

## DASSAULT AVIATION GROUP RESULTS

	2018	2017 <i>(pro forma IFRS 15)</i>
Order intake	<b>EUR 5,024 million</b> 12 Rafale Qatar 42 Falcon <i>(52 orders and cancellation of the last 10 Falcon 5X)</i>	<b>EUR 3,289 million</b> 38 Falcon <i>(41 orders and cancellation of 3 Falcon 5X)</i>
<u>Adjusted</u> net sales <sup>(*)</sup>	<b>EUR 5,084 million</b> 9 Rafale Egypt 3 Rafale France 41 Falcon	<b>EUR 4,876 million</b> 8 Rafale Egypt 1 Rafale France 49 Falcon
Backlog <i>as of December 31</i>	<b>EUR 19,376 million</b> 101 Rafale <i>(73 Export and 28 France)</i> 53 Falcon <i>(no longer including Falcon 5X)</i>	<b>EUR 19,460 million</b> 101 Rafale <i>(70 Export and 31 France)</i> 52 Falcon <i>(incl. Falcon 5X not canceled)</i>
<u>Adjusted</u> operating income <sup>(*)</sup>	<b>EUR 669 million</b>	<b>EUR 357 million</b>
<u>Adjusted</u> operating margin	<b>13.2% of net sales</b> <i>9.2% without Safran compensation</i>	<b>7.3% of net sales</b>
<u>Adjusted</u> net income <sup>(*)</sup>	<b>EUR 681 million</b> € 82.1 / share	<b>EUR 410 million</b> € 49.8 / share
<u>Adjusted</u> net margin	<b>13.4% of net sales</b> <i>10.8% without Safran compensation</i>	<b>8.4% of net sales</b>
Available cash <i>as of December 31</i>	<b>EUR 5,211 million</b>	<b>EUR 4,121 million</b>
Dividends	<b>EUR 177 million</b> € 21.2 / share	<b>EUR 127 million</b> € 15.3 / share
Employee profit-sharing and incentives <u>including 20% correlated social tax</u> <i>Workforce as of December 31</i>	<b>EUR 168 million</b>  11,494	<b>EUR 119 million</b>  11,398

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

Main IFRS aggregates (see reconciliation table in the Appendix)

<sup>(*)</sup> Consolidated net sales	EUR 5,119 million	EUR 4,901 million
<sup>(*)</sup> Consolidated operating income	EUR 708 million	EUR 218 million
<sup>(*)</sup> Consolidated net income	EUR 573 million	EUR 630 million

**Saint-Cloud, February 28, 2019** - The Board of Directors met yesterday under the chairmanship of Mr. Éric Trappier and approved the 2018 financial statements. The audit procedures were performed and the audit report for certification purposes is being issued.

Éric Trappier, Chairman and Chief Executive Officer of Dassault Aviation, stated:

"Above all, 2018 will be remembered for Serge Dassault's passing away. His passion, his tenacity, his vision, his patriotism stay in our hearts and our history. We are grateful to his memory as to our founder's Marcel Dassault. Our task is to carry on their legacy.

Besides, 2018 was eventful for the Company, in both defense and civilian programs. The following events in particular stand out:

- the announcement of the launch of the Falcon 6X to replace the Falcon 5X and the amicable agreement signed with Safran to settle the dispute over the difficulties encountered with the Silvercrest engine,
- the entry into force of the option for 12 additional Rafale for Qatar,
- the notification of the F4 standard (firm and optional batches) announced by the French Minister of the Armed Forces during her visit in Mérignac in early January 2019 showing the ongoing efforts to improve the Rafale, which will add innovative connectivity (new satellite and intra-patrol connections, communication server, software radio), new capabilities (enhanced radar sensors and optronic frontal sector) and incorporate new weapons (Mica NG air-to-air missile and 1,000 kg modular air-to-ground weapons).

In addition to these major events, 2018 was marked by:

In defense programs:

- the 2019-2025 French Military Procurement Law passed in 2018 shows a positive trend in the Nation's defense efforts and gives the Company expectations for the coming years: a batch of 30 additional Rafale (reaffirmation by the French Minister of the Armed Forces on January 14<sup>th</sup> in Mérignac), notification expected for 2023 ; launch of the European MALE drone program in 2019 (cooperation between Airbus, Dassault Aviation and Leonardo) ; selection by the Ministry of the Armed Forces of the Falcon platform to carry the Universal Electronic Warfare Capacity (CUGE), studies notified ; upgrade of 18 ATL2 instead of the 15 initially planned; initialization of the ATL2 replacement program (future PATMAR); renewal of the MARitime SURveillance aircraft fleet based on the Falcon 2000LXS, first studies notified ; and confirmation of the airborne component upgrade,
- in June 2018, in Meseberg, at the Franco-German council, in the presence of the French President and the German Chancellor, France and Germany signed a Letter of Intent materializing their will to build together the future weapons systems and act towards the construction of the Europe of Defense. This Letter of Intent was followed, on November 19 2018, by a common statement to launch the initial works of the Future Combat Air System (FCAS): on January 31, 2019, a 2-year conception and architecture study was notified under the leadership of Dassault Aviation and Airbus ; demonstrators for the combat aircraft and its engine are to be launched at the 2019 Paris Air Show ; Dassault Aviation being the leader of the New Generation Fighter (NGF),
- delivery of 3 Rafale to France, bringing the total Rafale delivered to the French Forces up to 152 (the last 28 Rafale out of the 180 aircraft ordered being forecasted to be delivered from 2022 on),
- the delivery to France of the last 2 Rafale Navy retrofitted from the F1 standard to the F3 standard; all 10 Rafale Marine now meet the F3 standard,

- the delivery to the French Air Force of the F3-R standard,
- the delivery of 9 Rafale to Egypt, bringing the total number of aircraft delivered to 23 out of the 24 ordered,
- the continuation of the Egyptian Rafale support and the entry into force of the associated Maintenance in Operational Conditions contract,
- the continued execution of the 36 Rafale contract with Qatar, including pilots training and support implementation : the official acceptance of the first Qatari Rafale took place on February 6 2019,
- the continued execution of the 36 Rafale Indian contract. The Indian Air Force is getting ready for the entry into service of the Rafale. Considering the important needs in India for combat aircraft, we answered in July 2018 the "Request for Information" for the supply of 110 combat aircraft to the Indian Air Force (in May 2017, we had answered the "Request for Information" for the supply of 57 combat aircraft to the Indian Navy),
- the continued upgrading works on the French Mirage 2000D (the Mirage 2000N entered into service in 1988 was discarded from French Air Forces),
- the start of a new nEUROn flight test campaign dedicated to stealthiness demonstration with the French Procurement Agency, the French Air Force, and the French Navy, in the frame of a contract for studies and flight tests over 2018-2020,

for the "Make in India" project we :

- launched the industrial operations of the JV DRAL: 2018 being the start of the ramp-up. Production of the first Falcon 2000 subassemblies (T3 front tank) completed in December 2018, first T1 section in February 2019,
- expanded our industrial ecosystem in India for our production line, with the deployment of a Supply Chain, regarding at first primary parts, tools, pylons, containers, as well as our engineering department activities, with the establishment of an engineering center in Pune (India),

in MARitime SURveillance and MARitime PATrol aircraft:

- the order of a 5<sup>th</sup> SURMAR Falcon 2000 (maritime surveillance) by the Japanese Coast Guard (first deliveries scheduled in first half 2019),
- the delivery of the 1<sup>st</sup> retrofitted SURMAR Falcon 50 with additional capacity for dropping SAR (Search And Rescue) chains,

regarding space programs (2018 was remarkable for on interest in the new Defense space policy), we notice:

- for space vehicles, a new bath of the study contract for the reusable orbital vehicle "Space Rider" from the European Space Agency (ESA), of which the first flight is scheduled in 2021. Dassault Aviation is in charge of the vehicle shape design,
- for the pyrotechnic, the contractualization of 2 studies with the French Defense Procurement Agency (DGA) and the French Space Agency (CNES) in order to apply the pyrodigital technology allowing a securitized digital bus to convey the pyrotechnic orders for both Callisto demonstrator and Rafale,

in civilian programs:

- the order intake of 42 Falcon in 2018 (52 orders and cancellation of the last 10 Falcon 5X). In 2017, 38 Falcon were ordered (41 orders and 3 Falcon 5X cancellations),
- the delivery of 41 Falcon,

- the official launch of the Falcon 6X program, in early 2018 for an entry into service scheduled in 2022. The program development is in line with the schedule: the primary development stage has been completed; first structural parts are being manufactured. Tests on the PW812D engine are also on time: 4 engines are being tested and 120 hours were run on a flying test bench. Design shelves have been set up in Saint-Cloud and Merignac in cooperation with our industrial partners,
- the Falcon 8X which demonstrated its long range capacity (Singapore – London in 14 hours) is still an unmatched aircraft in terms of comfort and is acknowledged for being the most silent aircraft on the market,
- the certification of Electronical Flight Vision System operational gains of up to 100 feet for approaches in poor weather conditions with the FalconEye system for Falcon 7X, Falcon 8X, Falcon 2000LX and Falcon 2000LXS; FalconEye system certification for Falcon 900LX is in progress,
- the new service offer for a broadband connectivity such as "FalconConnect", an integrated management solution for communications and data exchanges between aircraft and ground networks,
- in Customer Support, Dassault Aviation was first in several categories of the Aviation International News (AIN) ranking (#1 Overall Average, #1 AOG Response, #1 Warranty Fulfillment, #1 Parts Availability, #1 Overall Aircraft Reliability, #1 Technical Reps). Besides, the Falcon Response offer which includes 2 dedicated Falcon, has performed 191 missions (1,395 flight hours),
- the future Falcon is in progress: marketing and technical studies are ongoing,
- the development of a high-quality customer support network, by the acquisition of service centers strengthening our footprint, in Europe, Asia-Pacific, Africa and Middle-East.

In 2018 we pursued our transformation plan "Leading Our Future".

## 2019 outlook

There are many strategic challenges for 2019:

- Continue promotion and sale of our Falcon and Rafale
- Complete FCAS studies and obtain the launch of a demonstrator for the future combat aircraft at the Paris Air Show
- Continue the Falcon 6X development for an entry into service in 2022
- Confirm the future Falcon launch
- Start of the Rafale F4 standard development
- Perform the Falcon and Rafale contracts in terms of quality, time and cost objectives
- Participate in the response to the "Invitation To Tender" for a contract launching the MALE RPAS program
- Continue to work on preparing the Falcon MARitime SURveillance and CUGE order with France
- Deliver the ATL2 upgrade in 2019
- Finalize the new Rafale France Maintenance in Operational Conditions contract
- Increase the effectiveness of Falcon support and continue to develop a network of high-quality service centers

- Continue the development of the “Make in India” industrial line
- Promote our skills in space
- Continue to implement the Transformation Plan

The Group plans to deliver **45 Falcon** and **26 Export Rafale** in 2019. **2019 net sales will rise significantly.**

## 2018 KEY ADJUSTED CONSOLIDATED DATA

*See table of reconciliation between the consolidated income statement and the adjusted income statement in the appendix.*

### ORDER INTAKE

**2018 Order intake** was **EUR 5,024 million**, compared with EUR 3,289 million in 2017 (IFRS 15 *pro forma*).

Export **order intake** represented **80%**.

#### *Defense programs*

**2018 Defense orders** totaled **EUR 2,710 million**, compared with EUR 905 million in 2017 (IFRS 15 *pro forma*), due in particular to the order of **12 Rafale** following the coming into force of the option exercised by Qatar and the **F4 Standard notification** for the Rafale (firm and optional batches announced, however firm batch only recorded in 2018 order intake).

#### *Falcon programs*

**2018 Falcon orders** totaled **EUR 2,314 million** versus EUR 2,384 million in 2017 (IFRS 15 *pro forma*).

**42 Falcon** were **ordered in 2018** (52 orders and cancellation of the last 10 Falcon 5X). In 2017, 38 Falcon were ordered (41 orders and 3 cancellations of Falcon 5X).

### NET SALES

**2018 net sales** amounted to **EUR 5,084 million**, compared to EUR 4,876 million in 2017 (IFRS 15 *pro forma*). **Export** represented **78%**.

#### *Defense programs*

**2018 Defense net sales** amounted to **EUR 2,485 million**, compared to EUR 1,875 million in 2017 (IFRS 15 *pro forma*).

Sales were impacted by the delivery of the Rafale F3-R standard to France and by the increase in the number of Rafale deliveries. **9 Rafale** were delivered to Egypt and **3 Rafale** to France in 2018, compared with 8 to Egypt and 1 to France in 2017. In addition, 2 Rafale Marine retrofitted to the F3 standard were delivered to France in 2018.

#### *Falcon programs*

**2018 Falcon net sales** amounted to **EUR 2,599 million**, compared to EUR 3,001 million in 2017 (IFRS 15 *pro forma*). Sales were impacted by the lower number of new aircraft delivered.

**41 new Falcon** were **delivered in 2018**, (in line with our guidance of 40 Falcon deliveries), compared to 49 in 2017.

\*\*\*\*

The "book-to-bill ratio" (orders intake/net sales) was 1.0 for 2018.

## BACKLOG

The **backlog as of December 31, 2018** was **EUR 19,376 million**, compared to EUR 19,460 million as of December 31, 2017 (IFRS 15 *pro forma*).

The **Defense Export backlog** stood at **EUR 14,217 million**, compared with EUR 13,964 million at December 31, 2017. It includes in particular **36 Rafale for India, 36 Rafale for Qatar and 1 Rafale for Egypt** (versus 36 Rafale for India, 24 Rafale for Qatar and 10 Rafale for Egypt in 2017).

The **France Defense backlog** stood at **EUR 3,011 million** compared to EUR 3,039 million as of December 31, 2017. It includes **28 Rafale**, versus 31 Rafale at the end of 2017.

The **Falcon backlog** stood at **EUR 2,148 million**, compared with EUR 2,457 million at December 31, 2017. In particular, it includes **53 Falcon** (no longer including Falcon 5X), compared with 52 Falcon (including Falcon 5X) as of December 31, 2017.

## RESULTS

### Operating income

**2018 operating income** was **EUR 669 million** compared to EUR 357 million in 2017 (IFRS 15 *pro forma*).

**The operating margin** was **13.2%**, compared to 7.3% in 2017. Without the compensation of USD 280 million received from Safran following the termination of the Silvercrest engine contract, the operating margin would stand at 9.2%.

The improvement in the operating margin can also be explained by the recovery in the pre-owned aircraft market and by the improvement in the hedge rate (USD 1.19/EUR in 2018 vs. USD 1.21/EUR in 2017). Besides, 2017 had been adversely impacted by the depreciation of inventories and work-in-progress resulting from the end of the Falcon 5X program.

The higher percentage of self-financed Research and Development expenses (7.7% of net sales in 2018 compared with 6.4% in 2017) partially offsets these positive elements.

### Net financial result

**The 2018 net financial result** was **EUR -77 million** compared to EUR -57 million in 2017 (IFRS 15 *pro forma*). The negative net financial result is the consequence of the financing component recognized for Rafale contracts in a first time as a financial expense before being recognized in net sales along with deliveries.

## Net income

**2018 net income** was **EUR 681 million** compared to EUR 410 million in 2017 (IFRS 15 *pro forma*). Thales' contribution to the Group's net income was EUR 290 million, compared to EUR 206 million in 2017 (IFRS 15 *pro forma*).

**The net margin** was **13.4%** in 2018, compared to 8.4% in 2017. Without the compensation of USD 280 million received from Safran following the termination of the Silvercrest engine contract, the net margin would stand at 10.8%.

**Net income per share in 2018** stood at **EUR 82.1/share**, compared with EUR 49.8/share in 2017.

## AVAILABLE CASH

**Available Cash** of the Group amounted to **EUR 5,211 million** as of December 31, 2018 versus EUR 4,121 million as of December 31, 2017, up by EUR 1,090 million mainly due to the net income for the period and the down payments received under the ongoing Rafale Export contract.

## BALANCE SHEET (*data in IFRS*)

Total equity was EUR 4,277 million as of December 31, 2018 compared with the opening balance of EUR 3,721 million. This increase is mainly due to the consolidated net income for the period.

Customers down payments received net of down payments paid to suppliers went up by EUR 563 million as of December 31, 2018 due primarily to down payments received under the ongoing Export Rafale contracts.

Inventories and work-in-progress decreased by EUR 68 million and stood at EUR 3,403 million as of December 31, 2018. The decrease in inventories and work-in-progress resulting from Falcon activity was partly offset by the increase in work-in-progress related to Rafale Export contracts.

Borrowings and financial debt amounted to EUR 991 million as of December 31, 2018, compared to EUR 1,095 million as of December 31, 2017. They include loans subscribed by the Group in 2014 and 2015 which totaled EUR 875 million as of December 31, 2018 (EUR 75 million were paid back in 2018) and locked-in employee profit-sharing funds.

Derivative financial instruments had a market value of EUR 14 million as of December 31, 2018, compared to EUR 161 million as of December 31, 2017. This increase is mainly due to the change in the \$/€ exchange rate between December 31, 2017 (1.20 \$/€) and December 31, 2018 (1.15 \$/€).

Note: data restated for the application of IFRS 15 and IFRS 9.



## DIVIDENDS AND PROFIT-SHARING/INCENTIVES

The Board of Directors decided to propose to the Annual Shareholders' Meeting the distribution of a dividend of **€ 21.2/share in 2019**, corresponding to a total of EUR 177 million, i.e. a payout of 26%, as in the previous year.

Under the earnings distribution policy, Group employees will receive, in profit-sharing and incentives, **EUR 140 million** (whereas the legal formula would have led to the amount of EUR 30 million), i.e. **EUR 168 million** including 20% correlated social tax.

All information relating to the publication of our results is available on our website: [www.dassault-aviation.com](http://www.dassault-aviation.com).

### Contacts:

Stéphane Fort  
Corporate Communication  
Tel.: +33 (0)1 47 11 86 90

Armelle Gary  
Investor Relations  
Tel.: +33 (0)1 47 11 84 24

## Appendix 1: table of reconciliation between the consolidated income statement and the adjusted income statement

The impact in 2018 of adjustments to income statement aggregates is presented below:

(in EUR thousands)	2018 consolidated income statement	Foreign exchange derivatives		THALES PPA	Adjustments applied by Thales	2018 adjusted income statement
		Foreign exchange gain/loss	Change in fair value			
<b>Net sales</b>	5,119,219	-30,162	-5,223			<b>5,083,834</b>
<b>Operating income</b>	707,529	-30,162	-8,527			<b>668,840</b>
Financial income	-145,883	30,162	38,243			-77,478
Share in net income of equity associates	205,849			39,580	48,545	293,974
Income tax	-194,693		-9,505			-204,198
<b>Net income</b>	572,802	0	20,211	39,580	48,545	<b>681,138</b>
<i>Group share of net income</i>	<i>572,741</i>	<i>0</i>	<i>20,211</i>	<i>39,580</i>	<i>48,545</i>	<i>681,077</i>
Group share of net income per share (in EUR)	69.1					82.1

The impact in 2017 of adjustments to income statement aggregates (**IFRS 15 pro forma**) is presented below:

(in EUR thousands)	2017 consolidated income statement	Foreign exchange derivatives		Commercial dispute	THALES PPA	Adjustments applied by Thales	2017 adjusted income statement
		Foreign exchange gain/loss	Change in fair value				
<b>Net sales</b>	4,901,080	-30,941	5,833				<b>4,875,972</b>
<b>Operating income</b>	217,935	-30,941	36,195	133,501			<b>356,690</b>
Financial income	519,559	30,941	-474,235	-133,501 <sup>(1)</sup>			-57,236
Share in net income of equity associates	143,951				26,384	39,583	209,918
Income tax	-251,363		152,313				-99,050
<b>Net income</b>	630,082	0	-285,727	0	26,384	39,583	<b>410,322</b>
<i>Group share of net income</i>	<i>630,040</i>	<i>0</i>	<i>-285,727</i>	<i>0</i>	<i>26,384</i>	<i>39,583</i>	<i>410,280</i>
Group share of net income per share (in EUR)	76.4						49.8

<sup>(1)</sup> in order to reflect the actual economic performance of the Group, the amount of the capital gains made on marketable securities to offset the expense recognized for the commercial dispute is also adjusted.

To reflect the actual economic performance of the Group, and to monitor and compare performance, the Dassault Aviation Group presents an adjusted income statement of the following elements:

- gains and losses resulting from the exercise of derivative hedging instruments that do not qualify for hedge accounting under IFRS. This income/loss, presented as financial income/loss in the consolidated income statement, is reclassified as net sales, and therefore in operating income within the adjusted income statement;
- the valuation of foreign currency derivatives that do not qualify for hedge accounting, by neutralizing the change in fair value of these instruments (the Group considering that the gains and losses on hedging should impact the result only as commercial flows occur), with the exception of the derivatives allocated to hedge balance sheet positions whose change in fair value is presented in operating income;
- the amortization of the Thales Purchase Price Allocation (PPA),
- adjustments applied by Thales in its financial reporting,
- in 2017, the arbitration award relating to the commercial dispute between the Republic of China and a group of three French industrial companies, among which Dassault Aviation and capital gains made on marketable securities to offset that expense.

## Appendix 2: IFRS 15 impact on 2017 adjusted net income

<i>In EUR thousands</i>	<b>2017 Adjusted Published</b>	IFRS 15 impact	<b>2017 Adjusted Restated</b>
<b>Net sales</b>	<b>4,807,530</b>	<b>68,442</b>	<b>4,875,972</b>
<b>Operating income</b>	<b>348,475</b>	<b>8,215</b>	<b>356,690</b>
<i>Operating margin</i>	<i>7.2%</i>		<i>7.3%</i>
Financial income	10,610	-67,846	-57,236
Share in net income of equity associates	244,891	-34,973	209,918
Income tax	-114,742	15,692	-99,050
<b>Net Income</b>	<b>489,234</b>	<b>-78,912</b>	<b>410,322</b>
<i>Net margin</i>	<i>10.2%</i>		<i>8.4%</i>