

*2010*

*ANNUAL FINANCIAL  
REPORT*





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***DECLARATION OF THE PERSON  
RESPONSIBLE FOR THE REPORT***

I 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 companies included in the scope of

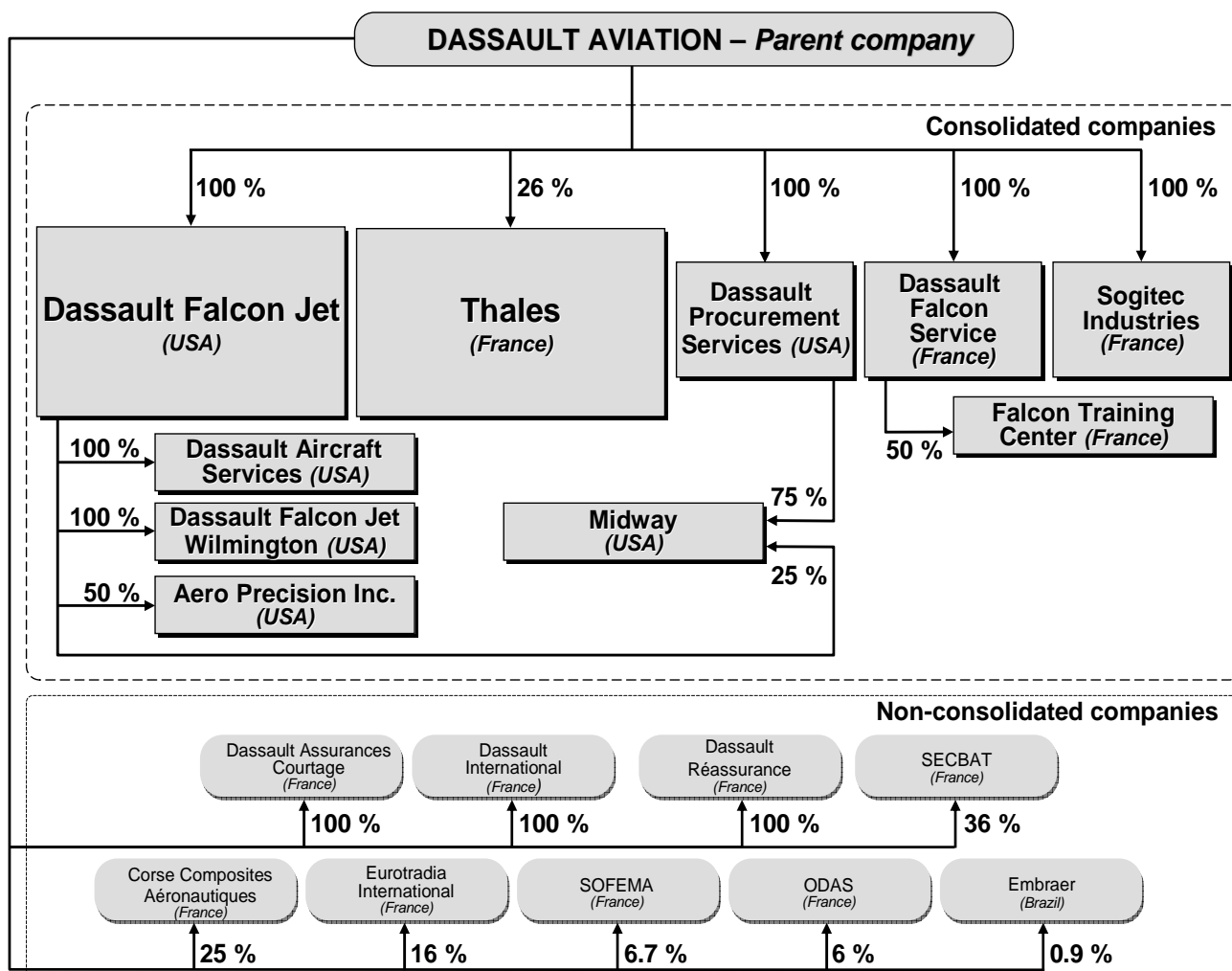
consolidation, and that the management report includes a fair review of the development of the business, performance and position of the company and all the other companies included in the scope of consolidation, together with a description of the principal risks and uncertainties that they face.

Paris, March 16, 2011

Charles EDELSTENNE  
Chairman and Chief Executive Officer

## GROUP STRUCTURE

The Dassault Aviation group is an international group that encompasses most of the aviation activities of GROUPE INDUSTRIEL MARCEL DASSAULT.



### DASSAULT AVIATION SHAREHOLDERS:

- 50.55 % GROUPE INDUSTRIEL MARCEL DASSAULT
- 46.32 % EADS France
- 3.13 % PRIVATE INVESTORS

## **BOARD OF DIRECTORS**

### **Honorary Chairman**

Serge DASSAULT

### **Chairman and Chief Executive Officer**

Charles EDELSTENNE

### **Directors**

Pierre de BAUSSET

Serge DASSAULT

Nicole DASSAULT

Olivier DASSAULT

Charles EDELSTENNE

Alain GARCIA

Philippe HUSTACHE

Denis KESSLER

Henri PROGLIO

## **MANAGEMENT COMMITTEE**

### **Chairman**

Charles EDELSTENNE

Chairman and Chief Executive Officer

Alain BONNY

Senior Vice-President, Military Customer Support Division

Claude DEFAWE

Vice-President, National and Cooperative Military Sales

Didier GONDOIN

Executive Vice-President, Research, Design and Engineering

Gérald MARIA

Executive Vice-President, Total Quality

Jacques PELLAS

Corporate Secretary

Guy PIRAS

Executive Vice-President, Industrial Operations, Procurement and Purchasing

Loïc SEGALEN

Executive Vice-President, Economic and Financial Affairs

Eric TRAPPIER

Executive Vice-President, International

Olivier VILLA

Senior Vice-President, Civil Aircraft

## **GOVERNMENT COMMISSIONER**

Mr. Marc GATIN, French Armed Forces General Inspector

## **STATUTORY AUDITORS**

Mazars S.A., represented by Mr. Serge CASTILLON, partner

Deloitte & Associés S.A., represented by Mr. Dominique JUMAUCOURT, partner

Ladies and Gentlemen,

Before submitting the annual and consolidated financial statements for the year ended December 31, 2010 for your approval and deciding the proposed appropriation of net income for the year, we would like to take this opportunity to present the consolidated key figures, the activities of DASSAULT AVIATION Group, the activities and financial statements of its parent company, DASSAULT AVIATION, during the past year, their future prospects and other information required by law.

## 1. DASSAULT AVIATION Group

### 1.1 Consolidated key figures

#### 1.1.1 Orders

**2010 consolidated orders amount to EUR 1,266 million** compared to EUR -1,322 million in 2009. Orders booked by the Group over the last five years are as follows, in **EUR millions**:

Year	Defense		Falcon	Total	% Export
	France	Export			
2006	391	142	4,762	<b>5,295</b>	90%
2007	644	239	5,382	<b>6,265</b>	89%
2008	956	241	4,625	<b>5,822</b>	81%
2009	2,276	253	-3,851	<b>-1,322</b>	NS
<b>2010</b>	<b>606</b>	<b>186</b>	<b>474</b>	<b>1,266</b>	<b>43%</b>

#### *FALCON programs:*

Even though the FALCON orders cancellation rate decreased in 2010 compared to 2009, new orders are slow to pick up again. Hence, 2010 orders for new aircraft, minus cancellations, are negative by 9 FALCONS. These figures were also negative in 2009: - 98 FALCONS Corporate and - 65 FALCON NetJets.

Euro amount of FALCON orders is positive, thanks in particular to the support orders and to a favorable \$/€ effect. Indeed, our backlog is valued using the closing \$/€ exchange rate (including currency hedging), and since the \$/€ parity has favorably changed between December 31, 2009 (1.44 \$/€) and December 31, 2010 (1.34 \$/€), the corresponding differential is taken into account in the euro value of new orders.

#### *DEFENSE programs:*

Defense orders amount to EUR 792 million in 2010 compared to EUR 2,529 million in 2009. In 2010, new orders mainly correspond to military support and development programs, and decrease by 69% compared to 2009, when 60 RAFALEs France were ordered.

#### 1.1.2 Net sales

Consolidated 2010 net sales amount to **EUR 4,187 million**, up by **22%** compared to EUR 3,421 million in 2009. Consolidated sales trends over the last five years are as follows, in **EUR millions**:

Year	Defense		Falcon	Total	% Export
	France	Export			
2006	974	275	2,053	<b>3,302</b>	67%
2007	883	855	2,347	<b>4,085</b>	77%
2008	1,166	269	2,313	<b>3,748</b>	66%
2009	739	242	2,440	<b>3,421</b>	74%
<b>2010</b>	<b>723</b>	<b>236</b>	<b>3,228</b>	<b>4,187</b>	<b>80%</b>

#### *FALCON programs:*

FALCON net sales are up by 32% compared to 2009. In particular, **95 brand new aircraft** (historical record) **were delivered in 2010** (compared to 77 in 2009).

#### *DEFENSE programs:*

DEFENSE net sales decrease by 2% compared to 2009. In accordance with the planned delivery schedule, 11 RAFALEs were delivered to the French Government in 2010, compared to 14 in 2009. The decrease in RAFALE deliveries is partially offset by a rise in net sales linked to French military support and development programs.

#### 1.1.3 Backlog

The consolidated backlog on December 31, 2010 amounts to **EUR 9,401 million** compared to EUR 12,322 million on December 31, 2009.

## 1.1.4 Change in accounting presentation

Previously, the Group posted the research-based tax credits of its French companies as a reduction of its income taxes.

Having observed the practice of other French listed groups, the Group has decided, from now on, to post them in operating income, under Other Revenue.

In order to provide comparable figures, pursuant to IFRS, the 2009 consolidated financial data are not the published data but are restated. These restated figures have been calculated as if the Group had always applied this presentation policy to research-based tax credits.

2009 net income is unchanged: the EUR 33 million increase in the operating income is offset by an increase for the same amount of the income tax.

## 1.1.5 Operating Income

**2010 consolidated operating income** amounts to **EUR 591 million**, up by **39%** compared to the 2009 restated figure (EUR 426 million).

Operating margin stands at **14.1%**, compared to 12.5% in 2009 (restated data).

These improvements are mainly explained by the growth in net sales (and, incidentally, by better currency hedging: 1.27 \$/€ in 2010 compared to 1.32 \$/€ in 2009).

## 1.1.6 Net income

Excluding Thales, 2010 **net income** (\*) (total Group and net attributable Group profit) is **EUR 395 million**, up by 23% compared to 2009 (EUR 322 million).

**Net margin** (\*) stands at **9.4%**, as in 2009.

Net income includes a EUR 27 million net financial expense, compared to a EUR 29 million net financial income in 2009. This fall-off results mainly from the following factors:

- in 2009, mainly due to the THALES acquisition, the Group sold some available-for-sale

marketable securities that made a profit of EUR 43 million,

- borrowing costs are EUR 29 million compared to EUR 22 million in 2009.

(\*) *net income including THALES:*

- *net income before amortization of Purchase Price Allocation: EUR 371 million compared to EUR 315 million in 2009,*
- *net income after amortization of Purchase Price Allocation: EUR 267 million compared to EUR 257 million in 2009.*

## 1.1.7 Financial reporting

IFRS 8 requires the presentation of segment information according to internal management criteria.

The entire activity of the DASSAULT AVIATION Group relates to the aviation and aerospace field. The internal reporting made to the Chairman and CEO, as used for the strategy and decision-making, includes no performance analysis, in the IFRS sense, at a more detailed level.

## 1.2 Financial structure

The Group has defined a specific indicator, "Available cash", which reflects the Group's total liquidities net of borrowings. It includes the following balance sheet headings:

- cash and cash equivalents,
- available-for-sale marketable securities (at market value),
- borrowings.

**Consolidated available cash amounts to EUR 3.06 billion as of December 31, 2010** compared to EUR 1.98 billion as of December 31, 2009. This rise (+ EUR 1.08 billion) is notably due to consolidated net cash from operating activities before working capital changes shown in 2010 (EUR 0.65 billion) and to a decrease in working capital (+ EUR 0.52 billion) related to a fall in inventories and work-in-progress.



Apart from working capital and available cash, the major change in the balance sheet is linked to hedging instruments, whose market value dropped by EUR 0.36 billion. This is related to the variation in the \$/€ closing rate: 1.34 \$/€ on December 31, 2010 compared to 1.44 \$/€ on December 31, 2009.

### 1.3 Financial risk management

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

#### 1.3.1 Cash and liquidity risks

The Group is not exposed to any significant market risk with regard to its borrowings and marketable securities (available-for-sale or cash equivalents). The Group's marketable securities portfolio mainly comprises short-term money market investments.

The Group has no diversified investment (according to the AMF reference) as of December 31, 2010.

The Group's loan agreements include customary clauses concerning default and limits covering collateral and merger or asset sale transactions. The agreements do not contain any early repayment clauses based on credit ratings or financial ratios. One of the borrowing clauses for a euro-denominated loan stipulates that early repayment would be due should GIMD hold less than 50% of the equity of DASSAULT AVIATION.

The Group can meet its commitments without any liquidity risk due to its cash resources and its portfolio of available-for-sale marketable securities.

#### 1.3.2 Credit risks

The group performs its cash and foreign exchange transactions with recognized financial institutions and places its investments and has bank accounts with these various institutions. The Group had no investments or accounts with financial institutions that went bankrupt in 2010.

The Group limits counterparty risk by performing most of its sales cash and by ensuring that the granted loans are secured by export insurance guarantees (COFACE) or collateral. Guarantees are also underwritten with export credit insurance institutions for the manufacturing risk relating to major military export contracts.

Considering the trade receivables write-down method used to prepare the financial statements, the percentage of outstanding receivables not written-down at the year-end is immaterial and not at risk.

#### 1.3.3 Market risks

- **Foreign exchange risks:**

- Hedging portfolio:

The Group is exposed to a foreign exchange risk with regard to FALCON sales that are virtually all denominated in US dollars. The Group is therefore exposed to a foreign exchange risk through the parent company, as a proportion of the parent company's expenses are denominated in euros.

The parent company partially hedges this risk by using forward sales contracts and, where necessary, foreign exchange options.

DASSAULT AVIATION partially hedges its 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 net cash flows.

- EMBRAER shares:

The Group's parent company owns EMBRAER shares, which are listed on the Brazilian Stock Exchange. EMBRAER shares are accounted for in euros in the Group's financial statements based on market value at the balance sheet date in Brazilian reais converted into euros. The value of the shares may therefore fluctuate according to the exchange rate of this currency.

- **Interest rate risks:**

Bank loans of DASSAULT AVIATION are EUR 1,250 million as of December 31, 2010, distributed as follows:

- EUR 800 million of fixed-rate loans after taking out swaps,
- EUR 450 million of variable-rate loans.

The rates of these loans are based on EURIBOR 3-month rate.

- **Other risks:**

The Group is exposed to a pricing risk related to price fluctuations of the EMBRAER shares.

## 1.4 Related-party transactions

Related parties as of December 31, 2010 are identical to those as of December 31, 2009, certain subsidiaries of which are linked to DASSAULT AVIATION via development and equipment supply contracts as well as software and related support.

2010 transactions are specified under Note 25 in the notes to the consolidated financial statements.

## 1.5 Group Activities

### 1.5.1 Program developments

- **FALCON programs:**

Highlights of fiscal year 2010 are:

- the continuing crisis on the business jets market,
- the delivery of 95 FALCONS, including the 100th FALCON 7X and its first deliveries in India and China,
- the certification of the FALCON 7X by the Chinese Civil Aviation Authority,
- the FALCON 2000LX automatic braking system certification and compliance approval for London City Airport operations,

- the certification of the FALCON 900LX, followed by the first deliveries,
- pursuit of ongoing development projects (SMS, phase 2 of the EASy cockpit).

- **DEFENSE programs:**

Highlights of fiscal year 2010 are:

- the delivery of 11 RAFALES,
- the F3 Standard retrofits ending for RAFALES initially delivered with F2 standard,
- qualification and operational entry to service of the "shooter & laser" capability of the laser-guided weapons with the Damocles Laser Designation Pod (LDP),
- the operational entry to service of the reconnaissance capability with the AEROS pod,
- Air Force and Navy RAFALES participation in tryouts and operations (ATCL, Cruzex, Agapanthe),
- continuing negotiations for export sales of RAFALE aircraft.

Other programs included:

- GBU-12 and GBU-24 laser-guided bombs integration on the UAE MIRAGE 2000-9,
- MIDS-L16 data link qualification and integration on French Air Force MIRAGE 2000D,
- notification of the last two work packages for the nEUROn Unmanned Combat Aircraft Vehicle (UCAV) demonstration program; this program, under the project management of DASSAULT AVIATION, includes five other European partners,
- submission to the French Ministry of Defense of a bid for a MALE drone system in association with a British partner.

### 1.5.2 Customer support and services

In 2010, the Group:

- restructured its approved FALCON maintenance center network and augmented its capacity in Asia,
- obtained from the French Government the In Service Support Package (MCO - "Maintien en Condition Opérationnelle") contract for military aircraft other than the RAFALE.

### 1.5.3 Subsidiary activities

- **DASSAULT FALCON JET (United States)**: this company markets FALCON jets and is responsible for their interior fittings.

The company is headquartered in Teterboro, New Jersey, while industrial activities are located in Little Rock, Arkansas.

Its subsidiaries are:

- DASSAULT FALCON JET - WILMINGTON, an aviation maintenance and service company, located in Wilmington (Delaware),
- DASSAULT AIRCRAFT SERVICES, responsible for promoting aircraft maintenance and service sales in the United States, also located in Wilmington (Delaware),
- APRO (50/50 joint venture with Messier-Services Inc.), responsible for the repair and maintenance of FALCON and ATR landing gear and flight controls. The company's facility is located in Deerfield Beach, Florida.
- **DASSAULT FALCON SERVICE (France)**, based at Le Bourget airport, contributes to FALCON support activities by:
  - providing maintenance to FALCON aircraft in operation,
  - leasing and managing of FALCON aircraft as part of public transport activities.

- **DASSAULT PROCUREMENT SERVICES (United States)** is the central purchasing hub in the United States for FALCON aviation equipment.
- **MIDWAY (United States)** ensures the overhaul and repair of civil aviation equipment for French OEMs, suppliers for FALCONS or other aircraft.
- **SOGITEC INDUSTRIES (France)** operates in the simulation and documentation sectors.

### 1.5.4 Affiliates

- **CORSE COMPOSITES AÉRONAUTIQUES (France)** is specialized in the production of aviation parts made from composite materials, in particular for its corporate shareholders (EADS AIRBUS, LATECOERE, SNECMA and DASSAULT AVIATION).
- **EMBRAER (Brazil)**, a major player in the aviation industry, enables the Group to maintain its presence in South America, and particularly in Brazil. We consider our investment in EMBRAER as strategic.
- **THALES (France)**, operates on the aviation and aerospace, defense and security markets. Its activities are described in its reference notice.

### 1.6 Research and Development

Upstream of the programs, to prepare the future, we focus on research into aircraft concepts, technological developments and the improvement of our end-to-end processes.

Several stages in the overall Group plans preparing for the next generation of FALCON aircraft with innovative technologies have been passed, including:

- definition and assessment of new operational approach procedures,
- definition of new ground control laws,
- identification of major cockpit noise sources,
- laminarity measurements on a Falcon 7X tail unit.

Furthermore, the first configuration of a draft project for a high-performance executive aircraft has been completed.

These overall Group plans are self-funded and run as part of the work that is supported by the French Civil Aviation Authority (DGAC) and in the framework of the Clean Sky partnership initiative.

We are preparing, in the framework of EUROMART, the projects to be proposed in the fourth tender bid for the 7th Research and Development Framework Program of the European Union.

We have submitted two requests for support of our work as part of the Investment for the Future initiative, concerning the demonstration of a composite wing box and the demonstration of a new modular avionics concept.

In the military field, the notification of a certain number of Upstream Research Programs (PEA - Programmes d'Etudes Amont), that should have been effective in 2010, has been pushed to 2011 by the DGA (French Defense Procurement Agency). In 2011, the Franco-British political agreements will lead us to include an upstream research component open to cooperation.

In terms of end-to-end processes, we are progressively applying in our programs the unified modeling of aircraft systems and a new efficient definition of the geometries.

## 1.7 New techniques of manufacturing and industrial management

We are continuing to develop the use of composites in the framework of the European ALCAS wing box program and the study of "fiber placement" processes.

In the field of metallic materials, we are studying the new high-resistance, low-density aluminum alloys, the new stainless steels and the friction welding process. We are also improving our wing panel forming processes for the FALCON (multi-press and shot peening).

We are extending the automation to the fitting of subassemblies.

In the framework of reducing the environmental impact of our processes, we are introducing into production paint ranges with low levels of solvent pollutants and anodization with low chromate levels. We are also studying the possibility of replacing the chemical milling of aluminum with mechanical milling.

Work to ensure REACH compliance is underway, and can already produce compliance certificates for our new aircraft and our spare parts deliveries and repairs.

In collaboration with DASSAULT SYSTEMES, the installation of optimized pilot workshops is underway, using digital support tools for production and simulation.

We are reinforcing the use of digital for industrialization techniques (PLM) and production management techniques (studying the use of "RFID" chips).

The improvement of our manufacturing techniques also involves the generalization of workflow optimization (lean manufacturing) in our production sites.

By pursuing the generalization of the extended digital enterprise and of Product Lifecycle Management (PLM), DASSAULT AVIATION is making major technological strides and is giving itself a significant competitive edge. The progressive rollout of the sixth version of the product life-cycle management process (PLM V6) and of its Systems component is bringing new collaborative processes. PLM V6 offers unrivalled collaboration perspectives through the coordination of stakeholders (either in-house or external to the Company), projects, processes whatever the location, the employee, the program and the product.

## 1.8 Production facilities

In 2010, the development of the digital enterprise, the adaptation and operational maintaining of DASSAULT AVIATION's production facilities resulted in:

- the entry of service of high-speed machining and automated forming facilities for wing panels at Seclin, and NC cutting facilities at Argenteuil,
- the order of automated tools at Argenteuil: automated feed of a robotized skin panel riveting cell, automation of a robotized bending cell manipulator and of the NC control cutting input/output,
- the order of a panel machining center at Argenteuil and of a robotized milling/turning cell at Argonay.

## 1.9 Ethics

The Group Ethics Charter aims at uniting employees around a set of professional and ethical values. It sets a code of conduct covering day-to-day activities with customers, partners and suppliers.

This Charter also includes the principles underlying the UN "Global Compact" initiative, adopted by the Company.

## 1.10 Total Quality

The Total Quality policy has been maintained based on four major strategies:

- Think customer first,
- be one step ahead of the competition in terms of cost and quality,
- promote human development,
- respect the environment.

The latter two strategies reflect our commitment to supporting fundamental values, in accordance with the UN Global Compact initiative.

In October 2010, DASSAULT AVIATION successfully passed the update audit under the EN 9100 certification, which is the specific standard for the aviation industry covering ISO 9001, and the ISO 14001 certification audit, which is specific to the environment.

Since 2009, the Company has obtained these quality certifications as part of an Integrated Management System (SMI) simultaneously covering product quality and environmental requirements.

The Group's certifications for the design, production and maintenance of civil aircraft are also monitored.

In May 2010, we obtained from the French Defense Procurement Agency (DGA) acknowledgement of our capability to design military aircraft in compliance with the new navigability systems in place in the military domain.

The DGA also awarded us the Quality Trophy for the best Industrial Prime Contractor.

Finally, the Group continues to implement its program, product, process and environment risk management plans in all its entities, departments and sites.

## 1.11 Human Resources

The Group employed 11,491 people as of December 31, 2010.

## **2. DASSAULT AVIATION, parent company**

### **2.1 Activities**

The activities of the parent company, DASSAULT AVIATION, in particular as regards program developments, research & development and production, are presented together with the activities of the Group.

### **2.2 Results**

#### **2.2.1 Orders**

**Parent company 2010 orders amount to EUR 979 million** compared to EUR -1,023 million in 2009.

Orders booked over the last five years are as follows, **in EUR millions**:

Year	Defense		Falcon	Total
	France	Export		
2006	380	141	3,933	<b>4,454</b>
2007	638	233	4,664	<b>5,535</b>
2008	939	222	4,033	<b>5,194</b>
2009	2,271	230	-3,524	<b>-1,023</b>
<b>2010</b>	<b>599</b>	<b>181</b>	<b>199</b>	<b>979</b>

#### ***FALCON programs:***

Even though the FALCON orders cancellation rate decreased in 2010 compared to 2009, new orders are slow to pick up again. Hence, 2010 orders for new aircraft, minus cancellations, are negative by 9 FALCONs. These figures were also negative in 2009: - 98 FALCONs Corporate and - 65 FALCON NetJets.

Euro amount of FALCON orders is positive, thanks in particular to the support orders and to a favorable \$/€ effect. Indeed, our backlog is valued using the closing \$/€ exchange rate (including currency hedging), and since the \$/€ parity has favorably changed between December 31, 2009 (1.44 \$/€) and December 31, 2010 (1.34 \$/€), the

corresponding differential is taken into account in the euro value of new orders.

#### ***DEFENSE programs:***

Defense orders amount to EUR 780 million in 2010 compared to EUR 2,501 million in 2009. In 2010, new orders mainly correspond to military support and development programs, and decrease by 69% compared to 2009, when 60 RAFALEs France were ordered.

#### **2.2.2 Net sales**

**Parent company 2010 net sales amount to EUR 3,552 million**, up by 29% compared to 2009, thanks to Falcon deliveries.

Sales for the last five years are as follows, **in EUR millions**:

Year	Defense		Falcon	Total
	France	Export		
2006	971	252	1,630	<b>2,853</b>
2007	878	844	1,883	<b>3,605</b>
2008	1,159	264	2,117	<b>3,540</b>
2009	722	219	1,807	<b>2,748</b>
<b>2010</b>	<b>707</b>	<b>226</b>	<b>2,619</b>	<b>3,552</b>

#### **2.2.3 Net income**

**2010 net income amounts to EUR 326 million**, up by 23% compared to 2009 (EUR 266 million).

Company employees will receive a total of EUR 120 million under the profit-sharing and incentive plans as follows:

- Profit-sharing: EUR 106 million
- Incentive: EUR 14 million

This represents 30.0 % of salaries paid in 2010, compared to the legal minimum of 7.9%.

### 2.2.4 Dividends (appropriation of net income)

Subject to your approval of the 2010 financial statements, we propose that the net income for the year of EUR 325,815,259.92 plus retained earnings of EUR 2,358,314,852.26 giving a total of EUR 2,684,130,112.18 euros, be appropriated as follows:

- dividend distribution of:  
EUR 108,347,097.90
- with the remaining balance to retained earnings:  
EUR 2,575,783,014.28

If you accept this proposal, a dividend per share of **EUR 10.70** will be distributed in respect of fiscal year 2010.

For individuals taxable in France, this dividend shall be liable to a progressive bracket after the 40% allowance and the annual allowance or, as an option, a flat-rate withholding. Whatever option is chosen, this dividend shall give rise to social contributions withholdings.

Dividends paid in respect of the last three years are as follows:

Period	Net dividend (in euros)	Allowances (*)
2007	10.60	40%
2008	5.80	40%
2009	8.80	40%

(\*) allowances or, as an option, a flat-rate withholding for individuals

### 2.2.5 Five year results summary

The DASSAULT AVIATION five-year summary is shown in Note 33 to the financial statements.

### 2.2.6 Tax consolidation

The Company elected for tax consolidation with effect starting on January 1, 1999, forming a tax group with those French subsidiaries in which it holds an interest of over 95%. A tax consolidation agreement, tacitly renewable for 5-year periods, was signed with each of these subsidiaries.

### 2.3 Risk management

The risks and uncertainties to which the Company is exposed are the same as those outlined in this Group management report, since the parent Company plays a predominant role within the Group.

### 2.4 Purchases and subcontracting

In fiscal year 2010, DASSAULT AVIATION purchases totaled EUR 1.6 billion, representing 44 % of sales. Purchases break down into three categories as follows: equipment and support (30%); semi-finished products, accessories, industrial subcontracting and special process subcontracting (45%); general purchases (25%).

Defense market suppliers are primarily located in France, while FALCON suppliers are mainly located in Europe and North America.

### 2.5 Terms of payment

Pursuant to French law, DASSAULT AVIATION has introduced procedures required to ensure that its suppliers are paid 45 days from the end of the month when the invoice was issued.

The breakdown of trade payables by due date as of December 31, 2010 is as follows (in EUR millions):

Due-date	Trade payables	
	2009	2010
Due as of balance sheet date	14.0	15.6
As of 01/15	25.2	35.5
As of 01/31	20.2	6.9
As of 02/15	0.4	2.9
As of 02/28	1.8	0.3
Other (fixed assets)	10.9	4.9
<b>Total</b>	<b>72.5</b>	<b>66.1</b>

## 2.6 Employee matters

### 2.6.1 Employment

The Company had a total of 8,057 employees as of December 31, 2010:

Total employees as of 12/31/2009	Terminations	New hires	Total employees as of 12/31/2010
8,184	276	149	8,057

The number of part-time employees totaled 282 or 3.5% of total employees as of December 31, 2010.

The 149 new hires in 2010 involved all professional categories and all age groups.

The number of employees under fixed-term contracts was 72, or 0.89 % of total employees.

The Company has defined and implemented a new policy adopting a more active presence in schools and colleges in order to attract new talents to our Company.

The orientation days for new managers ("Journées ENVOL ") have been continued and the second part includes a visit to military airbases so that new employees can meet and discuss directly with our clients.

These early recruitment efforts are backed by a dynamic internship program. In 2010, 522 interns on scholarships were welcomed in all Company departments.

DASSAULT AVIATION is also active in promoting work-study programs, and we have taken on 67 students for internships or induction programs.

The Company incurred an expense of EUR 3 million in respect of "taxe d'apprentissage" (apprenticeship tax).

### 2.6.2 Wages policy

As of December 31, 2010, 4,197 employees received a fixed salary with no reference to working hours or with reference to an annual number of working days.

The average effective working week of employees paid on an hourly basis was 34.50 hours. This concerns 3,686 employees.

The minimum annual Company salary in 2010 is EUR 21,600.

The average annual growth in current salaries was 2.02 %.

Current gross annual salaries in euros are as follows:

	1st decile	1st quartile	median	3rd quartile	9th decile
2010	27,027	30,769	39,836	57,486	81,205

In 2010, average profit-sharing and incentive plans amounts received by entitled employees were EUR 12,924 and EUR 1,701, respectively.

In addition, a total of EUR 26.6 million was paid to the Works' Councils in respect of employee activities (5% of total payroll) or for various employee-related expenses: transport, housing, catering, etc.

### 2.6.3 Equal opportunities

Agreements have been signed within the Company regarding equal job opportunities for men and women, the employment of disabled people and the employment of seniors.

A statistical dashboard has been set up together with the various stakeholders so as to monitor the equality of job opportunities for men and women. A network of trained personnel is in place with representation at every Company facility and general department.

Various actions directed at helping people back into employment or keeping people in jobs continued, in particular, with the work done by local committees under the "CAP AVENIR" (Pointing to the Future) initiative and by local and central correspondents overseen by a coordinator at Company level.

The Company agreement on the employment of disabled people was extended for 2010 with an amendment whose main objectives addressed essentially the relaunching of our recruitment, work-study and internship contracts (training, workstation organization, improving the working environment).



In 2010, the Company hired 10 disabled employees and received 30 disabled interns. The Company employed a total of 603 units compared to the mandatory 477 units.

An agreement has also been signed for the years 2011 to 2013. It includes the provisions of the 2010 agreement and provides for new measures aiming to facilitate recognition for disabled workers, their integration and their job security.

DASSAULT AVIATION has made a special commitment to employing seniors, in particular by keeping staff aged over 55 (these make up 17% of total Company employees) and with the passing down of know-how and skills, the implementation of a systematic annual medical examination and the possibility of working part-time on attractive terms. A "senior" correspondent has been appointed to oversee the actions provided for in the agreement.

#### 2.6.4 Employee relations

The employee relations policy at DASSAULT AVIATION is based on the search for collective agreement and the maintenance of a satisfactory industrial relations climate.

In 2010, the Company concluded an agreement guaranteeing significant resources, compared to what is laid down by law, being earmarked for the running of trade union organizations and employee representative institutions. Since employee relations are also built on the quality of the partners, this agreement confirms the desire to reconcile:

- the requirements of the professional activity and those arising from employee representation offices,
- recognition of the commitment to union activity or employee representation for the benefit of all concerned and of the work itself,
- recognition of the skills acquired through the exercise of the office and those acquired through the professional activity.

Beyond this agreement on the roles, resources and careers of employee representatives, the program of consultation and negotiation with the trade unions continued and led in 2010 to the signing of several labor agreements and amendments relating to:

- the assessment and prevention of stress in the workplace,
- the employment of disabled people in the years 2011 to 2013,
- salaries,
- collective profit-sharing for the years 2010 to 2012,
- medical expenses coverage for non-management employees,
- working hours,
- the collective retirement savings plan (PERCO),
- the suspension of successive work shifts.

Part-time work at DASSAULT AVIATION has been the subject of particular attention and led to the signing of a Company agreement on December 14, 2010 aimed at:

- addressing the aspirations of a section of the workforce in terms of balancing their private lives with their professional lives on a voluntary basis while taking into account the industrial needs,
- improving the status of part-time employees or those with specific reduced working hours by allowing them, on a voluntary basis, to neutralize the effects of their work regime on their basic and supplementary pension rights.

#### 2.6.5 Development of human resources and training

Actions undertaken in 2010 enabled the maintenance and development of the level of skills among employees, taking into account both individual and collective aspirations and the social and economic environment of the Company.

Several long-term projects continue to bear fruit. These include:

- professional mobility, an essential tool, satisfies the Company's resource requirements and meets employee expectations,
- the transfer of skills and operating know-how through the DASSAULT Skills Conservatory (the range of training courses continues to develop) is deployed on all sites,

- a managerial culture based on high-quality local communication is transmitted through various DASSAULT Institute seminars,
- expenditure for continued professional training satisfies employee operating requirements, and represents a financial expense equivalent to 3.49% of the total payroll for 181,505 hours of training.

A particular effort has been made for specialized training linked to the digital enterprise and to psychosocial risks. This effort will go on.

The training initiative launched in 2009 in the framework of the agreement on furlough was continued until the end of June 2010. Our professional training mechanisms have demonstrated their capacity to adapt and react in order to meet specific training needs.

The "Aggregating Company skills" project has been redefined in order to develop a more integrated approach with the management. This meets the needs of the Company with regard to employee skills and motivation, and encourages the implementation of policies of cooperation with the education system, of recruitment, of career management and of training.

## 2.6.6 Health and Safety at Work

The Health & Safety at Work policy of DASSAULT AVIATION is built around 4 principles:

- implementing dynamic integration of health and safety in the workplace at all levels,
- deploying a management system template for health and safety at work,
- preparing the Company and its sites for changes to the regulations,
- encouraging experience feedback for more efficient management of our social risks.

In 2010, the objectives of our policy resulted in the following actions:

- the joint signing by management and employee

representatives of an agreement on stress, with the breakdown of suitable training for those involved in the prevention of psychosocial risks and the implementation at facility and Company level of monitoring indicators generated by the occupational health and safety service,

- the reinforcement of our chemical risk management through the setting up of suitable and centralized organizations for addressing the topics of REACh, the assessment and measuring of exposure, and the efficiency of collective and individual protective equipment,
- the strengthening of preventive healthcare measures for the Group's expatriate staff,
- the implementation by our sites of action plans to converge towards a Company system for the management of health and safety in the workplace,
- the organization of the Company campaign to prevent repetitive strain injury in all sites.

In 2010, 219 accidents resulted in work stoppages, corresponding to a frequency rate<sup>(1)</sup> of 18.21 and a severity rate<sup>(2)</sup> of 0.50.

(1)  $\frac{\text{No. of work-related accidents with stoppage} \times 1,000,000}{\text{Number of hours worked}}$

(2)  $\frac{\text{No. of days lost due to temporary disability} \times 1,000}{\text{Number of days worked}}$

In addition, 7 occupational illnesses were recognized by the Social Security during the year.

Our 2011 priorities for health and safety at work will be as follows:

- pursuing our stress prevention approach,
- following up on the repetitive strain injury prevention campaign by focusing on local actions,
- reinforcing our risk management through the steering of prevention actions based on our health and safety at work management system model.

## 2.7 Environment

### 2.7.1 Context

DASSAULT AVIATION has been ISO 14001 certified since 2007 further to the implementation of a Company-wide global environmental management system.

In 2009, the integration of Quality and Environment Management Systems was finalized and was awarded a combined certification.

### 2.7.2 Foreign subsidiaries

The main industrial site of our US subsidiary, DASSAULT FALCON JET, specializing in the commercial completion of FALCON aircraft, is also ISO 14001 certified.

### 2.7.3 Principal Achievements

Our main achievements in 2010 with respect to environmental protection and/or improvements were as follows:

- pursuing the work on the European Clean Sky project, which aims at making air transport more ecological while ensuring that the European aviation industry remains competitive,
- implementation of an eco-design approach for our aircraft,
- pursuing the policy of compliance with the European REACH regulations,
- initialization of the collection and consolidation of the data required for drafting the greenhouse gas inventory (Grenelle 2),
- developing the environmental analysis of the Group's various processes and procedures,
- pursuing the deployment of a single IT system for industrial waste management,
- finalizing our mechanism for controlling and reducing environmental risks on the sites,
- moving on with the extension of network segregation (waste water and rainwater) and use of recycled water in toilets blocks (5000 m<sup>3</sup>/year),

- project for a photovoltaic system on the roof of the Mercure hall at Istres.

### 2.7.4 Company environmental organization

- ***The Environmental Management System of DASSAULT AVIATION (Company EMS)***

The Total Quality Management Department drives the Company EMS. It proposes the environmental policy and coordinates the measures undertaken by the sites and by the Company's central departments.

The TQMD also defines the reference base. It provides shared operational tools and gives site environment managers and corporate managers directives that are based on Company or external best practices.

Finally, it is responsible for preparing Company environmental progress reports in order to define the Company's improvement strategies.

- ***The Environmental Management System of the DASSAULT AVIATION sites (Site EMS)***

The Site EMS mainly relies on the quality and environmental departments which represent the facilities management to the competent authorities.

A network of environmental correspondents supports the management of the facility in order to relay instructions, analyses and action plans in the field.

2010 marks the end of a three-year cycle of audits designed to evaluate, with a view towards continuous improvement, the operation of the environmental management system and the quality of the reporting for all DASSAULT AVIATION sites.

- ***Environmental risk management***

Our industrial sites are governed by legislation covering Environmental Protection Classified Installations.

Their classification is representative of the level of risk:

- low (declaration): Martignas and Saint-Cloud,
- medium (authorization): Argenteuil, Argonay, Biarritz, Istres, Mérignac and Seclin,
- high (authorization/Seveso low threshold): Poitiers, for which a very thorough risk analysis has been set up.

In recent years, DASSAULT AVIATION's industrial sites have made significant progress in environmental risk management:

- comprehensive risk analysis,
- implementation of an emergency response plan,
- accident simulations,
- plan to reduce risks as early as possible in the process.

- **Employee awareness**

Employees of DASSAULT AVIATION and of outside companies working on our sites, and whose activities affect the environment, have been made aware of environmental protection concerns.

## 2.7.5 Environmental performance

- **Environmental reporting**

A reporting of impact has been set up at the Company level (e.g. consumption of resources, discharges, waste, etc.).

Each site has:

- implemented locally the Company environment reporting indicators,
- determined specific indicators for its own activities.

The indicators of each site are analyzed at periodic environmental management meetings attended by the representatives of the Group's Total Quality Management Department.

- **Resource consumption/Energy**

Besides the kerosene used for flight tests, the energy used by DASSAULT AVIATION at its different sites is 51% electricity, 48% gas and 1% liquid fuel (fuel-oil, diesel).

Year	Tera Joules			Total
	Electricity	Gas	Fuel oils	
1998	322	321	98	<b>741</b>
2009	337	298	6	<b>641</b>
<b>2010</b>	<b>333</b>	<b>316</b>	<b>4</b>	<b>653</b>

Despite an increasing rate of activity between 1998 and 2009, global energy consumption remained stable thanks to energy-saving programs carried out by the sites.

Electricity is principally used for lighting on the sites and the air conditioning of enclosed premises, as well as for certain processes (thermal treatments, composites manufacturing, etc.).

Gas provides the energy required for the heating of premises, as well as for certain processes (surface treatment and paint workshops).

It should also be noted that since 1998 we have sharply reduced fuel-oil consumption by using energy sources that cause less air pollution. Fuel-oil storage capacities are dedicated to operating the emergency electrical generators.

- **Resource consumption/Water**

The water used at the production sites comes from the public networks, from the pumping of ground water and from recycled rainwater.

Year	Thousands of m <sup>3</sup>		Total
	Municipal water	Ground water	
1998	463	271	<b>734</b>
2009	165	42	<b>207</b>
<b>2010</b>	<b>125</b>	<b>35</b>	<b>160</b>

The significant decrease in water consumption between 1998 and 2010 is particularly due to the management of water used for cooling, catering, toilet facilities and watering of green areas (installation of closed circuits, leak detection campaign, rationalized consumption, etc.). Other sources of water savings include efforts to recover rainwater.

• **Raw materials and other products**

Aircraft structures mainly consist of recycled aluminum. Composite materials, paints and sealants are also used in their construction. Consumables such as acids and bases (surface treatment baths), machining oils and degreasing solvents (mainly non-halogenated) are also used.

The progressive implementation of REACH regulations will lead to reductions in the use of the most hazardous products in aircraft manufacturing.

• **Solvents and related discharges**

The table below shows the trends in overall consumption of solvents on DASSAULT AVIATION sites.

Year	Metric tons		
	Non halogenated	Halogenated	Total
2000	144	118	<b>262</b>
2009	107	7	<b>114</b>
<b>2010</b>	<b>90</b>	<b>10</b>	<b>100</b>

Consumption of solvents involved in degreasing and painting procedures has decreased since 2000, in particular as regards halogenated solvents.

This performance is linked to the replacement of these solvents (for example trichlorethylene) by other substances such as water-based cleaning products, which are more environmentally friendly.

• **Other atmospheric discharges**

The atmospheric discharges mainly stem from traditional combustion installations (boilers and emergency generators) and aircraft testing.

These activities generate carbon dioxide (CO<sub>2</sub>), sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>) wastes.

Year	Thousand of metric tons of CO <sub>2</sub>		
	without kerosene	from kerosene	Total
1998	26	23	<b>49</b>
2009	18	11	<b>29</b>
<b>2010</b>	<b>18</b>	<b>12</b>	<b>30</b>
Year	Metric tons of SO <sub>2</sub>		
	without kerosene	from kerosene	Total
1998	17	3	<b>20</b>
2009	0	2	<b>2</b>
<b>2010</b>	<b>0</b>	<b>2</b>	<b>2</b>
Year	Metric tons of NO <sub>x</sub>		
	without kerosene	from kerosene	Total
1998	39	50	<b>89</b>
2009	21	25	<b>46</b>
<b>2010</b>	<b>22</b>	<b>26</b>	<b>48</b>

The increasing use of “clean” energies has resulted in a reduction in nitrogen oxide discharges and, in particular, the virtual elimination of sulfur dioxide discharges, excluding those relating to in-air activity.

• **Water discharges**

The principal wastewater discharges are the result of surface treatment activities.

To prevent the discharge of toxic metals into the natural environment and ensure compliance with regulations, the relevant production sites are equipped with detoxification facilities.

Specific indicators show that pollutant flows contained in the surface treatment water from wastewater treatment plants are well below the limits set by national and local regulations.

To prevent any pollution arising from an accidental stripping or a fire, our sites are equipped with hydrocarbon separators and specific stripping areas. Containment tanks for fire-fighting water have been put in place.

- **Waste**

The waste generated by our plants can be broken down into two major categories: Ordinary Industrial Wastes (paper, cardboard, scrap iron etc.) and Hazardous Industrial Wastes (oils, metallic hydroxide muds, solvents, contaminated packagings, etc.), as follows:

Year	Metric tons		
	Non-hazardous	Hazardous	Total
2005	4,919	2,184	<b>7,103</b>
2009	4,178	1,625	<b>5,803</b>
<b>2010</b>	<b>4,258</b>	<b>1,391</b>	<b>5,649</b>

- **Noise and vibrations**

Noisy equipment is as far as possible placed inside buildings, and any devices likely to cause vibrations are set on concrete blocks equipped with anti-vibration mountings. Noise level measurements have not revealed any significant noise disturbance.

Flights and ground tests are managed so as to minimize the noise impact on employees and the surrounding area.

- **Traffic**

Industrial rationalization measures in recent years took into account the economic and environmental optimization of transport between sites.

The transport of chemical products and hazardous industrial waste represents a small proportion of heavy vehicle traffic at the production sites.

- **Odors**

Our sites do not create any significant odor nuisances for the neighboring communities.

## 2.7.6 Environmental costs

- **Expenses incurred to anticipate the impact of the Company's activity on the environment**

2010 capital expenditure for the environment

incurred by DASSAULT AVIATION totaled EUR 1.1 million.

In addition, EUR 0.8 million was invested in studies of risk, impacts and regulatory compliance.

- **Damage caused to the environment**

No court has ever sanctioned DASSAULT AVIATION for pollution or ordered it to pay compensation to repair damage caused to the environment.

The Anglet Biarritz site was subject to a prefectural order in 2006 calling for an impact analysis and a treatment study for past groundwater pollution (chrome and halogenated solvents). The Company therefore assessed the potential sanitary risks relating to the past pollution which leaked outside the site. In accordance with a prefectural order of June 2007, the pollution was treated at the end of 2007. A municipal order from the town of Anglet reiterated the ban on the use of groundwater.

The water treatment facility proved its efficiency in groundwater cleanup and the business plan established by the Company will provide environmental impact control through appropriate surveillance measures.

- **Provisions and financial guarantees**

DASSAULT AVIATION has not accounted for any environmental provisions and is not legally obliged to provide financial guarantees in accordance with current operating authorization decrees.

It should be added that, in addition to its General Operations Civil Liability insurance policy (EUR 1.5 million for environmental damage risks), the Company has taken out environmental multi-risk coverage for EUR 11 million, EUR 3 million of which cover natural protected species and habitats.

### 2.7.7 Priorities and orientations for progress

Our main priorities for 2011 with respect to the environment will be as follows:

- to consolidate the efficiency and relevance of our environmental management system, in particular through:
  - the pursuit of the lifecycle analysis approach for our aircraft,
  - the finalization of the REACH project,
  - the extension of the environmental process analyses in terms of action plans and the reinforcing of the provisions for organization and management,
- to continue the definition and implementation of provisions arising from the Grenelle 2 law,
- to develop our regulatory watch at Company level,
- to declare the greenhouse gas emissions linked to the aviation activity (ETS - European Emission Trading Scheme).

## 2.8 Shareholder information

### 2.8.1 Equity structure

The share capital of the Company totaling EUR 81,007,176 is made up of 10,125,897 shares, each with a par value of EUR 8. The shares are listed on the regulated "Euronext Paris" market of NYSE Euronext - Compartment A - International Securities Identification Numbers (ISIN Code): FR0000121725. They are not eligible for deferred settlement.

The principal DASSAULT AVIATION shareholders as of December 31, 2010 are as follows:

Shareholders	Number of shares	% interest and voting rights
GIMD	5,118,240	50.55 %
EADS France	4,690,307	46.32 %
Public	317,350	3.13 %
<b>TOTAL</b>	<b>10,125,897</b>	<b>100.00 %</b>

### 2.8.2 Information about Shareholders and voting rights

As of December 31, 2010, 6,395 shares (i.e. 0.06% of the share capital) were held by a corporate investment fund, whose members consist of current and former Company employees.

The Company's bylaws do not include any restrictions on the exercise of voting rights or the transfer of shares.

GIMD and EADS France are not linked by a shareholders' agreement.

The direct or indirect investments in the Company's share capital, of which it is aware pursuant to Articles L 233-7 and L 233-12 of the French Commercial Code, are those mentioned in the table above. The Company does not hold any treasury shares.

No shareholder has special control rights. In particular, there is no shareholding system offering employees specific control.

### 2.8.3 Board of Directors

Rules governing appointment and replacement of members of the Board of Directors and amendments to the bylaws are based on applicable legislation.

The powers of the Board of Directors are based on applicable legislation. It is not authorized to issue new shares or buy back Company shares.

### 2.8.4 Agreements entered into by the Company

Aside from short-term loans undertaken in 2009 and renewed in 2010, mentioned under "Cash and Liquidity Risks", the Company has not entered into any major agreement that would be modified or terminated automatically in the event of a change of control of the Company.

However, in such a case, the national defense contracts entered into with the French State would be re-examined by the French Ministry of Defense, which may 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 or employees, 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.

## 2.8.5 Miscellaneous information

In 2010 the Company did not carry out any transactions in its own shares (share buyback program).

It has neither established a stock option scheme nor a bonus share plan.

The Shareholders Meeting has not granted any authority or powers to the Board of Directors as regards to capital increases.

In accordance with Article L 621-18-2 of the French Monetary and Financial Code and Articles 223-22 ff of the General Regulations of the AMF, Ms Nicole DASSAULT and Mr. Pierre de BAUSSET have declared to the AMF and informed the Company of the acquisition of their 25 statutory shares following their appointment as Directors at the Shareholder's Meeting of May 19, 2010.

## 2.9 Operation of the Executive Management

The Special and Ordinary General Meeting of Shareholders of April 25, 2002 brought the bylaws of the Company into conformity with the Act of May 15, 2001 concerning the New Economic Regulations. The Board of Directors, which met after this meeting, decided that the Chairman of the Board of Directors, Mr. Charles EDELSTENNE, would be responsible for the Company's Executive Management.

## 2.10 Other offices held and duties performed by DASSAULT AVIATION executive officers during fiscal year 2010

### 2.10.1 Honorary Chairman and director

#### Serge DASSAULT

*Term of office beginning and end: 2009 AGM - 2015 AGM*

*DASSAULT AVIATION shares held: 25*

#### *Other corporate offices and duties:*

- Chairman:  
Groupe Industriel Marcel Dassault SAS  
Groupe Figaro SAS  
Rond-Point Holding SAS  
Rond-Point Immobilier SAS
- Chairman and Chief Executive Officer:  
SOCPRESSE SA
- Chairman of the Board of Directors:  
Société du Figaro SA
- Chief Executive Officer:  
CHATEAU DASSAULT SAS
- Director:  
Dassault Falcon Jet Corporation (USA)  
Dassault International Inc. (USA)  
Dow Kokam LLC (USA)
- Member of the Strategy Committee:  
Dassault Développement SAS
- General Manager:  
Rond-Point Investissements SARL  
Société Civile Immobilière de Maison Rouge  
SCI des Hautes Bruyères



### 2.10.2 Chairman and Chief Executive Officer

#### Charles EDELSTENNE

*Term of office beginning and end: 2009 AGM - 2015 AGM*

*DASSAULT AVIATION shares held: 25*

#### **Other corporate offices and duties:**

- Chairman of the Board of Directors:  
DASSAULT SYSTEMES SA
- Member of the Supervisory Board:  
Groupe Industriel Marcel Dassault SAS
- Director:  
THALES SA  
CARREFOUR SA  
SOGITEC INDUSTRIES SA  
SABCA (Belgium)
- Chairman:  
Dassault Falcon Jet Corporation (USA)
- President:  
Dassault International Inc. (USA)
- General Manager:  
Sociétés Civiles ARIE, ARIE 2  
Sociétés Civiles NILI, NILI 2

### 2.10.3 Directors

#### Nicole DASSAULT

*Term of office beginning and end: 2010 AGM - 2016 AGM*

*DASSAULT AVIATION shares held: 25*

#### **Other corporate offices and duties:**

- Member of the Supervisory Board:  
Groupe Industriel Marcel Dassault SAS
- Vice-Chairman and Member of the Supervisory Board:  
Immobilière Dassault SA
- Managing Director:  
Rond-Point Immobilier SAS

- Director:  
Société du Figaro SA  
SOCPRESSE SA  
Artcurial SA

#### Olivier DASSAULT

*Term of office beginning and end: 2009 AGM - 2015 AGM*

*DASSAULT AVIATION shares held: 25*

#### **Other corporate offices and duties:**

- Vice-Chairman:  
Groupe Industriel Marcel Dassault SAS  
VALMONDE & Co. SA
- Director:  
SOCPRESSE SA  
Société du Figaro SA  
VALMONDE & Co. SA
- Chairman of the Supervisory Board:  
Particulier et Finances Editions SA
- Member of the Supervisory Board:  
Groupe Industriel Marcel Dassault SAS  
RUBIS SA
- General Manager:  
HR Finance SAS  
SCI Rod Spontini

#### Alain GARCIA

*Term of office beginning and end: 2010 AGM - 2016 AGM*

*DASSAULT AVIATION shares held: 25*

#### **Other corporate offices and duties:**

- General Manager:  
Novation Aero Consulting SARL

#### Philippe HUSTACHE

*Term of office beginning and end: 2009 AGM - 2015 AGM*

*DASSAULT AVIATION shares held: 50*

#### **Other corporate offices and duties:**

- Adviser to the Chairman  
Groupe Industriel Marcel Dassault SAS
- Member of the Supervisory Board:  
Groupe Industriel Marcel Dassault SAS

## Denis KESSLER

*Term of office beginning and end: 2009 AGM - 2015 AGM*

*DASSAULT AVIATION shares held: 25*

### **Other corporate offices and duties:**

- Chairman and Chief Executive Officer:  
SCOR SE
- Director:  
BNP Paribas SA  
BOLLORE SA  
INVESCO Ltd (US)  
Fonds Stratégique d'Investissement (France)
- Chairman:  
SCOR Global Life SE  
SCOR Global P & C SE
- Chairman of the Supervisory Board:  
SCOR Global Investments SE
- Member of the Supervisory Board:  
YAM INVEST N.V. (Netherlands)

## Henri PROGLIO

*Term of office beginning and end: 2008 AGM - 2014 AGM*

*DASSAULT AVIATION shares held: 25*

### **Other corporate offices and duties:**

- Chairman and Chief Executive Officer:  
EDF SA
- Chairman of the Board of Directors:  
VEOLIA Environnement SA (*until 12/12/2010*)  
VEOLIA Propreté SA  
VEOLIA Transport SA  
Transalpina di Energia Spa (Italy)
- Director:  
CNP Assurances SA  
VEOLIA Environnement North America Operations (*until 09/13/2010*)  
EDF Energy Holdings Ltd (UK)  
EDF International SA  
EDISON Spa (Italy)  
FCC SA (Spain)

- Member of the Supervisory Board:  
NATIXIS SA  
VEOLIA EAU - Compagnie Générale des Eaux SCA  
DALKIA SAS (*until 12/22/2010*)

## Pierre de BAUSSET

*Term of office beginning and end: 2010 AGM - 2016 AGM*

*DASSAULT AVIATION shares held: 25*

### **Other corporate offices and duties:**

- Director:  
EADS France SAS  
VIGEO SA

## 2.11 Executive officer compensation in 2010

### 2.11.1 Compensation of the Honorary Chairman

- *In respect of GIMD, which controls DASSAULT AVIATION:*

Serge DASSAULT received a gross annual compensation of EUR 400,000 in respect of his duties as Chairman of GIMD and directors' fees of EUR 20,000.

He had the use of a company car.

- *In respect of DASSAULT AVIATION:*

Serge DASSAULT, Director, received EUR 22,000 in directors' fees as member of the Board of Directors and EUR 9,148 gross annual compensation for advisory services.

He had the use of a chauffeur when performing these advisory services.

Expenses incurred by him when carrying out such activities and in the interests of the Company were also reimbursed.

- In respect of French and foreign companies controlled by DASSAULT AVIATION as defined by Article L 233-16 of the French Commercial Code (i.e. consolidated companies):

Serge DASSAULT received USD 34,286 in directors' fees as member of the Board of Directors of DASSAULT FALCON JET.

### 2.11.2 Compensation of the Chairman and CEO

- *In respect of GIMD, which controls DASSAULT AVIATION:*

Charles EDELSTENNE received directors' fees of EUR 20,000.

- *In respect of DASSAULT AVIATION:*

Charles EDELSTENNE received gross annual compensation of EUR 708,430 in respect of his duties as Chairman and Chief Executive Officer.

He had the use of a chauffeur-driven company car and all expenses incurred in the course of his duties were reimbursed on an actual-cost basis.

In addition, he received directors' fees of EUR 44,000 (double the standard amount).

In conjunction with the AFEP/MEDEF recommendations on the compensation of directors:

- Charles EDELSTENNE was retired in May 2009. The rules of the Company regarding retirement will apply, but in accordance with the ruling of the Caisse Nationale d'Assurance Vieillesse, he will not be entitled to his pension before the end of his last term of office as a Company officer. His pension and retirement benefits will therefore not be paid until that date,
- on retirement he will not receive any pay other than that referred to above.

However, in the light of:

- the special services performed for the Company by Charles EDELSTENNE and his contribution to its development, its success

and safeguarding its national and international reputation,

- the more than reasonable level of his gross annual income compared to that of Executive Managers in comparable companies,

the Board of Directors has decided to maintain the additional annual retirement benefit awarded on 15 September 2004 equal to 3% of his gross annual remuneration on the date of his retirement multiplied by the number of years during which he was Chairman and CEO and capped so that his total benefits do not exceed 60% of his last gross annual remuneration.

This compensation will be paid at the same time as his other pension rights (i.e. at the end of his last term of office), under the same conditions as executive pensions (increases based on the AGIRC index and survivor's benefit).

- *In respect of other French and foreign companies in the DASSAULT AVIATION Group:*

Charles EDELSTENNE received USD 34,286 in directors' fees as member of the Board of Directors of DASSAULT FALCON JET and EUR 30,784 in directors' fees as member of the THALES Board of Directors.

### 2.11.3 Compensation paid to other directors

- *In respect of GIMD, which controls DASSAULT AVIATION:*

Nicole DASSAULT, Olivier DASSAULT and Philippe HUSTACHE each received directors' fees of EUR 20,000.

- *In respect of DASSAULT AVIATION:*

Olivier DASSAULT, Alain GARCIA, Philippe HUSTACHE, Denis KESSLER and Henri PROGLIO each received EUR 22,000 in directors' fees as members of the Board of Directors.

Nicole DASSAULT, Pierre-Henri RICAUD and Pierre de BAUSSET received, respectively, EUR 8,039, EUR 13,962 and EUR 8,039 in directors' as members of the Board of Directors



In respect of the Audit Committee, Philippe HUSTACHE and Denis KESSLER each received EUR 4,500 in additional directors' fees and Henri PROGLIO received EUR 7,500 in additional directors' fees (including EUR 3,000 in his capacity as Chairman of the said Committee).

- *In respect of French and foreign companies controlled by DASSAULT AVIATION:*

the above directors did not receive any compensation, directors' fees or benefits in kind.

## 2.11.4 Compensation paid to the Chairman and CEO by the Company

Table 1

Summary of compensation, stock options and shares (in Euros) paid to Charles EDELSTENNE, Chairman and Chief Executive Officer		
	2009	2010
Compensation payable during the fiscal year (breakdown in table 2)	736,169	759,288
Stock options granted during the year	-	-
Performance shares granted during the year	-	-
<b>TOTAL</b>	<b>736,169</b>	<b>759,288</b>

Table 2

Detail of compensation (in Euros) for Charles EDELSTENNE, Chairman and Chief Executive Officer		
	For 2009	For 2010
- Fixed compensation	685,525	708,430
- Variable compensation	-	-
- Exceptional compensation	-	-
- Directors' fees	44,000	44,000
- Benefits in kind	6,644	6,858
<b>TOTAL</b>	<b>736,169</b>	<b>759,288</b>

## 2.11.5 Directors' fees allocated by the Company

Directors fee (in EUR)		
Board members	Paid in 2009	Paid in 2010
Serge Dassault	22,000	22,000
Charles Edelstenne	44,000	44,000
Olivier Dassault	22,000	22,000
Nicole Dassault	-	8,039
Pierre de Bausset	-	8,039
Louis Gallois	3,408	-
Alain Garcia	11,856	22,000
Philippe Hustache	22,000	26,500 (1)
Denis Kessler	22,000	26,500 (1)
Henri Proglío	22,000	29,500 (2)
Pierre-Henri Ricaud	22,000	13,962
<b>TOTAL</b>	<b>191,264</b>	<b>222,540</b>

- (1) including EUR 4,500 in respect to the Audit Committee  
 (2) including EUR 7,500 in respect to the Audit Committee

## 2.12 Proposed resolutions

The ordinary resolutions presented to you for adoption concern:

- approval of the parent company financial statements,
- approval of the consolidated financial statements,
- the Auditors' Report on related-party transactions,
- discharge of Directors from any liability arising from their management of the Company,
- appropriation of net income.

The extraordinary resolution is designed to comply with the provisions of Order No. 2010-684 of June 23, 2010. It states that listed companies must enable shareholders to provide notification by electronic means of the designation and revocation of their representative agents at the AGM.

The transmission of proxy by electronic means requires that the principals have recourse:

- to a secure electronic signature,
- or, if the Company statutes so allow, to a reliable identification process guaranteeing their link to the act in question.

The use of a second method is proposed, which is simpler and therefore less costly. This involves the modification of the last paragraph of Article 29 of the Company statutes. In this way, the notification of the designation and revocation of the agent may take place either on paper or by electronic means with ID and password.

### **3. Outlook for the future**

Owing to the significant number of available-for-sale pre-owned aircraft on a worldwide scale, the Group does not predict a business aviation market recovery in the short term.

In 2011, The Group expects to deliver around 70 FALCONs (compared to 95 in 2010) and 11 RAFALES (as in 2010). Net sales should decrease significantly.

### **4. Conclusion**

After the sudden crisis of 2009, the worldwide economic situation stabilized in 2010, but with no significant signs of a recovery.

2011 appears as a contrasted year.

The experts anticipate a slowdown of the world economy, and the dollar will continue to fluctuate around a weak value, to the detriment of our competitiveness.

We shall, furthermore, have to face up to the aggressive sales approach of our civil competitors and to the reduction of the Defense budgets in many countries.

All the same, the used business jets market is beginning to develop, through prices remaining low, and the demand for new FALCONs is progressively taking off again, even if, on account of still significant cancellations, the net balance of orders for 2010 is negative.

As regards RAFALE, we are discussing with several export prospects. They recognized our military aircraft's qualities during its evaluation and we are looking forward to concluding deals.

With regard to drones, the recent Franco-British agreement opens up the prospect of cooperation with BAE Systems.

Under these conditions, we need to undertake an industrial and social policy that reconciles prudence and ambition, by:

- pursuing the adaptation of our employees to suit the work load, with an emphasis on maintaining skills, particularly in the design offices,
- launching anticipatory production of FALCON parts in order to improve our reactivity and our delivery lead times in response to the demands of certain customers, and in preparation for a possible upturn in the civil aviation market.

The uncertain prospects for the growth of the world economy strengthen our conviction in this policy, while encouraging us to face up to the upturn with as many assets as possible, in the shape of continually improved competitiveness, innovative products and ambitious processes.

Our principal objectives for 2011 are as follows:

- finalizing the general design of the SMS,
- certifying the EASy II cockpit for the FALCON 900LX,
- continuing to work with our prospective RAFALE customers in a spirit of industrial partnership,
- finalizing the assembly and systems integration of the nEURon,

- developing with BAE Systems a proposal for a Franco-British MALE UAV,
- preparing for the future with studies of aircraft concepts and technological developments.

The Board would like to take this opportunity to thank all DASSAULT employees for the efficiency and skill they have demonstrated in helping the Company carry through its projects.

*The Board of Directors*



Ladies and Gentlemen,

I will report the terms and conditions governing the composition of the Board of Directors, the preparation and organization of the Board's work and the internal control and risk management procedures set up by the Company.

## **1. Composition of the Board of Directors**

### **1.1 Directors**

The Board of Directors has 9 members with the experience and expertise required to hold office.

On May 19, 2010, the General Meeting appointed Mrs Nicole DASSAULT as Director, in replacement of Messrs. Pierre-Henri RICAUD and Pierre de BAUSSET as a new Director.

The Board of Directors therefore comprises Mrs Nicole DASSAULT and Messrs. Charles EDELSTENNE, Serge DASSAULT, Olivier DASSAULT, Pierre de BAUSSET, Alain GARCIA, Philippe HUSTACHE, Denis KESSLER and Henri PROGLIO.

Three Directors, Messrs. Alain GARCIA, Denis KESSLER and Henri PROGLIO, are considered to be independent according to the criteria of the AFEP/MEDEF (French corporate associations) corporate governance code.

## **2. Preparation and organization of the board's work**

### **2.1 Director information**

To ensure the attendance of Directors at Board meetings, the Board of Directors' meeting held to approve the half-yearly financial statements determines the Board's meeting schedule for the following year.

The notices of Board meetings specifying the agenda are sent to the Directors at least a week in advance.

Prior to each Board meeting, I, as Chairman, ensure that the relevant documents are addressed to each Director with enough time.

### **2.2 Board's work in 2010**

In 2010, the Board of Directors met on March 17, April 22 and July 28. The average attendance rate was 87%.

The Board of Directors supervised the implementation of the Company's business strategy and controlled its general operations. In particular, the Board of Directors:

- analyzed net new order entry, the backlog and net sales,
- reviewed the self-funded technology budget and the capital expenditure budget,
- analyzed the current and forecast workload compared to manufacturing capacity, the progress of the civil and military programs and implementation of the staff policy.

In addition, the Board of Directors:

- approved the fiscal year 2009 company and consolidated financial statements,
- called in the shareholders for a Shareholders' Meeting on May 19 then on September 22, 2010,
- approved the financial statements for the half-year ended June 30, 2010,
- reviewed forecast management documents in March 2010 and revised the forecast income statement in July 2010,
- renewed the annual authorization conferred on the Chairman and Chief Executive Officer to grant guarantees and deposits,
- and approved the contents of financial press releases.

## 2.3 Audit Committee

Pursuant to the December 8, 2008 decree, which transposed EEC Directive 2006/43 dated May 17, 2006 on statutory audits of company and consolidated financial statements, on July 22, 2009 the Board of Directors established an Audit Committee.

In accordance with the recommendations of the AMF (French Financial Markets Authority) of July 22, 2010, DASSAULT AVIATION relies on the working group report on the Audit Committee of June 14, 2010.

This Committee is composed of Messrs. Philippe HUSTACHE, Denis KESSLER and Henri PROGLIO, appointed on account of their skills resulting from their academic training, their experience in the financial and accounting fields with listed companies and their functions in General Management. All three are non-executive directors.

These members satisfy the requirements of the aforementioned decree. The Board of Directors considered that Messrs KESSLER and PROGLIO meet the recommended independence criteria of the AFEP/MEDEF (French corporate associations) corporate governance code.

The Audit Committee is responsible for monitoring:

- procedures for preparing financial information,
- the efficiency of the risk management and internal control systems,
- the audit of the company and consolidated financial statements by the statutory auditors,
- the independence of the statutory auditors.

The Committee's first meeting took place on March 12, 2010 and concerned the 2009 financial statements. It then met again on July 27, 2010 to examine the activity report of the half-year up to June 30, 2010. On March 11, 2011, it examined the 2010 financial statements.

In the course of these meetings, the Audit Committee, in particular:

- reviewed the consolidated financial statements and those of the Parent Company, the main events of the year or half-year concerned, the accounting treatment of the acquisition of THALES shares, the changes in the accounting rules, methods and presentation, and the draft financial releases,
- took note of the management report of the Board of Directors and of the half-yearly activity report,
- took note of the Chairman's report on the internal control and management of risks,
- took note of the internal audit plan and of the results of these audits concerning the internal control and monitoring of financial risks,
- examined the conclusions of the work of the Statutory Auditors, and their declaration of independence, and met them without the General Management being present,
- reported of its work to the Board of Directors.

## 2.4 Powers of the Chairman and Chief Executive Officer

In accordance with the provisions of the New Economic Regulations Law, the possibility of separating the duties of the Chairman of the Board of Directors and those of the Chief Executive Officer was introduced into the Company's bylaws during the Shareholders' 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.

The powers of the Chairman and Chief Executive Officer are not limited by the Company's bylaws or the Board of Directors.



### **3. Internal control and risk management procedures**

#### **3.1 Internal control objectives**

The Company's internal control procedures are intended to:

- ensure that operations and management acts as well as staff conduct fall within the framework defined by Senior Management, applicable laws and regulations, and the Company's internal values and rules,
- verify that the information provided and communications addressed to the Board of Directors and to the Shareholders' General Meetings are reliable and give a true and fair view of the Company's activity.

One of the main purposes of the internal control system is to anticipate and control 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 have been totally eliminated.

DASSAULT AVIATION relies on the reference framework of the AMF of July 22, 2010.

#### **3.2 General internal control organization and environment**

- ***Internal control reference documents***

The Company's internal control is based on the following reference documents:

- the Ethics Charter, which defines our values and code of conduct,
- the Quality Manual, which describes the Company processes,
- the Organization Manual, which describes the assignments and organization of each department,

- and for financial or accounting activities, the economic and financial data management procedure defined in the Quality Manual.

- ***Internal control bodies:***

The main internal control bodies in DASSAULT AVIATION are as follows:

- **Management Committee:**

The Management Committee comprises the persons in charge of the Company's various departments (see first pages of the annual financial report). This Committee covers all subjects concerning the running and the various aspects of the Company's operations. It meets once a week.

Each Committee member is responsible for the internal control of his 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 until their effective completion.

- **Total Quality Management Department (TQMD):**

- ***through the Risk Management Department:***

This Department ensures the smooth running of the process to manage risks related to aircraft programs and products. It identifies the critical risks and notifies Senior Management.

- ***through the Quality Management System (QMS):***

The QMS is coordinated by the Total Quality Management Department and relies on the plants' Quality Control managers and the Quality Representatives of the functional departments.

The system uses a structured documentary database, comprising process descriptions, and quality procedures and instructions.



The QMS is monitored through a program of internal audits, quality assessments and management reviews.

- Program Departments based on Program Management:

Program Management is coordinated by each Program Head of department, who reports to the Chairman and Chief Executive Officer. He relies on the Program Managers of the functional departments.

- The Economic and Financial Affairs Department based on Management Control:

Management control, driven by the Economic and Financial Affairs Department, for program as well as expense, is primarily concerned with the budgetary process.

It comprises a network of cost controllers in every Company department. The Economic and Financial Affairs Department organizes quarterly budgetary reviews, particularly for the purpose of reporting to the Chairman and Chief Executive Officer.

• **Control of subsidiaries**

The DASSAULT AVIATION strategy is, but for a few exceptions, to exercise majority control over its subsidiaries or significant influence as in the case of THALES.

The Company maintains an effective presence in the Board of Directors and management bodies of its subsidiaries.

The Company is also represented on the Executive Committee of DASSAULT FALCON JET, the Group's principal subsidiary.

Periodic management reports are prepared by each subsidiary for the parent company, which decides on the appropriate measures to be taken.

• **Internal audit**

The Internal Audit Department is assigned to evaluate the risk management and internal control processes.

The Internal Audit Head of Department reports to the Chairman and CEO on the results of the audits and the recommendations carried out. He also submits for the latter's approval the internal audit plan prior to its implementation.

The Audit Committee meets the Internal Audit Head of Department as many times as it deems necessary, and takes note of the audit plan and of the conclusions of the audits.

The Internal Audit function, previously under the responsibility of the Executive Vice-President of Economic and Financial Affairs, is now directly responsible to the Chairman and CEO as from April 1, 2010.

• **External control factors**

The Company operates in a particular external control environment on account of its French government markets and aviation activity:

- the calculation of our cost factors (i.e.: hourly rates, procurement overhead and services, general and administrative expenses) and the costs of activities relating to French government markets are controlled by the French Defense Procurement Agency (DGA),
- Product monitoring, in the military aviation activity, is performed by the DGA,
- The Company holds civil aviation design, production and maintenance licenses and authorization, which are subject to ongoing review by the French Civil Aviation Central Authority.

In line with its quality policy, the Company is certified EN 9100 and ISO 14001. Its Quality Management System and its Environmental Management System undergo a joint audit every year by an outside organization (Bureau Veritas Certification).

### 3.3 Risk management procedures

The risk management mechanism is based on risks mapping that is updated by each of the major company departments for the activities concerning them.

The risks identified in this mapping, whatever their nature, have been assessed according to their seriousness and their frequency of occurrence.

The procedures for treating major risks are also recorded in this mapping.

More particularly, program risk management at DASSAULT AVIATION is based on the following approach:

- identifying critical risks per program,
- risk analysis (assessment and prioritization),
- treatment of risks.

Risks are primarily identified through regular critical risk reviews with program departments, operational departments and sites.

Each critical risk is covered in a file prepared by the Total Quality Management Department program manager.

Risks are monitored at the various stages in a product's lifecycle based on various reviews, as follows:

- program launch review,
- bid review,
- contract review.

The purpose of these reviews is to identify new critical risks and monitor and reduce existing risks. The Risk Management Department notifies Senior Management by transmitting the list of critical risks identified.

Environmental risk management:

- covers compliance and control of the environmental impact of the sites and products,
- is performed based on the Group's Environmental Management System (see management report).

Financial risks management is also specified in the director's report.

### 3.4 Internal control procedures for financial and accounting purposes

- ***Organization of the financial and accounting function:***

This function, described in the Quality Manual, is managed by the Economic and Financial Affairs Department for both the parent company and the Group. The Economic and Financial Affairs Department is also responsible for:

- approving and controlling the Company's centralized financial and accounting information system, implemented by the Information Systems Management Department,
- updating the consolidation software used by the parent company, its subsidiaries or subsidiary sub-groups.

- ***General references:***

The financial statements are prepared in accordance with:

- accounting standards applicable to French companies:
  - ✓ the decree of June 22, 1999 approving French Accounting Standards Committee Regulations 99-03 of April 29, 1999, and subsequent applicable regulations,
  - ✓ notices and subsequent recommendations of the French National Accounting Board (CNC).

- international valuation and presentation standards for IFRS financial reporting prevailing as from December 31, 2010, as adopted by the European Union, for consolidated financial statements,
- operating and control procedures described in the economic and financial data management process, completed by the specific procedures for the approval of the parent company and Group consolidated half-yearly and annual financial statements.

These procedures and the IT applications used by the finance and accounting department are regularly reviewed by the auditors in connection with their annual statutory audit of the financial statements.

- ***Financial and accounting information process:***

Within the Economic and Financial Affairs Department, the department responsible for the coordination of accounting and tax matters centralizes accounting data and produces the parent company and Group financial statements.

The Economic and Financial Affairs Department distributes a schedule with the tasks and controls to be performed at each period-end to the relevant persons in the parent company and subsidiaries. This schedule indicates the start date for the statutory audit procedures at approximately four weeks prior to the Board meeting to be held to approve the financial statements.

At the same time, the Executive Vice-President for Economic and Financial Affairs sets up a committee to review the financial reports and statements, whose members are independent of the staff who prepared these documents.

### **3.5 2010 Actions**

The Economic and Financial Affairs Department, then the Internal Audit Department as from April 1, 2010, and the Total Quality Management Department continued to monitor the internal control procedures for all relevant persons by using the risk mapping that is updated during the year.

The aforementioned departments conferred in order to decide on the breakdown of the audits.

They performed audits in order to verify the proper application of the internal control procedures.

### **3.6 2011 Action Plan**

For 2011, I have entrusted the Internal Auditing Department and the Total Quality Management Department with the task of conducting audits in order to monitor the internal control mechanism and verify the proper application of the procedures.

Furthermore, I have decided to put in place a Risks Committee, which will report back to me annually.

It is led by the Executive Vice-President for Economic and Financial Affairs and the Executive Vice-President, Total Quality.

Its mission, based on the risks mapping and any other necessary elements, is to:

- validate the identified risks, their prioritization and the reduction actions carried out,
- ensure that the new risks are identified, taken into account and their financial impacts measured.

To this end, the Committee will conduct periodic interviews with the managers of the Company processes, responsible for updating the risks mapping.

It will also ensure that the risk management mechanism is taken into account in the subsidiaries.

## **4. Corporate governance**

The Board of Directors has chosen the Senior Management option which it deems 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 the Chief Executive Officer. Shareholders and third parties are fully informed of this decision in the director's report.

In conjunction with the October 2008 recommendations of the AFEP and MEDEF concerning directors' compensation, on renewal of the Chairman and CEO's office and duties in May 2009, the Company took the actions specified in the directors report under the heading "Compensation of the Chairman and Chief Executive Officer".

## **5. Specific conditions governing shareholders' attendance at shareholders' meetings**

### **5.1 Admission**

The conditions governing shareholders' attendance at shareholders' meetings are set forth in Articles 29 and 31 of the bylaws.

These conditions are as follows:

- the right to attend shareholders' 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 (i.e.: a bank, financial institution or investment service provider) and production of a participation certificate issued by the intermediary,
- 
- the period during which these formalities must be completed expires three working days preceding the date of the shareholders' meeting,
- the Board of Directors retains the right to accept the participation certificate after the above deadline,
- shareholders can be legally represented at shareholders' meetings.

These conditions are reiterated in the preliminary notice and the final notice of the shareholders' meeting that are published in the BALO (French newspaper for official announcements) and online at the Company's website.

### **5.2 Voting rights**

Subject to special circumstances provided for by law, all members present at the meeting have as many votes, without limitation, as the number of fully paid-up shares they own or represent.

Voting is performed by the raising of hands and/or voting slips.

A secret ballot may be requested by either the Board of Directors, or 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, no later than three days prior to the meeting date.

Shareholders may also legally vote by correspondence.

## **6. Principles and rules to determine compensation and benefits in kind granted to corporate officers**

The overall annual amount of directors' fees was determined by the General Shareholders' Meeting.

The Board of Directors distributed this overall amount equally among the directors, who therefore received EUR 22,000 per year and per director apart from the Chairman who received double this standard amount.

The Board of Directors granted additional directors' fees of EUR 6,000 per year to each member of the Audit Committee, and a further EUR 4,000 for the Committee chairman.

These additional fees were paid on a prorata temporis basis for the first time in 2010.

## **7. Information mentioned in Article L 225-100-3 of the French Commercial Code:**

The information set forth in this Article is mentioned in the report, bearing in mind that both these reports are included in the 2010 Annual Financial Report that will be transmitted electronically and filed with the AMF by our distributor, HUGIN, and published online at our Company website in the Finances/publications section.

*Chairman of the Board of Directors*



***CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010***

*(EUR 000)*

# Consolidated financial statements

## **ASSETS**

(EUR 000)	NOTE	12.31.2010	12.31.2009
<b>NON-CURRENT ASSETS</b>			
Goodwill	3	14,366	14,366
Intangible assets	4	51,039	61,897
Property, plant and equipment	4	437,840	459,272
Equity affiliates	5	1,726,993	1,860,618
Available-for-sale securities	5	3,943,235	3,217,787
Other financial assets	5	31,934	32,296
Deferred tax assets	20	136,964	53,487
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,342,371</b>	<b>5,699,723</b>
<b>CURRENT ASSETS</b>			
Inventories and work-in-progress	6	2,792,114	3,399,414
Trade and other receivables	7	519,779	477,311
Advances and progress payments to suppliers		152,321	178,192
Hedging instruments	23	285,118	649,550
Cash and cash equivalents	8	886,672	615,929
<b>TOTAL CURRENT ASSETS</b>		<b>4,636,004</b>	<b>5,320,396</b>
<b>TOTAL ASSETS</b>		<b>10,978,375</b>	<b>11,020,119</b>



**LIABILITIES AND EQUITY**

(EUR 000)	NOTE	12.31.2010	12.31.2009
<b>CAPITAL AND RESERVES</b>			
Share capital	9	81,007	81,007
Reserves		3,356,854	3,180,878
Foreign exchange differences		-61,927	-133,500
Other income and expense recognized directly through equity		767,017	1,005,837
Attributable net income for the year		267,447	256,721
<b>ATTRIBUTABLE EQUITY</b>		<b>4,410,398</b>	<b>4,390,943</b>
Minority interests		227	182
<b>TOTAL EQUITY</b>		<b>4,410,625</b>	<b>4,391,125</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	11	258,290	359,269
Deferred tax liabilities	20	0	106,253
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>258,290</b>	<b>465,522</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	751,715	647,826
Tax and employee-related liabilities	13	234,996	215,837
Customer advances and progress payments on work-in-progress	14	2,776,088	2,958,226
Short-term borrowings	11	1,390,226	1,402,173
Current provisions	12	1,156,435	939,410
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,309,460</b>	<b>6,163,472</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,978,375</b>	<b>11,020,119</b>

# Consolidated financial statements

## **INCOME STATEMENT**

(EUR 000)	NOTE	2010	2009 Restated (1)
<b>NET SALES</b>	15	<b>4,187,105</b>	<b>3,421,179</b>
Other revenue	16	39,957	38,226
<b>TOTAL REVENUE</b>		<b>4,227,062</b>	<b>3,459,405</b>
Changes in inventories of finished goods and work-in-progress		-622,442	-73,065
External purchases		-1,630,540	-1,697,604
Payroll and related charges (2)		-1,001,657	-988,087
Taxes and social security contributions		-62,610	-63,415
Depreciation and amortization	4	-91,890	-90,814
Charges to provisions	12	-900,668	-745,212
Reversals of provisions	12	664,032	670,475
Other operating income and expenses	17	9,980	-45,745
<b>OPERATING INCOME</b>		<b>591,267</b>	<b>425,938</b>
Income from cash and cash equivalents	19	6,832	10,575
Cost of gross financial debt	19	-39,340	-34,962
Financial income and expenses	19	5,856	53,559
<b>NET FINANCIAL INCOME/(EXPENSE)</b>	19	<b>-26,652</b>	<b>29,172</b>
Share of income/loss of equity affiliates (3)	5	-127,913	-65,550
Income tax	20	-169,210	-132,795
<b>NET INCOME (4)</b>		<b>267,492</b>	<b>256,765</b>
<i>Attributable to the Group</i>		<i>267,447</i>	<i>256,721</i>
<i>Attributable to minority interests</i>		<i>45</i>	<i>44</i>
<b>Basic earnings per share</b>	21	<b>26.4</b>	<b>25.4</b>
<b>Diluted earnings per share</b>	21	<b>26.4</b>	<b>25.4</b>

(1) the Group now recognizes Research-Based Tax Credits of French companies in operating income and no longer as a reduction of its income taxes. This change of accounting presentation is detailed in paragraph E of Note 1. Pursuant to IFRS, the Group therefore presents a restated 2009 income statement as if this presentation had always been applied.

(2) employee costs include incentive plans and profit-sharing (EUR 124,734 thousand in 2010 and EUR 103,849 thousand in 2009) along with the contributions paid into state plans, deemed equivalent to the defined contribution plans (EUR 74,034 thousand in 2010 and EUR 74,909 thousand in 2009).

(3) the Group financial statements include the Group share of THALES restated income/loss for the second half of 2009.

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

<b>NET INCOME excluding THALES</b>		<b>395,447</b>	<b>322,354</b>
<b>NET INCOME including THALES, before amortization of purchase price allocation</b>		<b>370,930</b>	<b>315,381</b>

**STATEMENT OF RECOGNIZED INCOME AND EXPENSE**

(EUR 000)	NOTE	2010	2009
<b>NET INCOME (A)</b>		<b>267,492</b>	<b>256,765</b>
<b>INCOME AND EXPENSE RECOGNIZED DIRECTLY THROUGH EQUITY:</b>			
• <u>FULLY CONSOLIDATED COMPANIES:</u>			
Net change in fair value measurement of financial instruments:			
✓ Available-for-sale financial assets	5	38,392	18,536
✓ Hedging instruments (1)	23	-364,973	198,519
Actuarial adjustments on defined benefit obligations	12	-2,686	-4,836
Corresponding deferred taxes	20	117,091	-68,269
Total other income and expense recognized directly through equity		-212,176	143,950
Foreign exchange differences		33,234	-14,691
• <u>FULLY CONSOLIDATED COMPANIES:</u>		-178,942	129,259
• <u>EQUITY AFFILIATES</u>	5	11,695	12,260
<b>INCOME AND EXPENSE RECOGNIZED DIRECTLY THROUGH EQUITY (B)</b>		<b>-167,247</b>	<b>141,519</b>
<b>TOTAL RECOGNIZED INCOME AND EXPENSE (A+B)</b>		<b>100,245</b>	<b>398,284</b>
<i>Attributable to the Group</i>		<i>100,200</i>	<i>398,240</i>
<i>Attributable to minority interests</i>		<i>45</i>	<i>44</i>

(1) the amounts stated represent the change in the portfolio's market value for the year. They are not representative of the actual gain/loss when the hedges are exercised.

# Consolidated financial statements

## STATEMENT OF CHANGES IN EQUITY

Changes in equity are detailed in the table below, where:

- the heading "share capital" represents the share capital of the parent company, DASSAULT AVIATION,
- the heading "Reserves and consolidated retained earnings" includes capital reserves (i.e. additional paid-in capital), net income for the year and legal reserves,
- the heading "Foreign exchange differences" records the exchange differences arising from the translation of the financial statements of subsidiaries outside the Euro zone,
- the heading "Other income and expense recognized directly through equity", as specified in the statement of recognized income and expense, covers post-tax changes in the fair value of available-for-sale financial assets, hedging instruments and actuarial adjustments on defined benefit obligations.

(EUR 000)	Share capital	Reserves and consolidated retained earnings (1)	Foreign exchange differences	Other income and expense recognized directly through equity	Total attributable equity	Minority interests	Total
<b>As of 12.31.2008</b>	<b>81,007</b>	<b>3,234,677</b>	<b>-122,645</b>	<b>853,463</b>	<b>4,046,502</b>	<b>138</b>	<b>4,046,640</b>
<b>2009 movements</b>							
<i>Net income for the year</i>		256,721			256,721	44	256,765
<i>Total income and expense recognized directly through equity</i>			-10,855	152,374	141,519		141,519
Total recognized income and expense		256,721	-10,855	152,374	398,240	44	398,284
Dividends paid		-58,730			-58,730		-58,730
Other movements (2)		4,931			4,931		4,931
<b>As of 12.31.2009</b>	<b>81,007</b>	<b>3,437,599</b>	<b>-133,500</b>	<b>1,005,837</b>	<b>4,390,943</b>	<b>182</b>	<b>4,391,125</b>
<b>2010 movements</b>							
<i>Net income for the year</i>		267,447			267,447	45	267,492
<i>Total income and expense recognized directly through equity</i>			71,573	-238,820	-167,247		-167,247
Total recognized income and expense		267,447	71,573	-238,820	100,200	45	100,245
Dividends paid		-89,108			-89,108		-89,108
Other movements (2)		8,363			8,363		8,363
<b>As of 12.31.2010</b>	<b>81,007</b>	<b>3,624,301</b>	<b>-61,927</b>	<b>767,017</b>	<b>4,410,398</b>	<b>227</b>	<b>4,410,625</b>

(1) this includes capital reserves (i.e. additional paid-in capital) of EUR 19,579 thousand.

(2) this largely consists of changes in treasury shares and THALES stock options.

**CASH FLOW STATEMENT**

(EUR 000)	2010	2009 Restated (1)
<b>NET INCOME</b>	<b>267,492</b>	<b>256,765</b>
Elimination of net income of equity affiliates, net of dividends received	153,683	119,667
Elimination of gains and losses from disposals of non-current assets	808	371
Income tax (including deferred taxes)	169,210	132,795
Net charges to and reversals of depreciation, amortization and provisions (excluding those relating to working capital)	293,990	146,599
<b>NET CASH FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES AND TAXES (A)</b>	<b>885,183</b>	<b>656,197</b>
<b>INCOME TAXES PAID (B)</b>	<b>-232,866</b>	<b>-135,235</b>
Change in inventories and work-in-progress (net)	607,300	29,413
Change in advances and progress payments to suppliers	25,871	-30,895
Change in trade and other receivables (net)	-42,468	-81,259
Change in foreign hedging instruments	-541	-4,426
Change in customer advances and progress payments on work-in-progress	-182,138	-456,701
Change in trade and other payables	103,889	-308,122
Change in tax and employee-related liabilities	19,159	6,663
Consolidation reclassifications and restatements (2)	-5,679	1,768
<b>INCREASE (-) OR DECREASE (+) IN WORKING CAPITAL (C)</b>	<b>525,393</b>	<b>-843,559</b>
<b>NET CASH FROM OPERATING ACTIVITIES (D=A+B+C)</b>	<b>1,177,710</b>	<b>-322,597</b>
Purchases of intangible assets and property, plant and equipment	-58,280	-113,885
Purchases of investments	-517	-2,216
Disposals of or reductions in non-current assets	15,684	11,323
Net cash from acquisitions and sales of subsidiaries (3)	0	-1,958,502
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES (E)</b>	<b>-43,113</b>	<b>-2,063,280</b>
Change in available-for-sale marketable securities (at cost)	-684,166	744,885
Capital increase	0	0
Change in equity items	0	0
Increase in borrowings (4)	1,349,496	1,587,980
Repayments of borrowings (4)	-1,453,292	-83,183
Dividends paid	-89,108	-58,730
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES (F)</b>	<b>-877,070</b>	<b>2,190,952</b>
<b>CHANGE IN NET CASH AND CASH EQUIVALENTS (D+E+F)</b>	<b>257,527</b>	<b>-194,925</b>
Opening net cash and cash equivalents (5)	606,799	813,972
Change in net cash and cash equivalents	257,527	-194,925
Exchange rate fluctuations	22,346	-12,248
Closing net cash and cash equivalents (5)	886,672	606,799

(1) the Group now recognizes Research-Based Tax Credits of French companies in operating income and no longer as a reduction of its income taxes. This change of accounting presentation is detailed in paragraph E of Note 1. Pursuant to IFRS, the Group therefore presents a restated 2009 cash flow statement as if this presentation had always been applied.

(2) - EUR 5,679 thousand relating to the reclassification in deferred tax assets of the tax paid in advance on the capital gains arising from marketable securities.

(3) EUR 1,958,502 thousand relating to the purchase of THALES shares in May 2009.

(4) in 2010, the Group repaid the short-term (less than one year) borrowings subscribed to in 2009 with banks and the GROUPE INDUSTRIEL MARCEL DASSAULT and, in order to maintain its financial flexibility, subscribed to new short-term borrowings (characteristics described in Notes 11 and 23).

(5) net cash and cash equivalents are detailed in Note 8 to the consolidated financial statements. Cash equivalents (marketable securities) are recognized at market value.

# Consolidated financial statements

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**DASSAULT AVIATION**

**9, ROND-POINT DES CHAMPS-ÉLYSÉES-MARCEL DASSAULT- 75008 PARIS**

**SOCIÉTÉ ANONYME (FRENCH LIMITED LIABILITY COMPANY) WITH SHARE CAPITAL OF EUR 81,007,176,  
LISTED AND REGISTERED IN FRANCE**

**Registered with the Paris Trade Registry under the number 712 042 456**

**SIRET: 712 042 456 00111**

On March 16, 2011, the Board of Directors approved the 2010 DASSAULT AVIATION Group consolidated financial statements and authorized their publication.

**NOTES / SUMMARY**

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# Consolidated financial statements

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## **NOTE 1 – ACCOUNTING POLICIES**

### **A/ GENERAL PRINCIPLES**

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- **A1 Compliance with accounting standards and initial date of application**

The consolidated financial statements of the DASSAULT AVIATION Group have been prepared in accordance with IFRS (International Financial Reporting Standards), applicable as of December 31, 2010 as adopted by the European Union. The IFRS standards and interpretations published by the IASB (International Accounting Standards Board) and not yet adopted by the European Union do not apply to the Group.

The Group has not opted for the early adoption of the standards and interpretations adopted by the European Union on December 31, 2010, but whose application is not mandatory on January 1, 2010. With respect to those which are relevant to the Group and given its current accounting policies, the adoption of such standards and interpretations would not have a material impact on the Group's earnings and financial position.

- **A2 Accounting choices and management estimates**

To prepare the Group financial statements, management is required to make estimates and issue assumptions that are likely to have an impact on assets and liabilities.

These estimates concern, in particular, the results of contracts in progress and provisions.

These estimates are calculated by taking into account past experience, elements known at the balance sheet date and reasonable change assumptions. Subsequent results may therefore differ from such estimates.

- **A3 Presentation of the consolidated financial statements**

Consolidated balance sheet items are presented as Current/Non-current. Assets and liabilities directly related to the operating cycle are considered as current, with the exception of the long-term amount of borrowings, classified as non-current liabilities.

Consolidated income statement items are presented by nature.

Net operating income includes all the income and expenses not arising from financial activities, equity-accounted companies, discontinued operations or operations in the process of being sold and income tax.

### **B/ CONSOLIDATION POLICIES**

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- **B1 Choice of companies and consolidation methods**

*B1-1 Investments in subsidiaries*

Companies over which DASSAULT AVIATION exercises exclusive control, directly or indirectly, and which are considered material are fully consolidated.

*B1-2 Investments in equity affiliates*

Companies over which DASSAULT AVIATION exercises significant influence, directly or indirectly, and which are considered material are accounted for under the equity method.

In 2009, DASSAULT AVIATION acquired a 26% stake in THALES, which is consolidated under the equity method with effect from its acquisition date.

*B1-3 Investments in joint ventures*

Companies in which DASSAULT AVIATION exercises joint control and which are considered material are proportionately consolidated.

In 2009 and 2010, the Group did not have any material investments of this type.



B1-4 Consolidation thresholds for companies over which the Group exercises control or significant influence

To apply the concept of relative size, companies are included in the scope of consolidation when all the following conditions are satisfied:

- total assets and liabilities exceed 2% of the equivalent Group totals,
- total revenue exceeds 2% of the equivalent Group total,
- equity exceeds 3% of the equivalent Group total.

B1-5 Elimination of inter-company transactions

All material inter-company transactions, and unrealized internal gains and losses included in non-current assets, in the inventories and work-in-progress of consolidated companies are eliminated.

- B2 Basis of consolidation

All the companies included in the consolidation have a December 31 year-end.

- B3 Translation of the financial statements of non-Euro zone subsidiaries

The financial statements of non-Euro zone subsidiaries are translated as follows:

- balance sheet items are translated in euros at the year-end rate,
- income statement items are translated at the average rate.

Foreign exchange differences are recognized directly in equity and therefore do not impact the income statement.

## C/ MEASUREMENT METHODS

- C1 Goodwill and business combinations (i.e.: mergers and acquisitions)

DASSAULT AVIATION has elected not to retrospectively restate goodwill recognized prior to January 1, 2004. Accordingly, goodwill is recognized as of this date, net of any previously recognized amortization.

Business combinations after this date are accounted using the purchase acquisition method: assets, liabilities and contingent liabilities are measured at fair value as of the acquisition date; goodwill represents the difference between the acquisition cost of the shares and the Group's share in the fair value of the purchased company's restated net assets.

Accounting for goodwill:

- if negative, goodwill is recognized in net income,
- if positive, goodwill is recognized in balance sheet assets under the following headings:
  - ✓ 'goodwill' if the purchased company is fully or proportionately consolidated,
  - ✓ 'equity affiliates' if the purchased company is consolidated under the equity method.

Goodwill can be adjusted within the twelve months following the acquisition date to take account of the final fair value estimates of the purchased assets and liabilities.

As from January 1, 2004, in accordance with IFRS 3, goodwill is no longer amortized. It is subject to impairment tests at each year-end and when there is an indication of impairment loss, according to the method defined in section C5.

IFRS 3 R and IAS 27 R that came into effect on January 1, 2010, did not have any impact in 2010.

- C2 Principles for recognition and depreciation or amortization of property, plant and equipment and intangible assets

Intangible assets and property, plant and equipment are recognized at acquisition or production cost, less any accumulated depreciation or amortization and any accumulated impairment losses. 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 depending on the conditions in which the asset is used.

Development costs are capitalized to the extent that they satisfy the following three decisive criteria: technical feasibility, economic feasibility and reliability of information relating to the expenditure. They should be likely to generate clearly identifiable future economic benefits attributable to a specific product.

# Consolidated financial statements

Capitalized development costs are amortized according to the number of aircraft delivered during the year, divided by an estimated number of aircraft to be delivered under the program (including those for the year).

## • C3 Useful lives

Useful lives are as follows:

Software	3-4 years
Development costs	according to the number of units to be produced
Industrial buildings	25-30 years
Office buildings	25-35 years
Fixtures and fittings	7-15 years
Plant, equipment and machinery	3-15 years
Aircraft	4-10 years
Rolling stock	3-4 years
Other property, plant and equipment	3-8 years
Second-hand goods	case-by-case basis

## • C4 Derecognition of intangible assets and property, plant and equipment

Any gain or loss arising from the derecognition of an item of property, plant and equipment or intangible asset (difference between the net disposal gain and the net carrying amount) is included in the income statement in the year of its derecognition.

## • C5 Loss in value and recoverable value of intangible assets, plant, property and equipment, and goodwill

At each period-end, the Company assesses whether there is an indication of impairment and carries out an impairment test if an indication of impairment has been detected. At each year-end, an impairment test is systematically carried out.

Indications of impairment include, in particular, significant adverse changes of a permanent nature, affecting the economic environment (sales outlets, supply sources, cost or index fluctuations, etc.) or the assumptions or objectives adopted by the Group (profitability analyses, backlog, regulatory changes).

Cash-generating units containing property, plant and equipment, intangible assets and goodwill are impaired by the Group where the net carrying amount exceeds the recoverable amount. The amount of impairment recognized in net income is equal to the difference between the net carrying amount and the recoverable amount.

The recoverable amount of a cash-generating unit on December 31, 2009 and December 31, 2010 corresponds to its value in use.

The value in use of a cash-generating unit is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.2% (compared to 8.8% as of 12.31.2009) and a 2% growth rate (same as of 12.31.2009). The discount rate includes the rates prevailing in the aviation industry, and was calculated using the same method as in 2009.

Post-tax cash flows are projected over a period of five years and the method takes into account a terminal value.

Each consolidated company represents a cash-generating unit, i.e.: the smallest identifiable group of assets that generates cash inflows. The discount rate applied is the same for all cash-generating units given that they all operate in the aerospace field.

When a cash-generating unit containing goodwill should be impaired, the goodwill is impaired first and foremost. The residual impairment is allocated to the other assets comprising the cash-generating unit in proportion to their carrying amount.

Goodwill impairment cannot be reversed. For any other asset included in a cash-generating unit, a previous impairment may be reversed to net income if permitted by changes in the asset's recoverable amount.

## • C6 Securities and other non-current financial assets

They are initially recognized at fair value which corresponds to the price paid plus acquisition costs.

Securities and other non-current financial assets break down into three categories as follows:

### C6-1 Investments in equity affiliates

Investments in equity affiliates undergo an impairment test once there are objective indications of long-term loss in value.

Impairment is recorded if the recoverable value is lower than the carrying amount, whereby the recoverable value is the higher of the value in use and the fair value net of transaction costs.

Impairment may be reversed if the recoverable value once again exceeds the carrying amount.

#### *C6-2 Available-for-sale securities*

These mainly comprise short-term investments in the form of marketable securities and non-consolidated investments that the Group does not intend to sell in the short term.

They are recognized at fair value under "Available-for-sale securities".

For listed assets (marketable securities and non-consolidated investments), fair value corresponds to the market price prevailing at the balance sheet date.

For non-listed investments, fair value represents the Group's share of net assets plus any unrealized capital gains. Fair value is calculated based on the most recent financial statements available at the year-end.

Capital gains or losses net of applicable deferred tax are posted to "Other income and expense recognized directly through equity" with the exception of capital losses considered definitive.

Once such assets are sold or their value is permanently impaired, any cumulative gains or losses brought forward from prior years under equity are posted to financial income or expense in respect of marketable securities, or to operating income in respect of non-consolidated investments.

In the event of a partial disposal of securities, the "first-in, first-out" method is used to determine the disposal gain or loss transferred from equity.

#### *C6-3 Other financial assets*

Other financial assets mainly comprise guarantee and loan deposits granted to employees with respect to housing loans.

Loans are recognized at cost less repayments. Other assets are stated at cost.

#### • C7 Inventories and work-in-progress

Incoming raw material, semi-finished and finished goods inventories are measured at acquisition cost for items purchased and production cost for items produced. Outgoing inventories are measured at weighted average cost, except for aircraft which are stated at acquisition cost. Work-in-progress is stated at production cost.

In the first half of 2010, DASSAULT AVIATION pursued the furlough introduced in 2009 in order to adapt its production capacity to the activity. The idle time arising from these steps was posted to expense for the year and has no impact on the valuation of work-in-progress as of December 31, 2010.

Inventories and work-in-progress are written-down when their net realizable value is lower than their carrying amount. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### • C8 Receivables

Foreign currency receivables, translated by each subsidiary into their local currency at the day's rate, are reevaluated at each year-end. The observed reevaluation differential is recognized in operating income.

A provision for impairment is recorded when the recoverable value is lower than the carrying amount.

The recoverable amount of a receivable is estimated by taking into account the type of customer and the history of settlements.

In the event of a risk of default, the receivable is written-down up to the amount of the estimated risk for the portion not hedged by credit insurance (export insurance guarantees (COFACE) or collateral).

Non written-down receivables are recent receivables with no material credit risk.

# Consolidated financial statements

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- **C9 Cash and cash equivalents**

Cash and cash equivalents, recognized in assets, comprise cash at bank and in hand, demand deposits and cash equivalents.

Cash equivalents are marketable securities satisfying the criteria set forth in IAS 7: short-term, highly liquid 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, corresponding, for these listed securities, to the market rate prevailing at the year-end.

The changes in fair value and the net disposal gains or losses are posted to income from cash and cash equivalents under net financial income.

- **C10 Provisions for contingencies and losses**

*C10-1 Retirement severance payments*

Retirement severance payments are accrued in full. Provisions cover all employees and are estimated based on vested rights and a projection of current salaries, after taking into account mortality rates, employee turnover, and a discounting assumption. The rates have been determined based on the yield for top-ranking corporate long-term bonds.

Since 2009, the Group recognizes all actuarial adjustments in other income and expense recognized directly through equity.

*C10-2 Other provisions for contingencies and losses*

In the course of its business, the Group grants its customers operating warranties on delivered equipment.

Contingency provisions are set aside to hedge the portion of future expenses deemed probable to arise from these obligations.

These provisions are calculated using technical data or on a statistical basis.

- **C11 Borrowings and payables**

The borrowings and payables, translated by each subsidiary into their local currency at the day's rate, are reevaluated at each year-end. The observed reevaluation differential is recognized in operating income.

Borrowings taken out by the Group are initially recorded at the amount received net of transaction costs, and subsequently at cost less repayments, calculated using the effective interest rate.

- **C12 Discounting of receivables, payables and provisions**

Since the Group does not have any material receivables or payables with a considerable interest-free deferral period, there is no reason to discount these headings.

The provision for retirement severance payments and similar benefits is discounted in accordance with IAS 19.

Other provisions are stated at present value.

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

- **C13 Derivative financial instruments**

The Group uses derivatives to hedge against foreign exchange risks relating to its operations and against interest rate risks.

Foreign exchange risks mainly arise from US dollar denominated sales. The corresponding future cash flows are partially hedged by firm or optional forward transactions.

Interest rate risks arise on the Group's variable rate borrowings, for which the Group has taken out interest rate swaps to cover such risks.

On initial recognition, derivatives are carried at acquisition cost in the balance sheet under "Hedging instruments". They are subsequently stated at fair value based on the market price disclosed by the relevant financial institutions.

The Group applies hedge accounting for its foreign exchange transactions in accordance with the criteria set forth in IAS 39:

- the changes in fair value of hedging instruments are posted, net of tax, to other income and expense recognized directly through equity, except for changes corresponding to the ineffective amount of the hedge, if any, which are posted to operating income in respect of foreign exchange derivatives and to net financial income in respect of interest rate derivatives,
- where the cash flow is received, the gain or loss on the hedging instrument is recognized in operating income,
- at each interest payment date for hedged borrowings, the gain or loss on the interest rate hedge is posted to net financial income or expense in respect of the relevant period.

When a derivative instrument chosen for its hedging effectiveness by the Group does not satisfy the requirements for hedge accounting, the changes in fair value are recognized in net financial income or expense.

• **C14 Recognition of revenue and income or loss**

*C14-1 Recognition of revenue and operating income or loss*

Revenue from sales of goods is recognized when the risks and rewards of ownership are transferred to the buyer. This normally represents the transfer of ownership for the Group.

Services are 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.

Losses on completion are recognized as soon as they are known.

*C14-2 Research-based Tax Credits*

The Research-based Tax Credits of the Group's French companies are recognized in operating income, under other revenue.

*C14-3 Net financial income or expense*

Net financial income or expense mainly comprises:

- unrealized capital gains or losses on cash equivalent marketable securities,
- gains on disposal of marketable securities,
- dividends from non-consolidated companies recognized when the Group - shareholder - is entitled to receive payment,
- financial expense, which largely relates to contracted borrowings and employee profit sharing current accounts.

• **C15 Deferred taxation**

Deferred taxes are calculated by company for the temporary differences between the carrying amount of assets and liabilities and their tax base.

In accordance with the requirements of IAS 12, deferred tax assets are only recognized, for each company, insofar as estimated future taxable profits are sufficient to cover these assets and their maturity does not exceed ten years.

Provisions are set up for tax on dividends proposed by subsidiaries.

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 settled, based on local tax rates (and tax laws) that have been enacted by the year-end.

Taxes related to items charged or credited directly to equity are charged or credited to equity.

Deferred tax assets and liabilities are offset by consolidated entities for presentation in the balance sheet.

**D/ SEGMENT REPORTING**

IFRS 8, Operating Segments, requires the presentation of information according to internal management criteria. The entire activity of the DASSAULT AVIATION Group relates to the aerospace field. The internal reporting made to the Chairman and CEO, as used for the strategy and decision-making, includes no performance analysis, in the IFRS sense, at a more detailed level.

# Consolidated financial statements

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## **E/ CHANGE IN ACCOUNTING PRESENTATION**

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The coming into force of Revised IFRS 3 (business combinations) and Revised IAS 27 (consolidated and separate financial statements), effective for business combination that occur on or after January 1, 2010, has no impact on financial statements (cf. paragraph C1 of Note 1).

Furthermore, until now the Group posted the research-based tax credits of its French companies as a reduction of its income taxes.

Having observed the practice of other French listed groups, the DASSAULT AVIATION Group has decided, from now on, to post them in operating income, under other revenue.

In order to provide comparable figures, pursuant to IFRS, the 2009 consolidated financial data are not the published data but are restated.

These restated figures have been calculated as if the Group had always applied this presentation policy to research-based tax credits.

2009 net income is unchanged: the EUR 33,312 thousand increase in the operating income is offset by an increase for the same amount of the income tax.

**NOTE 2 - SCOPE OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of DASSAULT AVIATION and the following subsidiaries and affiliates:

Name	Country	% equity interest (1)	
		12.31.2010	12.31.2009
<b>Fully consolidated companies</b>			
DASSAULT AVIATION	France	Parent company	Parent company
DASSAULT FALCON JET	USA	100	100
DASSAULT FALCON SERVICE	France	100	100
DASSAULT PROCUREMENT SERVICES	USA	100	100
SOGITEC INDUSTRIES	France	100	100
<b>Equity affiliates</b>			
DASSAULT INTERNATIONAL INC.	USA	100	100
THALES	France	26	26

(1) the equity interest percentages are identical to the percentages of effective control for all Group companies except for THALES, acquired in May 2009, for which the Group holds a 25.9% equity interest, 26.4% of the interest entitlements and 20.3% of the voting rights as of December 31, 2010.

**NOTE 3 - GOODWILL**

(EUR 000)	12.31.2009	Acquisitions	Disposals	Other	12.31.2010
DASSAULT FALCON SERVICE	3,702	0	0	0	3,702
DASSAULT PROCUREMENT SERVICES	5,887	0	0	0	5,887
SOGITEC INDUSTRIES	4,777	0	0	0	4,777
<b>TOTAL GOODWILL (1)</b>	<b>14,366</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,366</b>

(1) acquired in business combinations.

Note:

- As the tests performed under IAS 36 did not indicate any impairment loss, no provision for goodwill impairment was recognized.
- Pursuant to IFRS, the goodwill for THALES, which is consolidated under the equity method, is included under "Equity affiliates" (see Note 5).

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## NOTE 4 - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

### 4.1 GEOGRAPHICAL BREAKDOWN

The geographical breakdown of intangible assets and property, plant and equipment is as follows:

(EUR 000)	12.31.2010	12.31.2009
<b>Net value</b>		
France	337,947	381,608
USA	150,932	139,561
<b>TOTAL</b>	<b>488,879</b>	<b>521,169</b>
Intangible assets	51,039	61,897
Property, plant and equipment	437,840	459,272

### 4.2 INTANGIBLE ASSETS

(EUR 000)	12.31.2009	Additions / Charges	Disposals / Reversals	Other	12.31.2010
<b>Gross value</b>					
Development costs	137,480	0	0	0	137,480
Software, patents, licenses and similar assets	89,276	5,812	-1,391	912	94,609
Construction in progress; advances and progress payments	961	1,412	0	-670	1,703
	<b>227,717</b>	<b>7,224</b>	<b>-1,391</b>	<b>242</b>	<b>233,792</b>
<b>Amortization</b>					
Development costs	-90,580	-12,300	0	0	-102,880
Software, patents, licenses and similar assets	-75,240	-5,818	1,391	-206	-79,873
	<b>-165,820</b>	<b>-18,118</b>	<b>1,391</b>	<b>-206</b>	<b>-182,753</b>
<b>Net value</b>					
Development costs	46,900				34,600
Software, patents, licenses and similar assets	14,036				14,736
Construction in progress; advances and progress payments	961				1,703
<b>TOTAL</b>	<b>61,897</b>	<b>-10,894</b>	<b>0</b>	<b>36</b>	<b>51,039</b>

#### Development costs:

In accordance with IAS 38 concerning development costs, the Group determines the development phase of its programs that satisfies the following three criteria for capitalization: technical feasibility, economic feasibility and reliability of information relating to the expenditure. All three criteria must be satisfied so that program expenditure may be capitalized. The asset should be likely to generate clearly identifiable future economic benefits attributable to a specific product.

In practice, for the Group:

- the technical criterion is satisfied when the period for the validation of results after the maiden flight has lapsed without undermining the project,
- the economic and commercial criterion is validated by the orders or options obtained on the date when the technical criterion is deemed to be satisfied,
- the financial information reliability criterion is satisfied for significant programs as the information system is designed to differentiate between research and development phases. If such distinction cannot be made, as may be the case for minor developments (e.g.: modification, improvement, etc.), the expenditure is not capitalized.

Intangible assets and property, plant and equipment are measured at production cost and depreciated or amortized based on an estimation of units to be produced.



## 4.3 PROPERTY, PLANT AND EQUIPMENT

(EUR 000)	12.31.2009	Additions / Charges	Disposals / Reversals	Other (1)	12.31.2010
<b>Gross value</b>					
Land	26,467	363	-66	23	26,787
Buildings	393,673	4,955	-1,828	8,868	405,668
Plant, equipment and machinery	510,207	17,139	-14,690	3,818	516,474
Other property, plant and equipment	282,278	20,126	-15,468	7,654	294,590
Construction in progress; advances and progress payments	6,691	8,473	-2,510	-3,180	9,474
	<b>1,219,316</b>	<b>51,056</b>	<b>-34,562</b>	<b>17,183</b>	<b>1,252,993</b>
<b>Depreciation</b>					
Land	-4,408	-451	64	0	-4,795
Buildings	-186,340	-16,469	797	-1,993	-204,005
Plant, equipment and machinery	-410,539	-27,866	14,519	-1,817	-425,703
Other property, plant and equipment	-133,235	-28,986	3,572	-1,847	-160,496
	<b>-734,522</b>	<b>-73,772</b>	<b>18,952</b>	<b>-5,657</b>	<b>-794,999</b>
<b>Impairment (2)</b>					
Other property, plant and equipment	-25,522	-20,231	26,262	-663	-20,154
	<b>-25,522</b>	<b>-20,231</b>	<b>26,262</b>	<b>-663</b>	<b>-20,154</b>
<b>Net value</b>					
Land	22,059				21,992
Buildings	207,333				201,663
Plant, equipment and machinery	99,668				90,771
Other property, plant and equipment	123,521				113,940
Construction in progress; advances and progress payments	6,691				9,474
<b>TOTAL</b>	<b>459,272</b>	<b>-42,947</b>	<b>10,652</b>	<b>10,863</b>	<b>437,840</b>

(1) this involves essentially foreign exchange differences.

(2) impairment tests of property, plant and equipment (see Note C5 Accounting policies):

- the impairment tests carried out at cash-generating units did not highlight any other impairment to be recognized as of 12.31.2010.
- to take into account the impact of the crisis on the used executive aircraft market, a provision for impairment has been recognized on capitalized aircraft. This amounted on 12.31.2010 to EUR 20,154 thousand compared to EUR 25,522 thousand on 12.31.2009.

This provision is equal to the difference between the net carrying amount of the capitalized aircraft and their recoverable value. The recoverable value of a capitalized aircraft is the higher of its fair value (less selling costs) and its value in use. The value in use of all capitalized aircraft is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.2%, a 2% growth rate, a cash flow forecast period equal to the term of the aircraft's lease and a value at which the aircraft will be resold after the lease term.

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## NOTES 5 - NON-CURRENT FINANCIAL ASSETS

### 5.1 EQUITY AFFILIATES

This heading largely consists of THALES, in which as of December 31, 2010 DASSAULT AVIATION holds 20.3% of the voting rights and 26.4% of the dividend entitlements. Consequently, DASSAULT AVIATION has a significant influence over THALES, which as such is consolidated under the equity method in the Group financial statements.

The Group also fully owns DASSAULT INTERNATIONAL INC. This is a holding company that has a 12.5% stake in DASSAULT FALCON JET (DFJ). It is consolidated using the equity method, as its assets and liabilities, other than the DFJ investment, are negligible.

#### 5.1.1 CHANGE IN VALUE OF INVESTMENTS IN EQUITY AFFILIATES

(EUR 000)	2010	2009
<b>As of January 1</b>	<b>1,860,618</b>	<b>4,592</b>
Purchase of THALES shares in May 2009 (1)	N/A	1,958,502
Group share of net income (after consolidation adjustments (2))	-127,913	-65,550
Elimination of dividends paid by THALES	-25,770	-54,117
Income and expense recognized directly through equity:		
- Net change in fair value measurement of available-for-sale financial assets	-1,240	396
- Net change in fair value measurement of hedging instruments (3)	-9,866	7,041
- Actuarial adjustments on defined benefit obligations	-19,257	2,822
- Corresponding deferred taxes	3,719	-1,835
- Foreign exchange differences	38,339	3,836
Share of income and expense recognized directly through equity relating to equity affiliates	11,695	12,260
Other movements (4)	8,363	4,931
<b>As of December 31</b>	<b>1,726,993</b>	<b>1,860,618</b>

(1) purchased from ALCATEL LUCENT for EUR 1,568 million and from GROUPE INDUSTRIEL MARCEL DASSAULT for EUR 390 million.

(2) see Note 5.1.2.

(3) the gains/losses stated represent the change in the portfolio's market value during the year. This is not representative of the actual gain/loss when the hedges are exercised.

(4) this largely consists of changes in treasury shares and THALES stock options.

### 5.1.2 GROUP SHARE OF NET ASSETS AND NET INCOME OF EQUITY AFFILIATES

(EUR 000)	% equity interest at year end (1)		Net assets at year end (2)		Net income (2)	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	2010	2009
DASSAULT INTERNATIONAL INC.	100	100	4,866	4,475	42	39
THALES (3)	26	26	1,722,127	1,856,143	-127,955	-65,589
<b>TOTAL</b>			<b>1,726,993</b>	<b>1,860,618</b>	<b>-127,913</b>	<b>-65,550</b>

(1) % interest entitlements.

(2) Group share after consolidation adjustments. For THALES, this mainly relates to pension obligation adjustments (THALES applies the corridor method) and to the amortization of THALES purchase price allocation, the modes and duration of which are identical to those used at 2009 year-end.

(3) THALES has been consolidated under the equity method since May 2009. The value of the investment includes goodwill of EUR 1,099,172 thousand.

### 5.1.3 THALES FINANCIAL STATEMENTS SUMMARY (100%) AND SHARE OF NET INCOME OF EQUITY AFFILIATES BY DASSAULT AVIATION

(EUR 000)	Total assets	Equity (Group share)	Net sales	Net income (Group share) (1)
2010 consolidated financial statement	19,020,400	3,671,800	13,124,800	-107,600
2009 consolidated financial statement	18,007,600	3,743,600	12,881,500	-201,800

(1) the breakdown between the Group share of THALES' attributable net gain/loss and that applied by DASSAULT AVIATION is given in the table below:

(EUR 000)	2010	2009 (1)
<b>Attributable net income, as published by THALES (100%) (1)</b>	<b>-107,600</b>	<b>-176,500</b>
Elimination of post-tax adjustments booked by THALES already included in the balance sheet acquired	N/A	157,368
<b>Restated THALES net loss (100%)</b>	<b>-107,600</b>	<b>-19,132</b>
<b>Restated THALES net loss - DASSAULT AVIATION share (A)</b>	<b>-28,385</b>	<b>-5,045</b>
Post-tax amortization of the purchase price allocation	-103,438	-58,616
Other consolidation adjustments:		
• run-off of the hedging instruments included in THALES equity as of June 30, 2009	-13,190	-4,483
• adjustment to pension liabilities (2)	10,868	2,824
• correction of net gain/loss on transfer of securities	1,372	0
• corresponding deferred tax	4,541	1,544
• accretion / dilution impact	277	-1,813
<b>Sub-total consolidation adjustments (B)</b>	<b>-99,570</b>	<b>-60,544</b>
<b>Value applied by DASSAULT AVIATION (A+B)</b>	<b>-127,955</b>	<b>-65,589</b>

(1) in view of the date of acquisition, the 2009 net income consolidated by DASSAULT AVIATION represents THALES' second half 2009 net income.

(2) standardization of accounting policies for pension liabilities given that THALES uses the corridor method.

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## 5.1.4 MARKET PRICE OF THALES SHARES AND IMPAIRMENT TEST

Based on the market price of THALES shares at December 31, 2010 of EUR 26.19 per share, DASSAULT AVIATION's investment in THALES is valued at EUR 1,350 million.

Given that this value is lower than the carrying amount for THALES in DASSAULT AVIATION's financial statements, the Group carried out an impairment test. The value in use was estimated by forecasting future post-tax cash flows over a four year period, which were then discounted at a post-tax rate of 8% (being the discount rate applied by THALES as of 12.31.2010, identical to that applied as of 12.31.2009). The final value was calculated based on medium term earnings assumptions in line with the THALES forecast data.

This impairment test did not result in the company recording any impairment.

## 5.2 AVAILABLE-FOR-SALE SECURITIES

Available-for-sale financial assets comprise, in particular, the Group's short-term investments in the form of marketable securities. It should be noted that other marketable securities are classified under "cash equivalents" (see Note 8). The analysis of risks relating to all the Group's available-for-sale securities is presented in Note 23 to the consolidated financial statements.

(EUR 000)	12.31.2009	Additions / Charges	Disposals / Reversals	Fair value variation	Other	12.31.2010
<b>Gross value</b>						
Listed shares (EMBRAER)	25,264	0	0	10,233	0	35,497
Marketable securities (listed)	3,120,859	684,166	0	20,460	0	3,825,485
Unlisted securities	71,664	0	0	7,699	2,890	82,253
<b>TOTAL</b>	<b>3,217,787</b>	<b>684,166</b>	<b>0</b>	<b>38,392</b>	<b>2,890</b>	<b>3,943,235</b>
<b>Provision</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET VALUE</b>	<b>3,217,787</b>	<b>684,166</b>	<b>0</b>	<b>38,392</b>	<b>2,890</b>	<b>3,943,235</b>

**5.2 AVAILABLE-FOR-SALE SECURITIES (cont'd)**

(EUR 000)	12.31.2010			12.31.2009		
	Historical cost	Capital gain / loss	Consolidated value	Historical cost	Capital gain / loss	Consolidated value
Shares (EMBRAER) (1)	32,120	3,377	35,497	32,120	-6,856	25,264
Marketable securities (listed)	2,861,241	964,244	3,825,485	2,177,075	943,784	3,120,859
Unlisted securities (2)	63,165	19,088	82,253	60,275	11,389	71,664
<b>Available-for-sale securities</b>	<b>2,956,526</b>	<b>986,709</b>	<b>3,943,235</b>	<b>2,269,470</b>	<b>948,317</b>	<b>3,217,787</b>

Recognition in the Group consolidated financial statements (see Accounting Policies Note C6-2):

(1) the loss posted at the end of 2009 was considered temporary and was therefore posted to equity (under "Other income and expense recognized directly through equity") rather than in the income statement.

(2) the observed capital gain is posted to "Other income and expense recognized directly through equity".

**5.3 OTHER FINANCIAL ASSETS**

(EUR 000)	12.31.2009	Additions / Charges	Disposals / Reversals	Other	12.31.2010
<b>Gross value</b>					
Held-to-maturity securities	0	0	0	0	0
Advance lease payments	30,089	36	-515	0	29,610
Housing loans and other	2,500	481	-364	11	2,628
<b>TOTAL (1)</b>	<b>32,589</b>	<b>517</b>	<b>-879</b>	<b>11</b>	<b>32,238</b>
<b>Provision</b>	<b>-293</b>	<b>0</b>	<b>0</b>	<b>-11</b>	<b>-304</b>
<b>NET VALUE</b>	<b>32,296</b>	<b>517</b>	<b>-879</b>	<b>0</b>	<b>31,934</b>

(1) maturing within more than one year: EUR 31,555 thousand as of 12.31.2010 and EUR 31,966 thousand as of 12.31.2009.

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## NOTE 6 - INVENTORIES AND WORK-IN-PROGRESS

(EUR 000)	12.31.2010			12.31.2009
	Gross	Provision	Net	Net
Raw materials	189,595	-80,985	108,610	131,554
Work-in-progress	2,176,148	-30,835	2,145,313	2,712,558
Semi-finished and finished goods	835,429	-297,238	538,191	555,302
<b>TOTAL</b>	<b>3,201,172</b>	<b>-409,058</b>	<b>2,792,114</b>	<b>3,399,414</b>

## NOTE 7 - TRADE AND OTHER RECEIVABLES

### 7.1 DETAILS OF TRADE AND OTHER RECEIVABLES

(EUR 000)	12.31.2010			12.31.2009
	Gross	Provision	Net	Net
Trade receivables	495,553	-115,757	379,796	302,052
Corporate income tax receivable	24,102	0	24,102	63,631
Other receivables	106,811	0	106,811	99,248
Prepayments and accrued income	9,070	0	9,070	12,380
<b>TOTAL</b>	<b>635,536</b>	<b>-115,757</b>	<b>519,779</b>	<b>477,311</b>

### 7.2 MATURITY OF TRADE AND OTHER RECEIVABLES – GROSS VALUE

(EUR 000)	12.31.2010			12.31.2009		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables	495,553	306,629	188,924	409,219	267,295	141,924
Corporate income tax receivable	24,102	24,102	0	63,631	63,631	0
Other receivables	106,811	106,811	0	99,248	99,248	0
Prepayments and accrued income	9,070	9,070	0	12,380	12,380	0
<b>TOTAL – GROSS VALUE</b>	<b>635,536</b>	<b>446,612</b>	<b>188,924</b>	<b>584,478</b>	<b>442,554</b>	<b>141,924</b>

**NOTE 8 - CASH AND CASH EQUIVALENTS****8.1 NET CASH**

(EUR 000)	12.31.2010			12.31.2009
	Gross	Provision	Net	Net
Marketable securities (1)	453,064	0	453,064	404,417
Cash at bank and in hand	433,608	0	433,608	211,512
<b>CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET</b>	<b>886,672</b>	<b>0</b>	<b>886,672</b>	<b>615,929</b>
- Bank loans and credit balance bank accounts (2)	0	0	0	-9,130
<b>= NET CASH IN THE CASH FLOW STATEMENT</b>	<b>886,672</b>	<b>0</b>	<b>886,672</b>	<b>606,799</b>

(1) the corresponding risk analysis is presented in Note 23 to the consolidated financial statements.

(2) see Note 11.

**8.2 AVAILABLE CASH**

The Group has defined a specific indicator, "Available cash", which reflects the Group's total liquidities net of borrowings. It is calculated as follows:

(EUR 000)	12.31.2010	12.31.2009
Available-for-sale marketable securities (market value) (1)	3,825,485	3,120,859
Cash equivalent marketable securities (market value)	453,064	404,417
<b>Total marketable securities (market value) (2)</b>	<b>4,278,549</b>	<b>3,525,276</b>
+ Cash at bank and in hand	433,608	211,512
- Borrowings (3)	-1,648,516	-1,761,442
<b>= AVAILABLE CASH</b>	<b>3,063,641</b>	<b>1,975,346</b>

(1) see Note 5.

(2) at the Group's initiative, the available-for-sale marketable securities may be sold in the very near future, given their liquidity.

(3) see Note 11.

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## **NOTE 9 - SHARE CAPITAL AND CAPITAL MANAGEMENT**

Share capital amounted to EUR 81,007 thousand, comprising 10,125,897 fully paid-up issued ordinary shares, each with a par value of EUR 8. The number and par value of the shares did not change during the year.

The Group does not hold any treasury shares and did not grant any stock option plans to its employees and senior executives.

The Group has no contractual commitments to comply with debt ratios on bank borrowings.

Furthermore, the Group regularly distributes dividends.

## **NOTE 10 - IDENTITY OF THE CONSOLIDATING PARENT COMPANY**

	% control (identical to % consolidation)
GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD) 9, Rond Point des Champs Élysées - Marcel Dassault 75008 Paris	50.55%

## **NOTE 11 - BORROWINGS**

(EUR 000)	Total on 12.31.2010	Amount due within 1 year	Amount due in more than 1 year		
			Total due within more than 1 year	1 to 5 years	More than 5 years
Bank borrowings (1)	1,252,327	1,252,260	67	62	5
Other borrowings (2)	396,189	137,966	258,223	257,910	313
<b>TOTAL</b>	<b>1,648,516</b>	<b>1,390,226</b>	<b>258,290</b>	<b>257,972</b>	<b>318</b>

(EUR 000)	Total on 12.31.2009	Amount due within 1 year	Amount due in more than 1 year		
			Total due within more than 1 year	1 to 5 years	More than 5 years
Bank borrowings (1)	1,271,034	1,270,988	46	46	0
Other borrowings (2)	490,408	131,185	359,223	358,711	512
<b>TOTAL</b>	<b>1,761,442</b>	<b>1,402,173</b>	<b>359,269</b>	<b>358,757</b>	<b>512</b>

(1) of which bank loans due in less than one year: EUR 1,252 million as of 12.31.2010 and EUR 1,262 million as of 12.31.2009 (EUR denominated loans).

of which short-term banking facilities: 0 as of 12.31.2010 and EUR 9 million as of 12.31.2009.

(2) of which other borrowings mainly including locked-in employee profit-sharing funds: EUR 298 million as of 12.31.2010 and EUR 295 million as of 12.31.2009,

of which the remaining payable balance on THALES shares to GIMD: EUR 98 million as of 12.31.2010 (less than one year) and EUR 195 million as of 12.31.2009.



**NOTE 12 - PROVISIONS****12.1 DETAILS OF PROVISION**

Nature of provisions (EUR 000)	12.31.2009	Increases/ charges (1)	Decreases/ reversals (1)	Other (2)	12.31.2010
<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>					
Operating – current	939,410	354,608	-146,477	8,894	1,156,435
Financial	0	0	0	0	0
<b>TOTAL I</b>	<b>939,410</b>	<b>354,608</b>	<b>-146,477</b>	<b>8,894</b>	<b>1,156,435</b>
<b>PROVISIONS FOR IMPAIRMENT AND WRITE-DOWN</b>					
Financial assets	293	0	0	11	304
Property, plant and equipment	25,522	20,231	-26,262	663	20,154
Inventories and work-in-progress	374,735	410,063	-384,003	8,263	409,058
Trade receivables	107,167	115,766	-107,290	114	115,757
<b>TOTAL II</b>	<b>507,717</b>	<b>546,060</b>	<b>-517,555</b>	<b>9,051</b>	<b>545,273</b>
<b>GRAND TOTAL ( I + II )</b>	<b>1,447,127</b>	<b>900,668</b>	<b>-664,032</b>	<b>17,945</b>	<b>1,701,708</b>

(1) including charges and reversals:

- operating	900,668	-664,032
- financial	0	0
	<u>900,668</u>	<u>-664,032</u>

(2) including foreign exchange differences and actuarial adjustments recognized directly through equity. In 2010, the actuarial adjustments contributed to the increase in current operating provisions for contingencies and losses amounting to EUR 2,686 thousand.

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## 12.2 BREAKDOWN OF PROVISIONS FOR CONTINGENCIES AND LOSSES

Nature of provisions (EUR 000)	12.31.2009	Increases/charges	Decreases/reversals	Other (1)	12.31.2010
<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>					
Warranties (2)	476,589	233,248	-49,133	1,343	662,047
Services and work to be performed	186,015	85,304	-70,592	4,094	204,821
Retirement severance payments (3)	266,639	33,108	-22,417	3,265	280,595
<i>French companies</i>	<i>259,727</i>	<i>24,422</i>	<i>-10,658</i>	<i>4,446</i>	<i>277,937</i>
<i>US companies</i>	<i>6,912</i>	<i>8,686</i>	<i>-11,759</i>	<i>-1,181</i>	<i>2,658</i>
Miscellaneous (3)	10,167	2,948	-4,335	192	8,972
<b>Operating - current (A)</b>	<b>939,410</b>	<b>354,608</b>	<b>-146,477</b>	<b>8,894</b>	<b>1,156,435</b>
Miscellaneous	0	0	0	0	0
<b>Financial (B)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL CURRENT PROVISIONS (A+B)</b>	<b>939,410</b>	<b>354,608</b>	<b>-146,477</b>	<b>8,894</b>	<b>1,156,435</b>

(1) including foreign exchange differences and actuarial adjustments recognized directly through equity. The actuarial adjustments are relative to the retirement severance payments and are broken down, excluding foreign exchange differences, as follows (EUR thousands):

<i>French companies</i>	<i>4,446</i>
<i>US companies</i>	<i>-1,760</i>
<i>Total actuarial adjustments</i>	<u><i>2,686</i></u>

(2) warranty provisions are updated to reflect the fleet in service and contracts delivered.

(3) the other long-term benefits relating to long-service awards, previously presented on the retirement severance payments line, are now presented on the miscellaneous line. As of December 31, 2010, the provisions for long-service awards amount to EUR 2,353 thousand, compared to EUR 2,312 thousand at the end of 2009.

## 12.3 PROVISIONS FOR RETIREMENT SEVERANCE PAYMENTS

### 12.3.1 CALCULATION METHODS (defined benefit plans)

Retirement severance payment commitments are calculated for all Group employees using the projected unit credit method. Outstanding commitments are accrued in full.

Employment projections are weighted using French Insurance Code mortality rates and the DASSAULT AVIATION employee turnover rate (this may vary according to age). The obligation is estimated pro rata to the employee's length of service at the period-end in relation to his total career expectancy.

Note that no Group companies have commitments in respect of medical insurance plans.

### 12.3.2 ASSUMPTIONS USED

	French companies		US companies	
	2010	2009	2010	2009
Inflation rate	2.00%	2.00%	3.00%	3.00%
Discount rate	4.00%	4.30%	5.60%	5.75%
Weighted average salary increase rate	3.90%	3.90%	4.22%	4.22%
Expected return on plan assets			5.25%	5.25%

The discount rates were based on the yield for top-ranking corporate long-term bonds corresponding to money markets and the future dates when the payments will be made.

They also took account of the values as of December 31 of several indices or graphs commonly used as a reference.

### 12.3.3 HISTORY OF COMMITMENTS

(EUR 000)	2010	2009	2008	2007	2006
Total commitment (A)	419,381	382,715	373,016	340,787	303,757
Plan assets (B)	138,786	116,075	108,579	99,719	96,547
Unfunded status (A-B) (1)	280,595	266,640	264,437	241,068	207,210

(1) fully provisioned in the Group accounts.

### 12.3.4 FRENCH COMPANIES

The changes in defined benefit obligation are analyzed below :

(EUR 000)	2010	2009
<b>As of January 1,</b>	<b>259,727</b>	<b>258,597</b>
Current service cost	12,932	12,618
Interest cost	11,490	11,035
Benefits paid	-10,658	-25,410
Actuarial adjustments	4,446	2,887
<b>As of December 31,</b>	<b>277,937</b>	<b>259,727</b>

The periodic cost for defined benefit obligations breaks down as follows:

(EUR 000)	2010	2009
Current service cost	12,932	12,618
Interest cost	11,490	11,035
<b>Periodic cost for defined benefit obligations</b>	<b>24,422</b>	<b>23,653</b>

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## 12.3.5 US COMPANIES

In the US, defined benefit retirement commitments are financed externally. Commitments not covered by the plan assets are accrued in the financial statements.

The changes in defined benefit obligation are analyzed below:

(EUR 000)	2010	2009
<b>As of January 1</b>	<b>122,988</b>	<b>114,419</b>
Current service cost	7,682	7,287
Interest cost	7,524	6,683
Benefits paid	-4,066	-2,813
Actuarial adjustments	-2,223	1,705
Foreign exchange differences	9,539	-4,293
<b>As of December 31</b>	<b>141,444</b>	<b>122,988</b>

The changes in plan assets are analyzed below:

(EUR 000)	2010	2009
<b>Fair value of the plan as of January 1</b>	<b>116,075</b>	<b>108,579</b>
Expected return on plan assets	6,520	5,766
Actuarial adjustments	-463	-244
Employer contributions	11,759	8,840
Benefits paid	-4,066	-2,813
Foreign exchange differences	8,961	-4,053
<b>Fair value of the plan as of December 31</b>	<b>138,786</b>	<b>116,075</b>

The value of the fund amounted to USD 185 million as of 12.31.2010, compared to USD 167 million as of 12.31.2009. The fund invests largely in bonds with a minimum annual guaranteed yield.

The periodic cost breaks down as follows:

(EUR 000)	2010	2009
Current service cost	7,682	7,287
Interest cost	7,524	6,683
Expected return on plan assets	-6,520	-5,766
<b>Periodic cost for defined benefit obligations</b>	<b>8,686</b>	<b>8,204</b>

**NOTE 13 - OPERATING PAYABLES**

(EUR 000)	12.31.2010			12.31.2009		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade payables	507,228	507,228	0	456,498	456,498	0
Other miscellaneous payables	128,683	128,683	0	107,592	107,592	0
Prepayments and accrued income	115,804	72,742	43,062	83,736	53,737	29,999
<b>Trade and other payables</b>	<b>751,715</b>	<b>708,653</b>	<b>43,062</b>	<b>647,826</b>	<b>617,827</b>	<b>29,999</b>
Current corporate income tax payables	14,420	14,420	0	20,818	20,818	0
Other tax and social security payables	220,576	220,576	0	195,019	195,019	0
<b>Tax and employee-related liabilities</b>	<b>234,996</b>	<b>234,996</b>	<b>0</b>	<b>215,837</b>	<b>215,837</b>	<b>0</b>

**NOTE 14 - CUSTOMER ADVANCES AND PROGRESS PAYMENTS**

(EUR 000)	12.31.2010			12.31.2009		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Customer advances and progress payments on work-in-progress	2,776,088	1,480,307	1,295,781	2,958,226	1,706,055	1,252,171
<b>TOTAL</b>	<b>2,776,088</b>	<b>1,480,307</b>	<b>1,295,781</b>	<b>2,958,226</b>	<b>1,706,055</b>	<b>1,252,171</b>

This concerns advances and progress payments received for goods and services still to be invoiced.

**NOTE 15 - NET SALES**

(EUR 000)	2010			2009		
	France (1)	Export	TOTAL	France (1)	Export	TOTAL
<b>NET SALES</b>	<b>828,095</b>	<b>3,359,010</b>	<b>4,187,105</b>	<b>872,555</b>	<b>2,548,624</b>	<b>3,421,179</b>

(1) principally the French government.

Only one customer, the French government, accounts for over 10% of the net sales of the Group in 2009 and 2010.

(EUR 000)	2010	2009
First quarter	821,449	545,992
Second quarter	1,168,926	838,079
Third quarter	907,682	908,689
Fourth quarter	1,289,048	1,128,419
<b>TOTAL</b>	<b>4,187,105</b>	<b>3,421,179</b>

The net sales break down as follows:

(EUR 000)	2010	2009
Sales of goods	3,649,726	3,027,872
Sales of services	537,379	393,307
<b>TOTAL</b>	<b>4,187,105</b>	<b>3,421,179</b>

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## NOTE 15 - NET SALES (cont'd)

By origin, net sales break down as follows:

(EUR 000)	2010	2009
France (1)	2,780,330	2,425,757
United States (2)	1,406,775	995,422
<b>TOTAL</b>	<b>4,187,105</b>	<b>3,421,179</b>

(1) DASSAULT AVIATION, DASSAULT FALCON SERVICE and SOGITEC INDUSTRIES.

(2) DASSAULT FALCON JET and DASSAULT PROCUREMENT SERVICES.

## NOTE 16 - OTHER REVENUE

(EUR 000)	2010	2009 Restated (1)
Research-based tax credits (1)	33,140	33,312
Financial revenue from operations (2)	2,573	1,061
Capitalized production	109	0
Other operating grants	140	98
Other operating income	3,995	3,755
<b>TOTAL</b>	<b>39,957</b>	<b>38,226</b>

(1) the Group now recognizes Research-Based Tax Credits of French companies in operating income and no longer as a reduction of its income taxes. This change of accounting presentation is detailed in paragraph E of Note 1. Pursuant to IFRS, the Group therefore presents the other revenue of 2009 as if this presentation had always been applied.

(2) interest in arrears.

## NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

(EUR 000)	2010	2009
Losses from disposals of non-current assets	-808	-371
Foreign exchange gains or losses from business transactions (1)	11,109	-9,561
Income/(loss) from non-capital transactions	118	-26
Other operating expense (2)	-1,205	-35,914
Share of income of joint ventures	766	127
<b>TOTAL</b>	<b>9,980</b>	<b>-45,745</b>

(1) particularly foreign exchange gains and losses on trade receivables and payables: those relating to hedging transactions are recognized in net sales.

(2) including a 2009 bad debt charge (offset by a reversal of the corresponding provision): EUR -35,717 thousand.

## NOTE 18 - RESEARCH AND DEVELOPMENT COSTS

Non-capitalized research and development costs are recognized in expenses for the year in which they are incurred and represent:

(EUR 000)	2010	2009
<b>RESEARCH AND DEVELOPMENT COSTS</b>	<b>-232,846</b>	<b>-241,837</b>

The Group's research and development strategy and initiatives are described in the directors' report.

**NOTE 19 - NET FINANCIAL INCOME/(EXPENSE)**

(EUR 000)	2010	2009
Interest generated by cash and cash equivalents	6,011	8,455
Disposal gains and change in fair value of cash equivalents	821	2,120
<b>Income from cash and cash equivalents</b>	<b>6,832</b>	<b>10,575</b>
Interest charges on financing operations	-39,340	-34,962
<b>Cost of gross financial debt</b>	<b>-39,340</b>	<b>-34,962</b>
<b>COST OF NET FINANCIAL DEBT</b>	<b>-32,508</b>	<b>-24,387</b>
Dividends and other investment income	4,007	3,740
Interest income and gains/losses on disposal of other financial assets (excluding cash and cash equivalents)	63	42,629
Foreign exchange gain	1,786	7,190
<b>Financial income</b>	<b>5,856</b>	<b>53,559</b>
Foreign exchange loss	0	0
Other financial expenses	0	0
<b>Financial expenses</b>	<b>0</b>	<b>0</b>
<b>OTHER FINANCIAL INCOME AND EXPENSES</b>	<b>5,856</b>	<b>53,559</b>
<b>NET FINANCIAL INCOME/(EXPENSE)</b>	<b>-26,652</b>	<b>29,172</b>

**NOTE 20 - TAX POSITION**

(EUR 000)

INCOME TAXES	2010	2009 Restated (1)
Current tax expense (1)	-232,866	-135,235
Deferred tax gain (+)/expense (-)	63,656	2,440
<b>INCOME TAX GAIN (+) / EXPENSE (-)</b>	<b>-169,210</b>	<b>-132,795</b>

(1) the Group now recognizes Research-Based Tax Credits of French companies in operating income and no longer as a reduction of its income taxes. This change of accounting presentation is detailed in paragraph E of Note 1. Pursuant to IFRS, the Group therefore presents the corporate income tax gain/expense for 2009 as if this presentation had always been applied.

NET INCOME TAX RECOGNIZED DIRECTLY THROUGH EQUITY – FULLY CONSOLIDATED COMPANIES	2010	2009
Cash flow hedges	125,660	-68,350
Available-for-sale financial assets	-8,781	-928
Actuarial adjustments	212	1,009
<b>INCOME TAX RECOGNIZED DIRECTLY THROUGH EQUITY</b>	<b>117,091</b>	<b>-68,269</b>

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### NOTE 20 - TAX POSITION (cont'd)

RECONCILIATION OF THE THEORETICAL AND ACTUAL INCOME TAX CHARGES	2010	2009 Restated (1)
Net income	267,492	256,765
less tax charges	169,210	132,795
less Group share of net income of equity affiliates	127,913	65,550
Tax base	564,615	455,110
Theoretical tax expenses calculated at the current standard tax rate (34.43% in 2010 and 2009)	-194,397	-156,694
Effect of foreign tax rates and deferred tax	65	-380
Changes resulting from non-taxable income and non-deductible expenses	25,122	24,279
Accounting Tax Charge	-169,210	-132,795

(1) the Group now recognizes Research-Based Tax Credits of French companies in operating income and no longer as a reduction of its income taxes. This change of accounting presentation is detailed in paragraph E of Note 1. Pursuant to IFRS, the Group therefore presents the corporate income tax gain/expense for 2009 as if this presentation had always been applied.

DEFERRED TAXES	Consolidated balance sheet		Consolidated income statement	
	12.31.2010	12.31.2009	2010	2009
Deferred tax assets				
Temporary differences on provisions (profit-sharing, retirement, etc.)	277,791	77,234	47,697	29,460
Consolidation and other entries (1)	-40,475	-22,362	14,462	-4,030
Fair value revaluation of available-for-sale securities and other marketable securities	-2,213	-1,140	1,545	-352
Fair value revaluation of hedges on exchange and interest rates	-98,139	-245	-48	
<b>TOTAL DEFERRED TAX ASSETS (2)</b>	<b>136,964</b>	<b>53,487</b>		
Deferred tax liabilities				
Temporary differences on provisions (profit-sharing, retirement, etc.)	0	148,156	0	10,717
Consolidation and other entries (1)	0	-31,387	0	-32,126
Fair value revaluation of available-for-sale securities and other marketable securities	0	484	0	1,080
Fair value revaluation of hedges on exchange and interest rates	0	-223,506	0	-2,309
<b>TOTAL DEFERRED TAX LIABILITIES (2)</b>	<b>0</b>	<b>-106,253</b>		
<b>DEFERRED TAX GAIN (+) / EXPENSE (-)</b>			<b>63,656</b>	<b>2,440</b>

(1) restatement of tax provisions, inter-company margins and capitalized development costs.

(2) the schedule for the payment of deferred taxes was not determined as certain deferred tax bases may not be accurately broken down by year.

TAX LOSSES CARRIED FORWARD	2010	2009
Deferred tax assets not recognized in the balance sheet	62,213	59,756



**NOTE 21 – EARNINGS PER SHARE**

<b>BASIC EARNINGS PER SHARE</b>	<b>2010</b>	<b>2009</b>
Net income attributable to shareholders (EUR 000) (1)	267,447	256,721
Weighted average number of outstanding ordinary shares	10,125,897	10,125,897
Basic earnings per share (in EUR)	26.4	25.4

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

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, except for the ordinary shares acquired by the Group and held as treasury shares. As the Group does not hold any treasury shares and does not have any share option plans, diluted earnings per share is identical to basic earnings per share.

**NOTE 22 - DIVIDENDS PAID AND PROPOSED**

(EUR 000)	<b>2010</b>	<b>2009</b>
<b><u>Decided and paid during the year</u></b>		
<b>Dividends on ordinary shares</b>		
- Final dividends for 2009: EUR 8.80 per share (2008: EUR 5.80)	89,108	58,730
- Interim dividends for 2010	N/A	
<b><u>Submitted to the Annual General Meeting for approval</u></b>		
<b>(not recognized as a liability as of December 31):</b>		
<b>Dividends on ordinary shares</b>		
- Proposed dividends for 2010: EUR 10.70 per share (2009: EUR 8.80)	108,347	

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## NOTE 23 – FINANCIAL RISK MANAGEMENT

### 23.1 TYPES, SCOPE AND MANAGEMENT OF RISKS

#### 23.1.1 CASH AND LIQUIDITY RISKS

The Group is not exposed to any significant market risk with regard to its borrowings and marketable securities (available for sale or cash equivalents). The Group's loans agreements include customary clauses concerning default and limits covering collateral and merger or asset sale transactions. The agreements do not contain any early repayment clauses based on credit ratings or financial ratios. One of the borrowing clauses for euro-denominated loans stipulates that early repayment would be due should GIMD hold less than 50% of the equity of DASSAULT AVIATION prior to the maturity date of the borrowings. The contractual maturities of the borrowings are given under Note 11 to these financial statements.

The Group's marketable securities portfolio mainly comprises short-term money market investments, with no significant risk of impairment:

(EUR 000)	12.31.2010			
	Historical cost	Capital gain	Consolidated value	In %
Cash at bank and in hand, money market investments, time deposits, etc.	3,741,069	971,088	4,712,157	100%
Various investments (AMF reference, mainly money market)	None	None	None	None
<b>Total marketable securities (available for sale or cash equivalents) and cash at bank and in hand</b>	<b>3,741,069</b>	<b>971,088</b>	<b>4,712,157</b>	<b>100%</b>

The Group can meet its commitments without any liquidity risk due to its cash resources and its portfolio of available-for-sale marketable securities.

#### 23.1.2 CREDIT RISK

The Group performs its cash and foreign exchange transactions with recognized financial institutions and places its investments and has bank accounts with these various institutions.

The Group had no investments or accounts with financial institutions that went bankrupt in 2009 or 2010.

The Group limits counterparty risk by performing most of its sales cash and by ensuring that the granted loans are secured by export insurance guarantees (COFACE) or collateral. The amounts of export insurance guarantees and collateral obtained and not exercised at the year-end are recorded in off-balance sheet commitments (see Note 24).

Guarantees are also underwritten with export insurance institutions for the manufacturing risk relating to major military export contracts.

Considering the trade receivables write-down method described in section C8 of the consolidated financial statements, the percentage of outstanding receivables not written-down at the year-end is immaterial and not at risk.

### 23.1.3 MARKET RISK

- **FOREIGN EXCHANGE RISKS**

- ✓ **HEDGING PORTFOLIO**

The Group is exposed to a foreign exchange risk through the parent company with regard to FALCON sales that are virtually all denominated in US dollars.

This risk is partially hedged by using forward sales 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 according to the variability in the timing of expected net cash flows.

A sensitivity analysis was performed in order to determine the impact of a 10 cent increase or decrease in the US dollar/euro exchange rate.

<b>PORTFOLIO MARKET VALUE</b> (EUR 000)	<b>12.31.2010</b>		<b>12.31.2009</b>	
Net balance sheet position	284,848		650,878	
Closing US dollar/euro exchange rate	1 EUR = 1.3362 USD		1 EUR = 1.4406 USD	
Closing US dollar/euro exchange rate +/- 10 cents	1.4362 USD	1.2362 USD	1.5406 USD	1.3406 USD
Change in net balance sheet position	+ 218,591	- 253,848	+251,510	-288,890

- ✓ **EMBRAER SHARES**

The Group's parent company owns EMBRAER shares, a company listed on the Brazilian Stock Exchange. EMBRAER shares are accounted for in euros in the Group's financial statements based on market value at the balance sheet closing date in Brazilian reais converted into euros. The value of the shares may therefore fluctuate according to the exchange rate of these two currencies.

A sensitivity analysis was performed in order to determine the impact of a 10 cent increase or decrease in the real/euro exchange rate.

<b>MARKET VALUE OF EMBRAER SHARES</b> (EUR 000)	<b>12.31.2010</b>		<b>12.31.2009</b>	
Net balance sheet position	35,497		25,264	
Closing Brazilian real/euro exchange rate	1 EUR = 2.2177 BRL		1 EUR = 2.5113 BRL	
Closing real /euro exchange rate +/- 10 cents	2.3177 BRL	2.1177 BRL	2.6113 BRL	2.4113 BRL
Change in net balance sheet position	- 1,532	+ 1,676	-967	+ 1,048

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## 23.1.3 MARKET RISK (cont'd)

- **PRICING RISKS**

The Group is exposed to a pricing risk related to price fluctuations of the EMBRAER shares. A sensitivity analysis was performed in order to determine the impact of a 10% increase or decrease in EMBRAER shares.

MARKET VALUE OF EMBRAER SHARES (EUR 000)	12.31.2010		12.31.2009	
Net balance sheet position	35,497		25,264	
Embraer share price in reals	11.80 BRL		9.51 BRL	
Change in EMBRAER share price	+ 10%	- 10%	+ 10%	- 10%
Change in net balance sheet position	+3,550	-3,550	+2,526	-2,526

- **INTEREST RATE RISKS**

In 2010, the Group repaid the loans subscribed to in 2009 with financial institutions. All these loans were at fixed-rate after taking out swaps.

To maintain its financial flexibility, the Group subscribed to new variable-rate loans amounting to EUR 1,250 million in 2010. The taking out of swaps for EUR 800 million limits the interest rates risk.

An interest rate increase of 1%, applied to the residual variable part of these loans (i.e.: EUR 450 million) would increase the financial charges for the period by EUR 1,088 thousand.

The rates of these loans are based on EURIBOR-3 month rate (EURIBOR 1 year rate for loans subscribed to in 2009).

## 23.2 VALUE OF FINANCIAL INSTRUMENTS

### 23.2.1 SUMMARY TABLES

- FINANCIAL INSTRUMENTS ASSETS**

The valuation mode on the balance sheet (cost or fair value) of financial instruments assets on 12.31.2010 is detailed in the following table:

(EUR 000)	Balance sheet value as of 12.31.2010			
	Cost or cost less repayments (1)	Fair value (2)		Total
		Impact on net income	Impact on equity	
<b>Non-current assets</b>				
Listed investments			35,497	35,497
Non-listed investments			82,253	82,253
Available-for-sale marketable securities			3,825,485	3,825,485
Other financial assets	31,934			31,934
<b>Current assets</b>				
Trade and other receivables	519,779			519,779
Hedging instruments		5,014	280,104	285,118
Cash equivalents		453,064		453,064
<b>Total financial instruments assets</b>	<b>551,713</b>	<b>458,078</b>	<b>4,223,339</b>	<b>5,233,130</b>

(1) the carrying amount of the financial instruments assets recognized at cost or cost less repayments corresponds to a reasonable approximation of the fair value.

(2) method used for valuing financial instruments assets recognized on the balance sheet at their fair value:

(EUR 000)	Fair value		Total
	Impact on net income	Impact on equity	
Quoted prices in active markets (level 1)	453,064	3,860,982	4,314,046
Valuation techniques based on observable market data (level 2)	5,014	280,104	285,118
Valuation techniques not based on observable market data (level 3)		82,253	82,253
<b>Total of financial instruments assets recognized at their fair value</b>	<b>458,078</b>	<b>4,223,339</b>	<b>4,681,417</b>

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- **FINANCIAL INSTRUMENTS ASSETS (cont'd)**

As of 12.31.2009, the data were as follows:

(EUR 000)	Balance sheet value as of 12.31.2009			
	Cost or cost less repayments (1)	Fair value (2)		Total
		Impact on net income	Impact on equity	
<b>Non-current assets</b>				
Listed investments			25,264	25,264
Non-listed investments			71,664	71,664
Available-for-sale marketable securities			3,120,859	3,120,859
Other financial assets	32,296			32,296
<b>Current assets</b>				
Trade and other receivables	477,311			477,311
Hedging instruments		4,473	645,077	649,550
Cash equivalents		404,417		404,417
<b>Total financial instruments assets</b>	<b>509,607</b>	<b>408,890</b>	<b>3,862,864</b>	<b>4,781,361</b>

(1) the carrying amount of the financial instruments assets recognized at cost or cost less repayments corresponds to a reasonable approximation of the fair value.

(2) method used for valuing financial instruments assets recognized on the balance sheet at their fair value:

(EUR 000)	Fair value		Total
	Impact on net income	Impact on equity	
Quoted prices in active markets (level 1)	404,417	3,146,123	3,550,540
Valuation techniques based on observable market data (level 2)	4,473	645,077	649,550
Valuation techniques not based on observable market data (level 3)		71,664	71,664
<b>Total of financial instruments assets recognized at their fair value</b>	<b>408,890</b>	<b>3,862,864</b>	<b>4,271,754</b>



## 23.2.1 SUMMARY TABLES (cont'd)

- FINANCIAL INSTRUMENTS LIABILITIES

The valuation mode on the balance sheet (cost or fair value) of financial instruments liabilities on 12.31.2010 is detailed in the following table:

(EUR 000)	Balance sheet value as of 12.31.2010			
	Cost or cost less repayments (1)	Fair value		Total
		Impact on net income	Impact on equity	
<b>Non-current liabilities</b>				
Bank borrowings	67			67
Other borrowings (2)	258,223			258,223
<b>Current liabilities</b>				
Bank borrowings	1,252,260			1,252,260
Other borrowings (2)	137,966			137,966
Trade and other payables	751,715			751,715
<b>Total financial instruments liabilities</b>	<b>2,400,231</b>	<b>0</b>	<b>0</b>	<b>2,400,231</b>

As of 12.31.2009, the data were as follows:

(EUR 000)	Balance sheet value as of 12.31.2009			
	Cost or cost less repayments (1)	Fair value		Total
		Impact on net income	Impact on equity	
<b>Non-current liabilities</b>				
Bank borrowings	46			46
Other borrowings (2)	359,223			359,223
<b>Current liabilities</b>				
Bank borrowings	1,261,858			1,261,858
Other borrowings (2)	131,185			131,185
Trade and other payables	647,826			647,826
<b>Total financial instruments liabilities</b>	<b>2,400,138</b>	<b>0</b>	<b>0</b>	<b>2,400,138</b>

(1) the carrying amount of the financial instruments liabilities recognized at cost or cost less repayments corresponds to a reasonable approximation of the fair value.

(2) mainly locked-in employee profit-sharing funds and remaining payable balance on THALES shares (cf. Note 11).

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### 23.2.2 DERIVATIVE FINANCIAL INSTRUMENTS

The different types of financial instrument used by the Group (foreign currency and interest rate hedges) along their recognition under hedge accounting as defined by IAS 39 are presented in section C13 of the accounting policy note to the consolidated financial statements.

The recognition of derivative financial instruments and their impact on net income and equity are as follows:

(EUR 000)	Market value as of 12.31.2010	Market value as of 12.31.2009	Recognition of changes in fair value		
			In equity (1)	On the income statement	
				In operating income	In financial income
Instruments recognized in assets					
- Forex hedges (2)	284,848	650,878			
- interest rate hedges	270	-1,328			
Total	285,118	649,550			
including premiums and accrued interest on financial instruments	79	-323			
<b>Net capital gains on financial instruments</b>	<b>285,039</b>	<b>649,873</b>	<b>-364,973</b>	<b>60</b>	<b>79</b>

(1) posted to the specific heading "Other income and expense recognized directly through equity, fully consolidated companies".

(2) details of portfolio of foreign exchange hedging instruments:

MARKET VALUE	12.31.2010		12.31.2009	
	USD 000	EUR 000	USD 000	EUR 000
Forex options	418	313	625	434
Futures	380,196	284,535	937,030	650,444
<b>TOTAL</b>	<b>380,614</b>	<b>284,848</b>	<b>937,655</b>	<b>650,878</b>





**NOTE 24 – OFF-BALANCE SHEET COMMITMENTS**

The off-balance sheet commitments of the Group relate essentially to its operational activities and break down as follows:

(EUR 000)

<b>COMMITMENTS GIVEN</b>	<b>12.31.2010</b>	<b>12.31.2009</b>
Future payments to subcontractors or suppliers	1,976,016	1,807,832
Fixed asset orders	14,000	17,000
Guarantees and deposits	38,405	79,192
<b>TOTAL</b>	<b>2,028,421</b>	<b>1,904,024</b>

<b>COMMITMENTS RECEIVED</b>	<b>12.31.2010</b>	<b>12.31.2009</b>
Future billings to customers	9,401,000	12,322,700
Export insurance guarantees	105,450	76,217
Collateral	53,642	28,555
<b>TOTAL</b>	<b>9,560,092</b>	<b>12,427,472</b>

<b>SECURED PAYABLES AND RECEIVABLES</b>	<b>12.31.2010</b>	<b>12.31.2009</b>
Customer advances and progress payments on work-in-progress	488,726	439,756
Advances and progress payments to suppliers	2,710	4,060
<b>TOTAL</b>	<b>491,436</b>	<b>443,816</b>

<b>OPERATING LEASES</b>	<b>TOTAL</b>	<b>Within 1 year</b>	<b>More than 1 year</b>
Minimum future non-cancelable lease payments (not discounted)	314,383	33,129	281,254

The Group's main operating leases concern industrial office buildings.

# Consolidated financial statements

## NOTE 25 - RELATED-PARTY TRANSACTIONS

The Group's related parties are:

- GROUPE INDUSTRIEL MARCEL DASSAULT, and its subsidiaries,
- THALES Group and its subsidiaries,
- Chairman and Chief Executive Officer of DASSAULT AVIATION,
- Directors of DASSAULT AVIATION.

(EUR 000)		Related party sales	Related party purchases	Related party receivables	Related party payables
<u>Related companies</u>	2010 fiscal year	6,959	113,909	22,077	108,101
	2009 fiscal year	5,284	112,303	24,727	190,190

### Key Group employees

Directors' loans      2010 fiscal year      None      2009 fiscal year      None

Other directors' interests      2010 fiscal year      None      2009 fiscal year      None

Remuneration and other commitments      Total remuneration received by corporate officers in respect of 2010, broken down in the directors' report, amounted to EUR 946,976 for the parent company and USD 68,572 for subsidiaries, EUR 500,000 for GIMD and EUR 30,784 for THALES.

Other commitments:

In conjunction with the AFEP/MEDEF recommendations on the compensation of directors:

- Charles EDELSTENNE was retired in May 2009. The rules of the Company regarding retirement will apply, but in accordance with the ruling of the Caisse Nationale d'Assurance Vieillesse, he will not be entitled to his pension before the end of his last term of office as a Company officer. His pension and retirement benefits will therefore not be paid until that date,.
- On retirement he will not receive any pay other than that referred to above.

The Board of Directors has decided to maintain the additional annual retirement benefit awarded on 15 September 2004 equal to 3% of his gross annual remuneration on the date of his retirement multiplied by the number of years during which he was Chairman and CEO and capped so that his total benefits do not exceed 60% of his last gross annual remuneration.

This compensation will be paid at the same time as his other pension rights (i.e. at the end of his last term of office), under the same conditions as executive pensions (increases based on the AGIRC index and survivor's benefit).

### Terms and conditions of related-party transactions

Sales and purchases are made at market price. Balances outstanding at the year-end are not guaranteed and payments are made in cash. No guarantees were provided or received for related-party receivables. For 2010, 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.

**NOTE 26 - AVERAGE NUMBER OF EMPLOYEES**

	2010	2009
Engineers and management and executive grades	5,078	5,136
Supervisory and technical grades	2,377	2,439
Administrative employees	1,251	1,449
Production employees	2,845	3,191
<b>TOTAL</b>	<b>11,551</b>	<b>12,215</b>

**NOTE 27 - ENVIRONMENTAL INFORMATION**

DASSAULT AVIATION Group recorded environmental capital expenditure amounting to EUR 1,200 thousand and income statement expense of around EUR 950 thousand in 2010 relating to risk, impact and regulatory compliance analyses.

**NOTE 28 - STATUTORY AUDITORS' FEES**

The statutory auditors' fees posted to expenses (1) for 2010 and 2009 are as follows:

EUR 000	DELOITTE & ASSOCIES		MAZARS	
	2010	2009	2010	2009
<b>Audit</b>				
<u>Statutory audit, certification, review of individual and consolidated financial statements (2)</u>				
DASSAULT AVIATION	202	173	202	173
Fully consolidated subsidiaries	0	0	392	397
<u>Other statutory audit engagements (3)</u>				
DASSAULT AVIATION	0	167	73	166
Fully consolidated subsidiaries	0	0	0	0
<b>TOTAL</b>	<b>202</b>	<b>340</b>	<b>667</b>	<b>736</b>

(1) the data published in 2010 corresponded to the fees paid out (EUR 265 thousand to DELOITTE & ASSOCIES and EUR 548 thousand to MAZARS in 2009). As from this report, the fees presented are those posted to expenses for the year.

(2) these fees primarily include the review and certification of the Group's consolidated financial statements, certification of the financial statements of the parent company DASSAULT AVIATION S.A. and its subsidiaries and compliance with local regulations.

(3) these fees involve services normally rendered as an extension to the statutory auditors' engagement (drafting of specific attestations, notices and opinions relating to accounting standards, etc.).

In addition, the fees posted to expenses by fully consolidated subsidiaries for statutory auditors other than DELOITTE & ASSOCIÉS and MAZARS should be added to the above amounts: EUR 45 thousand in 2010 and EUR 44 thousand in 2009.

**ÉLÉMENT 29 - SUBSEQUENT EVENTS**

No events occurred after December 31, 2010 that may have a material impact on the financial statements.

# Consolidated financial statements

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## **AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended December 31, 2010**

Dear Shareholders,

In accordance with our appointment as auditors by your Annual General Meeting, we hereby report to you for the year ended December 31, 2010 on:

- the audit of the accompanying consolidated financial statements of DASSAULT AVIATION,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

### **OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as of December 31, 2010 and the results of its operations for the year then ended in accordance with IFRS as adopted in the European Union.

Without qualifying our opinion expressed above, we draw your attention to "Note 1 – E/ Change in accounting presentation" relating to the new applicable standards as from January 1, 2010, which have no impact on the financial statements, and to the change of presentation of the research-based tax credits.

### **JUSTIFICATION OF ASSESSMENTS**

In application of Article L. 823-9 of the French Commercial Code, we have conducted our own assessments, which we bring to your attention.

We considered that the items involving material estimates likely to require justification of our assessments included the provisions for contingencies and losses, the multi-annual agreements and the THALES impairment test:

#### **Provisions for contingencies and losses**

Our work mainly consisted in assessing the data and assumptions used to determine the estimated provisions for contingencies, as described in Note 1- C10 to the consolidated financial statements, reviewing the calculations performed by the Company, comparing the accounting estimates of previous years with the corresponding results and examining the procedures adopted by Management to approve such estimates. On this basis, we assessed the reasonableness of these estimates.

#### **Multi-annual agreements**

For multi-annual contracts, the Company's income relating to service provisions is calculated according to the completion method. In accordance with professional standards applicable to accounting estimates and on the basis of data available to date, our work consisted in assessing the data and the assumptions drawn up by Management and on which they based their estimates of the profit and loss on completion of those contracts and their trends, reviewing the calculations made, comparing the estimates made in previous years with the actual profits and losses.

### **THALES impairment test**

Note 5.1.4 - "Non-current financial assets - Market price of THALES shares and impairment test" describes the estimations and assumptions that your company is led to make concerning the valuation of the acquisition of THALES and the methods of implementing the impairment test. We have examined the data and the assumptions on which this test is based, along with the methods of its implementation as described in this Note.

These assessments were made as part of our audit approach for the consolidated financial statements taken as a whole and contributed to our opinion in the first part of this report.

### **SPECIFIC PROCEDURES**

In accordance with professional standards applicable in France, we have also performed the other specific testing required by law of the information on the Group given in the Directors' Report. We have no comment to make as to the fair presentation of this information or its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine,  
March 16, 2011

The Auditors

Mazars

Deloitte & Associés

Serge Castillon

Dominique Jumaucourt





***FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2010***

*(EUR 000)*

# Company financial statements

## **ASSETS**

(EUR 000)	NOTE	12.31.2010			12.31.2009
		Gross	Depreciation, amortization and provisions	Net	Net
Intangible assets	2	84,716	-68,734	15,982	14,571
Property, plant and equipment	2	944,853	-670,778	274,075	309,765
Long-term investments	3	2,186,885	-2,754	2,184,131	2,178,216
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,216,454</b>	<b>-742,266</b>	<b>2,474,188</b>	<b>2,502,552</b>
Inventories and work-in-progress	4	2,744,836	-273,095	2,471,741	2,900,116
Advances and progress payments to suppliers		180,432	0	180,432	205,647
Trade receivables	6	481,632	-97,441	384,191	425,384
Other receivables, prepayments and accrued income	6	467,619	0	467,619	506,505
Marketable securities and cash instruments	9	2,961,219	0	2,961,219	2,277,053
Cash at bank and in hand		223,872	0	223,872	119,934
<b>TOTAL CURRENT ASSETS</b>		<b>7,059,610</b>	<b>-370,536</b>	<b>6,689,074</b>	<b>6,434,639</b>
<b>TOTAL ASSETS</b>		<b>10,276,064</b>	<b>-1,112,802</b>	<b>9,163,262</b>	<b>8,937,191</b>



**LIABILITIES AND EQUITY**

(EUR 000)	NOTE	12.31.2010	12.31.2009
Share capital	10	81,007	81,007
Additional paid-in capital		19,579	19,579
Reserves	12	2,442,053	2,265,191
Net income for the year		325,815	265,969
Tax provisions	14	302,500	293,328
<b>TOTAL EQUITY</b>	<b>13</b>	<b>3,170,954</b>	<b>2,925,074</b>
<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>	<b>14</b>	<b>1,042,290</b>	<b>843,723</b>
Borrowings (1)	15	1,647,061	1,760,910
Customer advances and progress payments on work-in-progress		2,515,576	2,667,329
Trade payables	16	402,944	413,116
Other payables, accruals and deferred income	17	384,437	327,039
<b>TOTAL LIABILITIES</b>		<b>4,950,018</b>	<b>5,168,394</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,163,262</b>	<b>8,937,191</b>

(1) including bank balances in credit of:

0

9,129



# Company financial statements

## **INCOME STATEMENT**

(EUR 000)	NOTE	2010	2009
Net sales	20	3,551,695	2,748,219
Capitalized production		109	0
Change in work-in-progress		-408,543	39,851
Reversals of provisions and depreciation and amortization, expense reclassifications		433,268	462,506
Other revenue		4,834	5,157
<b>OPERATING REVENUES</b>		<b>3,581,363</b>	<b>3,255,733</b>
External purchases		-1,291,566	-1,287,269
Payroll and related charges		-635,609	-624,604
Other operating expenses		-274,058	-322,520
Taxes and social security contributions		-56,714	-58,357
Depreciation and amortization	2	-59,462	-58,130
Net charges to provisions	14	-655,960	-526,711
<b>OPERATING EXPENSES</b>		<b>-2,973,369</b>	<b>-2,877,591</b>
<b>NET OPERATING INCOME BEFORE FINANCIAL ITEMS</b>		<b>607,994</b>	<b>378,142</b>
Net financial income/(expense)	22	14,716	72,198
<b>NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX</b>		<b>622,710</b>	<b>450,340</b>
Non-recurring items	23	-9,003	-20,324
Employee profit-sharing		-120,451	-100,712
Corporate income tax	24	-167,441	-63,335
<b>NET INCOME FOR THE YEAR</b>		<b>325,815</b>	<b>265,969</b>

**CASH FLOW STATEMENT**

(EUR 000)	2010	2009
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
Net income	325,815	265,969
Elimination of net income on sales of non-current assets	-52	145
Elimination of investment grants added to net income	0	0
Net charges to and reversals of depreciation, amortization and provisions	257,465	136,099
<b>NET CASH FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES (A)</b>	<b>583,228</b>	<b>402,213</b>
Impact of:		
Change in inventories and work-in-progress	428,375	-118,482
Change in advances and progress payments to suppliers	25,215	-8,694
Change in trade receivables	41,193	-102,419
Change in other receivables, prepayments and accrued income	38,886	-83,457
Change in customer advances and progress payments on work-in-progress	-151,753	-161,160
Change in trade payables	-10,172	-250,333
Change in other payables, accruals and deferred income	57,398	-26,638
<b>CHANGES IN WORKING CAPITAL (B)</b>	<b>429,142</b>	<b>-751,183</b>
<b>(A+B)</b>	<b>1,012,370</b>	<b>-348,970</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
Purchases of intangible assets and property, plant and equipment	-36,311	-77,435
Purchases of investments	-511	-1,960,658
Disposals of or reductions in fixed assets	15,513	4,284
	<b>-21,309</b>	<b>-2,033,809</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
Capital increase	0	0
Increase in equity items	0	0
Decrease in equity items	0	0
Increase in borrowings (1)	1,348,914	1,587,994
Repayments of borrowings (1)	-1,453,634	-82,093
Dividends paid	-89,108	-58,730
	<b>-193,828</b>	<b>1,447,171</b>
<b>CHANGE IN NET CASH AND CASH EQUIVALENTS</b>	<b>797,233</b>	<b>-935,608</b>
Opening net cash and cash equivalents (2)	2,387,858	3,323,466
Change in net cash and cash equivalents	797,233	-935,608
Closing net cash and cash equivalents (2)	3,185,091	2,387,858

(1) in 2010, the Company repaid the short-term (less than one year) borrowings subscribed to in 2009 from credit establishments and from the GROUPE INDUSTRIEL MARCEL DASSAULT and, in order to maintain its financial flexibility, subscribed to new short-term borrowings (characteristics described in Note 15).

(2) cash and cash equivalents comprise the following balance sheet headings:

[cash at bank and in hand] + [marketable securities at historical cost] - [bank facilities and bank balances in credit].



# Company financial statements

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## **DASSAULT AVIATION**

**9, ROND-POINT DES CHAMPS-ÉLYSÉES-MARCEL DASSAULT- 75008 PARIS**

**SOCIÉTÉ ANONYME (FRENCH LIMITED LIABILITY COMPANY) WITH SHARE CAPITAL OF EUR 81,007,176, LISTED AND REGISTERED IN FRANCE**

**REGISTERED WITH THE PARIS TRADE REGISTRY UNDER THE NUMBER 712 042 456**

**SIRET: 712 042 456 00111**

On March 16, 2011, the Board of Directors approved the 2010 financial statements of the DASSAULT AVIATION Parent Company and authorized their publication.

## **NOTES TO THE FINANCIAL STATEMENTS**

Notes to the Balance Sheet before appropriation of earnings for the year ended **December 31, 2010**, showing total assets of **EUR 9,163,262 thousand** and to the Income Statement, showing total revenues of **EUR 3,705,895 thousand** and net income of **EUR 325,815 thousand**.

The financial statements cover a 12-month period extending from **January 1, 2010** to **December 31, 2010**.

The notes (or tables) (Nos. 1 – 33) are an integral part of the financial statements.

**NOTES: SUMMARY**

Notes	NOTES TO THE BALANCE SHEET AND INCOME STATEMENTS FOR THE YEAR ENDED 12.31.2010
1	I - ACCOUNTING POLICIES
	II - ADDITIONAL INFORMATION RELATING TO THE BALANCE SHEET AND INCOME STATEMENT
2	Intangible assets and property, plant and equipment
3	Long-term investments Maturity of long-term investments List of subsidiaries and affiliates, whose gross amount exceeds 1% of the Company's share capital and in which the Company holds at least 10% of shares Other subsidiaries and affiliates General information on securities
4	Inventories and work-in-progress
5	Interest on current assets
6	Trade and other receivables Maturity of trade and other receivables – gross value
7	Accrued income
8	Prepaid expenses and deferred income
9	Difference in measurement of current assets
10	Breakdown of share capital
11	Identity of the consolidating parent company
12	Reserves Revaluation reserve
13	Statement of changes in equity
14	Provisions Provisions for contingencies and losses
15	Borrowings
16	Maturity of borrowings
17	Other payables, accruals and deferred income
18	Accrued expenses
19	Notes on several balance sheet items
20	Sales analysis
21	Research and development costs
22	Net financial income/(expense)
23	Non-recurring items
	III - FINANCIAL COMMITMENTS AND OTHER INFORMATION
24	Analysis of corporate income tax
25	Off-balance sheet commitments
26	Secured payables and receivables
27	Financial instruments: US dollar foreign exchange transaction portfolio
28	Impact of exceptional tax assessments
29	Deferred tax
30	Remuneration of company officers
31	Average number of employees
32	Environmental information
33	Five-year summary



# Company financial statements

## **NOTE 1 - ACCOUNTING POLICIES**

The individual financial statements have been prepared in accordance with French Accounting Standards Committee Regulation 99-03 approved by the decree of June 22, 1999 and subsequent notices and recommendations of the French Accounting Standards Authority (ANC).

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 basic assumptions of:

- continuity of operations,
- consistency,
- independence between years,

and in line with the general rules for the establishment and presentation of financial statements.

The individual financial statements have been prepared on a historical cost basis.

**The principal accounting policies adopted are outlined below:**

### **A/ INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Intangible assets and property, plant and equipment are recognized at acquisition or production cost, less any accumulated depreciation or amortization and any accumulated impairment losses. As an exception to the rule, intangible assets and property, plant and equipment acquired prior to December 31, 1976 were revalued. 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 without deducting a residual value, with the exception of 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.

Initial useful lives are extended or reduced depending on the conditions in which the asset is used.

Useful lives are as follows:

Software	3-4 years
Industrial buildings	25-30 years
Office buildings	25-35 years
Fixtures and fittings	7-15 years
Plant, equipment and machinery	3-15 years
Aircraft	4-10 years
Rolling stock	3-4 years
Other property, plant and equipment	3-8 years
Second-hand goods	case-by-case basis

### **B/ IMPAIRMENT OF ASSETS**

At each period-end, the Company assesses whether there is an indication of impairment and carries out an impairment test if an indication of impairment has been detected. At each year-end, an impairment test is systematically carried out.

Indications of impairment include, in particular, significant adverse changes of a permanent nature, affecting the economic environment (e.g., sales outlets, supply sources, cost or index fluctuations, etc.) or the assumptions or objectives adopted by the Company (e.g., profitability analyses, backlog, regulatory changes).

Intangible assets and property, plant and equipment are impaired by the Company when their net carrying amount exceeds their present value. The amount of impairment recognized in income is equal to the difference between the net carrying amount and present value.

The present value of an asset is the higher of its fair value (less costs to sell) and its value in use.

The value in use of an asset is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.2% (compared to 8.8% as of 12.31.2009) and a 2% growth rate (same as of 12.31.2009). The discount rate includes the rates prevailing in the aviation industry. Post-tax cash flows are projected over a period of five years and the method takes into account a terminal value.

**C/ EQUITY INVESTMENTS, OTHER INVESTMENTS AND MARKETABLE SECURITIES**

The gross values of such assets are their purchase price excluding incidental costs, except in the case of assets subject to the 1976 legal revaluation. A provision for impairment is recorded when the fair value of such assets is lower than their gross value. The fair value is the higher of its market value and its value in use.

**D/ INVENTORIES AND WORK-IN-PROGRESS**

Incoming raw material, semi-finished and finished goods inventories are measured at acquisition cost for items purchased and production cost for items produced. Outgoing inventories are measured at weighted average cost, except for aircraft which are stated at acquisition cost.

In the first half of 2010, the Company pursued the furlough introduced in 2009 in order to adapt its production capacity to the activity. The idle time arising from these steps was posted to expense for the year and has no impact on the valuation of work-in-progress as of December 31, 2010.

The 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 lower than their carrying amount. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**E/ RECEIVABLES**

Receivables are stated at nominal value. A provision for impairment is recorded when the recoverable value is lower than the carrying amount.

**F/ BORROWINGS**

Borrowings are recorded at the amount received. Transaction costs are posted to expenses for the year.

**G/ TAX PROVISIONS**

These include:

- Provisions for investments,
- Provisions for price increases,
- Provisions for medium-term export credit risk,
- Accelerated depreciation.

**H/ PROVISIONS FOR CONTINGENCIES AND LOSSES**

Retirement severance payments and related benefits:

Retirement severance payment and related benefit (e.g. long-service award) commitments are accrued in full. Provisions cover all employees and are estimated based on vested rights and a projection of current salaries, after taking into account mortality rates, employee turnover, and a discounting assumption.

Actuarial gains or losses or gains and losses analyzed as such are fully recognized in income in the period during which they are incurred.

Other provisions for contingencies and losses:

In the course of its business, the Company grants its customers operating warranties on delivered equipment.

Contingency provisions are set aside to hedge the portion of future expenses deemed probable to arise from these obligations.

These provisions are calculated using technical data or on a statistical basis.

# Company financial statements

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## **I/ FOREIGN EXCHANGE HEDGING**

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The Company uses derivative financial instruments to hedge against foreign exchange risks relating to its operations.

These risks mainly arise from US dollar denominated sales of FALCONS. The corresponding future cash flows are partially hedged by firm or optional forward transactions.

Premiums paid or received on the purchase or sale of put options are recognized in the income statement on maturity of the option, with the exception of those relating to "zero premium" hedging strategies, which are recognized immediately in the income statement to avoid temporary timing differences.

## **J/ OPERATIONS IN FOREIGN CURRENCIES**

---

Income statement items denominated in foreign currencies are translated into euros at the exchange rate prevailing at the date of payment or receipt, with the exception of flows covered by hedging arrangements which are recorded at the hedge rate for the year.

Receivables and payables outstanding at the year-end are translated into euros at the closing rate of exchange. Differences arising on the translation of opening balances at closing exchange rates are taken to balance sheet suspense accounts as follows:

- Unrealized translation losses to assets,
- Unrealized translation gains to liabilities.

A provision is recorded in respect of unrealized losses.

Translation gains and losses arising on cash at bank and in hand as of December 31 are taken to the income statement.

## **K/ RECOGNITION OF REVENUE AND INCOME OR LOSS**

---

Revenue from sales of goods is recognized when the risks and rewards of ownership are transferred to the buyer. This normally represents the transfer of ownership for the Company.

Services are 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. Losses on completion are recognized as soon as they are known.

## **L/ UNREALIZED CAPITAL GAINS ON MARKETABLE SECURITIES**

---

Unrealized capital gains on marketable securities are not recognized in the income statement until effectively realized.

Under Article 8 of the French Commercial Code, the corporate income tax charge recorded in the financial statements relates solely to reported income. As such, the tax charge relating to unrealized gains on marketable securities is recorded within prepayments until recognition of the capital gains within financial income.

This method, which constitutes a departure from the general principle of full recognition of deferred tax, has been adopted to provide a fairer presentation of the results of the Company.

## **M/ TAX CONSOLIDATION**

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With effect from January 1, 1999, DASSAULT AVIATION, 9 Rond-Point des Champs-Élysées Marcel Dassault 75008 Paris, formed a tax consolidation group pursuant to Article 223A ff. of the French General Tax Code.

This tax consolidation arrangement is tacitly renewable by periods of five fiscal years.

By agreement, it does not have an impact on member company net income, as tax charges are borne by the tax group companies as if no such election had been made.





**NOTE 2 - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

(EUR 000)	12.31.2009	Additions / Charges	Disposals / Reversals	Other	12.31.2010	Initial values excluding legal revaluation
<b>INTANGIBLE ASSETS</b>						
<b>Gross value</b>						
Software, patents, licenses and similar assets	78,180	5,576	-1,391	657	83,022	<i>83,022</i>
Intangible assets in the course of development; advances and progress payments	948	1,403		-657	1,694	
<b>TOTAL</b>	<b>79,128</b>	<b>6,979</b>	<b>-1,391</b>	<b>0</b>	<b>84,716</b>	
<b>Amortization</b>						
Software, patents, licenses and similar assets	-64,557	-5,568	1,391	0	-68,734	
<b>TOTAL</b>	<b>-64,557</b>	<b>-5,568</b>	<b>1,391</b>	<b>0</b>	<b>-68,734</b>	
<b>Net value</b>						
Software, patents, licenses and similar assets	13,623				14,288	
Intangible assets in the course of development; advances and progress payments	948				1,694	
<b>TOTAL INTANGIBLE ASSETS</b>	<b>14,571</b>	<b>1,411</b>	<b>0</b>	<b>0</b>	<b>15,982</b>	



## Company financial statements

### **NOTE 2 - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (cont'd)**

(EUR 000)	12.31.2009	Additions / Charges	Disposals / Reversals	Other	12.31.2010	Initial values excluding legal revaluation
<b>PROPERTY, PLANT AND EQUIPMENT</b>						
<b>Gross value</b>						
Land	26,207	363	-66	23	26,527	<i>22,743</i>
Buildings	259,412	2,797	-636	3	261,576	<i>251,813</i>
Plant, equipment and machinery	465,595	14,660	-12,523	532	468,264	<i>467,512</i>
Other property, plant and equipment	190,418	3,698	-14,364	171	179,923	<i>179,650</i>
Construction in progress; advances and progress payments	3,988	7,814	-2,510	-729	8,563	
<b>TOTAL</b>	<b>945,620</b>	<b>29,332</b>	<b>-30,099</b>	<b>0</b>	<b>944,853</b>	
<b>Depreciation</b>						
Land	-4,408	-451	64	0	-4,795	
Buildings	-144,046	-10,742	411	0	-154,377	
Plant, equipment and machinery	-378,523	-24,087	12,402	0	-390,208	
Other property, plant and equipment	-101,255	-18,614	2,613	0	-117,256	
<b>TOTAL</b>	<b>-628,232</b>	<b>-53,894</b>	<b>15,490</b>	<b>0</b>	<b>-666,636</b>	
<b>Impairment</b>						
Other property, plant and equipment (1)	-7,623	-4,142	7,623	0	-4,142	
<b>TOTAL</b>	<b>-7,623</b>	<b>-4,142</b>	<b>7,623</b>	<b>0</b>	<b>-4,142</b>	
<b>Net value</b>						
Land	21,799				21,732	
Buildings	115,366				107,199	
Plant, equipment and machinery	87,072				78,056	
Other property, plant and equipment	81,540				58,525	
Construction in progress; advances and progress payments	3,988				8,563	
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>309,765</b>	<b>-28,704</b>	<b>-6,986</b>	<b>0</b>	<b>274,075</b>	

(1) Impairment tests of intangible assets and property, plant and equipment (see section B of Note 1 to the financial statements):

In 2009, a provision of EUR 7,623 thousand was recognized in net income for capitalized aircraft in order to take into account the impact of the crisis on the used executive aircraft market. This amount was adjusted to EUR 4,142 thousand as of 12.31.2010.

This provision is equal to the difference between the net carrying amount of the capitalized aircraft and their present value. The present value of a capitalized aircraft is the higher of its fair value (less selling costs) and its value in use. The value in use of all capitalized aircraft is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.2% (8.8% as of 12.31.2009), a 2% growth rate (the same as of 12.31.2009), a cash flow forecast period equal to the term of the aircraft's lease and a value at which the aircraft will be resold after the lease term.

The impairment tests carried out on other property, plant and equipment did not highlight any other impairment to be recognized as of 12.31.2010.



**NOTE 3 - LONG-TERM INVESTMENTS**

(EUR 000)	12.31.2009	Additions / Charges	Disposals / Reversals	Other	12.31.2010	Initial values excluding legal revaluation
Equity investments (1)	2,150,006	0	0	0	2,150,006	2,149,637
Other investment securities	5,894	0	0	0	5,894	5,742
Loans	2,361	481	-364	0	2,478	2,478
Other long-term investments	28,965	30	-488	0	28,507	28,507
<b>TOTAL</b>	<b>2,187,226</b>	<b>511</b>	<b>-852</b>	<b>0</b>	<b>2,186,885</b>	<b>2,186,364</b>
Provisions	-9,010	-2,600	8,856	0	-2,754	-2,754
<b>NET VALUE</b>	<b>2,178,216</b>	<b>-2,089</b>	<b>8,004</b>	<b>0</b>	<b>2,184,131</b>	<b>2,183,610</b>

**(1) MARKET PRICE OF THALES SHARES AND IMPAIRMENT TEST:**

Based on the market price of THALES shares at December 31, 2010 of EUR 26.185 per share, DASSAULT AVIATION's investment in THALES is valued at EUR 1,350 million.

Given that this value is lower than the carrying amount for THALES in DASSAULT AVIATION's financial statements, the Group carried out an impairment test. The value in use was estimated by forecasting future post-tax cash flows over a four-year period, which were then discounted at a post-tax rate of 8%. The final value was calculated based on medium-term earnings assumptions in line with the THALES forecast data.

This impairment test did not result in the company recording any impairment.

**MATURITY OF LONG-TERM INVESTMENTS**

(EUR 000)	Gross	Maturing within 1 year	Maturing within more than 1 year
Loans	2,478	376	2,102
Other long-term investments	28,507	0	28,507
<b>GRAND TOTAL</b>	<b>30,985</b>	<b>376</b>	<b>30,609</b>



# Company financial statements

## NOTE 3 (cont'd.)

### A. LIST OF SUBSIDIARIES AND AFFILIATES whose gross value exceeds 1% of the Company's share capital and in which the Company holds at least 10% of shares

(EUR 000)										
Companies or groups of companies	Share capital	Equity other than share capital	% shareholding	Carrying amount of shares held		Outstanding loans and advances granted by the company	Guarantees given by the company	Net sales of the most recent fiscal year	Net income (+)/ loss (-) of the most recent fiscal year	Dividends received by the Company during the fiscal year
				Gross	Net					
<b>1. SUBSIDIARIES (more than 50% shareholding)</b>										
<b>a. French subsidiaries</b>										
DASSAULT FALCON SERVICE	3,680	59,607	99.99	59,453	59,453	2,252	0	128,104	2,968	0
DASSAULT INTERNATIONAL	1,529	17,701	99.63	19,236	19,236	0	0	2,706	433	0
DASSAULT-REASSURANCE	10,459	7,727	99.99	10,132	10,132	0	0	2,491	344	0
SOGITEC INDUSTRIES	4,578	82,780	99.74	25,348	25,348	1,859	0	79,267	18,082	0
<b>Total</b>				<b>114,169</b>	<b>114,169</b>	<b>4,111</b>	<b>0</b>			<b>0</b>
<b>b. Foreign subsidiaries</b>										
DASSAULT FALCON JET (1)	10,516	443,520	87.47	7,767	7,767	0	38,405	1,536,088	48,391	0
DASSAULT INTERNATIONAL INC (USA)	3,779	37,841	100.00	3,727	3,727	0	0	1,216	4,034	0
DASSAULT PROCUREMENT SERVICES INC (USA)	75	38,689	100.00	28,965	28,965	0	0	162,346	955	0
<b>Total</b>				<b>40,459</b>	<b>40,459</b>	<b>0</b>	<b>38,405</b>			<b>0</b>
<b>Total SUBSIDIARIES</b>				<b>154,628</b>	<b>154,628</b>	<b>4,111</b>	<b>38,405</b>			<b>0</b>
<b>2. AFFILIATES (between 10 and 50% shareholding)</b>										
<b>a. French affiliates</b>										
CORSE COMPOSITES AERONAUTIQUES	1,707	3,211	24.81	996	996	0	0	26,131	-1,075	0
EUROTRADIA INTERNATIONAL (2)	3,000	34,000	16.20	3,099	3,099	0	0	55,958	3,684	616
THALES (3)	597,200	4,274,700	25.89	1,958,502	1,958,502	0	0	133,000	192,300	25,770
<b>Total</b>				<b>1,962,597</b>	<b>1,962,597</b>	<b>0</b>	<b>0</b>			<b>26,386</b>
<b>b. Foreign affiliates</b>										
<b>Total</b>				0	0	0	0			0
<b>Total AFFILIATES</b>				<b>1,962,597</b>	<b>1,962,597</b>	<b>0</b>	<b>0</b>			<b>26,386</b>

(1) this is a direct holding; the remaining 12.53% of the shares are held by DASSAULT INTERNATIONAL INC. (United States), which in turn is a wholly-owned subsidiary of DASSAULT AVIATION.

(2) 2009 fiscal year information.

(3) parent company financial statements.

## NOTE 3 (cont'd.)

**B. OTHER SUBSIDIARIES AND AFFILIATES**

(EUR 000)					
General information	Carrying amount of shares held		Outstanding loans and advances granted by the company	Guarantees given by the company	Dividends received by the Company during the fiscal year
	Gross	Net			
<b>1. SUBSIDIARIES</b>					
a. French subsidiaries	601	601	46	0	0
b. Foreign subsidiaries	0	0	0	0	0
<b>Total subsidiaries</b>	<b>601</b>	<b>601</b>	<b>46</b>	<b>0</b>	<b>0</b>
<b>2. AFFILIATES</b>					
a. French affiliates	5,903	3,303	0	0	829
b. Foreign affiliates	32,171	32,171	0	0	1,028
<b>Total affiliates</b>	<b>38,074</b>	<b>35,474</b>	<b>0</b>	<b>0</b>	<b>1,857</b>

**C. GENERAL INFORMATION ON SECURITIES (A+B)**

(EUR 000)					
General information	Carrying amount of shares held		Outstanding loans and advances granted by the company	Guarantees given by the company	Dividends received by the Company during the fiscal year
	Gross	Net			
<b>1. SUBSIDIARIES</b>					
a. French subsidiaries	114,770	114,770	4,157	0	0
b. Foreign subsidiaries	40,459	40,459	0	38,405	0
<b>Total</b>	<b>155,229</b>	<b>155,229</b>	<b>4,157</b>	<b>38,405</b>	<b>0</b>
<b>2. AFFILIATES</b>					
a. French affiliates	1,968,500	1,965,900	0	0	27,215
b. Foreign affiliates	32,171	32,171	0	0	1,028
<b>Total</b>	<b>2,000,671</b>	<b>1,998,071</b>	<b>0</b>	<b>0</b>	<b>28,243</b>
<b>GRAND TOTAL</b>	<b>2,155,900</b>	<b>2,153,300</b>	<b>4,157</b>	<b>38,405</b>	<b>28,243</b>



# Company financial statements

## NOTE 4 - INVENTORIES AND WORK-IN-PROGRESS

(EUR 000)	Gross	Provision	12.31.2010 net	12.31.2009 net
Raw materials	184,771	-79,000	105,771	128,144
Work-in-progress	2,017,679	0	2,017,679	2,426,222
Semi-finished and finished goods	542,386	-194,095	348,291	345,750
<b>TOTAL</b>	<b>2,744,836</b>	<b>-273,095</b>	<b>2,471,741</b>	<b>2,900,116</b>

## NOTE 5 - INTEREST ON CURRENT ASSETS

No interest is included in the balance sheet value of inventories and work-in-progress.

## NOTE 6 - TRADE AND OTHER RECEIVABLES

(EUR 000)	12.31.2010			12.31.2009 (NET)
	GROSS	PROVISION	NET	
<b>TRADE RECEIVABLES</b>				
Trade receivables	481,632	-97,441	384,191	425,384
<b>TOTAL I</b>	<b>481,632</b>	<b>-97,441</b>	<b>384,191</b>	<b>425,384</b>
<b>OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME</b>				
Other receivables	120,091	0	120,091	152,557
Prepaid expenses	347,528	0	347,528	345,089
Prepayments and accrued income	0	0	0	8,859
<b>TOTAL II</b>	<b>467,619</b>	<b>0</b>	<b>467,619</b>	<b>506,505</b>
<b>GRAND TOTAL</b>	<b>949,251</b>	<b>-97,441</b>	<b>851,810</b>	<b>931,889</b>

### MATURITY OF TRADE AND OTHER RECEIVABLES – GROSS VALUE

(EUR 000)	12.31.2010			12.31.2009		
	TOTAL	Within 1 year	More than 1 year	TOTAL	Within 1 year	More than 1 year
Trade receivables	481,632	292,708	188,924	521,318	379,394	141,924
Other receivables	120,091	120,091	0	152,557	152,557	0
Prepaid expenses	347,528	347,528	0	345,089	345,089	0
Prepayments and accrued income	0	0	0	8,859	8,859	0
<b>TOTAL – GROSS VALUE</b>	<b>949,251</b>	<b>760,327</b>	<b>188,924</b>	<b>1,027,823</b>	<b>885,899</b>	<b>141,924</b>



**NOTE 7 - ACCRUED INCOME**

Accrued income is included in the following balance sheet accounts (EUR 000)	12.31.2010	12.31.2009
Trade receivables	206,556	191,097
Other receivables, prepayments and accrued income	79	40
Marketable securities	0	0
Cash at bank and in hand	405	87
<b>TOTAL</b>	<b>207,040</b>	<b>191,224</b>

**NOTE 8 - PREPAID EXPENSES AND DEFERRED INCOME**

(EUR 000)	Expenses (1)	Income
Operating expenses/income as of 12.31.2010	347,528	66,624
Operating expenses/income as of 12.31.2009	345,089	48,015
(1) income tax on unrealized capital gains as of 12.31.2010	341,674	
as of 12.31.2009	335,995	

**NOTE 9 - DIFFERENCE IN MEASUREMENT OF MARKETABLE SECURITIES**

(EUR 000)		
MARKETABLE SECURITIES AND CASH INSTRUMENTS		
Nature of current assets	Book value	Market value
Marketable securities and cash instruments as of 12.31.2010	2,961,219	3,930,119
Marketable securities and cash instruments as of 12.31.2009	2,277,053	3,228,518



# Company financial statements

## NOTE 10 - BREAKDOWN OF SHARE CAPITAL

	Number of shares	Par value
Share capital at the beginning of the year	10,125,897	EUR 8
Share capital at the end of the year	10,125,897	EUR 8

## NOTE 11 - IDENTITY OF THE CONSOLIDATING PARENT COMPANY

	% consolidation
GROUPE INDUSTRIEL MARCEL DASSAULT 9, Rond Point des Champs Élysées - Marcel Dassault 75008 PARIS	50.55 %

## NOTE 12 - RESERVES

### RESERVES

(EUR 000)	12.31.2010	12.31.2009
Revaluation difference	4,305	4,305
Legal reserve	8,101	8,101
Other reserves	71,332	71,332
Retained earnings	2,358,315	2,181,453
<b>TOTAL</b>	<b>2,442,053</b>	<b>2,265,191</b>

### REVALUATION RESERVE

(EUR 000)	Movements in the revaluation reserve			
	As of January 1, 2010	2010 movements		As of December 31, 2010
		Decreases due to disposals	Other changes	
Land	3,784	0	0	3,784
Equity investments	521	0	0	521
<b>TOTAL</b>	<b>4,305</b>	<b>0</b>	<b>0</b>	<b>4,305</b>
Revaluation reserve (1976)	4,305	0	0	4,305





**NOTE 13 - STATEMENT OF CHANGES IN EQUITY**

## 1/ INCOME FOR THE YEAR

(EUR 000 or EUR per share)		
	2010	2009
<b>ACCOUNTING INCOME</b>		
In EUR 000	325,815	265,969
In EUR per share	32.18	26.27
<b>CHANGE IN EQUITY EXCLUDING NET INCOME FOR THE YEAR</b>		
In EUR 000	9,172	20,134
In EUR per share	0.91	1.99
<b>DIVIDENDS</b>		
In EUR 000	108,347 (1)	89,108
In EUR per share	10.70 (1)	8.80

(1) proposed to the Annual General Meeting.

## 2/ STATEMENT OF CHANGES IN EQUITY EXCLUDING INCOME FOR THE YEAR (EUR 000)

	Prior to appropriation of 2009 net income as of 12.31.2010	After appropriation of 2009 net income as of 12.31.2010
<b>A -</b>		
1. 2009 closing equity excluding net income for the year	2,659,105	2,659,105
2. 2009 net income prior to appropriation	265,969	
3. Appropriation of 2009 net income to net equity by the Annual General Meeting		176,862
4. 2010 opening equity	2,925,074	2,835,967
<b>B - Additional paid-in capital with retroactive effect to 2010 opening equity</b>		<b>0</b>
1. Change in share capital		0
2. Change in other items		0
<b>C - (= A4 + B) 2010 opening equity</b>		<b>2,835,967</b>
<b>D - Changes during the year excluding 2010 net income</b>		<b>9,172</b>
1. Change in share capital		0
2. Change in additional paid-in capital, reserves		0
3. Change in equity provisions		0
4. Revaluation offsetting entries - Reserve		0
5. Change in tax provisions and equipment grants		9,172
6. Other changes		0
<b>E - 2010 CLOSING EQUITY EXCLUDING 2010 NET INCOME PRIOR TO THE ANNUAL GENERAL MEETING (= C + D)</b>		<b>2,845,139</b>
<b>F - TOTAL 2010 CHANGE IN EQUITY EXCLUDING 2010 NET INCOME (= E - C)</b>		<b>9,172</b>

## 3/ FUTURE TAX PAYABLE (EUR 000)

Tax provisions excluding provisions for investments: 143,536 x 34.43% = 49,419



# Company financial statements

## NOTE 14 - PROVISIONS

(EUR 000)					
Nature of provisions	Amount at start of year	Increases/ charges in the year	Decreases/ reversals in the year	Other	Amount at end of year
<b>TAX PROVISIONS</b>					
Investments	148,977	36,281 (3)	-26,294 (3)	0	158,964
Price increases	50,487	8,335 (3)	-7,245 (3)	0	51,577
Accelerated tax depreciation	89,951	16,828 (3)	-21,858 (3)	0	84,921
Medium-term export credit	3,896	4,905 (3)	-1,780 (3)	0	7,021
Capital gains rolled over	17	0 (3)	0 (3)	0	17
<b>TOTAL I</b>	<b>293,328</b>	<b>66,349</b>	<b>-57,177</b>	<b>0</b>	<b>302,500</b>
<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>					
Operating	834,864	281,282 (1)	-73,856 (1)	0	1,042,290
Financial	8,859	0 (2)	-8,859 (2)	0	0
Non-recurring	0	0 (3)	0 (3)	0	0
<b>TOTAL II</b>	<b>843,723</b>	<b>281,282</b>	<b>-82,715</b>	<b>0</b>	<b>1,042,290</b>
<b>PROVISIONS FOR WRITE-DOWN</b>					
- Intangible assets	0	0 (1)	0 (1)	0	0
- Property, plant and equipment	7,623	4,142 (1)	-7,623 (1)	0	4,142
- Financial	9,010	2,600 (2)	-8,856 (2)	0	2,754
Inventories and work-in-progress	255,855	273,095 (1)	-255,855 (1)	0	273,095
Trade receivables	95,934	97,441 (1)	-95,934 (1)	0	97,441
<b>TOTAL III</b>	<b>368,422</b>	<b>377,278</b>	<b>-368,268</b>	<b>0</b>	<b>377,432</b>
<b>GRAND TOTAL</b>	<b>1,505,473</b>	<b>724,909</b>	<b>-508,160</b>	<b>0</b>	<b>1,722,222</b>

	{ - Operating	655,960 (1)	-433,268 (1)
Provision increases and reversals and expense reclassifications	{ - Financial	2,600 (2)	-17,715 (2)
	{ - Non-recurring	66,349 (3)	-57,177 (3)
		<u>724 909</u>	<u>-508,160</u>

## **NOTE 14 (cont'd) - BREAKDOWN OF PROVISIONS FOR CONTINGENCIES AND LOSSES**

(EUR 000)					
Items	Amount at start of year	Increases/charges in the year	Reversals in the year	Other	Amount at end of year
<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>					
Retirement severance payments and long-service awards	252,000	26,600	-9,600	0	269,000
Warranties	450,000	214,152	-38,619	0	625,533
Services and work to be performed	132,864	40,530	-25,637	0	147,757
<b>Operating</b>	<b>834,864</b>	<b>281,282</b>	<b>-73,856</b>	<b>0</b>	<b>1,042,290</b>
Foreign exchange losses	8,859	0	-8,859	0	0
Financial	8,859	0	-8,859	0	0
Other	0				0
Non-recurring	0	0	0	0	0
<b>TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES</b>	<b>843,723</b>	<b>281,282</b>	<b>-82,715</b>	<b>0</b>	<b>1,042,290</b>

- Provisions for retirement severance payments and long-service awards:

Retirement severance payment and long-service award commitments are calculated for all employees using the projected unit credit method and are accrued in full:

- employment projections are weighted using French Insurance Code mortality rates and the DASSAULT AVIATION employee turnover rate (this may vary according to age),
- the obligation is estimated pro rata on the employee's length of service at the period-end in relation to his total career expectancy,
- the calculation factors take into account a wage increase assumption of 4% per annum, a discount rate of 4% and an annual inflation rate of 2%.

- Provisions for warranties: warranty provisions are updated to reflect the fleet in service and contracts delivered.



# Company financial statements

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## NOTE 15 - BORROWINGS

(EUR 000)	12.31.2010	12.31.2009
Bank borrowings (1)	1,252,609	1,272,224
Other borrowings (2)	394,452	488,686
<b>TOTAL</b>	<b>1,647,061</b>	<b>1,760,910</b>

(1) of which short-term banking facilities: zero on 12.31.2010 and EUR 9,129 thousand on 12.31.2009,  
of which bank loans due in less than one year: EUR 1,252,542 thousand as of 12.31.2010 and EUR 1,263,048 thousand as of 12.31.2009.

The Company's loan agreements include customary clauses concerning default and limits covering collateral and merger or asset sale transactions. The agreements do not contain any early repayment clauses based on credit ratings or financial ratios. One of the borrowing clauses for euro-denominated loans stipulates that early repayment would be due should GIMD hold less than 50% of the equity of DASSAULT AVIATION prior to the maturity date of the borrowings.

(2) of which the remaining payable balance on THALES shares: EUR 98 million as of 12.31.2010, which were purchased for EUR 390 million from GIMD in May 2009 (half of which payable in cash, one quarter payable in one year and one quarter payable in two years).

The other borrowings mainly include locked-in employee profit-sharing funds.

There are no participating loans.

## NOTE 16 - MATURITY OF BORROWINGS

(EUR 000)	Gross	Maturing within 1 year	Between 1 and 5 years	After 5 years
Bank borrowings (1)	1,252,609	1,252,542	62	5
Other borrowings (2)	394,452	137,961	256,491	0
Trade payables	402,944	402,944	0	0
Tax and employee-related liabilities	188,874	188,874	0	0
Amounts payable in respect of PP&E and related accounts	4,930	4,930	0	0
Other payables	122,054	122,054	0	0
<b>TOTAL</b>	<b>2,365,863</b>	<b>2,109,305</b>	<b>256,553</b>	<b>5</b>

(1) see Note 15.

(2) see Note 15.

## NOTE 17 - OTHER PAYABLES, ACCRUALS AND DEFERRED INCOME

(EUR 000)	12.31.2010	12.31.2009
Tax and employee-related liabilities	188,874	165,994
Amounts payable in respect of PP&E and related accounts	4,930	10,886
Other payables	122,054	102,144
Deferred income	66,624	48,015
Accruals and deferred income	1,955	0
<b>TOTAL</b>	<b>384,437</b>	<b>327,039</b>

**NOTE 18 - ACCRUED EXPENSES**

(EUR 000)		
Accrued expenses are included in the following balance sheet accounts	12.31.2010	12.31.2009
Borrowings (1)	9,870	21,464
Trade payables	341,767	351,371
Other payables, accruals and deferred income	234,465	201,021
<b>TOTAL</b>	<b>586,102</b>	<b>573,856</b>

(1) of which bank borrowings: EUR 2,520 thousand.

**NOTES 19 - NOTES ON SEVERAL BALANCE SHEET HEADINGS**

(EUR 000)	Notes on		Receivables and payables represented by commercial paper
	Related undertakings	Companies in which the Company holds an investment	
Balance sheet headings			
Equity investments	155,229	1,994,777	0
Loans and other long-term investments	27,982	0	0
Advances and progress payments to suppliers	35,116	14,757	0
Trade receivables	58,829	136	2
Miscellaneous receivables	4,108	0	0
Customer advances and progress payments on work-in-progress	143,048	5,564	0
Trade payables	41,521	17,631	31,603
Other miscellaneous payables	0	0	0
Financial expenses	3,081	0	0



## Company financial statements

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### NOTE 20 - SALES ANALYSIS

(EUR 000)	2010	2009
A) ANALYSIS BY CLASS OF GOODS OR SERVICES:		
Finished goods	3,067,196	2,389,104
Services	484,499	359,115
<b>TOTAL</b>	<b>3,551,695</b>	<b>2,748,219</b>
B) ANALYSIS BY GEOGRAPHICAL AREA:		
France	798,424	842,083
Export	2,753,271	1,906,136
<b>TOTAL</b>	<b>3,551,695</b>	<b>2,748,219</b>
C) ANALYSIS BY QUARTER :		
First quarter	718,423	669,723
Second quarter	1,067,061	492,909
Third quarter	704,379	666,294
Fourth quarter	1,061,832	919,293
<b>TOTAL</b>	<b>3,551,695</b>	<b>2,748,219</b>



**NOTE 21 - RESEARCH AND DEVELOPMENT COSTS**

Research and development costs are recognized in expenses as incurred and represent:

(EUR 000)	2010	2009
RESEARCH AND DEVELOPMENT COSTS	-200,281	-212,852

The Company's research and development strategy and initiatives are described in the directors' report.

**NOTE 22 - NET FINANCIAL INCOME/(EXPENSE)**

(EUR 000)	2010	2009
Investment income (1)	27,414	54,625
Income from other long-term loans and assets	892	1,521
Other interest and similar income	4,174	4,100
Reversals of provisions		
- Foreign exchange losses	8,859	1,943
- Equity investments	8,856	13,999
	17,715	15,942
Foreign exchange gains	1,708	485
Net gains on sale of marketable securities	3,070	46,817
<b>Total financial income</b>	<b>54,973</b>	<b>123,490</b>
Net charges to provisions		
- Foreign exchange losses	0	-8,859
- Equity investments	-2,600	-8,855
- Loans	0	0
	-2,600	-17,714
Interest and similar expenses	-37,657	-33,578
Foreign exchange losses	0	0
Net losses on sale of marketable securities	0	0
<b>Total financial expense</b>	<b>-40,257</b>	<b>-51,292</b>
<b>Net financial income/(expense)</b>	<b>14,716</b>	<b>72,198</b>

(1) of which THALES dividends: EUR 25,770 thousand in 2010 and EUR 54,117 thousand in 2009.

## Company financial statements

### NOTE 23 - NON-RECURRING ITEMS

(EUR 000)	2010	2009
<b>Gains on sales of assets</b>		
- Property, plant and equipment	12,151	503
- Long-term investments	0	0
	12,151	503
<b>Other non-recurring income</b>	231	162
<b>Reversals of provisions</b>		
- Investments	26,294	28,298
- Price increases	7,245	14,266
- Medium-term export credit	1,780	0
- Accelerated tax depreciation	21,858	13,410
- Capital gains rolled over	0	0
	57,177	55,974
<b>Non-recurring income</b>	69,559	56,639
<b>Non-recurring expenses on operating activities</b>	0	-8
<b>Carrying amount of assets disposed:</b>		
- Intangible assets	0	0
- Property, plant and equipment	-12,099	-648
- Long-term investments	0	0
	-12,099	-648
<b>Other non-recurring expenses</b>	-114	-199
<b>Charges to tax provisions</b>		
- Investments	-36,281	-39,845
- Price increases	-8,335	-9,709
- Medium-term export credit	-4,905	-2,524
- Accelerated tax depreciation	-16,828	-24,030
	-66,349	-76,108
<b>Other non-recurring provisions</b>	0	0
<b>Non-recurring expenses</b>	-78,562	-76,963
<b>Non-recurring items</b>	-9,003	-20,324





**NOTE 24 - ANALYSIS OF CORPORATE INCOME TAX**

(EUR 000)	Income before tax	Corporate income tax	Long-term capital gains tax	Income after tax
Net recurring income before tax	622,710	-214,274	0	408,436
Non-recurring items (including profit-sharing and incentive schemes)	-129,454	46,833	0	-82,621
Accounting income	493,256	-167,441	0	325,815
		<b>-167,441</b>		

**NOTE 25 - OFF-BALANCE SHEET FINANCIAL COMMITMENTS**

COMMITMENTS GIVEN (EUR 000)	12.31.2010	12.31.2009
- Guarantees given in respect of:		
. subsidiaries	38,405	79,192
. equity investments	0	0
. other	0	0
<b>TOTAL</b>	<b>38,405</b>	<b>79,192</b>

COMMITMENTS RECEIVED (EUR 000)	12.31.2010	12.31.2009
Export insurance guarantees	105,450	76,217
Collateral (e.g. mortgages, pledges)	53,642	28,555
<b>TOTAL</b>	<b>159,092</b>	<b>104,772</b>

BILATERAL COMMITMENTS (EUR 000)	12.31.2010	12.31.2009
Future billings to customers	8,821,900	11,394,900
Future payments to subcontractors or suppliers	1,841,998	1,628,324
Fixed asset orders	10,864	14,142
<b>TOTAL</b>	<b>10,674,762</b>	<b>13,037,366</b>

**NOTE 26 - PAYABLES AND RECEIVABLES SECURED BY BANK GUARANTEES**

(EUR 000)	12.31.2010	12.31.2009
Customer advances and progress payments on work-in-progress	488,726	439,756
Advances and progress payments to suppliers	2,710	4,060
<b>TOTAL</b>	<b>491,436</b>	<b>443,816</b>

## Company financial statements

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### **NOTE 27 - FINANCIAL INSTRUMENTS: US DOLLAR FOREIGN EXCHANGE TRANSACTION PORTFOLIO**

DASSAULT AVIATION is exposed to a foreign exchange risk with regard to gains from FALCON sales which are virtually all denominated in US dollars. The Company only incurs a portion of its expenditure in the same currency (mainly purchases). DASSAULT AVIATION is therefore exposed to foreign exchange risk that it partially hedges using forward sales contracts and, where necessary, foreign exchange options.

The financial instruments held by DASSAULT AVIATION are stated below at market value.

Market values represent the equivalent in euros translated at closing dollar exchange rates of amounts payable or receivable in the event of liquidation of the entire portfolio. They do not reflect actual results realizable on maturity, as they do not take account of future price fluctuations.

**The portfolio market value is therefore provided for information purposes only.**

In valuing the portfolio, the assumed hedging rate did not generate any losses on commercial transactions hedged.

MARKET VALUE	12.31.2010		12.31.2009	
	USD 000	EUR 000	USD 000	EUR 000
Forex options	0	0	0	0
Futures	379,116	283,727	936,632	650,168
<b>Total</b>	<b>379,116</b>	<b>283,727</b>	<b>936,632</b>	<b>650,168</b>

### **NOTE 28 - IMPACT OF ACCELERATED TAX VALUATIONS**

(EUR 000)	12.31.2010	12.31.2009
Net income for the year	325,815	265,969
Corporate income tax charge	167,441	63,335
<b>NET INCOME BEFORE TAX</b>	<b>493,256</b>	<b>329,304</b>
<b>INCREASE IN TAX PROVISIONS</b>	<b>-815</b>	<b>8,587</b>
<i>Of which:</i>		
- Accelerated tax depreciation	-5,030	10,620
- Provision for price increases	1,090	-4,557
- Provision for capital gains rolled over	0	0
- Provision for medium-term export credit	3,125	2,524
<b>NET INCOME EXCLUDING TAX VALUATIONS</b>		
<b>ACCELERATED DEPRECIATION (BEFORE TAX)</b>	<b>492,441</b>	<b>337,891</b>

**NOTE 29 - INCREASES AND REDUCTIONS IN FUTURE TAX CHARGES**

(EUR 000)	12.31.2010	12.31.2009
<b>INCREASES</b>		
Tax provisions:		
- Price increases	51,577	50,487
- Medium-term export credit	7,021	3,896
- Accelerated tax depreciation	84,921	89,951
<b>TOTAL</b>	<b>143,519</b>	<b>144,334</b>
<b>INCREASES IN FUTURE TAX CHARGES</b>	<b>49,414</b>	<b>49,694</b>
<b>REDUCTIONS</b>		
Items not deductible in the current year:		
- Employee profit-sharing	106,451	86,712
- Retirement severance payments and long-service awards	269,000	252,000
Other partly non-deductible items (trade receivables, inventories, warranties, other):	390,983	273,698
<b>TOTAL</b>	<b>766,434</b>	<b>612,410</b>
<b>REDUCTIONS IN FUTURE TAX CHARGES</b>	<b>263,883</b>	<b>210,853</b>
Long-term capital losses	0	0

**NOTE 30 - COMPENSATION OF CORPORATE OFFICERS**

Total compensation received by corporate officers in respect of 2010, as broken down in the directors' report, amounted to EUR 946,976 for the parent company.

**NOTE 31 - AVERAGE NUMBER OF EMPLOYEES**

	Company employees	Seconded to the Company
Managers and executive grades	4,234	
Supervisory and technical grades	2,076	
Administrative employees	541	13
Production employees	1,287	21
<b>TOTAL 2010</b>	<b>8,138</b>	<b>34</b>
TOTAL 2009	8,362	82

# Company financial statements

## **NOTE 32 - ENVIRONMENTAL INFORMATION**

DASSAULT AVIATION recognized environmental capital expenditure amounting to EUR 1,107 thousand and posted around EUR 805 thousand to 2010 expenses relating to risk, impact and regulatory compliance analyses.

The Company did not need to recognize any environmental liabilities.

## **NOTE 33 - FIVE-YEAR SUMMARY**

(EUR 000 except per share data stated in EUR)					
Nature of indications	2006	2007	2008	2009	2010
<b>1/ FINANCIAL POSITION AT YEAR-END</b>					
a. Share capital	81,007	81,007	81,007	81,007	81,007
b. Number of shares outstanding	10,125,897	10,125,897	10,125,897	10,125,897	10,125,897
<b>2/ SUMMARY OF OPERATING RESULTS</b>					
a. Net sales	2,853,461	3,605,350	3,540,455	2,748,219	3,551,695
b. Income before tax, depreciation, amortization and provisions	483,736	690,062	857,547	473,545	769,467
c. Corporate income tax	120,085	185,786	184,009	63,335	167,441
d. Income after tax, depreciation, amortization and provisions	224,943	323,496	352,508	265,969	325,815
e. Dividends paid	74,932	107,335	58,730	89,108	108,347 (1)
<b>3/ PER SHARE DATA (EUR)</b>					
a. Income after tax, but before depreciation, amortization and provisions	35.9	49.8	66.5	40.5	59.5
b. Income after tax, depreciation, amortization and provisions	22.2	31.9	34.8	26.3	32.2
c. Dividends paid	7.4	10.6	5.8	8.8	10.7 (1)
<b>4/ PERSONNEL</b>					
a. Average number of employees during the year	8,614	8,430	8,349	8,362	8,138
b. Total payroll charges excluding taxes	407,858	418,125	422,353	415,659	414,240
c. Total payroll taxes and social security charges	198,836	209,222	214,547	208,945	221,369
<b>5/ EMPLOYEE PROFIT-SHARING</b>	<b>74,981</b>	<b>100,747</b>	<b>122,203</b>	<b>86,712</b>	<b>106,451</b>
<b>6/ INCENTIVE PAYMENTS</b>	<b>14,000</b>	<b>14,000</b>	<b>14,000</b>	<b>14,000</b>	<b>14,000</b>

(1) proposed to the Annual General Meeting.

## **AUDITORS' REPORT ON THE COMPANY FINANCIAL STATEMENTS**

**Year ended December 31, 2010**

Dear Shareholders,

In accordance with our appointment as auditors by your Annual General Meeting, we hereby report to you for the year ended December 31, 2010 on:

- the audit of the accompanying financial statements of DASSAULT AVIATION,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

### **OPINION ON THE FINANCIAL STATEMENTS**

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 2010 and of the results of its operations for the year then ended in accordance with French accounting regulations.

### **JUSTIFICATION OF OUR ASSESSMENTS**

In application of Article L. 823-9 of the French Commercial Code, we have conducted our own assessments, which we bring to your attention.

We considered that, among the items that included material estimates and were likely to require justification of our assessments, the following accounts required our attention: equity investments, provisions for contingencies and losses and multi-annual agreements/contracts:

#### **Equity investments**

Equity investments, recorded in the balance sheet at EUR 2150 million (Note 3 "Long-term investments") have been valued at cost and impaired, where necessary, on the basis of their value in use.

Note 3 - "Long-term investments" describes the estimations and assumptions that your company is led to make concerning the valuation of the acquisition of THALES and the methods of implementing the impairment test

Our work consisted in assessing the data on which equity investment has been retained or, where applicable, provisions for impairment have been set aside.

Furthermore, we have examined the data and the assumptions on which the THALES investment impairment is based, along with the methods of its implementation as described in this Note.

#### **Provisions for contingencies and losses**

Our work consisted mainly in assessing the data and assumptions used to determine the estimated provisions for contingencies, as described in Note 1-H and in Note 14 to the financial statements, reviewing the calculations performed by the Company, comparing the accounting estimates of previous periods with the corresponding results and examining the procedures adopted by Management to approve such estimates. On this basis, we assessed the reasonableness of these estimates.

# Company financial statements

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## Multi-annual agreements

For multi-annual agreements the Company's profit relating to service provisions is calculated according to the completion method. In accordance with professional standards applicable to accounting estimates and on the basis of data available to date, our work consisted in assessing the data and the assumptions established by Management and on which they based their estimates of the profit/loss on completion of those contracts and their trends, reviewing the calculations made, comparing the estimates made in previous years with the actual profits and losses.

These assessments were made as part of our audit approach for the financial statements taken as a whole and contributed to our opinion as expressed in the first part of this report.

## **SPECIFIC PROCEDURES AND DISCLOSURES**

We have also performed the other specific procedures required by law, in accordance with professional standards applicable in France.

We have no comment to make as to the fair presentation and consistency with the financial statements of the information given in the Directors' Report and in the documents addressed to shareholders with respect to the financial position and the financial statements.

As regards the information provided, pursuant to Article L.225-102-1 of the Commercial Code, regarding the compensation and benefits paid to the company officers and any commitments undertaken in their favor, we have verified the consistency of this information with the financial statements and with the data used in drawing up the financial statements and, where applicable, the data obtained by the Company from the companies controlling the Company or which the Company controls. On the basis of this work, we hereby certify the accuracy and fairness of this information.

Pursuant to the law, we have verified that the Directors' Report contains the appropriate disclosures relating to shareholdings and control, mutual shareholdings and the identity of shareholders and holders of voting rights.

Courbevoie and Neuilly-sur-Seine, March 16, 2011

The Auditors

Mazars

Deloitte & Associés

Serge Castillon

Dominique Jumaucourt

**AUDITORS' REPORT PREPARED  
IN ACCORDANCE WITH ARTICLE  
L. 225-235 OF THE FRENCH  
COMMERCIAL CODE ON THE REPORT  
OF THE CHAIRMAN OF THE BOARD  
OF DIRECTORS**

**Year ended December 31, 2010**

Dear Shareholders,

In our capacity as auditors of DASSAULT AVIATION, and in accordance with Article L.225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of the Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2010.

It is the responsibility of the Chairman to prepare and submit for the approval of the Board of Directors a report on the internal control and risk management procedures implemented in the Company containing the other information required by Article L. 225-37 of the French Commercial Code, relating in particular to corporate governance.

It is our responsibility to:

- report to you our observations on the information set out in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- certify that the report contains the other information required by Article L. 225-37 of the French Commercial Code, bearing in mind that we are not required to verify the fairness of this other information.

We have carried out our work based on professional standards applicable in France.

**Information concerning internal control and risk management procedures relating to the preparation and processing of financial and accounting information**

The professional practice standards require that we assess the fairness of the information set out in the Chairman's report concerning internal control and risk management procedures for the preparation and processing of financial and accounting information. Specifically, these procedures consist in:

- taking due note of the internal control procedures for the preparation and processing of financial and accounting information underlying the information presented in the Chairman's report and existing documentation;
- taking due note of the work performed in order to prepare this information and existing documentation;
- determining whether the major internal control deficiencies relating to the preparation and processing of financial and accounting information that we identified during our assignment are appropriately disclosed in the Chairman's report.

On the basis of our work, we have no comment to make on the information concerning the internal control and risk management procedures for the preparation and processing of financial and accounting information, set out in the report of the Chairman of the Board of Directors, prepared in accordance with Article L.225-37 of the French Commercial Code.

# Company financial statements

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## Other information

We certify that the report of the Chairman of the Board of Directors contains the other information required by Article L. 225-37 of the French Commercial Code.

Courbevoie and Neuilly-sur-Seine, March 16, 2011

The Auditors

Mazars

Deloitte & Associés

Serge Castillon

Dominique Jumaucourt



**AUDITORS' REPORT ON RELATED PARTY TRANSACTIONS AND COMMITMENTS**

Year ended December 31, 2010

Dear Shareholders,

In accordance with our appointment as auditors of the Company, we hereby report on related-party transactions and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those transactions and commitments brought to our attention, or which have come to our attention in the course of our work, without having to express an opinion on their usefulness and appropriateness, or to seek the existence of other transactions and commitments. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these transactions and commitments for the purpose of approving them.

Furthermore, it is our responsibility, where appropriate, to communicate you the information laid down in Article R. 225-31 of the French Commercial Code relating to the execution, over the course of the past fiscal year, of the transactions and commitments already approved by the Annual General Meeting.

We conducted our procedures in accordance with professional standards recommended by the National Accountants Order and applicable in France. Those standards require that we check the concordance of the information provided to us with the relevant source documents.

**AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING**

**Transactions and commitments authorized over the past fiscal year**

We can inform you that we have received no information of any transaction or commitment

authorized in the course of the past fiscal year to be submitted to the Annual General Meeting in application of the provisions of Article L. 225-38 of the French Commercial Code.

**TRANSACTIONS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING**

**Transactions and commitments approved in previous years with continuing effect over the past fiscal year**

In application of Article R. 225-30 of the French Commercial Code, we have been informed that the following transactions and commitments, already approved by the Annual General Meeting in previous years, have had continuing effect during the past fiscal year.

**WITH GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD):**

a) DASSAULT AVIATION has continued to rent from GIMD a number of premises, plots of land and industrial installations under leases that replaced, with effect from January 1, 2009, those signed in 2008.

The rents paid in 2010 to GIMD amounted to a pre-tax total of EUR 30,937,754.30. A supplemental guarantee deposit of EUR 23,227.58 was also paid in 2010 to GIMD.

The director concerned is Mr. Serge DASSAULT.

b) The purchase agreement by DASSAULT AVIATION of THALES shares previously held by GIMD, signed on March 3, 2009 and amended on June 25, 2009, stipulated the payment of a total acquisition price of EUR 390,527,634, divided up as follows:

- 50% of the price payable immediately on completion of the acquisition,
- 25% of the price payable on the first anniversary date of completion of the acquisition,
- 25% of the price payable on the second anniversary date of completion of the acquisition,

# Company financial statements

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It being understood that:

- The two fractions of the price payable in installments shall bear interest at the EURIBOR 6 month rate plus a margin of 1% at one year and 1.3% at two years.
- Interest shall be calculated and invoiced half-yearly in arrears on the basis of a 360 day year.

In application of the aforementioned provisions, DASSAULT AVIATION paid 25% of the price, i.e.: EUR 97,631,908.50, on May 20, 2010.

The interest paid in 2010 to GIMD for the half-years from November 20, 2009 to May 19, 2010 and from May 20, 2010 to November 19, 2010 amounted to EUR 3,285,807.20.

The director concerned is Mr. Serge DASSAULT.

## WITH DASSAULT FALCON JET (USA):

At the request of DASSAULT FALCON JET, DASSAULT AVIATION undertook to refund amounts paid on account by DASSAULT FALCON

JET customers, should DASSAULT FALCON JET fail to meet its contractual obligations. These guarantees remain in force until delivery of the aircraft ordered.

As of December 31, 2010, the guarantees amounted to EUR 38,405,342.

The directors concerned are Messrs Serge DASSAULT and Charles EDELSTENNE.

## WITH ALL THE DIRECTORS AND CORPORATE OFFICERS OF THE GROUP AND ITS SUBSIDIARIES:

A "Directors and Corporate Officers Liability" insurance policy was taken out with AXA GLOBAL RISKS, now called AXA CORPORATE SOLUTIONS, with effect from July 1, 1999. This policy, renewed on January 1, 2010, covers all directors and corporate officers of the company and its subsidiaries up to an annual limit of indemnity of EUR 25 million.

Courbevoie and Neuilly-sur-Seine, March 16, 2011

The Auditors

Mazars

Deloitte & Associés

Serge Castillon

Dominique Jumaucourt

***COMBINED ANNUAL ORDINARY AND  
EXTRAORDINARY GENERAL MEETING OF  
SHAREHOLDERS***

***MAY 18, 2011***





## **COMBINED ANNUAL ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 18, 2011 / DRAFT RESOLUTIONS**

### **RESOLUTIONS FALLING WITHIN THE COMPETENCE OF THE ORDINARY ANNUAL GENERAL MEETING**

#### **First resolution**

The shareholders, deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, having taken due note of the Directors' Report, the Chairman's report governed by section 6 of Article L 225-37 of the French Commercial Code, the Auditors' Report and their report, governed by section 5 of Article L 225-235 of the French Commercial Code, hereby **approve**, in full and without reservation, **the financial statements for the year ended December 31, 2010** as presented and showing a net income of EUR 325,815,259.92, together with all transactions presented therein or summarized in these reports.

#### **Second resolution**

The shareholders, deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, having taken due note that the report on Group activities is included in the Directors' Report and having read the Auditors' Report on the consolidated financial statements, hereby **approve**, in full and without reservation, **the consolidated financial statements for the year ended December 31, 2010** as presented and showing consolidated net income before minority interests of EUR 267,492 thousand (including net income after minority interests of EUR 267,447 thousand), together with all transactions presented therein or summarized in these reports.

#### **Third resolution**

The shareholders, deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, having taken due note of **the Auditors' Report** on related party transactions governed by Articles L 225-38 ff. of the French Commercial Code, take note of this report.

#### **Fourth resolution**

The shareholders, deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, hereby **discharge the Directors**, fully and finally, from any liability arising from their management of the Company during the year ended December 31, 2010.

#### **Fifth resolution**

The shareholders, deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, hereby decide, in accordance with the proposal of the Board of Directors, that 2010 net income of EUR 325,815,259.92 plus retained earnings of EUR 2,684,130,112.18 be appropriated as follows:

- dividend distribution of:  
EUR 108,347,097.90
- with the remaining balance to retained earnings:  
EUR 2,575,783,014.28

As a result of the above appropriation, **a dividend per share of EUR 10.70** shall be distributed.

For individuals taxable in France, this dividend shall be liable for a progressive scale after the 40% allowance and the annual allowance or, as an option, a flat-rate withholding. Whatever option is chosen, this dividend shall give rise to social security contributions deducted at source.

The dividend shall fall due for payment in euros on May 26, 2011, and be paid directly for registered shares, and via authorized intermediaries for administrated or bearer shares.

# Resolutions

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Net dividends per share distributed in respect of the last three years and the corresponding tax credits or allowances are as follows:

Fiscal year	Net dividend distributed (in euros)	Tax allowance (1)
2007	10.60	40%
2008	5.80	40%
2009	8.80	40%

(1) allowance or, as an option, a flat-rate withholding for individuals

## **RESOLUTION FALLING WITHIN THE COMPETENCE OF THE EXTRAORDINARY ANNUAL GENERAL MEETING**

### **Sixth resolution**

The shareholders, deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings, having taken due note that, in application of Order No. 2010-64 of June 23, 2010, companies whose shares are listed on a regulated market must **enable shareholders**

**to provide notification by electronic means of the designation and revocation of their representative agents**, hereby decide to replace the final paragraph of Article 29 of the Company articles of association with the following paragraph:

*"Shareholders may be represented by proxy in accordance with the legal and regulatory conditions. The notification of the designation and revocation of the representative agent may be made either on paper or by electronic means. In the latter case, the shareholder's signature may consist in the use of a reliable process of identification guaranteeing his/her link to the associated act, and may in particular consist of a login and password."*

## **RESOLUTION FALLING WITHIN THE COMPETENCE OF THE ORDINARY ANNUAL GENERAL MEETING**

### **Seventh resolution**

The shareholders hereby confer full **powers** on the bearer of copies of or extracts from the minutes of this meeting in order to comply with all legal, publication or other **formalities**.