DASSAULT AVIATION

Architect of the future

2019 Annual 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

General

Declaration of the person responsible for the report

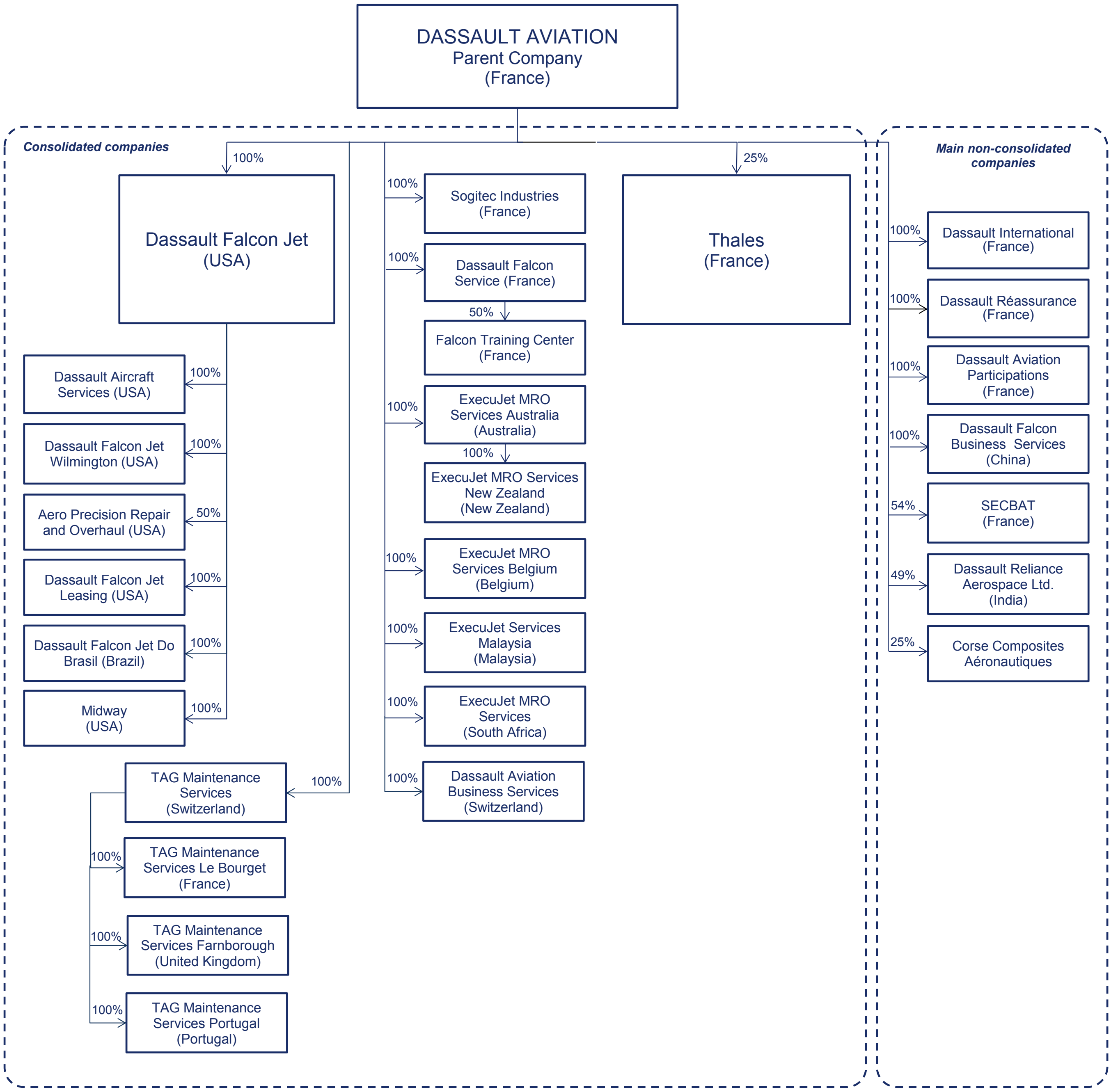
I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the company and all the other entities included in the scope 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, February 26, 2020

Éric Trappier
Chairman and Chief Executive Officer

Group structure as of December 31, 2019

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, 2019

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 (director representing employees)

Executive Management

Chief Executive Officer	**Chief Operating Officer**
Éric Trappier	Loïk Segalen

Executive Committee as of December 31, 2019

Chairman of the Committee

Éric Trappier	Chairman and Chief Executive Officer
Loïk Segalen	Chief Operating Officer
Benoît Berger	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,
Benoît Dussaugey	Senior Executive Vice-President, International,
Jean-Marc Gasparini	Executive Vice-President, Military and Space Programs,
Bruno Giorgianni	Executive Committee Secretary and Executive Vice-President, Public Affairs and Security,
Valérie Guillemet	Director of Human Resources,
Frédéric Lherm	Senior Executive Vice-President, Industrial Operations,
Gérald Maria	Senior Executive Vice-President, Total Quality,
Philippe Massot	Senior Vice-President, Sales,
Nicolas Mojaïsky	Senior Executive Vice-President, Engineering,
Frédéric Petit	Senior Vice-President, Falcon Programs,
Jean Sass	Chief Information Officer and *Chief Digital Officer*,

Government Commissioner

Mr. Jean-Luc Sourdois, French Armed Forces General Inspector since September 1, 2019, in replacement of General Paul Fouilland.

Auditors

Mazars S.A., represented by Mr. Mathieu Mougard, partner
Deloitte & Associés S.A., represented by Mr. Marc de Villartay, partner

Directors' Report

Dear Shareholders,

Before submitting the company and consolidated financial statements for the year ended December 31, 2019, 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

12,757
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

€4.4 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.

2019 Achievements

Human

1,520
New hires, including 23% women

Expertise

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

F4
Development of a new Rafale standard

Archange
Launch of a strategic intelligence Falcon

Ravel
New-generation Rafale support contract

ATL2
Delivery of the standard 6 upgrade

SCAF/NGF
Concept study

Industrial

26
Rafales delivered

40
Falcons delivered

1,000
Combat aircraft supported

2,100
Falcons supported

Corporate

Regional development

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

Technical and aeronautical engineering training in India

Environmental

↘4%
Natural gas consumption compared to 2018

77%
Recovered waste

Financial

€814 million
adjusted net income

88%
of sales in export markets

Financial and other contributions

Federal and local

€215 million
Corporate income tax of which €210 million (98%) in France

Employees

€187 million
In profit-sharing and incentive payments, including corporate social contribution

€56,757
Gross average annual compensation, excluding profit-sharing and incentive payments

Shareholders

€212 million
Dividends*

Industry

At the hub of a strategic French ecosystem

Core shareholder in Thales

Society

Inclusion, cultural and humanitarian activities

Elles bougent, Hanvol, Cours singulier, Technowest, Fondation AAF, Musée de l'air et de l'espace, Canopée, 4A, FOSA, Pupilles de l'air, ADO, ADOSM, Ailes brisées, ASF, Course du cœur, Rêves de gosses, Un avion - un enfant - un rêve, Habitat for Humanity, Arkansas Food Bank, American Red Cross, Muscular Distrophy Association

Sustainable development

Contributions to 8 United Nations sustainable development goals (SDG)

* Dividends proposed at the Annual General Meeting of Shareholders on May 12, 2020.

1. DASSAULT AVIATION GROUP

1.1 Results

1.1.1 Key data

	2019	2018
Order intake	**EUR 5,693 million** **RAVEL support contract** **40 Falcon**	EUR 5,024 million 12 Rafale Export 42 Falcon
Adjusted net sales (*)	**EUR 7,341 million** **26 Rafale Export** **40 Falcon**	EUR 5,084 million 3 Rafale France 9 Rafale Export 41 Falcon
Backlog *as of December 31*	**EUR 17,798 million** **75 Rafale** *of which* *28 Rafale France* *47 Rafale Export* **53 Falcon**	EUR 19,376 million 101 Rafale *of which* *28 Rafale France* *73 Rafale Export* 53 Falcon
Adjusted operating income (*) *Adjusted operating margin*	**EUR 765 million** *10.4% of net sales*	EUR 669 million *13.2% of net sales* *9.2% without Safran compensation*
Research and development	**EUR 527 million** *7.2% of net sales*	EUR 392 million *7.7% of net sales*
Adjusted net income (*) *Adjusted net margin* *Earnings per share*	**EUR 814 million** *11.1% of net sales* ***€97.9/share***	EUR 681 million *13.4% of net sales* *10.8% without Safran compensation* *€82.1/share*
Available cash *as of December 31*	**EUR 4,585 million**	EUR 5,211 million
Dividends	**EUR 212 million** *€25.4/share*	EUR 177 million *€21.2/share*
Employee profit-sharing and incentives including 20% correlated social tax *Workforce as of December 31*	**EUR 187 million** *12,757*	**EUR 168 million** *11,494*

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

Main IFRS aggregates (see reconciliation table in the Appendix)

(*) *Consolidated net sales*	*EUR 7,371 million*	*EUR 5,119 million*
(*) *Consolidated operating income*	*EUR 796 million*	*EUR 708 million*
(*) *Consolidated net income*	*EUR 713 million*	*EUR 573 million*

1.1.2 Definition of alternative performance indicators

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,
- amortization of assets valued as part of the PPA "Purchase Price Allocation" (Business combinations),
- adjustments applied 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 (mainly available-for-sale marketable securities at market value),
- financial debt, except for lease liabilities recorded due to the application of IFRS 16 to leases.

Note that only the consolidated financial statements are audited by the Statutory Auditors. Adjusted financial data are subject to the verification procedures applicable to all the information provided in the annual report.

1.1.3 Impact of the adjustments

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	-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 EUR)*	85.7					97.9

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

(in EUR thousands)	2018 consolidated income statement	Foreign exchange derivatives		PPA	Adjustments applied by Thales	2018 adjusted income statement
		Foreign exchange gain/loss	Change in fair value			
Net sales	5,119,219	-30,162	-5,223			**5,083,834**
Operating income	707,529	-30,162	-8,527			**668,840**
Net 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
Net income	572,802	0	20,211	39,580	48,545	**681,138**
Group share of net income	572,741	0	20,211	39,580	48,545	681,077
Group share of net income per share *(in EUR)*	69.1					82.1

1.1.4 Order intake

2019 order intake was **EUR 5,693 million** versus EUR 5,024 million in 2018. **Export** order intake represented **49%.**

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

	2019	**2018**	**2017**	**2016**	**2015**
Defense	**3,385**	2,710	905	8,139	8,282
Defense Export	**769**	1,672	353	7,443	7,891
Defense France	**2,616**	1,038	552	696	391
Falcon	**2,308**	2,314	2,384	1,419	1,602
Total order intake	**5,693**	5,024	3,289	9,558	9,884
% Export	**49%**	80%	82%	92%	96%

The order intake item is composed entirely of firm orders.

Defense programs

2019 Defense order intake was **EUR 3,385 million** versus EUR 2,710 million in 2018.

The Defense Export share of the intake was EUR 769 million in 2019, compared to EUR 1,672 million in 2018, a year in which an order for an additional 12 Rafale by Qatar was recorded.

The Defense France share was **EUR 2,616 million** in 2019, versus EUR 1,038 million in 2018. Order intake includes the integrated support contract (RAVEL) for French Rafale over the next 10 years and an additional order for supplemental development and integration work in the frame of the contract for the development of the Rafale Standard F4 (notified in 2018).

Falcon programs

In 2019, **40 Falcon orders** were recorded, compared to 42 in 2018.

The Falcon 2019 order intake represented **EUR 2,308 million** versus EUR 2,314 million in 2018. Order intake was steady and included the Archange contract for the acquisition of 2 intelligence aircraft (based on Falcon 8X) to implement the Universal Electronic Warfare Capacity (CUGE) and associated support.

1.1.5 Adjusted net sales

Net sales for 2019 were **EUR 7,341 million** versus EUR 5,084 million in 2018. **Export** net sales represented **88%**.

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

	2019	**2018**	**2017**	**2016**	**2015**
Defense	**5,148**	2,485	1,875	1,244	1,669
Defense Export	**4,261**	1,419	1,402	719	1,037
Defense France	**887**	1,066	473	525	632
Falcon	**2,193**	2,599	3,001	2,342	2,507
Total adjusted net sales	**7,341**	5,084	4,876	3,586	4,176
% Export	**88%**	78%	89%	83%	83%

Defense programs

26 Rafale for Export were delivered in 2019 versus 12 Rafale (9 for Export and 3 for France) in 2018.

Defense net sales in 2019 were **EUR 5,148 million** versus EUR 2,485 million in 2018.

The Defense Export share was **EUR 4,261 million** versus EUR 1,419 million in 2018. This sharp increase is due to the delivery of 26 Rafale for Export with associated support, whereas, in 2018, 9 Rafale for Export had been delivered.

The Defense France share was **EUR 887 million** versus EUR 1,066 million in 2018. Defense France 2019 net sales do not include Rafale deliveries but take into account the delivery of developments of the renovation of the combat system for the ATL2 and the first 2 modernized aircraft to the French Navy. Note that 2018 had recorded the delivery of the F3R standard and 3 Rafale.

Falcon programs

40 Falcon were delivered in 2019, compared to 41 in 2018. Even though we had expected 45 Falcon deliveries in 2019, we had to contend with difficult market conditions.

Falcon net sales for 2019 were **EUR 2,193 million**, versus EUR 2,599 million in 2018, due to a decrease in the number of new and pre-owned aircraft delivered.

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The “book-to-bill ratio” (order intake/net sales) is 0.78 for 2019.

1.1.6 Backlog

The consolidated order backlog as of December 31, 2019 was **EUR 17,798 million** versus EUR 19,376 million as of December 31, 2018. It consisted of:

- the **Defense Export backlog**, which was **EUR 10,725 million** versus EUR 14,217 million as of December 31, 2018. It consisted mainly of 47 Rafale versus 73 Rafale as of December 31, 2018,
- the **France Defense backlog**, which was **EUR 4,740 million**, compared to EUR 3,011 million as of December 31, 2018. In particular, it included 28 Rafale (as of December 31, 2018), the RAVEL contract for the Rafale and the Rafale F4 Standard,
- the **Falcon backlog**, which was **EUR 2,333 million**, compared with EUR 2,148 million at December 31, 2018. It included **53 Falcon**, (among which the 2 “Archange” Falcon 8X), same as of December 31, 2018.

1.1.7 Adjusted results

Operating income

2019 adjusted operating income was **EUR 765 million** compared to EUR 669 million in 2018, an increase of 14%.

The operating margin was **10.4%**, compared to 13.2% in 2018. This decrease was mainly due to the recording in 2018 of the compensation of Safran in the amount of USD 280 million following the termination of the Silvercrest engine contract.

The 2019 operating margin of 10.4% was an increase over the 2018 operating margin excluding the Safran compensation of 9.2% and was due to the strong increase in net sales (+44%).

Self-financed research and development costs are up sharply (EUR 527 million in 2019 compared to EUR 392 million in 2018), due to the simultaneous development of 2 Falcon programs, but in view of the strong increase in net sales, they accounted for only 7.2% of net sales in 2019, compared to 7.7% in 2018.

The foreign exchange hedging rate was 1.18 $/€ in 2019 compared to 1.19 $/€ in 2018.

Net financial income

2019 adjusted net financial income was **EUR -52 million** compared to EUR -77 million in 2018. This negative financial result was due to the recording of the financing component for long-term military contracts. In 2019, this component was smaller because of the decrease in down payments following the delivery of 26 Rafale for Export and related support over the period.

Net income

2019 adjusted net income was **EUR 814 million** compared to EUR 681 million in 2018, an increase of 20%. Thales' contribution to the Group's net income was EUR 346 million compared to EUR 290 million in 2018.

As a result, **the adjusted net margin** was **11.1%** in 2019 compared to 13.4% in 2018. This decrease was mainly due to the recording of the Safran compensation in 2018. The 2019 adjusted net margin of 11.1% was an increase over the 2018 net adjusted margin excluding Safran compensation of 10.8%.

Thales' contribution to the 2019 net margin was down from 2018 (4.7% in 2019 versus 5.7% in 2018).

2019 net income per share was **EUR 97.9** compared to EUR 82.1 in 2018.

1.1.8 Dividends and profit-sharing/incentives

The Board of Directors decided to propose to the Annual Shareholders' Meeting the distribution of a dividend for 2019 of **EUR 25.4/share**, corresponding to a total of EUR 212 million, i.e. a payout of 26%, as in the previous year.

For 2019, the Group will contribute **EUR 187 million** (vs: EUR 168 million for 2018) for employee profit-sharing and incentives including 20% correlated social tax, whereas the application of the legal formula would have resulted in an amount of EUR 38 million.

For 2019, the Group will pay **EUR 215 million** in corporate income tax, of which EUR 210 million (98%) in France.

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

1.1.9 Financial reporting

The IFRS 8 "Operating Segments" standard 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. The internal reporting made 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 lower level to this domain.

1.2 Financial structure

1.2.1 Available cash

The Group uses a specific indicator, referred to as "Available cash", which reflects the total liquidities available to the Group, net of any financial debt. It covers the following balance sheet items: cash and cash equivalents, current financial assets (at market value) and financial debts. It does not take into account the impact on financial debt of the application of IFRS 16 for leases.

Group available cash amounted to **EUR 4,585 million** as of December 31, 2019, compared to EUR 5,211 million as of December 31, 2018. This decrease of EUR 626 million is related to:

- the increase in the working capital requirement resulting from such factors as the reduction in down payments following the delivery of the 26 Rafale for Export and associated support,
- investments made under the transformation plan and acquisitions of the ExecuJet, TAG Aviation and RUAG maintenance centers,
- the payment of dividends to shareholders,
- these items are partially offset by net cash flows from activities before working capital changes.

1.2.2 Balance Sheet (data in IFRS)

Total equity was **EUR 4,446 million** as of December 31, 2019 compared with EUR 4,277 million as of December 31, 2018. This EUR 169 million increase is mainly due to the consolidated net income for the period, partially offset by the actuarial losses on pension benefit obligations. These actuarial losses, recorded as “Other income and expenses recognized directly though equity” are due to the decrease in the discount rate used to assess these obligations.

Borrowings and financial debt amounted to EUR 558 million as of December 31, 2019, compared to EUR 991 million as of December 31, 2018. They mainly include:

- EUR 250 million, the balance of the Group’s borrowings in 2014 and 2015 (EUR 625 million was repaid in 2019),
- employee profit-sharing invested in locked-in funds for EUR 113 million,
- and, for the first time as of December 31, the lease liabilities recorded due to the application of IFRS 16 to leases for EUR 178 million,

Inventories and work-in-progress decreased by EUR 35 million and stood at EUR 3,368 million as of December 31, 2019. The drop due to the delivery of services under the Rafale Export contracts was partially offset by the increase in Falcon and Defense France inventories and work-in-progress.

Down payments received on orders net of down payments paid decreased by EUR 1,448 million as of December 31, 2019, mainly due to the decrease in down payments following the delivery of Rafale for Export and associated support during the period.

Derivative financial instruments had a market value of EUR -71million as of December 31, 2019, compared to EUR 14 million as of December 31, 2018. This decrease is related in part to the change in dollar exchange rates between December 31, 2019 and December 31, 2018 (1.12 $/€ versus 1.15 $/€).

1.3 Related-party transactions

The 2019 related parties are identical to those identified in 2018. Some subsidiaries are related with the Parent Company via development and equipment supply contracts, along with software and associated services contracts.

2019 transactions are specified under Note 27 to the consolidated financial statements.

1.4 Group activities

1.4.1 Programs development

Defense programs

- *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 leading nation and Dassault Aviation lead contractor on the NGF.

On January 31, 2019, Dassault Aviation and Airbus Defence and Space were notified of the FCAS Joint Concept Study.

On June 17, 2019, at the opening of the Paris Air Show, a major milestone in the program was marked by the public presentation of the first mock-ups of the NGF and its supporting drones. These mock-ups were unveiled by Eric Trappier, Chairman and Chief Executive Officer of Dassault Aviation, and Dirk Hoke, CEO of Airbus Defence and Space, under the aegis of French President Emmanuel Macron, and in the presence of Florence Parly, French Armed Forces Minister, Ursula von der Leyen, German Federal Defense Minister, and Margarita Robles, Spanish Defense Minister.

On the same day, Dassault Aviation and Airbus Defence and Space submitted a joint industrial proposal to the French Defense Procurement Agency (DGA) and the German Federal Ministry of Defense for the initial FCAS Demonstrator phase. The industry is committed to an ambitious technology demonstration program, with the first test flight scheduled in 2026.

On October 31, 2019, notice was also given for an optional 18 month extension of the FCAS Joint Concept Study.

On February 20, 2020, following the Bundestag agreement, the demonstrator phase for the FCAS was launched by governments of France and Germany awarding to Dassault Aviation and Airbus, together with their partners MTU Aero Engines, Safran, MBDA and Thales, the initial framework contract (Phase 1A). This framework contract covers a first 18 month period with the ambition to begin flight tests in 2026.

Next major step of the program will be the integration of Spain and implication of additional suppliers from phase 1B that will be launched following the success of Phase 1A.

- *Rafale*

Main events of 2019, for the Rafale program:

- in accordance with the French Military Procurement Law, no Rafale were delivered to French forces in 2019. The delivery of the remaining 28 Rafale (out of 180) will resume in 2022,
- start of the F4-standard development and order of additional capacity development in late 2019 (including new connectivity features for the Rafale),
- the delivery in July of the 24th Rafale to Egypt out of the 24 Rafale ordered,
- the first deliveries of Rafale to Qatar and their entry into service (36 ordered),
- the first deliveries of Rafale to India (36 ordered) and preparation by the Indian Armed Forces for an entry into service of Rafale in India in 2020,
- the continued implementation of the Rafale contracts for Egypt, Qatar and India,
- the continuation of Rafale promotional and prospecting activities in India, Finland, Switzerland and other countries.

- *Drones*

Highlights for 2019 include:

- the start of negotiations with OCCAR (Organization for Joint Armament Cooperation) for the EuroDrone program, in order to sign a contract in 2020 for the development, production and initial support of a Medium Altitude Long Endurance (MALE) drone. In this program, Airbus Defence and Space is the Prime Contractor and Leonardo and Dassault Aviation are main subcontractors,
- continuing the nEUROn flight test campaign 2018-2021 dedicated to stealthiness with the French Defense Procurement Agency, the French Air Force, and the French Navy.

- *Space*

With regard to space programs, Dassault Aviation remains especially interested in the new Defense space policy. In space vehicles, Dassault Aviation is pursuing the study contract for the reusable orbital vehicle "Space Rider" with the European Space Agency (ESA). Dassault Aviation is in charge of the vehicle design.

- *Maritime patrol aircraft (PATMAR)*

For ATL2, we delivered the development of the modernized combat system and the first 2 modernized aircraft to the French Navy. 18 additional aircraft shall be modernized, 5 by Dassault Aviation and the others by SIAé. Dassault Aviation is system architect for the program, Thales is in charge of radar and acoustic detection and Naval Group of core system software.

Multi-mission Falcon

For the multi-mission Falcon, for 2019, there were the following key events:

- the delivery of the first 4 Falcon 2000MSA and the order for a 6th aircraft by the Japan Coast Guards (JCG),
- following the announcement by the French Minister of the Armed Forces at the Paris Air Show, the order of 2 Falcon 8X Archange to implement the Universal Electronic Warfare Capacity ("CUGE"), with a 3rd aircraft in option,
- following the announcement by the French Minister of the Armed Forces at the Paris Air Show, continued preparation for maritime surveillance and response aircraft contract ("Albatros"),
- the delivery of the 2nd Falcon 50SurMar equipped with hatches for dropping SAR ("Search And Rescue") kits.

Falcon programs

Highlights for 2019 include:

- order intake for 40 Falcon, including the 6th Falcon 2000MSA for the Japan Coast Guards and the 2 Falcon 8X Archange,
- the delivery of 40 Falcon. While we had scheduled 45 Falcon deliveries in 2019, we had to contend with difficult market conditions,

- the nominal advancement of the Falcon 6X program (a twin reactor with a range of 5,500 NM, unparalleled comfort with a cabin width of 2.7 m for a volume of 52.2 cubic meters, and a maximum speed of Mach 0.9) according to the schedule for entry into service in 2022:
    - assembly of wings in progress at Martignas,
    - assembly of the first fuselage finished in Biarritz,
    - launch of test benches in Istres and Saint Cloud and among suppliers,
    - nominal engine testing of the PW812D at Pratt & Whitney Canada (6 engines in test phase, 1,400 hours of tests conducted and more than 150 hours on a flying test bench, flight of the first standard engine),
- a new record by the Falcon 8X, an aircraft of the highest comfort, recognized by customers as the quietest on the market: crossing of the United States from Santa Monica to Teterboro in 4 hours and 28 minutes (take-off on length- and noise-restricted field),
- the renewed demonstration of the Falcon 8X and Falcon 2000LXS of their short-track landing capabilities (La Môle certification of the Falcon 8X and Falcon 2000 LXS / Falcon 8X demonstration at Les Eplatures),
- certification of operational gains after those obtained for the Falcon 8X in 2018, authorizing landings with reduced visibility up to an altitude of 100 feet on Falcon 900LX, 2000LXS and 2000S with the FalconEye system,
- availability of FalconSphere II, a flight support tool for iPad, on the Falcon 7X and 8X,
- the future Falcon is in progress: marketing and technical studies are ongoing.

Make in India

The Dassault Reliance Aerospace Limited (DRAL) joint venture created in 2017 in Nagpur, continued to ramp up with the entry into service of the new 12,000m² main production hangar and the launch in 2020 of the construction of 2 new buildings. This contributes to the development of our civil and military aviation activities in India. It also participates in the fulfillment of our offset obligations under the contract signed for the supply of 36 Rafale.

DRAL has, in particular, increased the production rate of assemblies for the Falcon 2000 and the first Rafale assemblies (engine doors). The first T1 and front tanks are mounted on the Falcon 2000.

The local Supply Chain is expanding (primary parts, tools, pylons, containers, etc.) and the first primary parts and tools have been delivered to Dassault Aviation.

In addition, we actively support the Indian Government’s educational and scientific policy through the establishment of an engineering center in Pune, the creation of the Dassault Skill Academy and the establishment of a vocational training program for the profession of aircraft structure and equipment assembler. All of these initiatives demonstrate Dassault Aviation’s total commitment to the Make in India and Skill India policies, which lay the foundation for a national ecosystem that will become a global benchmark for the aviation and defense sector.

1.4.2 Customer support

Military customer support

In terms of logistics support, the major items for 2019 were:

- signature of the fully integrated support contract of Rafale (RAVEL) for France for 10 years. This contract unites all support activities for Rafale for France and their equipment (except engines and seats) with enhanced technical and logistical services under the responsibility of a single contractor: Dassault Aviation. The organization of these support activities will be based on a Dassault Aviation/Dassault Systèmes Big Data Platform,
- continued support for the 24 Egyptian Rafale,
- continued training at our Conversion Training Center in Merignac, of Qatari and Indian pilots and mechanics,
- active participation in aircraft support and technical assistance in Qatar,
- the completion of the first deliveries of supporting elements intended for Indian users.

In addition, in March 2019, a new structure for training and documentation activities within the Group was established. It resulted in the transfer of approximately 160 people from Sogitec to Dassault Aviation, which took place following the information and consultation procedure with Staff Representative Institutions. This new structure followed the discussions and study conducted as part of the Leading Our Future transformation plan between Dassault Aviation and Sogitec.

Falcon customer support

In 2019, the Group developed its network of service excellence centers while increasing its market share in Falcon maintenance through the acquisition of 17 maintenance centers worldwide and their gradual integration:

- ExecuJet, 11 locations in Europe, the Middle East, Africa, Asia and Australia,
- TAG Aviation, 4 locations in France, Portugal, the United Kingdom, and Switzerland,
- RUAG, 2 sites in Switzerland including airport services (FBO).

The closings took place on March 28, 2019 for ExecuJet (except Dubai, which took place on January 23, 2020), July 1, 2019 for RUAG and September 2, 2019 for TAG Maintenance Services.

In Falcon customer support, the Group was recognized in 2019 by the business aviation market as a support leader (Falcon Response, spare parts availability, service station network):

#1 overall rating (AIN and ProPilot)

#1 spare parts availability (AIN and ProPilot)

#1 spare parts cost (AIN)

#1 AOG response (AIN)

#1 overall aircraft reliability (AIN)

#1 customer satisfaction (ProPilot)

This is the result of several years of deployment of support efforts.

In addition, we:

- continued to improve aircraft safety and performance,
- supported our customers through Falcon Response. The 2 dedicated Falcon have flown 5,200 hours in 800 missions since the service was launched in 2015,
- continued the communication effort with customers with eight maintenance & operations seminars and meetings with the Operator Advisory Board (OAB),
- commissioned the new “Falcon Spares” spare parts center in Paris-CDG,
- increased the Dassault Falcon Service's maintenance capabilities at Le Bourget to increase its Falcon 7X and 8X capacity. The renovated hangar entered into service in early 2020,
- launched the development of a global IT system that will facilitate the logistics and commercial activities for the supply and distribution of Falcon spare parts,
- successfully promoted the FalconCare offering to customers.

1.5 Group structure

The parent company, Dassault Aviation, has a predominant weight in the Group structure.

The holding percentages are shown in the 2019 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 Corporation (DFJ) (United States) markets our Falcon in the Americas 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 Corporation (United States), aviation and maintenance services,
- Dassault Aircraft Services Corporation (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 Corporation (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 service center activity dedicated to Falcon maintenance. DFS is also present at the Moscow-Vnukovo airport (Russia). DFS also leases and manages Falcon as part of Public Passenger Transport activity.

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

Sogitec Industries (France) produces and distributes simulation tools.

It should also be noted that in fiscal year 2019, Dassault Aviation acquired maintenance activities for three aircraft maintenance company networks (Luxaviation/ExecuJet, TAG Aviation and RUAG). 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),
- **RUAG**, renamed Dassault Aviation Business Services SA (DABS) **(Switzerland)**, (civil aviation maintenance activities)
- **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 Snd. Bhd).

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

On March 29 and April 16, 2019, Thales announced the success and finalization of its takeover bid for Gemalto, raising its holding to 85.58% and then 97.02% of the issued and outstanding share capital of Gemalto. Gemalto shares were subsequently withdrawn from Euronext Amsterdam and Paris on May 29, 2019. Following a squeeze-out procedure finalized on October 9, 2019, Thales acquired all remaining Gemalto shares that had not yet been acquired as part of the public offering.

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 MARitime PATrol Atlantic program,
- 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 held at 49% 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

As regards innovation, most of our Research and Development (R&D) is dedicated to the development of the Falcon 6X, the future Falcon and the Rafale, in particular the F4 standard.

The Group is committed to improve existing products and prepare future products. Dassault Aviation takes part in European projects CleanSky and CleanSky 2, and, since 2008, has been a member of the Council for Civil Aviation Research (CORAC).

To achieve the balance between technological developments over long periods and short-cycle innovations, we work on architectures that can effectively integrate changes and disruptions while meeting the highest security 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 special attention to relationships with a dynamic ecosystem of start-ups.

Research and innovation work includes technological development projects and concepts such as:

- the end of the mechanical tests of a composite wingbox supplemented by work on the mountings and their lightning classification,
- consolidation of the principles of design and manufacture of surfaces with increased laminarity and the achievable gains in drag reduction,
- the development of a new type of protrusion-free radome lightening protector,
- 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),
- the development of a ground monitoring concept.

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

The implementation of the Group’s roadmap for additive manufacturing established last year has begun; the implementation of shared resources is being encouraged.

In addition, we are actively working on technological maturation aimed at better environmental performance (reduction of drag, reduction of mass, efficient integration of the propulsion system), and particular efforts have been devoted to operational aspects (optimization of trajectories, new procedures), especially within the framework of the European SESAR program.

Together with the Council for Civil Aerospace Research (CORAC), we are working on a composite wingbox demonstrator, the embedded systems and cockpits of the future, more electric aircraft, and the production processes of the plant of the future.

CleanSky 2 is, for us, the area of collaboration with some 20 major partners from seven countries in Europe for a response to environmental issues from multiple angles. Reducing 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. 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 to partners, notice of a new batch of nineteen studies was just given by the French Defense Procurement Agency (DGA).

1.7 **Transformation plan: Leading Our Future**

The “Leading Our Future” transformation plan, launched in 2016, must enable us to be even more competitive, responsive, and efficient in an increasingly unpredictable and competitive environment. This plan is based on the women and men of the Group who use “digital” as a lever to confront the changes in our markets and meet the requirements of our military and civil customers.

It is based on four axes:

- Culture, skills and organization,
- Digital tools, processes and innovation,
- Industrial facilities,
- Program management,

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, the Dassault Systèmes 3DEXPERIENCE™ collaborative engineering platform is developping thanks to the strategic partnership between Dassault Aviation and Dassault Systèmes. The future Falcon is the first airplane program to use 3DEXPERIENCE™.

For Big Data, we have:

- begun the development of a Dassault Aviation/Dassault Systèmes platform to meet the commitments made for the RAVEL contract for the Rafale, which will expand to the other functions of the Group,
- developed the "aircraft health book."

This objective to modernize our facilities and working methods was illustrated in 2019 by the implementation of the collaborative engineering platform.

As part of Industrial Performance Management (supply chain) we have developed production planning and management tools and continued the deployment of SAP, completed on a later stage by APRISO.

Similarly, we:

- implemented the Advanced Product Quality Planning (APQP) process and deployed it for new programs,
- promoted the "ReUse policy" (reuse of mature technical solutions and industry standards).

We are also continuing the industrial specialization of our plants and the modernization of our buildings:

- Argenteuil: transfer of "metal parts" lines to Seclin; specification of Cergy building in progress,
- Argonay: signing of a memorandum of understanding with the Auvergne-Rhône-Alpes Region for the launch of a collaborative industrial metal additive manufacturing platform (ALM),
- Biarritz: delivery of the new building expected in 2020,
- Martignas: reception of new pyrotechnics building, transfer of Argenteuil and Poitiers activities,
- Poitiers: transfer of payload manufacture scheduled for second half of 2020,
- Seclin: building expansion for transferred activities (sheet metal and coating lines),
- Mérignac and Saint-Cloud: new buildings and workspaces, in accordance with collaborative engineering platform:
    - Saint-Cloud: renovation of the building located Boulevard Sénart and creation of collaborative workspaces for new programs,
    - Merignac: construction in progress of new 25,000 m^2 building that can accommodate up to 1,500 people.
- Dassault Reliance Aerospace Ltd, Nagpur (India): reception of a second production hangar of 12,000 m^2,
- Dassault Falcon Service, Le Bourget: capacity extension for Falcon 7X and Falcon 8X, additional floor area of 1,800 m^2.

1.8 Production and industrial resources

In accordance with the objectives of the transformation plan detailed in paragraph 1.7 "Transformation Plan: Leading Our Future," our production system continues its integration and its specialization in major activities and as part of Industrial Performance Management (supply chain) is leading to the development of production planning and management tools.

1.9 **Total quality**

As part of its Integrated Management System, in 2019 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 are also monitoring our certifications for the design, production and maintenance of civil aircraft, as well as recognition for our capability to design military aircraft and produce for the Rafale Export markets.

In 2019, the scope of our civil production certification was expanded to include the production activities of our Indian subsidiary.

In our new programs, we are deploying the APQP (Advanced Product Quality Planning) quality assurance process in development, which stimulates 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

The Group is exposed to the following main risks and uncertainties.

2.1 Risks related to programs

2.1.1 Markets

The nature of Dassault Aviation's activity exposes it to a sector risk. Our customers are sensitive to the uncertainty and volatility of the global economy, as well as political instability:

- governments, although restricted by drastic budgetary policies, must ensure their safety and maintain their projection capability. The search for Rafale markets remains an ongoing challenge so that production plan can be guaranteed.
- in the business aviation sector, the market is complex in a context of uncertainties amidst international tensions and signs of slowing global growth.

2.1.2 Competition

Our competitors are still very aggressive, both in terms of commercial and price policies, and in terms of technological innovation. The advantage they enjoy in terms of economic competitiveness and flexibility due to their location in the dollar zone remains a constraint on our sales.

To respond to this threat by adapting ourselves to a demanding market, we continue our innovation efforts, the expansion of our Falcon line, the preparation of future air combat systems, and the streamlining of our production and cost reduction.

In this context, the proper implementation of the "Leading Our Future" transformation plan is a major challenge for the Company in order to improve our competitiveness, the quality and image of our products and thus meet market expectations.

2.1.3 Control of programs

Given the complexity of the Falcon and Defense program technologies, we must ensure that we have instituted the necessary resources to meet our commitments to our customers and our development, production and delivery deadlines, in order to safeguard 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 technical choices must match customer expectations. Our investment in Research and Development must take into account technological developments and result in targeted and fully controlled innovations. The growing attention in Europe to the environmental impact of aviation commits us to continuing to seek solutions that apply to our products.

2.1.4 "Make In India"

The company initiated Make in India as part of the performance of offset obligations related to the acquisition contract for 36 Rafale by India. 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.

We continue to deploy our facilities, production lines and engineering department activities with our Indian partners to support scalability while controlling quality, costs and deadlines.

2.1.5 Adjustment of technical and industrial capacity

The cycles for business aircraft and combat markets are not synchronous. To adapt to the market environment, we need to be flexible and reactive with regard to the production line, including within our supply chain.

This issue is also a current concern with regard to our recent developments in both civil (Falcon 6X and future Falcon) and military (Rafale Standard, NGF in the context of SCAF) programs.

2.1.6 Pre-owned aircraft market

This market remains highly dependent on the economic environment, and too many pre-owned aircraft available for sale can have an impact on demand and market prices for new aircraft.

2.2 Risks related to the supply chain

Our production cycle is partly dependent on the responsiveness of the procurement process. Supply delays or disruptions can lead to the shutdown of our manufacturing lines. In 2019, major property damage to some of our suppliers disrupted our production. In addition, several failures in our supply chain involving significant supply delays exposed us to a potential risk to our deliveries.

Similarly, delays or failures by our partners or suppliers in terms of development may cause major risks for our programs under development (development of the Falcon 6X and its PW812D engine, and future Falcon).

It is strategic to ensure proper management of the supply chain, selection of suppliers, control of developments up to the measurement of performance (timeliness, quality).

In addition to the guidelines already in place, actions are underway in the operational purchasing component of the Transformation Plan to enhance supplier performance.

The introduction of multi-year contracts with suppliers in the upstream phases of programs reduces exposure to supply risks.

2.3 Risks related to the information system

The scope of cyber risks is increasingly extensive, particularly for the connectivity of our aircraft, our customer services and our industrial facilities.

A failure of our information systems could result in data loss, errors and/or delays that would prevent the Company from running smoothly. We have put in place mechanisms that can maximize the reliability, confidentiality and availability of our data.

The Group has implemented procedures to protect itself against the risk of attacks on the security of its information technology systems and to protect its highly confidential data.

The Group has also taken into account changes in threats to onboard systems and the services offered to our customers.

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

2.4 Risks related to regulatory changes

The Group's activities are addressed in a complex and evolving legal and regulatory framework, at the national, European and international levels, and in particular:

- in the aeronautical domain in terms of product airworthiness;
- in social matters and health and safety at work, see Section 4.3 "Human resources information";
- in environmental matters (REACh, etc.), see Section 4.7 "Regulatory requirements and administrative schemes";
- in economic and financial matters.

In this complex regulatory environment, risks regarding compliance, obsolescence, competitiveness or distortion of competition may occur.

2.5 Risks related to 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 fees 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 its protected technology, and to remain competitive.

Dassault Aviation has always robustly protected its innovations for reasons of confidentiality. Employees are encouraged to adopt appropriate organization required to avoid any non-protected disclosures.

Some of our innovations remain secret and evidence of their creation is produced, if necessary. Other innovations are patented.

2.5.1 Actions

The portfolio of Dassault Aviation patents continues to grow. It comprises French and 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.

2.5.2 Organization

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 protections that require strategic inventions for the Company.

2.6 **Risks related to security breaches**

The level of vigilance against the terrorist threat remained very high in 2019. Physical protective procedures have been strengthened within Dassault Aviation and its major subsidiaries, and monitoring of expatriate and mission employees abroad has been improved.

Preservation of the Group's industrial, technical and scientific assets is ensured by systematic site access control procedures, an operational assessment process for suppliers and a "Security" step in recruitment files.

Finally, cyber risk remains a major security and safety issue that requires protection of our information systems, production systems, and airborne systems from increasingly deep attacks. Employees continued to be the target of electronic fraud attempts. A policy to raise employee awareness of cyber risk is now being elaborated within Dassault Aviation and its major subsidiaries during training sessions scheduled throughout the year.

2.7 **Risks related to personnel (NFPD)**

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 actions with its employees for all Transformation Plan projects.

The company's significant recruitment ambitions are facing a highly competitive job market and the need for new profiles, particularly in digital.

For several years, the Dassault Aviation Group has been committed to a systematic policy of reducing occupational risks and improving working conditions.

The measures taken are described in Section 4.3 "Human resources information."

2.8 **Environmental risks (NFPD)**

Risks of pollution or damage to the environment

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

No court has ever found the Dassault Aviation Group guilty of pollution or ordered it to pay compensation to repair damage caused to the environment. In 2019, there were no environmental accidents.

The Biarritz site was subject to a 2006 prefectural order (which was supplemented in 2012) calling for an impact analysis and a treatment study for past groundwater pollution (chrome and halogenated solvents). The treatment plan was established in accordance with the management plan.

The measures taken are described in Section 4.4.1 "Environmental risks".

Risks related to the consequences of climate change

Due to its geographical location, the Dassault Aviation Group has low exposure to the physical consequences of climate change for its industrial sites or supply chain.

Due to its aerospace industry activity, Dassault Aviation may be exposed to the following transition risks related to climate change:

- The technological risk of the shift of products and services toward solutions with lower CO_2 emissions. The fight against climate change is one of the strategic objectives of the International Civil Aviation Organization (ICAO), resulting in increasingly stringent environmental emission standards for aircraft (noise, NOx, CO_2, etc.). These are integrated into the design requirements of our products,
- public pressure currently targeting the aviation sector as a whole and commercial aviation specifically. For more than 10 years, the Dassault Aviation Group has been part of a voluntary process to reduce its Green House Gas (GHG) emissions and is continuing its efforts in this area.

The measures taken are described in Section 4.4 "Climate change: Green House Gas"

2.9 Risk of serious harm in the supply chain (NFPD)

The Dassault Aviation Group has put in place a vigilance plan in order to protect itself against risks related to the supply chain in the areas of human rights, fundamental freedoms, the health and safety of humans, and the environment, as set out in Section 4.6.1 "Duty of care".

2.10 Risks related to the respect of human rights (NFPD)

The Group handles these risks and 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 in favor of this commitment are detailed in Section 4.6.2 "Human rights."

2.11 Risks related to the fight against corruption (NFPD)

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

These measures are detailed in Section 4.6.3 "Fight against corruption".

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

We handle these risks in accordance with all applicable tax regulations, as outlined in Section 4.6.4 "Fight against tax evasion."

2.13 Financial risks

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

2.13.2 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 these various institutions.

The Group limits counterparty risk by performing 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.

2.14 Market risks

2.14.1 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 may be found in Note 24.3 “Management of market risks”.

Military competitiveness

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

Embraer shares

The Parent Company owns Embraer shares. Embraer is listed on the Brazilian market. It is stated in the Group’s financial statements, based on 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.

2.14.2 **Interest rate risks**

The Group is exposed to interest rate volatility through its floating rate loans and elsewhere. However, instruments have been put in place to fix the rates of these loans.

2.14.3 **Other market risks**

The Group is exposed to a risk related to price fluctuations of Embraer shares. A sensitivity analysis is available in Note 24.3.4 "Risks related to Embraer shares".

2.15 Insurance

The Legal Affairs and Insurance Department implements the risk transfer policy of the Dassault Aviation Group defined by the General 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 directors and officers.

Concerning environmental risk, per Decree No. 2012-633 of May 3, 2012, which requires facilities classified for the protection of the environment to establish financial guarantees, Dassault Aviation is subject to this obligation for three of its sites for which financial guarantees have been established.

In addition to its General Operations Civil Liability insurance policy (EUR 1.5 million for environmental damage risks), Environmental Impairment Liability insurance of EUR 13 million, EUR 4 million of which covers natural protected species and habitats, has been purchased. Since January 1, 2012, the environmental damage guarantee, as defined by European Directive 2004/35/EC has been extended to include damage caused to wildlife and ecological damage. In this context, insurers regularly conduct site risk reviews.

In 2019, the Dassault Aviation Group did not have to recognize any environmental liabilities.

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.

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

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,
- for financial and accounting activities, the economic and financial data management procedure described in the Quality Manual,
- an Anticorruption Code and an Internal Alert Procedure complete the processes that already exist,
- a Supplier Vigilance Plan.

Internal auditing bodies

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

- <u>Executive Committee</u>

  The composition and the role of this Committee are detailed in Section 1.8 of the Report on Corporate Governance. Each Committee member is responsible for the internal auditing of his or her department.

  The actions and recommendations decided upon by the Committee are assigned to one or more of its members, and a manager is designated to ensure 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*

  This Department 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 Sites and the Quality Representatives of Operational Departments.

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

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

- Program Departments through Program Management

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

- Financial Department via 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 Defensive 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 Directorate-General for Civil Aviation (DGAC),
    - the European Aviation Safety Agency (EASA),
    - the Federal Aviation Administration (FAA).

The Parent Company and its subsidiaries DFJ and DFS are EN9100-, ISO9001- and ISO14001-certified. Audits conducted in 2019 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 risks 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 those in charge of the Company's processes who are responsible for updating the risk mapping.

The Committee also ensures that the risk management system is taken into account in its subsidiaries, including discussions with the officers of Dassault Falcon Jet, Dassault Falcon Service and Sogitec.

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 General 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 Financial 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 valuation and presentation of IFRS financial information in force as of December 31, 2019, as adopted by the European Union, which must be applied for fiscal periods beginning on or after January 1, 2019, 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 2019, the Financial 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 financial reports and statements are reviewed by a proofreading committee, independent of the teams participating in the drafting of these documents.

3.5 **2019 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 **2020 action plan**

For 2020, 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

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 by Dassault Aviation at the Group level form part of the sustainable growth challenges of the 17 Sustainable Development Goals (SDGs) adopted by the UN in 2015.

The actions carried out in this framework for many years have identified the eight main Sustainable Development Goals (SDGs) to which the Group contributes.

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 **Identification of non-financial risks**

Since the Dassault Aviation Business Services (formerly RUAG), ExecuJet and TAG subsidiaries were integrated into the Dassault Aviation Group in fiscal year 2019, only certain social and societal data could be collected and included in the NFPD for fiscal year 2019. All social, environmental and societal data from the above companies will be included in the Dassault Aviation Group NFPD for fiscal year 2020.

The identification of non-financial issues and risks (NFPD) is based on an approach that uses:

- 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.

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

Challenges	**Risks selected**	**Policies, procedures and indicators**	**Sustainable Development Goals (SDGs) affected**
EHS regulatory compliance	Section 2.4 Risks related to regulatory changes	Section 4.7	3 GOOD HEALTH AND WELL-BEING; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Employment and skills	Section 2.7 Risks related to personnel	Section 4.3	3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY
Compensation and benefits	Section 2.7 Risks related to personnel	Section 4.3.4	8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
Health, safety and workplace conditions	Section 2.7 Risks related to personnel	Section 4.3.7	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH
Climate change	Section 2.8 Risks related to the consequences of climate change	Section 4.4.2 Section 4.4.4	13 CLIMATE ACTION
Supply chain: customer duty	Section 2.9 Risks in the Supply Chain	Section 4.6.1	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Business ethics	Section 2.11 Risks related to corruption Section 2.12 Risks related to tax evasion	Section 4.6.3 Section 4.6.4	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

4.3 **Human resources information**

Contribution to SDGs

4.3.1 A responsible employment policy

The development of the Dassault Aviation Group is based on the quality and involvement of its men and women. They are its main source of wealth. This commitment is also formalized in the Code of Ethics.

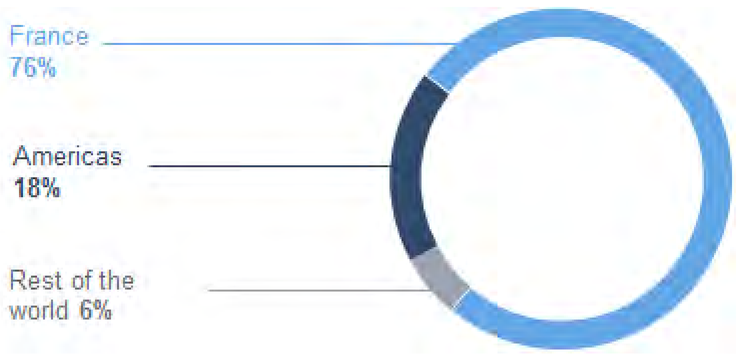
Changes in headcount

	Headcount as at 12/31/2019	Headcount as at 12/31/2018
Dassault Aviation Parent Company	**8,819**	8,205
Dassault Falcon Jet	**2,329**	2,282
Dassault Falcon Service	**595**	601
Sogitec *	**246**	406
2019 acquisitions **:		
TAG Maintenance Services	**443**	-*
ExecuJet	**252**	-*
RUAG (renamed Dassault Aviation Business Services)	**73**	-*
Total	**12,757**	11,494

** transfer of the headcount from Sogitec "training and documentation" to Dassault Aviation Parent Company*
*** the Dassault Aviation Business Services (formerly RUAG), ExecuJet and TAG Maintenance Services subsidiaries were acquired by the Dassault Aviation Group in 2019.*

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

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



4.3.2 A dynamic talent detection policy

Aware of the need to preserve and develop the skills of employees throughout their careers and to pass on those skills and the unique features of our businesses between generations, the Group's Companies conduct many actions prior to recruitment.

They invest in preparing women and men who will join us after they complete their studies.

The highly technical nature of our activities leads us to develop cooperation with the world of education focused on the sponsorship of skills in two areas: training and research.

In this context, the Group's Companies:

- support students during their studies through internships, International Volunteers in Business and apprenticeship contracts. The French Companies of the Group have taken on 415 interns and nearly 252 work-study students, thus demonstrating the Group's willingness to support the training of young people in our businesses and encourage their entry into professional life,
- support educational institutions by contributing to the quality and relevance of the training curricula of future employees in our industry,
- participate in the discussions held in the framework of professional organizations such as GIFAS and with teaching bodies and institutions (engineering schools, universities, and vocational schools) to adapt the curriculum to the identified medium or long-term needs of the aeronautical industry,
- encourage their employees to supervise technical projects and participate in business or multidisciplinary courses and examination boards,
- organize trade meetings (forums, Group presentations, etc.) and arrange visits to our sites for pupils, students and their advisors (teachers, career counselors, principals, etc.).

Two challenges (Student Aerospace Challenge and UAV challenge) supported by Dassault Aviation enable teams of students to compete in aerospace technical fields.

We also contribute to the general development of the technical skills 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.

Finally, the Indian Government-approved Dassault Skill Academy was created in 2018 to develop new courses in India for aviation training for all of Indian industry. It was designed to be a training course equivalent to the French professional aviation Baccalauréat degree. The first section was opened at the start of the 2019-2020 school year in a public high school in Nagpur (Maharashtra State).
For higher education, the first network of excellence was created at the College of Engineering in Pune, with the support of two French engineering schools, the ISAE-ENSMA in Poitiers and the ESTIA in Bidart, to develop skills in integrated aviation design.

At the International Air Show in Le Bourget, the Group's Companies participated in the fourth annual "Flight of Trades." Nearly 30 Group employees presented their work as adjusters, aircraft mechanics and avionics mechanics to encourage vocations among younger people.

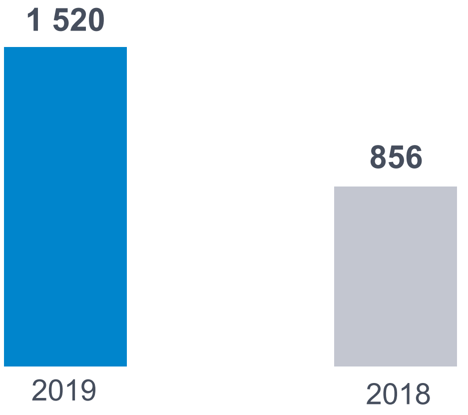
During the Le Bourget show, the Group was also involved in the Paris Air Lab, an innovation space where our specialists coordinated the "Big Data and Artificial Intelligence" island.

The many projects underway within Dassault Aviation and the desire to strengthen the maintenance activities of our aircraft led the Group to continue its major recruitment effort in 2019.

To that end, the Group increased its presence on social networks and has also strengthened its communications for its recruitment needs, increasing the number of actions to be more visible at a national and local level.

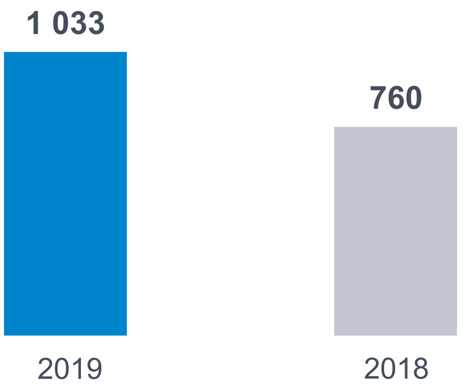
At the Employment Training Forum held during the Le Bourget Fair, more than 80 Group employees welcomed, informed and advised many visitors, whom they invited to consider career opportunities.

These actions contributed to the recruitment of 1,520 employees.



To promote the integration of their new hires, the Companies of the Group have implemented integration programs aiming at promoting their activities, their organization and their functioning.

This investment is also needed because of the Group’s 1,033 departures in 2019.



4.3.3 Development and transfer of skills

Individual development of each employee is an essential condition of collective success.

Dassault Aviation launched the transformation of its Skills Conservatory, which began in 2017. In addition to the design and implementation of modules on specific technical topics, the Conservatory now offers vocational training courses, as illustrated by the training of Adjusters, Preparatory Courses or training that creates synergy between businesses that work together on platforms, such as “Industrialization: from Conception to Completion.” These sessions supplement the employees’ initial training with the contribution of specific skills necessary to perpetuate the Dassault Aviation expertise and meet the expected quality requirements.

In order to detect and prepare future managers more effectively, the Dassault Institute has continued to deploy its training courses, which supplement its management programs and are open to French subsidiaries of the Group. Courses related to project and program management were reviewed to meet the development priorities of the Program Departments. In 2019, 733 employees were trained.

At the Group level, the actions taken in 2019 maintained and developed employee skills by taking into consideration the operational needs of the companies and individual wishes. The investment in professional training represented 314,663 hours of training for the Dassault Aviation Group.

DFJ 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 their career development prospects. In 2019, 26 employees benefited from this plan.

4.3.4 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 2019 was EUR 56,757.

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 French Companies, including profit-sharing and incentives, was EUR 71,666.

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

In addition, the French Companies of the Group paid nearly EUR 27 million to the social and economic committees of institutions that enable employees to enjoy numerous social, sporting and cultural activities at very advantageous prices, which represent nearly 5% of payroll.

4.3.5 Constructive employee relations

The Dassault Aviation Group implements an active and attractive employee relations policy. Regular negotiations take place with the staff representatives, giving rise to constructive staff dialog based on the quest for collective agreement.

In 2019, nearly 25 agreements and amendments were signed in France, demonstrating the importance and dynamism of social dialog.
These included social issues such as quality of life at work, working time, compensation, profit-sharing, incentives, the group retirement savings plan, social dialog, professional elections and electronic voting.

Regular social dialog within the Group helps to maintain a climate conducive to the proper functioning of the Companies through:

- staff representative bodies,
- union organizations,
- the Board of Directors of Dassault Aviation, where two employee representatives sit.

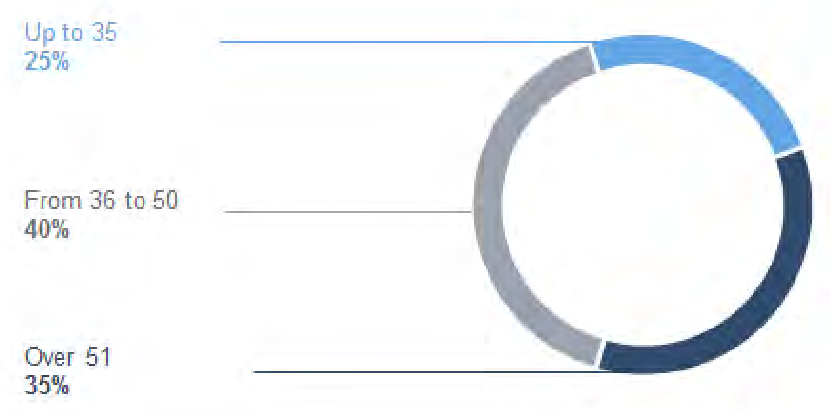
4.3.6 Promotion of diversity and equality of opportunity

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, Group Companies restate their commitment to prevent discrimination and commit 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:

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

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



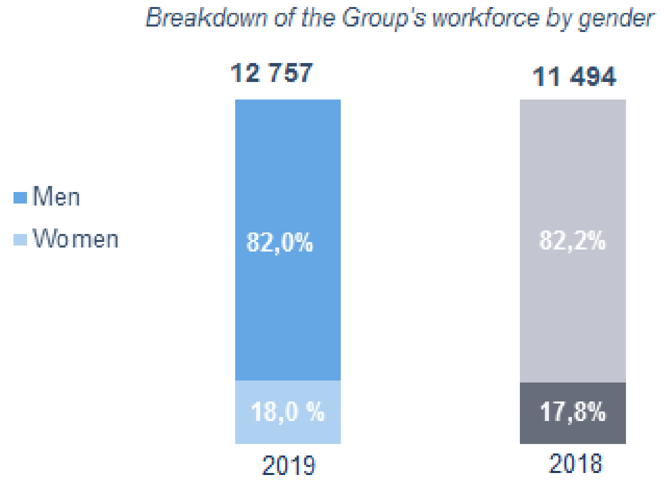
Professional equality between women and men

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 is faced with a smaller proportion of women in engineering schools and in the technical professions of production and maintenance. The development of scientific and technical careers among women is therefore an important issue.

Many actions are carried out in partnership with the association *Elles Bougent* (“Girls on the Move”) or *Airemploi* to generate vocations among middle school and high school students.

The Group is implementing a proactive policy that made possible a women’s rate of over 23% for all 2019 recruits.



Women account for 18% of the Group’s workforce, a slight increase from 2018.

The Group's Companies also intend to pay 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 activities 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 in the area of job development to facilitate and encourage recognition of the quality of handicapped workers and their renewals.

In late 2019, the Dassault Aviation Group employed 529 disabled workers, compared to 534 in 2018.

Careers of staff representatives

In 2019, Dassault Aviation and Dassault Falcon Service signed a specific agreement on the theme of social dialog to facilitate the functioning of union organizations and staff representative institutions. More specifically, the agreement provides 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.

4.3.7 A high-quality, safe and healthy environment

Quality of life at work

The Group has long taken an approach to promoting the reconciliation of working life and personal life. In particular, the Group has developed mechanisms for parenting and individualized arrangements for working hours.

Dassault Aviation has implemented a teleworking program for its employees over one to two days a week and deploys a physical or online employee service depending on the facility.

Dassault Aviation also offers a company nursery program, which is already in force at some of the Group's Companies.

Employee health

- Medical monitoring of employees

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

In addition, employees who occupy positions at risk or are expatriates or on mission receive specific monitoring and specialized support.

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

- 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.

Culture of prevention

The sharing of a safety culture is necessary to achieve a higher level of performance. In 2019, Dassault Aviation continued its efforts to develop 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 is gradually developing an EHS management framework based on the ISO 45001 and ISO 14001 standards. The objectives set for 2018-2020 must enable us to achieve the right maturity level by the end of 2020 for the Parent Company and to prepare for the deployment of the repository in the subsidiaries over the next few years.

Ergonomics and working conditions

Consideration of ergonomics in activities remains a priority. The transformation of work stations, which continued in 2019, aimed to reduce the risk of accidents (e.g., load handling) and occupational illnesses related to musculoskeletal disorders, and to adapt stations to persons with disabilities.

This has resulted in the installation of ergonomic workbenches, sitting-standing offices, mounting/lowering and rotating frames, industrial trucks, joystick arms, etc.

At the same time, innovative prospective studies are being conducted to introduce robot-like technologies, collaborative robots, assisted gloves 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.

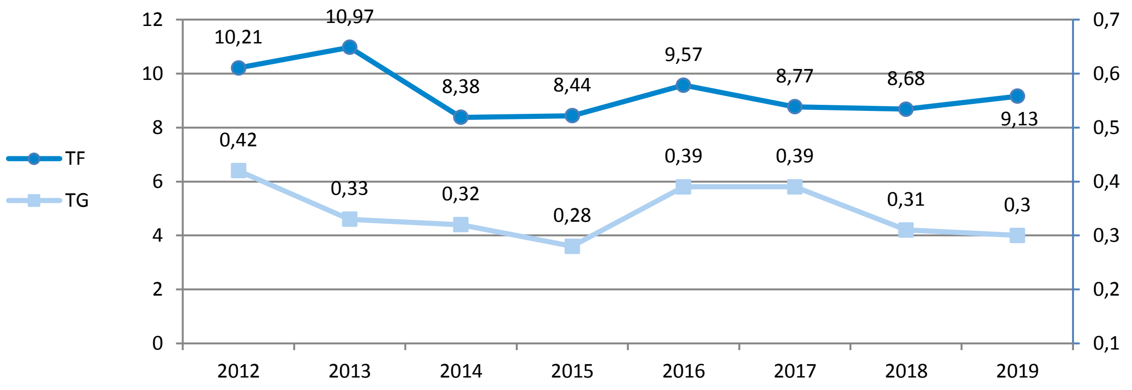
Actions to reduce exposure to chemical risk continue, as do actions that target risks of falls from height or at floor level. In 2019, chemical machining was eliminated and the renovation of paint booths and ventilation systems continued.

Monitoring indicators

For the Dassault Aviation Group, absenteeism in 2019 was 89,748 days from all causes, excluding maternity and parental leave.

The number of work-related accidents with lost time was 176. The corresponding number of days lost was 5,854 days.

The frequency rate[1] increased from 8.68 to 9.13 following the integration of new subsidiaries (excluding new subsidiaries, the frequency rate was 8.50). The severity rate[2] decreased slightly from 0.31 to 0.30.



In 2019, 18 cases of occupational illness were identified by the various competent authorities, compared to 14 in 2018. These were primarily musculoskeletal disorders.

4.4 Environmental information

The Company has been committed in a voluntary environmental strategy for more than 15 years, based 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.

CSR policy puts the environment at the heart of the Group's concerns to reduce its environmental footprint.

Reduction involves the integration of EHS requirements into aircraft development programs, contracts for suppliers and partners, and any proposed industrial or other facility.

Note: Subsidiaries acquired during 2019 (Dassault Aviation Business Services, ExecuJet and TAG Maintenance Services) are not included in the Group scope for this chapter "Environmental Information," as the fiscal year for these subsidiaries does not cover a full year.

[1]The frequency rate is the number of accidents with lost time of over one day that occurred over a 12-month period per million hours of work.
[2]The severity rate represents the number of days lost per 1,000 hours worked.

4.4.1 Environmental risk

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 situated 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 present in each facility, and are covered by action plans to minimize them. Segregation of risk, automatic detection and fire protection, and organizational measures are just a few examples of these plans.

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

4.4.2 Environmental footprint produced

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 Aerospace 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 Joint Declaration of European Aviation Research Stakeholders Related to Clean Aviation (jointly signed by 23 aviation companies),
- The Sustainability of Aviation commitment with 6 other major aircraft players (Airbus, Boeing, GE Aviation, Safran, Rolls Royce, United Technologies).

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 participates in or leads concept and development studies with the entire aviation sector. These studies relate to:

- aerostructural optimization from the pre-project phases and the optimization of engine integration,
- ecodesign through the study of new materials and processes,
- the definition of laminarity criteria for the design and production of 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.

Optimization of aircraft in operation

Dassault Aviation relies on the discussions 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 being distributed to customers in 2019. It identifies best practices to minimize fuel consumption of aircraft in service.

Sustainable Aviation Fuels (SAF)

Dassault Aviation is working with engines on the compatibility of sustainable aviation fuels (SAF) with aircraft systems and tanks. In-flight experiments of mixtures with these new fuels continued in 2019 with the aim of significantly reducing greenhouse gas (GHG) emissions as soon as the supply chain is in place.

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. Dassault Aviation participated in the Sustainable Aviation Jet Fuel initiative this year at the National Business Aviation Association Convention & Exhibition. The three Falcon presented at the show – a Falcon 8X, a Falcon 900LX, and a Falcon 2000S – all flew to Las Vegas with a mix of conventional SAF and traditional Jet-A1 fuel. The Falcon also demonstrated this capability at the European Business Aviation Convention & Exhibition in Geneva in May.

4.4.3 Circular economy: environmental footprint of activities

Contribution to SDGs

3 GOOD HEALTH AND WELL-BEING 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

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.

Themes		Objectives 2020 (Ref: 2017)	Group performance 2019	2018	5-year trend
Optimize consumption of resources	Electricity (GJ)	-5%	**528,391**	531,782	+0.6%
	Gas (GJ)	-5%	**339,629**	354,023	-5.9%
	Domestic fuel oil (GJ)	Stability	**5,562**	5,190	Insignificant
	Total excluding kerosene energy (GJ)	-5%	**873,585**	890,996	-2%
	Kerosene (GJ)	NA	**675,876**	586,020	NA
	Water (m^3)	Stability	**208,227**	185,992	+14.7%
Minimize the use of hazardous chemicals	Hazardous products removed or substituted	NA	**356**	339	-186
Reduce waste generation and discharges into the water and air	VOC (T)	Stability	**143**	120	-16.8%
	Total waste (T)	Stability	**9,505**	8,841	-8.3%

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).

Non-kerosene energy consumption decreased by 2% between 2018 and 2019, despite an increase in deliveries and the number of sites in progress.

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), while promoting the installation of photovoltaic panels on surfaces where they can be installed.

Kerosene consumption is on the rise significantly as a direct result of aircraft deliveries in 2019, including exports.

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.

Consumption observed in 2019 showed a significant increase due to new industrial plants building of the transformation plan and a resurgence of network leaks that have been treated.

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 comes 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 consumption of paper and ink was reduced by the default programming of two-sided printing and the implementation of badge printing in 2018.

Chemicals

For several years, actions to limit the use of hazardous chemicals have been targeted to CMR products (Carcinogens, Mutagens, Reprotoxics) affected by REACh regulations (chromates, nonylphenols, 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 (shutdown of chemical machining in December 2019), removal of chromates in surface treatment processes (Anodic Chromic Oxidation replaced by Anodic Sulfuric Oxidation, stripping without chrome VI) and in paint primers.

Since 2013, 356 hazardous products have been 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 increase in annual VOC emissions is related to an increase in industrial activity and aircraft deliveries, military and otherwise. Despite this, the 5-year trend is still on the decline.

Waste

The significant increase in waste is mainly due to the increase in production and aging of chemical machining baths, which have led to an increase in the frequency of draining. These baths were permanently shut down in December 2019 in favor of modern mechanical machining processes.

In 2019, the development of direct metal and other manufacturing processes was ramped up.

Fight against food waste and insecurity

The Group is not concerned with this issue.

Development of the circular economy

Themes		**Objectives** 2020	**Group performance**		
			2019	2018	5-year trend
Developing the circular economy, in particular through the recovery of waste	% total waste recovery	80	**77**	78.7	+4.1
	% non-hazardous waste recovery	90	**86**	84.5	+6.7

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 aims to reach 100% and is already above the average percentage for French industry.

4.4.4 Climate change: Greenhouse Gases

Contribution to SDGs

Themes		Objectives 2020 (Ref: 2017)	Group performance		
			2019 *(TCO2e)*	2018 *(TCO2e)*	5-year trend
Control GHG emissions	Scope 1 non-kerosene	-5%	**20,003**	20,774	-14%
	Scope 1 kerosene	NA	**45,740**	39,659	NA
	Scope 2	-5%	**28,797**	29,822	-3.8%

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.

Scope 1 non-kerosene emissions were down over the year, by nearly 4%, confirming the sharp downward trend over the past 5 years due to efforts in the maintenance of heating installations and the insulation of buildings.

The fleet of company vehicles historically composed of diesel vehicles has been moving toward hybrid, electric or gasoline engines since this year.

The fleet of service vehicles consisted of almost one third electric vehicles at the end of 2019.

Scope 2 emissions related to power consumption are also declining in 2019, with the replacement of energy-efficient equipment (lights, motors, compressors, etc.) continuing this year.

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.

In accordance with regulatory requirements, a re-updating of GHG balance sheets and energy audits was conducted at sites in France in 2019.

Scope 3 indirect emissions

Dassault Aviation has now identified three significant indirect sources of emissions on which the Company focuses its efforts.

- Use of product

Air transport contributes approximately 2% of global annual emissions (according to ICAO data). Business aviation accounts for 2% of this contribution, or 0.04% of global annual emissions.

Falcon's annual air activity accounts for 12% of total emissions from the business aviation segment, which in order of magnitude corresponds to just over ten hours of the annual global digital footprint.

The reduction in fuel consumption of our products 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.

- Business travel and home offices

The collaboration and video conferencing tools available to employees help minimize employee and partner business travel.

Similarly, to minimize emissions from employee travel between their homes and workplaces, mobility plans exist in the major institutions in France.

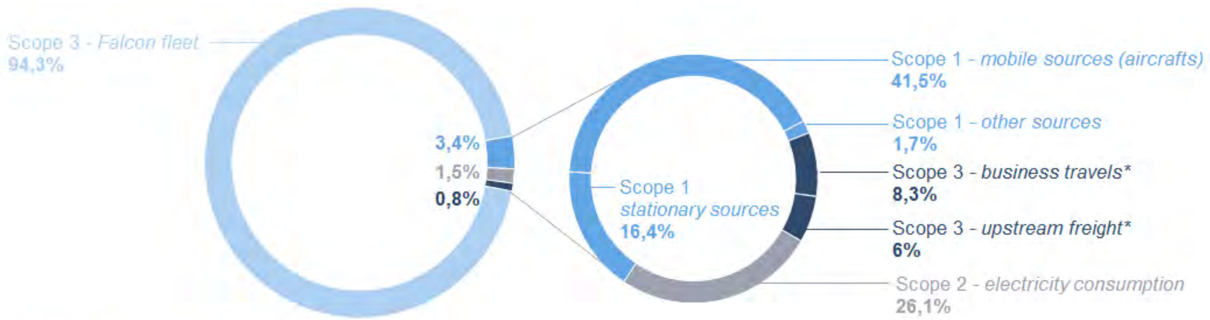
The implementation of teleworking will also help to reduce the Company's carbon footprint in the coming years.

- Upstream freight

In 2019, Dassault Aviation strengthened discussions with its freight carriers to improve the coverage and reliability of carbon emissions data in all sectors (road, air, marine 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.

4.4.5 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 establishments, 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 (butterflies, amphibians, orchids).

4.4.6 Respect for animal welfare and responsible food

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

4.5 Corporate responsibility information

4.5.1 Sustainability policy

Contribution to SDGs

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.

Moreover, the aircraft service period requires us to anticipate the constraints relating to their life cycle from the time of their design. To achieve this, the Dassault Aviation Group innovates, supported by efficient digital industrial processes such as Product Lifecycle Management (PLM).

4.5.2 Culture of safety

In the framework of the safety and performance policy, the Group works closely with the French and international airworthiness authorities, both civil and military. As from 2017, Dassault Aviation has established an organizational structure to meet airworthiness requirements for the FRA 21-G and FRA 145 military aircraft in addition to its civil approvals.

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

In 2019, Dassault Aviation worked to define a Safety Management System that will be deployed starting in 2020.

4.5.3 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 elements making up its aircraft, and then, for Falcon business aircraft, creates the internal fittings according to the requirements of its customers,
- controls its Supply Chain,
- installs replacement and maintenance equipment that ensures the best service for customers.
- handles any procurement instabilities to comply with its long-term commitments for aircraft production and throughout the aircraft service cycle.

All these activities have a strong territorial, economic and social impact.

SMEs and intermediate-sized enterprises

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 leads to a relationship that is necessarily balanced over the long term 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 signed 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. This commitment is confirmed through discussions with the Ministry to renew and develop the guidelines for this agreement.

Dassault Aviation, in connection with GIFAS, promotes exchanges and meetings between local principals and SME-ETI at foreign air shows.

In the prospective countries, Dassault Aviation involves SMEs and intermediate-sized enterprises in cooperation and offsets.
Dassault Aviation presents business opportunities abroad in regional conferences.

Make in India

The order of 36 Rafale by the Indian Air Force was made possible through a strong commitment by Dassault Aviation to "*Make in India.*" Programs related to "*Make in India*" are detailed in Section 1.4.1.

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. The consideration of structural risks is now included in Article 10 of 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.

Dassault Aviation is also taking steps toward improving supplier performance through:

- evaluation of control of the management of our suppliers' Supply Chain,
- increase in the panel of qualified auditors to support our suppliers.

This approach, which is applied to all areas of purchasing, is in line with the GIFAS Industrial Performance project and the methodologies developed by SPACE (*Supply Chain Progress towards Aerospace Community Excellence*) in the Aerospace sector.

The guiding principles of our Purchasing policy lead Dassault Aviation to integrate our suppliers into the industrial and logistical processes, with a view to:

- performance control,
- cost control,
- better responsiveness,
- sustainable relationships.

The strengthening of collaborative work with suppliers is based on the deployment of the "BoostAeroSpace/Air Supply" digital platform, the standard in our aviation industry.

This approach is expressed in the form of technical and industrial specifications, Quality/Environment purchasing clauses and contractual requirements.

To strengthen supplier control, Dassault Aviation has established a Supply Chain Committee made up of stakeholders in the company's procurement process. This committee makes all decisions and takes all strategic actions in this area.

Volume of purchases

In 2019, the order commitments of the Dassault Aviation Group represented approximately EUR 3.9 billion.

Each Group subsidiary manages its own purchasing:

- Dassault Falcon Jet, EUR 340 million to carry out its missions (distribution of aircraft and spare parts, interior fittings, maintenance),
- Dassault Falcon Service (airline and maintenance center), EUR 47 million,
- Sogitec, EUR 26 million.

4.5.4 Territorial influence

Contribution to SDGs

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

- Dassault Aviation: nine sites in France, and a large number of locally managed suppliers,
- 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 (formerly RUAG): two sites in Europe,
- TAG Maintenance Services SA and its subsidiaries: four sites in Europe,
- ExecuJet companies and their subsidiaries: eight sites, one in South Africa, two in Belgium, one in Malaysia, and four in Australia/New Zealand,
- Dassault Reliance Aerospace Limited: one site in India.

In 2016, Dassault Aviation obtained renewal of the Approved Economic Operator certification.

The Group actively participates in territorial bodies, competitiveness poles 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, System@tic and Asptech 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, on November 5, 2018, Dassault Aviation signed a memorandum of understanding with the Auvergne-Rhône-Alpes region in France for the industrialization of additive manufacturing applied to aeronautics. 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.

4.5.5 Charitable actions

The Dassault Aviation Group is actively involved in a large number of charities:

- *La Course du Cœur*, for organ donation;
- *Rêves de Gosses*, to give children with disabilities an opportunity to have their first flight;
- *Hanvol*, for employment training and insertion of people with disabilities;
- *Association pour le Développement des Œuvres d'Entraide dans l'Armée* for wounded service members;
- *Cours Singulier* for youth and education;
- *Fondation des Œuvres Sociales de l'Air* and the association *Les Ailes Brisées*, which aim to help flight crew members who were victims of accidents and their families;

- *Les Mirauds Volants*, which enables the visually impaired to fly planes;
- *L'École des Pupilles de l'Air*, an association encouraging equality of opportunity;
- *Association pour le Développement des Œuvres Sociales de la Marine*;
- *Technowest,* for the insertion of young people in the professional world.

Dassault Aviation has developed activities for the association *Les Vieilles Racines* (former employees of aviation companies) and partnerships with:

- the associations *4A* and *Canopée* (donations of equipment and financial support for the restoration of aircraft by members who are passionate about aviation),
- the association *"Un avion, un enfant, un rêve,"*

Through sponsorship agreements, Dassault Aviation supports the *Fondation de l'Armée de l'Air* and the Le Bourget Air and Space Museum. Dassault Aviation also has a partnership with *Aviation Sans Frontières* (ASF).

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.

4.6 Responsible processes

Contribution to SDGs

4.6.1 Duty of Care

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

Process prior to the Duty of Care law

Through its organization and internal processes (Human Resources, Environment, 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. For that reason, 165 production sub-contractors were evaluated, and the lowest in terms of taking environmental and chemical issues into account in their activities were identified. Of those, 23 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 its subsidiaries' suppliers. 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 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.

This vigilance plan is being implemented in the relevant subsidiaries.

The Total Quality Management Department coordinates the vigilance plan and ensures the correct operation and effectiveness of the process in place.

Fewer than 50 suppliers located in potential at-risk States are identified.

Themes		**Group performance**	
		2019	2018
Anticipate supplier risks, especially for sub-contracted activities	Number of suppliers evaluated	**1,021**	245
	% of progress in the assessments of production sub-contractors at risk	**82%**	76%

As a result of these evaluations, Dassault Aviation did not detect any immediate high-risk suppliers. Nevertheless, 4% of suppliers had weaknesses in one of the evaluation areas. These suppliers were placed under surveillance and have or will be given a special audit.

4.6.2 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 UN Global Compact on 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 4.3.7).

Our General Purchasing Conditions require our suppliers and service providers to comply with our Code of Ethics when they execute their orders. Our corporate approach is passed on to our suppliers through our technical and industrial specifications and quality and environment purchasing clauses.

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.

4.6.3 Fight against corruption

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 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 and monitoring procedures related to the fight against corruption and influence peddling. As a result, risk maps 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, military and civil 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.

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. This process has not been activated for acts of corruption or influence peddling for as long as it has existed.

Since 2018, the Ethics Department has organized specific training sessions for the managers and personnel most exposed to risks of corruption and influence peddling. They are provided in person by a specialized law firm. 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 (see Section 4.6.2 Human Rights).

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 have been deployed within the Finance Department, thus reinforcing existing procedures.

Throughout fiscal year 2019, the Ethics Department conducted follow-up 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 are in place.

The compliance program deployed by Dassault Aviation and its subsidiaries 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.

4.6.4 **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.

4.7 Regulatory requirements and administrative regimes

Contribution to SDGs

Each Group company has a regulatory oversight system that makes it possible to identify or to anticipate the requirements applicable to its activities and carry out compliance actions when it is necessary.

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 employees and the area surrounding the sites.

The Group's French industrial sites are subject to ICPE (Classified Installations for the Protection of Environment) legislation. As such, 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, the regulatory oversight for our industrial activities in India was strengthened in 2019.

In addition, as an aviation group, Dassault Aviation participates in environmental activities, studies and work carried out by aerospace 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,

Dassault Aviation also contributes to the working groups of the ICAO Committee on Aviation Environmental Protection (CAEP) or monitors their progress:

- CAEP 1 - External Noise,
- CAEP 3 - NOx and CO_2 Emissions,
- CAEP 4 - CORSIA, etc.

These participations enable Dassault Aviation to anticipate regulations applicable to its activities and listen to interested parties in the Group.

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 Key figures

5.2.1 Order intake

Parent Company **order intake in 2019** was **EUR 5,039 million**, compared with EUR 4,332 million in 2018. Export order intake represented 43%.

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

	2019	2018	2017	2016	2015
Defense	**3,249**	**2,521**	**712**	**8,094**	**8,247**
Export	**676**	1,525	223	7,432	7,889
France	**2,573**	996	489	662	358
Falcon	**1,790**	**1,811**	**1,908**	**1,124**	**1,269**
Total	**5,039**	**4,332**	**2,620**	**9,218**	**9,516**
% Export	***43%***	*77%*	*80%*	*92%*	*96%*

The order intake is composed entirely of firm orders.

Defense programs

In 2019, **Defense order intake** totaled **EUR 3,249 million**, compared with EUR 2,521 million in 2018.

Defense Export order intake amounted to **EUR 676 million** in 2019, compared to EUR 1,525 million in 2018, a year that had registered Qatar's order for an additional 12 Rafale.

The **Defense France portion** amounted to **EUR 2,573 million** in 2019 compared to EUR 996 million in 2018. Order intake includes the integrated support contract (RAVEL) for French Rafale over the next 10 years and an additional order for supplemental development and integration work in the frame of the contract for the development of the Rafale Standard F4 (notified in 2018).

Falcon programs

Falcon order intake in 2019 was **EUR 1,790 million** versus EUR 1,811 million in 2018. **41 Falcon** were ordered in 2019, the same as in 2018. Order intake included 2 Falcon 8X Archange to implement the Universal Electronic Warfare Capacity ("CUGE") and associated support.

5.2.2 Net sales

Net sales in 2019 totaled EUR 6,976 million, versus EUR 4,399 million in 2018.

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

	2019	2018	2017	2016	2015
Defense	**5,076**	**2,373**	**1,872**	**1,210**	**1,585**
Export	4,250	1,371	1,378	710	1,035
France	826	1,002	494	500	550
Falcon	**1,900**	**2,026**	**2,312**	**1,951**	**1,741**
Total	**6,976**	**4,399**	**4,184**	**3,161**	**3,326**
% Export	*88%*	*76%*	*86%*	*81%*	*81%*

Defense programs

2019 Defense net sales amounted to **EUR 5,076 million** compared with EUR 2,373 million in 2018. 26 Rafale for Export were delivered in 2019 versus 12 Rafale (9 for Export and 3 for France) in 2018.

Defense Export net sales in 2018 totaled **EUR 4,250 million**, versus EUR 1,371 million in 2018. This sharp increase is due to the delivery of 26 Rafale for Export with the associated support, whereas in 2018, 9 Rafale for Export had been delivered.

The Defense France portion in 2019 totaled **EUR 826 million**, versus EUR 1,002 million in 2018. The Defense France net sales in 2019 do not include the delivery of Rafale but take into account the delivery of developments of the renovation of the combat system for the ATL 2 and the first 2 modernized aircraft to the French Navy. Note that 2018 had recorded the delivery of the F3R standard and 3 Rafale.

Falcon programs

Falcon net sales in 2019 amounted to **EUR 1,900 million** versus EUR 2,026 million in 2018. 41 Falcon were delivered in 2019, compared to 40 Falcon delivered in 2018. The decrease in net sales is due to the lower number of pre-owned aircraft delivered.

5.2.3 Backlog

The **backlog** of the Parent Company as of December 31, 2019 was **EUR 16,543 million**, compared with EUR 18,426 million at December 31, 2018.

The **Defense Export backlog** stood at **EUR 9,891 million**, compared with EUR 13,465 million at December 31, 2018. It consisted mainly of 47 Rafale versus 73 Rafale as of December 31, 2018.

The **France Defense backlog** stood at **EUR 4,429 million**, compared to EUR 2,682 million as of December 31, 2018. In particular, it included 28 Rafale (as of December 31, 2018), the RAVEL contract for the Rafale, and the Rafale F4 standard.

The **Falcon backlog** stood at **EUR 2,223 million**, compared with EUR 2,279 million at December 31, 2018. In particular, it includes **53 Falcon** (including 2 "Archange" Falcon 8X), the same as of December 31, 2018.

5.2.4 Net income

Net income for 2019 was EUR 490 million, compared to EUR 442 million in 2018.

In 2020, the personnel will receive EUR 147 million from profit-sharing and incentives tied to 2019 results, including:

- profit-sharing: EUR 127 million
- incentive plan: EUR 20 million

These amounts represent 28% of salaries received in 2019. Under a formula identical to legally-mandated profit-sharing, employees would have received EUR 30.6 million in profit-sharing for 2019.

5.2.5 Allocation of earnings

If you approve the accounts for fiscal year 2019, we propose that you allocate the net earnings for the year, which is EUR 490,289,664.18, increased by the retained earnings from previous fiscal years, i.e. EUR 2,461,744,348.54 and reduced by 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					3,726(*)
Total amount of invoices involved (before VAT)	16,2	6,0	1,5	5,5	29,2(*)
% of FY purchases (before VAT)	0,33%	0,13%	0,03%	0,11%	0,60%

(*) *1,641 invoices for EUR 14 million excluded as related to disputes*
Contractual payment terms: EOM + 45 days.

The composition as of December 31, 2019 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					6,831
Total amount of invoices involved (before VAT)	62,7	14,7	6,1	57,8	141,3
% of FY net sales (before VAT)	0,90%	0,21%	0,09%	0,83%	2,03%

Payment terms: defined in the General Purchasing Conditions

5.5 Shareholder information

5.5.1 Capital structure

As of December 31, 2019, 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. In 2016, following the increase in the free-float, Dassault Aviation joined the following market indices: Sociétés des Bourses Françaises 120 (SBF 120) and the Morgan Stanley Capital International World (MSCI World).

As of December 31, 2019, the shareholding structure of Dassault Aviation is as follows:

Shareholders	Number of shares	%	Exercisable voting rights [2]	%
GIMD	5,196,076	62.3%	10,363,656	76.9%
Float	2,289,498	27.4%	2,295,037	17.0%
Airbus SE	827,529 [3]	9.9%	827,529	6.1%
Treasury shares [1]	35,600	0.4%	0	0.0%
TOTAL	**8,348,703**	**100.0%**	**13,486,222**	**100.00%**

[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, 2019, 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 2019.

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. It was the responsibility of the Board of Directors to determine the length of the vesting and holding period for such shares. This authorization was valid for a period of 38 months from said General Meeting.

Pursuant to this authorization (see Table 9 of the Report on Corporate Governance), on February 27, 2019 the Board of Directors decided to award 1,100 performance shares to the Chairman and Chief Executive Officer and 925 performance shares to the Chief Operating Officer. To acquire them, the following performance criteria had to be 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 February 26, 2020 inclusive,
- presence in the workforce at the end of the vesting period,
- a one-year holding period, beginning on February 27, 2020 and ending on February 26, 2021 inclusive,
- starting on February 27, 2021, the retention of 20% of those shares for the duration of their term.

It being specified that the number of shares acquired is capped at 112%.

The Shareholders' 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 2019 by Corporate Officers consisted of the acquisition of performance shares by the Corporate Officers on March 7, 2019 (see Report on Corporate Governance).

No other acquisition or sale of Dassault Aviation shares by the Officers was executed. 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 General Regulations of the AMF.

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 Group SE (formerly Airbus Group N.V.) and Airbus SE:

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 Group N.V. and Airbus Group SAS that established concerted action with respect to Dassault Aviation. This agreement, to last 90 years, provides as follows:

- Airbus Group SAS may exercise its voting rights in General Meetings following consultation with the French government,
- the French government is granted a right of first refusal and a right of first offer in case Airbus Group SAS were to 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 to 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 market or off-market, the Shareholders' Meeting of May 16, 2019 authorized the establishment of a new share buyback program, identical to the programs approved on September 24, 2014, January 28, 2015, May 19, 2016, May 18, 2017 and May 24, 2018.

This new authorization, valid for a period of 18 months as of May 16, 2019 (until November 15, 2020 inclusive), ends, on the date it was implemented by the Board of Directors on May 16, 2018, the share buyback program previously authorized by the Shareholders' Meeting on May 24, 2018, for the unused portion of this program.

This share buyback program is in line 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,
- to transfer or allocate shares to Company employees and Executive Officers and/or associated companies under the conditions and in accordance with the law, particularly in case of the exercising of stock options or allocations of existing performance shares, or by granting and/or subscription of existing shares in an employee stock ownership scheme,
- to retain shares with a view to subsequent use, to hand them over as payment or in exchange, including under the scope of potential external growth transactions, of up to 5% of the share capital,
- to remit shares upon exercise of rights attaching to securities providing access to Dassault Aviation's capital,
- to implement any market practice that would be recognized by the law or by the French Financial Markets Authority.

Shares could, 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 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 General Meeting to the Board of Directors entitles Dassault Aviation to buy its own shares up to a limit of 10% of its capital, with a unit price ceiling of EUR 1,700 exclusive of acquisition costs, subject to adjustments linked to capital transactions, particularly through the incorporation of reserves and allocation of performance shares and/or division of the par value or consolidation of shares.

The maximum amount to be used to purchase the Company's shares was 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 2019.

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, fulfill any formalities and, in general, do whatever is necessary to complete these transactions.

On May 16, 2019, the meeting of the Board of Directors after the General Meeting, which implemented this new share buyback program, 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 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, 2019, the Company still held 35,600 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 February 26, 2020, the Board of Directors proposed to the General Meeting of May 12, 2020, 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 16, 2019, the General Meeting authorized the Board of Directors, under the same terms as the authorization of May 24, 2018, 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 the scope of its own share buyback program, and 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 Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2019.

No share of Dassault Aviation stock was canceled in 2019.

In order to allow the Company to reduce its capital at any time, on February 26, 2020, the Board of Directors recommended to the General Meeting of May 12, 2020, that it authorize the Board to reduce the capital of the Company through the cancellation of shares purchased or to be purchased under a share buyback program (15th 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 cover the following points:

Resolutions to be submitted to the Ordinary General Meeting:

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

You are asked to approve the annual financial statements of the Parent Company (resolution No. 1) and the consolidated financial statements (resolution No. 2) for the fiscal year ended December 31, 2019.

These financial statements were approved by the Board of Directors on February 26, 2020 after prior examination by the Audit Committee, and were the subject of Statutory Auditor reports, which appear in the 2019 Annual Financial Report.

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

You are asked to allocate the net income for the year, plus the retained earnings from prior years, which constitutes a distributable total of EUR 2,952,034,012.72, to the distribution of a dividend for fiscal year 2019 in the amount of €25.4 per share, to be paid on May 20, 2020, with the remaining balance to the retained earnings (resolution No. 3).

- **Approval of the elements of compensation due or attributed for fiscal year 2019 to the Directors**

Pursuant to Article L.225-100 II of the French Commercial Code, the General Meeting is asked to approve the information referred to in Article L. 225-37-3 I of the French Commercial Code relating to the components of the total compensation and the benefits of any kind paid or awarded for the year ended December 31, 2019 to the corporate officers, as they appear in the Report on Corporate Governance, with the exception of the above-mentioned components concerning the Chairman and Chief Executive Officer and the Chief Operating Officer, which are discussed in the following resolutions (resolution No. 4).

- **Approval of the elements of compensation due or attributed for fiscal year 2019 to Mr. Éric Trappier, Chairman and Chief Executive Officer**

Pursuant to Article L. 225-100 II of the French Commercial Code, the General Meeting is asked to approve the fixed, variable and exceptional components of the total compensation and the benefits of any kind paid or awarded for the year ended December 31, 2019 to Mr. Éric Trappier, Chairman and Chief Executive Officer, in accordance with Article L. 225-37-3 I of the French Commercial Code, as they appear in the Report on Corporate Governance in paragraphs 2.1.3 and 2.1.4 (resolution No. 5).

- **Approval of the elements of compensation due or attributed for fiscal year 2019 to Mr. Loïk Segalen, Chief Operating Officer**

Pursuant to Article L. 225-100 II of the French Commercial Code, the General Meeting is asked to approve the fixed, variable and exceptional components of the total compensation and the benefits of any kind paid or awarded for the year ended December 31, 2019 to Mr. Loïk Segalen, Chief Operating Officer, in accordance with Article L. 225-37-3 I of the French Commercial Code, as they appear in the Report on Corporate Governance in paragraphs 2.1.3 and 2.1.4 (resolution No. 6).

- **Approval of the 2020 compensation policy for the Directors**

Pursuant to Article L. 225-37-2 II of the French Commercial Code, the General Meeting is asked to approve the compensation policy for the Directors, whose components appear in the Report on Corporate Governance in paragraph 2.2.1 (resolution No. 7).

- **Approval of the 2020 compensation policy for the Chairman and Chief Executive Officer**

Pursuant to Article L. 225-37-2 of the French Commercial Code, the General Meeting is asked to approve the compensation policy for the Chairman and Chief Executive Officer, whose components appear in the Report on Corporate Governance in paragraph 2.2.2 (resolution No. 8).

- **Approval of the 2020 compensation policy for the Chief Operating Officer**

Pursuant to Article L. 225-37-2 of the French Commercial Code, the General Meeting is asked to approve the compensation policy for the Chief Operating Officer, whose components appear in the Report on Corporate Governance in paragraph 2.2.2 (resolution No. 9).

- **Renewal of two Directors' term of office**

As the terms of Directors Ms. Catherine Dassault and Ms. Mathilde Lemoine expire at the end of the General Meeting, you are asked to re-elect them for four years (resolutions No. 10 and 11).

- **Appointment of a statutory auditor**

The term of office as statutory auditor of Deloitte & Associés expires at the end of the General Meeting. You are asked to appoint PricewaterhouseCoopers as statutory auditor to replace Deloitte & Associés for six years (resolution No. 12).

- **Renewal of a statutory auditor's term of office**

The term of office as statutory auditor of Mazars SA expires at the end of the General Meeting. You are asked to renew the term of office of Mazars SA as statutory auditor for six years (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, you are being asked to authorize the Board of Directors to implement a share buyback program.

Such a program could be used for the following objectives:

1) Canceling shares in order to increase the profitability of shareholders' equity and earnings per share (subject to adopting resolution No. 15),

2) Ensuring market trading or liquidity of Dassault Aviation stock through an investment services provider via a liquidity contract compliant with an ethics charter recognized by the French Financial Markets Authority,

3) Transferring or allocating shares to employees and Executive Officers of the Company and/or associated companies under the conditions and in accordance with the law, particularly in case of the exercising of stock options or allocations of existing performance shares, or by granting and/or subscription of existing shares in an employee stock ownership scheme,

4) Retaining shares with a view to subsequent use, to hand them over as payment or in exchange for potential external growth transactions or other purposes, within the limit of 5% of the share capital,

5) Remitting shares upon exercise of rights attached to securities convertible to Dassault Aviation shares,

6) Implementing any market practice that would be recognized by the law or by the French Financial Markets Authority.

Under the proposed authorization, the Board could, with an option to sub-delegate, proceed to buy back Dassault Aviation shares up to a limit of 10% of the capital of Dassault Aviation, for a maximum price of EUR 1,700 per share, representing a maximum investment of EUR 1,419,279,000.

This authorization, which would be granted for a period of 18 months as of the Annual Ordinary and Extraordinary General Meeting of May 12, 2020, would take effect as of the next Board Meeting, which would decide on the implementation of this new share buyback program. This new authorization would terminate the unused portion of the share buyback program previously authorized by the Annual Ordinary and Extraordinary General Meeting of May 16, 2019, and would end on November 12, 2021 (resolution No. 14).

Resolution to be submitted to 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 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 the scope of its own share buyback program, and 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 Ordinary Meeting called to approve the financial statements for the year ended December 31, 2020.

As of May 12, 2020, it would render the similar authorization granted by the Combined General Meeting of May 16, 2019 ineffective for the unused portion (resolution No. 15).

- **Harmonization of the 4th paragraph of Article 13 of the bylaws concerning the threshold for the appointment of Directors representing employees**

Pursuant to the provisions of Article 184 of the Pacte Law of May 22, 2019, the threshold for membership of the Board of Directors that triggers the obligation to appoint two Directors representing employees to the Board has been reduced from twelve to eight non-employee members.

Accordingly, you are asked to amend the 4th paragraph of Article 13 of the Company's bylaws as follows:

"Article 13 – Board of Directors
[…]
Pursuant to the laws in force, if the number of Directors is less than or equal to eight, a Director representing employees shall be appointed for a period of four years by the trade union organization that has obtained the most votes in the elections of the Works Councils of the Company and its subsidiaries, direct and indirect, whose registered office is established in French territory.
[…]" (resolution no. 16).

- **Harmonization of the 2nd paragraph of Article 25 of the bylaws on the obligation to appoint an alternate statutory auditor for each statutory auditor**

Pursuant to the provisions of Article L. 823-1 of the French Commercial Code as amended by the entry into force of the Sapin II Law on December 9, 2016, the appointment of an alternate statutory auditor is necessary only if the statutory auditor is a natural person or a wholly-owned company.

You are therefore asked to delete the 2nd paragraph of Article 25 of the Company's bylaws for the purpose of removing the obligation to appoint alternate statutory auditors (resolution No. 17).

7. CONCLUSION AND OUTLOOK

2019 was uniquely busy for our group, with the delivery of 26 Rafale Export, major advances on the Future Combat Air System (FCAS) around the New Generation Fighter (NGF), which we were designated industrial leader for, the delivery of 40 Falcon and the recording of 40 Falcon order intake in the context of a difficult market, the classification as world leader by AIN and Propilot for the support of our business aircraft, and the Falcon 6X program on schedule.

More specifically, from a military standpoint, 2019 was marked by:

- the delivery of 26 Rafale for Export, a new record number in the history of the program; our export customers highly appreciated this industrial achievement and compliance commitments,
- major advances in the FCAS program, with the first mock-ups of the new-generation fighter (NGF) and its supporting drones unveiled at the 2019 Paris Air Show, the signing of an industrial agreement on these demonstrator programs that cover the major components of FCAS and the submission to the French Defense Procurement Agency (Contracting Agency) by industrial leaders (Dassault Aviation, Airbus Defense and Space) of a joint industrial proposal. At the same time, the FCAS Joint Concept Study was launched in January 2019 and extended for 18 months in October 2019. France has been designated lead nation and Dassault Aviation industrial leader on the fighter.

  On February 20, 2020, following the Bundestag agreement, the demonstrator phase for the FCAS was launched by governments of France and Germany awarding to Dassault Aviation and Airbus, together with their partners MTU Aero Engines, Safran, MBDA and Thales, the initial framework contract (Phase 1A). This framework contract covers a first 18 month period with the ambition to begin flight tests in 2026. Next major step of the program will be the integration of Spain and implication of additional suppliers from phase 1B that will be launched following the success of Phase 1A.
- in accordance with the French Military Procurement Law, no Rafale were delivered to French forces in 2019. The delivery of the remaining 28 Rafale (out of 180) will resume in 2022,
- start of the F4-standard development and order of additional capacity development in late 2019 (including new connectivity features for the Rafale),
- signature of the fully integrated support contract of Rafale (RAVEL) for France for 10 years. This contract unites all support activities for Rafale for France and their equipment (except engines and seats) with enhanced technical and logistical services under the responsibility of a single contractor: Dassault Aviation. The organization of these support activities will be based on a Dassault Aviation/Dassault Systèmes Big Data Platform,
- the delivery to the French armed forces of the ATL2 upgrade, followed by the delivery of the first 2 modernized aircraft.

In multi-mission aircraft, the following events also occurred:

- the delivery of the first 4 Falcon 2000MSA and the order for a 6th aircraft by the Japan Coast Guards (JCG),
- the order of 2 Falcon 8X Archange to implement the Universal Electronic Warfare Capacity ("CUGE"), with a 3rd aircraft in option. This very ambitious program further strengthens our Falcon mission activity,
- preparation for a Falcon 2000LXS Albatros maritime surveillance and response aircraft contract for the French Navy.

In civil aircraft, in a difficult and competitive environment, 2019 was marked by:

- the delivery of 40 Falcon, whereas we scheduled 45 deliveries,
- the sale of 40 Falcon, with our backlog remaining unchanged at 53 Falcon,
- pursuit of the development of the Falcon 6X which is on schedule for an entry into service in 2022,
- works on the future Falcon, announcement scheduled in 2020,
- the acquisition of 3 maintenance center networks (ExecuJet, TAG Europe and RUAG), thereby expanding our network of excellence while increasing our market share in Falcon maintenance with an additional 17 service-centers,
- the ranking as the world leader by AIN and Propilot for the support of our Falcon, rewarding the commitment and effort in Falcon support of our Group.

At the same time, the deployment of our transformation plan is accelerating with the ramp-up of the Dassault Aviation/Dassault Systèmes strategic partnership (in the form of the 3DExperience™ collaborative engineering platform), the creation of a Big Data platform, the ongoing deployment of new tools for Industrial Performance management, upgrading and construction of new buildings and industrial rationalization.

2019 also saw the ramp-up of the Dassault Reliance Aerospace Ltd structure in Nagpur, with the commissioning of the new 12,000 m² main production hangar (2 new buildings launched in 2020), the ramping-up of the production of the assembly of Falcon 2000 components and the first Rafale assemblies (engine doors), the serial mounting of the first T1 and front tanks on the Falcon 2000 and the further development of the Indian Supply Chain. We have also committed ourselves to training and developing skills locally with the ramping-up of the Engineering Center in Pune, the creation of the Dassault Skill Academy and the establishment of a vocational training program for the profession of aircraft structure and equipment assembler.

Our goals for 2020 are:

- Meet our Rafale Export and Falcon delivery commitments in terms of quality and schedule,
- Sell our Falcon,
- Continue Rafale promotional and prospecting activities in India, Finland, Switzerland and other countries,
- Continue the Falcon 6X development for an entry into service in 2022,
- Continue to develop a future Falcon and prepare its launch,
- Launch studies for the NGF demonstrator,
- Contractualize the development of the EuroDrone,
- Continue the development of the French Rafale F4 standard and start studying the future F5 standard,

- Implement the RAVEL contract and sign new global integrated support contracts for other military aircraft,
- Start work on the Archange Falcon, and prepare the Albatros Falcon 2000 market
- Prepare the future 5th batch of French Rafale,
- Develop the Make in India industrial network,
- Promote our space skills,
- Continue the Transformation Plan in a Big Data and data protection environment to gain competitiveness, flexibility and responsiveness.
- Continue innovation efforts and explore solutions for better environmental consideration,
- Develop measures to help improve the quality of life at work (teleworking, nurseries, concierge services).

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In 2020, the Group plans to deliver **40 Falcon** (iso 2019) and **13 Rafale** (vs. 26 in 2019) and **lower net sales.**

The Board of Directors would like to express its thanks to all the personnel for their dedication, efficiency and skills in executing our programs.

Appendix 1 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, in the Directors' Report, we publish a non-financial performance declaration that includes 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.

Most of the published information follows the third-generation guidelines relating to management and reporting of the Global Reporting Initiative (GRI). The GRI is an initiative co-piloted by the United Nations Environment Program that aims to harmonize and consolidate data on sustainable development. The guidelines propose principles to be followed in order to help organizations to provide a balanced and reasonable presentation of their economic, environmental and labor relations performance.

The published indicators that follow the principles of the Global Reporting Initiative (GRI) are stated in the correspondence table in Appendix 2.

Scope of consolidation

For fiscal year 2019, the reporting scope includes Dassault Aviation (Parent Company, including all its sites) and its fully owned subsidiaries.

It should be noted, however, that the following are excluded from the reporting scope for 2019:

- 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 Snd. Bhd.).

Since these companies were integrated into the Dassault Aviation Group in fiscal year 2019, only certain social and societal data could be collected and included in the NFPD for fiscal year 2019.

All social, environmental and societal data from the above companies will be included in the Dassault Aviation Group NFPD for fiscal year 2020.

Control and Consolidation

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

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

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

Social and Human Resources Data

The social data of this report is based on fact sheets and methodology sheets that form the reference base for reporting social data of the Dassault Aviation Group, in force starting in 2019. 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: traditional 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 13^{th} 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 13^{th} 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 French and American subsidiaries.

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

The 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.

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.

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 in favor of this commitment are detailed in Section 4.6.2 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.

External Verification

The data generated in this report as well as the collection and validation procedures have been subject to an external audit by Deloitte & Associés; the corporate responsibility information has also been checked on a qualitative basis.

Appendix 2 to the Directors' Report

Table of correspondence between the Dassault Aviation indicators and the Global Reporting Initiative (GRI).

Themes	Dassault Aviation Indicators	Link with GRI – Indicators & Protocols: Social (Version 3.1)
Employment	**EMP01: Total Workforce**	LA1: Total workforce per type of employment, work contract and geographical zone
	EMP02: Employee Distribution by Gender	
	EMP03: Employee Distribution by Age	LA13: Composition of management bodies and distribution of employees by gender, age group, identifying as a minority and other diversity indicators
	EMP04: Employee Distribution by Geographical Zone	LA1: Total workforce per type of employment, work contract and geographical zone
	EMP05: Hiring	LA2: Staff turnover in number of employees and percentage per age group, gender and geographical zone
	EMP06: Departures and Dismissals	
	EMP07: Compensation	EC1: Direct economic value created and distributed, including revenues, operational costs, employee compensation and benefits, donations and other community investments, retained earnings, and payments to capital providers and governments EC5: Range of ratios of standard entry level salary compared to local minimum on the main operating sites
Work organization	**ORG01: Working Time Organization**	LA1: Total workforce per type of employment, work contract and geographical zone
	ORG02: Absenteeism	LA7: Rate (…) of absenteeism (…) per geographical zone
Labor relations	**REL01: Organization of the Labor Relations Dialog, Procedures for Informing and Consulting Personnel and for Negotiations**	LA4: Percentage of employees covered by a collective bargaining agreement
	REL02: Collective bargaining agreements	LA5: Minimum notice period(s) regarding significant organizational changes, including whether it is specified in a collective bargaining agreement
Health and Safety	**S&S03: Work-Related Accidents**	LA7: Rate of work-related accidents, occupational illness, (...) number of days lost and total number of fatal work-related accidents, per geographical zone
	S&S04: Frequency Rate of Work-Related Accidents	
	S&S05: Severity Rate of Work-Related Accidents	
	S&S06: Occupational Illness	

Themes	Dassault Aviation Indicators	Link with GRI – Indicators & Protocols: Social (Version 3.1)
Training	**FOR01: Policies Implemented with Regard to Training**	LA11: Lifelong skills and training development programs, designed to guarantee employability
	FOR02: Total Number of Training Hours	LA10: Average number of training hours per year, per employee and per professional category
Equality of treatment	**EGA01: Measures Taken in Favor of Gender Equality**	LA14: Basic pay ratio between men and women per professional category
	EGA02: Measures taken in favor of the employment and integration of disabled people	LA13: Composition of management bodies and distribution of employees by gender, age group, identifying as a minority and other diversity indicators
	EGA03: Anti-discrimination policy	
Promotion and Respect for the Stipulations of the Basic Conventions of the International Labor Organization	**OIT01: Respect for freedom of association and the right to collective bargaining**	HR5: Identified activities in the course of which the right to union freedom and collective bargaining risks being threatened; measures taken to ensure this right is maintained LA4: Percentage of employees covered by a collective bargaining agreement LA5: Minimum notice period(s) regarding significant organizational changes, including whether it is specified in a collective bargaining agreement
	OIT02: Eliminating Employment and Professional Discrimination	HR4: Total number of discrimination incidents and measures taken LA13: Composition of management bodies and distribution of employees by gender, age group, identifying as a minority and other diversity indicators LA14: Basic pay ratio between men and women per professional category
Energy	**ENE001: Energy Consumption Excluding Kerosene and Mobile Sources**	EN3: direct energy consumption distributed according to primary energy source EN7: initiatives for reducing indirect energy consumption and reductions achieved
	ENE002: Kerosene Consumption	
	Qualitative indicator, "aircraft design performance/kerosene consumption"	

Themes	Dassault Aviation Indicators	Link with GRI – Indicators & Protocols: Social (Version 3.1)
Water consumption	**EAU001: Overall Water Consumption (by Source)**	EN8: total volume of water used by source
Atmospheric Discharges	**AIR001: Greenhouse Gas Emissions (Scope 1 and Scope 2)**	EN16: total (direct or indirect) greenhouse gas emissions, in weight (CO2 TEQ)
	AIR004: Emissions of Volatile Organic Compounds (VOC)	EN20: NOx, SOx and other significant atmospheric emissions, by type and by weight
	Indirect GHG Emission Quality Indicator	EN7: initiatives for reducing indirect energy consumption and reductions achieved
Waste	**DEC001: Total Production of Hazardous and Non-Hazardous Waste**	EN22: total mass of waste, by type and by treatment method
	DEC002: Proportion of Recycled Waste	

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, 2019

To the Shareholders,

In our capacity as Statutory Auditor of Dassault Aviation, appointed as independent third party and accredited by COFRAC under number 3-1048 (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, 2019 (hereinafter the "Statement"), presented in the group management 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 and available on the company's website or on request from its 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 ethical requirements, French professional standards and applicable legal and regulatory requirements.

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 duty of vigilance, anti-corruption and taxation 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 defining the conditions under which the independent third party performs its engagement 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 conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the 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. “compensation and benefits” or “supply chain: customer duty” for instance), 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.

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[1] Qualitative information: aircraft technological innovation; optimization of the aircraft in operations; supplier assessment system; HSE regulatory watch on activities in India; Group compensation policy.

- 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.
- We carried out, for the key performance indicators and other quantitative outcomes[2] that in our judgment were of most significance:
  - 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 8 and 91% of the consolidated data for the key performance indicators and outcomes selected for these tests;
- We assessed the overall consistency of the Statement in relation to our knowledge of the company.

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 2019 and February 2020.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around ten interviews with people responsible for preparing the Statement.

[2] Quantitative environmental information: ISO 14001 certified sites; total waste production: hazardous waste, non-hazardous waste, recovery rate; total energy consumption; greenhouse gases emissions: scopes 1 and 2; volatile organic compounds emissions.

Quantitative social information: total headcount; number of hirings; number of leavings among which number of layoffs; total number of days of absence; number of work-related accidents with lost time; number of lost days due to work-related accidents; number of occupational illnesses; frequency rate and severity rate of work-related accidents; number of training hours.

[3] Selected sites: Dassault Aviation SA (France): Seclin, Istres and Argonay 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, 2020

One of the statutory auditors,

Deloitte & Associés

Marc de Villartay
Partner

Report on corporate governance

Dear Shareholders,

This report is intended to provide you with information about the composition of the Board of Directors of the Company and how its work is prepared and organized, along with details relating to the corporate officers' compensation.

Prepared in application of Article L. 225-37 of the French Commercial Code, it is presented to you along with the Director's Report. The Legal Affairs and Insurance Department and the Financial Department carried out preparatory checks on the drafting of said report, which was then reviewed by the Audit Committee and approved by the Board of Directors on February 26, 2020.

Taking account of the structure of its shareholding (the majority of the shares are held by GIMD, which belongs to the Dassault family), Dassault Aviation considers that the AFEP/MEDEF Code does not constitute its standard of reference for corporate governance. Nevertheless, Dassault Aviation applies principles with reference to the aforementioned Code, in regard to the independence of the directors and the compensation of the corporate officers.

1. CORPORATE GOVERNANCE

1.1 Composition of the Board of Directors

As of December 31, 2019, the Board of Directors was composed of nine members with the experience and expertise required to fulfill their offices: Éric Trappier, Charles Edelstenne, Catherine Dassault, Marie-Hélène Habert, Mathilde Lemoine, Lucia Sinapi-Thomas, Olivier Dassault, Henri Proglio and Richard Bédère.

COMPOSITION OF THE BOARD OF DIRECTORS on 12/31/2019

Name	Office	Age at 12/31/2019	Independent Director	Participation on the Audit Committee	Start of 1st term	End of current term	Years of service on the Board
Éric Trappier French nationality	Chairman and Chief Executive Officer Director	59			2013 2012	2023 2023	7
Charles Edelstenne French nationality	Honorary Chairman Director	81		yes	1989	2023	30
Olivier Dassault French nationality	Director	68			1996	2023	23
Catherine Dassault French nationality	Director	52			2017	2020	3
Marie-Hélène Habert French nationality	Director	54			2014	2022	5
Mathilde Lemoine French nationality	Director	50	yes		2017	2020	3
Henri Proglio French nationality	Director Chairman of the Audit Committee	70	yes	yes	2008	2022	11
Lucia Sinapi-Thomas French nationality	Director	55	yes	yes	2014	2023	5
Richard Bédère French nationality	Director Representing Employees	63			2014	2022	5

The aforementioned directors are all of French nationality. The average age was 61 as of December 31, 2019.

50% of the members of the Board of Directors are women (excluding the director representing employees), compared with the legal requirement of 40%.

As of December 31, 2019, Mathilde Lemoine, Lucia Sinapi-Thomas, and Henri Proglio were considered to be independent directors in accordance with the criteria of the AFEP/MEDEF Code. These criteria are based on the principle that 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. With regard to Henri Proglio, whose term of office will reach 12th years' seniority on April 22, 2020, the Board of Directors considers that his seniority is not likely to affect his critical faculties or undermine his freedom of judgment, given both his personality and his personal and professional situation. In addition, his very good knowledge of the Dassault Aviation Group, its values and its activities, is a major asset on the conducting of its mandate.

The three independent directors mentioned above represent 37.5% of the Board of Directors (excluding the director representing employees), which is higher than the percentage recommended by the AFEP/MEDEF Code (33.3%).

Finally, in 2019, the Board of Directors duly noted the appointment of Comptroller General of the French Armed Forces Jean-Luc Sourdois as Government Commissioner to the Company, as of September 1, 2019, in replacement of General Paul Fouilland.

1.2 Offices held and duties performed by corporate officers in 2019 in other companies

- **Honorary Chairman**

Charles Edelstenne

Date of first appointment as director: 1/27/1989
Start and end of current term: 2019 GM - 2023 GM
Member of the Audit Committee
Dassault Aviation shares held: 67

Other corporate offices and duties

Groupe Industriel Marcel Dassault SAS	Chairman
Dassault Systèmes SE (listed company)	Chairman and director
Thales (listed company)	Director
Carrefour (listed company)	Director
Dassault Media SAS	Chairman
Groupe Figaro SASU	Chairman and 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
Sogitec Industries SA	Director
SABCA (listed company)	Director
Dassault Falcon Jet Corporation (USA)	Director
Dassault Belgique Aviation SA	Chairman and director
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 SCI	General Manager
Monceau Dumas SICAV	Director
Lepercq, de Neuflize and Co Corporation	Director

Other offices and duties over the last five years

Groupe Industriel Marcel Dassault SAS	Chief Executive Officer
Groupe Industriel Marcel Dassault SAS	Member of the Supervisory Board
Dassault International Corporation	Director

Chairman and Chief Executive Officer

Éric Trappier

Date of first appointment as director: 12/18/2012
Start and end of current term as director: 2019 GM - 2023 GM
Start and end of current term as Chairman and CEO: Board of Directors of 05/16/2019 - 2023 GM
Dassault Aviation shares held: 2,644

Other corporate offices and duties

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

Other offices and duties over the last five years

GIE Rafale International	Director-General Manager
Dassault International	General Manager
GIFAS	Senior Vice-Chairman
ASD	Chairman of Defense Committee
Dassault International (USA)	Chairman and director

Directors

Olivier Dassault

Date of first appointment: 4/17/1996
Start and end of current term: 2019 GM - 2023 GM
Dassault Aviation shares held: 26

Other corporate offices and duties

Groupe Industriel Marcel Dassault	Member of the Supervisory Board and Chairman of the Strategy and Development Committee
Dassault Media SA	Director
Rond-Point Immobilier SAS	Member of the Supervisory Board
Rasec International SAS	Director
Particulier et Finances Éditions	Chairman of the Supervisory Board
Rubis SA	Member 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

Other offices and duties over the last five years

LBO Invest D	General Manager
Nasthel (SCI)	General Manager
Groupe Industriel Marcel Dassault	Chairman of the Supervisory Board
Groupe Figaro SAS	Director
Valmonde Group	Vice-Chairman and director

Marie-Hélène Habert

Date of first appointment: 5/15/2014
Start and end of current term: 3/7/2018 - 2022 GM
Dassault Aviation shares held: 25

Other corporate offices and duties

Groupe Industriel Marcel Dassault	Member of the Supervisory Board
Dassault Systèmes SE (listed company)	Director
BioMérieux SA (listed company)	Director
Artcurial SA	Director
Immobilière Dassault SA (listed company)	Vice-Chairman of the Supervisory Board
Rond-Point Immobilier SA	Member of the Supervisory Board
Fondation Serge Dassault	Vice-Chairman and director
Fondation Fondamental	Director
HDH	General Manager and Member of the Strategic Committee
H. Investissements SARL	General Manager
HDH Immobilière	General Manager
Siparex	Director

Other offices and duties 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

Date of first appointment: 3/7/2017
Start and end of current term: 3/7/2017 - 2020 GM
Dassault Aviation shares held: 26

Other corporate offices and duties

Dassault Systèmes SE (listed company)	Director
Institut de l'Engagement (association)	Director
Fondation pour la recherche sur la maladie d'Alzheimer	Member of the Honorary Committee
Green Spark Invest (SARL)	General Manager
Goya (SCI)	General Manager
Falke (SC)	General Manager

TCBD & Fils (SC)	General Manager

Other offices and duties over the last five years

Fondation pour la recherche sur la maladie d'Alzheimer	Member of the Organizing Committee and member of the Strategic Communications Committee

Henri Proglio, Independent Director

Date of first appointment: 4/23/2008
Start and end of current term: 2018 GM - 2022 GM
Chairman of the Audit Committee
Dassault Aviation shares held: 27

Other corporate offices and duties

Natixis SA (listed company)	Observer (*Censeur*)
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
Les Bougainvilliers (SCI)	General Manager

Other offices and duties over the last five years

EDF SA	Chairman and Chief Executive Officer and director
Edison SPA (Italy)	Chairman of the Board of Directors
EDF Energy Holdings (UK)	Chairman of the Board of Directors
Fondation d'entreprise EDF	Chairman of the Board of Directors
FCC (Spain)	Director
Dalkia SA	Director
EDF Energies Nouvelles SA	Director
EDF International SAS	Director
South Stream Transport BV (Netherlands)	Director
South Stream Transport BV (Switzerland)	Director
Fennovoima (Finland)	Director
Thales SA	Director
Eurelectric (association) (Belgium)	Vice Chairman
Dalkia SAS	Member of the Supervisory Board
Natixis (listed company)	Director

Lucia Sinapi-Thomas, Independent Director

Date of first appointment: 5/15/2014
Start and end of current term: 2019 GM - 2023 GM
Member of the Audit Committee
Dassault Aviation shares held: 26

Other corporate offices and duties

CapGemini SE (listed company)	Director Representing Employee Shareholders
CapGemini Business Platforms	Executive Director
CapGemini Ventures	Executive Director
CapGemini Business Services (Guatemala)	Director
CapGemini Employees Worldwide SAS	Chairman
SOGETI NORGE A/S (Norway)	Director
SOGETI SVERIGE MITT AB (Sweden)	Director
SOGETI SVERIGE AB (Sweden)	Director
CapGemini Sogeti Danmark (Denmark)	Director
FCPE CapGemini	Chairman of the Supervisory Board
FCPE Esop CapGemini	Member of the Supervisory Board
Bureau Veritas SA	Director

Other offices and duties over the last five years

CapGemini Reinsurance International (Luxembourg)	Director
CapGemini Outsourcing Services SAS	Chief Executive Officer
CapGemini Polska Spz.z.o.o. (Poland)	Director
Sogeti France SAS	Director
Euriware SA	Director
PROSODIE (SAS)	Chairman

Mathilde Lemoine, **Independent Director**

Date of first appointment: 3/7/2017
Start and end of current term: 3/7/2017 - 2020 GM
Dassault Aviation shares held: 25

Other corporate offices and duties

Carrefour SA (listed company)	Director
CMA CGM SA	Director

Other offices and duties over the last five years

École Normale Supérieure	Board Member
High Council of Public Finances	Member
Neptune Orient Lines Ltd. (Singapore)	Director
IFRI	Director
HSBC France	Member of the Executive Committee

Richard Bédère, **Director Representing Employees**

Date of first appointment: 7/10/2014
Start and end of current term: 7/10/2018 - 7/9/2022
Dassault Aviation shares held: none

Other corporate offices and duties

None

Other offices and duties over the last five years

Dassault Aviation	Central Works Council delegate on the Board of Directors
Dassault Aviation	Substitute Central Works Council member
Dassault Aviation	Substitute Mérignac Works Council member
Dassault Aviation	Central union delegate

- **Chief Operating Officer**

Loïk Segalen

Date of first appointment as Chief
Operating Officer: 1/9/2013
Start and end of current term: Board meeting of 5/16/2019 - 2023 GM
Dassault Aviation shares held: 2,317

Other corporate offices and duties

Thales SA (listed company)	Director
Sogitec Industries SA	Director
Dassault Falcon Jet Corporation (USA)	Director
Midway Aircraft Instrument Corporation (USA)	Director
Dassault Belgique Aviation SA	Director
Sabca (listed company) (Belgium)	Director
Sabca Limburg (Belgium)	Director
GIFAS	Member of the Executive Committee

Other offices and duties over the last five years

Dassault Procurement Services (USA)	Director
Dassault International (USA)	Vice-Chairman and director

1.3 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.

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 emergencies.

Prior to each Board meeting, the Chairman of the Board of Directors ensures that the relevant documents are provided to each director within a sufficient period of time, except in emergencies.

The statutory auditors and the Government Commissioner receive the same documents as the Directors.

• Activities of the Board of Directors in 2019

In 2019, the Board of Directors met 3 times: February 27, May 16 and September 4. The average attendance rate at Board meetings was 93%.

The Board of Directors supervised the implementation of the strategies chosen and inspected the general operations of the Company. In particular, the Board of Directors:

- analyzed the amount of orders 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 2018 company and consolidated financial statements,
- convened the Annual General Meeting of May 16, 2019,
- approved the financial statements for the first half-year of 2019,
- reviewed the Parent Company’s forward-looking management documents in February and September 2019, and reviewed the budgets for self-financed technology investments and industrial investments,
- renewed the annual authorization of the Chairman and Chief Executive Officer to grant guarantees, deposits, or warranties,
- 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 AMF (*Autorité des Marchés Financiers* - French Financial Markets Authority),
- evaluated the performance criteria relating to performance shares granted in 2018 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 2018 fiscal year, for corporate officers, members of the Management Committee and cabin crew, that was consistent with legal requirements,
- set out the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional compensation components and benefits of any kind that constitute the corporate officers compensation policy for 2019 subject to the approval of the General Meeting,

- put into operation the share buyback program 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,

- renewed the functions of Chairman and Chief Executive Officer of Éric Trappier and the functions of Chief Operating Officer of Loïk Segalen and confirmed the principles of their compensation for fiscal year 2019.

- **Audit Committee**

Pursuant to the order 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.

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. The Board of Directors considered that Lucia Sinapi-Thomas and Henri Proglio met the recommended independence criteria set forth in paragraph 1.1 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.

It met on February 21, 2019 for the 2018 annual financial statements and on August 29, 2019 for the financial statements for the first half-year of 2019. The attendance rate of Committee members at meetings in 2019 was 100%.

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,

- took note of the directors' report (including the Non-Financial Performance Declaration) and of the half-yearly activity report,

- reviewed the report on Corporate Governance,

- met with the statutory auditors, without Executive Management being present, after examining the conclusions of their work and their declaration of independence,

- studied the issue of 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 2018, and reviewed the 2019 audit plan,

- reported back on its work to the Board of Directors.

- **Internal bylaws**

The Board meeting of July 25, 2012 approved the internal bylaws of the Board of Directors, which allow Directors to take part in meetings (debating and voting) by means of telecommunications that are compliant with applicable regulations.

- **Prevention of insider trading**

In accordance with the recommendations stated in the November 3, 2010 AMF Guide, the European Regulation of April 16, 2014 on market abuses and the October 26, 2016 AMF Guide for permanent information and the management of privileged information, the Company established procedures for "black-out periods" (periods to refrain from transactions involving the shares issued by the Company), which begin at least 30 days before the publication of company and half-yearly financial statements. Since the financial 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.

1.4 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, as issued by Order No. 2017-1180 of July 19, 2017, agreements entered into directly or indirectly or by proxy must be mentioned in the Report on Corporate Governance if they are:

- between one of the shareholders of Dassault Aviation holding a fraction greater than 10% of the voting rights,
- and a subsidiary of Dassault Aviation in which the latter holds more than half of its capital,

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 GIMD, which holds more than 10% of the voting rights in Dassault Aviation, or one of its subsidiaries,
- and Dassault Falcon Jet (or one of its subsidiaries), Dassault Falcon Service, Sogitec Industries or any other subsidiary of Dassault Aviation,

that would not constitute a current transaction concluded under normal 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 companies so-called "Pacte", the Board of Directors of the Company established a procedure for regularly assessing whether agreements deemed to be current, that is, agreements relating to current operations and concluded on normal terms and conditions, fulfill those conditions.

This procedure, as expressed in an internal charter, was approved by the Dassault Aviation Board of Directors on February 26, 2020. It is based on the joint evaluation by the Chief Financial Officer and the Director of Legal Affairs and Insurance of the Company, followed by the Audit Committee.

1.5 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.

1.6 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 said 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.

1.7 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.

1.8 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, 2019, it consisted of:

- Éric Trappier, Chairman and Chief Executive Officer,
- Loïk Segalen, Chief Operating Officer,
- Benoît Berger, 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,
- Benoît Dussaugey, Senior Executive Vice-President, International,
- Jean-Marc Gasparini, Executive Vice-President, Military and Space Programs,
- Bruno Giorgianni, Executive Committee Secretary and Executive Vice-President, Public Affairs and Security,
- Valérie Guillemet, Director of Human Resources,
- Frédéric Lherm, Senior Executive Vice-President, Industrial Operations,
- Gérald Maria, Senior Executive Vice-President, Total Quality,
- Philippe Massot, Senior Vice-President, Sales,
- Nicolas Mojaïsky, Senior Executive Vice-President, Engineering,
- Frédéric Petit, Senior Vice-President, Falcon Programs,
- Jean Sass, Chief Information Officer and Chief Digital Officer,

This Committee covers all subjects related to running and operating the different aspects of the Company. It meets once per week.

The year 2019 saw the arrival of the first woman on the Executive Committee: Valérie Guillemet, Director of Human Resources.

1.9 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,
- 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 21 days before the General Meeting, the documentation may be viewed on the aforementioned website in the Finance/General Meetings section.

The results of the vote on the resolutions and the minutes of the General Meeting are also placed online within 15 days following the meeting.

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 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 2019

2.1.1 Compensation paid to Charles Edelstenne, Honorary Chairman

- for GIMD, which controls Dassault Aviation:

Charles Edelstenne received gross compensation of EUR 900,000 as Chairman and, as a member of the Supervisory Board, a gross annual amount of EUR 13,364. .

He had a chauffeur-driven company car (benefit in kind valued at EUR 10,351) 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 42,021 gross in compensation in France as a member of the Board of Directors of Dassault Falcon Jet and EUR 37,400 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, after revaluation of the AGIRC-ARRCO point in 2019. 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.

2.1.2 Compensation of directors

- **Olivier Dassault, director**

- for GIMD, which controls Dassault Aviation:

Olivier Dassault received gross annual compensation of EUR 53,364 as Chairman of the Supervisory Board and EUR 353,164 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 34,667 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 56,864 as Chairman (until June 19, 2019), then as a member of the Supervisory Board and, as Director of Communications and Sponsorship, a gross annual amount of EUR 366,184.

She enjoyed the use of a company car (benefit in kind valued at EUR 3,755).

- for Dassault Aviation:

Marie-Hélène Habert received EUR 34,667 gross in compensation as a member of the Board of Directors.

- **Catherine Dassault, director**

- for Dassault Aviation:

Catherine Dassault 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, 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 2019 is presented in Table 3 on page 23. These items are subject to the approval of the Ordinary General Meeting of Shareholders (Resolution No. 4 as presented in paragraph 2.2.3).

2.1.3 Compensation of corporate officers in 2019

- **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 1,566,605 gross, a 3.07% increase from 2018.

His compensation does not include any variable or exceptional compensation.

He was not awarded any stock options.

On February 27, 2019, the Board of Directors ascertained compliance with the performance criteria to which the 850 shares allocated to him by the Board in its meeting of March 7, 2018 are subject. On March 7, 2019, he therefore acquired 850 performance shares. These performance shares were valued at EUR 1,313 per share, or EUR 1,116,050 in aggregate.

The Board of Directors, in its meeting of February 27, 2019, allocated him 1,100 performance shares. These performance shares were valued at EUR 1,242 per share on December 31, 2019, or EUR 1,366,200 in aggregate. These shares accounted for 0.01% of the capital as of December 31, 2019. The acquisition of these shares is accompanied by performance criteria that were reviewed by the Board of Directors on February 26, 2020. These shares are accompanied by a one-year vesting period and a one-year retention period.

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 8,711) and reimbursement of actual costs incurred in connection with his functions.

In addition, he received EUR 76,000 gross in compensation as Chairman of the Board of Directors (double fees).

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 starting January 1, 2018, allows for an annual acquisition of additional pension benefits equal to 2% of annual gross compensation, upon performance conditions as defined each year by the Board of Directors, for an amount of EUR 31,502 for 2019.

The rights acquired as of December 31, 2017 under the old plan (as described in the 2016 Annual Report) have been frozen and amount to EUR 392,000 (based on retirement at the age of 65 years).

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 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	2015	2016	2017	2018	2019 (**)
Compensation ratios					
relative to average wages (Parent Company) (*)	31,7	30,6	35,8	40,4	41,5
realtive to median wages (Parent Company) (*)	38,6	37,1	43,3	49,1	50,4
Annual growth					
of the compensation of d'Eric Trappier	38,7%	-1,4%	17,3%	17,2%	10,9%
of the average compensation of employees (*)	-4,4%	2,1%	0,5%	3,8%	7,9%
Adjusted net income	481 825	383 791	489 234	681 138	814 035
Change from previous year	21%	-20%	27%	39%	20%

(*) *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 42,021 gross in compensation as a member of the Board of Directors of Dassault Falcon Jet and EUR 39,900 gross in compensation as a member of the Board of Directors of Thales.

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

- for Dassault Aviation:

Loïk Segalen received gross annual compensation as Chief Operating Officer of EUR 1,385,907 gross, a 3.07% increase from 2018.

His compensation does not include any variable or exceptional compensation.

He was not awarded any stock options.

On February 27, 2019, the Board of Directors ascertained compliance with the performance criteria to which the 725 shares allocated to him by the Board in its meeting of March 7, 2018 are subject. On March 7, 2019, he therefore acquired 725 performance shares. These performance shares were valued at EUR 1,313 per share, or EUR 951,925 in aggregate.

The Board of Directors, in its meeting of February 27, 2019, allocated 925 performance shares to him. These performance shares were valued at EUR 1,242 per share on December 31, 2019, or EUR 1,148,850 in aggregate. These shares accounted for 0.01% of the capital as of December 31, 2019. The acquisition of these shares is accompanied by performance criteria that were reviewed by the Board of Directors on February 26, 2020. These shares are accompanied by a one-year vesting period and a one-year retention period.

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 8,697) and reimbursement of actual costs incurred in connection with his functions.

On January 9, 2013, the date of his appointment as Chief Operating Officer, the employment contract of Loïk Segalen was suspended due to:

- his length of service of 27 years with the Company on the date of his appointment as Chief Operating Officer in January 2013,
- the desire of the Company to use internal promotion in the appointment of Corporate Officers, entrusting these responsibilities to experienced executives with deep knowledge of the industry and the aviation sector.

The decision to suspend his employment contract was consistent with the AMF's position in its reports on corporate governance in relation to the contracts of corporate officers.

He has the supplementary retirement plan provided for the members of the Executive Committee and the flight crew. This plan, which has been applicable starting January 1, 2018, allows for an annual acquisition of additional pension benefits equal to 2% of annual gross compensation, under performance conditions as defined each year by the Board of Directors, for an amount of EUR 27,888 for 2019.

The rights acquired as of December 31, 2017 under the old plan (as described in the 2016 Annual Report) have been frozen and amount to EUR 355,000 (based on retirement at 65 years old).

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 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	2015	2016	2017	2018	2019 (**)
Compensation ratios					
relative to average wages (Parent Company) (*)	26,9	26,5	30,7	34,2	35,0
realtive to median wages (Parent Company) (*)	32,8	32,0	37,2	41,6	42,5
Annual growth					
of the compensation of Loïk Segalen	40,1%	0,4%	16,6%	15,6%	10,3%
of the average compensation of employees (*)	-4,4%	2,1%	0,5%	3,8%	7,9%
Adjusted net income	481 825	383 791	489 234	681 138	814 035
Change from previous year	21%	-20%	27%	39%	20%

(*) *including profit-sharing and incentive schemes*

(**) *on the basis of the shares allocated*

Loïk Segalen received EUR 42,021 gross in compensation in France as a member of the Board of Directors of Dassault Falcon Jet and EUR 41,150 gross in compensation as a member of the Board of Directors of Thales.

2.1.4 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)

	2019	**2018**
Éric Trappier, Chairman and Chief Executive Officer		
Compensation paid during the fiscal year (breakdown in table 2)	1,651,316	1,604,703
Value of year-on-year variable compensation granted during the fiscal year	-	-
Value of stock options granted during the fiscal year	-	-
TOTAL	1,651,316	1,604,703
Loïk Segalen, Chief Operating Officer		
Compensation paid during the fiscal year (breakdown in table 2)	1,394,604	1,353,344
Value of year-on-year variable compensation granted during the fiscal year	-	-
Value of stock options granted during the fiscal year		-
TOTAL	1,394,604	1,353,344

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

	2019	2018
Éric Trappier, Chairman and Chief Executive Officer Value of performance shares granted during the fiscal year *(see tables 6 and 9)*	1,366,200	1,116,050
Loïk Segalen, Chief Operating Officer Value of performance shares granted during the fiscal year *(see tables 6 and 9)*	1,148,850	951,925

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

	2019 - amounts		2018 - amounts	
	Attributed	Paid	Attributed	Paid
Éric Trappier, Chairman and Chief Executive Officer				
Fixed compensation	1,566,605	1,566,605	1,519,992	1,519,992
Annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Compensation for the term of office of Chairman of the Board of Directors (1)	76,000	76,000	76,000	76,000
Benefits in kind	8,711	8,711	8,711	8,711
TOTAL	**1,651,316**	**1,651,316**	**1,604,703**	**1,604,703**
Loïk Segalen, Chief Operating Officer				
Fixed compensation	1,385,907	1,385,907	1,344,647	1,344,647
Annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Compensation for the term of office of a director (1)	-	-	-	-
Benefits in kind	8,697	8,697	8,697	8,697
TOTAL	**1,394,604**	**1,394,604**	**1,353,344**	**1,353,344**

(1) Éric Trappier and Loïk Segalen each received EUR 42,021 gross in compensation for service on the Board of Directors of Dassault Falcon Jet. In addition, Eric Trappier and Loïk Segalen received compensation for service on the Board of Directors of Thales of, respectively, EUR 39,900 and EUR 41,150.

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

Non-executive corporate officers	Amounts attributed in 2019 (Gross)	Amounts paid in 2019 (Gross)	Amounts attributed in 2018 (Gross)	Amounts paid in 2018 (Gross)
Charles Edelstenne (1)				
Compensation	44,000	44,000	44,000	44,000
Other compensation	-	-	-	-
Olivier Dassault				
Compensation	34,667	34,667	30,500	30,500
Other compensation	-	-	-	-
Catherine Dassault				
Compensation	38,000	38,000	33,000	33,000
Other compensation	-	-	-	-
Marie-Hélène Habert				
Compensation	34,667	34,667	38,000	38,000
Other compensation	-	-	-	-
Mathilde Lemoine				
Compensation	38,000	38,000	35,500	35,500
Other compensation	-	-	-	-
Henri Proglio (2)				
Compensation	50,000	50,000	47,500	47,500
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	**321,334**	**321,334**	**310,500**	**310,500**

(1) in addition, in 2019, Charles Edelstenne received EUR 42,021 gross in compensation as a member of the Board of Directors of Dassault Falcon Jet (versus EUR 38,734 gross in 2018) and EUR 37,400 gross in directors' fees as a member of the Board of Directors of Thales (versus EUR 39,740 gross in 2018)
(2) including EUR 12,000 in 2019 and 2018 for the Audit Committee
(3) including EUR 6,000 in 2019 and 2018 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 allocated during fiscal year 2019	Value of shares (in EUR) (*)	Vesting date	Date of availability	Performance conditions
Éric Trappier	2019 Shares 2/27/2019	1,100	1,366,200	2/27/2020	2/27/2021	Yes
Loïk Segalen	2019 Shares 2/27/2019	925	1,148,850	2/27/2020	2/27/2021	Yes
TOTAL		**2,025** (**)	**2,515,050**			

(*) price of EUR 1,242 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 27, 2019.

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 2019	Vesting conditions
Éric Trappier	2017 Shares 3/7/2017	750	Shares vested after a vesting period of one year and subject to performance conditions
Loïk Segalen	2017 Shares 3/7/2017	675	Shares vested after a vesting period of one year and subject to performance conditions
TOTAL		**1,425**	

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.

	2015 Shares	2016 Shares	2017 Shares	2018 Shares	2019 Shares
Date of General Meeting	9/23/2015	9/23/2015	9/23/2015	9/23/2015	5/24/2018
Date of Board of Directors meeting	9/23/2015	3/9/2016	3/7/2017	3/7/2018	2/27/2019
Total number of shares allocated (*)	950	950	1,425	1,575	2,025
corporate officers	950	950	1,425	1,575	2,025
• Éric Trappier	500	500	750	850	1,100
• Loïk Segalen	450	450	675	725	925
Vesting date of shares	9/23/2016	3/9/2017	3/7/2018	3/7/2019	2/27/2020
End date of holding period	9/22/2017	3/8/2018	3/6/2019	3/6/2020	2/26/2021
Performance conditions	yes	yes	yes	yes	yes
Number of shares acquired	950				2 179 (*)
corporate officers	950	950	1,425	1,575	2 179
• Éric Trappier	500	500	750	850	1 184
• Loïk Segalen	450	450	675	725	995
Cumulative number of canceled or expired shares	0	0	0	0	0

(*) the total number of shares vested is capped at 112% of the number of shares allocated at the Board of Directors meeting of February 27, 2019.

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

N/A

Table 11 Other information on 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: 1/9/2013* *end of term: General Meeting of 2023*	yes (1)	yes	no (2)	no
Loïk Segalen Chief Operating Officer *start of term: 1/9/2013* *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 2020

The purpose of this paragraph is to present to you the components of the compensation policy for directors and corporate officers. 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.

2.2.1 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.

2.2.2 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 by reference to the recommendations of the AFEP/MEDEF Code. They are in accordance with the annual report of the AMF on Corporate Governance and the compensation of Executives of listed companies.

The compensation of the Chairman and Chief Executive Officer and of the Chief Operating Officer consists exclusively 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 2020, the Chairman and Chief Executive Officer and the Chief Operating Officer, by way of their corporate officer status, will not receive:

- any variable or exceptional compensation,
- any stock options,
- any private unemployment insurance,
- any severance packages,
- any special supplementary pensions.

In 2020, the Chairman and Chief Executive Officer and the Chief Operating Officer will receive performance shares.

On February 26, 2020, the Board of Directors decided to grant them 1 250 and 1 100 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 February 25, 2021 inclusive,
- presence in the workforce at the end of the vesting period,
- a one-year holding period, beginning on February 26, 2021 and ending on February 25, 2022 inclusive,
- starting on February 26, 2022, the retention by the corporate officers of 20% of those shares for the duration of their term.

In addition, the 2020 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:

- effective 2018, the supplementary pension plan backed by performance conditions, applicable to members of the Executive Committee and to the Company’s flight crew, which will be amended in 2020 in accordance with Order No. 2019-697 of July 3, 2019 regarding supplementary defined-benefit pensions, whose principle was approved by the Board of Directors on September 4, 2019 (repeal of the condition of presence and the condition of fulfillment of annual criteria in at least 2/3 of the years of the term of office).

- the rights acquired under the plan applicable to executives of the Company, which have been frozen as of December 31, 2017.

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.

2.2.3 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 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 2019 to the directors as presented in the Report on Corporate Governance (resolution 4),
- Approval of compensation elements paid or allocated during fiscal year 2019 to the Chairman and Chief Executive Officer as presented in the Report on Corporate Governance (resolution 5),
- Approval of compensation elements paid or allocated during fiscal year 2019 to the Chief Operating Officer as presented in the Report on Corporate Governance (resolution 6),
- Approval of the 2020 compensation policy for the directors as presented in the Report on Corporate Governance (resolution 7),
- Approval of the 2020 compensation policy for the Chairman and Chief Executive Officer as presented in the Report on Corporate Governance (resolution 8),
- Approval of the 2020 compensation policy for the Chief Operating Officer as presented in the Report on Corporate Governance (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 2018 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, 2019

ASSETS

(in EUR thousands)	Notes	**12/31/2019**	**12/31/2018**
Goodwill	2, 3	77,452	14,366
Intangible assets	4	40,931	28,881
Property, plant and equipment	4	819,416	489,009
Equity associates	5	1,841,218	1,924,093
Other non-current financial assets	6	207,730	204,618
Deferred tax assets	20	438,261	378,728
TOTAL NON-CURRENT ASSETS		**3,425,008**	**3,039,695**
Inventories and work-in-progress	7	3,368,351	3,403,278
Contract assets	14	14,788	16,967
Trade and other receivables	8	1,224,369	1,068,312
Advances and progress payments to suppliers	14	2,363,786	3,282,220
Derivative financial instruments	24	6,815	40,407
Other current financial assets	9	1,433,071	3,211,968
Cash and cash equivalents	9	3,532,883	2,990,141
TOTAL CURRENT ASSETS		**11,944,063**	**14,013,293**
TOTAL ASSETS		**15,369,071**	**17,052,988**

EQUITY AND LIABILITIES

(in EUR thousands)	Notes	**12/31/2019**	**12/31/2018**
Capital	10	66,790	66,790
Consolidated reserves and retained earnings		4,379,424	4,237,360
Currency translation adjustments		34,608	8,317
Treasury shares	10	-34,888	-36,432
TOTAL ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		**4,445,934**	**4,276,035**
Non-controlling interests		151	554
TOTAL EQUITY		**4,446,085**	**4,276,589**
Long-term borrowings and financial debt	11	216,176	335,306
Deferred tax liabilities	20	3,517	0
TOTAL NON-CURRENT LIABILITIES		**219,693**	**335,306**
Contract liabilities	14	7,375,703	9,198,007
Trade and other payables	13	1,075,599	914,298
Tax and social security liabilities	13	291,985	309,191
Short-term borrowings and financial debt	11	342,042	656,070
Provisions for contingencies and charges	12	1,540,323	1,337,402
Derivative financial instruments	24	77,641	26,125
TOTAL CURRENT LIABILITIES		**10,703,293**	**12,441,093**
TOTAL EQUITY AND LIABILITIES		**15,369,071**	**17,052,988**

INCOME STATEMENT

(in EUR thousands)	Notes	2019	2018
NET SALES	15	**7,370,616**	**5,119,219**
Other revenue	16	60,164	110,494
Change in work-in-progress		-311,902	-52,505
Purchases consumed		-4,698,415	-3,287,081
Personnel expenses (1)		-1,302,723	-1,204,926
Taxes		-71,887	-68,935
Depreciation and amortization	4	-142,495	-82,211
Allocations to provisions	12	-811,240	-1,047,885
Reversals of provisions	12	703,819	983,211
Other operating income and expenses	17	315	-2,852
CURRENT OPERATING INCOME		**796,252**	**466,529**
Other non-current income and expenses (2)		0	241,000
OPERATING INCOME		**796,252**	**707,529**
Cost of net financial debt		-61,288	-86,507
Other financial income and expenses		-34,337	-59,376
NET FINANCIAL INCOME/EXPENSE	19	**-95,625**	**-145,883**
Share in net income of equity associates	5	258,673	205,849
Income tax	20	-246,578	-194,693
NET INCOME		**712,722**	**572,802**
Attributable to the owners of the Parent Company		*712,704*	*572,741*
Attributable to non-controlling interests		*18*	*61*
Earnings per share (in EUR)	21	**85.7**	**69.1**
Diluted earnings per share (in EUR)	21	**85.7**	**69.1**

(1) personnel expenses include incentive schemes and profit-sharing (EUR -155,581 thousand in 2019 and EUR -139,713 thousand in 2018) as well as contributions paid to French pension plans, comparable to defined contribution plans (EUR -96,432 thousand in 2019 and EUR -89,957 thousand in 2018).

(2) in 2018, Dassault Aviation signed an amicable agreement with Safran that settled their dispute over the Silvercrest engine that was expected to equip the Falcon 5X. Under the terms of this agreement, Dassault Aviation received an indemnity of USD 280 million from Safran, which was recorded as other non-current operating income.

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

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.

2018

(in EUR thousands)	Notes	Fully consolidated companies	Equity associates	2018
NET INCOME		**366,953**	**205,849**	**572,802**
Derivative financial instruments (1)	5, 24	-108,511	-26,262	-134,773
Deferred taxes	5, 20	33,839	8,961	42,800
Currency translation adjustments		33,987	-782	33,205
Items to be subsequently recycled to P&L		**-40,685**	**-18,083**	**-58,768**
Other non-current financial assets	6	-1,699	0	-1,699
Actuarial adjustments on pension benefit obligations	5, 12	49,818	72,434	122,252
Deferred taxes	5, 20	-9,862	-1,124	-10,986
Items that will not be recycled to P&L		**38,257**	**71,310**	**109,567**
Income and expense recognized directly through equity		**-2,428**	**53,227**	**50,799**
RECOGNIZED INCOME AND EXPENSE		**364,525**	**259,076**	**623,601**
Owners of the Parent Company		*364,464*	*259,076*	*623,540*
Non-controlling interests		*61*		*61*

(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 retained earnings and other reserves	Derivative financial instruments					
As of 01/01/2018	**66,495**	**3,616,050**	**100,386**	**-24,888**	**-37,828**	**3,720,215**	**493**	**3,720,708**
Capital increase	295	60,937				61,232		61,232
Net income for the year		*572,741*				*572,741*	*61*	*572,802*
Income and expense recognized directly through equity		*109,567*	*-91,973*	*33,205*		*50,799*		*50,799*
Recognized income and expense		682,308	-91,973	33,205		623,540	61	623,601
Dividend in shares		*-59,675*				*-59,675*		*-59,675*
Dividend in cash		*-66,929*				*-66,929*		*-66,929*
Dividends paid		-126,604				-126,604		-126,604
Share-based payments (1)		1,689				1,689		1,689
Movements on treasury shares (1)		-1,396			1,396	0		0
Other changes (2)		-4,037				-4,037		-4,037
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 (3)		-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 in cash		-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**

(1) see Note 10.

(2) for Thales, this represents in particular the change in treasury shares, employee share issues and share-based payments. In 2019, other changes also include 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) see Note 1.A of the accounting principles.

CASH FLOW STATEMENT

(in EUR thousands)	Notes	2019	2018
I - NET CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME		712,722	572,802
Elimination of net income of equity associates, net of dividends received	5	-140,865	-108,111
Elimination of gains and losses from disposals of non-current assets	17	415	4,444
Change in the fair value of derivative financial instruments	24	14,454	37,958
Change in the fair value of other current financial assets		-1,311	-4,820
Income tax (including deferred taxes)	20	246,578	194,693
Allocations to and reversals of depreciation, amortization and provisions (excluding those related to working capital requirement)	4, 12	210,198	361,123
Other items	10	2,279	1,689
Net cash from operating activities before working capital changes and taxes		**1,044,470**	**1,059,778**
Income taxes paid		**-248,008**	**-222,409**
Change in inventories and work-in-progress (net)	7	40,317	68,156
Change in contract assets	14	2,179	-16,967
Change in advances and progress payments to suppliers	14	919,089	-756,349
Change in trade and other receivables (net)	8	-113,912	-199,941
Change in contract liabilities	14	-1,831,850	1,071,034
Change in trade and other payables	13	144,585	178,544
Change in tax and social security liabilities	13	-23,103	71,575
Increase (-) or decrease (+) in working capital requirement		**-862,695**	**416,052**
Total I		**-66,233**	**1,253,421**
II - NET CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of intangible assets and property, plant and equipment	4	-216,706	-140,206
Increase in other non-current financial assets	6	-6,833	-17,542
Disposals of or reductions in non-current assets		3,826	26,720
Net cash from acquisitions and disposals of subsidiaries	2	-106,201	0
Total II		**-325,914**	**-131,028**
III - NET CASH FLOWS FROM FINANCING ACTIVITIES			
Net change, as acquisition cost, of other current financial assets	9	1,780,208	-52,235
Capital increase and share premium	10	0	61,232
Increase in financial debt	11	107,429	70,866
Repayment of financial debt	11	-783,408	-174,665
Dividends paid during the year	22	-176,238	-126,604
Total III		**927,991**	**-221,406**
IV - Impact of exchange rate fluctuations and others **Total IV**		6,898	27,735
CHANGE IN NET CASH AND CASH EQUIVALENTS (I+II+III+IV)		**542,742**	**928,722**
Opening net cash and cash equivalents	9	2,990,141	2,061,419
Closing net cash and cash equivalents	9	3,532,883	2,990,141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Accounting principles

A/ GENERAL PRINCIPLES

On February 26, 2020, the Board of Directors closed and authorized the publication of the Dassault Aviation consolidated financial statements for the year ended December 31, 2019. These consolidated financial statements will be submitted for approval to the Annual General Meeting on May 12, 2020.

• A1 Reference standards

A1-1 Basis for preparation of financial information

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.

A1-2 Changes in 2019 to the accounting standards applicable to Dassault Aviation

Standards, amendments and interpretations whose application has become mandatory as of January 1, 2019

Since January 1, 2019, the Group has applied the following standards, amendments, and interpretations:

- IFRS 16 “Leases”,
- IFRIC 23 “Uncertainty over Income Tax Treatments”,
- amendments to IAS 28 “Investments in Associates and Joint Ventures”,
- annual improvements to IFRS 2015-2017,
- amendments to IAS 19 “Employee Benefits”,
- amendments to IFRS 9 “Financial Instruments”.

The impacts of the application of IFRS 16 are detailed below. The other texts have no impact on the Group consolidated financial statements.

Standards, amendments and interpretations whose application is mandatory after January 1, 2019

The main texts published by the IASB and not yet adopted by the European Union include:

- 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.

The Group has opted for early application of the amendment to IFRS 9, IAS 39 and IFRS 7 on financial instruments published by the IASB in September 2019 as part of the reform of benchmark interest rates. This amendment provides relief from the uncertainty surrounding future benchmark rates, and allows companies to maintain interest rate risk hedging relationships until this uncertainty is removed. Interest rate risk hedging derivatives are presented in Note 24. An analysis of the impact of the upcoming change to benchmark indices is underway.

The other texts were not applied in advance by the Group when that option was offered.

Application of IFRS 16

IFRS 16 “Leases” is mandatory as from 1 January, 2019 and replaces IAS 17 and the associated IFRIC and SIC interpretations

IFRS 16 treats all leases using a single accounting model consisting in recording a financial debt (based on the discounted value of future lease payments) on the lessees’ liability, and a right of use on the asset side, classified on the balance sheet according to the relevant underlying asset (intangible asset or property, plant and equipment). The rental expense for the year is reallocated as an amortization of the right of use and as an interest expense for the liability related to the lease commitment.

The Group has applied the standard using the modified retrospective approach as of January 1, 2019 by recognizing the cumulative effect of the initial application of the standard on the date of first application. As a result, the 2018 comparative figures were not restated.

The leases falling within the scope of this standard are mainly real estate leases (land and buildings). The Group applies the two exemptions provided for by the standard (leases of less than 12 months and leases for low-value assets).

The lease terms correspond, for each contract, to the periods that cannot be terminated, plus the renewal options whose exercise is reasonably certain and the termination options that the lessee is reasonably certain not to exercise. The Group has thus determined contract by contract the duration during which the contract is enforceable. This period has been determined in relation to the legal characteristics of the contract. The Group took note the IFRS IC decisions of November 26, 2019 on the assessment of lease terms for contracts renewable by tacit renewal or without a contractual maturity date. The IFRS IC confirms that the period must be determined by using an economic vision, in addition to the legal characteristics. The Group’s analysis of the consequences of the IFRS IC decisions of November 26, 2019 is underway.

For each lease, the Group has chosen to assess the asset recognized for the right of use by determining the carrying amount as if that standard had been applied since the effective date of the lease, but discounted it using its marginal borrowing rate on the date of first application. The weighted average marginal discounted rate applied to lease obligations recognized at the transition date is 1.2%.

The Group also considered that the exemption from the initial recognition of deferred taxes did not apply. Deferred taxes will thus be recognized during the lifetime of each of the leases.

The difference between the amount of EUR 222,192 thousand given for operating leases in Note 25 of the consolidated financial statements as of December 31, 2018 and the net value of rights of use of EUR 165,304 thousand as of January 1, 2019 (see Note 4.3) is primarily a result of the discounting of lease obligations.

• A2 Key Management choices and 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.

• A3 Presentation of 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.

• A4 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 made to the Chairman and Chief Executive Officer and to the Chief Operating Officer, which is used for strategy and decision-making, includes no performance analysis, as defined by IFRS 8, at a level lower than this sector.

B/ CONSOLIDATION PRINCIPLES AND METHODS

• B1 Scope and methods of consolidation

B1-1 Companies under exclusive control

Companies over which Dassault Aviation exercises exclusive control, directly or indirectly, are fully consolidated if their relative significance justifies it.

B1-2 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.

B1-3 Companies under joint control

Joint arrangements classified as joint ventures are accounted for using the equity method if their relative significance justifies it.

B1-4 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 equivalent Group totals,
- 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, 2019, all non-consolidated companies do not exceed the thresholds described above collectively.

B1-5 Elimination of inter-company operations

All material inter-company transactions and internal margins included in non-current assets, inventories and work-in-progress are eliminated.

• B2 Closing date

All consolidated companies close their fiscal year on December 31.

• B3 Conversion of financial statements of subsidiaries outside the euro area

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.

C/ VALUATION PRINCIPLES

• C1 Goodwill and business combinations

Business combinations are accounted for 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 company acquired is fully consolidated,
    - under Equity associates if the company acquired 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.

The goodwill is not amortized but is subject to impairment tests each year *(see C3 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.

• C2 Intangible assets and property, plant and equipment

C2-1 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 or 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. They are amortized over the term of the lease, which generally corresponds to the firm duration of the contract unless an intention to renew or terminate the contract is known. The impacts of implementing IFRS 16 on the financial statements of Dassault Aviation Group are described in Note 1.A of the Accounting Principles.

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.

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 calling the project into question,
- the economic criterion is validated by the orders placed or options obtained on the date the technical requirement is considered satisfied,
- the financial information reliability criterion is satisfied for significant programs because the information system differentiates 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.

C2-2 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.

C2-3 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.

• C3 Impairment and recoverable value of tangible and intangible assets 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 of ensuring that the recoverable values of the tangible assets, 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 a tangible or 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, with a post-tax discount rate of 6.7% (7.2% as of December 31, 2018) and a 2% long-term growth rate (same as of December 31, 2018). The discount rate used includes the rates prevailing in the aviation industry and was calculated using the same method as in 2018. 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 amount. Impairments may be reversed, except for those relating to goodwill.

• C4 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 amount, with the recoverable value being equivalent to the value in use, as defined in paragraph C3, 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 Thales Management.

An impairment may be reversed if the recoverable value once again exceeds the carrying value.

• C5 Other non-current financial assets

C5-1 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 shares will be recognized under other income and expense directly recorded through equity, without any effect to profit or loss. Only dividends continue to be recognized in profit or loss.

C5-2 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 recognized at amortized cost (historical cost less repayments). Other assets are recognized at their historical cost.

• C6 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.

• C7 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 carrying amount.

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 written down up to the amount of the estimated risk for the portion not covered by credit insurance (Bpifrance Assurance Export or collateral).

Non written-down 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.

• C8 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.

• C9 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 which 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 changes in fair value and net disposal gains or losses are recognized in financial income as income from cash and cash equivalents.

• C10 Treasury shares

C10-1 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 impact the result of the period.

C10-2 Share-based payments

Dassault Aviation has plans in place 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.

• C11 Provisions for contingencies and charges

C11-1 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 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".

C11-2 Retirement costs

Commitments to employees for retirement costs are provisioned 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 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.

• C12 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.

• C13 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 present value.

In accordance with IFRS standards, deferred tax assets and liabilities are not discounted.

• C14 Derivative financial instruments

C14-1 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 are hedged using interest rate swaps.

C14-2 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.

• C15 Net sales and key figures

C15-1 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 progressive 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" starting January 1, 2019 (formerly IAS 17).

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 it is the case for certain development contracts, are recognized at the end of the service provided.

Agent/principal

Contracts involving co-contractors 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 co-contractors' parts) is recognized.

C15-2 Tax credits for competitiveness and employment and research tax credits

The amounts acquired as tax credits for competitiveness and employment by the French companies of the Group are deducted from personnel expenses. This measure disappeared in 2019 and was replaced by a reduction in employer social security contributions.

Research tax credits are included in operating income in "other revenue" when obtaining them does not depend on the realization of a tax profit.

C15-3 Net financial income

Net financial income 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.

• C16 Deferred taxes

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 profits are 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, 2019

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

Name	Country	% interest (1)		Consolidation method (2)
		12/31/2019	12/31/2018	
DASSAULT AVIATION (3)	**France**	**Parent company**	**Parent company**	
DASSAULT AVIATION BUSINESS SERVICES SA	**Switzerland**	**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 PTY LTD	Australia	100	-	FC
- EXECUJET MRO SERVICES NEW ZEALAND LTD	New Zealand	100	-	FC
- EXECUJET MRO SERVICES BELGIUM NV	Belgium	100	-	FC
- EXECUJET SERVICES MALAYSIA SDN. BHD	Malaysia	100	-	FC
- EXECUJET MRO SERVICES (PTY) LTD	South Africa	100	-	FC
SOGITEC INDUSTRIES	**France**	**100**	**100**	**FC**
TAG MAINTENANCE SERVICES SA	**Switzerland**	**100**	**-**	**FC**
- TAG MAINTENANCE SERVICES LE BOURGET	France	100	-	FC
- TAG MAINTENANCE SERVICES FARNBOROUGH LTD.	United Kingdom	100	-	FC
- TAG MAINTENANCE SERVICES PORTUGAL UNIPESSOAL LDA	Portugal	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 24.63% of the capital, 24.69% of the interest rights and 29.81% of the voting rights as of December 31, 2019.

(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 Register No. 712 042 456 - 9, Rond-Point des Champs-Élysées Marcel Dassault - 75008 Paris.

2.2 2019 change in scope

In 2019, the Group expanded its network of excellence maintenance centers while increasing its market share in Falcon maintenance through the acquisition of maintenance centers worldwide and their gradual integration:

- ExecuJet, present in Europe, the Middle East, Africa, Asia and Australia,
- TAG Aviation, present in France, Portugal, the United Kingdom, and Switzerland,
- RUAG, present in Switzerland. RUAG's airport services (FBO) activities were also acquired.

The closings took place on March 28, 2019 for ExecuJet (except Dubai, which took place on January 23, 2020), July 1 for activities acquired from RUAG (now Dassault Aviation Business Services SA) and September 2, 2019 for TAG Maintenance Services.

These companies are consolidated by full consolidation. The impacts of these acquisitions on the Group's financial statements as of December 31, 2019 are not material.

Note 3 - Goodwill

Goodwill totaled EUR 77,452 thousand as of December 31, 2019 and EUR 14,366 thousand as of December 31, 2018.

(in EUR thousands)	**12/31/2019**	**12/31/2018**
Dassault Aviation Business Services	9,640	0
Dassault Falcon Jet	5,887	5,887
Dassault Falcon Service	3,702	3,702
ExecuJet	26,683	0
Sogitec	4,777	4,777
TAG Maintenance Services	26,763	0
Goodwill	**77,452**	**14,366**

ExecuJet purchase price allocation (PPA) has been finalized. This work led the Group to recognize intangible assets in the amount of EUR 5,004 thousand (customer relationships and brand), to revalue tangible assets (constructions) for EUR 9,627 thousand and to recognize deferred tax liabilities for EUR 4,003 thousand.

Works on the purchase price allocation of Dassault Aviation Business Services and TAG Maintenance Services are in progress and will be finalized in 2020. The amounts shown as goodwill will be revised accordingly.

As the tests performed in accordance with IAS 36 “Impairment of Assets” did not indicate any impairment loss, no provision for goodwill impairment was recognized. A 10% variation in the discount rate and the long-term growth rate does not affect the absence of goodwill 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)	12/31/2019	12/31/2018
Net value		
France	578,309	341,131
United States	210,185	176,759
Other	71,853	0
TOTAL	**860,347**	**517,890**
Of which intangible assets	40,931	28,881
Of which property, plant and equipment	819,416	489,009

4.2 Intangible assets

4.2.1 Changes in net intangible assets

(in EUR thousands)	Intangible Assets (PPA)	Other intangible assets	Total
Net value as of December 31, 2018	**0**	**28,881**	**28,881**
Changes in scope	5,004	1,165	6,169
Acquisitions/increases	0	18,693	18,693
Disposals/decreases	0	-33	-33
Depreciation and amortization	-795	-11,635	-12 430
Currency translation adjustments	0	-81	-81
Other	0	-268	-268
Net value as of December 31, 2019	**4,209**	**36,722**	**40,931**

4.2.2 Breakdown by type

(in EUR thousands)	12/31/2019			12/31/2018
	Gross	Depreciation	Net	Net
Intangible assets acquired (PPA) (1)	5,004	-795	4,209	0
Development costs (2)	162,925	-154,598	8,327	12,608
Software, patents, licenses and similar assets	141,713	-121,968	19,745	11,947
Intangible assets in progress; advances and progress payments	8,650	0	8,650	4,326
Intangible assets	**318,292**	**-277,361**	**40,931**	**28,881**

(1) see Note 3.

(2) see paragraph C2-1 of the accounting principles.

4.3 Property, plant and equipment

4.3.1 Changes in net tangible assets

(in EUR thousands)	Right of use (1)	Other property, plant and equipment	**Total**
Net value as of December 31, 2018	**0**	**489,009**	**489,009**
First application of IFRS 16	165,304	0	165,304
Changes in scope	27,310	42,139	69,449
Acquisitions/increases	30,402	198,013	228,415
Disposals/decreases	-3,877	-2,974	-6,851
Depreciation and amortization	-52,150	-77,915	-130,065
Allocations/reversals of provisions for impairment	0	-486	-486
Currency translation adjustments	749	3,624	4,373
Other	0	268	268
Net value as of December 31, 2019	**167,738**	**651,678**	**819,416**

(1) mostly real estate leases (land and buildings, see paragraph A1 of the Accounting Principles).

4.3.2 Breakdown by type

(in EUR thousands)	**12/31/2019**				**12/31/2018**
	Gross	Depreciation	Impairment (1)	**Net**	**Net**
Rights of use	633,153	-465,415	0	167,738	0
Land	41,984	-9,426	0	32,558	29,783
Buildings	649,246	-374,711	0	274,535	236,892
Plant, equipment and machinery	683,295	-554,846	0	128,449	126,879
Other	308,258	-188,676	-14,720	104,862	60,223
Construction in progress; advances and progress payments	111,274	0	0	111,274	35,232
Property, plant and equipment	**2,427,210**	**-1,593,074**	**-14,720**	**819,416**	**489,009**

(1) impairment tests on property, plant and equipment (see paragraph C3 on accounting principles)

- the impairment tests performed on cash-generating units did not reveal any impairment to be recognized as of December 31, 2019
- the provision for impairment of used business aircraft was revised to EUR 14,720 thousand as of December 31, 2019, compared with EUR 14,018 thousand as of December 31, 2018

Note 5 - Equity associates

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

As of December 31, 2019, Dassault Aviation held 24.69% of the interest rights of the Thales Group, compared to 24.73% as of December 31, 2018. 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	
	12/31/2019	12/31/2018	2019	2018
Thales (1)	1,816,825	1,902,173	253,314	201,823
Other	24,393	21,920	5,359	4,026
Total	**1,841,218**	**1,924,093**	**258,673**	**205,849**

(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)	2019	2018
As of January 1	**1,924,093**	**1,766,792**
First application of IFRS 16	1,408	0
Share in net income of equity associates	258,673	205,849
Elimination of dividends paid (1)	-117,808	-97,738
Income and expense recognized directly through equity		
- Securities at fair value	-3,062	0
- Derivative financial instruments (2)	-17,271	-26,262
- Actuarial adjustments on pension benefit obligations	-129,525	72,434
- Deferred taxes	20,074	7,837
- Currency translation adjustments	11,347	-782
Share of equity associates in other income and expense recognized directly through equity	-118,437	53,227
Other movements (3)	-106,711	-4,037
At the end of the period	**1,841,218**	**1,924,093**

(1) in 2019, the Group received EUR 83,000 thousand in dividends for 2018 and EUR 31,519 thousand in interim dividends for 2019. In 2018, Thales paid the Group EUR 68,291 thousand in dividends for 2017 and EUR 26,266 thousand in interim dividends for 2018.

(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 change in treasury shares, employee share issues and share-based payments. In 2019, other changes also include 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 summary financial statements (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.

(in EUR thousands)	2019	2018
Non-current assets	15,344,700	8,531,900
Current assets (1)	15,878,700	16,973,900
Equity attributable to the owners of the Parent Company	5,449,200	5,699,600
Non-controlling interests	232,900	224,900
Non-current liabilities (2)	7,340,200	4,964,700
Current liabilities (3)	18,201,100	14,616,600
Total balance sheet	**31,223,400**	**25,505,800**
Net sales	18,401,000	15,854,700
Net income attributable to the owners of Parent Company (4)	1,121,900	981,800
Other comprehensive income, net of tax attributable to the owners of the Parent Company	-483,300	209,100
Total comprehensive income attributable to the shareholders of the Parent Company	638,600	1,190,900

(1) including cash and cash equivalents: EUR 2,931,400 thousand in 2019 (EUR 5,637,500 thousand in 2018).

(2) including non-current financial liabilities: EUR 3,611,700 thousand in 2019 (EUR 2,421 600 thousand in 2018).

(3) including current financial liabilities: EUR 2,828,000 thousand in 2019 (EUR 594,900 thousand in 2018).

(4) including depreciation and amortization: EUR -1,112,500 thousand in 2019 (EUR -485,000 thousand in 2018)

including financial interest on gross debt: EUR -62,900 thousand in 2019 (EUR -26,500 thousand in 2018).

including financial income related to cash and cash equivalents: EUR 19,600 thousand in 2019 (EUR 19,600 thousand in 2018).

including income tax: EUR -301,000 thousand in 2019 (EUR -314,200 thousand in 2018).

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)	2019	2018
Thales net income (100%)	**1,121,900**	**981,800**
Thales net income - Dassault Aviation share	**276,997**	**242,799**
Post-tax amortization of the purchase price allocation (1)	-22,228	-39,580
Other consolidation restatements	-1,455	-1,396
Dassault Aviation share in net income of equity associates	**253,314**	**201,823**

(1) Amortization of identified assets for which the modes and periods of amortization are identical to those used for the year ended December 31, 2018.

5.4 Impairment

Based on the market price of the Thales share as of December 31, 2019 (EUR 92.52 per share), Dassault Aviation's stake in Thales is valued at EUR 4,860 million.

In the absence of any objective indication of impairment, the Thales investment was not subject to an impairment test as of December 31, 2019.

Note 6 - Other non-current financial assets

(in EUR thousands)	12/31/2018	Acquisition Increase	Disposal Decrease	Change in fair value	Other	12/31/2019
Non-listed securities (1)	119,443	5	-3,066	3,697	-4	120,075
Embraer shares (1)	32,547	0	0	-3,471	0	29,076
Other financial assets (2)	52,628	6,828	-1,066	0	189	58,579
Loans granted to investments	*16,863*	*4,505*	*-483*	*0*	*0*	*20,885*
Advance lease payments	*33,822*	*2,079*	*-289*	*0*	*189*	*35,801*
Housing loans and other	*1,943*	*244*	*-294*	*0*	*0*	*1,893*
Other non-current financial assets	**204,618**	**6,833**	**-4,132**	**226**	**185**	**207,730**

(1) unconsolidated 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, that 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 26,200 thousand.

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

(in EUR thousands)	12/31/2019			12/31/2018		
	Historical cost	Unrealized capital gain/loss	Asset value	Historical cost	Unrealized capital gain/loss	Asset value
Non-listed securities	89,646	30,429	120,075	92,711	26,732	119,443
Embraer shares	32,120	-3,044	29,076	32,120	427	32,547
Other financial assets	58,579	0	58,579	52,628	0	52,628
Other non-current financial assets	**180,345**	**27,385**	**207,730**	**177,459**	**27,159**	**204,618**

Note 7 - Inventories and work-in-progress

(in EUR thousands)	12/31/2019			12/31/2018
	Gross	Impairment	Net	Net
Raw materials	205,570	-90,350	115,220	97,814
Work-in-progress	2,533,318	-14,219	2,519,099	2,823,241
Semi-finished and finished goods	1,064,390	-330,358	734,032	482,223
Inventories and work-in-progress	**3,803,278**	**-434,927**	**3,368,351**	**3,403,278**

The decrease in inventories due the works performed and delivered under the Rafale Export contracts was partially offset by the increase in Falcon and Defense France inventories and work-in-progress.

Note 8 - Trade and other receivables

8.1 Details

(in EUR thousands)	12/31/2019			12/31/2018
	Gross	Impairment	Net	Net
Trade receivables (1)	743,477	-81,258	662,219	534,438
Corporate income tax receivables	56,133	0	56,133	87,271
Other receivables	247,856	0	247,856	340,721
Prepayments	258,161	0	258,161	105,882
Trade and other receivables	**1,305,627**	**-81,258**	**1,224,369**	**1,068,312**

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

The percentage of outstanding receivables not written-down at year-end is subject to regular individual monitoring. The exposure of Dassault Aviation to credit risk is presented in Note 24.2.

8.2 Schedule

(in EUR thousands)	12/31/2019			12/31/2018		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables (1)	743,477	570,497	172,980	606,731	417,090	189,641
Corporate income tax receivables	56,133	56,133	0	87,271	87,271	0
Other receivables	247,856	203,565	44,291	340,721	245,587	95,134
Prepayments	258,161	99,431	158,730	105,882	27,555	78,327
Trade and other receivables	**1,305,627**	**929,626**	**376,001**	**1,140,605**	**777,503**	**363,102**

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

8.3 Receivables relating to finance leases

(in EUR thousands)	12/31/2019	12/31/2018
Minimum lease receivables	178,421	193,181
Unearned financial income	-17,255	-22,116
Provisions for impairment	-13,973	-5,484
Receivables relating to finance leases	**147,193**	**165,581**

The amount due within one year of minimum lease receivables is EUR 20,795 thousand as of December 31, 2019.

Note 9 - Cash

9.1 Net cash

(in EUR thousands)	12/31/2019	12/31/2018
Cash equivalents (1)	2,617,278	1,923,547
Cash at bank and in hand	915,605	1,066,594
Cash and cash equivalents in assets	**3,532,883**	**2,990,141**
Bank overdrafts	0	0
Net cash in the cash flow statement	**3,532,883**	**2,990,141**

(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)	12/31/2019	12/31/2018
Other current financial assets (market value) (1)	1,433,071	3,211,968
Cash and cash equivalents (market value)	3,532,883	2,990,141
Sub-total	**4,965,954**	**6,202,109**
Borrowings and financial debts, excluding lease liabilities (2)	-380,534	-991,376
Available cash	**4,585,420**	**5,210,733**

(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 a short-term.

(2) see 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, 2019 (as was the case on December 31, 2018). 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, 2019, as it was on December 31, 2018.

The distribution of share capital as of December 31, 2019 is as follows:

	Shares	% Capital	% Voting rights
GIMD (1)	5,196,076	62.3%	76.9%
Float	2,289,498	27.4%	17.0%
Airbus	827,529	9.9%	6.1%
Dassault Aviation (treasury shares)	35,600	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)	2019	2018
Treasury shares as of January 1	**37,175**	**38,600**
Purchase of shares	0	0
Cancellation of shares	0	0
Share-based payments (see Note 10.3)	-1,575	-1,425
Treasury shares as of December 31	**35,600**	**37,175**

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

The 35,600 treasury shares held as of December 31, 2019 (EUR 980 per share) were allocated to potential allocations of performance shares 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 2019	Number of shares canceled (1)	Balance of performance shares as of 12/31/2019
03/07/2018	from 03/07/2018 to 03/06/2019	1,575	EUR 1,405	1,575	0	0
02/27/2019	from 02/27/2019 to 02/26/2020	2,025	EUR 1,400	0	0	2,025

(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.

2018 plan

An expense of EUR 1,221 thousand was recorded in 2019 under this plan, the fair value of which totaled EUR 2,068 thousand (average value of EUR 1,313 per share).

2019 plan

An expense of EUR 1,058 thousand was recorded in 2019 under this plan, the fair value of which totaled EUR 2,515 thousand (average value of EUR 1,242 per share).

Note 11 - Borrowings and financial debt

(in EUR thousands)	Bank borrowings (1)	Lease liabilities (2)	Other financial liabilities (3)	**Borrowings and financial debt**
As of December 31, 2018	**874,565**	**0**	**116,811**	**991,376**
First application of IFRS 16	0	174,544	0	174,544
Change in scope	13,478	27,310	0	40,788
Increase	4,787	30,402	102,642	137,831
Decrease	-625,582	-55,441	-106,313	-787,336
Other	146	869	0	1,015
As of December 31, 2019	**267,394**	**177,684**	**113,140**	**558,218**

(1) these borrowings, mostly denominated in euros, are repayable in 2020. EUR 250 million initially subscribed at variable rate were swapped at fixed rate.

(2) lease liabilities recognized as a result of the application of IFRS 16 (see Note 1.A of the accounting principles).

(3) other financial debt 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 revised IAS 19. However, in view of the low historical differences between remuneration rate and discount rate, we consider that the evaluation method by cost less repayments 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 12/31/2019	Amount due within one year	Amount due in more than one year		
			Total in more than one year	*Maturing > 1 year and < 5 years*	*Maturing > 5 years*
Bank borrowings	267,394	267,394	0	*0*	*0*
Lease liabilities	177,684	54,825	122,859	*67,724*	*55,135*
Other 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*

(in EUR thousands)	Total as of 12/31/2018	Amount due within one year	Amount due in more than one year		
			Total in more than one year	*Maturing > 1 year and < 5 years*	*Maturing > 5 years*
Bank borrowings	874,565	624,557	250,008	*250,008*	*0*
Other financial liabilities	116,811	31,513	85,298	*85,223*	*75*
Borrowings and financial debt	**991,376**	656,070	335,306	*335,231*	*75*

The change in borrowings and financial debt between 2019 and 2018 breaks down as follows:

(in EUR thousands)	**12/31/2018**	Cash flow	Reclassification	Other movements (1)	**12/31/2019**
Long-term borrowings and financial debt	335,306	27,917	-324,656	177,609	216,176
Short-term borrowings and financial debt	656,070	-703,896	324,656	65,212	342,042
Borrowings and financial debt	**991,376**	**-675,979**	**0**	**242,821**	**558,218**

(1) other movements include impacts related to the application of IFRS 16.

Note 12 - Provisions

12.1 Provisions for contingencies and charges and for impairment

(in EUR thousands)	**12/31/2018**	**Allocations**	**Reversals**	**Other (1)**	**12/31/2019**
Provisions for contingencies and charges					
Operational	1,337,402	282,881	-215,664	135,704	1,540,323
	1,337,402	**282,881**	**-215,664**	**135,704**	**1,540,323**
Provisions for impairment					
Financial assets	154	0	0	0	154
Property, plant and equipment	14,018	14,752	-14,266	216	14,720
Inventories and work-in-progress	395,132	434,638	-401,302	6,459	434,927
Trade receivables	72,293	78,969	-72,587	2,583	81,258
	481,597	**528,359**	**-488,155**	**9,258**	**531,059**
Provisions for contingencies and charges and for impairment	**1,818,999**	**811,240**	**-703,819**	**144,962**	**2,071,382**

(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)	12/31/2018	Allocations	Reversals	Other	12/31/2019
Warranty (1)	903,772	192,204	-101,189	1,035	995,822
Services (1)	226,023	43,562	-80,849	1,163	189,899
Retirement payments (2)	194,015	44,278	-27,433	133,417	344,277
French companies	*164,469*	*31,423*	*-18,090*	*64,393*	*242,195*
US companies	*29,546*	*12,855*	*-9,343*	*69,024*	*102,082*
Others (3)	13,592	2,837	-6,193	89	10,325
Provisions for contingencies and charges	**1,337,402**	**282,881**	**-215,664**	**135,704**	**1,540,323**

(1) provisions reflect changes to the fleet in service and contracts delivered. In 2019, this change is mainly related to the military contracts delivered (see accounting principles C11-1).

(2) actuarial adjustments contributed to the increase in the provision for retirement payments in the amount of EUR 133,100 thousand. They are distributed as follows:

French companies	*64,393*
US companies	*68,707*
Total actuarial adjustments	*133,100*

(3) as of December 31, 2019, the other long-term benefits relating to long-service awards amounted to EUR 3,645 thousand, compared to EUR 3,608 thousand at the end of 2018. The headcount adjustment measures (including end-of-career leave) put in place by the Group ended in 2019. No more amounts are provisioned for this purpose as of December 31, 2019. They represented EUR 5,317 thousand as of the end of 2018.

12.3 Provisions for retirement payments

12.3.1 Calculation methods (defined benefit plans)

Retirement 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.

As a reminder, none of the Group companies have commitments for medical insurance plans.

12.3.2 Assumptions used

(in EUR thousands)	France		United States	
	2019	2018	2019	2018
Inflation rate	2.00%	2.00%	2.25%	2.25%
Discount rate	0.70%	1.60%	3.45%	4.55%
Weighted average salary increase rate	3.80%	3.80%	2.25%	2.22%

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 Change in commitments and plan assets

Changes in commitments and plan assets over the last five years are as follows:

(in EUR thousands)	**2019**	**2018**	**2017**	**2016**	**2015**
Total commitment	965,305	794,245	800,621	800,609	741,037
Plan assets	621,028	600,230	500,007	525,740	446,435
Unfunded status	**344,277**	**194,015**	**300,614**	**274,869**	**294,602**

Changes over the year of commitments break down as follows:

(in EUR thousands)	**2019**			**2018**		
	France	United States	**Total**	France	United States	**Total**
As of January 1	491,088	303,157	**794,245**	494,020	306,601	**800,621**
Current service cost	26,674	11,096	37,770	26,452	11,686	38,138
Interest expense	8,285	13,977	22,262	7,808	11,878	19,686
Benefits paid	-18,090	-11,037	-29,127	-20,569	-10,088	-30,657
Actuarial adjustments	70,123	64,476	134,599	-16,623	-30,912	-47,535
Foreign exchange differences	0	5,556	5,556	0	13,992	13,992
As of December 31	578,080	387,225	**965,305**	491,088	303,157	**794,245**

A 0.50 point decrease in the discount rate would increase the total commitment by EUR 79,803 thousand, while a 0.50 point increase in the discount rate would decrease the total commitment by EUR 71,309 thousand.

Changes in plan assets during the period are as follows:

(in EUR thousands)	**2019**			**2018**		
	France	United States	**Total**	France	United States	**Total**
As of January 1	326,619	273,611	**600,230**	269,514	230,493	**500,007**
Expected return on plan assets	3,536	12,218	15,754	2,553	9,305	11,858
Actuarial adjustments	5,730	-4,231	1,499	4,552	-2,269	2,283
Employer contributions	0	9,343	9,343	50,000	34,258	84,258
Benefits paid	0	-11,037	-11,037	0	-10,088	-10,088
Foreign exchange differences	0	5,239	5,239	0	11,912	11,912
As of December 31	335,885	285,143	**621,028**	326,619	273,611	**600,230**

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

(in EUR thousands)	**2019**			**2018**		
	France	United States	**Total**	France	United States	**Total**
Current service costs	26,674	11,096	37,770	26,452	11,686	38,138
Interest expense	8,285	13,977	22,262	7,808	11,878	19,686
Expected return on plan assets	-3,536	-12,218	-15,754	-2,553	-9,305	-11,858
Cost for defined benefit plans	31,423	12,855	**44,278**	31,707	14,259	**45,966**

Plan assets are invested as follows:

	2019		2018	
	France	United States	France	United States
Bonds and debt securities	85%	99%	86%	99%
Real estate	9%	0%	8%	0%
Shares	6%	0%	6%	0%
Liquidities	0%	1%	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)	12/31/2019			12/31/2018		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade payables	902,153	902,153	0	738,873	738,873	0
Other liabilities	169,896	169,896	0	173,015	173,015	0
Prepayments	3,550	2,102	1,448	2,410	542	1,868
Trade and other payables	**1,075,599**	**1,074,151**	**1,448**	**914,298**	**912,430**	**1,868**
Income tax liabilities	1,056	1,056	0	6,257	6,257	0
Other tax and social security liabilities	290,929	290,929	0	302,934	302,934	0
Tax and social liabilities	**291,985**	**291,985**	**0**	**309,191**	**309,191**	**0**

Note 14 - Contract assets and liabilities

(in EUR thousands)	Contract assets	Contract liabilities
Contract assets/liabilities as of December 31, 2018	**16,967**	**-9,198,007**
Customer advances and progress payments	*-57,433*	*-9,231,141*
Other contract assets/liabilities	*74,400*	*33,134*
Change in customer advances and progress payments	-1,579	2,368,465
Change in other contract assets/liabilities	-600	-546,161
Contract assets/liabilities as of December 31, 2019	**14,788**	**-7,375,703**
Customer advances and progress payments	*-59,012*	*-6,862,676*
Other contract assets/liabilities	*73,800*	*-513,027*

The decrease in contract liabilities is primarily a result of the decrease in payments received under Rafale Export contracts following deliveries for 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’ parts. The progress payments paid reflect the repayment of these parts to the co-contractors:

(in EUR thousands)	12/31/2019	12/31/2018
Customer advances and progress payments	-6,921,688	-9,288,574
Advances and progress payments to suppliers	2,363,786	3,282,220
Customer advances and progress payments net of advances and progress payments to suppliers	**-4,557,902**	**-6,006,354**

Note 15 - Net sales

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

(in EUR thousands)	2019	2018
France (1)	915,312	1,132,841
Export (2)	6,455,304	3,986,378
Net sales	**7,370,616**	**5,119,219**

(1) mainly the French state, with whom the Group realized more than 10% of its total net sales in 2019, as in 2018.

(2) more than 10% of Group net sales were made with Qatar and with India in 2019. In 2018, more than 10% had been made with Egypt. 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)	2019	2018
Falcon	2,222,473	2,634,824
Defense	5,148,143	2,484,395
Net sales	**7,370,616**	**5,119,219**

By type, net sales break down as follows:

(in EUR thousands)	2019	2018
Finished goods	5,300,595	3,797,398
Services	2,070,021	1,321,821
Net sales	**7,370,616**	**5,119,219**

By origin, net sales break down as follows:

(in EUR thousands)	2019	2018
France	6,351,858	4,037,389
United States	934,708	1,081,830
Other countries	84,050	0
Net sales	**7,370,616**	**5,119,219**

Note 16 - Other revenue

(in EUR thousands)	2019	2018
Research tax credits	33,217	32,443
Interest on arrears	446	2,073
Capitalized production	5,706	0
Other operating income	20,795	75,978
Other revenue	**60,164**	**110,494**

Note 17 - Other operating income and expenses

(in EUR thousands)	2019	2018
Gains/losses from disposals of non-current assets	-415	-4,444
Foreign exchange gains or losses from business transactions (1)	2,118	2,323
Other operating expenses	-1,388	-731
Other operating income and expenses	**315**	**-2,852**

(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)	2019	2018
Research and development costs	-527,287	-391,775

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

Note 19 - Net financial income

(in EUR thousands)	2019	2018
Income from cash and cash equivalents	12,508	3,374
Change in fair value of other current financial assets	1,311	4,820
Cost of gross financial debt (1)	-75,107	-94,701
Cost of net financial debt	**-61,288**	**-86,507**
Dividends and other investment income	262	305
Interest income and gains/losses on disposal of other financial assets (excluding cash and cash equivalents)	8,779	8,724
Foreign exchange gain/loss (2)	-43,378	-68,405
Other financial income and expenses	**-34,337**	**-59,376**
Net financial income/expense	**-95,625**	**-145,883**

(1) the financial expense recognized for the financing component of long-term Defense contracts was EUR -62,066 thousand in 2019, versus EUR -84,273 thousand in 2018. In 2019, the cost of gross financial debt also includes a financial expense of EUR -3,086 thousand related to lease liabilities, following the applicationof IFRS 16 (see Note 1.A of the accounting principles).

(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 - Tax position

20.1 Net effect of taxes on net income

(in EUR thousands)	12/31/2019	12/31/2018
Corporate tax	-248,008	-222,409
Deferred tax income/expense	1,430	27,716
Income tax	**-246,578**	**-194,693**

20.2 Net effect of taxes on other income and expense recognized directly through equity - fully consolidated companies

(in EUR thousands)	12/31/2019	12/31/2018
Derivative financial instruments	21,246	33,839
Other non-current financial assets	1,338	376
Actuarial adjustments	31,363	-10,238
Income tax recognized directly through equity	**53,947**	**23,977**

20.3 Reconciliation between theoretical and actual income tax expense

(in EUR thousands)	**2019**	**2018**
Net income	712,722	572,802
Cancellation of the income tax	246,578	194,693
Cancellation of the Group share of net income of equity associates	-258,673	-205,849
Income before tax	700,627	561,646
Theoretical income tax expenses calculated at the current rate (1)	**-241,226**	**-193,375**
Effect of tax credits (2)	12,562	14,805
Effect of differences in tax rates (3)	-9,268	-24,922
Other	-8,646	8,799
Income tax recognized	**-246,578**	**-194,693**

(1) a rate of 34.43% applies in 2019, as in 2018.

(2) the research tax credit, which is recognized in other revenue, is EUR 33,217 thousand for 2019 versus EUR 32,443 thousand for 2018. The tax credit for competitiveness and employment, which is recognized as a deduction from employee costs, represented EUR 8,367 thousand in 2018. It was replaced by a reduction in social security expenses in 2019.

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

20.4 Sources of deferred tax

(in EUR thousands)	**Consolidated balance sheet**		**Consolidated income statement**	
	12/31/2019	**12/31/2018**	**2019**	**2018**
Temporary differences on provisions (profit-sharing, pension, etc.)	320,181	301,429	-13,116	42,062
Other current and non-current financial assets and cash equivalents	-2,932	-2,567	-2,181	-827
Derivative financial instruments	21,002	-3,921	3,677	10,592
Other temporary differences	96,493	83,787	13,050	-24,111
Deferred tax income/expense			**1,430**	**27,716**
Net deferred taxes	**434,744**	**378,728**		
Deferred tax assets	*438,261*	*378,728*		
Deferred tax liabilities	*-3,517*	*0*		

20.5 Deferred tax assets not recognized in balance sheet

(in EUR thousands)	**12/31/2019**	**12/31/2018**
Deferred tax assets not recognized	8,968	10,948

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

Note 21 - Earnings per share

Earnings per share	2019	2018
Net income attributable to the owners of the Parent Company (in EUR thousands) (1)	712,704	572,741
Average number of shares outstanding	8,312,823	8,293,441
Diluted average number of shares outstanding	8,313,836	8,294,229
Earnings per share (in EUR)	**85.7**	**69.1**
Diluted earnings per share (in EUR)	**85.7**	**69.1**

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

Earnings per share are calculated by dividing 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 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 for performance shares granted.

Note 22 - Dividends paid and proposed

Dividends	2019	2018
Decided and paid during the year (in EUR thousands) (1)	176,238	126,604
i.e. per share (EUR)	21.20	15.30
Proposed to the Annual General Meeting for approval, not recognized as a liability as of December 31 (in EUR thousands)	212,057	176,993
i.e. per share (EUR)	25.40	21.20

(1) net of dividends on treasury shares.

Note 23 - Financial instruments

The valuation method on the balance sheet (cost or fair value) of financial instruments (assets or liabilities) is detailed in the tables below.

The Group used the following hierarchy for the fair value valuation of the 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 12/31/2019			
	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.

As of December 31, 2018, the data were as follows:

(in EUR thousands)	Balance sheet value as of 12/31/2018			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current assets				
Other non-current financial assets	52,628		151,990	204,618
Current assets				
Trade and other receivables	1,068,312			1,068,312
Derivative financial instruments		7,984	32,423	40,407
Other current financial assets		3,211,968		3,211,968
Cash equivalents (2)		1,923,547		1,923,547
Total financial instruments (assets)	**1,120,940**	**5,143,499**	**184,413**	**6,448,852**
Level 1 (2)		5,135,515	32,547	
Level 2		7,984	32,423	
Level 3		0	119,443	

(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, 2018: EUR 1,884,827 thousand.

23.2 Financial instruments (liabilities)

(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
Lease liabilities	122,859			122,859
Other financial debt (2)	93,317			93,317
Current liabilities				
Bank borrowings	267,394			267,394
Lease liabilities	54,825			54,825
Other financial debt (2)	19,823			19,823
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.

As of December 31, 2018, the data were as follows:

(in EUR thousands)	Balance sheet value as of 12/31/2018			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	250,008			250,008
Other financial debt (2)	85,298			85,298
Current liabilities				
Bank borrowings	624,557			624,557
Other financial debt (2)	31,513			31,513
Trade and other payables	914,298			914,298
Derivative financial instruments		18,218	7,907	26,125
Total financial instruments (liabilities)	**1,905,674**	**18,218**	**7,907**	**1,931,799**
Level 1		0	0	
Level 2		18,218	7,907	
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 debt

The Group has no significant risk in relation to its financial debt. The contracts for these loans include the usual default clauses and restrictions in terms of security conditions and merger or sale transactions. One of the loan clauses stipulates an early repayment would be demanded if GIMD were to hold less than 50% of the capital of Dassault Aviation before the loan maturity date. These loans do not contain any accelerated repayment or prepayment clauses based on rating or financial ratios. The features of these loans are described 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	As %
Cash at bank and in hand, money market investments and time deposits	3,707,939	75%
Investments in bonds (1)	646,125	13%
Unspecified investments (1)	611,890	12%
Total	**4,965,954**	**100%**

(1) investments in bonds subscribed by the Group are investments with a short-term management horizon and unspecified investments as defined by the AMF classification are 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, 2019 (as was the case on December 31, 2018).

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)	12/31/2019		
	Impact on net income	**Impact on equity**	**Total**
Cash at bank and in hand, money market investments and time deposits	3,707,939	0	3,707,939
Investments in bonds	646,125	0	646,125
Unspecified investments	611,890	0	611,890
Total	**4,965,954**	**0**	**4,965,954**

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 performing 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 amount of Bpifrance Assurance Export guarantees and collaterals obtained and not exercised at year-end appear 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)	12/31/2019		12/31/2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Exchange rate derivatives	6,815	77,271	40,407	22,043
Interest rate derivatives	0	370	0	4,082
Derivative financial instruments	**6,815**	**77,641**	**40,407**	**26,125**
Net derivative financial instruments		**70,826**	**14,282**	

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 as a function of changes over time in expected net cash flows.

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 12/31/2019	Market value as of 12/31/2018
Instruments which qualify for hedge accounting	-45,972	27,990
Instruments which do not qualify for hedge accounting	-24,484	-9,626
Foreign exchange derivatives	**-70,456**	**18,364**

The counterparty risk for foreign exchange 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, 2019, this counterparty risk is insignificant.

The breakdown of the fair value of the financial instrument derivatives per maturity rate is as follows:

(in EUR thousands)	Within one year	More than one year	Total
Foreign exchange derivatives	-39,346	-31,110	**-70,456**

Interest rate derivatives

The Group is exposed to the volatility of interest rates through loans taken out at a variable rate (see Note 11). The loans were swapped at a fixed rate to limit this risk.

24.3.2 Impacts of derivatives on the Group’s financial statements

The impact on net income and equity of the changes in fair value in hedging instruments over the period is as follows:

(in EUR thousands)	12/31/2018	Impact on equity (1)	Impact on net financial income (2)	12/31/2019
Exchange rate derivatives	18,364	-73,962	-14,858	-70,456
Interest rate derivatives	-4,082	3,308	404	-370
Net derivative financial instruments	**14,282**	**-70,654**	**-14,454**	**-70,826**

(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, 2018 (USD 1.1450/EUR) and December 31, 2019 (USD 1.1234/EUR).

24.3.3 Sensitivity test for 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)	**12/31/2019**		**12/31/2018**	
Net balance sheet position	-70,456		18,364	
Closing US dollar/euro exchange rate	1.1234 $/€		1.1450 $/€	
Closing dollar/ euro exchange rate +/- 10 cents	1.2234 $/€	1.0234 $/€	1.2450 $/€	1.0450 $/€
Change in net balance sheet position (1)	+254,977	-293,839	+157,947	-190,721
Impact on net income	*+107,992*	*-118,129*	*+35,209*	*-44,496*
Impact on equity	*+146,985*	*-175,710*	*+122,738*	*-146,225*

(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.

24.3.4 Risks related to Embraer shares

On December 31, 2019, the Embraer shares were valued at EUR 29,076 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 share price. A 10% upward or downward variation in the exchange rate and/or share price would have no significant impact on the Group's equity and results.

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)	**12/31/2019**	**12/31/2018**
Commitments given under commercial contracts	11,476,515	12,142,096
Guarantees and deposits	90,659	46,458
Commitments given secured by bank guarantees	1,427,902	1,688,860
Commitments given	**12,995,076**	**13,877,414**

(in EUR thousands)	**12/31/2019**	**12/31/2018**
Transaction price allocated to the remaining performance obligations	17,797,875	19,375,871
Other commitments received under commercial contracts	1,633,129	1,633,129
Collateral	106,725	71,029
Bpifrance Assurance Export guarantees	25,957	62,854
Commitments received secured by bank guarantees	24,772	11,684
Commitments received	**19,588,458**	**21,154,567**

The breakdown of the backlog by maturity is as follows:

(in EUR thousands)	**Less than one year**	**Between one and four years**	**More than four years**	**Total**
Transaction price allocated to the remaining performance obligations	5,141,851	10,273,692	2,382,332	**17,797,875**

Note 26 - Contingent assets and liabilities

There are no contingent assets or liabilities as of December 31, 2019.

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 and Chief Executive Officer, and the Chief Operating Officer of Dassault Aviation
- the directors of Dassault Aviation

Terms and conditions of related-party transactions

Sales and purchases are made at market prices. 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 2019, the Group did not recognize any provisions for bad debts relating to amounts receivable from related parties. The need for provisions is assessed 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)	**2019**	**2018**
Sales	4,062	5,662
Purchases	1,298,868	465,564
Trade receivables	783	3,501
Customer advances and progress payments	2,634	1,834
Trade payables	196,388	40,508
Advances and progress payments to suppliers	1,485,785	1,938,151
Advance lease payments	33,071	31,879

27.2 Corporate officers compensation 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)	**2019**	**2018**
Fixed compensation	2,953	2,865
Directors' fees	523	580
Benefits in kind	17	17
Performance shares	2,068	1,425
Other	0	4
Compensation of corporate officers and benefits in kind	**5,561**	**4,891**

Note 28 – Average number of employees

The Group’s average number of employees was 12,101 in 2019. It was 11,395 in 2018.

Note 29 - Auditors’ fees

The statutory auditors’ fees recognized as expenses for 2019 and 2018 are as follows:

(in EUR thousands)	DELOITTE & ASSOCIÉS		MAZARS	
	2019	**2018**	**2019**	**2018**
Certification of accounts (1)	756	311	539	596
Other audit services (2)	65	50	113	64
Auditors’ fees	**821**	**361**	**652**	**660**

(1) these fees primarily include the review and certification of the Group’s consolidated financial statements, certification of the financial statements of the parent company Dassault Aviation and its subsidiaries and compliance with local regulations.

(2) these fees are mainly for services relative to non-financial performance declaration, drafting of specific certifications, technical consultations and services rendered for possible disposals or acquisitions of entities.

Note 30 - Subsequent events

No events likely to have a material impact on the financial statements occurred between December 31, 2019 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, 2019

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, 2019.

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, 2019 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 applicable to us, for the period from January 1, 2019 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 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

Observation

Without qualifying the opinion expressed above, we draw your attention to Note “A1-2 Change in 2019 in the accounting standard applicable to Dassault Aviation” of the notes to the consolidated financial statements which sets out changes in accounting methods relating to the application, as from January 1, 2019 of IFRS 16 “Leases”.

Justification of Assessments - Key Audit Matters

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.

Risk identified	***Our response***

Revenue recognition in accordance with IFRS 15 "Revenue from Contracts with Customers"
 	
(Notes C15-1 items 14, 15 and 25 to the consolidated financial statements)
 	
IFRS 15, applied by the Group since January 1, 2018, requires the identification of a contract as well as the various performance obligations 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, the last of which concerns 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).
	Our work consisted of:
	• for the 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.
	
	We also assessed the appropriateness of the information given in Notes C15-1, items 14, 15 and 25 of the consolidated financial statements.

Risk identified	***Our response***

Defense contract monitoring
 	
(Notes C11-1, C15, items 12.2, 14 and 15 of the consolidated financial statements.)
 	
For Defense contracts, 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 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.
 	
The Group's Management believes that the program monitoring process conducted by experienced employees in Program Departments and the Finance Department through management control is sufficiently robust to make reliable estimates of earnings of contracts at completion given the items known at the end of the year.
For the 2019 financial year, Defense net sales recognized by the Group increased to €5,148 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.
	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.
	
	As part of 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; and
	• verifying the correct analytical allocation of costs to contracts.
	
	For a selection of contracts, for which there was a significant change in margin of 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;
	
	We also assessed the appropriateness of the information given in Notes C11-1, C15, items 12.2, 14 and 15 of the consolidated financial statements.

Risk identified	*Our response*
Valuation of warranty provisions *(Note C11-1 and item 12.2 of the notes to the consolidated financial statements)* Dassault Aviation provides “regular” 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, 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 €996 million as at December 31, 2019. 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 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 internal 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 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. We also assessed the appropriateness of the information given in Note C11-1 and item 12.2 of the notes to the consolidated financial statements.

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.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Dassault Aviation Company by the General Meeting held on April 25, 2002 for cabinet Deloitte & Associés and held on June 19, 1990 for cabinet Mazars.

As at December 31, 2019, audit firm Deloitte & Associés and audit firm Mazars were in the 18th year and 30th 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.

Paris-La Défense and Courbevoie, March 12, 2020

The Statutory Auditors

Deloitte & Associés	Mazars
Marc de Villartay	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, 2019

ASSETS

(in EUR thousands)	Notes to the financial statements	12/31/2019			12/31/2018
		Gross	Depreciation, amortization and provisions	Net	Net
Intangible assets	2	131,628	-111,810	19,818	15,283
Property, plant and equipment	2	1,297,604	-832,108	465,496	346,692
Financial assets	3	2,402,485	-8,165	2,394,320	2,279,325
TOTAL NON-CURRENT ASSETS		**3,831,717**	**-952,083**	**2,879,634**	**2,641,300**
Inventories and work-in-progress	4	3,400,770	-344,266	3,056,504	3,367,554
Advances and progress payments to suppliers		2,437,934	0	2,437,934	3,421,666
Trade receivables	6	957,691	-60,843	896,848	687,674
Other receivables and prepayments	6	611,305	0	611,305	611,049
Marketable securities and cash instruments	9	1,987,191	-75	1,987,116	2,870,509
Cash at bank and in hand		1,764,946	0	1,764,946	2,126,277
TOTAL CURRENT ASSETS		**11,159,837**	**-405,184**	**10,754,653**	**13,084,729**
TOTAL ASSETS		**14,991,554**	**-1,357,267**	**13,634,287**	**15,726,029**

EQUITY AND LIABILITIES

(in EUR thousands)	Notes to the financial statements	12/31/2019	12/31/2018
Capital	10, 13	66,790	66,790
Share premiums	13	137,186	137,186
Reserves	12	2,472,559	2,206,360
Net income for the year		490,290	442,438
Investment subsidies		1,868	2,410
Regulated provisions	14	126,345	118,521
TOTAL EQUITY	13	**3,295,038**	**2,973,705**
PROVISIONS FOR CONTINGENCIES AND CHARGES	14	**1,340,252**	**1,223,800**
Borrowings and financial debt (1)	15	359,897	988,785
Advances and progress payments received on orders		6,825,299	9,179,471
Trade payables	16	852,137	758,997
Other liabilities, cash instruments, accruals and deferred income	17	961,664	601,271
TOTAL LIABILITIES		**8,998,997**	**11,528,524**
TOTAL EQUITY AND LIABILITIES		**13,634,287**	**15,726,029**

(1) including bank overdrafts:		0	0

INCOME STATEMENT

(in EUR thousands)	Notes to the financial statements	2019	2018
NET SALES	20	**6,976,456**	**4,398,911**
Change in work-in-progress		-573,758	136,476
Reversals of provisions, depreciation and amortization, charges transferred		564,863	774,127
Other income		20,876	105,051
OPERATING INCOME		**6,988,437**	**5,414,565**
Purchases consumed		-4,095,990	-2,852,156
Personnel expenses		-806,138	-758,718
Other operating expenses		-486,030	-435,693
Taxes and social security contributions		-68,771	-59,693
Depreciation and amortization	2	-60,558	-57,776
Allocations to provisions	14	-734,850	-852,465
OPERATING EXPENSES		**-6,252,337**	**-5,016,501**
NET OPERATING INCOME		**736,100**	**398,064**
NET FINANCIAL INCOME/EXPENSE	22	**112,444**	**92,689**
CURRENT INCOME		**848,544**	**490,753**
Non-recurring items	23	-16,136	240,523
Employee profit-sharing and incentive schemes		-147,306	-130,835
Income tax	24	-194,812	-158,003
NET INCOME		**490,290**	**442,438**

CASH FLOW STATEMENT

(in EUR thousands)	Notes to the financial statements	2019	2018
I – NET CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME		490,290	442,438
Elimination of gains and losses from disposals of non-current assets	23	2,985	-21
Net allocations to and reversals of depreciation, amortization and provisions (excluding those related to Working Capital Requirement)	2, 3, 14	192,160	336,708
Net cash from operating activities before working capital changes		**685,435**	**779,125**
Change in inventories and work-in-progress (net)	4	311,050	-104,480
Change in advances and progress payments to suppliers		983,732	-751,296
Change in trade receivables (net)	6	-209,174	-252,190
Change in other receivables, cash instruments and prepayments	6	2,472	-98,450
Change in customer advances and progress payments		-2,354,172	1,338,329
Change in trade payables		93,140	131,480
Change in other liabilities, cash instruments, accruals and deferred income	17	360,393	111,790
Increase (-) or decrease (+) in working capital requirement		**-812,559**	**375,183**
Total I		**-127,124**	**1,154,308**
II - NET CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of intangible assets and property, plant and equipment	2	-188,801	-118,697
Increase in financial assets	3	-123,445	-21,242
Change in investment subsidies		-543	-700
Disposals of or reductions in non-current assets	2, 3, 23	2,968	14,469
Total II		**-309,821**	**-126,170**
III - NET CASH FLOWS FROM FINANCING ACTIVITIES			
Change in capital	13	0	295
Increase in other equity items	13	0	60,937
Increase in financial debt	15	101,858	69,020
Repayment of financial debt	15	-730,746	-173,281
Dividends paid during the year	32	-176,238	-126,604
Total III		**-805,126**	**-169,633**
CHANGE IN NET CASH AND CASH EQUIVALENTS (I + II +III)		**-1,242,071**	**858,505**
Opening net cash and cash equivalents (1)		4,992,741	4,134,236
Closing net cash and cash equivalents (1)		3,750,670	4,992,741

(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
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

The financial statements of the Parent Company as of December 31, 2019 were closed by the Board of Directors on February 26, 2020, and will be submitted for approval to the Annual General Meeting on May 12, 2020. The company I 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 concern notably:

- 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.

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 6.7% (compared to 7.2% as of December 31, 2018) and a 2% long-term growth rate (same as of December 31, 2018). The discount rate used includes the rates prevailing in the aviation industry and was calculated using the same method as in 2018. 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.

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.

• B3 Equity investments, 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.

• 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.

• 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 derivative financial instruments to hedge its exposure to risks from fluctuations in exchange rates, interest rates and, more marginally, from fluctuations in commodity prices.

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.

Interest rate risks result from variable rate borrowings contracted by the Company. Interest rate risks are hedged using interest rate swaps.

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 are off-balance sheet commitments with the exception of those that hedge balance sheet positions that 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 unrealized gains tax, has been adopted to provide a fairer presentation of the results of the Company.

• 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)	12/31/2018	Acquisitions Allocations	Disposals Reversals	Other	12/31/2019
Gross value					
Software, patents, licenses and similar assets	114,883	10,193	-1	3,347	128,422
Assets in progress; advances and progress payments	4,326	2,227	0	-3,347	3,206
	119,209	**12,420**	**-1**	**0**	**131,628**
Depreciation, amortization					
Software, patents, licenses and similar assets	-103,926	-7,885	1	0	-111,810
	-103,926	**-7,885**	**1**	**0**	**-111,810**
Net value					
Software, patents, licenses and similar assets	10,957				16,612
Assets in progress; advances and progress payments	4,326				3,206
Total	**15,283**	**4,535**	**0**	**0**	**19,818**

2.2 Property, plant and equipment

(in EUR thousands)	12/31/2018	Acquisitions Allocations	Disposals Reversals	Other	12/31/2019
Gross value					
Land	38,214	2,722	-53	820	41,703
Buildings	303,803	16,025	-1,284	1,678	320,222
Plant, equipment and machinery	535,364	21,624	-6,605	5,702	556,085
Other property, plant and equipment	227,293	55,626	-1,884	1,149	282,184
Assets in progress; advances and progress payments	28,063	80,384	-1,688	-9,349	97,410
	1,132,737	**176,381**	**-11,514**	**0**	**1,297,604**
Depreciation, amortization					
Land	-8,712	-767	53	0	-9,426
Buildings	-216,844	-10,793	1,192	0	-226,445
Plant, equipment and machinery	-439,305	-27,699	6,523	0	-460,481
Other property, plant and equipment	-115,949	-13,414	1,657	0	-127,706
	-780,810	**-52,673**	**9,425**	**0**	**-824,058**
Impairment (1)					
Other property, plant and equipment	-5,235	-8,050	5,235	0	-8,050
	-5,235	**-8,050**	**5,235**	**0**	**-8,050**
Net value					
Land	29,502				32,277
Buildings	86,959				93,777
Plant, equipment and machinery	96,059				95,604
Other property, plant and equipment	106,109				146,428
Assets in progress; advances and progress payments	28,063				97,410
Total	**346,692**	**115,658**	**3,146**	**0**	**465,496**

(1) impairment tests on property, plant and equipment (see Paragraph B2 of the Accounting rules and methods):

- A provision of EUR 8,050 thousand was recognized in 2019 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, 2019.

Note 3 - Financial assets

(in EUR thousands)	12/31/2018	Acquisitions Allocations	Disposals Reversals	Other	12/31/2019
Equity associates (1)	2,194,000	110,008	0	0	2,304,008
Receivables from equity investments	16,863	11,489	-483	0	27,869
Other investment securities	37,387	0	-3,066	0	34,321
Loans	2,096	240	-293	0	2,043
Other financial assets	32,557	1,708	-21	0	34,244
Total	**2,282,903**	**123,445**	**-3,863**	**0**	**2,402,485**
Provisions	-3,578	-8,011	3,424	0	-8,165
Net value	**2,279,325**	**115,434**	**-439**	**0**	**2,394,320**

(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, 2019 (EUR 92.52 per share), Dassault Aviation's stake in Thales is valued at EUR 4,860 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, 2019.

Maturity of financial assets

(in EUR thousands)	Total	Within one year	More than one year
Receivables from equity investments	27,869	4,370	23,499
Loans	2,043	210	1,833
Other financial assets	34,244	32,264	1,980
Total	**64,156**	**36,844**	**27,312**

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		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	119,153	119,153	0	0	0
Foreign subsidiaries	152,484	152,484	6,984	90,659	0
Total	**271,637**	**271,637**	**6,984**	**90,659**	**0**
Associates					
French associates	1,990,841	1,986,950	0	0	114,765
Foreign associates	75,851	71,731	21,672	0	16
Total	**2,066,692**	**2,058,681**	**21,672**	**0**	**114,781**
Grand total	**2,338,329**	**2,330,318**	**28,656**	**90,659**	**114,781**

Note 4 - Inventories and work-in-progress

(in EUR thousands)	12/31/2019			12/31/2018
	Gross	Impairment	Net	Net
Raw materials	200,734	-88,283	112,451	95,441
Work-in-progress	2,304,586	0	2,304,586	2,878,344
Semi-finished and finished goods	895,450	-255,983	639,467	393,769
Total	**3,400,770**	**-344,266**	**3,056,504**	**3,367,554**

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)	12/31/2019			12/31/2018
	Gross	Impairment	Net	Net
Trade receivables				
Trade receivables	957,691	-60,843	896,848	687,674
	957,691	**-60,843**	**896,848**	**687,674**
Other receivables and prepayments				
Other receivables	199,091	0	199,091	346,704
Prepayments	396,850	0	396,850	246,409
Sundry accounts	15,364	0	15,364	17,936
	611,305	**0**	**611,305**	**611,049**
Total	**1,568,996**	**-60,843**	**1,508,153**	**1,298,723**

The percentage of outstanding receivables not written-down at year-end is regularly monitored individually.

6.2 Aged debtor schedule

(in EUR thousands)	12/31/2019			12/31/2018		
	Total	Within one year	More than one year	Total	Within one year	More than one year
Trade receivables (1)	957,691	824,873	132,818	744,796	616,112	128,684
Other receivables	199,091	199,091	0	346,704	277,704	69,000
Prepayments	396,850	238,120	158,730	246,409	168,082	78,327
Sundry accounts	15,364	15,364	0	17,936	17,936	0
Total	**1,568,996**	**1,277,448**	**291,548**	**1,355,845**	**1,079,834**	**276,011**

(1) including receivables represented by commercial paper: EUR 27,323 thousand as of December 31, 2019 and EUR 66,162 thousand as of December 31, 2018.

Note 7 - Accrued income

Accrued income included in the following balance sheet items (in EUR thousands)	**12/31/2019**	**12/31/2018**
Receivables from equity investments	99	33
Trade receivables	543,615	452,110
Other receivables and prepayments	0	76,702
Marketable securities	356	201
Cash at bank and in hand	1,637	952
Total	**545,707**	**529,998**

Note 8 - Prepaid expenses and deferred income

(in EUR thousands)	**12/31/2019**	**12/31/2018**
Operating income	525,655	157,327
Operating expenses (1)	396,850	246,409
(1) income tax on unrealized capital gains	143,234	142,756

Note 9 - Difference in measurement of marketable securities

Marketable securities and cash instruments (in EUR thousands)	**12/31/2019**	**12/31/2018**
Marketable securities and cash instruments - gross balance sheet value	1,952,303	2,834,227
Marketable securities and cash instruments - market value	2,334,084	3,216,163

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, 2018.

10.2 Treasury shares

Movements on treasury shares are detailed below:

(in number of shares)	2019	2018
Treasury shares as of January 1	**37,175**	**38,600**
Purchase of treasury shares	0	0
Cancellation of shares	0	0
Share-based payments	-1,575	-1,425
Treasury shares as of December 31	**35,600**	**37,175**

The 35,600 treasury shares held as of December 31, 2019 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 March 7, 2018 and February 27, 2019 (characteristics are described in paragraph 5.5 of the Directors' Report).

A total of 1,575 performance shares were acquired by corporate officers on March 7, 2019, as the performance conditions set by the Board of Directors on March 7, 2018 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 2019	Number of shares canceled (1)	Balance of performance shares as of 12/31/2019
03/07/2018	From 03/07/2018 to 03/06/2019	1,575	1,575	0	0
02/27/2019	From 02/27/2019 to 02/26/2020	2,025	0	0	2,025

(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	62.50%

Note 12 - Reserves

12.1 Reserves

(in EUR thousands)	12/31/2019	12/31/2018
Revaluation difference	4,136	4,136
Legal reserve	6,679	6,650
Retained earnings	2,461,744	2,195,574
Total	**2,472,559**	**2,206,360**

12.2 Revaluation reserves

(in EUR thousands)	Change in revaluation reserves			
	12/31/2018	2019 movements		12/31/2019
		Decreases due to disposals	Other changes	
Land	3,615	0	0	3,615
Equity associates	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

	2019	2018
Accounting income		
In EUR thousands	490,290	442,438
In EUR per share	58.73	52.99
Change in equity excluding net income for the year		
In EUR thousands	7,282	60,783
In EUR per share	0.87	7.28
Dividends		
In EUR thousands	212,057 (1)	176,993 (2)
In EUR per share	25.40 (1)	21.20 (2)

(1) proposed by the Board of Directors to the Shareholders' Meeting.

(2) dividends of EUR 176,238 thousand were paid for the year ended December 31, 2018, net of dividends on treasury shares.

2/ Statement of changes in equity excluding net income for the year (in EUR thousands)

	Before appropriation of 2018 result 12/31/2019		**After appropriation of 2018 result 12/31/2019**
A -			
1. 2018 closing equity excluding net income for the year	2,531,267		2,531,267
2. 2018 net income before appropriation	442,438		
3. Appropriation of 2018 net income to net equity by the AGM			266,200
4. 2019 equity at opening	2,973,705		2,797,467
B - Additional paid-in capital, effective retroactively to beginning of 2019			**0**
1. Change in capital		0	
2. Change in other items		0	
C - (= A4 + B) Equity at 2019 opening			**2,797,467**
D - Changes during the year excluding 2019 net income			**7,281**
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		7,281	
5. Other changes		0	
E - 2019 closing equity excluding 2019 net income before AGM (= C + D)			**2,804,748**
F - Total change in equity in 2019 excluding 2019 net income (= E - C)			**7,281**

Note 14 - Provisions

14.1 Provisions

(in EUR thousands)	12/31/2018	Allocations		Reversals		Other	12/31/2019
Regulated provisions							
For price increases	63,693	11,307	(3)	-10,227	(3)	0	64,773
Depreciation by derogation	54,810	15,235	(3)	-8,491	(3)	0	61,554
Realized gains reinvested	18	0	(3)	0	(3)	0	18
	118,521	**26,542**		**-18,718**		**0**	**126,345**
Provisions for contingencies and charges							
Operating	1,223,800	321,691	(1)	-205,239	(1)	0	1,340,252
Financial	0	0	(2)	0	(2)	0	0
Non-recurring	0	0	(3)	0	(3)	0	0
	1,223,800	**321,691**		**-205,239**		**0**	**1,340,252**
Provisions for impairment							
On intangible assets	0	0	(1)	0	(1)	0	0
On property, plant and equipment	5,235	8,050	(1)	-5,235	(1)	0	8,050
On financial assets	3,578	8,011	(2)	-3,424	(2)	0	8,165
On inventories and work-in-progress	296,216	344,266	(1)	-296,216	(1)	0	344,266
Trade receivables	57,122	60,843	(1)	-57,122	(1)	0	60,843
On marketable securities	150	75	(2)	-150	(2)	0	75
	362,301	**421,245**		**-362,147**		**0**	**421,399**
Total	**1,704,622**	**769,478**		**-586,104**		**0**	**1,887,996**

	{ - Operating	734,850	(1)	-563,812	(1)
Allocations and reversals	{ - Financial	8,086	(2)	-3,574	(2)
	{ - Non-recurring	26,542	(3)	-18,718	(3)
		769,478		**-586,104**	

14.2 Details of provisions for contingencies and charges

(in EUR thousands)	12/31/2018	Allocations	Reversals	Other	12/31/2019
Operating					
Retirement payments and related benefits (1)	151,645	115,981	-37,479	0	230,147
Early retirement	5,317	0	-5,317	0	0
Warranties (2)	871,300	176,100	-91,800	0	955,600
Services and work to be performed (2)	191,453	25,349	-66,558	0	150,244
Foreign exchange losses	4,085	4,261	-4,085	0	4,261
	1,223,800	**321,691**	**-205,239**	**0**	**1,340,252**
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	**1,223,800**	**321,691**	**-205,239**	**0**	**1,340,252**

(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 0.7%.

The Company decided to outsource a portion of its commitments by purchasing an insurance policy for EUR 300,000 thousand.

As of December 31, 2019, the balance of the provision for long-service awards was EUR 3,551 thousand.

(2) provisions for warranties, services and work to be performed:

Provisions are updated to reflect changes to the fleet in service and contracts delivered. For 2019, this change is mainly related to the military contracts delivered.

Note 15 - Borrowings and financial debt

(in EUR thousands)	12/31/2019	12/31/2018
Bank borrowings (1)	250,285	875,421
Other borrowings and financial debt (2)	109,612	113,364
Total	**359,897**	**988,785**

(1) initially variable rate, loans subscribed by the Company were swapped at a fixed rate. The contracts for these loans include the usual default clauses and restrictions in terms of security conditions and merger or sale transactions. One of the loan clauses stipulates an early repayment would be demanded if GIMD were to hold less than 50% of the capital of Dassault Aviation before the loan maturity date. These loans do not contain any accelerated repayment or prepayment clauses based on rating or financial ratios.

These loans are denominated in euros, and EUR 250 million is repayable in 2020.

(2) as of December 31, 2019 and December 31, 2018, 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 one year	Between 1 and 5 years	More than 5 years
Bank borrowings (1)	250,285	250,285	0	0
Other borrowings and financial debt (1)	109,612	19,060	90,477	75
Trade payables (2)	852,137	852,137	0	0
Tax and social security liabilities	239,768	239,768	0	0
Liabilities on fixed assets and related accounts	25,040	25,040	0	0
Other liabilities	147,748	147,748	0	0
Total	**1,624,590**	**1,534,038**	**90,477**	**75**

(1) see Note 15.

(2) including liabilities represented by commercial paper: EUR 69,935 thousand.

Note 17 - Other liabilities, cash instruments, accruals and deferred income

(in EUR thousands)	12/31/2019	12/31/2018
Tax and social security liabilities	239,768	252,743
Liabilities on fixed assets and related accounts	25,040	5,448
Other liabilities	147,748	160,675
Deferred income	525,655	157,327
Accruals and deferred income	13,731	15,622
Cash instruments	9,722	9,456
Total	**961,664**	**601,271**

Note 18 - Accrued expenses

Accrued expenses included in the following balance sheet items (in EUR thousands)	**12/31/2019**	**12/31/2018**
Borrowings and financial debt (1)	745	1,116
Trade payables	617,726	570,945
Other payables and deferred income	288,626	279,444
Total	**907,097**	**851,505**

(1) including accrued interest on bank loans: EUR 277 thousand as of December 31, 2019 and EUR 405 thousand as of December 31, 2018.

Note 19 - Notes on affiliated companies and equity associates

(in EUR thousands)	**Amount relating to**	
	Affiliated companies	**Companies with a shareholding link**
Equity investments	271,897	2,032,111
Receivables from equity investments	6,984	20,882
Loans and other financial assets	33,071	0
Advances and progress payments to suppliers	91,573	1,480,284
Trade receivables	160,070	733
Other receivables	790	0
Advances and progress payments received on orders	266,992	2,567
Trade payables	168,466	180,846

Note 20 - Net sales

(in EUR thousands)	**2019**	**2018**
A) By product:		
Finished goods	5,313,173	3,163,609
Services	1,663,283	1,235,302
Total	**6,976,456**	**4,398,911**
B) By geographic region:		
France	862,094	1,075,301
Export (1)	6,114,362	3,323,610
Total	**6,976,456**	**4,398,911**

(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)	2019	2018
Research and development costs	-501,408	-371,771

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

Note 22 - Net financial income

(in EUR thousands)	2019	2018
Investment income (1)	114,944	94,666
Income from other securities and assets	292	329
Other interest and similar income	11,612	12,726
Reversals of provisions for equity investments	3,424	6,232
Reversals of provisions for marketable securities	150	0
Financial income	**130,422**	**113,953**
Allocation to provisions for equity investments	-2,091	0
Allocations to provisions for other investment securities	-5,920	-3,424
Allocations to provisions for marketable securities	-75	-150
Interest and similar expenses	-8,539	-9,679
Net losses on sales of marketable securities	-1,353	-8,011
Financial expenses	**-17,978**	**-21,264**
Net financial income/expense	**112,444**	**92,689**

(1) in 2019, the Company received EUR 83,000 thousand in Thales dividends for 2018 and EUR 31,519 thousand in interim dividends for 2019. In 2018, Thales paid the Company EUR 68,291 thousand in dividends for 2017 and EUR 26,266 thousand in interim dividends for 2018.

Note 23 - Non-recurring items

(in EUR thousands)	2019	2018
Gains on sales of assets		
- Property, plant and equipment	483	844
- Financial assets	0	3,726
	483	**4,570**
Other non-recurring income (1)	**107**	**241,050**
Reversals of regulated provisions		
- For price increases	10,227	11,434
- Depreciation by derogation	8,491	11,814
	18,718	**23,248**
Non-recurring income	**19,308**	**268,868**
Non-recurring expenses on operating activities	**-9**	**0**
Carrying value of assets sold		
- Property, plant and equipment	-402	-822
- Financial assets	-3,066	-3,727
	-3,468	**-4,549**
Other non-recurring expenses	**-5,425**	**-296**
Allocations to regulated provisions		
- For price increases	-11,307	-9,293
- Depreciation by derogation	-15,235	-14,207
	-26,542	**-23,500**
Other non-recurring provisions	**0**	**0**
Non-recurring expenses	**-35,444**	**-28,345**
Non-recurring items	**-16,136**	**240,523**

(1) in 2018, Dassault Aviation signed an amicable agreement with Safran that settled their dispute over the Silvercrest engine that was expected to equip the Falcon 5X. Under the terms of this agreement, Dassault Aviation received an indemnity of USD 280 million from Safran, which was recognized as non-recurring income.

Note 24 - Analysis of corporate income tax

(in EUR thousands)	**Income before tax**	**Corporate income tax**	**Income after tax**
Current income	848,544	-245,462	603,082
Non-recurring items (including profit-sharing and incentive schemes)	-163,442	50,650	-112,792
Net income	685,102	-194,812 (1)	490,290

(1) including Research Tax Credit: EUR 32,571 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)	**12/31/2019**	**12/31/2018**
Commitments in connection with the performance of operating contracts	11,345,818	12,142,096
Guarantees and deposits	**90,659**	46,458
Commitments guaranteed with bank deposits	1,427,902	1,688,860
Total	**12,864,379**	**13,877,414**

Commitments received (in EUR thousands)	**12/31/2019**	**12/31/2018**
Backlog	16,542,900	18,425,600
Other commitments in connection with the performance of operating agreements	1,633,129	1,633,129
Collateral	106,725	71,029
Bpifrance Assurance Export guarantees	25,957	62,854
Commitments guaranteed with bank deposits	24,772	11,684
Total	**18,333,483**	**20,204,296**

Operating leases (in EUR thousands)	**Total**	**Within 1 year**	**More than 1 year**
Minimum future payments not subject to cancellation (not discounted)	**74,826**	42,231	32,595

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, 2019.

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.

	12/31/2019		**12/31/2018**	
Market value	In USD thousands	In EUR thousands	In USD thousands	In EUR thousands
Foreign exchange options	-27,505	-24,484	-11,022	-9,626
Forward transactions	-51,645	-45,972	32,049	27,990
Total	**-79,150**	**-70,456**	**21,027**	**18,364**

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)	**12/31/2019**		**12/31/2018**	
Net balance sheet position Closing US dollar/euro exchange rate	-70,456 1 EUR = 1.1234 USD		18,364 1 EUR = 1.1450 USD	
Closing US dollar/euro exchange rate +/- 10 cents Change in net balance sheet position (1)	$1.2234/€ +254,977	$1.0234/€ -293,839	$1.2450/€ +157,947	$1.0450/€ -190,721

(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 the transactions are made.

Note 28 - Impact of tax valuations by derogation

(in EUR thousands)	**12/31/2019**	**12/31/2018**
Net income for the year	490,290	442,438
Income tax	194,812	158,003
Income before tax	**685,102**	**600,441**
Depreciation by derogation	6,744	2,392
Provision for price increases	1,080	-2,141
Increase in regulated provisions	**7,824**	**251**
Net income excluding tax valuations by derogation (before tax)	**692,926**	**600,692**

Note 29 - Increases and reductions in deferred tax

(in EUR thousands)	12/31/2019	12/31/2018
Regulated provisions:		
- For price increases	64,773	63,693
- Depreciation by derogation	61,554	54,810
- Realized gains reinvested	18	18
Basis for increases	**126,345**	**118,521**
Increases in deferred tax	***43,501***	***40,807***
Items not deductible in the current year:		
- Employee profit-sharing	127,306	110,835
- Retirement payments and related benefits	225,546	147,610
- For early retirement	0	5,317
Other temporary timing differences	777,956	782,236
Basis for reductions	**1,130,808**	**1,045,998**
Reductions in deferred tax	***389,337***	***360,137***
Long-term capital losses	0	0

Tax rate as of December 31, 2019 of 34.43% (same as December 31, 2018).

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 5,435,229 for 2019.

Note 31 - Average number of employees

	Salaried employees
Executives	5,203
Supervisors and technicians	2,049
Employees	391
Workers	920
2019 total	**8,563**
2018 total	8,108

Note 32 - Five-year results summary

Nature of information (in EUR thousands except for point 3, stated in EUR/share)	**2015**	**2016**	**2017**	**2018**	**2019**
1/ Financial position at year-end					
a. Share capital	72,980	66,006	66,495	66,790	66,790
b. Number of shares outstanding	9,122,538	8,250,785	8,311,921	8,348,703	8,348,703
2/ Summary of operating results					
a. Net sales, excluding tax	3,325,998	3,161,147	4,184,368	4,398,911	6,976,456
b. Earnings before tax, depreciation, amortization and provisions	216,355	324,766	513,312	734,937	929,034
c. Corporate income tax	42,327	29,954	68,912	158,003	194,812
d. Earnings after tax, depreciation, amortization and provisions	283,254	256,696	309,500	442,438	490,290
e. Dividends paid (1)	110,383	99,834	127,172	176,993	212,057 (2)
3/ Earnings per share in euros					
a. Earnings after tax, but before depreciation, amortization and provisions	19.1	35.7	53.5	69.1	87.9
b. Earnings after tax, depreciation, amortization and provisions	31.0	31.1	37.2	53.0	58.7
c. Dividend paid per share	12.1	12.1	15.3	21.2	25.4 (2)
4/ Personnel					
a. Average number of employees during the year	8,284	8,396	8,155	8,108	8,563
b. Total personnel expenses	472,158	472,939	475,416	492,506	517,276
c. Social security and other staff benefits	252,729	253,882	250,896	266,212	288,862
5/ Employee profit-sharing	**66,629**	**59,895**	**74,019**	**110,835**	**127,306**
6/ Incentive payments	**21,000**	**20,000**	**20,000**	**20,000**	**20,000**

(1) 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, of EUR 99,367 thousand for the year ended December 31, 2016, and of EUR 105,422 thousand for the year ended December 31, 2015, 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, 2019

To the General Meeting of Dassault Aviation Company,

Opinion

In compliance with the engagement entrusted to us by our annual General Meeting, we have audited the accompanying financial statements of Dassault Aviation Company for the year ended December 31, 2019.

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, 2019 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 applicable to us, for the period from January 1, 2019 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 or in the French Code of ethics (Code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters

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 item 14.2 of the notes 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 €955.6 million as at December 31, 2019. 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 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. We also assessed the appropriateness of the information given in Note B8-1 and item 14.2 of the notes to the annual financial statements.

Risk identified	*Our response*

Defense contract monitoring
 	
(Note B11 and item 20 of the notes 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; or
• as a percentage depending on the stage of progress of the costs incurred for the other service contracts;
 	
Earnings from contracts, and any provisions for loss on completion 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.
 	
The Company's Management believes that the program monitoring process conducted by experienced employees in the Program Departments and the Finance Department through management control is sufficiently robust to make reliable estimates of earnings of contracts at completion given the items known at the end of the year.
 	
For 2019, Defense net sales recognized by the company amounted to €5,076 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.
	
	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.
	
	As part of 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
	  ○ Confirm the performance of the contract's services when the turnover is recognized at completion
	  ○ Corroborating the stage of progress used in the recognition of net sales by examining in particular the technical and contractual documentation available;
	  ○ 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.
	We also assessed the appropriateness of the information given in Note B11 and item 20 of the notes to the annual financial statements.

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.441-4 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. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 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.

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.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Dassault Aviation Company by the General Meeting held on April 25, 2002 for cabinet Deloitte & Associés and held on June 19, 1990 for cabinet Mazars.

As at December 31, 2019, audit firm Deloitte & Associés and audit firm Mazars were in the 18th year and 30th 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 and 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.

Paris-La Défense and Courbevoie, March 12, 2020

The Statutory Auditors

Deloitte & Associés	Mazars
Marc de Villartay	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.

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