

## DASSAULT AVIATION GROUP KEY FIGURES

	<b>2017</b>	<b>2016</b>
Order intake	<b>€ 3,157 million</b>	€ 9,558 million
	41 Falcon and 3 Falcon 5X canceled	36 Rafale India 33 Falcon and 12 Falcon 5X canceled
<u>Adjusted</u> net sales <sup>(*)</sup>	<b>€ 4,808 million</b>	€ 3,586 million
	1 Rafale France 8 Rafale Egypt 49 FALCON	6 Rafale France 3 RAFALE Rafale Egypt 49 FALCON
Backlog (as of December 31)	<b>€ 18,818 million</b>	€ 20,323 million
	101 Rafale (70 Export and 31 France) 52 Falcon (including Falcon 5X not canceled)	110 Rafale (78 Export and 32 France) 63 Falcon
<u>Adjusted</u> operating income <sup>(*)</sup>	<b>€ 348 million</b>	€ 218 million
<u>Adjusted</u> operating margin <sup>(*)</sup>	<b>7.2% of net sales</b>	6.1% of net sales
<u>Adjusted</u> net income <sup>(*)</sup>	<b>€ 489 million</b> € 59.3 / share	€ 384 million € 45.5 / share
<u>Adjusted</u> net margin <sup>(*)</sup>	<b>10.2% of net sales</b>	10.7% of net sales
Available cash (as of December 31)	<b>€ 4,121 million</b>	€ 3,105 million
Dividends	<b>€ 127 million</b> € 15.3 / share	€ 100 million € 12.1 / share
Profit-sharing and incentive schemes	<b>€ 99 million</b> 11,398	€ 84 million 11,942
Workforce as of 12/31		

### Main IFRS aggregates ((\*) table of reconciliation in the appendix)

Consolidated net sales <sup>(*)</sup>	€ 4,833 million	€ 3,653 million
Consolidated operating income <sup>(*)</sup>	€ 210 million	€ 286 million
Consolidated net income <sup>(*)</sup>	€ 709 million	€ 379 million

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.

**Saint-Cloud, March 8, 2018** - The Board of Directors, which met the previous day under the chairmanship of Mr. Éric Trappier, approved the 2017 financial statements. These consolidated financial statements were certified by the Statutory Auditors who reached a conclusion without reservation.

Éric Trappier, Chairman and Chief Executive Officer of Dassault Aviation, said the following:

“2017 was eventful in many ways, with the installation of new governments and administrations in France and the United States, the upheavals of Brexit, the will to relaunch a common European defense policy, tensions between the United States and Russia, conflicts in the Middle East and, in the economic field, the good health of the US economy in a context of a decrease of the euro/dollar rate and of oil prices instability.

2017 was also an intense year for Dassault Aviation, with mainly two highlights:

- the signing, of an agreement with Qatar to exercise the option for 12 additional Rafale (which will come into force upon receipt of the first down-payment) and of an agreement on a future cooperation (option for another 36 Rafale). This new success was achieved thanks to the partnership we have with Qatari Air Force for decades and to all teams involved in this country,
- initiation of the termination process of the Silvercrest contract leading to the end of the Falcon 5X program. Last October, Safran encountered new problems with the high-pressure compressor and announced they were unable to meet the commitment they took in 2016 (even though the engine was already four years behind contract schedule).

Given the remaining need of customers for an aircraft of this category, we have launched the Falcon 6X, featuring the same cross section as the Falcon 5X, with a range of 5,500 NM and powered by Pratt & Whitney PW812 engines; its entry into service is scheduled in 2022.

In addition to these major events, we can point, in 2017, in the military sector, the following items:

for the Rafale:

- the delivery of 8 Rafale to Egypt, bringing up to 14 units Rafale's fleet in service in this country,
- the delivery of 1 Rafale to the French Air Force, bringing up to 149 the number of aircraft delivered, out of the 180 ordered,
- the delivery of the 8<sup>th</sup> Navy Rafale retrofitted to F3 standard to the French Fleet,
- the continuation of the development work on the F3-R standard, including the final validation firing of the Meteor missile,
- the notification at the end of the year of the risk reduction task for the future F4 standard,

for other military aircraft:

- the ongoing works for the upgrade of the French Mirage 2000D, and the notification of a new 5-year contract to maintain the Mirage 2000 and the AlphaJet in operating condition,
- the support of the Mirage 2000 fleets of all countries, including main checks in the United Arab Emirates and Qatar,

- the United Arab Emirates' intention to add new capabilities to their Mirage 2000-9,
- continued renovation of the ATL2 combat system, with integration tests and flight tests;
- the order of a 4<sup>th</sup> SURMAR Falcon (maritime surveillance) by the Japanese Coast Guard,

for drones and the preparation of the future:

- the new nEUROn stealth measures and a new flight test campaign,
- the continuing feasibility phase of a UCAS (Unmanned Combat Air System) demonstration program, a component of the Future Combat Air System (FCAS), to prepare a demonstration program,
- the continuing definition study for a MALE RPAS reconnaissance drone in cooperation with Airbus Defense & Space and Leonardo, in order to equip 4 European countries,

and in the field of business aviation:

- the recovery of the pre-owned aircraft market, but at low prices, in a very competitive new aircraft market environment, despite signs of recovery in North America at the end of the year,
- the order of 41 Falcon and the cancellation of 3 Falcon 5X, compared with the 33 Falcon ordered and 12 Falcon 5X canceled in 2016,
- the delivery of 49 Falcon, same as in 2016, which is higher than our guidance of 45 deliveries,
- the delivery of the 2,500<sup>th</sup> Falcon,
- the ramp-up of the Falcon 8X, a mature aircraft upon its entry into service, highly appreciated by customers for its comfort and silence, and its technical and operational capabilities such as certification of operations at London City Airport, the FalconEye system and 30-knot crosswind takeoff,
- the launch of the necessary investments for the future Falcon.

2017 has also been the year of the launch of the first actions of our "Leading Our Future" transformation plan based on 4 defined themes, relying on women and men who form the company, using the "digital" leverage to face the increasingly unpredictable developments in our markets and meet the requirements of our military and civilian customers.

Finally, 2017 was also a key year with the creation of the Dassault Reliance Aerospace Limited Joint Venture and the laying of the corner stone of the Nagpur plant to manufacture, from 2018, Falcon 2000 parts and some Rafale subassemblies. The success of offsets in India, in particular with our partners, and of the development of the "Make in India" are essential; the entire company is mobilizing to make them a success.

## 2018 OUTLOOK

A new French Military Procurement Law 2019-2025 was presented at the beginning of the year. It gives to the Company outlooks until 2030 (F4 standard to improve the Rafale capabilities, resumption of deliveries of the 4<sup>th</sup> Rafale batch and, in 2023, a new batch of 30 additional Rafale, Maritime Surveillance, MALE, Future Combat Air System, upgrade of the airborne component).

There are many strategic challenges in 2018:

- obtain qualification of the F3-R standard,
- conclude a contract for the Rafale F4 standard,
- sign with France the CUGE order for the Epicure mission Falcon,
- contribute in the definition of the proposal for a contract to launch the MALE program by the end of 2018,
- pursue nEUROn development and tests (additional batch of works),
- launch technico-operational studies to define the roadmap for the airborne warfare of the future,
- conclude with United Arab Emirates the upgrade of their Mirage 2000-9,
- continue promotion and sale of our Falcon and Rafale,
- perform the Falcon and Rafale contracts in terms of quality, time and cost objectives,
- pursue our efforts in fleet support, key to customers' loyalty,
- develop the Falcon 6X,
- design and engineer the future Falcon,
- make the start of the "Make in India" industrial line successful, from the production of the very first parts,
- ensure good execution of the Transformation Plan,

In 2018, the Group forecasts to deliver **40 Falcon**, the Company having reacted to the past years' market weakness with a conservative management leading to a production rate ramp-down, and **12 Rafale** (9 Export and 3 France). Net sales for 2018 should be close to 2017's".

## 2017 KEY FIGURES USING ADJUSTED CONSOLIDATED DATA

*see the consolidated income statement/adjusted income statement conversion table in the appendix.*

### ORDER INTAKE

**2017 order intake** was **EUR 3,157 million**, compared with EUR 9,558 million in 2016, the year we recorded India's order of 36 Rafale aircraft. **Export** order intake represented **82%**.

#### *Falcon programs*

**2017 Falcon orders** totaled **EUR 2,401 million** versus EUR 1,419 million in 2016. **41 Falcon were ordered** and **3 Falcon 5X were canceled** compared to 33 Falcon ordered and 12 Falcon 5X canceled in 2016.

#### *Defense programs*

**2017 Defense order intake** amounted to **EUR 756 million** compared with EUR 8,139 million in 2016, the year we recorded India's order of 36 Rafale aircraft.

### NET SALES

**2017 net sales** amounted to **EUR 4,808 million**, compared to EUR 3,586 million in 2016. **Export** represented **89%**.

#### *Falcon programs*

**2017 Falcon net sales** amounted to **EUR 2,930 million**, compared to EUR 2,342 million in 2016. Sales were favorably impacted by the level of pre-owned aircraft and the product mix.

**49 Falcon** were **delivered in 2017** as in 2016, which is higher than our guidance of 45 and is due to orders recorded for deliveries during the year.

#### *Defense programs*

**2017 Defense net sales** amounted to **EUR 1,878 million**, compared to EUR 1,244 million in 2016. They were favorably affected by the increase in the number of Rafale deliveries to Egypt and the related delivery of new support resources, including technical assistance, spare parts and training. Indeed, **8 Rafale** were delivered to Egypt in 2017 versus 3 in 2016. In addition, **1 Rafale** was delivered to France in 2017, versus 6 in 2016.

\*\*\*\*

The book-to-bill ratio (orders intake/net sales) was 0.7 for 2017.

## BACKLOG

The **backlog** as of December 31, 2017 was **EUR 18,818 million**, compared to EUR 20,323 million as of December 31, 2016.

The **Falcon backlog** stood at **EUR 2,669 million**, compared to EUR 3,052 million as of December 31, 2016. In particular, it includes **52 Falcon** (including Falcon 5X not canceled) compared with 63 as of December 31, 2016.

The **France Defense backlog** stood at **EUR 2,840 million**, compared to EUR 2,793 million as of December 31, 2016. It includes, in particular, **31 Rafale**.

The **Defense Export backlog** stood at **EUR 13,309 million**, compared with EUR 14,478 million as of December 31, 2016. It includes notably **36 Rafale for India, 24 Rafale for Qatar and 10 Rafale for Egypt**.

## RESULTS

### Operating income

**2017 operating income** was **EUR 348 million** compared to EUR 218 million in 2016.

**The operating margin** was **7.2%**, compared to 6.1% in 2016. It was favorably impacted by the increase in net sales observed over 2017, and the relatively lower self-financed Research and Development costs (6.5% of the net sales in 2017, versus 8.2% in 2016) and unfavorably impacted by the depreciation of inventories and work-in-progress resulting from the end of the Falcon 5X program.

N.B: 2017 hedging rate was 1.21 €/€ compared to 1.22 €/€ in 2016.

### Financial income

**Financial income in 2017** was EUR **11 million** as in 2016.

### Net income

**2017 net income** was **EUR 489 million**, compared to EUR 384 million in 2016. The contribution of Thales to the Group's net income was EUR 241 million, compared to EUR 218 million in 2016.

**The net margin** was **10.2%** in 2017, compared to 10.7% in 2016.

**Net income per share in 2017** stood at **EUR 59.3/share**, compared with EUR 45.5/share in 2016.

## **AVAILABLE CASH**

**The Available Cash** of the Group amounted to **EUR 4,121 million** as of December 31, 2017 versus EUR 3,105 million as of December 31, 2016, up by EUR 1,016 million mainly due to down payments received under the ongoing Rafale Export contract.

## **BALANCE SHEET**

Total equity was EUR 3,908 million as of December 31, 2017 compared with EUR 3,317 million as of December 31, 2016. This increase is mainly due to the consolidated net income for the period.

Customers advances and progress payments net of advances and progress payments to suppliers went up by EUR 798 million as of December 31, 2017 due primarily to progress payments received in the context of the performance of Export Rafale contracts.

Inventories and work-in-progress fell by EUR 336 million and stood at EUR 3,670 million as of December 31, 2017. This decrease is mainly due to Falcon activity for the period and to the consequences of the end of the Falcon 5X program, whose inventories and work-in-progress have been partly depreciated. This was partially offset by the increase in Rafale Export work-in-progress.

Borrowings and financial debt amounted to EUR 1,095 million as of December 31, 2017, compared to EUR 1,185 million as of December 31, 2016. They include loans taken out by the Group in 2014 and 2015 which totaled EUR 950 million as of December 31, 2017 (EUR 50 million were paid back in 2017) and locked-in employee profit-sharing funds.

The market value of financial derivatives as of December 31, 2017 was EUR 161 million versus EUR -507 million as of December 31, 2016. This increase is mainly due to the change in the €/€ exchange rate between December 31, 2016 (1.05 €/€) and December 31, 2017 (1.20 €/€).

## **DIVIDENDS AND PROFIT-SHARING / INCENTIVES SCHEMES**

The Board of Directors decided to propose to the Annual Shareholders' Meeting the distribution of a dividend of **EUR 15.3/share** in 2018, corresponding to a total of EUR 127 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 99 million** (whereas the legal formula would have led to the amount of EUR 2 million).

## **Option for payment of the dividend in shares**

The Board of Directors proposes that shareholders be offered the possibility of receiving the annual dividend to which they are entitled for fiscal year 2017 in cash or partially or fully in the form of shares.

If a shareholder exercises this option to receive his the dividend in shares, new shares will be issued without discount at a price equal to the average of the last prices listed on Euronext Paris regulated market during the twenty trading sessions preceding the day of the General Meeting, reduced by the amount of the dividend and rounded to the next-highest euro cent.

If the amount of the dividend for which the option is exercised does not match a whole number of shares, the shareholder may receive the next-highest number of shares by paying the difference in cash, or the next-lowest number of shares, along with a cash adjustment for the difference.

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

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## Appendix: consolidated income statement/adjusted income statement conversion table

The impact in 2017 of adjustments to income statement aggregates is set out below:

<i>(in EUR thousands)</i>	2017 consolidated income statement	Foreign exchange derivatives		Commercial litigation	THALES PPA	Adjustments applied by Thales	2017 adjusted income statement
		Foreign exchange gain/loss	Change in fair value				
<b>Net sales</b>	4,832,638	-30,941	5,833				<b>4,807,530</b>
<b>Operating income</b>	209,720	-30,941	36,195	133,501			<b>348,475</b>
Net financial income	587,405	30,941	-474,235	-133,501 <sup>(1)</sup>			10,610
Share in net income of equity associates	178,924				26,384	39,583	244,891
Income tax	-267,055		152,313				-114,742
<b>Net income</b>	<b>708,994</b>	<b>0</b>	<b>-285,727</b>	<b>0</b>	<b>26,384</b>	<b>39,583</b>	<b>489,234</b>
<i>Group share of net income</i>	<i>708,952</i>	<i>0</i>	<i>-285,727</i>	<i>0</i>	<i>26,384</i>	<i>39,583</i>	<i>489,192</i>
Group share of net income per share <i>(in EUR)</i>	86.0						59.3

<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.

The impact in 2016 of adjustments to income statement aggregates is set out below:

<i>(in EUR thousands)</i>	2016 consolidated income statement	Foreign exchange derivatives		Thales PPA	Adjustments applied by Thales	2016 adjusted income statement
		Foreign exchange gain/loss	Change in fair value			
<b>Net sales</b>	3,653,417	-67,619				<b>3,585,798</b>
<b>Operating income</b>	285,531	-67,619				<b>217,912</b>
Net financial income	-33,205	67,619	-23,029			11,385
Share in net income of equity associates	202,711			39,742	-19,676	222,777
Income tax	-75,971		7,688			-68,283
<b>Net income</b>	<b>379,066</b>	<b>0</b>	<b>-15,341</b>	<b>39,742</b>	<b>-19,676</b>	<b>383,791</b>
<i>Group share of net income</i>	<i>379,030</i>	<i>0</i>	<i>-15,341</i>	<i>39,742</i>	<i>-19,676</i>	<i>383,755</i>
Group share of net income per share <i>(in EUR)</i>	45.0					45.5

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;
- 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 (see 2.12) and capital gains made on marketable securities to offset that expense;
- amortization of the Thales purchase price allocation (PPA);
- adjustments applied by Thales in its financial reporting.