA SINAPI-THOMAS

Independent director and 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: 26

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	Chief Executive Officer Executive Director
Azqore (Switzerland)	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
Fifty Five Genesis Project Inc (USA)	Director

Other offices and duties held over the last five years

Bureau Veritas SA	Member of the Audit and Risk Committee
CapGemini Business Services	Executive Director Business Platforms
CapGemini Reinsurance International (Luxembourg)	Director
CapGemini Outsourcing Services SAS	Chief Executive Officer
CapGemini Polska Spz.z.o.o. (Poland)	Director
CapGemini Business Services (Guatemala)	Director
CapGemini Employees Worldwide SAS	Chairman
Sogeti Norge A/S (Norway)	Director
Sogeti Sverige MITT AB (Sweden)	Director
CapGemini Danmark A/S (Denmark)	Director
Sogeti France SAS	Chief Executive Officer
Euriware SA	Director
Prosodie (SAS)	Chairman

MATHILDE LEMOINE

Independent director

Date of first appointment as Director: March 7, 2017

Expiration of term of office as Director: General Meeting of 2024

Number of Dassault Aviation shares held: 25

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 and duties held 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)	Board Member
HSBC France	Member of the Executive Committee

RICHARD BÉDÈRE

Director representing employees (until December 31, 2020)

Date of first appointment as Director: July 10, 2014

Expiration of term of office as Director: July 9, 2022

Number of Dassault Aviation shares held: none

List of offices and duties held in other companies during the last fiscal year

None

Other offices and duties held over the last five years

None

- **Chief Operating Officer**

LOÏK SEGALEN

Chief Operating Officer

Date of first appointment as Chief Operating Officer: January 9, 2013

Expiration of term of office as Chief Operating Officer: General Meeting of 2023

Number of Dassault Aviation shares held: 3,312

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	Director
SABCA (listed company) (Belgium)	Director
GIFAS	Member of the Executive Committee and Board

Other offices and duties held over the last five years

Sogitec Industries SA	Director
Dassault Procurement Services (USA)	Director
Dassault International (USA) Inc.	Director
Midway Aircraft Instrument Corporation (USA)	Director
Sabca Limburg (Belgium)	Director

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 2020**

In 2020, the Board of Directors met 3 times, on February 26, April 1 and July 23. Given the exceptional circumstances related to Covid 19 epidemic and in accordance with Decree No. 2020-321 of March 25, 2020, the Board meeting of April 1, 2020 was held by teleconference to allow all directors to attend remotely.

The average attendance rate at Board meetings was 96.3%.

In 2020, the Board of Directors closely monitored developments in the health situation related to the Covid 19 epidemic and the measures taken by Executive Management, which decided, at its meeting of April 1, 2020, to suspend the objectives set at its meeting of February 26, 2020 and to propose to shareholders that the 2019 dividend be cancelled. On July 23, 2020, the Board of Directors published new objectives for 2020.

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 amounts for order entered, 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,
- examined the development, in the civilian domain, of a customer support network through the acquisition of service centers, strengthening the footprint in Europe, Asia-Pacific, Africa and the Middle-East.

In addition, the Board of Directors:

- approved the fiscal year 2019 company and consolidated financial statements,
- proposed that the Annual General Meeting be held closed doors on May 12, 2020 to take into account the health situation on that date,
- approved the financial statements for the first half-year of 2020,
- reviewed the Parent Company's forward-looking management documents in February and July 2020, and reviewed the budgets for self-financed technology investments and industrial investments,
- authorized the acquisition by Dassault Aviation of land and buildings leased to GIMD, on which the leases expired on December 31, 2020,
- 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,
- 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),
- evaluated the performance criteria relating to performance shares granted in 2019 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 2019 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 2019 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 2020,
- 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 2020, the Audit Committee met twice: on February 24 for the 2019 financial statements and on July 21 for the financial statements for the first half of 2020.

The attendance rate of Committee members at meetings in 2020 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 re-minders 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 draft financial press releases,
- 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 candidates and proposed the renewal of the statutory auditors in 2020,
- questioned the Internal Audit Director and examined actions in progress as well as the review of internal audits conducted in 2019, and reviewed the 2020 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 thirty days before the publication of company and half-yearly financial statements. Since the financial statements 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, 2020, it consisted of:

- Éric Trappier, Chairman and Chief Executive Officer,
- Loïk Segalen, Chief Operating Officer,

- Benoît Berger [(x),] Senior Executive Vice President, Procurement and Purchasing,
- Carlos Brana, Senior Executive Vice-President, Civil Aircraft,
- Bruno Chevalier, Senior Executive Vice President, Military Customer Support,
- Denis Dassé, Chief Financial Officer,
- 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,
- Gérald Maria, Senior Executive Vice-President, Total Quality,

- Nicolas Mojaïsky, Senior Executive Vice-President, Engineering,
- Frédéric Petit, Senior Vice-President, Falcon Programs,
- Jean Sass, Chief Information Officer and Chief Digital Officer.

(x) Bruno Coiffier since 1st February 2021.

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 18.6% in 2020.

At December 31, 2020, women account for 13% 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 towards 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. In particular, it should be noted that 2019 saw the appointment of a woman to the Dassault Aviation Management Committee for the first time.

1.10 General Meetings 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,
- the Board of Directors may accept the shareholding certificate after the deadline laid down above,
- 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 General Meeting is provided on the Company's website (www.dassault-aviation.com) approximately six months in advance.

No later than twenty-one days before the General Meeting, the documentation may be viewed on the afore-mentioned 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 fifteen 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 12, 2020 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.

2. COMPENSATION OF CORPORATE OFFICERS

This report is prepared pursuant to Articles L. 225-37-2 and L. 225-37-3 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 2020

- **Compensation of Charles Edelstenne, Honorary Chairman**

- for GIMD, which controls Dassault Aviation:

Charles Edelstenne received gross compensation of EUR 905,400 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 43,578 gross in compensation in France as a member of the Board of Directors of Dassault Falcon Jet and EUR 34,000 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 313,617 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**

- for GIMD, which controls Dassault Aviation:

Olivier Dassault received gross annual compensation of EUR 40,000 as Chairman of the Supervisory Board and EUR 359,344 gross as an employee.

He enjoyed the use of a company car (benefit in kind valued at EUR 5,801).

- for Dassault Aviation:

Olivier Dassault received EUR 38,000 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, and as Director of Communications and Sponsorship, a gross annual amount of EUR 372,592.

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**

- for Dassault Aviation:

Catherine Dassault received EUR 34,667 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**

- for Dassault Aviation:

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.

- **Richard Bédère, director**

- for Dassault Aviation:

Richard Bédère 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, Richard Bédère 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 2020 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 2020

- **Compensation of Éric Trappier, Chairman and Chief Executive Officer**

- for Dassault Aviation:

Éric Trappier received gross annual compensation as Chairman and Chief Executive Officer of EUR 1,598,212 gross, an increase of 2.02% from 2019.

His compensation does not include any variable or exceptional compensation.

He was not awarded any stock options.

At its meeting of February 26, 2020, the Board of Directors awarded him 1,250 performance shares (subject to performance conditions). These performance shares were valued at EUR 965 per share on December 31, 2020, or EUR 1,206,250 in aggregate. These shares accounted for 0.01% of the capital as of December 31, 2020.

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 9,513) and reimbursement of actual costs incurred in connection with his functions.

In his capacity as Chairman of the Board of Directors, for which double fees are payable, he received compensation of EUR 56,000 gross.

He will receive compensation of EUR 20,000 gross for the variable portion of the annual compensation he receives in his capacity 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 11, 2021 (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 ("Ordonnance") No. 2019-697 of July 3, 2019 and allows for 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 2020 was EUR 32,154.

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. 225-37-3 as amended by order ("Ordonnance") No. 2019-1234 of November 27, 2019, Art. 1, 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.

Eric Trappier	2016	2017	2018	2019	2020 (**)
Compensations ratios					
relative to average wages (parent Company) (*)	30.6	35.8	40.4	41.5	38.7
relative to median wages (parent Company) (*)	37.1	43.3	49.1	50.4	46.7
Annual growth					
of the compensation of Eric Trappier	-1.4%	17.3%	17.2%	10.9%	-4.9%
of the average compensation of employees (*)	2.1%	0.5%	3.8%	7.9%	1.9%
Ajsuted net income	383,791	489,234	681,138	814,035	395,623
change from previous year	-20%	27%	39%	20%	-51%

(*) including profit-sharing and incentive schemes
(**) on the basis of the shares allocated

- for other French and foreign companies of the Dassault Aviation Group:

In France, Éric Trappier received EUR 43,578 gross in compensation as a member of the Board of Directors of Dassault Falcon Jet and EUR 36,500 gross in compensation as a member of the Board of Directors of Thales.

o **Compensation of Loïk Segalen, Chief Operating Officer**

- for Dassault Aviation:

Loïk Segalen received gross annual compensation as Chief Operating Officer of EUR 1,413,843 gross, an increase of 2.01% from 2019.

His compensation does not include any variable or exceptional compensation.

He was not awarded any stock options.

At its meeting of February 26, 2020, the Board of Directors awarded him 1,000 performance shares (subject to performance conditions). These performance shares were valued at EUR 965 per share on December 31, 2020, or EUR 965,000 in aggregate. These shares accounted for 0.01% of the capital as of December 31, 2020.

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 8,486) 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 twenty-seven 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 ("Ordonnance") No. 2019-697 of July 3, 2019 and allows for 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 2020 was EUR 28,447.

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. 225-37-3 as amended by order ("Ordonnance") No. 2019-1234 of November 27, 2019, Art. 1, 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	2016	2017	2018	2019	2020 (**)
Compensations ratios					
relative to average wages (parent Company) (*)	26.5	30.7	34.2	35.0	32.2
relative to median wages (parent Company) (*)	32.0	37.2	41.6	42.5	38.9
Annual growth					
of the compensation of Loïk Segalen	0.4%	16.6%	15.6%	10.3%	-6.1%
of the average compensation of employees (*)	2.1%	0.5%	3.8%	7.9%	1.9%
Ajsuted net income	383,791	489,234	681,138	814,035	395,623
change from previous year	-20%	27%	39%	20%	-51%

(*) including profit-sharing and incentive schemes
(**) on the basis of the shares allocated

- for other French and foreign companies of the Dassault Aviation Group:

Loïk Segalen received EUR 43,578 gross in compensation in France as a member of the Board of Directors of Dassault Falcon Jet and EUR 37,750 gross in compensation as a member of the Board of Directors of Thales.

• Summary table of compensation of corporate officers and directors

Table 1 Summary table of compensation due and options and shares granted to each corporate officer (in EUR)

	2020	2019
Éric Trappier, Chairman and Chief Executive Officer		
Compensation paid during the fiscal year (breakdown in table 2)	1,663,725	1,651,316
Value of year-on-year variable compensation granted during the fiscal year	-	-
Value of stock options granted during the fiscal year	-	-
Total	1,663,725	1,651,316
Loïk Segalen, Chief Operating Officer		
Compensation paid during the fiscal year (breakdown in table 2)	1,422,329	1,394,604
Value of year-on-year variable compensation granted during the fiscal year	-	-
Value of stock options granted during the fiscal year	-	
Total	1,422,329	1,394,604

Valuation of shares granted to each corporate officer (in EUR)

	2020	2019
Éric Trappier, Chairman and Chief Executive Officer Value of performance shares granted during the fiscal year *(see tables 6 and 9)*	1,206,250	1,366,200
Loïk Segalen, Chief Operating Officer Value of performance shares granted during the fiscal year *(see tables 6 and 9)*	965,000	1,148,850

Table 2 Summary table of compensation paid to each Corporate Officer (in EUR)

	2020 - amounts		2019 - amounts	
	Attributed	Paid	Attributed	Paid
Éric Trappier, Chairman and Chief Executive Officer				
Fixed compensation	1,598,212	1,598,212	1,566,605	1,566,605
Annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Compensation for the term of office of Chairman of the Board of Directors (1)	76,000	56,000 (2)	76,000	76,000
Benefits in kind	9,513	9,513	8,711	8,711
Total	**1,683,725**	**1,663,725**	**1,651,316**	**1,651,316**
Loïk Segalen, Chief Operating Officer				
Fixed compensation	1,413,843	1,413,843	1,385,907	1,385,907
Annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Compensation for the term of office of a director (1)	-	-	-	-
Benefits in kind	8,486	8,486	8,697	8,697
Total	**1,422,329**	**1,422,329**	**1,394,604**	**1,394,604**

(1) Éric Trappier and Loïk Segalen each received EUR 43,578 gross in compensation as member of the Board of Directors of Dassault Falcon Jet. In addition, Eric Trappier and Loïk Segalen received compensation as member of the Board of Directors of Thales of, respectively, EUR 36,500 and EUR 37,750.

(2) Éric Trappier will receive compensation of EUR 20,000 gross as the variable portion of the annual compensation he receives in his capacity 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 11, 2021.

Table 3 Compensation received by non-corporate officer directors for service on the Board of Directors (in EUR)

Non-executive corporate officers	Amounts allocated in 2020 (Gross)	Amounts paid in 2020 (Gross)	Amounts attributed in 2019 (Gross)	Amounts paid in 2019 (Gross)
Charles Edelstenne (1)				
Compensation	44,000	44,000	44,000	44,000
Other compensation	-	-	-	-
Olivier Dassault				
Compensation	38,000	38,000	34,667	34,667
Other compensation	-	-	-	-
Catherine Dassault				
Compensation	34,667	34,667	38,000	38,000
Other compensation	-	-	-	-
Marie-Hélène Habert				
Compensation	38,000	38,000	34,667	34,667
Other compensation	-	-	-	-
Mathilde Lemoine				
Compensation	38,000	38,000	38,000	38,000
Other compensation	-	-	-	-
Henri Proglio (2)				
Compensation	50,000	50,000	50,000	50,000
Other compensation	-	-	-	-
Lucia Sinapi-Thomas (3)				
Compensation	44,000	44,000	44,000	44,000
Other compensation	-	-	-	-
Richard Bédère				
Compensation	38,000	38,000	38,000	38,000
Other compensation	salary	salary	salary	salary
Total	**324,667**	**324,667**	**321,334**	**321,334**

(1) In addition, in 2019, Charles Edelstenne received EUR 43,578 gross in compensation as a member of the Board of Directors of Dassault Falcon Jet (versus EUR 42,021 gross in 2019) and EUR 34,000 gross in directors' fees as a member of the Board of Directors of Thales (versus EUR 37,400 gross in 2019).
(2) including EUR 12,000 in 2020 and 2019 for the Audit Committee.
(3) including EUR 6,000 in 2020 and 2019 for the Audit Committee.

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

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 2020	Value of shares (in EUR) (*)	Vesting date	Date of availability	Performance conditions
Éric Trappier	2020 Shares 02/26/2020	1,250	1,206,250	03/04/2021	03/04/2022	Yes
Loïk Segalen	2020 Shares 02/26/2020	1,000	965,000	03/04/2021	03/04/2022	Yes
Total		**2,250 (**)**	**2,171,250**			

(*) price of EUR 965 per share (IFRS 2)
(**) the total number of shares vested is capped at 112% of the number of shares allocated at the Board of Directors meeting of February 26, 2020.

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 2020	Vesting conditions
Éric Trappier	2018 Shares 03/07/2018	850	Shares vested after a vesting period of one year and subject to performance conditions
Loïk Segalen	2018 Shares 03/07/2018	725	Shares vested after a vesting period of one year and subject to performance conditions
TOTAL		**1,575**	

Table 8 History of allocations of options to subscribe for or purchase shares - Information on subscription or purchase options.

N/A

Table 9 Previous allocations of performance shares - Information on performance shares.

	2016 Shares	2017 Shares	2018 Shares	2019 Shares	2020 Shares
Date of General Meeting	09/23/2015	09/23/2015	09/23/2015	05/24/2018	05/24/2018
Date of Board of Directors meeting	03/09/2016	03/07/2017	03/07/2018	02/27/2019	02/26/2020
Total number of shares allocated	950	1,425	1,575	2,025	2,250
corporate officers	950	1,425	1,575	2,025	2,250
• Éric Trappier	500	750	850	1,100	1,250
• Loïk Segalen	450	675	725	925	1,000
Vesting date of shares	03/09/2017	03/07/2018	03/07/2019	02/27/2020	03/04/2021
End date of holding period	03/08/2018	03/06/2019	03/06/2020	02/26/2021	03/03/2022
Performance conditions	Yes	yes	yes	yes	yes
Number of shares acquired	950	1,425	1,575	2,179 (1)	2,408 (2)
corporate officers	950	1,425	1,575	2,179	2,408
• Éric Trappier	500	750	850	1,184	1,338
• Loïk Segalen	450	675	725	995	1,070
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 4, 2021, the number of vested shares (capped at 112%) represents 107% of the shares awarded.

Table 10 Summary table of variable multi-year compensation for each corporate officer.

N/A

Table 11 Other information on the Corporate Officers

Corporate officers	Employment contract	Supplemental 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 2021

The purpose of this paragraph is to set forth the components of the compensation policy for directors and corporate officers for 2021. This compensation policy is subject to the approval of the Ordinary General Meeting of Shareholders (Resolutions No. 7, 8 and 9 as presented in paragraph 2.2.3).

Pursuant to Article L. 225-37-2 paragraph III 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 2021, 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 2021, the Chairman and Chief Executive Officer and the Chief Operating Officer will receive performance shares.

On March 4, 2021, the Board of Directors decided to award them 1,500 and 1,200 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 3, 2022 inclusive,
- 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 inclusive,
- starting on March 4, 2023, retention by the corporate officers of 20% of those shares for the duration of their term of office.

In addition, the 2021 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 2020 to the directors as presented in the Report on Corporate Governance presented in paragraph 2.1 Compensation paid to directors and corporate officers in 2020 (resolution 4),

- Approval of compensation elements paid or allocated during fiscal year 2020 to the Chairman and Chief Executive Officer as presented in the Report on Corporate Governance presented in paragraph 2.1 Compensation paid to directors and corporate officers in 2020 (resolution 5),

- Approval of compensation elements paid or allocated during fiscal year 2020 to the Chief Operating Officer as presented in the Report on Corporate Governance presented in paragraph 2.1 Compensation paid to directors and corporate officers in 2020 (resolution 6),

- Approval of the 2021 compensation policy for the directors as presented in the Report on Corporate Governance presented in paragraph 2.2 “Compensation policy for corporate officers and directors in 2021” (resolution 7),

- Approval of the 2021 compensation policy for the Chairman and Chief Executive Officer as presented in the Report on Corporate Governance presented in paragraph 2.2 “Compensation policy for corporate officers and directors in 2021” (resolution 8),

- Approval of the 2021 compensation policy for the Chief Operating Officer as presented in the Report on Corporate Governance presented in paragraph 2.2 Compensation policy for corporate officers and directors in 2021” (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 2020 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, 2020

ASSETS

(in EUR thousands)	Notes	**12/31/2020**	**12/31/2019**
Goodwill	2, 3	65,957	77,452
Intangible assets	4	56,224	40,931
Property, plant and equipment	4	1,130,072	819,416
Equity associates	5	1,753,928	1,841,218
Other non-current financial assets	6	189,791	207,730
Deferred tax assets	20	334,762	438,261
Non-current assets		**3,530,734**	**3,425,008**
Inventories and work-in-progress	7	3,381,541	3,368,351
Contract assets	14	10,252	14,788
Trade and other receivables	8	1,391,578	1,224,369
Advances and progress payments to suppliers	14	1,748,750	2,363,786
Derivative financial instruments	24	84,303	6,815
Other current financial assets	9	868,015	1,433,071
Cash and cash equivalents	9	2,696,283	3,532,883
Current assets		**10,180,722**	**11,944,063**
TOTAL ASSETS		**13,711,456**	**15,369,071**

EQUITY AND LIABILITIES

(in EUR thousands)	Notes	12/31/2020	12/31/2019
Capital	10	66,790	66,790
Consolidated reserves and retained earnings		4,580,248	4,379,424
Currency translation adjustments		-54,334	34,608
Treasury shares	10	-32,753	-34,888
Total attributable to the owners of the parent company		**4,559,951**	**4,445,934**
Non-controlling interests		0	151
Equity		**4,559,951**	**4,446,085**
Long-term borrowings and financial debt	11	220,995	216,176
Deferred tax liabilities	20	5,440	3,517
Non-current liabilities		**226,435**	**219,693**
Contract liabilities	14	6,225,243	7,375,703
Trade and other payables	13	922,898	1,075,599
Tax and social security liabilities	13	311,246	291,985
Short-term borrowings and financial debt	11	49,419	342,042
Provisions for contingencies and charges	12	1,412,702	1,540,323
Derivative financial instruments	24	3,562	77,641
Current liabilities		**8,925,070**	**10,703,293**
TOTAL EQUITY AND LIABILITIES		**13,711,456**	**15,369,071**

INCOME STATEMENT

(in EUR thousands)	Notes	2020	2019
Net sales	15	**5,491,592**	**7,370,616**
Other revenue	16	79,382	60,164
Change in work-in-progress		-237,184	-311,902
Purchases consumed		-3,772,749	-4,698,415
Personnel expenses (1)		-1,206,355	-1,302,723
Taxes		-66,976	-71,887
Depreciation and amortization	4	-156,880	-142,495
Net allocations/reversals of provisions	12	159,511	-107,421
Other operating income and expenses	17	-44,178	315
Operating income		**246,163**	**796,252**
Cost of net financial debt		-39,909	-61,288
Other financial income and expenses		52,125	-34,337
Net financial income/expense	19	**12,216**	**-95,625**
Share in net income of equity associates	5	121,282	258,673
Income tax	20	-76,902	-246,578
Net income		**302,759**	**712,722**
Attributable to the owners of the Parent Company		*302,759*	*712,704*
Attributable to non-controlling interests		*0*	*18*
Earnings per share (in EUR)	21	**36.4**	**85.7**
Diluted earnings per share (in EUR)	21	**36.4**	**85.7**

(1) personnel expenses include incentive schemes and profit-sharing (EUR -70,822 thousand in 2020 and EUR -155,581 thousand in 2019) as well as contributions paid to French pension plans, comparable to defined contribution plans (EUR -95,952 thousand in 2020 and EUR -96,432 thousand in 2019).

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

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.

2019

(in EUR thousands)	Notes	Fully consolidated companies	Equity associates	2019
Net income		**454,049**	**258,673**	**712,722**
Derivative financial instruments (1)	5, 24	-70,654	-17,271	-87,925
Deferred taxes	5, 20	21,246	6,075	27,321
Currency translation adjustments		14,944	11,347	26,291
Items to be subsequently recycled to P&L		**-34,464**	**151**	**-34,313**
Other non-current financial assets	6	-2,840	-3,062	-5,902
Actuarial adjustments on pension benefit obligations	5, 12	-133,100	-129,525	-262,625
Deferred taxes	5, 20	32,701	13,999	46,700
Items that will not be recycled to P&L		**-103,239**	**-118,588**	**-221,827**
Income and expense recognized directly through equity		**-137,703**	**-118,437**	**-256,140**
Recognized income and expense		**316,346**	**140,236**	**456,582**
Owners of the Parent Company		*316,328*	*140,236*	*456,564*
Non-controlling interests		*18*		*18*

(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		Currency translation adjustments	Treasury shares	Total attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Additional paid-in capital, consolidated income and other reserves	Derivative financial instruments					
As of 12/31/2018	**66,790**	**4,228,947**	**8,413**	**8,317**	**-36,432**	**4,276,035**	**554**	**4,276,589**
Impact of IFRS 16		-6,070				-6,070		-6,070
As of 01/01/2019	**66,790**	**4,222,877**	**8,413**	**8,317**	**-36,432**	**4,269,965**	**554**	**4,270,519**
Net income for the year		*712,704*				*712,704*	*18*	*712,722*
Income and expense recognized directly through equity		*-221,827*	*-60,604*	*26,291*		*-256,140*		*-256,140*
Recognized income and expense		490,877	-60,604	26,291		456,564	18	456,582
Dividends paid		-176,238				-176,238		-176,238
Share-based payments (1)		2,279				2,279		2,279
Movements on treasury shares (1)		-1,544			1,544	0		0
Other changes (2)		-106,636				-106,636	-421	-107,057
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 (3)		0				0		0
Share-based payments (1)		2,568				2,568		2,568
Movements on treasury shares (1)		-2,135			2,135	0		0
Other changes (2)		-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**

(1) see Note 10.

(2) for Thales, this represents in particular the impact of changes in scope, change in treasury shares, employee share issues and share-based payments. In 2019, other changes included the impact on Thales' equity of the acquisition of minority interests after Gemalto's date of takeover, as Thales chose to determine goodwill under the partial goodwill method (as a result, the difference between the purchase price of these interests and the Thales' share in the net assets acquired was recorded as a reduction in equity).

(3) because of the health context, the Annual General Meeting of May 12 approved the Board of Directors' proposal of April 1, 2020 not to pay any dividend in respect of the 2019 results.

CASH FLOW STATEMENT

(in EUR thousands)	Notes	2020	2019
I - Net cash flows from operating activities			
NET INCOME		302,759	712,722
Elimination of net income of equity associates, net of dividends received	5	-95,833	-140,865
Elimination of gains and losses from disposals of non-current assets	17	24,842	415
Change in the fair value of derivative financial instruments	24	-47,015	14,454
Change in the fair value of other current financial assets	9	448	-1,311
Tax expense (including deferred taxes)	20	76,902	246,578
Allocations to and reversals of depreciation, amortization and provisions (excluding those related to working capital requirement)	4, 12	41,417	210,198
Other items	10	2,568	2,279
Net cash from operating activities before working capital changes and taxes		**306,088**	**1,044,470**
Income taxes paid		**-5,885**	**-248,008**
Change in inventories and work-in-progress (net)	7	-47,616	40,317
Change in contract assets	14	4,482	2,179
Change in trade and other receivables (net)	8	-172,529	-113,912
Change in advances and progress payments to suppliers	14	614,854	919,089
Change in contract liabilities	14	-1,137,681	-1,831,850
Change in trade and other payables	13	-147,302	144,585
Change in tax and social security liabilities	13	20,360	-23,103
Increase (-) or decrease (+) in working capital requirement		**-865,432**	**-862,695**
Total I		**-565,229**	**-66,233**
II - Net cash flows from investing activities			
Purchases of intangible assets and property, plant and equipment	4	-470,845	-216,706
Increase in other non-current financial assets	6	-2,455	-6,833
Disposals of or reductions in non-current assets		1,867	3,826
Net cash from acquisitions and disposals of subsidiaries	2	-13,257	-106,201
Total II		**-484,690**	**-325,914**
III - Net cash flows from financing activities			
Net change, as acquisition cost, of other current financial assets	9	564,608	1,780,208
Capital increase and share premium		0	0
Increase in financial debt	11	116,546	107,429
Repayment of financial debt	11	-430,517	-783,408
Dividends paid during the year	22	0	-176,238
Total III		**250,637**	**927,991**
IV - Impact of exchange rate fluctuations — Total IV		-37,318	6,898
Change in net cash and cash equivalents (I+II+III+IV)		**-836,600**	**542,742**
Opening net cash and cash equivalents	9	3,532,883	2,990,141
Closing net cash and cash equivalents	9	2,696,283	3,532,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Accounting principles

1.1. General principles

On March 4, 2021, the Board of Directors closed and authorized the publication of the Dassault Aviation consolidated financial statements for the year ended December 31, 2020. These consolidated financial statements will be submitted for approval to the Annual General Meeting on May 11, 2021.

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. Impact of the health crisis

The Covid-19 epidemic triggered a major health and economic crisis, with heavy travel restrictions, which had unprecedented consequences for the aeronautical sector. The entire industry was severely affected, disrupting and permanently weakening the sector.

Further information on the impacts of the health crisis appear in the Directors' Report.

The Group has adopted a targeted approach in presenting the main impacts deemed relevant for its financial statements. A description of these impacts is shown hereafter.

Impairment test for goodwill and fixed assets

As a result of the deterioration in the economic environment, the Group conducted impairment tests on goodwill, tangible and intangible fixed assets (see Notes 3 and 4).

The cash flows used for each of the cash generating units are based on the management's best estimates, updated as of December 31, 2020 in order to take into account the impacts the pandemic had caused on the Group's business. The discount rates have been updated to take the health context into account.

These tests did not lead the Group to recognize impairment.

Sensitivity tests on key variables were also carried out. A 10% increase in the discount rate, a 10% decrease in the growth rate or a 1 point decrease in operational profitability would not lead to impairment.

Investments in Thales

Since the market valuation of Thales shares exceeds their carrying value, they were not subject to impairment as of December 31, 2020 (see Note 5.4).

Listed investments

The market value of the Group's shareholding in Embraer was impacted by the volatility of the financial markets, leading the Group to recognize a loss of EUR 19,812 thousand in other income and expenses recognized directly through equity (see Note 6).

Inventories and work-in-progress

The Group reviewed its inventories and work-in-progress (including used aircraft inventories). This review did not lead the Group to recognize any significant impairment as of December 31, 2020.

The costs of under-activity caused by the health crisis, particularly hours not worked, were excluded from the valuation of inventories and work-in-progress. These costs are the result of the under-use of industrial tools due to periods of closure or reduction in working time caused by Covid-19.

Deferred tax assets

The Group conducted a review of the recoverability of deferred tax assets (tax loss carryforwards and other temporary differences). Only recoverable deferred tax assets are recognized on the balance sheet. This work did not lead the Group to recognize any material impact as of December 31, 2020.

Cash and liquidities

The Group has a solid financial structure and only works with first ranked banks.

The Group repaid its latest loans during the first half of 2020 and did not subscribe any new loans (the Group did not use government-guaranteed loans, see Note 11).

As the Group’s investment portfolio is primarily composed of money market investments, the Group’s financial statements are not significantly impacted by changes in their fair value.

The health context did not have an impact on the classification of these investments on the balance sheet: only investments with an AMF “money market” rating are included in cash equivalents (see Note 24).

Derivative financial instruments

As the Covid-19 health crisis led to a slowdown in the Falcon business, the Group reviewed the ‘highly probable’ nature of flows associated with financial instruments eligible for hedge accounting.

This slowdown led the Group to reassess the dollar trade flows in the coming years as a result of order/delivery time lags.

Consequently, the currency hedging portfolio has been restructured. This restructuring has no material impact on the Group’s accounts.

Impairment of financial assets

The Group conducted a review of the impairment of trade receivables in view of the potential effects of the pandemic on the credit risk of its debtors.

The Group did not have to recognize significant credit losses, as military trade receivables are made up of government clients and the vast majority of Falcon sales are conducted in cash. Receivables from credit sales are covered by insurance or collateral and the residual risk is limited.

1.1.2. Changes in 2020 to the accounting standards applicable to Dassault Aviation

Standards, amendments and interpretations whose application has become mandatory as of January 1, 2020

Since January 1, 2020, the Group has applied the following standards, amendments, and interpretations:

- IFRS 16 amendment on Covid-19-related rent concessions;
- amendments to IFRS 3 “Business Combinations”,
- amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”,
- amendments to IFRS 9, IAS 39, and IFRS 7 in connection with the reform of interbank reference rates,
- amendments to the conceptual framework.

These texts have no impact on the Group’s consolidated financial statements.

Furthermore, the Group’s analysis of the consequences of IFRS IC decisions of November 26, 2019 on the assessment of lease terms as part of the application of IFRS 16 was finalized. The impacts on the Group’s financial statements are not material.

Standards, amendments and interpretations whose application is mandatory after January 1, 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”: clarification on the classification of liabilities as current or non-current;
- amendments to IFRS 3 “Business Combinations”,
- amendments to IAS 16, “Property, Plant and Equipment”;
- amendments to IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”;
- annual improvements to IFRS 2018-2020.

These texts were not applied in advance by the Group when that option was offered. The impacts of these texts on the Group’s financial statements are currently being assessed.

1.1.3. 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.

1.1.4. 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/settled 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.

1.1.5. 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. The internal reporting submitted to the Chairman and Chief Executive Officer, and to the Chief Operating Officer, which is used for the strategy and decision-making, includes no performance analysis, under the terms of IFRS 8, at a level lower than this sector.

1.2. <u>Consolidation principles and methods</u>

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, 2020, 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

All consolidated 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.

This goodwill is not amortized but is subject to impairment tests each year *(see 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, 2020, the Group’s after-tax discount rate was 8.7% (6.7% as of December 31, 2019). 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.

For listed assets (Embraer shares), the fair value corresponds to the market price as of the balance sheet date. These items are classified as level 1 (according to IFRS 13).

For non-listed, unconsolidated investments, in the absence of any external valuation elements, the fair value 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).

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 or loss.

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. Receivables

Trade and other receivables are presented separately on the balance sheet. They are systematically classified as current assets.

Receivables resulting from finance leases are presented under "Trade and other receivables." They 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.

1.3.8. 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.

1.3.9. 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.

1.3.10. 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.

1.3.11. Provisions for contingencies and charges

Warranty provisions

Within the framework of sales or procurement contracts, Dassault Aviation has formal warranty obligations for 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 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.

The amount of the warranty provisions is mainly determined as follows:
- for the current equipment warranty: based on experience with recorded costs, depending on the warranty items covered contractually and the aircraft models in question,
- for handling of malfunctions or regulatory changes and nonconformities: based on estimates established by specialists from the business lines affected by the corrective actions to be implemented; these corrections have been identified in "technical files".

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 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.

1.3.12. 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 on the basis of 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.

1.3.13. 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 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.

1.3.14. Derivative financial instruments

Derivative financial instruments subscribed by the Group

The Group uses derivatives to hedge its exposure to the risks of changes in foreign exchange rates and interest 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.

Interest rate risks result from variable rate borrowings contracted by the Group. Interest rate risks were hedged using interest rate swaps.

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,
- interest on interest rate hedging instruments, for the elapsed period, is recognized as financial 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.

1.3.15. 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 criteria of IFRS 15 for the recognition of revenue over time are not met, in particular for Rafale sales and sales of Falcon civil aircraft 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.

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.

1.3.16. 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, 2020

The consolidated financial statements comprise the financial statements of Dassault Aviation and the following entities:

Name	Country	% interest (1)		Consolidation method (2)
		12/31/2020	12/31/2019	
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
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	United Arab Emirates	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, 24.68% of the interest rights and 29.79% of the voting rights as of December 31, 2020.

(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

In 2019, Dassault Aviation acquired the maintenance activities of three networks of aeronautical maintenance companies:

- ExecuJet, present in Europe, the Middle East, Africa, Asia and Australia,
- TAG Maintenance Services, present in France, Portugal, the United Kingdom and Switzerland,
- Dassault Aviation Business Services (ex RUAG), present in Switzerland, also a fixed base operator.

On January 23, 2020, Dassault Aviation completed the acquisition, in the ExecuJet maintenance network, of ExecuJet MRO Services Middle East (United Arab Emirates).

These companies are fully consolidated. The impacts of these acquisitions on the Group's financial statements are not material.

Note 3 - Goodwill

Goodwill totaled EUR 65,957 thousand as of December 31, 2020:

(in EUR thousands)	12/31/2020	12/31/2019
Dassault Aviation Business Services	6,625	9,640
Dassault Falcon Service	3,702	3,702
Dassault Falcon Jet	5,887	5,887
ExecuJet	34,914	26,683
Sogitec	4,777	4,777
TAG Maintenance Services	10,052	26,763
Goodwill	**65,957**	**77,452**

Work on the purchase price allocation (PPA) for Dassault Aviation Business Services, TAG Maintenance Services and ExecuJet MRO Services Middle East was finalized in 2020. This work led the Group to recognize intangible assets in the amount of EUR 9,629 thousand (customer relationships and brand), to reassess tangible assets (constructions) for EUR 18,961 thousand and to recognize deferred tax liabilities for EUR 6,345 thousand.

As the tests performed in accordance with IAS 36 "Impairment of Assets" (see Note 1, "Impact of the health crisis") 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)	12/31/2020	12/31/2019
Net value		
France	912,789	578,309
United States	186,261	210,185
Other	87,246	71,853
Total	**1,186,296**	**860,347**
of which intangible assets	56,224	40,931
of which property, plant and equipment	1,130,072	819,416

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, 2019	**4,209**	**36,722**	**40,931**
Changes in scope	0	11	11
Acquisitions/increases	9,629	12,518	22,147
Disposals/decreases	0	-20	-20
Depreciation and amortization	-3,057	-10,194	-13,251
Currency translation adjustments	-29	26	-3
Other	0	6,409	6,409
Net value as of December 31, 2020	**10,752**	**45,472**	**56,224**

4.2.2. Breakdown by type

(in EUR thousands)	12/31/2020			12/31/2019
	Gross	Depreciation	Net	Net
Intangible assets acquired (PPA) (1)	14,596	-3,844	10,752	4,209
Development costs (2)	162,925	-156,159	6,766	8,327
Software, patents, licenses and similar assets	185,269	-161,394	23,875	19,745
Intangible assets in progress, advances and progress payments	14,831	0	14,831	8,650
Intangible assets	**377,621**	**-321,397**	**56,224**	**40,931**

(1) see Note 3.

(2) see paragraph 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, 2019	**167,738**	**651,678**	**819,416**
Changes in scope	2,464	771	3,235
Acquisitions/increases (2)	27,039	477,288	504,327
Disposals/decreases	-16	-25,387	-25,403
Depreciation and amortization	-57,965	-85,664	-143,629
Allocations/reversals of provisions for impairment	0	-3,272	-3,272
Currency translation adjustments	-2,837	-13,799	-16,636
Other	0	-7,966	-7,966
Net value as of December 31, 2020	**136,423**	**993,649**	**1,130,072**

(1) mostly real estate leases (land and buildings).

(2) includes the acquisition of land and buildings, which have until now been leased, for EUR 263 million.

4.3.2. Breakdown by type

(in EUR thousands)	**12/31/2020**				**12/31/2019**
	Gross	Amortization	Impairment (1)	**Net**	**Net**
Rights of use	372,243	-235,820	0	136,423	167,738
Land	136,570	-6,881	0	129,689	32,558
Buildings	874,323	-375,630	0	498,693	274,535
Plant, equipment and machinery	690,094	-559,456	0	130,638	128,449
Other property, plant and equipment	209,673	-127,222	-17,170	65,281	104,862
Intangible assets in progress, advances and progress payments	169,348	0	0	169,348	111,274
Property, plant and equipment	**2,452,251**	**-1,305,009**	**-17,170**	**1,130,072**	**819,416**

(1) impairment tests on property, plant and equipment (see paragraph 1.3.3 on accounting principles)

- the impairment tests performed on cash-generating units did not reveal any impairment to be recognized as of December 31, 2020,
- the provision for impairment of used business aircraft was revised to EUR 17,170 thousand as of December 31, 2020, compared with EUR 14,720 thousand as of December 31, 2019.

Note 5 - Equity associates

5.1. Group share in net assets and net income of equity associates

As of December 31, 2020, Dassault Aviation held 24.68% of the interest rights of the Thales Group, compared to 24.69% as of December 31, 2019. 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	
	12/31/2020	12/31/2019	2020	2019
Thales (1)	1,731,178	1,816,825	116,451	253,314
Other	22,750	24,393	4,831	5,359
Total	**1,753,928**	**1,841,218**	**121,282**	**258,673**

(1) the value of the securities includes goodwill amounting to EUR 1,101,297 thousand. The Group share in Thales net income after consolidation restatements is detailed in Note 5.3.

5.2. Change in equity associates

(in EUR thousands)	2020	2019
As of January 1	**1,841,218**	**1,924,093**
First application of IFRS 16	0	1,408
Share in net income of equity associates	121,282	258,673
Elimination of dividends paid (1)	-25,449	-117,808
Income and expense recognized directly through equity		
- Securities at fair value	-13,770	-3,062
- Derivative financial instruments (2)	37,106	-17,271
- Actuarial adjustments on pension benefit obligations	-158,417	-129,525
- Deferred taxes	2,309	20,074
- Currency translation adjustments	-27,317	11,347
Share of equity associates in other income and expense recognized directly through equity	-160,089	-118,437
Other movements (3)	-23,034	-106,711
As of December 31	**1,753,928**	**1,841,218**

(1) in 2020, the Group received an interim dividend of EUR 21,013 thousand for 2020 (Thales did not pay the balance of the dividend for the 2019 fiscal year in 2020). In 2019, Thales paid the Group EUR 83,000 thousand in dividends for 2018 and EUR 31,519 thousand in interim dividends for 2019.

(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. In 2019, other changes included the impact on Thales' equity of the acquisition of minority interests after Gemalto's date of takeover, as Thales chose to determine goodwill under the partial goodwill method (as a result, the difference between the purchase price of these interests and the Thales' share in the net assets acquired was recorded as a reduction in equity).

5.3. Thales financial statements summary (100%) and share in net income of equity associates 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.

(in EUR thousands)	2020	2019
Non-current assets	14,381,300	15,344,700
Current assets (1)	17,426,500	15,878,700
Equity attributable to the owners of the Parent Company	5,114,900	5,449,200
Non-controlling interests	195,000	232,900
Non-current liabilities (2)	9,322,200	8,049,400
Current liabilities (3)	17,175,700	17,491,900
Total balance sheet	31,807,800	31,223,400
Net sales	16,988,900	18,401,000
Net income attributable to the owners of the Parent Company (4)	483,400	1,121,900
Other items of comprehensive income, net of tax attributable to the shareholders of the Parent Company	-640,900	-483,300
Total comprehensive income attributable to the shareholders of the Parent Company	-157,500	638,600

(1) of which cash and cash equivalents: EUR 5,003,900 thousand in 2020 (EUR 2,931,400 thousand in 2019).

(2) of which non-current financial liabilities: EUR 5,223,200 thousand in 2020 (EUR 4,320,900 thousand in 2019).

(3) of which current financial liabilities: EUR 2,522,700 thousand in 2020 (EUR 2,118,800 thousand in 2019).

(4) of which amortization and depreciation allowances: EUR -1,178,000 thousand in 2020 (EUR -1,112,500 thousand in 2019),

including financial interest on gross debt: EUR -67,300 thousand in 2020 (EUR -62,900 thousand in 2019),

of which financial income related to cash and cash equivalents: EUR 7,600 thousand in 2020 (EUR 19,600 thousand in 2019),

including income tax: EUR -90,300 thousand in 2020 (EUR -301,000 thousand in 2019).

The breakdown between the Group share of income published by Thales and that applied by Dassault Aviation appears in the table below:

(in EUR thousands)	2020	2019
Thales net income (100%)	**483,400**	**1,121,900**
Thales net income - Dassault Aviation share	**119,303**	**276,997**
Post-tax amortization of the purchase price allocation (1)	-2,852	-22,228
Other consolidation restatements	0	-1,455
Dassault Aviation share in net income of equity associates	**116,451**	**253,314**

(1) Amortization of identified assets for which the modes and periods of amortization are identical to those used for the year ended December 31, 2019.

5.4. Impairment

Based on the market price of the Thales share as of December 31, 2020 (EUR 74.90 per share), Dassault Aviation's stake in Thales is valued at EUR 3,935 million. In the absence of any objective indication of impairment, the Thales investment was not subject to an impairment test as of December 31, 2020.

Note 6 - Other non-current financial assets

(in EUR thousands)	12/31/2019	Acquisitions Increase	Disposals Decrease	Change in fair value	Other	12/31/2020
Non-listed securities (1)	120,075	0	-3,120	2,410	20	119,385
Embraer shares (1)	29,076	0	0	-19,812	0	9,264
Other financial assets (2)	58,579	2,455	-257	0	365	61,142
Receivables related to investments	*20,885*	*553*	*0*	*0*	*0*	*21,438*
Advance lease payments	*35,801*	*1,150*	*-51*	*0*	*365*	*37,265*
Other	*1,893*	*752*	*-206*	*0*	*0*	*2,439*
Other non-current financial assets	**207,730**	**2,455**	**-3,377**	**-17,402**	**385**	**189,791**

(1) unconsolidated, unlisted, equity investments and Embraer shares, classified as other non-current financial assets, are measured at fair value against other income and expenses recognized directly through equity, which are not recyclable to income. 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 38,835 thousand.

Historical costs of non-current assets and related unrealized gains/losses are presented below:

(in EUR thousands)	12/31/2020			12/31/2019		
	Historical cost	Capital gain or loss	**Consolidated asset value**	Historical cost	Capital gain or loss	**Consolidated asset value**
Non-listed securities	86,546	32,839	119,385	89,646	30,429	120,075
Embraer shares	32,120	-22,856	9,264	32,120	-3,044	29,076
Other financial assets	61,142	0	61,142	58,579	0	58,579
Other non-current financial assets	179,808	9,983	**189,791**	180,345	27,385	**207,730**

Note 7 - Inventories and work-in-progress

(in EUR thousands)	12/31/2020			12/31/2019
	Gross	Impairment	Net	Net
Raw materials	240,473	-81,481	158,992	115,220
Work-in-progress	2,271,854	-16,948	2,254,906	2,519,099
Semi-finished and finished goods	1,256,053	-288,410	967,643	734,032
Inventories and work-in-progress	**3,768,380**	**-386,839**	**3,381,541**	**3,368,351**

The increase in the Defense France inventories and work-in-progress was offset by the decrease in the Defense Export inventories and work-in-progress as a result of the delivery of services provided under Rafale Export contracts and by the decrease in used Falcon aircraft inventory.

Note 8 - Trade and other receivables

8.1. Details

(in EUR thousands)	12/31/2020			12/31/2019
	Gross	Impairment	Net	Net
Trade receivables (1)	794,780	-77,531	717,249	662,219
Corporate income tax receivables	89,854	0	89,854	56,133
Other receivables	365,012	0	365,012	247,856
Adjustment accounts	219,463	0	219,463	258,161
Trade and other receivables	**1,469,109**	**-77,531**	**1,391,578**	**1,224,369**

(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. The effects of the pandemic on debtor credit risk are not material (see Note 1, "Impact of the health crisis").

8.2. Schedule

(in EUR thousands)	12/31/2020			12/31/2019		
	Total	Less than one year	More than one year	Total	Less than one year	More than one year
Trade receivables (1)	794,780	656,548	138,232	743,477	570,497	172,980
Corporate income tax receivables	89,854	89,854	0	56,133	56,133	0
Other receivables	365,012	345,985	19,027	247,856	203,565	44,291
Adjustment accounts	219,463	163,126	56,337	258,161	99,431	158,730
Trade and other receivables	**1,469,109**	**1,255,513**	**213,596**	**1,305,627**	**929,626**	**376,001**

(1) see Note 8.3 for receivables relating to finance leases.

8.3. Receivables relating to finance leases

(in EUR thousands)	12/31/2020	12/31/2019
Minimum lease receivables	121,021	178,421
Unearned financial income	-12,464	-17,255
Provisions for impairment	-734	-13,973
Receivables relating to finance leases	**107,823**	**147,193**

The amount of lease receivables due within one year is EUR 15,339 thousand as of December 31, 2020.

Note 9 - Cash

9.1. Net cash

(in EUR thousands)	12/31/2020	12/31/2019
Cash equivalents (1)	1,696,105	2,617,278
Cash at bank and in hand	1,000,178	915,605
Cash and cash equivalents	**2,696,283**	**3,532,883**
Bank overdrafts	0	0
Net cash in the cash flow statement	**2,696,283**	**3,532,883**

(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)	12/31/2020	12/31/2019
Other current financial assets (market value) (1)	868,015	1,433,071
Cash and cash equivalents (market value)	2,696,283	3,532,883
Sub-total	**3,564,298**	**4,965,954**
Borrowings and financial debts, excluding lease liabilities (2)	-122,973	-380,534
Available cash	**3,441,325**	**4,585,420**

(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, 2020 (as was the case on December 31, 2019). The corresponding risk analysis is described in Note 24.

Note 10 - Equity

10.1. Share capital

The share capital amounts to EUR 66,790 thousand and consists of 8,348,703 common shares of EUR 8 each as of December 31, 2020, as it was on December 31, 2019. The distribution of share capital as of December 31, 2020 is as follows:

	Shares	% Capital	% Voting rights
GIMD (1)	5,196,076	62.3%	76.9%
Float	2,291,677	27.4%	17.0%
Airbus SE	827,529	9.9%	6.1%
Dassault Aviation (treasury shares)	33,421	0.4%	-
Total	**8,348,703**	**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)	2020	2019
Treasury shares as of January 1	**35,600**	**37,175**
Share-based payments (cf. Note 10.3)	-2,179	-1,575
Treasury shares as of December 31	**33,421**	**35,600**

The impact of treasury shares on the Group's consolidated financial statements is detailed in the statement of changes in equity.

The 33,421 treasury shares held as of December 31, 2020 were allocated to potential allocations of performance share plans and 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.

Grant date	Vesting period	Number of shares allocated	Share price on the grant date	Number of shares delivered in 2020	Number of shares canceled (1)	Balance of performance shares as of 12/31/2020
02/27/2019	from 02/27/2019 to 02/26/2020	2,025	EUR 1,400	2,179	0	0
02/26/2020	from 02/26/2020 to 02/25/2021	2,250	EUR 1,076	0	0	2,250

(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.

2019 plan

An expense of EUR 1,648 thousand was recorded in 2020 in respect of this plan, the fair value of which totaled EUR 2,706 thousand (average value of EUR 1,242 per share).

2020 plan

An expense of EUR 920 thousand was recognized in 2020 under this plan, the fair value of which totaled EUR 2,171 thousand (average value of EUR 965 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, 2019	**267,394**	**177,684**	**113,140**	**558,218**
Change in scope	0	2,464	0	2,464
Increase	467	27,039	116,079	143,585
Decrease	-267,632	-56,192	-106,709	-430,533
Other	234	-3,554	0	-3,320
As of December 31, 2020	**463**	**147,441**	**122,510**	**270,414**

(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 satisfactory approximation of the profit-sharing liability.

By maturity, the distribution of financial debt is as follows:

(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*

(in EUR thousands)	**Total as of 12/31/2019**	**Amount due within one year**	**Amount due in more than 1 year**		
			Total	*>1 year and <5 years*	*> 5 years*
Bank borrowings	267,394	267,394	0	*0*	*0*
Lease liabilities	177,684	54,825	122,859	*67,724*	*55,135*
Other borrowings and financial liabilities	113,140	19,823	93,317	*93,317*	*0*
Borrowings and financial debt	**558,218**	**342,042**	**216,176**	*161,041*	*55,135*

The change in borrowings and financial debt between 2019 and 2020 breaks down as follows:

(in EUR thousands)	**12/31/2019**	Cash flow	Lease liabilities (1)	Other movements	**12/31/2020**
Bank borrowings	267,394	-267,165	0	234	463
Lease liabilities	177,684	-56,176	27,039	-1,106	147,441
Other borrowings and financial liabilities	113,140	9,370	0	0	122,510
Borrowings and financial debt	**558,218**	**-313,971**	**27,039**	**-872**	**270,414**

(1) liabilities from new leases entered onto the balance sheet over the period, without any impact on cash and equivalents.

Note 12 - Provisions

12.1. Provisions for contingencies and charges and for impairment

(in EUR thousands)	12/31/2019	Allocations	Reversals	Other (1)	12/31/2020
Provisions for contingencies and charges					
Operational	1,540,323	187,694	-306,429	-8,886	1,412,702
	1,540,323	**187,694**	**-306,429**	**-8,886**	**1,412,702**
Provisions for impairment					
Non-current financial assets	154	0	0	0	154
Property, plant and equipment	14,720	17,829	-14,557	-822	17,170
Inventories and work-in-progress	434,927	392,937	-433,308	-7,717	386,839
Trade receivables	81,258	76,275	-79,952	-50	77,531
	531,059	**487,041**	**-527,817**	**-8,589**	**481,694**
Provisions for contingencies and charges and for impairment	**2,071,382**	**674,735**	**-834,246**	**-17,475**	**1,894,396**

(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)	12/31/2019	Allocations	Reversals	Other	12/31/2020
Warranty (1)	995,822	66,308	-145,907	-2,493	913,730
Services	189,899	61,062	-94,398	-4,580	151,983
Retirement severance payments (2)	344,277	56,423	-64,493	-1,107	335,100
French companies	*242,195*	*39,384*	*-34,253*	*-25,693*	*221,633*
US companies	*102,082*	*17,039*	*-30,240*	*24,586*	*113,467*
Others (3)	10,325	3,901	-1,631	-706	11,889
Provisions for contingencies and charges	**1,540,323**	**187,694**	**-306,429**	**-8,886**	**1,412,702**

(1) provisions reflect changes to the fleet in service and contracts delivered (see accounting principles, paragraph 1.3.11).

(2) actuarial adjustments contributed to the increase in the provision for retirement severance payments in the amount of EUR 9,008 thousand. They are distributed as follows:

French companies	*-25,693*
US companies	*34,701*
Total actuarial adjustments	*9,008*

(3) as of December 31, 2020, the other long-term benefits relating to long-service awards amounted to EUR 3,698 thousand, compared to EUR 3,645 thousand at the end of 2019.

12.3. Provisions for retirement severance payments

12.3.1. Calculation methods (defined benefit plans)

Retirement severance payment commitments 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 is estimated and prorated to 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	
	2020	**2019**	**2020**	**2019**
Inflation rate	2.00%	2.00%	1.93%	2.25%
Discount rate	0.30%	0.70%	2.90%	3.45%
Weighted average salary increase rate	3.80%	3.80%	1.93%	2.25%

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)	2020	2019	2018	2017	2016
Commitments	1,029,185	965,305	794,245	800,621	800,609
Plan assets	694,085	621,028	600,230	500,007	525,740
Unfunded status	**335,100**	**344,277**	**194,015**	**300,614**	**274,869**

Changes in commitments over the year break down as follows:

(in EUR thousands)	2020			2019		
	France	United States	**Total**	France	United States	**Total**
As of January 1	578,080	387,225	**965,305**	491,088	303,157	**794,245**
Current service cost	37,567	13,788	51,355	26,674	11,096	37,770
Interest expense	4,562	13,035	17,597	8,285	13,977	22,262
Benefits paid	-27,828	-11,330	-39,158	-18,090	-11,037	-29,127
Actuarial adjustments	-18,570	33,187	14,617	70,123	64,476	134,599
Foreign exchange differences and other	55,561	-36,092	19,469	0	5,556	5,556
As of December 31	629,372	399,813	**1,029,185**	578,080	387,225	**965,305**

A 0.25 point decrease in the discount rate would increase the total commitment by EUR 40,338 thousand, while a 0.25 point increase in the discount rate would decrease the total commitment by EUR 38,054 thousand.

Changes in plan assets during the period are as follows:

(in EUR thousands)	2020			2019		
	France	United States	**Total**	France	United States	**Total**
As of January 1	335,885	285,143	**621,028**	326,619	273,611	**600,230**
Expected return on plan assets	2,745	9,784	12,529	3,536	12,218	15,754
Actuarial adjustments	7,123	-1,514	5,609	5,730	-4,231	1,499
Employer contributions	0	30,240	30,240	0	9,343	9,343
Benefits paid	-7,597	-11,330	-18,927	0	-11,037	-11,037
Foreign exchange differences and other	69,583	-25,977	43,606	0	5,239	5,239
As of December 31	407,739	286,346	**694,085**	335,885	285,143	**621,028**

The costs for defined benefit plans can be analyzed as follows:

(in EUR thousands)	2020			2019		
	France	United States	**Total**	France	United States	**Total**
Current service cost	37,567	13,788	51,355	26,674	11,096	37,770
Interest expense	4,562	13,035	17,597	8,285	13,977	22,262
Expected return on plan assets	-2,745	-9,784	-12,529	-3,536	-12,218	-15,754
Costs for defined benefit plans	39,384	17,039	**56,423**	31,423	12,855	**44,278**

Plan assets are invested as follows:

	2020		2019	
	France	United States	France	United States
Bonds and debt securities	87%	93%	85%	99%
Real estate	8%	0%	9%	0%
Shares	5%	0%	6%	0%
Liquidities	0%	7%	0%	1%
Total	100%	**100%**	100%	**100%**

The fund invests largely in bonds with a minimum guaranteed annual yield.

Note 13 - Operating liabilities

(in EUR thousands)	12/31/2020			12/31/2019		
	Total	**Less than one year**	**More than one year**	**Total**	**Less than one year**	**More than one year**
Trade payables	824,377	824,377	0	902,153	902,153	0
Other liabilities	93,665	93,665	0	169,896	169,896	0
Adjustment accounts	4,856	3,734	1,122	3,550	2,102	1,448
Trade and other payables	**922,898**	**921,776**	**1,122**	**1,075,599**	**1,074,151**	**1,448**
Income tax payables	950	950	0	1,056	1,056	0
Other tax and social security liabilities	310,296	310,296	0	290,929	290,929	0
Tax and social security liabilities	**311,246**	**311,246**	**0**	**291,985**	**291,985**	**0**

Note 14 - Contract assets and liabilities

(in EUR thousands)	Contract assets	Contract liabilities
Contract assets/liabilities as of December 31, 2019	**14,788**	**-7,375,703**
Advances and progress payments received	*-59,012*	*-6,862,676*
Other contract assets/liabilities	*73,800*	*-513,027*
Change in advances and progress payments received	32,362	1,231,799
Change in other contract assets/liabilities	-40,419	-77,818
Reclassification	3,521	-3,521
Contract assets/liabilities as of December 31, 2020	**10,252**	**-6,225,243**
Advances and progress payments received	*-82,753*	*-5,574,774*
Other contract assets/liabilities	*93,005*	*-650,469*

The decrease in contract liabilities is primarily a result of the decrease in deposits received under Rafale Export contracts, as a result of services delivered over the period.

As Dassault Aviation acts notably as “principal” on the Rafale Egypt, Qatar and India contracts, the progress payments received include the co-contractors’ share. The progress payments paid reflect the repayment of the co-contractors' share:

(in EUR thousands)	12/31/2020	12/31/2019
Advances and progress payments received	-5,657,527	-6,921,688
Advances and progress payments paid	1,748,750	2,363,786
Advances and progress payments received net of advances and progress payments paid	**-3,908,777**	**-4,557,902**

Note 15 - Net sales

The breakdown of net sales by geographical area is as follows:

(in EUR thousands)	2020	2019
France (1)	613,772	915,312
Export (2)	4,877,820	6,455,304
Net sales	**5,491,592**	**7,370,616**

(1) mainly the French state, with whom the Group realized more than 10% of its total net sales in 2020, as in 2019.

(2) more than 10% of Group net sales were made with Qatar and with India in 2020, as in 2019. 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)	2020	2019
Falcon	2,228,791	2,222,473
Defense	3,262,801	5,148,143
Net sales	**5,491,592**	**7,370,616**

By type, net sales break down as follows:

(in EUR thousands)	2020	2019
Finished goods	4,147,326	5,300,595
Services	1,344,266	2,070,021
Net sales	**5,491,592**	**7,370,616**

By origin, net sales break down as follows:

(in EUR thousands)	2020	2019
France	4,506,183	6,351,858
United States	813,364	934,708
Other	172,045	84,050
Net sales	**5,491,592**	**7,370,616**

Note 16 - Other revenue

(in EUR thousands)	2020	2019
Research tax credits	33,931	33,217
Interest on arrears	1,301	446
Capitalized production	7,022	5,706
Other income (1)	37,128	20,795
Other revenue	**79,382**	**60,164**

(1) the allowances received under partial activity programs totaled EUR 8,397 thousand in 2020.

Note 17 - Other operating income and expenses

(in EUR thousands)	2020	2019
Income or losses from disposals of non-current assets	-24,842	-415
Foreign exchange gains or losses from business transactions (1)	-18,502	2,118
Other operating expenses	-834	-1,388
Other operating income and expenses	**-44,178**	**315**

(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)	2020	2019
Research and development costs	-537,775	-527,287

The Group's research and development strategy and initiatives are described in the Directors' Report.

Note 19 - Net financial income/expense

(in EUR thousands)	2020	2019
Income from cash and cash equivalents	2,283	12,508
Change in fair value of other current financial assets	-448	1,311
Cost of gross financial debt (1)	-41,744	-75,107
Cost of net financial debt	**-39,909**	**-61,288**
Dividends and other investment income	0	262
Interest income and gains/losses on disposal of other financial assets	6,187	8,779
Foreign exchange gain/loss (2)	45,938	-43,378
Other financial income and expenses	**52,125**	**-34,337**
Net financial income/expense	**12,216**	**-95,625**

(1) the financial expense recognized for the financing component of long-term Defense contracts was EUR -36,631 thousand in 2020, versus EUR -62,066 thousand in 2019.

(2) 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.

Note 20 - Taxes

20.1. Income tax

(in EUR thousands)	2020	2019
Corporate tax	-5,885	-248,008
Deferred tax income/expense	-71,017	1,430
Income tax	**-76,902**	**-246,578**

20.2. Taxes recognized directly through equity

(in EUR thousands)	2020	2019
Derivative financial instruments	-29,178	21,246
Other non-current financial assets	5,223	1,338
Actuarial adjustments	1,194	31,363
Income tax recognized directly through equity	**-22,761**	**53,947**

20.3. Reconciliation between theoretical and recognized income tax expense

(in EUR thousands)	2020	2019
Net income	302,759	712,722
Cancellation of the income tax	*76,902*	*246,578*
Cancellation of the Group share of net income of equity associates	*-121,282*	*-258,673*
Income before tax	258,379	700,627
Theoretical tax expenses calculated at the current rate (1)	**-82,733**	**-241,226**
Effect of tax credits (2)	12,024	12,562
Effect of differences in tax rates (3)	-11,009	-9,268
Other	4,816	-8,646
Income tax recognized	**-76,902**	**-246,578**

(1) a rate of 32.02% applies in 2020. The rate was 34.43% in 2019.

(2) the research tax credit, which is recognized in other revenue, is EUR 33,931 thousand for 2020 versus EUR 33,217 thousand for 2019.

(3) includes the impact of the decrease in the corporate tax rate in France.

20.4. Deferred tax sources

(in EUR thousands)	Consolidated balance sheet		Consolidated income statement	
	12/31/2020	12/31/2019	2020	2019
Temporary differences on provisions (profit-sharing, pension, etc.)	249,474	320,181	-68,304	-13,116
Other current and non-current financial assets and cash equivalents	-2,998	-2,932	-5,289	-2,181
Derivative financial instruments	-21,932	21,002	-13,756	3,677
Other temporary differences	104,778	96,493	16,332	13,050
Deferred tax income/expense			**-71,017**	**1,430**
Net deferred taxes	**329,322**	**434,744**		
Deferred tax assets	*334,762*	*438,261*		
Deferred tax liabilities	*-5,440*	*-3,517*		

20.5. Deferred tax assets not recognized on the balance sheet

(in EUR thousands)	12/31/2020	12/31/2019
Deferred tax assets not recognized	10,698	8,968

These are temporary differences for which reversal is not expected before 10 years.

Note 21 - Earnings per share

Earnings per share	**2020**	**2019**
Net income attributable to the owners of the Parent Company (in EUR thousands) (1)	302,759	712,704
Average number of shares outstanding	8,314,943	8,312,823
Diluted average number of shares outstanding	8,316,068	8,313,836
Earnings per share (in EUR)	**36.4**	**85.7**
Diluted earnings per share (in EUR)	**36.4**	**85.7**

(1) net income is fully attributable to income from continuing operations (no discontinued operations).

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	**2020**	**2019**
Decided and paid during the year (in EUR thousands) (1)	0	176,238
i.e. per share (EUR)	0	21.20
Submitted to the AGM for approval, not recognized as a liability as of December 31 (in EUR thousands)	102,689	0
i.e. per share (EUR)	12.30	0

(1) net of dividends on treasury shares.

Because of the health context, 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.

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 12/31/2020			
	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.

As of December 31, 2019, the data were as follows:

(in EUR thousands)	Balance sheet value as of 12/31/2019			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current assets				
Other non-current financial assets	58,579		149,151	207,730
Current assets				
Trade and other receivables	1,224,369			1,224,369
Derivative financial instruments		5,876	939	6,815
Other current financial assets		1,433,071		1,433,071
Cash equivalents (2)		2,617,278		2,617,278
Total financial instruments (assets)	**1,282,948**	**4,056,225**	**150,090**	**5,489,263**
Level 1 (2)		4,050,349	29,076	
Level 2		5,876	939	
Level 3		0	120,075	

(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, 2019: EUR 1,677,688 thousand.

23.2. Financial instruments (liabilities)

(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
Other financial liabilities (2)	101,467			101,467
Lease liabilities	119,528			119,528
Current liabilities				
Bank borrowings	463			463
Other financial liabilities (2)	21,043			21,043
Lease liabilities	27,913			27,913
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.

As of December 31, 2019, the data were as follows:

(in EUR thousands)	Balance sheet value as of 12/31/2019			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	0			0
Other financial liabilities (2)	93,317			93,317
Lease liabilities	122,859			122,859
Current liabilities				
Bank borrowings	267,394			267,394
Other financial liabilities (2)	19,823			19,823
Lease liabilities	54,825			54,825
Trade and other payables	1,075,599			1,075,599
Derivative financial instruments		30,564	47,077	77,641
Total financial instruments (liabilities)	**1,633,817**	**30,564**	**47,077**	**1,711,458**
Level 1		0	0	
Level 2		30,564	47,077	
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 latter appears in Note 11.

24.1.2. Cash, cash equivalents and other current financial assets

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	2,786,349	78%
Investments in bonds (1)	46,995	1%
Unspecified investments (1)	730,954	21%
Total	**3,564,298**	**100%**

(1) investments in bonds subscribed by the Group are mostly investments with a short-term management horizon and unspecified investments as defined by the AMF classification are mostly invested in short-term bond and money market 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, 2020 (as was the case on December 31, 2019).

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)	12/31/2020		
	Impact on net income	Impact on equity	Total
Cash at bank and in hand, money market investments and time deposits	2,786,349	0	2,786,349
Investments in bonds	46,995	0	46,995
Unspecified investments	730,954	0	730,954
Total	**3,564,298**	**0**	**3,564,298**

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 health crisis had no material impact on the impairment recognized by the Group (see Note 1, "Impact of the health crisis").

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)	12/31/2020		12/31/2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Exchange rate derivatives	84,303	3,562	6,815	77,271
Interest rate derivatives	0	0	0	370
Derivative financial instruments	**84,303**	**3,562**	**6,815**	**77,641**
Net derivative financial instruments	**80,741**			**70,826**

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.

As the Covid-19 health crisis led to a slowdown in the Falcon business, the Group reviewed the ‘highly probable’ nature of flows associated with financial instruments eligible for hedge accounting. This slowdown led the Group to reassess the dollar trade flows in the coming years as a result of order/delivery time lags. Consequently, the currency hedging portfolio has been restructured. This restructuring has no material impact on the Group’s accounts.

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 12/31/2020	Market value as of 12/31/2019
Instruments which qualify for hedge accounting	58,414	-45,972
Instruments which do not qualify for hedge accounting	22,327	-24,484
Exchange rate derivatives	**80,741**	**-70,456**

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, 2020, 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)	Less than one year	More than one year	Total
Exchange rate derivatives	14,474	66,267	**80,741**

Interest rate derivatives

The Group is no longer exposed to interest rate volatility via variable-rate loans, which were repaid during the first half of 2020 (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)	12/31/2019	Impact on equity (1)	Impact on net financial income (2)	12/31/2020
Exchange rate derivatives	-70,456	104,386	46,811	80,741
Interest rate derivatives	-370	166	204	0
Net derivative financial instruments	**-70,826**	**104,552**	**47,015**	**80,741**

(1) recognized directly under income and expenses recognized directly through equity, share of fully consolidated companies.

(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, 2019 (USD/EUR 1.1234) and December 31, 2020 (USD/EUR 1.2271).

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)	**12/31/2020**	
Net balance sheet position	80,741	
Closing US dollar/euro exchange rate	1.2271 $/€	
Closing US dollar/euro exchange rate +/- 10 cents	1.1271 $/€	1.3271 $/€
Change in net balance sheet position (1)	-208,339	+171,221
Impact on net income	*-64,728*	*+49,253*
Impact on equity	*-143,611*	*+121,968*

(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.

24.3.4. Risks related to Embraer shares

On December 31, 2020, Embraer shares were valued at EUR 9,264 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)	**12/31/2020**	**12/31/2019**
Commitments given under commercial contracts	10,094,570	11,476,515
Guarantees and deposits	59,479	90,659
Commitments given secured by bank guarantees	1,021,551	1,427,902
Commitments given	**11,175,600**	**12,995,076**

(in EUR thousands)	**12/31/2020**	**12/31/2019**
Transaction price allocated to the remaining performance obligations	15,895,483	17,797,875
Other commitments received under commercial contracts	1,633,129	1,633,129
Collateral	61,373	106,725
Bpifrance Assurance Export guarantees	17,807	25,957
Commitments received secured by bank guarantees	23,675	24,772
Commitments received	**17,631,467**	**19,588,458**

The breakdown of the transaction price allocated to the remaining performance obligations by maturity is as follows:

(in EUR thousands)	Less than one year	Between one and five years	More than five years	**Total**
Transaction price allocated to the remaining performance obligations	6,274,521	7,390,101	2,230,861	**15,895,483**

Note 26 - Contingent assets and liabilities

There are no contingent assets or liabilities as of December 31, 2020.

Note 27 - Related-party transactions

The Group's related parties are:

- Groupe Industriel Marcel Dassault and its subsidiaries,
- Thales Group and its subsidiaries,
- the Chairman & 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 2020, 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)	2020	2019
Sales	2,957	4,062
Purchases	1,138,904	1,298,868
Trade and other receivables	119,169	142,419
Advances and progress payments received	2,719	2,634
Trade payables	54,834	338,024
Advances and progress payments paid	1,089,070	1,485,785
Advance lease payments	33,324	33,071

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)	2020	2019
Fixed compensation	3,012	2,953
Directors' fees	512	523
Benefits in kind	18	17
Performance shares	2,706	2,068
Compensation of corporate officers and benefits in kind	**6,248**	**5,561**

Note 28 - Average number of employees

The Group's average number of employees was 12,750 in 2020. It was 12,101 in 2019.

Note 29 - Auditors' fees

The statutory auditors' fees certifying the 2020 financial statements recognized as expenses for 2020 and 2019 are as follows:

(in EUR thousands)	PwC (1)		Mazars	
	2020	**2019**	**2020**	**2019**
Certification of accounts (2)	223	0	564	539
Other audit services (3)	4	0	90	113
Auditors' fees	**227**	**0**	**654**	**652**

(1) in 2020, PricewaterhouseCoopers has been appointed as Dassault Aviation's auditors, in the place of Deloitte & Associés.

(2) 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.

(3) these fees are mainly for services related to non-financial performance declaration checks, drafting of specific certifications and technical consultations.

Note 30 - Subsequent events

No events likely to have a material impact on the financial statements occurring between December 31, 2020 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, 2020

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, 2020.

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, 2020 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, 2020 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

The global crisis due to the Covid-19 epidemic creates particular conditions in the preparation and the audit of the 2020 accounts. Indeed, the exceptional measures taken in connection with the health crisis trigger important impacts on companies, first on their activity and financing, but also increasing uncertainty for the future. Some of these measures, such as travel restrictions and remote work, have also had an impact on the companies’ internal structure and on the organization of the audit.

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 which, in our professional judgment, were of most significance in our 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 1.3.15 14, 15 and 25 to the consolidated financial statements)

IFRS 15 requires the identification of a contract as well as the various performance obligations (sales of aircraft or services) contained in the contract.

This standard clarifies the criteria for recognizing revenue, either gradually or at a given time, with the introduction of 3 specific criteria, of which the determination of an alternative use to the property sold and the irrevocable right to payment including a reasonable margin.

The Group has carried out a detailed analysis of its contract portfolio in order to determine the revenue recognition method to be adopted under this new framework and to assess its impact on its financial statements.

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 (progressively or at a given 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>
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<table>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td>

Defense contract monitoring

(Notes 1.3.11, 1.3.15, 12.2, 14 and 15 of the consolidated financial statements)

Dassault Aviation operates through contracts for which net sales and the margin is recognized in accordance with IFRS 15.

IFRS 15 provides for criteria for determining, for each performance obligation (sale of aircraft or services), whether the transfer of control to the customer is progressive (revenue by percentage of completion) or at a given time.

Earnings from Defense contracts, and any provisions for loss on completion and provisions for risks and charges at the closing date, depend on the entity's ability:

to measure the costs incurred on a contract, and
to reliably estimate the costs yet to be incurred until the end of the contract.

For the 2020 financial year, Defense net sales recognized by the Group increased to €3,263 million.

The monitoring of Defense contracts is a key point of the audit due to:

the level of estimates required to determine earnings upon the completion of contracts,
and their significant amount compared with the Group net sales.

</td><td>

On the basis of 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 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 given time;
test the costs and thus corroborate their degree of progress as revenue is gradually recognized;
Appreciate the reasonability assumptions used for the determination 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 margin level 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>

Risk identified	***Our response***
Valuation of warranty provisions *(Note 12.1 and 1.3.11 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 €914 million as at December 31, 2020. 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.	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.

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 Group management report, being specified that, in accordance with the provisions of Article L.823-10 of the Code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information contained therein and should be reported on by an independent insurance services provider.

Other verification or information stipulated in Legal and Regulatory documents

Annual accounts lay-out to be included in the annual financial report

According to III of Article 222-3 of the General Regulations of the AMF (French Financial Markets Authority), we have been informed by your company's management of its decision to postpone the implementation of the single electronic information format as defined by the delegated European Regulation n° 2019/815 dated December 17, 2018 for fiscal years beginning on January 1, 2021. Therefore, the actual report does not deliver a conclusion on the respect of this format in the presentation of the annual accounts included in the annual financial report in I of Article L.451-1-2 of the Monetary and Financial Code.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Dassault Aviation Company by the General Meeting held on May 12, 2020 for cabinet PricewaterhouseCoopers Audit and held on June 19, 1990 for cabinet Mazars.

As at December 31, 2020, audit firm PricewaterhouseCoopers Audit and audit firm Mazars were in the 1st year and 31st year 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 12, 2021

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, 2020

ASSETS

(in EUR thousands)	Notes	12/31/2020			12/31/2019
		Gross	Depreciation, amortization and provisions	Net	Net
Intangible assets	2	136,313	-119,227	17,086	19,818
Property, plant and equipment	2	1,611,560	-810,713	800,847	465,496
Financial assets	3	2,461,870	-44,766	2,417,104	2,394,320
TOTAL NON-CURRENT ASSETS		**4,209,743**	**-974,706**	**3,235,037**	**2,879,634**
Inventories and work-in-progress	4	3,334,404	-294,902	3,039,502	3,056,504
Advances and progress payments to suppliers		1,790,659	0	1,790,659	2,437,934
Trade receivables	6	986,382	-66,281	920,101	896,848
Other receivables and prepayments	6	724,659	0	724,659	611,305
Marketable securities and cash instruments	9	858,942	-2,574	856,368	1,987,116
Cash at bank and in hand		1,428,528	0	1,428,528	1,764,946
TOTAL CURRENT ASSETS		**9,123,574**	**-363,757**	**8,759,817**	**10,754,653**
TOTAL ASSETS		**13,333,317**	**-1,338,463**	**11,994,854**	**13,634,287**

EQUITY AND LIABILITIES

(in EUR thousands)	Notes	12/31/2020	12/31/2019
Capital	10, 13	66,790	66,790
Share premiums	13	137,186	137,186
Reserves	12	2,962,849	2,472,559
Net income for the year		175,761	490,290
Investment subsidies		1,838	1,868
Regulated provisions	14	128,650	126,345
TOTAL EQUITY	13	**3,473,074**	**3,295,038**
PROVISIONS FOR CONTINGENCIES AND CHARGES	14	**1,218,275**	**1,340,252**
Borrowings and financial debt (1)	15	119,754	359,897
Advances and progress payments received on orders		5,576,701	6,825,299
Trade payables	16	733,839	852,137
Other liabilities, cash instruments, accruals and deferred income	17	873,211	961,664
TOTAL LIABILITIES		**7,303,505**	**8,998,997**
TOTAL EQUITY AND LIABILITIES		**11,994,854**	**13,634,287**

(1) including bank overdrafts:	0	0

INCOME STATEMENT

(in EUR thousands)	Notes	2020	2019
NET SALES	20	**4,816,505**	**6,976,456**
Change in work-in-progress		-234,072	-573,758
Reversals of provisions, depreciation and amortization, charges transferred		663,255	564,863
Other income		26,936	20,876
OPERATING INCOME		**5,272,624**	**6,988,437**
Purchases consumed		-3,195,274	-4,095,990
Personnel expenses		-779,824	-806,138
Other operating expenses		-412,727	-486,030
Taxes and social security contributions		-74,230	-68,771
Depreciation and amortization	2	-63,720	-60,558
Allocations to provisions	14	-497,309	-734,850
OPERATING EXPENSES		**-5,023,084**	**-6,252,337**
NET OPERATING INCOME		**249,540**	**736,100**
NET FINANCIAL INCOME/EXPENSE	22	**-14,695**	**112,444**
CURRENT INCOME		**234,845**	**848,544**
Non-recurring items	23	-28,470	-16,136
Employee profit-sharing and incentive schemes		-64,899	-147,306
Income tax	24	34,285	-194,812
NET INCOME		**175,761**	**490,290**

CASH FLOW STATEMENT

(in EUR thousands)	Notes	2020	2019
I – NET CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME		175,761	490,290
Elimination of gains and losses from disposals of non-current assets	23	26,004	2,985
Net allocations to and reversals of depreciation, amortization and provisions (excluding those related to Working Capital Requirement)	2, 3, 14	-15,787	192,160
Net cash from operating activities before working capital changes		**185,978**	**685,435**
Change in inventories and work-in-progress (net)	4	17,002	311,050
Change in advances and progress payments to suppliers		647,275	983,732
Change in trade receivables (net)	6	-23,253	-209,174
Change in other receivables, cash instruments and prepayments	6	-118,199	2,472
Change in customer advances and progress payments		-1,248,598	-2,354,172
Change in trade payables		-118,298	93,140
Change in other liabilities, cash instruments, accruals and deferred income	17	-88,453	360,393
Increase (-) or decrease (+) in working capital requirement		**-932,524**	**-812,559**
Total I		**-746,546**	**-127,124**
II - NET CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of intangible assets and property, plant and equipment	2	-421,894	-188,801
Increase in financial assets	3	-80,673	-123,445
Change in investment subsidies		-30	-543
Disposals of or reductions in non-current assets	2, 3, 23	19,774	2,968
Total II		**-482,823**	**-309,821**
III - NET CASH FLOWS FROM FINANCING ACTIVITIES			
Change in capital	13	0	0
Increase in other equity items	13	0	0
Increase in financial debt	15	115,822	101,858
Repayment of financial debt	15	-355,965	-730,746
Dividends paid during the year	32	0	-176,238
Total III		**-240,143**	**-805,126**
CHANGE IN NET CASH AND CASH EQUIVALENTS (I + II +III)		**-1,469,512**	**-1,242,071**
Opening net cash and cash equivalents (1)		3,750,670	4,992,741
Closing net cash and cash equivalents (1)		2,281,158	3,750,670

(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

DASSAULT AVIATION

DASSAULT AVIATION
9, Rond-Point des Champs-Élysées Marcel Dassault - 75008 Paris

A French Société Anonyme (Corp.) capitalized at EUR 66,789,624, publicly traded and registered in France
Paris Trade Register number 712 042 456

Note 1 - Accounting rules and methods

A/ GENERAL PRINCIPLES

General framework

The financial statements of the Parent Company as of December 31, 2020 were closed by the Board of Directors on March 4, 2021, and will be submitted for approval to the Annual General Meeting on May 11, 2021. The company financial statements are prepared in accordance with ANC Regulation 2014-03 on the French General Accounting Plan, which has been updated by all regulations that have amended it subsequently 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 leads management to make estimations and assumptions that could have an impact on the amounts reported in the balance sheet and in the income statement. These estimations notably concern:

- the results of contracts in progress,
- the calculation of the amount of provisions for contingencies and charges and provisions for impairment.

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.

Impact of the Covid-19 health crisis

The coronavirus epidemic triggered a major health and economic crisis, including travel restrictions, with unprecedented consequences on the aeronautical sector. The entire industry has been severely affected, disrupting and weakening the sector.

Further information on the impacts of the health crisis can be found in the Directors' Report.

The Company has adopted a targeted approach for disclosing the main impacts deemed relevant for its financial statements. A description of those impacts can be found in the section hereafter.

Impairment test of tangible, intangible and financial assets

Consequently to the deteriorated economic conditions, the Company has performed impairment testing of tangible and intangible assets (note 2) and of financial assets (note 3).

Future cash flows are based on management's best estimates, updated on December 31, 2020 in order to take into account the pandemic impact on the Company's activity. The discount rates have been revised according to the health context.

These tests have led the Company to devaluate financial assets.

Inventories and work-in-progress

The Company has conducted a review of its inventories and work-in-progress (including used aircraft inventories) which has not led the Company to book significant impairment as of December 31, 2020.

The costs of under-activity capacity due to the health crisis, particularly unworked hours, were excluded from the valuation of inventories and work-in-progress. These costs are the direct consequence of the manufacturing resources under-utilization due to shutdown periods or reduction of working hours caused by the Covid-19.

Cash position

The Company has a strong financial structure and works with banks of the first category.

During 2020's first semester, the Company has repaid its last bank loans and has not taken new ones (the Company has not entered into government-guaranteed debt).

Derivative financial instruments

The Covid-19 health crisis having created a slowdown in the Falcon activity, the Company has reviewed the highly likely flows linked to financial instruments qualifying for hedge accounting.

This slowdown has led the Company to reevaluate the $ future commercial flows due to order/delivery timing differences.

Consequently, the hedging transactions portfolio was reorganized, with no material impact on the Company's accounts.

Trade receivables' impairment

Despite the potential impact of the pandemic on its debtors' credit risk, the Company did not have to recognize any significant credit losses, since its military trade receivables are represented by government customers and the vast majority of Falcon's sales are in cash.

Receivables from credit sales are covered by insurance or security interests driving limited remaining exposure.

B/ VALUATION PRINCIPLES

• B1 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.

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 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
Used goods	on a case-by-case basis

• B2 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 8.7% (compared to 6.7% as of December 31, 2019) and a 2% long-term growth rate (same as of December 31, 2019). The discount rate used includes the rates prevailing in the aviation industry and using the same calculation method as in 2019. 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.

• B3 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. A provision for impairment is recorded 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.

• B4 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.

• B5 Receivables

Receivables are stated at nominal value. A provision for impairment is recorded when the recoverable value is lower than the carrying amount.The Company did not have to recognize any significant credit losses, since its military trade receivables are represented by government customers and the vast majority of Falcon’s sales are in cash.

• B6 Borrowings

Borrowings are recorded at the amount received. Transaction costs are posted to expenses for the year.

• B7 Regulated tax provisions

Regulated tax provisions appearing on the balance sheet include provisions for price increases and depreciation by derogation.

• B8 Provisions for contingencies and charges

B8-1 Warranty provisions

Within the framework of sales or procurement contracts, Dassault Aviation has formal warranty obligations for 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 by implicit obligations, handling hardware or software malfunctions identified by the user 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.

Determining the amount of the warranty provisions is mainly done as follows:

- for the current equipment warranty: based on experience with recorded costs, depending on the warranty items covered contractually and the aircraft models in question;
- for handling of malfunctions or regulatory changes and nonconformities: based on estimates established by specialists from the business lines affected by the corrective actions to be implemented; these corrections have been identified in “technical files.”

B8-2 Retirement payments and related benefits

Commitments to employees for retirement payments and related benefits are provisioned in full for the obligations remaining. 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 have been determined based on 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.

• B9 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 that qualify for hedge accounting and could find no evidence challenging this position at the end of December 2020.

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.

• B10 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 suspense accounts:

- unrealized translation losses to assets,
- unrealized translation gains to liabilities.

An overall foreign exchange position is calculated by maturity of unhedged receivables and debts. When an overall foreign exchange position by maturity is a latent 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.

• B11 Net sales and key figures

The results on completion are based on estimations 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.

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).

• B12 Unrealized capital gains 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.

• B13 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.

C/ 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)	12/31/2019	Acquisitions Allocations	Disposals Reversals	Other	12/31/2020
Gross value					
Software, patents, licenses and similar assets	128,422	2,575	0	1,437	132,434
Assets in progress; advances and progress payments	3,206	2,110	0	-1,437	3,879
	131,628	**4,685**	**0**	**0**	**136,313**
Depreciation, amortization					
Software, patents, licenses and similar assets	-111,810	-7,419	2	0	-119,227
	-111,810	**-7,419**	**2**	**0**	**-119,227**
Net value					
Software, patents, licenses and similar assets	16,612				13,207
Assets in progress; advances and progress payments	3,206				3,879
Total	**19,818**	**-2,734**	**2**	**0**	**17,086**

2.2 Property, plant and equipment

(in EUR thousands)	12/31/2019	Acquisitions Allocations	Disposals Reversals	Other	12/31/2020
Gross value					
Land	41,703	83,251	-4,028	13	120,939
Buildings	320,222	207,728	-9,861	28,182	546,271
Plant, equipment and machinery	556,085	24,768	-22,909	15,052	572,996
Other property, plant and equipment	282,184	2,306	-66,455	-827	217,208
Assets in progress; advances and progress payments	97,410	99,156	0	-42,420	154,146
	1,297,604	**417,209**	**-103,253**	**0**	**1,611,560**
Depreciation, amortization					
Land	-9,426	-811	3,355	0	-6,882
Buildings	-226,445	-12,437	9,014	0	-229,868
Plant, equipment and machinery	-460,481	-27,687	19,190	0	-468,978
Other property, plant and equipment	-127,706	-15,366	47,202	0	-95,870
	-824,058	**-56,301**	**78,761**	**0**	**-801,598**
Impairment (1)					
Other property, plant and equipment	-8,050	-9,115	8,050	0	-9,115
	-8,050	**-9,115**	**8,050**	**0**	**-9,115**
Net value					
Land	32,277				114,057
Buildings	93,777				316,403
Plant, equipment and machinery	95,604				104,018
Other property, plant and equipment	146,428				112,223
Assets in progress; advances and progress payments	97,410				154,146
Total	**465,496**	**351,793**	**-16,442**	**0**	**800,847**

(1) impairment tests on property, plant and equipment (see Paragraph B2 of the Accounting rules and methods):

- A provision of EUR 9,115 thousand was recognized in 2020 on capitalized aircraft.
- The impairment tests carried out on other property, plant and equipment did not indicate any other impairment to be recognized as of December 31, 2020.

The Company has acquired land and buildings, which were leased until now, for an amount of EUR 263 million.

Note 3 - Financial assets

(in EUR thousands)	12/31/2019	Acquisitions Allocations	Disposals Reversals	Other	12/31/2020
Equity associates (1)	2,304,008	68,044	-3,099	0	2,368,953
Receivables from equity investments	27,869	11,420	-17,851	0	21,438
Other investment securities	34,321	702	0	0	35,023
Loans	2,043	50	-203	0	1,890
Other financial assets	34,244	457	-135	0	34,566
Total	**2,402,485**	**80,673**	**-21,288**	**0**	**2,461,870**
Provisions	-8,165	-44,612	8,011	0	-44,766
Net value	**2,394,320**	**36,061**	**-13,277**	**0**	**2,417,104**

(1) inc. Thales: EUR 1,984,272 thousand.

Market price of Thales shares and impairment test:

Based on the market price of the Thales share as of December 31, 2020 (EUR 74.90 per share), Dassault Aviation's stake in Thales is valued at EUR 3,935 million.

In the absence of any objective indication of impairment, the Thales investment had not been subject to an impairment test as of December 31, 2020.

Maturity of financial assets

(in EUR thousands)	Total	Within 1 year	More than 1 year
Receivables from equity investments	21,438	470	20,968
Loans	1,890	183	1,707
Other financial assets	34,566	21,166	13,400
Total	**57,894**	**21,819**	**36,075**

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	119,155	119,155	0	0	0
Foreign subsidiaries	220,525	200,525	0	59,479	0
Total	**339,680**	**319,680**	**0**	**59,479**	**0**
Equity investments					
French associates	1,988,445	1,986,645	0	0	21,013
Foreign associates	75,851	53,039	21,963	0	0
Total	**2,064,296**	**2,039,684**	**21,963**	**0**	**21,013**
Grand total	**2,403,976**	**2,359,364**	**21,963**	**59,479**	**21,013**

Note 4 - Inventories and work-in-progress

(in EUR thousands)	12/31/2020			12/31/2019
	Gross	Impairment	Net	Net
Raw materials	235,794	-79,322	156,472	112,451
Work-in-progress	2,070,514	0	2,070,514	2,304,586
Semi-finished and finished goods	1,028,096	-215,580	812,516	639,467
Total	**3,334,404**	**-294,902**	**3,039,502**	**3,056,504**

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)	12/31/2020			12/31/2019
	Gross	Impairment	Net	Net
Trade receivables				
Trade receivables	986,382	-66,281	920,101	896,848
	986,382	**-66,281**	**920,101**	**896,848**
Other receivables and prepayments				
Other receivables	355,147	0	355,147	199,091
Prepayments	356,632	0	356,632	396,850
Sundry accounts	12,880	0	12,880	15,364
	724,659	**0**	**724,659**	**611,305**
Total	**1,711,041**	**-66,281**	**1,644,760**	**1,508,153**

The percentage of outstanding receivables not written-down at year-end is regularly monitored individually.

6.2 Aged debtor schedule

(in EUR thousands)	12/31/2020			12/31/2019		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables (1)	986,382	891,341	95,041	957,691	824,873	132,818
Other receivables	355,147	355,147	0	199,091	199,091	0
Prepayments	356,632	300,295	56,337	396,850	238,120	158,730
Sundry accounts	12,880	12,880	0	15,364	15,364	0
Total	**1,711,041**	**1,559,663**	**151,378**	**1,568,996**	**1,277,448**	**291,548**

(1) including receivables represented by commercial paper: EUR 18,744 thousand as of December 31, 2020 and EUR 27,323 thousand as of December 31, 2019.

Note 7 - Accrued income

Accrued income included in the following balance sheet items (in EUR thousands)	**12/31/2020**	**12/31/2019**
Receivables from equity investments	608	99
Trade receivables	409,188	543,615
Marketable securities	66	356
Cash at bank and in hand	987	1,637
Total	**410,849**	**545,707**

Note 8 - Prepaid expenses and deferred income

(in EUR thousands)	**12/31/2020**	**12/31/2019**
Operating income	515,822	525,655
Operating expenses (1)	356,632	396,850
(1) income tax on unrealized capital gains	143,234	143,234

Note 9 - Difference in measurement of marketable securities

Marketable securities and cash instruments (in EUR thousands)	**12/31/2020**	**12/31/2019**
Marketable securities and cash instruments - gross balance sheet value	826,188	1,952,303
Marketable securities and cash instruments - market value	1,208,988	2,335,551

Note 10 - Share capital and treasury shares

10.1 Share capital

The share capital amounts to EUR 66,790 thousand and consists of 8,348,703 common shares of EUR 8 each as of December 31, 2020.

10.2 Treasury shares

Movements on treasury shares are detailed below:

(in number of shares)	2020	2019
Treasury shares as of January 1	**35,600**	**37,175**
Purchase of treasury shares	0	0
Cancellation of shares	0	0
Share-based payments	-2,179	-1,575
Treasury shares as of December 31	**33,421**	**35,600**

The 33,421 treasury shares held as of December 31, 2020 are allocated to potential allocations of performance shares and to a potential 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 27, 2019 and February 26, 2020 (the plan features are described in paragraph 5.5 of the Directors' Report).

A total of 2,179 performance shares were acquired by corporate officers on February 27, 2020, as the performance conditions set by the Board of Directors on February 27, 2019 were achieved.

Shares granted and not yet vested are subject to performance conditions.

Grant date	Vesting period	Number of shares allocated	Number of shares delivered in 2020	Number of shares canceled (1)	Balance of performance shares as of 12/31/2020
02/27/2019	From 02/27/2019 to 02/26/2020	2,025	2,179	0	0
02/26/2020	From 02/26/2020 to 02/25/2021	2,250	0	0	2,250

(1) shares canceled in the event of partial or total non-achievement of performance conditions.

Note 11 - Identity of the consolidating Parent Company

	% of control
GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD) 9, Rond-Point des Champs-Élysées - Marcel Dassault 75008 PARIS	62.49%

Note 12 - Reserves

12.1 Reserves

(in EUR thousands)	12/31/2020	12/31/2019
Revaluation difference	4,136	4,136
Legal reserve	6,679	6,679
Retained earnings	2,952,034	2,461,744
Total	**2,962,849**	**2,472,559**

12.2 Revaluation reserves

(in EUR thousands)	Change in revaluation reserves			
	12/31/2019	2020 movements		12/31/2020
		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

1/ Income for the year

	2020		2019	
Accounting income				
In EUR thousands	175,761		490,290	
In EUR per share	21.05		58.73	
Change in equity excluding net income for the year				
In EUR thousands	2,275		7,282	
In EUR per share	0.27		0.87	
Dividends				
In EUR thousands	102,689	(1)	0	(2)
In EUR per share	12.30	(1)	0.00	(2)

(1) proposed by the Board of Directors to the Shareholders' Meeting.

(2) due to the pandemic, the Annual General Meeting of May 12, 2020 approved the proposal of the Board of Directors of April 1, 2020 not to pay a dividend on 2019 net income.

2/ Statement of changes in equity excluding net income for the year (in EUR thousands)

	Before appropriation of 2019 net income 12/31/2020		After appropriation of 2019 net income 12/31/2020
A -			
1. 2019 closing equity excluding net income for the year	2,804,748		2,804,748
2. 2019 net income before appropriation	490,290		
3. Appropriation of 2019 net income to net equity by the AGM			490,290
4. 2020 equity at opening	3,295,038		3,295,038
B - Additional paid-in capital, effective retroactively to beginning of 2020			**0**
1. Change in capital		0	
2. Change in other items		0	
C - (= A4 + B) Equity at 2020 opening			**3,295,038**
D - Changes during the year excluding 2020 net income			**2,275**
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		2,275	
5. Other changes		0	
E - 2020 closing equity excluding 2020 net income before AGM (= C + D)			**3,297,313**
F - Total change in equity in 2020 excluding 2020 net income (= E - C)			**2,275**

Note 14 - Provisions

14.1 Provisions

(in EUR thousands)	12/31/2019	Allocations	Reversals	Other	12/31/2020
Regulated provisions					
For price increases	64,773	9,742 (3)	-10,458 (3)	0	64,057
Depreciation by derogation	61,554	13,975 (3)	-10,954 (3)	0	64,575
Realized gains reinvested	18	0 (3)	0 (3)	0	18
	126,345	**23,717**	**-21,412**	**0**	**128,650**
Provisions for contingencies and charges					
Operating	1,340,252	127,011 (1)	-248,988 (1)	0	1,218,275
Financial	0	0 (2)	0 (2)	0	0
Non-recurring	0	0 (3)	0 (3)	0	0
	1,340,252	**127,011**	**-248,988**	**0**	**1,218,275**
Provisions for impairment					
On intangible assets	0	0 (1)	0 (1)	0	0
On property, plant and equipment	8,050	9,115 (1)	-8,050 (1)	0	9,115
On financial assets	8,165	44,612 (2)	-8,011 (2)	0	44,766
On inventories and work-in-progress	344,266	294,902 (1)	-344,266 (1)	0	294,902
Trade receivables	60,843	66,281 (1)	-60,843 (1)	0	66,281
On marketable securities	75	2,574 (2)	-75 (2)	0	2,574
	421,399	**417,484**	**-421,245**	**0**	**417,638**
Total	**1,887,996**	**568,212**	**-691,645**	**0**	**1,764,563**

Allocations and reversals	{ - Operating	497,309	(1)	-662,147	(1)
	{ - Financial	47,186	(2)	-8,086	(2)
	{ - Non-recurring	23,717	(3)	-21,412	(3)
		568,212		**-691,645**	

14.2 Details of provisions for contingencies and charges

(in EUR thousands)	12/31/2019	Allocations	Reversals	Other	12/31/2020
Operating					
Retirement payments and related benefits (1)	230,147	25,619	-45,946	0	209,820
Early retirement	0	1,900	0	0	1,900
Warranties (2)	955,600	52,200	-128,100	0	879,700
Services and work to be performed (2)	150,244	43,564	-70,681	0	123,127
Foreign exchange losses	4,261	3,728	-4,261	0	3,728
	1,340,252	**127,011**	**-248,988**	**0**	**1,218,275**
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	**1,340,252**	**127,011**	**-248,988**	**0**	**1,218,275**

(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 is estimated and prorated to the employee's length of service at the end of the period in relation to his total career expectancy (see Accounting principles B8-2).

The calculation takes into account the following annual assumptions: salary increase of 3.93% and discount rate of 0.3%.

As of December 31, 2020, the balance of the provision for long-service awards was EUR 3.6 million.

(2) provisions for warranties, services and work to be performed:

Provisions are updated to reflect changes to the fleet in service and contracts delivered.

Note 15 - Borrowings and financial debt

(in EUR thousands)	12/31/2020	12/31/2019
Bank borrowings (1)	0	250,285
Other borrowings and financial debt (2)	119,754	109,612
Total	**119,754**	**359,897**

(1) borrowings were repaid in 2020.

(2) as of December 31, 2020 and December 31, 2019, 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	Within 1 year	Between 1 and 5 years	More than 5 years
Bank borrowings (1)	0	0	0	0
Other borrowings and financial debt (1)	119,754	19,737	99,942	75
Trade payables (2)	733,839	733,839	0	0
Tax and social security liabilities	249,472	249,472	0	0
Liabilities on fixed assets and related accounts	26,944	26,944	0	0
Other liabilities	68,742	68,742	0	0
Total	**1,198,751**	**1,098,734**	**99,942**	**75**

(1) see Note 15.

(2) including liabilities represented by commercial paper: EUR 89,199 thousand.

Note 17 - Other liabilities, cash instruments, accruals and deferred income

(in EUR thousands)	12/31/2020	12/31/2019
Tax and social security liabilities	249,472	239,768
Liabilities on fixed assets and related accounts	26,944	25,040
Other liabilities	68,742	147,748
Deferred income	515,822	525,655
Accruals and deferred income	9,152	13,731
Cash instruments	3,079	9,722
Total	**873,211**	**961,664**

Note 18 - Accrued expenses

Accrued expenses included in the following balance sheet items (in EUR thousands)	**12/31/2020**	**12/31/2019**
Borrowings and financial debt	108	745
Trade payables	374,316	617,726
Other payables and deferred income	202,217	288,626
Total	**576,641**	**907,097**

Note 19 - Notes on affiliated companies and equity associates

(in EUR thousands)	**Amount relating to**	
	affiliated companies	**in which the Company has a participating interest**
Equity investments	339,941	2,029,012
Receivables from equity investments	0	21,437
Loans and other financial assets	33,324	0
Advances and progress payments to suppliers	56,542	1,089,070
Trade receivables	182,674	274
Other receivables	526	0
Advances and progress payments received on orders	114,089	2,660
Trade payables	72,470	41,325

Note 20 - Net sales

(in EUR thousands)	**2020**	**2019**
A) By product:		
Finished goods	3,840,459	5,313,173
Services	976,046	1,663,283
Total	**4,816,505**	**6,976,456**
B) By geographic region:		
France	569,769	862,094
Export (1)	4,246,736	6,114,362
Total	**4,816,505**	**6,976,456**

(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 in expenses as incurred and represent:

(in EUR thousands)	2020	2019
Research and development costs	-518,154	-501,408

The Company's research and development strategy and initiatives are described in the Directors' Report.

Note 22 - Net financial income

(in EUR thousands)	2020	2019
Investment income (1)	21,701	114,944
Income from other securities and assets	22	292
Other interest and similar income	8,540	11,612
Reversals of provisions for equity investments	8,011	3,424
Reversals of provisions for marketable securities	75	150
Financial income	**38,349**	**130,422**
Allocations to provisions for equity investments	-20,000	-2,091
Allocations to provisions for other investment securities	-24,612	-5,920
Allocations to provisions for marketable securities	-2,574	-75
Interest and similar expenses	-1,301	-8,539
Net losses on sales of marketable securities	-4,557	-1,353
Financial expenses	**-53,044**	**-17,978**
Net financial income/expense	**-14,695**	**112,444**

(1) in 2020, Thales paid EUR 21,013 thousand in interim dividends for fiscal year 2020. It did not pay the balance of the dividend for fiscal year 2019. In 2019, Thales paid the Company EUR 83,000 thousand in dividends for 2018 and EUR 31,519 thousand in interim dividends for 2019.

Note 23 - Non-recurring items

(in EUR thousands)	2020	2019
Gains on sales of assets		
- Property, plant and equipment	577	483
- Financial assets	1,116	0
	1,693	**483**
Other non-recurring income	**22**	**107**
Reversals of regulated provisions		
- For price increases	10,458	10,227
- Depreciation by derogation	10,954	8,491
	21,412	**18,718**
Non-recurring income	**23,127**	**19,308**
Non-recurring expenses on operating activities	**-11**	**-9**
Carrying value of assets sold		
- Property, plant and equipment	-24,490	-402
- Financial assets	-3,099	-3,066
	-27,589	**-3,468**
Other non-recurring expenses	**-280**	**-5,425**
Allocations to regulated provisions		
- For price increases	-9,742	-11,307
- Depreciation by derogation	-13,975	-15,235
	-23,717	**-26,542**
Other non-recurring provisions	**0**	**0**
Non-recurring expenses	**-51,597**	**-35,444**
Non-recurring items	**-28,470**	**-16,136**

Note 24 - Analysis of corporate income tax

(in EUR thousands)	Income before tax	Corporate income tax	Income after tax
Current income	234,845	34,285	269,130
Non-recurring items (including profit-sharing and incentive schemes)	-93,369	0	-93,369
Net income	141,476	34,285 (1)	175,761

(1) including Research Tax Credit: EUR 33,461 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)	**12/31/2020**	**12/31/2019**
Commitments in connection with the performance of operating contracts	10,050,523	11,345,818
Guarantees and deposits	59,479	90,659
Commitments guaranteed with bank deposits	1,021,551	1,427,902
Total	**11,131,553**	**12,864,379**

Commitments received (in EUR thousands)	**12/31/2020**	**12/31/2019**
Backlog	14,742,600	16,542,900
Other commitments in connection with the performance of operating agreements	1,633,129	1,633,129
Collateral	61,373	106,725
Bpifrance Assurance Export guarantees	17,807	25,957
Commitments guaranteed with bank deposits	23,675	24,772
Total	**16,478,584**	**18,333,483**

Operating leases (in EUR thousands)	**Total**	**Within 1 year**	**More than 1 year**
Minimum future payments not subject to cancellation (not discounted)	**70,229**	19,320	50,909

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, 2020.

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.

	12/31/2020		**12/31/2019**	
Market value	In USD thousands	In EUR thousands	In USD thousands	In EUR thousands
Foreign exchange options	27,397	22,327	-27,505	-24,484
Forward transactions	71,680	58,414	-51,645	-45,972
Total	**99,077**	**80,741**	**-79,150**	**-70,456**

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)	**12/31/2020**	
Net balance sheet position Closing US dollar/euro exchange rate	80,741 1 EUR = 1.2271 USD	
Closing US dollar/euro exchange rate +/- 10 cents Change in net balance sheet position (1)	$1.3271/€ +171,221	$1.1271/€ -208,339

(1) data calculated based on existing market conditions on the balance sheet dates. They are not representative of the actual gain/loss that will be recognized when the transactions are made.

Note 28 - Impact of tax valuations by derogation

(in EUR thousands)	**12/31/2020**	**12/31/2019**
Net income for the year	175,761	490,290
Income tax	-34,285	194,812
Income before tax	**141,476**	**685,102**
Depreciation by derogation	3,021	6,744
Provision for price increases	-716	1,080
Increase in regulated provisions	**2,305**	**7,824**
Net income excluding tax valuations by derogation (before tax)	**143,781**	**692,926**

Note 29 - Increases and reductions in deferred tax

(in EUR thousands)	12/31/2020	12/31/2019
Regulated provisions:		
- For price increases	64,057	64,773
- Depreciation by derogation	64,575	61,554
- Realized gains reinvested	18	18
Basis for increases	**128,650**	**126,345**
Increases in deferred tax	***41,194***	***43,501***
Items not deductible in the current year:		
- Employee profit-sharing	47,990	127,306
- Retirement payments and related benefits	205,103	225,546
Other temporary timing differences	738,619	777,956
Basis for reductions	**991,712**	**1,130,808**
Reductions in deferred tax	***317,546***	***389,337***
Long-term capital losses	0	0

Tax rate of 32.02% as of December 31, 2020, versus 34.43% as of December 31, 2019.

Note 30 - Compensation of corporate officers

Total compensation received by corporate officers, as detailed in the report of the Board of Directors on Corporate Governance, amounted to EUR 5,581,971 for 2020.

Note 31 - Average number of employees

	Salaried employees
Executives	5,392
Supervisors and technicians	2,053
Employees	379
Workers	987
2020 total	**8,811**
2019 total	8,563

Note 32 - Five-year financial summary

Nature of information (in EUR thousands except for point 3, stated in EUR/share)	**2016**	**2017**	**2018**	**2019**	**2020**
1/ Financial position at year-end					
a. Share capital	66,006	66,495	66,790	66,790	66,790
b. Number of shares outstanding	8,250,785	8,311,921	8,348,703	8,348,703	8,348,703
2/ Summary of operating results					
a. Net sales, excluding tax	3,161,147	4,184,368	4,398,911	6,976,456	4,816,505
b. Earnings before tax, depreciation, amortization and provisions	324,766	513,312	734,937	929,034	81,763
c. Corporate income tax	29,954	68,912	158,003	194,812	-34,285
d. Earnings after tax, depreciation, amortization and provisions	256,696	309,500	442,438	490,290	175,761
e. Dividends paid (1)	99,834	127,172	176,993	0	102,689 (2)
3/ Earnings per share in euros					
a. Earnings after tax, but before depreciation, amortization and provisions	35.7	53.5	69.1	87.9	13.9
b. Earnings after tax, depreciation, amortization and provisions	31.1	37.2	53.0	58.7	21.1
c. Dividend paid per share	12.1	15.3	21.2	0.0	12.3 (2)
4/ Personnel					
a. Average number of employees during the year	8,396	8,155	8,108	8,563	8,811
b. Total personnel expenses	472,939	475,416	492,506	517,276	514,106
c. Social security and other staff benefits	253,882	250,896	266,212	288,862	265,718
5/ Employee profit-sharing	**59,895**	**74,019**	**110,835**	**127,306**	**47,990**
6/ Incentive payments	**20,000**	**20,000**	**20,000**	**20,000**	**16,909**

(1) due to the pandemic, the Annual General Meeting of May 12, 2020 approved the proposal of the Board of Directors of April 1, 2020 not to pay a dividend on 2019 net income. Dividends of EUR 176,238 thousand were paid for the year ended December 31, 2018, of EUR 126,604 thousand for the year ended December 31, 2017, and of EUR 99,367 thousand for the year ended December 31, 2016, net of dividends on treasury shares.

(2) 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.

Statutory auditors' report on the financial statements

Year ended December 31, 2020

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, 2020.

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, 2020 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, 2020 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

The global crisis due to the Covid-19 epidemic creates particular conditions in the preparation and the audit of the 2020 accounts. Indeed, the exceptional measures taken in connection with the health crisis trigger important impacts on companies, first on their activity and financing, but also increasing uncertainty for the future. Some of these measures, such as travel restrictions and remote work, have also had an impact on the companies' internal structure and on the organization of the audit.

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 relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, 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.

Risk identified	*Our response*
Valuation of warranty provisions (Note B8-1 and 14 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 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, 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 €880 million as at December 31, 2020. The valuation of these provisions is a key point of the audit due to: • the 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 equity if their estimates vary.	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 internal controls that we considered relevant to our audit. In addition, our work consisted in: • assessing the adequacy of the funding methodology used by the Company's management and the judgments exercised by it, • assessing, through discussions with the relevant Operational Departments, the reasonableness of the assumptions used to determine provisions for guarantees, randomly testing the observed data and costs used for the valuation of the provisions and the calculations made.

<table>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td>
Defense contract monitoring

(Notes B11 and 20 to the annual financial statements)

For Defense contracts, Dassault Aviation operates through contracts for which net sales and the margin are recognized:
• upon completion, during the transfer to the purchaser of the principal risks and benefits for sales of goods and for certain development services;
• as a percentage depending on the stage of progress of the costs incurred for the other service contracts;

Earnings from Defense contracts, and any provisions for loss on completion and provisions for risks and charges at the closing date, depend on:
• the ability of the entity to measure the costs incurred on a contract and
• the ability to reliably estimate the costs yet to be incurred until the end of the contract.

For 2020, Defense net sales recognized by the company amounted to €3,146 million.

The monitoring of defense contracts is a key point of the audit due to:
• the level of estimates required to determine earnings upon the completion of contracts,
• and their amount.
</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 key internal controls that we considered relevant to our audit.

Our work consisted in:

• Testing controls for net sales and cost forecasts with respect to contracts;
• Selecting a random sample of contracts that most contributed to the result for the period and conducting interviews with the program monitoring managers, in order to
  o Confirm the performance of the contract’s services when the turnover is recognized at a point of time,
  o Corroborating the stage of progress used in the recognition of net sales by examining in particular the technical and contractual documentation available;
  o Assessing the reasonableness of the assumptions used to determine the provisions for risks and charges and test by sampling the observed data and costs retained for the valuation of the provisions as well as the calculations made
• Reconciling the accounting data with their operational analytical monitoring;
• Verifying the correct analytical allocation of costs.

For a selection of contracts whose estimated margin level experienced a certain change in the margin compared to previous estimates, we sought to explain the origin of the changes observed in order to corroborate those changes with technical and operational justifications on the basis of our experience and interviews with management.
</td></tr>
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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.441-446 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

According to III of Article 222-3 of the General Regulations of the AMF (French Financial Markets Authority), we have been informed by your company's management of its decision to postpone the implementation of the single electronic information format as defined by the delegated European Regulation n° 2019/815 dated December 17, 2018 for fiscal years beginning on January 1, 2021. Therefore, the actual report does not deliver a conclusion on the respect of this format in the presentation of the annual accounts included in the annual financial report in I of Article L.451-1-2 of the Monetary and Financial Code.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Dassault Aviation Company by the General Meeting held on May 12, 2020 for cabinet PricewaterhouseCoopers Audit and on June 19, 1990 for cabinet Mazars.

As at December 31, 2020, audit firm PricewaterhouseCoopers Audit and audit firm Mazars were in the 1st year and 31st year 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 12, 2021

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.