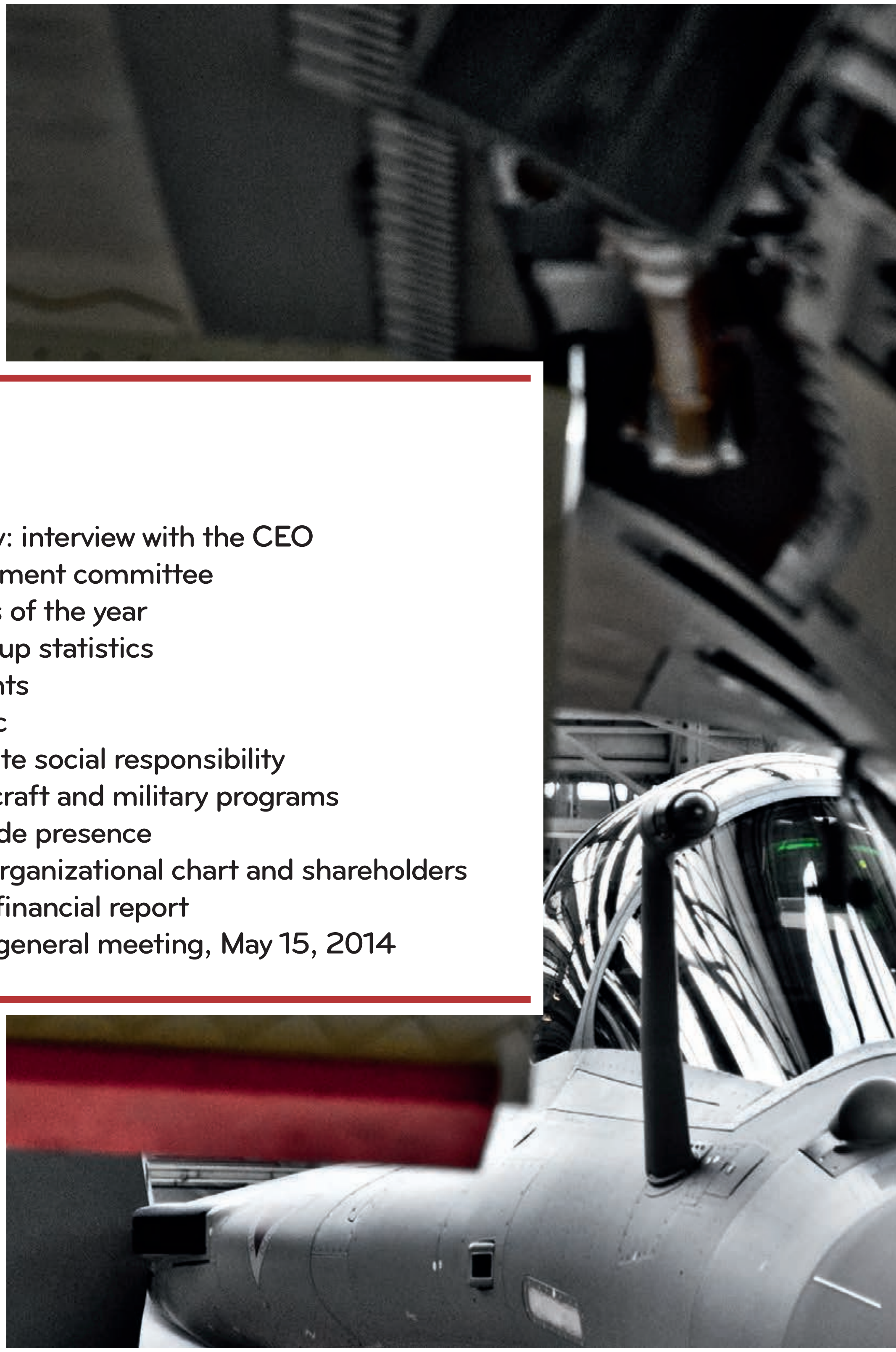
DASSAULT AVIATION

ANNUAL REPORT 2013



Contents

VISION

"Higher together": every day, this desire becomes a reality.

Each of our aircraft embodies our mastery of the most advanced technologies, put to the service of our clients. These technologies contribute to our customers' independence and their management of time, space, decisions and actions, worldwide.

Our longevity is founded on pragmatic technical and industrial choices that respect ethical, social and environmental imperatives.

As a pivotal part of a high value-added strategic industry, our Group plays its part in the development of the activity of a wide range of high-flying companies, laboratories and teaching establishments. Thanks to the skills and experience of our teams, the know-how that we develop is unique in Europe, and shared with numerous French and international partners.

Over **8,000** aircraft delivered worldwide since 1945

Over **28** million hours of flight time

11,600 employees, more than 9,000 based in France

72% of our aircraft produced over the past 50 years have been exported

A major contributor to national sovereignty and at the vanguard of the digital-industrial revolution, Dassault Aviation is the only corporate Group in the world to design, manufacture and support both combat aircraft (instruments of political independence) and business jets (tools for work and economic development). Our brands: Rafale, Falcon, nEUROn, and Mirage.

STRATEGY

Dassault Aviation is a company with a resolutely dual character, whose industrial organization is optimized around civil and military activities.

Interview with Éric Trappier, Chairman and CEO of Dassault Aviation

After a year at the head of Dassault Aviation, what is your strategy?

"Dassault Aviation is an extremely proactive Company built on solid foundations, with innovation and customer satisfaction as its prime objectives. Although faced with powerful competition, we have always been able to take on this challenge by proposing products that stand out for their performance and quality. Alongside Loïk Segalen, the Chief Operating Officer, our permanent ambition is to develop the civil and military expertise of this jewel in the crown of the aviation industry, while promoting major partnerships. In a word, Dassault Aviation remains a high-tech, fundamentally export-driven Company that is open to the world and turned toward the future."

In the civil domain, how would you sum up the past year?

"In a particularly incident-packed year, one of the main things that stands out for me is the arrival of a brand-new aircraft: the Falcon 5X. Unveiled last October at the NBAA Convention in Las Vegas, it is the latest addition to our range. It has been extremely well received by our clients and by industry experts, and has taken our competitors by surprise. It meets user needs, with the largest cabin on the market and so unrivaled onboard comfort, as the first wave of confirmed orders has proved.

Commercially, we are still facing recovering demand levels, on account of an uncertain macroeconomic environment. We do however know that our products are highly appreciated. Our extended range – Falcon 2000S/2000LXS, Falcon 900LX, Falcon 5X and Falcon 7X – should ensure that we cater comprehensively to the market.

The 77 Falcons delivered in 2013 have guaranteed sustained industrial activity for our Company and its subcontractors.

Lastly, the past year was marked by the 50th anniversary of the Falcon line. This offered the opportunity to reflect on the fact that, in the aviation field, excellence is built on experience."

What is the situation in the Defense sector?

"In France, we have been able to comply with the broad lines of the LPM (French military procurement plans) for 2014-2019. The French Ministry of Defense has made several major commitments: maintaining a minimum production rate of eleven Rafales a year (implementation modes being tied in with export successes); the launch of the F3-R standard for the Rafale; the modernization of the Atlantique 2 maritime patrol aircraft; and the Rafale Care support contract. [French Defense Minister] Jean-Yves Le Drian also announced that, ultimately, the Armed Forces would be equipped with a homogeneous fleet of 225 Rafales, which establishes the principle – fundamental for our aircraft – of a future 'tranche 5'.

The Rafale has once again demonstrated its exceptional operational capability, in Mali. It is, however, vital that we finalize a Rafale export contract for India, or elsewhere.

Last but not least, the satisfaction of our military clients involves us reinforcing our support for aircraft already in service, with the Rafale Care offering, a new service standard for the Armed Forces, for which an extension to the Mirage 2000 will be proposed."

Can you tell us where the negotiations with India currently stand?

"They are progressing well, in a spirit of mutual trust. It is taking a long time because it is a complex issue. The negotiations relate to the sale of 18 aircraft and the manufacturing under license of 108 more. This involves coming to agreements with local companies, and in particular with our main partner, Hindustan Aeronautics Limited (HAL), on the work to be done in India. You have to bear in mind just what the production of a combat aircraft such as the Rafale entails: 30,000 parts, 25 kilometers of wiring, 300,000 fasteners, and so on. Over 500 French companies are involved in the program. In India, we need to look not necessarily for the same number of companies, but for the same diversity of skills and capacities. We are confident, though, since it is a crucial industrial and operational challenge for the Indians, who have been faithful clients in the military domain for 60 years. Everything is in place and the teams all mobilized to finalize this major contract in 2014."

How do you see the future of Dassault Aviation in the field of UAVs?

"As has been proven by the excellent performance of the nEUROn European combat-drone demonstrator, for which we are the prime contractor, we have developed strategic skills in this field that should underpin our country and Europe's sovereignty. On January 31, 2014, the French and British Ministries of Defense signed a letter of intent formalizing the launch of joint feasibility studies for combat drones (UCAS: Unmanned Combat Air Systems). This major advance in Franco-British military aeronautics cooperation offers a new dimension to the joint research already undertaken within this framework. Dassault Aviation and BAE Systems, leading stakeholders in the project, have already worked a great deal with their partners, Safran, Rolls-Royce, Thales and Selex, on the preparation of this UCAS initiative. Our Company therefore finds itself once again at the vanguard of the most cutting-edge aeronautical technologies. It has always supported the respective governments' efforts to launch an ambitious Franco-British program designed to lay the groundwork for future combat aviation in Europe.

As for the MALE (Medium Altitude, Long Endurance) observation UAVs, we have joined forces with Airbus Group and Finmeccanica to propose the launch of a joint program to the French, German and Italian governments. Good progress is being made in our discussions with the states concerned. Here again, what is at stake is European sovereignty in the field of military aviation."

What are your 2014 objectives for your civil activities?

"For business aviation, I have set four main priorities for 2014:

— continuing the development of the Falcon 5X with the assembly of the first aircraft;

— pursuing our worldwide Falcon customer-support efforts;

— preparing the future of the Falcon range;

— lastly, and above all, increasing our sales, even if the market – still convalescent – is difficult for all manufacturers. Recovery continues to be modest in the USA, which remains our principal market, accounting for over 50% of the Falcons in service. We have to hope it will take off in 2014."

What are your main assets for reaching these objectives?

"I would cite, among other things: the expertise of our engineers, technicians and skilled workers; the stability of our shareholders, which enables us to plan long term; the flexibility and reactivity of our Company, which allows us to adapt extremely rapidly to economic vicissitudes; our lead with regard to digital-industrial processes through our collaboration with Dassault Systèmes and our international experience (over the past 50 years 72% of our aircraft have been sold for export). I would also cite Dassault Aviation's resolutely dual character. Our Falcons' excellence benefits from the experience of a design department, which through the work done in the military domain for nigh on a century, has built up a degree of know-how that is certainly unique on the world stage. Our industrial organization is optimized around these two activities: civil and military. The Company embodies a kind of dynamism and management at once daring and prudent, as was proved by the way we rode out the financial crisis, with positive results and no layoffs.

After a year in charge of Dassault Aviation, I would like to pay homage to all my predecessors for bringing the Company to where it is now. With Loïk Segalen, the management committee and all our employees, engineers, technicians and skilled workers, we are preparing for the future proud of being 'Dassault'."

Éric Trappier
Chairman and CEO of Dassault Aviation

MANAGEMENT COMMITTEE

Jean Sass
Executive Vice-President, Information Systems

Loïk Segalen
Chief Operating Officer

Éric Trappier
Chairman and CEO

Benoît Berger
Executive Vice-President, Industrial Operations, Procurement and Purchasing

Didier Gondoin
Executive Vice-President, Engineering

Alain Bonny
Senior Vice-President, Military Customer Support Division

Benoît Dussaugey
Executive Vice-President, International

Olivier Villa
Senior Vice-President, Civil Aircraft

Gérald Maria
Executive Vice-President, Total Quality

Claude Defawe
Vice-President, National and Cooperative Military Sales

Human Resources & Communication

Jean-Jacques Cara
Vice-President, Human Resources

Stéphane Fort
Vice-President, External Relations & Corporate Communication

PICTURES OF THE YEAR

Rafale and Falcon 7X, 2000S and 900LX on patrol

The Falcon 20's 50th anniversary was the occasion to bring together in flight the jewels in the crown of our fleet.

Falcon 5X: a new flight experience

Offering the most spacious cabin on the market, this new twin-jet has higher performance, is more eco-efficient and more economical to run than its competitors.

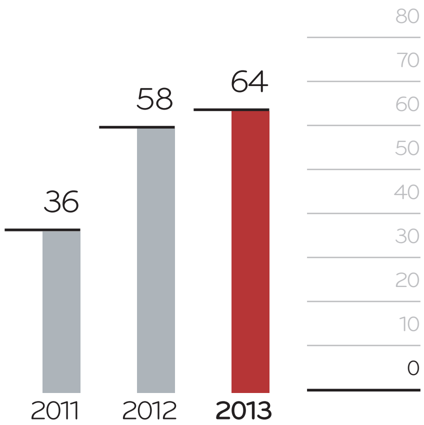
The Rafale: the first European fighter to be equipped with an active-antenna radar

The technical upgrades to the Rafale are part of the continuous-improvement approach and address issues arising from user feedback.

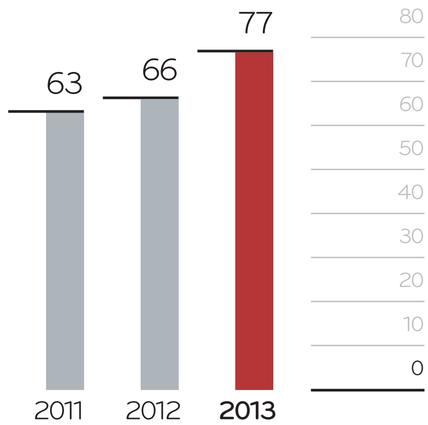
nEUROn unveiled to the general public at the Paris Air Show 2013

The success of this technological demonstrator paves the way for the launch of European UAV programs.

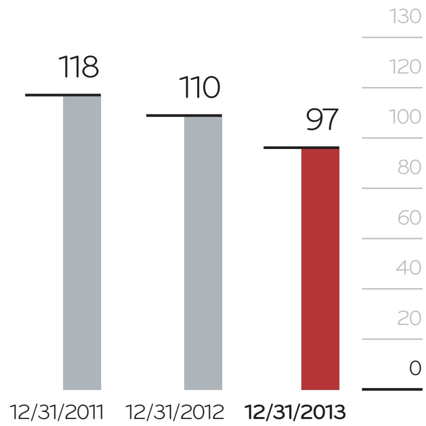
Falcon orders
(in units)



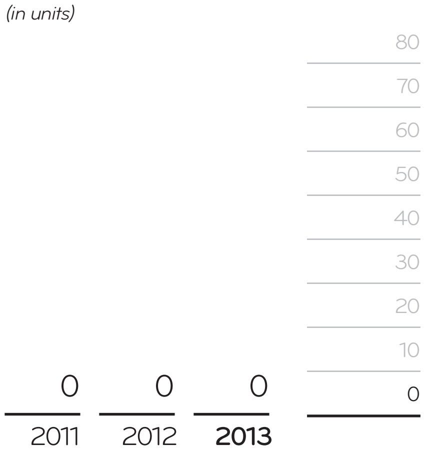
Falcon deliveries
(in units)



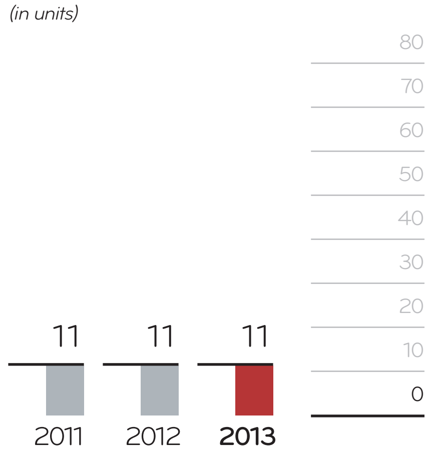
Falcon backlog
(in units)



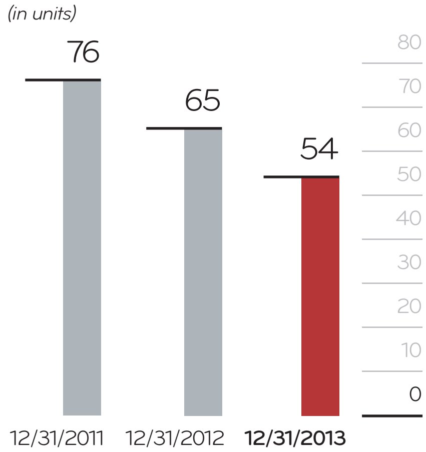
Rafale orders
(in units)



Rafale deliveries
(in units)



Rafale backlog
(in units)

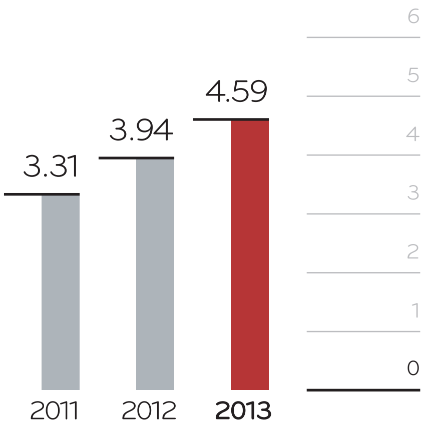


11
M&O seminars worldwide dedicated to Falcon maintenance and operation

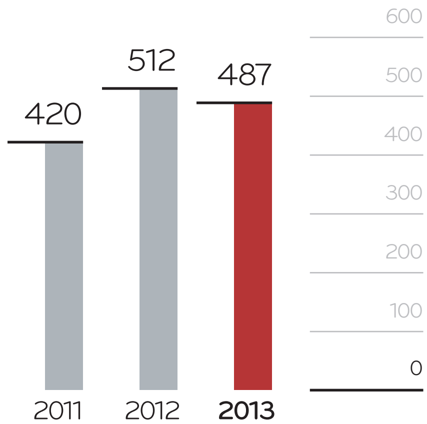
10
user conferences for sharing feedback concerning our military aircraft since 2003

KEY GROUP STATISTICS

Net sales
(in billion, €)

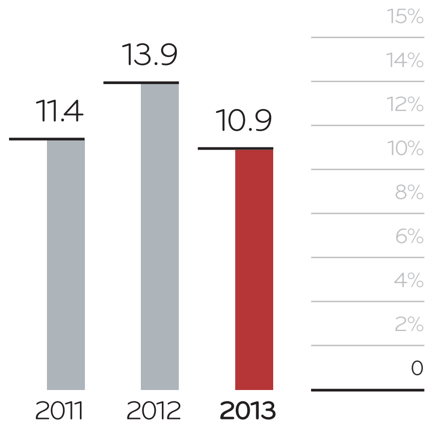


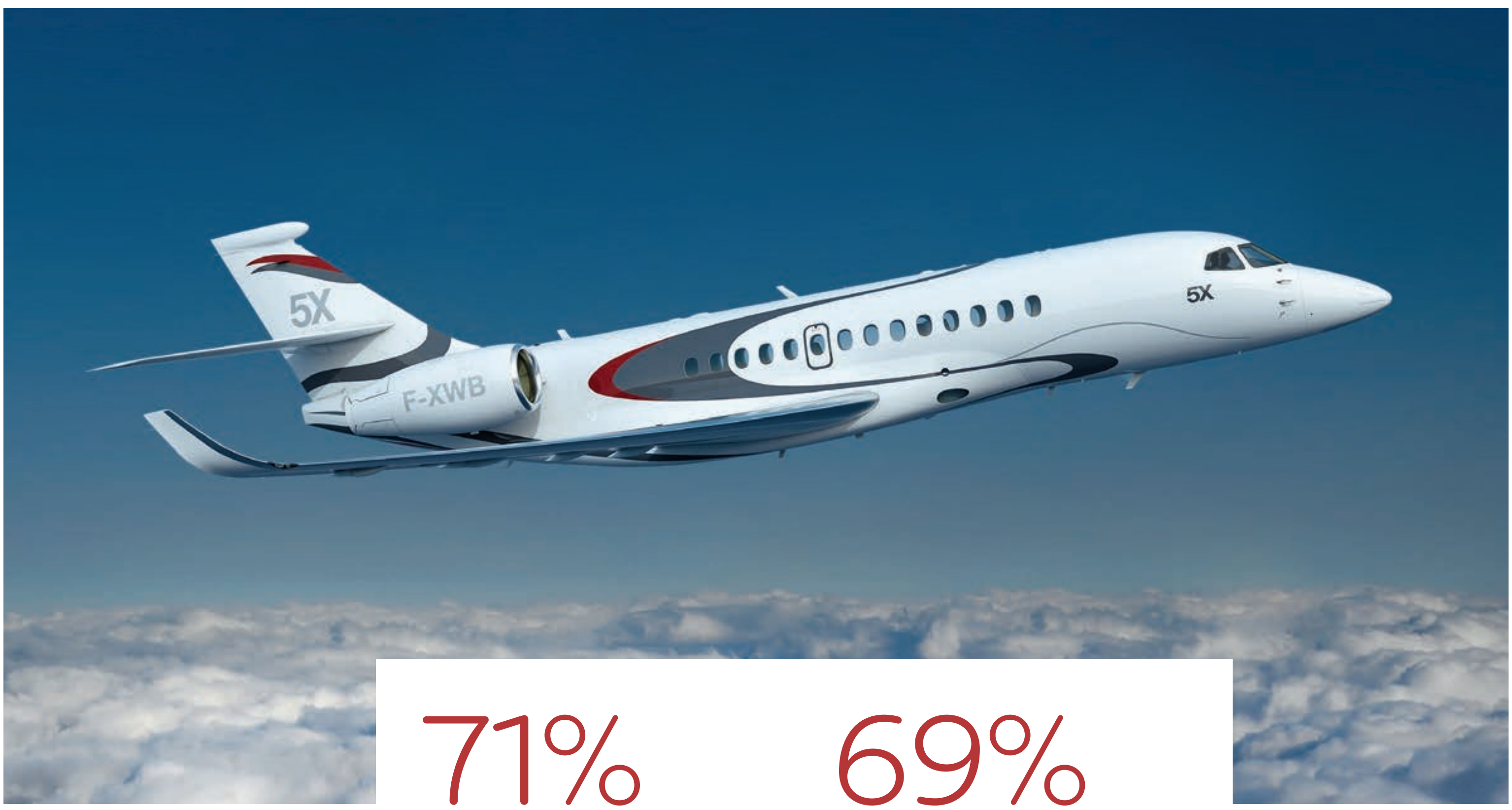
Adjusted net income (1)
(in million, €)



(1) Adjustments described in the Director's Report.

Operating margin
(in percentage)





71%
of revenue export-related

69%
of revenue generated by the Falcon range

HIGHLIGHTS

[1]

[2]

JANUARY

Rafale: Operation Serval in Mali [1]

Rafales were key components of the operation, featuring in particular in one air raid covering over 6,000 kilometers and almost ten hours of flight time.

FEBRUARY

Validation of nEUROn's stealth capacities

Successful testing at the DGA test center in Bruz, Brittany (France).

MARCH

Partnership with Swiss Space Systems (S3) [2]

SOAR suborbital small-satellite launcher-plane project.

Falcon 7X certification for EASy II

EASy II is the most sophisticated business-jet flight deck available.

APRIL

Certification for the Falcon 2000S and 2000LXS

First deliveries took place in April and November.

MAY

Falcon: 50 years of success

On May 4, 1963, the Mystère-Falcon 20 made its maiden flight in Bordeaux-Mérignac. Since then, over 2,200 Falcons have been delivered to more than 80 countries.

nEUROn teams: Icare International 2013 award

Prize awarded by the AJPAE, the French Association for professional aeronautics and aerospace journalists.

JUNE

Paris Air Show: call for the launch of a European MALE

Airbus Group and Finmeccanica joined forces with Dassault Aviation to promote the launch of a European MALE (medium altitude, long endurance) UCAV.

[3]

[4]

SEPTEMBER

Delivery of a Falcon 50M

Delivery to the DGA (French defense procurement agency) on the first of four new Falcon 50M maritime patrol aircraft.

OCTOBER

Atlantique 2 modernization contract [3]

The French Ministry of Defense awarded a retrofitting contract for fifteen Atlantique 2 patrol aircraft to Dassault Aviation and Thales.

Launch of the Falcon 5X at the NBAA [4]

With far lower fuel consumption than its competitors, this twin-jet features the most spacious cabin on the market, along with a brand-new wing design.

Delivery of the 500th Falcon 2000

Its six versions have totaled nearly two million flight hours since March 1993.

Inaugural flight of the first Indian Mirage 2000

The first Indian Mirage 2000 retrofitted by Dassault Aviation and Thales had its inaugural flight out of the Istres base. Equipped with a new navigation and attack system, it can carry the Mica missile and benefits from upgraded self-protection mechanisms.

DECEMBER

Notification of the Rafale F3-R contract

F3-R is an upgraded version of the Rafale F3 standard. It ties in with the continuous-improvement approach adopted for the aircraft, based on lessons learned.

Notification of the Rafale Care contract

Rafale Care is an inclusive operational support solution.

DYNAMIC

Mastering excellence

The aeronautics business we are developing in France, and the numerous industrial joint ventures we lead internationally, are, above all, intended to serve the needs and expectations of our customers.

Prioritizing customer satisfaction

Two “onboard systems design” engineers test new configurations for the Falcon 7X in the Falcon simulator at Saint-Cloud (France).

Dual technologies in the service of customer needs

Our Company has a dual character. The excellence of our civil aircraft is based on the experience of a design department that, through its work on defense technologies, has built up expertise that is unique in the world. Dassault Aviation is a single entity: which is our great strength. The new collaborative approach based on the digital mockup – initiated with the Falcon 7X and the Rafale – has since been extended to the nEUROn program. This enables rapid ROI, by responding efficiently to the cycle- and cost-reduction challenges. This synergy is also to be found in the different versions of the EASy flight deck, which benefit from the Rafale's control technologies. With EASy, business aviation has entered the era of graphic avionics.

Innovation laying the groundwork for the future

R&D is fundamental, that is why we devote a major share of our self-financing capacity to it. Being innovative enables us to propose products offering levels of performance superior to those of our competitors; to anticipate the expectations and needs of our clients; and remain at the vanguard of a constantly evolving sector. This policy is defined along three lines: upstream research, aeronautical technologies, and production processes.

Safer, more economical and more comfortable civil aircraft

Research on the future Falcon and its innovative technologies is organized around two configurations: a fast aircraft with a high level of services, and an ecological and economical ("ECO/ECO") aircraft with a reduced carbon footprint.

Since 2011, a test and demonstration phase has been underway, for example on a V-shaped tail for reduced drag.

In 2013, this approach culminated in an innovative cockpit initiative. We are also exploring new cabin-layout possibilities, of keen interest to our clients.

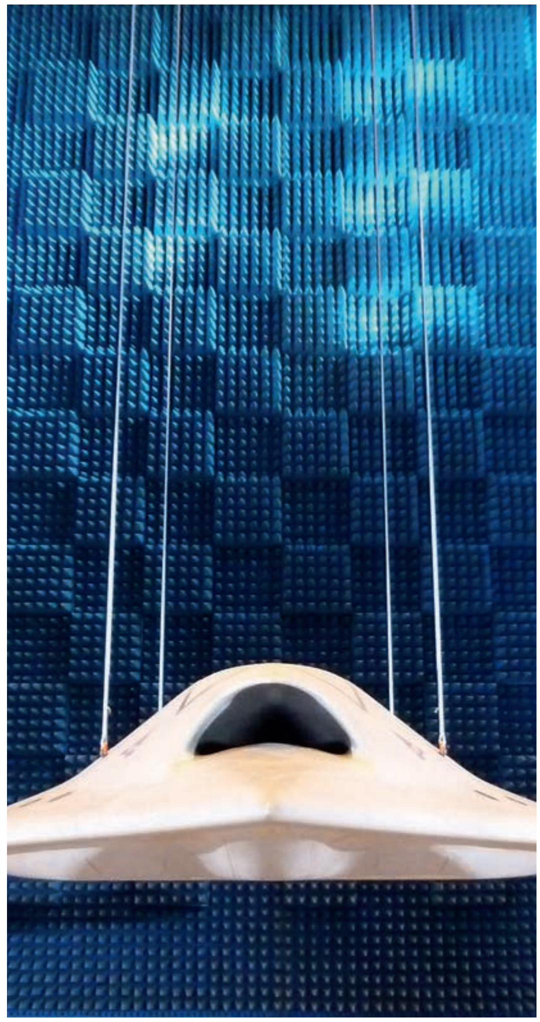
These projects are consistent with the initiatives undertaken with our partners (Clean Sky and CORAC, in particular), and constitute a genuine master plan.

Stealthier, more versatile and integrated fighter jets

The nEUROn UCAV program demonstrates that the future of military aviation can be constructed pragmatically in Europe. We have successfully taken on the management role for this project. The program's mission is to validate the acquisition of complex techniques that are representative of all mission systems, such as high-level piloting and stealth; real air-to-surface weapon firing from an internal bay; integration into a digitally networked environment; and innovative processes in industrial partnerships.

Rising to the technical challenges that herald the future of aerospace transport

In matters of space research, we are participating in the Swiss Space Systems (S3) project as part of an international joint venture bringing together renowned expert partners: the European Space Agency (ESA), Von Karman Institute, Sonaca, Meggitt, and Stanford University. S3 benefits from our expertise in the design of aerospace vehicles and the integration of complex systems. Based on the VEHRA airborne-launcher concept developed by Dassault Aviation, and fitted with equipment from modern aircraft such as the Rafale and the Falcon, the S3 project proposes a system that is robust, flexible and safe. It continues our space activity that dates back to the early 1960s.



Assessment of the stealth performance of the nEUROn

These tests were carried out in the SOLANGE test facility at the DGA (French defense procurement agency) center of technical expertise.

Our DNA: high technology

Our R&D policy is designed to anticipate the needs of our civil and military clients. Being among the first to master the most promising innovations in terms of economy and efficiency remains a key factor in our competitiveness.

nEUROn: 2013, a successful year

Unparalleled in Europe, this joint program managed by Dassault Aviation demonstrates the maturity of all the stealth technologies.

More than

2,000

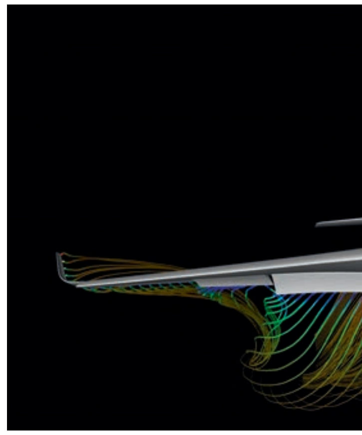
Group employees working in R&D

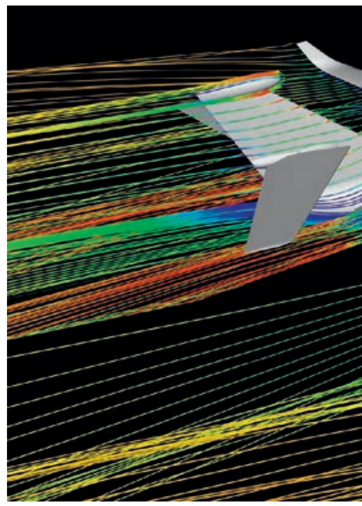
25

inventions patented in 2013

Multiple joint ventures

By linking up with leading experts, we strengthen our competences. By pooling our R&D efforts we are able to take on ambitious projects, while paying heed to economic constraints.

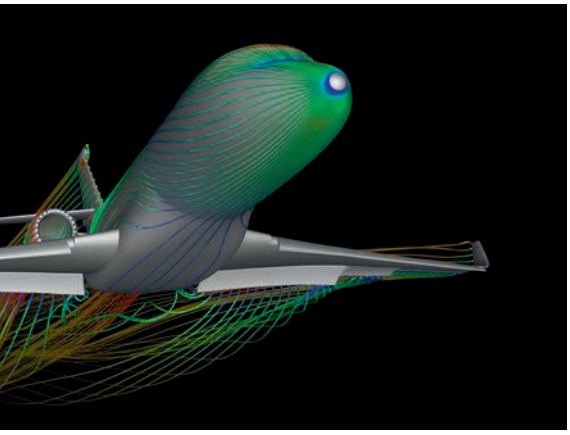


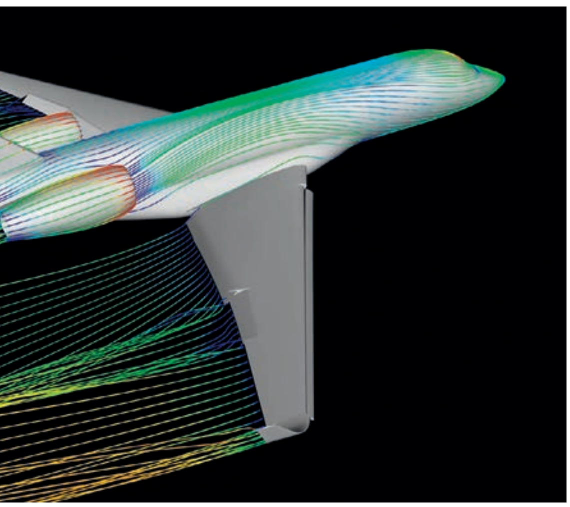


Falcon 7X
Around 30 international partners are involved in the program.

482
€ million self-financed R&D

67%
of R&D made up of joint ventures





Aerodynamic flow studies for the Falcon 5X
The latest technology in the service of eco-efficiency.

Scientific research: concrete projects

Dassault Aviation collaborates with a large number of research centers and is a key player in projects supported by the ANR (French National Research Agency). One example is the N-POEM project (nano-objects printed on polymers for electromagnetism), for which we draw upon an internationally renowned French nanotechnology hub. Working jointly, principally with Thales Optronique, the CNRS (French National Scientific Research Center) and the CEA (French Atomic Energy and Alternative Energies Commission) in Grenoble, we have designed materials built on the nanometric scale with innovative electromagnetic properties. In the military domain, the objective is to develop electromagnetic stealth from these new materials; in civil aviation, they have de-icing benefits. The initial work makes it possible to envisage genuine technological breakthroughs for our future aircraft.

Competitiveness clusters: a strong commitment

Since 2005 we have worked with the competitiveness clusters set up by the French authorities in order to encourage regional economic development through research and innovation. These clusters support R&D projects and bring together major industrial corporations, local authorities, SMEs, service companies, research centers, universities and laboratories that work in our sector of activities. The mission of these clusters is to develop local and regional business and employment, while offering greater international visibility to our fields of excellence. Engaged within this framework on a large number of research projects, we continue to commit a significant amount of material and human resources to them. Within the ASTech cluster, Dassault Aviation, Safran, Airbus Group, Thales and a network of 800 SMEs are working together on seven research platforms, including those addressing onboard power management, the "more-electric" aircraft and Ecodesign. The System@tic cluster is deployed in the field of digital design tools and manufacturing workshop simulation. Composite materials and production procedure are investigated at the Aerospace Valley cluster, while the Pégase cluster focuses on test facilities. Resolutely future-oriented, these clusters also propose innovative training courses suited to the latest developments in our business lines. Last but not least, ASTech and System@tic cultivate special links with similar clusters around the world, for example, in India. Since their launch, these clusters have generated 124 projects.

"Green" aviation: Dassault mobilized

Environmental protection is a global issue requiring a collective effort, and to which we actively contribute. Through various programs, priority is given to research involving the global reduction of aviation's impact on the environment. In France, CORAC (Strategic Committee for Civil Aerospace Research), in conjunction with GIFAS (French Aerospace Industries Association), DGAC (French Civil Aviation Authority), airline companies and airports, has defined technological demonstration platforms that coordinate stakeholders' research and innovation efforts. CORAC's work is complementary and coherent with the work done under the auspices of the European Clean Sky and SESAR research programs.

Digital enterprise pioneer

By joining forces with Dassault Systèmes to create PLM (Product Lifecycle Management), we have made our mark as pioneers of a new industrial revolution. The 3D modeling of every single component of an aircraft has made it possible to replace the physical mockup with a digital one. The possibility of teams all working simultaneously on a virtual platform using the same database has radically changed design methods, resulting in unparalleled quality and more efficient production.

PLM V6: a technological game-changer for industrialization

The industrialization of the Falcon 5X using PLM V6 is far more than the simple use of a new, more efficient PLM solution: it constitutes a breakthrough in working methods, and a new step on the path towards becoming a digital business. With a continuous information chain between designed products and the processes used on the shop floor, it is possible to control at all times the progress of industrialization and to manage any modifications with ease. Component lists, process sequences and instruction sheets are now all in 3D, which has become the universal language of the design departments. PLM V6 capitalizes on our expertise through the accumulation of our specialist know-how. The possibility of simulating a large number of manufacturing and assembly solutions guarantees that the most efficient procedure possible is deployed from the very first production run.

A culture of industrial excellence

Since 2010 we have deployed a new organizational principle to ensure more efficient production: ARP or “improving responsiveness in production”. This also involves a different way of managing teams. It is as much a matter of perfecting our efficiency as giving employees a new way of working. The first stage focuses on improving the working conditions: layout, safety and ergonomics, requisite resources, component kits, and traffic flows. This is followed by specific work organization, whereby tasks are optimized and distributed in a logical way between the various skilled workers. In addition to the time savings this affords, it also enables the optimization of each operator’s specific skills. All those involved, both on the shop floor and in support services, are trained in ARP standards. Serving as true methodological references, these standards – when applied rigorously – are guarantors of individual and collective performance. This is testified to by the network of correspondents at corporate level who all pool best practices. In terms of management, supervision is also evolving. The idea of a shared standards base is central to this, with solutions being investigated and developed on a pooled basis. Moving beyond hierarchy, they become everyone’s business, meaning every individual participates in the improvement of his or her own working environment.

Increasingly integrated industrial channels

Here it is a matter of improving our skilled workers’ working conditions, while manufacturing more cleanly and more efficiently, by means of automated integrated production channels. The processes used include friction welding; cold forming of wing panels in a single run rather than 30, thanks in particular to greater precision of the presses; and finishing that uses shot peening with the projection of steel pellets to replace human panel beating, which can cause repetitive stress injuries.

Falcon 7X in production at Mérignac (France)

“Improving Responsiveness in Production” (ARP) optimizes working conditions and efficiency.

Manufacturing: better, cheaper, more ecological

We devise proprietary production methods, and always with the same priorities: improved working conditions and greater safety for our employees, as well as enhanced quality and competitiveness for our Company.

100%

of industrialization of our new products developed using PLM/CATIA digital platforms

CORPORATE SOCIAL RESPONSIBILITY

Higher together

Ever since it was founded, our Group has striven for sustainability: of employment, of the French aeronautics industry. Our corporate social responsibility is the guarantor of our industry's sustainable development.

Our teams' excellence
Checking a flight controller at Argonay (France).

Diversity: benefiting all

This is one of the major issues of our human-resources policy. We confirm our commitment to the prevention of discrimination, and strive to promote equality of opportunity and of treatment.

Equality in the workplace

There is a sense of continuity in the principles developed with the agreement on equality in the workplace, signed in 2011, and the action plans deployed in our subsidiaries. Employees, regardless of their gender, have been able to benefit from mechanisms aimed at encouraging career development and access to positions of responsibility (jobs, training, work-life balance measures).

In 2013, we continued to pursue Management and Diversity training to encourage diversity within the enterprise, resulting in almost 500 managers being trained in non-discrimination.

Integration of the disabled

We implement a policy of recruitment, retention, training and career development for our disabled employees. Our actions include the "protected" sector (i.e., reserved for the employment of disabled people). In 2013, we renewed our partnership with the Hanvol Association, which promotes the integration of disabled people into the aeronautics industry through internships. In order to raise staff awareness of the subject of disability, the Company took the initiative to organize a campaign entitled, "I've got a disability, so what?" ("*J'ai un handicap, et alors?*"). This initiative also served to promote Dassault Aviation's actions and commitments on this issue, and to run the rule over the existing mechanisms available to the employees concerned.

Transmitting know-how between generations

The past year was marked by the implementation of action plans relating to the "Generation Contract" in our Sogitec and Dassault Falcon Service subsidiaries, and by the signing of an intergenerational agreement at Dassault Aviation. This approach ties in with our desire to encourage lasting integration of young people into the world of work by offering them access to permanent work contracts; keeping older employees in work; and transmitting know-how and skills. Several mechanisms are already deployed to this end in our Company: the Skills Conservatory, the Dassault Institute, and various integration, mobility and internship initiatives.

An attractive pay policy

Our pay policy rewards, motivates and strengthens the loyalty of our employees, while adapting to the economic situation in order to maintain the Group's competitiveness in a competitive marketplace. The individual pay policy of our Company and its French subsidiaries, Sogitec and Dassault Falcon Service, is complemented by mechanisms that enable employees to benefit from the results of the Company.

We also encourage employee savings through a CCB (Locked-in Current Account) and a PEE (Enterprise Savings Plan), with a wide range of investment possibilities. Furthermore, since 2008 the personnel of Dassault Aviation has benefited from a collective retirement-savings plan (PERCO), with the Company matching employees' contributions, for supplementary retirement-pension provisions.

Two skilled workers on the Falcon assembly line in Poitiers (France)

Diversity within our teams is a key factor of our success.

Affirming our social model

Our human-resources policy is founded on a respectful dialogue with our social partners as seen in numerous agreements, endorsements and action plans. It takes into account our values: professional self-fulfillment, team spirit and mutual respect.

717
new recruits within the Group

961
managers trained in non-discrimination since 2012

Building the future

The technical nature of our business lines requires training channels that prepare graduate profiles suited to our needs, as well as career-long training in order to develop skills and encourage innovation.

Jobs forum at the Paris Air Show

Dassault Aviation human-resources teams present our activities and the careers open to both men and women interested by our business.

787
interns taken on by the Group

197
Dassault Aviation employees working alongside teachers and researchers

Teaching cooperation forum

These operations enable us to present our company to students.

Preparing the skills of tomorrow

Cooperation with educational establishments

We continue to be particularly active in discussions underway with general, vocational and higher-educational establishments about adapting academic courses to identified needs over time. This responsibility translates into the involvement of our staff within institutional organizations and the governing bodies of eleven engineering schools, university masters' courses and university technology institutes. In 2013, some 200 Dassault Aviation employees also worked alongside teachers and researchers involved in vocational and higher education. Our employees transmit their know-how and their technical culture to pupils and students, in particular through their supervision of practical exercises, the management of multidisciplinary projects, and their participation on examination juries.

We have also offered approximately 800 young trainees and interns the chance to gain firsthand experience in our Group, in order to help them map out their professional future and to support their integration into the world of industry, whether with us or with another company.

Helping to promote careers in aeronautics

We also make a point of participating in all the major events organized by GIFAS (French Aerospace Industries Association) and UIMM (French Union of Metallurgical Industries and Trades). In 2013, this contribution was seen in our presence on certain legs of the "Industry Train" ("*Train de l'industrie*").

Lastly, our Company, in association with its subsidiary, Dassault Falcon Service, was involved in the inaugural "Careers Plane" ("*Avion des métiers*"), which took place at the Paris Air Show and presented a variety of aeronautics trades.

Anticipating developments

Hiring the best talent

In order to address future developments and reinforce our competitiveness, we are permanently searching for new talent. We hire employees with an extremely wide variety of education and profiles. With the aim of guaranteeing ever more transparency and fairness in the treatment of job applications, in 2013 we acquired a new recruitment-management system. This platform improves traceability and makes it possible to be more reactive to job applicants.

Training our employees in order to maintain our technological lead

To maintain and develop our employees' skills, the Group's companies have put in place support measures, in particular vocational training, mobility and work placements. In 2013, we focused training efforts on our main business lines of design, production, quality, and the operational support of our products. We also pursued our digital-business initiatives in order to strengthen our competitiveness and our lead over the competition.

Supporting change

In 2013 we established industrial agreements to support the development of our organization. These make it easier for local management to address new challenges, such as the ARP (improving responsiveness in production) approach; the deployment of manufacturing under license, linked to the future signing of export contracts; and the integration of new programs.

Customer-minded

Customer satisfaction is both our philosophy and guiding principle. Knowing how to listen to customers, understand their needs, be at their service, and keep our word constitute the number-one priority for every employee at Dassault Aviation.

We offer our customers excellent technical performance, confidentiality and customized follow-up, while optimizing cost-control and lead times.

Human qualities

People are the heart of the Group.

We promote team spirit, the sharing of knowledge and know-how, creative initiative, and a sense of morality.

We favor dialogue at all levels, mutual respect, the quest for professional self-fulfilment, and the sense of belonging to a group that remains human in scope.

Technological excellence and innovation

Technological excellence and innovation are the basis of our spirit, our passion and our history.

We ensure the quality, reliability and safety of our aircraft through a strategy of constant innovation, our project-management capability, and our mastery of complex systems. We care about managing and reducing the impact of our activities and products on the environment.

Economic performance

We regard value creation as an essential goal; it guarantees our profitability, financial stability and long-term future.

In a context of intense international competition, we are driven by the need to be more flexible, adaptable and responsive in dealings with our customers, suppliers and partners.

Openness to the world

In a spirit of partnership, we are engaged in long-term scientific, technological, technical, and industrial joint ventures, both in France and abroad.

We play an active role within national and international aeronautical and defense organizations.

Our internal and external communication is both open and transparent.

Strict ethical business standards

We respect our contractual commitments (costs, deadlines and performance).

We act in compliance with all anti-corruption and export-control legislation. Ethics and integrity are values that we espouse daily in our procedures and in our behavior.

Dassault Aviation is a signatory to European and international commitments to loyal practices in international trade (CIS, Global Principles).

Educational workshop at Argenteuil (France)

The transmission of know-how between apprentices and experienced skilled workers is fundamental for retaining and developing our skills and expertise.

Ethics: shared values

In a context of economic globalization and strong international competition, we build on a powerful identity and a strict enterprise culture. Our ethical charter expresses the essential values that guide everything we do.

Technological excellence and innovation at the heart of our business

They guarantee the quality, reliability and safety of our airplanes.

In 2003, Dassault Aviation signed up to the Global Compact established by the UN, and supports its ten principles relating to human rights, labor standards, environmental protection and anti-corruption measures.

Acting for the environment

We are proactive in reducing our products' environmental impact. We take part in European research programs for eco-friendlier aviation.

Falcon 7X and 2000S

Whatever their size and performance characteristics, Falcons stand out for their reduced carbon footprint.

70%
of generated waste recycled or reused

20-40%
reduction in fuel use and CO_2 emissions with the Falcon as compared to same-category competitors

Wind-tunnel testing of the Falcon 5X

With "flaperons" on its wings, the Falcon 5X offers unrivaled performance.

Lasting technological solutions

Our environmental policy runs along three lines: continuous improvement of the ecological performance of our industrial sites and products; compliance with regulations; and prevention of the risks of environmental pollution and accidents. Major progress has been made: recycling or reuse of 70% of generated waste; practical elimination of SO_2 emissions, except for those linked to the aviation activity; more than 60% reduction in emissions of volatile organic compounds (VOC).

Clean Sky: towards eco-friendly aviation

Since 2008, we have been involved in the Clean Sky research project and, more specifically, in two of the six technological platforms: Smart Fixed-Wing Aircraft (SFWA) and Ecodesign.

Smart Fixed-Wing Aircraft: optimizing fixed-wing aircraft

The past year marked the transition to preparations for the technological demonstrations developed since 2008. The results are expected prior to the 2016 launch of Clean Sky 2. These projects include the design of laminar wings, along with validation of mock-ups for the design of an afterbody that masks noise sources; the first demonstration on a Falcon 7X of a method for vibration control that uses the flight-control surfaces; and wind-tunnel testing of innovative aircraft configurations.

Ecodesign: sustainable development in action

Ecodesign for Systems and Ecodesign for Airframes are the two main lines of research in which we participate. A complete modeling platform has been assembled and deployed. Around a dozen onboard power-management-system architectures are currently undergoing testing.

For airframes, the technologies are halfway mature. They are aimed at reducing the use of chemical milling and increasing the use of organic materials. We are preparing demonstrators, the results of which are expected in 2015.

Flight path and fuel improvements

SESAR

In the framework of the SESAR air-traffic modernization program, we represent the European Business Aviation Association (EBAA).
We support technological proposals that minimize the environmental impact of aircraft: optimization of cruising speed in order to reduce fuel consumption; continuous-descent approach and specific approach procedures that reduce noise nuisance.

Alfa-BIRD

Our commitment to the Alfa-BIRD project is part of our research into alternative fuels. A dozen or so research organizations, fuel producers (Shell, SASOL), aircraft manufacturers and aircraft-engine manufacturers (Snecma, Rolls-Royce) are looking into a wide variety of topics, including the chemical analysis of the "best" fuel; improving the formulation of biofuels; new injection systems; and injection and fuel modeling. Our priority field of research is the compatibility of these new jet fuels with the fuel systems of aircraft.

CIVIL AIRCRAFT AND MILITARY PROGRAMS

Satisfy our customers

A union of the purest aerodynamics and technical choices that guarantee the most balanced performance: this is the style of Dassault aircraft. The most elegant solutions are often the most efficient.

Patrol flight: Rafale, Falcon 7X, 2000S and 900LX

Our aircraft's high quality is based upon the experience of a design department that has built up unique expertise from its work on both military programs and civil aircraft.

Falcon: performance, comfort and design

With the launch of the 5X, the Falcon range has been extended with a new model that anticipates the needs of our clients: even more agile and versatile, even more comfortable, even better performance.

5X
Our biggest investment in a Falcon program to date

1.98
meter ceiling height in the passenger cabin

The extra-large cabin of the Falcon 5X

It is designed to optimize comfort and the feeling of spaciousness.

Falcon 5X: a new flight experience

Our latest business jet is a unique aircraft boasting multiple innovative technologies. Using our design and production tools and systems, we have developed an aircraft with the largest cabin on the market, and one that is also the best-performing, most eco-efficient and most economical to run (competitor planes in the same category consume 30% more fuel).

A cabin of meticulously designed comfort

Capable of accommodating sixteen passengers, the Falcon 5X's cabin has been designed to optimize the feeling of spaciousness and comfort. Benefiting from a ceiling height of 1.98 meters and offering a host of features and an avant-garde design, this cabin makes flying an even more pleasant experience and reduces traveler fatigue.

More intuitive, more precise, safer piloting

All the cutting-edge technology has been integrated to guarantee the 5X a maximum of precision, agility and safety. The new digital flight-control system includes, for the first time, all the flight-control surfaces, including an extra one, named the *flaperon*, for making slow approaches at steep angles of descent even safer. The front landing-gear steering controls guarantee greater safety when taxiing in the event of strong crosswinds or wet runways. Honeywell is providing a new generation of EASy flight deck, along with the most powerful radar in its class for detecting turbulence at long distances. The most modern head-up display (HUD) technology in the industry, provided by Elbit Systems, is part of the flight deck. For the first time, EVS (Enhanced Vision System) infrared vision and SVS (Synthetic Vision System) synthetic vision modes reproduce the outside environment as faithfully as possible, even in zero visibility.

More economical and better-performing engines

The aircraft will be equipped with the latest-generation Silvercrest jet engines developed by Safran Snecma. We have worked in close collaboration with our historic partner on fighter jets in order to optimize engine efficiency and aircraft performance. This means that the Falcon 5X will be able to cover 5,200 nautical miles (9,600 kilometers) with eight passengers on board, allowing direct flights from Los Angeles to London, São Paulo to Chicago, Paris to Beijing, or Johannesburg to Geneva. The Silvercrest consumes less fuel than other engines in equivalent categories, while remaining remarkably quiet. Finally, its emissions are considerably less than those imposed by current standards.

Simplified and programmable maintenance for optimized aircraft availability

The aircraft, and in particular its engines, benefits from integrated maintenance systems that are among the most sophisticated in the industry. These automated surveillance systems signal, in real-time, maintenance and repair requirements to specialized teams. Any eventual repairs can be anticipated even before the aircraft lands. As for the engines, the ForeVision system from Snecma is capable of planning their maintenance needs several flights or several hundred hours in advance, resulting in greater aircraft availability and greater cost control.

Production and maiden flight

The production of the first Falcon 5X is already underway. It is due to make its maiden flight in 2015 and obtain its certification before the end of 2016.

Optimizing flight time for passengers

Our clients' activities mean that they need to be able to work onboard as if they were in their own office, particularly in terms of connectivity. Our satellite transmission solutions are fitted as standard on our various models (Satcom), with optional features to satisfy specific needs, such as high-speed Internet, receiving and sending e-mails and text messages, and in-flight phone calls. These systems sit alongside crew connections, offering an alternative for communication with air-traffic controllers and enabling data exchange (maps, weather bulletins, etc.).

FalconCabinHD+

The FalconCabinHD+ (FCHD+) multimedia system, installed as standard on the entire range, also helps to make time spent onboard efficient and pleasurable. Thanks to FCHD+, our clients can organize in-flight meetings, share working documents on-screen, as well as listen to music or watch a VOD film on the cabin screen or individual monitors. They can also control, from their iPad or iPhone, every aspect of the cabin environment (temperature, lighting, electric blinds). Among the latest additions, HD cameras installed on the stabilizer and under the aircraft enable passengers to follow takeoff and landing. They can also track individually the flight progress using interactive 2D or 3D maps overlaid with data about overfly zones.

Quality of the cabin environment

The cabin environment is fundamental to the comfort of passengers, particularly for flights that may last ten to twelve hours. Electrically powered seats, an air-humidification system, sound insulation: our teams are constantly studying all the solutions likely to improve the quality of cabin comfort.

Unique flexibility in operation

The Falcon has one great asset: being able to land on more runways than its competitors can. All our models are certified for steep approaches, providing them with access to airports in highly built-up areas, such as London City Airport. Their shorter landing distance also allows them to operate out of airports such as La Môle-Saint-Tropez. They can also combine, in the course of the same mission, shorter legs and long-haul stretches without having to refuel.

Clean, high-performance aircraft

Thanks to the Falcons' form, aerodynamics, and materials, as well as the work carried out in collaboration with engine manufacturers, its fuel consumption and CO_2 emissions are 20-40% less than that of its competitors.

Listening to our clients in order to improve our aircrafts' efficiency

Listening to our clients is a central component of our continuous-improvement approach. The Operator Advisory Board unites a panel of representative clients and formulates the expectations and recommendations of operators the world over regarding our products and services. M&O seminars – dedicated to Falcon maintenance and operations – also provide the opportunity for exchanges and meetings between Dassault experts, industrial partners and clients. In 2013, eleven regional seminars were held worldwide.

Falcon 7X, 2000S and 900LX
"A beautiful aircraft is an aircraft that flies well."
Marcel Dassault

Business jets for all types of client

The design of Falcon jets, their agility, their versatility, their intuitive piloting and their revolutionary EASy flight deck are the legacy of our expertise in military aviation: technical solutions marrying safety, efficiency, robustness and ease of maintenance.

2,000
Falcons in service in some 89 countries

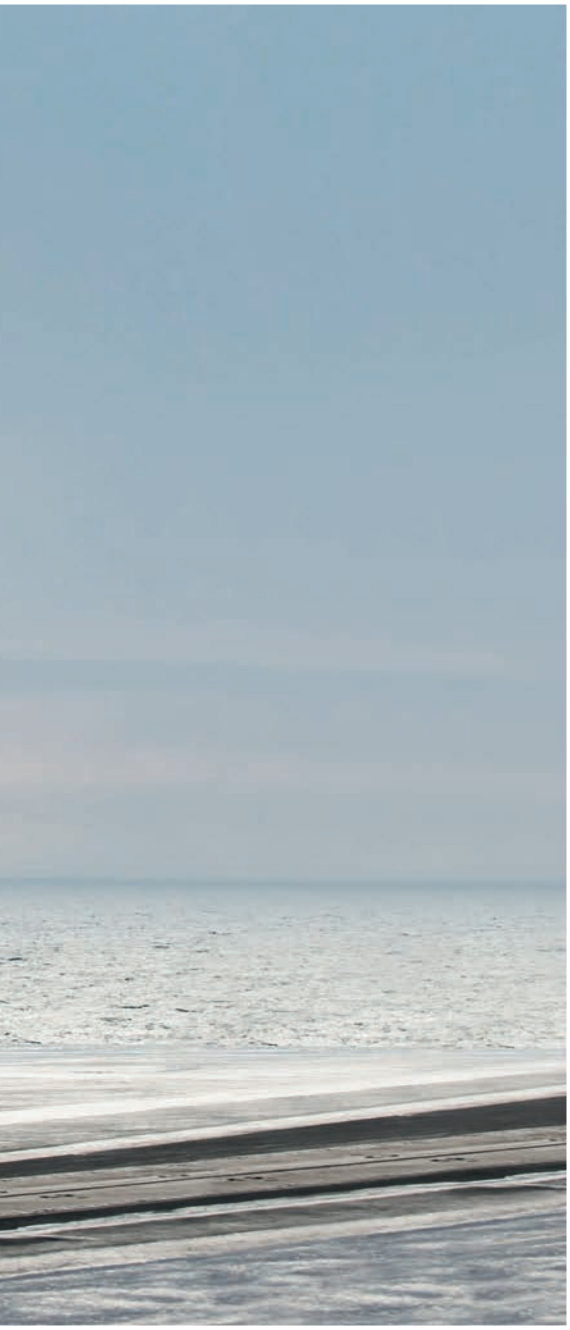
211
Falcon 7Xs delivered since 2007

Fighter planes: a cutting-edge industry

The fighter-jet program is one of the most complex in the industrial world. It demonstrates our mastery of 17 of the 22 most strategic technologies in terms of national sovereignty. It is also a significant jobs generator.

120,000
flight hours for the Rafale, including 16,000 in operations

500
French partner companies in the Rafale program



Rafale in combat
The Rafale has proved its worth in Afghanistan, Libya, Mali, and the Central African Republic.

Rafale: a factor in streamlining the Armed Forces

The Rafale's "omnirole" capability meets the needs of countries that wish, at a manageable cost, to deploy a versatile tool capable of fulfilling all kinds of missions more efficiently, while mobilizing the fewest resources. In France, 225 Rafale will replace 700 previous-generation aircraft. The open architecture of the aircraft, designed from the start to cover missions previously assigned to as many as seven different types of aircraft, enables upgrades of configurations and standards to maintain its operational lead. A true "force multiplier", the Rafale is a factor in the streamlining of Armed Forces.

The F3-R standard

This upgrade to the F3 standard ties in, as part of the Rafale's continuous-improvement approach, with progress in technology and feedback from users.

In mid-2013, it became the first European fighter aircraft to be equipped as standard with the AESA (active electronically scanned array) version of the Thales RBE2 radar, it will soon also feature a variety of new equipment and weapons:

— MBDA's European Meteor long-range air-to-air missile, which demonstrates maximum efficiency in combination with the RBE2 AESA;

— Thales' PDL-NG (New Generation Laser Designation Pod), principally used for carrying out air-to-surface strikes, day and night. This pod further improves the Rafale's extreme accuracy, as proved since its earliest missions;

— the laser homing version of the Sagem AASM (Modular Air-to-Surface) with GPS guidance and solid rocket booster, which has enabled the Rafale, during operations in Libya in particular, to reach targets several tens of kilometers away to within an accuracy of one meter. The laser homing version is particularly suited to mobile targets.

The F3-R standard also comprises upgrades to the Rafale sensors and systems, ensuring total interoperability. The launch of this standard guarantees that the French Armed Forces will continue to have at their disposal a high-performance aircraft suited to their needs. It also bolsters the Rafale's advantages in export-market competitions and helps to ensure that the skills of the design department of Dassault Aviation and its 500 French industrial partners remain among the best in the world. Lastly, it underpins our continuous-improvement approach and opens the way to future developments, for France and for our export clients. Validation of the F3-R standard is expected in 2018.

Opening up new configurations

In late 2013, the opening of hard point number 3, entirely self-financed, demonstrates our capacity and desire to invest in new configurations suited to our export clients. The "four Mica, two Meteor, six AASM, three 2,000-liter tanks" configuration, has unparalleled firepower and combines high autonomy and weapons-system versatility.

Maintenance: innovative solutions

We develop innovative solutions that guarantee maximum fleet availability for our clients at a managed cost.

The new Rafale Care contract sees Dassault Aviation managing some Armed Forces stocks and handling the operational supply chain from end-to-end, with a commitment to results.

Through the use of 3D data from the digital mockups of our aircraft, we can offer our clients help concepts for troubleshooting and maintenance. For example, augmented reality enabling "X-ray" visualization of the systems and equipment localization, is a tool that offers new prospects for training and support for our aircraft.

Our know-how in terms of modernization

Renovation and retrofitting projects for our aircraft are fundamental for the consolidation of our aeronautical know-how.

French ATL2

The modernization of the mission systems of fifteen ATL2s reinforces our expertise in matters of systems design and integration. This important technological building block in maintaining skill levels will improve the capabilities of the ATL2 for dealing with modern threats in all weathers, particularly in ensuring submarine protection. The refitted aircraft could fly up to 2030 and beyond.

Indian Mirage 2000

The Indian Mirage 2000 contract consists in bringing the planes up to the I/TI standard, with the installation of a new navigation and attack system, payload capacity for the Mica missile and upgraded self-protection. After 20 months of work by our teams, the first flight took place successfully on October 5, 2013.

Transformation of the Falcon 50B into the Falcon M

On September 11, 2013, we delivered a Falcon 50M maritime patrol jet to the DGA (French defense procurement agency). This aircraft is the first of a series of four governmental Falcon 50Bs to be transformed into maritime patrol aircraft. To fulfill its main missions (search and rescue at sea, controlling fishing zones and combating illicit trafficking), it is now equipped with observation ports and a mission system supplied by Thales. The delivery of the remaining Falcon 50Ms will take place progressively through early 2015.

The nEUROn program: a European success

The past year confirmed the success of the nEUROn and of our ability to manage successfully a European cooperation program. Without a European equivalent, the nEUROn is the first European UCAV to demonstrate maturity of all its stealth technologies. Tests have now validated the electromagnetic-signature measurements, a key stage of the program. With 17 flights in 2013, opening up the flight envelope continues to progress. The first armed test flight is scheduled for 2014.

UCAV and MALE: the future of the military aeronautics industry

The nEUROn is a technological demonstrator. Although it constitutes an important stage in preparing for the future, the key issue continues to be the launch of European UAV programs. With the UCAV project proposed by Dassault Aviation and BAE Systems, within the framework of the Lancaster House agreements, and in the light of the proposal made to the French, Italian and German governments for a MALE 2020 in cooperation with Airbus Group and Finmeccanica, we are working on the emergence of an autonomous European UAV industry. All these programs address the needs of the Armed Forces, and contribute to a skills-maintenance approach that is vital for the fighter-aircraft business.

OPERA: mission-preparation system with an innovative multitouch interface

Pilots prepare their mission on an interactive screen. This system can also be used on tablets, touchscreen tables, desktop PCs and laptops.

nEUROn in flight

Flight tests have validated the maturity of all the stealth technologies.

17

test flights in 2013

1,000

Dassault Aviation military jets in service in 21 countries

Civil aircraft

Falcon 7X

First business jet to be equipped with digital flight controls

Autonomy*
5,950 nm (11,020 km)

Zurich → San Francisco
Paris → Hong Kong
Beijing → Zurich

Falcon 5X

First flight scheduled in 2015

New wings, new Silvercrest engine, largest cabin on the market

Autonomy*
5,200 nm (9,630 km)

Geneva → Johannesburg
Moscow → New York
Beijing → Seattle

Falcon 900LX

500 aircraft manufactured

Equipped as standard, as is the entire Falcon range, with the EASy II flight deck

Autonomy*
4,750 nm (8,800 km)

Shanghai → Moscow
Mumbai → London City Airport
Chicago → Zurich

Falcon 2000LXS

More than 500 aircraft in service

Ideal compromise between long-range use and capacity on short runways

Autonomy*
4,000 nm (7,400 km)

Zurich → Mumbai
Dubai → London City Airport
New York → Rome

Falcon 2000S

Best performance in its category

Autonomy*
3,350 nm (6,200 km)

New York → Zurich
Beijing → Singapore
Paris → Dubai

* Autonomy is the distance that can be covered at Mach 0.80 with 8 passengers on board, 3 crew members, NBAA IFR reserves, ISA conditions, full fuel tank.

Military aircraft

Rafale Air
Rafale C (single-seater)

Wingspan: 10.9 m
Length: 15.3 m
Height: 5.3 m
Unladen weight: ≃10 t
Max. weight on takeoff: 24.5 t
Capacity of external hard points: 9.5 t

Rafale Air
Rafale B (two-seater)

Wingspan: 10.9 m
Length: 15.3 m
Height: 5.3 m
Unladen weight: ≃10 t
Max. weight on takeoff: 24.5 t
Capacity of external hard points: 9.5 t

Rafale Marine

Wingspan: 10.9 m
Length: 15.3 m
Height: 5.3 m
Unladen weight: ≃10.5 t
Max. weight on takeoff: 24.5 t
Capacity of external hard points: 9.5 t

Mirage 2000-5 (single-seater)

Wingspan: 9.1 m
Length: 14.3 m
Height: 5.2 m
Unladen weight: 8 t
Max. weight on takeoff: 17.5 t
Capacity of external hard points: 6.2 t

Mirage 2000-D (two-seater)

Wingspan: 9.1 m
Length: 14.3 m
Height: 5.2 m
Unladen weight: 8 t
Max. weight on takeoff: 16.5 t
Capacity of external hard points: 5.2 t

Mirage 2000-9

Wingspan: 9.1 m
Length: 14.3 m
Height: 5.2 m
Unladen weight: 8 t
Max. weight on takeoff: 17.5 t
Capacity of external hard points: 6.2 t

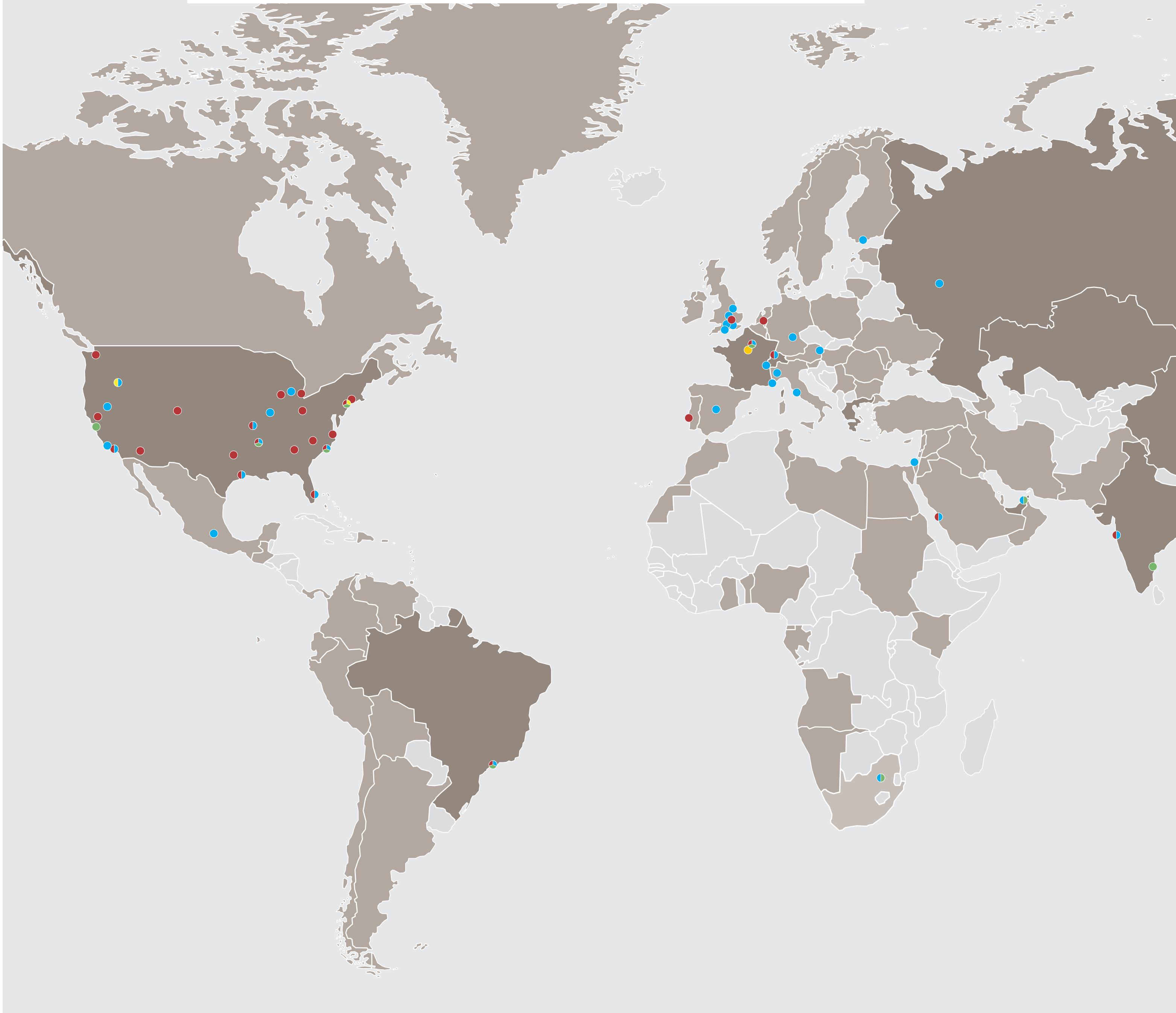
nEUROn

Wingspan: 10 m
Length: 12.5 m
Height: 2.5 m
Unladen weight: 5 t

MALE

Max. weight on takeoff: 7 t

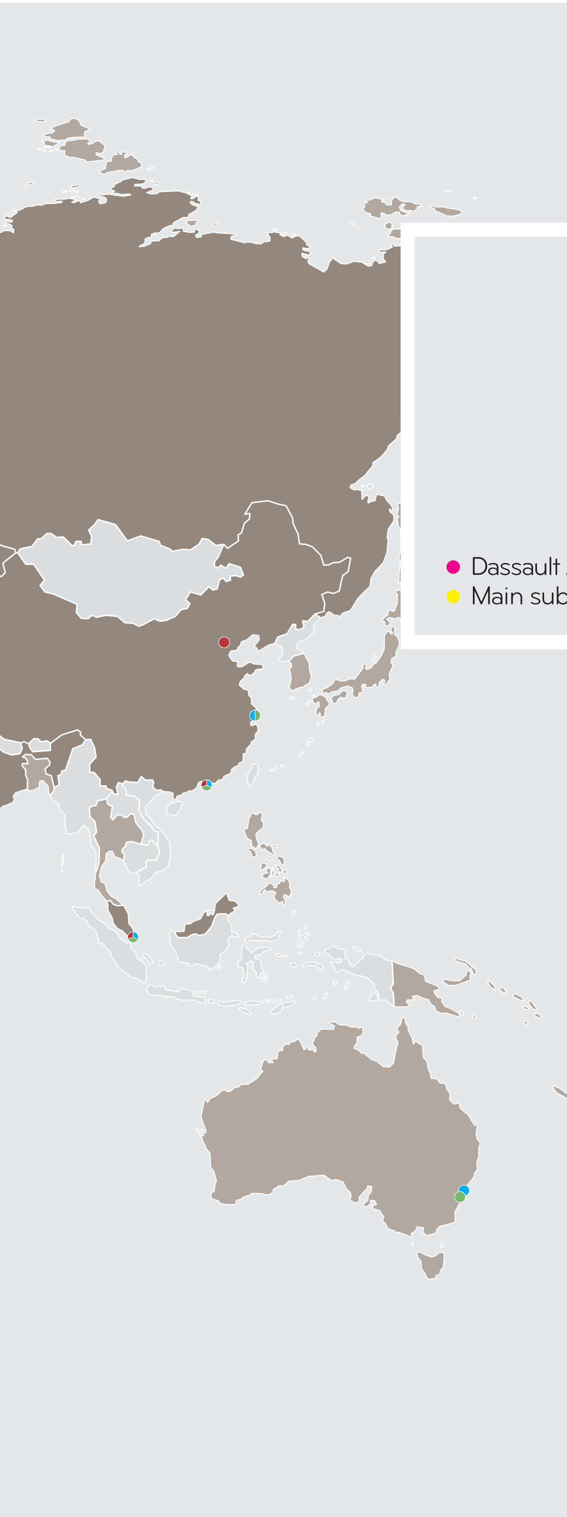
WORLDWIDE PRESENCE



Countries with Dassault Aviation aircraft, sites or offices
Countries with Dassault Aviation aircraft(1)

- Falcon customer support
- Falcon technical center
- Dassault Falcon service stations(2)
- Distribution centers for Falcon spare parts

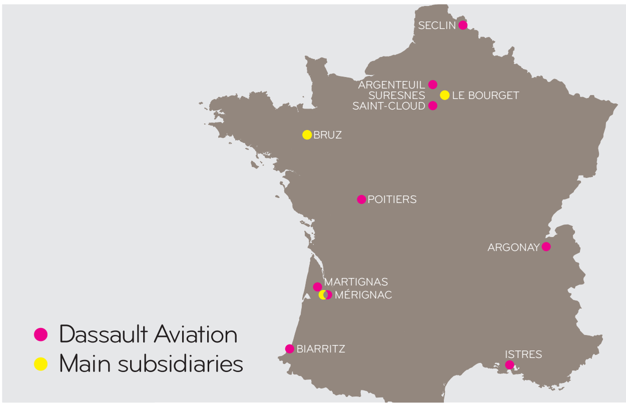
(1) For Falcon, countries in which the aircrafts are based (source: Siebel).
(2) Or approved by Dassault Falcon.



All our contact details can be found at www.dassault-aviation.com, in the Group section.

DASSAULT AVIATION SITES AND MAIN SUBSIDIARIES

Dassault Aviation sites in France



ARGENTEUIL
Aircraft sub-unit assembly and military aircraft fuselage fitting, primary parts, small and medium-sized machined sheet metal, piping, pyrotechnics, development center for industrial processes

ARGONAY
Mechanical, hydraulic, electric and electronic equipment for flight controls

BIARRITZ
Falcon fuselage splicing and sub-unit assembly, composite parts, airframe component and equipment repairs/revisions

ISTRES
Systems integration and validation, flight tests

MARTIGNAS
Wing assembly, industrial robotics

MÉRIGNAC
Final aircraft assembly, production aircraft tests/acceptance, Falcon interior fittings, multirole aircraft, servicing, retrofitting

POITIERS
Canopies, pyrotechnics, aircraft parts and subassemblies

SAINT-CLOUD
General headquarters, research, systems development, quality control, aerospace division

SECLIN
Large machined parts

Main subsidiaries in France and abroad

AERO PRECISION REPAIR AND OVERHAUL INC.
Deerfield Beach
Repair and overhaul of all Falcon models

DASSAULT AIRCRAFT SERVICES
Wilmington, Reno
Promotion of aviation maintenance and service sales

DASSAULT FALCON BUSINESS SERVICES (BEIJING) CO. LTD
Beijing
Sales promotion, Falcon technical assistance in China

DASSAULT FALCON JET DO BRASIL LTDA
Sorocaba
Aircraft sales and customer support in Brazil

DASSAULT FALCON JET CORP.
Teterboro
Dassault Falcon Jet head office, coordination of sales activities and customer support
Little Rock
Falcon customization: interior fittings and livery

DASSAULT FALCON JET – WILMINGTON
Wilmington
Aviation maintenance and services

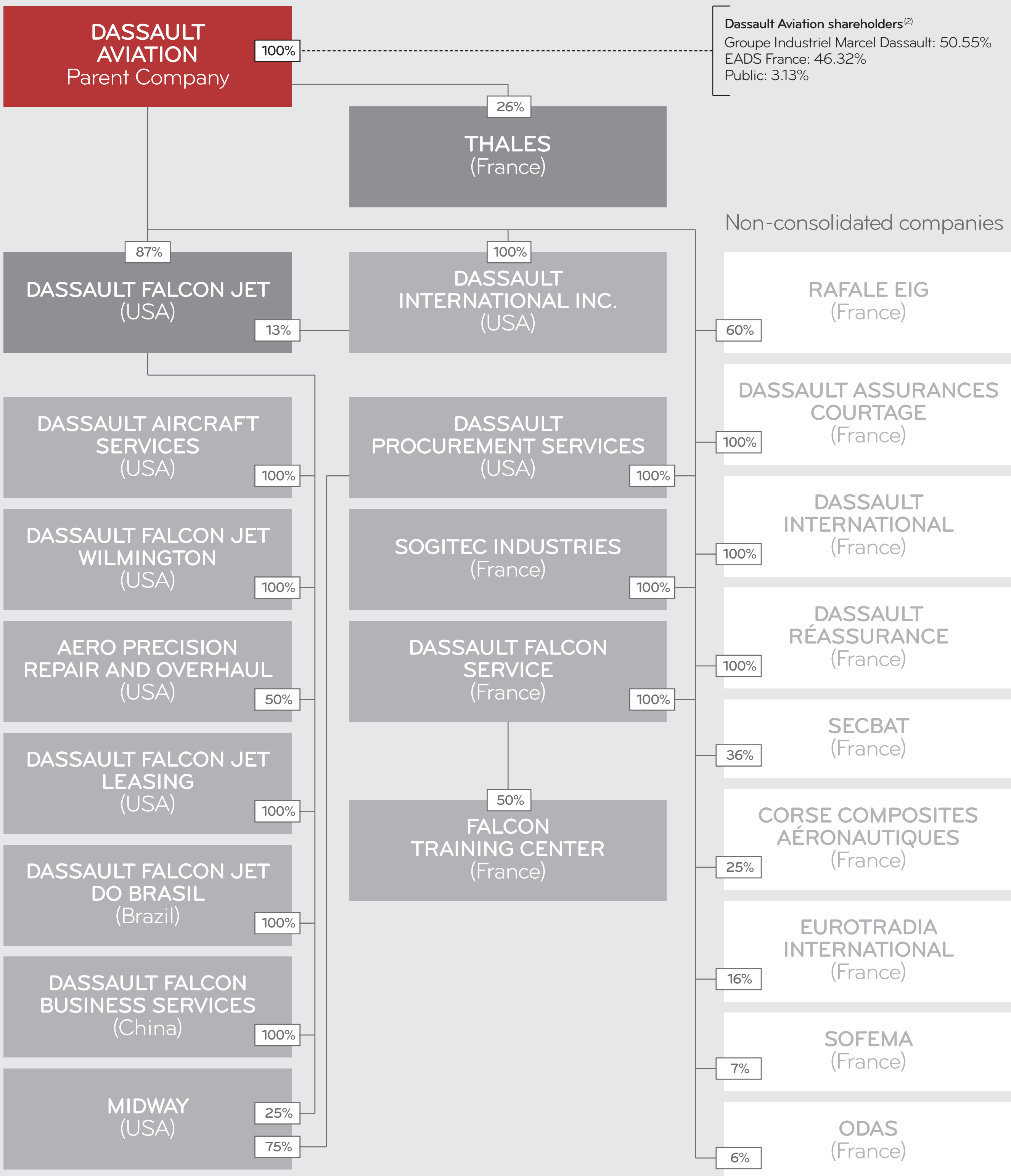
DASSAULT FALCON SERVICE
Le Bourget
Rental of business jets; maintenance center

DASSAULT PROCUREMENT SERVICES
Teterboro
Procurement of aviation equipment for Falcon jets

MIDWAY AIRCRAFT INSTRUMENTS COMPANY
Monroe
Repair and overhaul of aircraft instruments and accessories

SOGITEC INDUSTRIES
Suresnes, Mérignac, Bruz
Simulation, training and documentation systems

GROUP ORGANIZATIONAL CHART[(1)] AND SHAREHOLDERS



(1) Detailed information of the main Group companies is given in paragraph 1.7 of the Directors' report.
The list of consolidated entities is presented in Note 2 "Scope of consolidation" of the appendix to the consolidated financial statements.
(2) Additional information about the capital structure of the Group is presented in paragraph 2.5.1 "Capital structure" of the Directors' report.

2013

ANNUAL FINANCIAL REPORT

Contents

Declaration of the person responsible for the report

I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the company and all the other entities included in the scope of consolidation, and that the enclosed directors' report presents a fair view of the development of the business, performance and financial situation of the company and of all the other companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Paris, March 12, 2014

Éric TRAPPIER
Chairman and Chief Executive Officer

Board of Directors

Honorary Chairmen
Serge DASSAULT Charles EDELSTENNE

Chairman of the Board of Directors
Eric TRAPPIER

Directors
Pierre de BAUSSET
Serge DASSAULT
Nicole DASSAULT
Olivier DASSAULT
Charles EDELSTENNE
Alain GARCIA
Denis KESSLER
Henri PROGLIO

Executive Management

CEO
Eric TRAPPIER

Chief Operating Officer
Loïk SEGALEN

Management committee

Chairman of the Committee

Eric TRAPPIER	Chairman and CEO
Loïk SEGALEN	Chief Operating Officer
Benoit BERGER	Executive Vice-President, Industrial Operations, Procurement and Purchasing
Alain BONNY	Senior Vice-President, Military Customer Support Division
Claude DEFAWE	Vice-President, National and Cooperative Military Sales
Benoît DUSSAUGEY	Executive Vice-President, International
Didier GONDOIN	Executive Vice-President, Engineering
Gérald MARIA	Executive Vice-President, Total Quality
Jean SASS	Executive Vice-President, Information Systems
Olivier VILLA	Senior Vice-President, Civil Aircraft

GOVERNMENT COMMISSIONER

Mr. Marc GATIN, French Armed Forces General Inspector

Auditors

Mazars S.A., represented by Mrs. Manuela BAUDOIN-REVERT, partner
Deloitte & Associés S.A., represented by Mr. Jean-François VIAT, partner

Ladies and Gentlemen,

Before submitting the annual and consolidated financial statements for the year ended December 31, 2013 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 the Parent Company, 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

Consolidated orders in 2013 totaled **EUR 4,165 million,** compared with EUR 3,325 million in 2012, an increase of 25%. The proportion of orders for **export** amounted to **71%**.

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

Year	Defense		Falcon	**Total**	% Export
	France	Export			
2009	2,276	253	- 3,851	**- 1,322**	N/A
2010	606	186	474	**1,266**	43%
2011	424	507	1,932	**2,863**	83%
2012	634	159	2,532	**3,325**	78%
2013	**1,043**	**213**	**2,909**	**4,165**	**71%**

The orders consist exclusively of firm orders.

FALCON programs:

Orders for new aircraft, minus cancellations, stood at **64 FALCON** in 2013 (compared to 58 FALCON in 2012).

DEFENSE programs:

DEFENSE orders amounted to **EUR 1,256 million** in 2013 compared to EUR 793 million in 2012, and mainly correspond to development and In-Service Support. They were up 58% compared to 2012. The increase is principally due to orders from France for the F3-R standard of the RAFALE and for the ATLANTIQUE 2 retrofitting.

1.1.2 Net sales

Consolidated net sales for 2013 came to **EUR 4,593 million** compared to EUR 3,941 million in 2012, up by 17%.

Consolidated sales trends over the last five years are as follows, in EUR millions:

Year	Defense		Falcon	**Total**	% Export
	France	Export			
2009	739	242	2,440	**3,421**	74%
2010	723	236	3,228	**4,187**	80%
2011	714	176	2,415	**3,305**	74%
2012	936	208	2,797	**3,941**	75%
2013	**1,225**	**179**	**3,189**	**4,593**	**71%**

FALCON programs:

FALCON net sales were up by 14% compared to 2012. **77 new aircraft were delivered in 2013** (compared to 66 in 2012).

The FALCON "book to bill" ratio below 1 (0.83) reflects the convalescence of the business aviation market. Obtaining an excess of orders over deliveries is one of the challenges for 2014.

DEFENSE programs:

11 RAFALE were delivered to the French Government in 2013, the same figure as the previous year. Net sales for DEFENSE were up 23% over the year before; this increase was chiefly from the nEUROn program.

1.1.3 Backlog

The consolidated backlog on December 31, 2013 was EUR 7,379 million compared to EUR 7,991 million on December 31, 2012, a decrease of 8%.

1.2 COMMENTS ON THE 2013 PERFORMANCE IN ADJUSTED DATA

1.2.1 Preamble

To reflect the actual economic performance of the Group, and to enable its monitoring and comparability, the DASSAULT AVIATION Group has since 2012 prepared **an adjusted income statement**. The consolidated income statement of the Group is therefore adjusted:

- by neutralizing the amortization of the THALES purchase price allocation (PPA),
- by neutralizing change in fair value of derivative exchange instruments not eligible to hedge accounting.

As from this year, the Group incorporates in its financial reporting, its share of the THALES income based on the adjusted income of THALES. The adjusted 2012 statements have been corrected to reflect this change.

This change allows the adjustments made by THALES in its financial reporting to be taken into account, thereby ensuring consistency in the presentation.

1.2.2 The key 2013 data as adjusted data

The following table presents the key 2012 and 2013 data by detailing the **adjusted** aggregates:

(EUR 000)	**2013**	**2012** *(*)*
Net sales	4,592,966	3,941,234
Operating Income	498,499	546,986
Adjusted financial income	14,937	15,743
Adjusted share of income/loss of equity affiliates	153,528	146,467
Adjusted corporate income tax charge	-179,551	-197,155
Adjusted net income	**487,413**	**512,041**
Attributable to the owners of the Parent Company	*487,382*	*511,997*
Attributable to minority interests	*31*	*44*

(*) Restated to take into account the 1st application of the revised IAS 19

1.2.3 Reconciliation of consolidated income with adjusted income

The impact in 2013 of the change in fair value of derivative exchange instruments adjustment, the amortization of the THALES PPA and the recognition of the adjusted income of THALES (for its share) in the Group's consolidated income statement is presented below:

(EUR 000)	2013 Consolidated data	THALES PPA amortization (1)	Reconciliation of net income with adjusted income of THALES	Change in fair value of derivative exchange instruments (2)	2013 Adjusted data
Net financial income/(expense)	87,565			-72,628	14,937
Share of income/loss of equity affiliates	77,945	57,333	18,250		153,528
Corporate income tax charge	-204,557			25,006	-179,551
Net income	459,452	57,333	18,250	-47,622	**487,413**

(1) neutralization of the amortization of the THALES purchase price allocation (PPA), net of income tax.
(2) neutralization of the changes in fair value, net of income tax, of derivative exchange instruments which do not qualify for hedge accounting under the terms of IAS 39 "Financial instruments".

The impact in 2012 of the change in fair value of derivative exchange instruments adjustment, the amortization of the THALES PPA and the recognition of the adjusted income of THALES (for its share) in the Group's consolidated income statement is presented below:

(EUR 000)	2012 Consolidated data	THALES PPA amortization (1)	Reconciliation of net income with adjusted income of THALES	Change in fair value of derivative exchange instruments (2)	2012 Adjusted data
Net financial income/(expense)	97,897			-82,154	15,743
Share of income/loss of equity affiliates	82,581	67,967	-4,081		146,467
Corporate income tax charge	-225,441			28,286	-197,155
Net income	502,023	67,967	-4,081	-53,868	**512,041**

(1) neutralization of the amortization of the THALES purchase price allocation (PPA), net of income tax.
(2) neutralization of the changes in fair value, net of income tax, of derivative exchange instruments which do not qualify for hedge accounting under the terms of IAS 39 "Financial instruments".

Note that only the consolidated financial statements are subject to audit by the Statutory Auditors. The adjusted financial data are subject to verification in the context of the global reading of the information provided in the Annual Report.

1.2.4 1st application of revised IAS 19 standard on employee benefits

The Group applies revised IAS 19; this standard became mandatory as of January 1, 2013.

Given the accounting policies previously applied, investment characteristics and assumptions used, the Group's income has not been seriously affected by the application of this new standard.

1.2.5 Operating Income

2013 consolidated operating income amounted to **EUR 498 million** compared to EUR 547 million in 2012, down by 9%.

The operating margin stood at **10.9%** compared to 13.9% in 2012.

This deterioration is mainly due to increased self-financing costs and a less favorable foreign exchange hedging rate (1.26 $/€ against 1.24 $/€ in 2012).

1.2.6 Adjusted financial income

In 2013, the adjusted financial income stood at EUR 15 million, compared to EUR 16 million in 2012.

Notably, in 2013 the Group obtained a profit of EUR 10 million on the sale of available-for-sale marketable securities compared with a profit of EUR 12 million in 2012.

1.2.7 Adjusted net income

The adjusted net income amounted to E**UR 487 million** in 2013 compared to EUR 512 million in 2012, down by 5%. The **adjusted** net margin therefore stood at **10.6%**, compared to 13.0% in 2012.

The contribution from the adjusted income of THALES, before amortization of the Purchase Price Allocation, to the net income of the Group amounted to EUR 153 million in 2013, compared to EUR 146 million in 2012.

2013 Consolidated net income stood at EUR 459 million, compared to EUR 502 million in 2012.

1.2.8 Financial reporting

The IFRS 8 "operational sectors" standard requires the presentation of information per segment 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, and to the Chief Operating Officer, as used for the strategy and decision-making, includes no performance analysis, under the terms of IFRS 8, at a level subsidiary to this field.

1.3 FINANCIAL STRUCTURE

1.3.1 Cash

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

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

The **Consolidated Available cash** amounts to **EUR 3,708 million at December 31, 2013** compared with EUR 3,760 million at December 31, 2012, a decrease of EUR 52 million.

This slight decrease is mainly due to the increase in working capital requirement (- EUR 397 million), dividends paid out (- EUR 94 million), investments (- EUR 66 million), partially offset by the cash resulting from operating activities for the year (+ EUR 508 million).

1.3.2 Balance sheet

The Group share of equity amounted to EUR 5,112 million at December 31, 2013 compared with EUR 4,747 million at December 31, 2012 (restated).

The Group has no bank debt. The financial liabilities shown on the consolidated balance sheet relate to locked-in employee profit-sharing funds.

As at December 31, 2013, inventories and work-in-progress amounted to EUR 2,687 million. Customer advances and progress payments on work-in-progress amounted to EUR 2,294 million.

Post-employment benefits provision amounted to EUR 382 million at December 31, 2013, against EUR 407 million at December 31, 2012. This change is mainly due to the increase in the discount rates.

1.4 RELATED-PARTY TRANSACTIONS

The 2013 related parties are identical to those identified in 2012. Certain subsidiaries are related with the Parent Company via development and hardware supply, along with software and associated services contracts.

2013 transactions are specified under Note 27 in the appendix to the consolidated financial statements.

1.5 RISK FACTORS AND MANAGEMENT

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

1.5.1 Program risks

- ***Aerospace cycle***

The nature of the activity of DASSAULT AVIATION exposes it to a sector risk. Its clients have all been hit by the economic crisis:

- government customers, who are constrained by increasingly drastic budget policies
- business aviation customers, who are being forced to postpone their investment decisions because of the slow recovery from the crisis.

Moreover, in this context, competition is becoming ever more aggressive, both in terms of commercial and price policies, and as regards technological innovation. This pressure could eventually threaten the revenue and profitability of DASSAULT AVIATION. To address this threat, we are continuing our policy of streamlining our production cycle, innovation and expansion of our FALCON range by increasing our self-funded research and development outlay.

- ***Control of programs***

Given the implementation of complex technologies and the overlapping of FALCON and DEFENSE programs, we must ensure that we have instituted the resources necessary to meet our commitments to our customers, both in regard to technical issues and production deadlines.

We may be forced to change the scheduling for production and delivery, which would affect our ability to achieve revenues.
As industrial architect and integrator, we must manage a multitude of associates, partners and suppliers while observing technical and financial constraints.

Our technical choices must match customer expectations. Our investment in Research and Development must take account of technological developments and lead us to fully-mastered innovations.

- ***Adjustment of industrial capacity***

We have to adapt our production capacity to economic cycles, which exposes us to the risk of mismatch between our capital expenditures and our workload.

- ***Competition***

Our Company faces aggressive competition in all markets. The current euro/dollar exchange rate is a handicap in terms of competitiveness.

Moreover, in the military field, we have to take into account the political aspect in the customer's choice.

Reduced military spending in many countries increases the aggressiveness of our competitors, particularly the U.S.

1.5.2 Risks related to the Supply Chain

We need to manage the risks in procurement (analysis and selection process for suppliers, monitoring of critical suppliers, timely delivery) to avoid a disruption in our production lines. We are vigilant regarding the risks of failure of our suppliers.

The Group is not significantly exposed to fluctuations in the price or availability of raw materials and energy.

1.5.3 Risks related to the information system

A failure of our information systems could result in data loss, errors and/or delays that would be detrimental to the smooth running of the Company. We have put in place mechanisms for ensuring the reliability, confidentiality and availability of our data.

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

1.5.4 Risks related to regulatory changes

We face changes to many regulations in aeronautics at national and European level including health and safety at work, environmental site laws (REACh in particular), airworthiness of products, etc.

1.5.5 Risks related to employees

Aviation technology is complex and evolving, and we must be careful to maintain our expertise in all areas of aircraft and equipment.

1.5.6 Financial risk management

- ***Cash and liquidity risks***

The Group investment portfolio mainly comprises money market investments with no significant risk of impairment.

Most of the fixed-income and diversified investments (according to the AMF classification) of the Group were backed by guarantees on December 31, 2013.

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

The breakdown of the Group's investment portfolio is shown in Note 24.3 "Cash and Liquidity Risks" of the consolidated financial statements.

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

The Group has identified no risk with regard to the percentage of outstanding receivables.

Additional information is available in Notes 7 "trade and other receivables" and 24.2 "credit and counterparty risk" in the consolidated financial statements.

1.5.7 Market risks

- ***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.

The Parent Company partially hedges this risk by using foreign exchange forward contracts and foreign exchange options.

It 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.

A sensitivity analysis of the hedge portfolio may be found in Note 24.3 "Foreign exchange risks" element.

- EMBRAER shares:

The Group's parent company owns EMBRAER shares. EMBRAER is listed on the Brazilian stock market. It is stated in the Group's financial statements, based on market value at the balance sheet closing date, in Brazilian reals converted into euros. The value of the shares may therefore fluctuate according to the exchange rate of these two currencies.

- ***Other market risks***

The Group is exposed to a pricing risk relating to price fluctuations of the EMBRAER shares. A sensitivity analysis is available in Note 24.3.2, "EMBRAER shares."

1.5.8 Environmental risk management

- ***Risk management procedure***

In terms of environmental risk management, in recent years our industrial sites have made significant progress, by putting into place:

- risks analysis with modeling,
- plans to reduce risks "at source",
- measures and means of prevention and protection,
- emergency response plans,
- periodic accident simulation exercises.

In addition, as provided in our contractual clauses, suppliers whose industrial process could have a significant environmental impact undergo Environment audits.

- ***Damage caused to the environment***

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

The 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 treatment facility was installed in accordance with the management plan. We responded to the supplemental prefectural order of July 2012, asking us to study the improvement of our facility.

- ***Provisions and financial guarantees***

Subsequent to Decree No. 2012-633 of May 3, 2012 which imposes the establishment of financial guarantees on sites that are subject to ICPE (Environment Protection Classified Installations) legislation, the Parent Company is subject to the obligation of financial guarantees for five of its sites. These financial guarantees were established in accordance with the regulatory deadlines.

In addition to its General Operations Civil Liability insurance policy (EUR 1.5 million for environmental damage risks), the Parent Company has subscribed to Environmental Impairment Liability insurance cover for EUR 11 million, EUR 3 million of which covers natural protected species and habitats. Since January 1st, 2012, this environmental damages guarantee, as defined by European Directive 2004/35/CE, has been extended to include damage caused to wildlife and ecological damage.

Lastly, in the framework of the said insurance contract and as part of a constant risk prevention approach, the insurers carry out regular risk reviews of the sites and draft analysis reports that serve as the basis for the implementation of action plans.

The Parent Company did not need to recognize any environmental liabilities.

1.5.9 Other risks

In late 2002, a group of French manufacturers, including DASSAULT AVIATION, was collectively issued with a request for arbitration from a common client claiming a sum which, according to the plaintiff, would amount to no less than USD 260 million, and for which the group of manufacturers may have joint obligation with regard to the plaintiff. This request related to the execution of old contracts implemented by these manufacturers. In the framework of an agreement signed between the parties in June 2003, the plaintiff withdrew its action.

In November 2012, the latter gave notification of a new request for arbitration based on similar grounds to the 2002 action, for a total now amounting to EUR 226 million. The manufacturers strongly deny this request and to date, it is not possible to assess the potential financial risk; accordingly, DASSAULT AVIATION has not made any provision. This procedure is still ongoing.

1.6 GROUP ACTIVITIES

1.6.1 Program developments

- ***FALCON programs***

Highlights of fiscal year 2013 were as follows:

- the launch at NBAA (US National Business Aviation Association exhibition) of the FALCON 5X (previously called SMS),
- the certification of the new models FALCON 2000S and FALCON 2000LXS, followed by the first deliveries,
- the certification and roll-out on FALCONs in production and service of the new EASy II cockpit,
- celebration of the 50th anniversary of the FALCON range, accompanied by a media campaign stressing the importance for FALCONs of technological innovation fueled by our dual military and civil role,
- the launch of the expansion and modernization work of the Little Rock (USA) site of DASSAULT FALCON JET.

- ***DEFENSE programs***

Concerning the RAFALE, 2013 was marked by:

- the delivery of 11 aircraft to the French government, bringing the total number of RAFALEs delivered to 126. The last 6 RAFALEs represent the first deliveries of the 4^{th} production series and include in particular the active array radar (RBE2 EASA) and the latest developments in equipment for this production series. The RAFALE is the first European aircraft whose standard production includes an active array radar,
- the development in 2013 of the first series of the F3-R standard and the notification at the end of December 2013 of the full contract envisaging qualification for 2018. This standard includes in particular the METEOR long-range air-to-air missile, the new-generation laser designator pod and the laser version of the AASM Air-to-Ground Modular Weapon,

- the upgrading to the F3 standard of the RAFALE Simulation Centers of Saint-Dizier and Landivisiau and the launch of a new Atelier Mermoz series (for on-base maintenance of electronic equipment)
- the continuation of exclusive negotiations with the Indian authorities and Indian industrial partners to finalize the contract for the sale/license 126 RAFALEs,
- the continued advocacy and canvassing in other countries,
- the participation in various major air shows in France and abroad.

Other programs included:

- continued work to upgrade the Indian MIRAGE 2000 H/TH to MIRAGE 2000-5 ITI including the completion of development projects on both aircraft and the start of integration testing on bench and aircraft
- the transformation of two ATLANTIQUE 2 to equip them, as an "urgent operational requirement", with high-performance electro-optical cameras,
- the notification by the French Minister of Defense on October 4, 2013 of the award of the contract to renovate the ATLANTIC 2 combat system which is to develop and integrate a new core system and new sensors (including the THALES Searchmaster radar). DASSAULT AVIATION is responsible for the development of the core system including the Loti-NG software developed by DCNS and the overall integration of all subsystems,
- the delivery in September 2013 to the DGA (Direction Générale de l'Armement - French Defense Procurement Agency) of the first four modified FALCON SURMAR. Work on the other aircraft continues at Mérignac,
- successful resumption of demonstration flights of nEUROn unmanned combat aircraft at Istres in October 2013, after the radar signature measurement campaign by the DGA/MI in the first half-year; this program, under the control of DASSAULT AVIATION, involves five European industrial partners,
- the signature by the British and French Ministers of Defense on January 31, 2014 of a letter of intent confirming the launch of a FCAS (Future Combat Air System) combat drone demonstrator. DASSAULT AVIATION and BAE SYSTEMS are the leaders on this project,
- the delivery to the DGA and the German and Italian Ministries of Defense, in cooperation with AIRBUS DEFENCE AND SPACE and FINMECCANICA/ALENIA of a proposal for a preliminary design of a MALE (Medium Altitude Long Endurance) drone system
- in the space business, the continuation of our work on the demonstration "Intermediate Experimental Vehicle" (IXV) atmospheric reentry project to be launched in the second half of 2014 and SWISS SPACE SYSTEMS' "SubOrbital Aircraft Reusable" (SOAR) project on which DASSAULT AVIATION as consultant aircraft manufacturer.

1.6.2 <u>After-Sales</u>

In 2013, the Group:

- with regard to FALCON support:
  - established a DASSAULT FALCON SERVICE subsidiary in Moscow
  - instituted a new capability in Los Angeles,
  - started retrofitting the EASy II cockpit on the FALCON fleet in service.
- with regard to military support:
  - signed a contract amendment with the French Ministry of Defense changing the "RAFALE CARE" In-Service Support Package to increase flat-rate services especially on logistics,
  - restored to flight condition two additional aircraft in the framework of the revision contract for the Peruvian Mirage 2000s, bringing the number of aircraft revised up to eight.

1.7 GROUP STRUCTURE

DASSAULT AVIATION, Parent Company, has a preponderant weight in the Group structure.

1.7.1 Consolidated subsidiaries and companies

- ***DASSAULT FALCON JET (USA)*** markets our FALCONs and is responsible for their interior fittings. The company is headquartered in Teterboro, New Jersey, while industrial activities are located in Little Rock, Arkansas.

  The main subsidiaries of DASSAULT FALCON JET are:

  - **DASSAULT FALCON JET - WILMINGTON**, aviation maintenance and services company
  - **DASSAULT AIRCRAFT SERVICES**, responsible for promoting aviation maintenance and service sales in the United States,
  - **AERO PRECISION REPAIR AND OVERHAUL (APRO)** (owned 50/50 with MESSIER-SERVICES INC.), responsible for the repair and maintenance of landing gear and flight controls,
  - **MIDWAY** (USA) providing repair and overhaul of civil aircraft equipment for French manufacturers,
  - **DASSAULT FALCON JET DO BRAZIL**, aviation maintenance and services company
  - **DASSAULT FALCON BUSINESS SERVICES** (BEIJING) Co. Ltd, responsible for FALCON promotion and after-sales in the People's Republic of China.

  In 2013, DFJ created a subsidiary in the United States, called **DASSAULT FALCON JET LEASING**, serving as host for financing structures on new or used FALCON aircraft.

- ***DASSAULT FALCON SERVICE (France)*** based at Le Bourget airport, contributes to FALCON after-sales activities in the following two areas:

  - service center dedicated to FALCON aircraft for maintenance operations,
  - leasing and management of FALCON aircraft as part of civil transport activities.

  The principal subsidiary DASSAULT FALCON SERVICE (DFS), the **FALCON TRAINING CENTER** (FTC, owned 50/50 with FLIGHT SAFETY INTERNATIONAL) at Le Bourget airport, provides training to FALCON pilots.

  DFS also has an establishment at Luton Airport (UK). In 2013 it has also set up a FALCON aircraft maintenance subsidiary at Moscow-Vnukovo Airport (Russia).

- ***Dassault International Incorporated (USA)*** represents DASSAULT AVIATION in the United States and provides after-sales services for FALCON business aircraft.

- ***DASSAULT PROCUREMENT SERVICES (USA)*** is the central purchasing hub in the United States for FALCON aviation equipment.

- ***SOGITEC INDUSTRIES (France)*** operates in the simulation and documentation sectors.

- ***THALES (France):*** the THALES group operates in aviation and aerospace, defense and security contracting. Its activities are described in its Registration Document.

Additional information on consolidated subsidiaries and companies is provided in Note 2 "Scope of consolidation" of the consolidated financial statements.

1.7.2 Non-consolidated subsidiaries and holdings

The main holdings of the Group are:

- ***CORSE COMPOSITES AÉRONAUTIQUES (France)***, specialized in the production of aviation parts made from composite materials, in particular for its corporate shareholders (AIRBUS, LATECOERE, SNECMA and DASSAULT AVIATION),

- ***SECBAT (France)***, responsible for cooperation on the ATLANTIC maritime surveillance program.

The Group is present in India through ***DASSAULT AIRCRAFT SERVICES INDIA PRIVATE Ltd.,*** in charge of promotion in India.

1.8 RESEARCH AND DEVELOPMENT

Most of our research and development effort is focused on the FALCON 5X, the RAFALE F3-R standard and nEUROn flight tests.

Apart from these major programs, we continue with the self-financed plan "Futur FALCON à Technologies Innovantes" ("FALCON Future with Innovative Technologies"). Some of these studies have either national aid for civil aviation or from the European Clean Sky Joint Technology Initiative.

Of particular note are:

- experiments with extended modular avionics foreshadowing future FALCON systems,
- preparation of a demonstration panel for a small composite wing-box
- continued work on protection by anodic oxidation of sulfur as part of the Chrome VI substitution plan.

We are preparing our participation in the next Horizon 20120 European Framework Programme for Research, including Clean Sky 2 project.

We are reinforcing our participation in the three demonstration platforms initiated by the Conseil pour la Recherche Aéronautique Civile (CORAC, Strategic Committee for Aviation Research) and proposed under the second phase of the Future Investment Programme.
We have returned to the *Direction Générale de l'Aviation Civile* (DGA, the French Civil Aviation Authority) a support request for a research dossier for 2014.

The DGA notified us at the beginning of the year of the award of the conditional tranche of an Upstream Research Plan on the establishment of air-to-air stealth tactical situation then the last phase of work on the stealth Rafale demonstrator (DEDIRA) as well as work on predictive behavior modeling to lightning applied to the RAFALE.

For the future systems, special effort is dedicated to the development of open and modular mission software in the framework of the European Common Operating System (ECOS) study undertaken in collaboration with the British aerospace industry. The ground demonstration of the operation of a functional chain based on ECOS components took place during the first half of 2013. The last phase of the work which has just been notified by the DGA should enable us to achieve the level of maturity required by 2015.

In UCAVs, in 2013 we obtained a "Future Combat Air System Development Program Preparation Phase" and the notification of the award a "Bridging Phase" contract in late 2013.

Work with Germany and Italy to define a future European MALE drone should get under way in 2014.

1.9 NEW TECHNIQUES OF MANUFACTURING AND INDUSTRIAL MANAGEMENT

We are pursuing the development of composites:

- as part of the actions initiated by CORAC, we are studying a demonstrator for a composite wing box for business aircraft,
- we use fiber placement for the industrialization and manufacturing of composite parts for our new FALCON 5X aircraft, given the advantages of this method in terms of performance.

In metallic materials, we continue to automate machined panel forming with a view to using low density aluminum alloys.

Robotization of assemblies is being pursued both for wings and for fuselages, including the implementation of the friction-stir welding process (FSW) for FALCON 5X skins.

In regard to primary parts, as part of our effort to improve environmental impact:

- we are replacing chemical-based methods by mechanical machining processes,
- We are developing and qualifying new chrome-free surface treatment processes in order to satisfy in advance the future requirements of European REACh regulations.

In all our production establishments, we continue the deployment of IRP (Improving Responsiveness in Production) projects, which aim to improve working conditions (especially work environment stress reduction), as well as quality and flexibility, while significantly reducing our work cycles and costs.

We are pursuing the generalization of the extended digital enterprise and of Product Lifecycle Management (PLM), thereby keeping us technologically ahead of the game as well as offering ourselves a significant competitive edge.

To achieve this:

- we are using new collaborative processes enabling the coordination of all program stakeholders (both inside and outside the company)
- we are industrializing the FALCON 5X with the new PLM V6 version of DASSAULT SYSTEMES
- we are developing production-line processes placing the line or control operative in an environment that meets their needs.

Finally, to ensure the control and efficiency of our supply chain, we are enhancing exchanges with our suppliers by extending the rollout of our supplier portal, while improving our production management system.

1.10 PRODUCTION FACILITIES

In 2013, we continued:

- the implementation of the main industrial automated production facilities and building conversions related to the 5X FALCON program,
- the deployment of digital resources on the workstation,
- the development of workshop refitting as part of Improving Responsiveness in Production (IRP).

In 2013 these adaptations resulted in the commissioning:

- of equipped robot cells for airfoil assembly and coatings
- of an automated positioning system for machining FALCON root airfoils,
- of an RTM (Resin Transfer Molding) hot press for composites,
- of an NC machining center for hard metals,
- of digital equipment at the workstation: connected worktables, Radio Frequency IDentification (RFID) control panels, digital control panels and tablets,
- of the complete installation of the Technology Department materials laboratory in a refurbished building,
- of showroom models and a scale 1 FALCON 5X model.

1.11 TOTAL QUALITY

The Total Quality policy continues to be pursued, based on the Company's four major strategies:

- prioritize customer satisfaction,
- stay one step ahead of competitors in terms of cost and quality,
- promote human development,
- respect the environment.

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

As part of its Integrated Management System, in 2012 DASSAULT AVIATION renewed its EN 9100 certification, a standard specific to the aerospace industry, and its ISO 14001 environmental certification.

DASSAULT AVIATION has also established a Health and Safety at Work management system meeting the requirements of the OHSAS 18001 standard (Occupational Health and Safety Assessment Series).

We also ensure pursuance of our certifications for the design, production and maintenance of civil aircraft, along with the official acknowledgment of our capability to design military aircraft.

Lastly, we continue to implement our program, product, process, environment and health & safety at work risk management measures in all Group entities, departments and sites.

2. DASSAULT AVIATION, Parent Company

2.1 ACTIVITY

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

2.2 KEY FIGURES

2.2.1 Orders

The **total orders booked by the Parent Company in 2013** amounted to **EUR 3,555 million** compared with EUR 2,688 million in 2012, an increase of 32%. The proportion of orders for **export** amounted to **66%.** Orders booked by the Group over the last five years are as follows, in EUR millions:

Year	Defense		Falcon	**Total**
	France	Export		
2009	2,271	230	- 3,524	**- 1,023**
2010	599	181	199	**979**
2011	420	502	1,402	**2,324**
2012	473	152	2,063	**2,688**
2013	**1,031**	**211**	**2,313**	**3,555**

The orders consist exclusively of firm orders.

FALCON programs:

Orders for new aircraft, minus cancellations, amounted to **65 FALCON in 2013**. This compares to 59 FALCONs in 2012.

DEFENSE programs:

The **Defense orders** booked totaled **EUR 1,242 million in 2013** against EUR 625 million in 2012 and correspond to development and to the In-Service Support Package. They were up by 99% compared to 2012. The increase is principally due to orders from France for the F3-R standard of the RAFALE and for the ATLANTIQUE 2 retrofitting.

2.2.2 Net sales

Parent company **2013 net sales** amounted to **EUR 3,966 million**, up by 19% compared to 2012.

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

Year	Defense		Falcon	**Total**
	France	Export		
2009	722	219	1,807	**2,748**
2010	707	226	2,619	**3,552**
2011	707	167	2,040	**2,914**
2012	929	165	2,248	**3,342**
2013	**1,223**	**166**	**2,577**	**3,966**

2.2.3 Net income

2013 net income amounted to **EUR 360 million**, compared to EUR 283 million in 2012, up by 27%.

Group employees will receive a total of EUR 109 million under the profit-sharing and incentive schemes, divided up as follows:

- Profit-sharing: EUR 89 million
- Incentive: EUR 20 million

These sums represent **25% of the payroll in 2013, compared to the legal minimum of 2%.**

2.2.4 Dividends (appropriation of net income)

Given the increase in self-financed spending on R&D and market uncertainties, the Board of Directors decided to propose to the General Meeting of Shareholders the distribution for 2014 of a dividend of **EUR 8.90/share** (EUR 90 million) compared with EUR 9.30/share paid in 2013 (EUR 94 million).

Subject to your approval of the 2013 financial statements, we propose that the net income for the year of EUR 360,328,290.06 plus retained earnings of EUR 2,937,478,632.02, giving a total of EUR 3,297,806,922.08, be divided up as follows:

- dividend distribution of:

  EUR 90,120,483.30

- with the remaining balance to retained earnings:

  EUR 3,207,686,438.78

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

Fiscal year	Net dividend distributed (in euros)	Allowances (*)
2010	10.70	40%
2011	8.50	40%
2012	9.30	40%

(*) allowance for individuals

2.2.5 Five year results summary

The DASSAULT AVIATION five-year summary is shown in Note 34 to the financial statements.

2.2.6 Tax consolidation

The Company elected for tax consolidation in 1999. As from January 1st, 2012, the tax consolidation scope of the Group includes DASSAULT AVIATION, DASSAULT AÉRO SERVICE and DASSAULT AVIATION PARTICIPATIONS. A tax consolidation agreement, tacitly renewable for 5-year periods, was signed with each of these companies.

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 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 is as follows (in EUR millions):

Due-date	2012	2013
Due at year end	5.6	15.6
As of mid-January	70.8	78.7
As of end of January	-	0.1
As of mid-February	4.7	2.5
As of end of February	-	-
Other (fixed assets)	4.7	2.1
TOTAL	**85.8**	**99.0**

2.5 SHAREHOLDER INFORMATION

2.5.1 Equity structure

The share capital of the Company is EUR 81,007,176. This is divided into 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 eligible for deferred settlement.

The principal DASSAULT AVIATION shareholders as of December 31, 2013 are as follows:

Shareholders	Number of shares	% interest and voting rights
GIMD	5,118,240	50.55%
EADS France	4,690,307	46.32%
Free-float (1)	317,350	3.13%
TOTAL	**10,125,897**	**100.00%**

(1) including one share held by the French State

2.5.2 Information about Shareholders and voting rights

As of December 31, 2013, 5,455 shares (i.e., 0.05% 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.

There is no statutory obligation to provide information on the crossing of ownership thresholds.

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

But in accordance with Article L. 233-11 of the French Commercial Code, the Company was informed by the French Commissioner of State Holdings that on June 21, 2013 the French State signed a shareholders' agreement with AIRBUS GROUP NV and EADS France constituting a concert party vis-à-vis DASSAULT AVIATION. This agreement to last 90 years provides for:

- EADS France exercising its voting rights in the General Assembly after consultation with the French State,
- a right of first refusal and a right of first offer in favor of the French State in the event that EADS France should plan to sell all or part of its shares in the capital of DASSAULT AVIATION.

This shareholders' agreement has no impact on the Company's governance, as GIMD, third party to the said agreements entered into between AIRBUS GROUP NV, EADS France and the French State, owns the majority of the capital and voting rights of DASSAULT AVIATION.

Direct or indirect shareholdings in the Company of which it is aware pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code are set forth in the table above. 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.

2.5.3 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 Board of Directors has the powers provided for under applicable legislation.

2.5.4 Agreements entered into by the Company

The Company did not enter into any major agreement that would be amended or automatically terminated in the event of a change in control of the Company.

However, in such a case, the National Defense contracts entered into with the French 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.

2.5.5 Miscellaneous information

In 2013 the Company did not carry out any transactions in its own shares under a share buyback program.

It has not established any stock option scheme or any bonus share scheme.

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

In 2013, Eric TRAPPIER acquired his 25 shares as required of a Director which are entered in the "registered shares" account. This transaction was reported to the AMF and the Company, in accordance with the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and Articles 223-22 et seq. of the General Regulations of the AMF.

2.6 OPERATION OF THE EXECUTIVE MANAGEMENT

The Ordinary and Extraordinary AGM 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 would be responsible for the Company's Executive Management, an option that it deemed best suited to the specific features of the Company.

2.7 CHANGES TO THE EXECUTIVE MANAGEMENT FROM THE START OF 2013

Charles EDELSTENNE, having reached the statutory age limit, quit his functions as Chairman and Chief Executive Officer of DASSAULT AVIATION with effect from January 8, 2013.

On his proposal and with the agreement of Serge DASSAULT and the Board of Directors, he was replaced by Eric TRAPPIER who became, as from January 9, 2013, Chairman and Chief Executive Officer of DASSAULT AVIATION, assisted by Loïk SEGALEN, who was appointed Chief Operating Officer.

Charles EDELSTENNE, appointed CEO of Groupe Industriel Marcel Dassault (GIMD) with effect from 8 January 2013, remains Director of the Company and has joined the Audit Committee.

2.8 OTHER OFFICES HELD AND DUTIES PERFORMED BY DASSAULT AVIATION EXECUTIVE AND NON EXECUTIVE DIRECTORS DURING FISCAL YEAR 2013

2.8.1 Honorary Presidents and Directors

Serge DASSAULT
Age: 89 years
Nationality: French
Date of first appointment: 06/27/1967
Start and end of current term: AGM 2009 - AGM 2015
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
  Société du Figaro SAS
- Chairman and Chief Executive Officer:
  Dassault Medias SA
- Chairman of the Board of Directors:
  Dassault Belgique Aviation SA
- Chief Executive Officer:
  Chateau Dassault SAS
- Director:
  Dassault Systèmes SA
  Dassault Falcon Jet Corporation (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

Charles EDELSTENNE
Age: 76 years
Nationality: French
Date of first appointment: 01/27/1989
Start and end of current term as Director AGM 2009 - AGM 2015
Member of the Audit Committee
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Chief Executive Officer:
  Groupe Industriel Marcel Dassault SAS (*since 01/08/2013)*
- Chairman of the Board of Directors:
  Dassault Systèmes SA
- Chairman and Chief Executive Officer:
  DASSAULT AVIATION (*until 01/08/2013*)
- Member of the Supervisory Board:
  Groupe Industriel Marcel Dassault SAS
- Director:
  THALES SA
  Carrefour SA
  Sogitec Industries SA
  SABCA (Belgium)
  Dassault Falcon Jet Corporation (USA)
- Chairman:
  Dassault Falcon Jet Corporation (USA) (*until 01/08/2013*)
- President:
  Dassault International Inc. (USA) (*until April 29, 2013*)
- General Manager:
  Sociétés Civiles ARIE, ARIE 2
  Sociétés Civiles NILI, NILI 2

2.8.2 Chairman and Chief Executive Officer

Éric TRAPPIER
Age: 53 years
Nationality: French
Date of first appointment as Director: 18/12/2012
Start and end of current term as Director 12/18/2012 (cooptation) - AGM 2015
Start and end of the term of Chairman-CEO: 09/01/2013 – AGM 2015
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Director-General Manager:
  GIE Rafale International
- General Manager:
  Dassault International SARL
- Director:
  Thales SA
  Sogitec Industries SA (*since 04/26/2013*)
- Permanent representative of DASSAULT AVIATION *(until 01/14/2013)* on the Board of Directors of:
  SOFRESA SA
  ODAS SA
  SOFEMA SA
  Eurotradia International SA
- Chairman:
  Dassault Falcon Jet Corporation (USA) (*since 09/01/2013*)
- Director and President :
  Dassault International Inc. (USA) (*since 04/30/2013*)

2.8.3 Directors

Nicole DASSAULT
Age: 83 years
Nationality: French
Date of first appointment: 05/19/2010
Start and end of current term: AGM 2010 – AGM 2016
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
- Chief Operating Officer:
  Rond-Point Immobilier SAS

- Director:
  Groupe Figaro SAS
  Dassault Medias SA
  Dassault Systèmes SA
  Artcurial SA

Olivier DASSAULT
Age: 62 years
Nationality: French
Date of first appointment: 04/17/1996
Start and end of current term: AGM 2009 - AGM 2015
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Vice-Chairman:
  Valmonde et Cie SA

- Director:
  Dassault Medias SA
  Groupe Figaro SAS
  Valmonde et Cie SA
  RASEC International SAS

- Chairman of the Supervisory Board:
  Groupe Industriel Marcel Dassault SAS
  Particulier et Finances Editions SA

- Member of the Supervisory Board:
  Rubis SA

- General Manager:
  HR Finance SAS
  SCI Rod Spontini
  LBO Invest D

Alain GARCIA, Non-executive Director
Age: 71 years
Nationality: French
Date of first appointment: 03/18/2009
Start and end of current term: *AGM 2010 - AGM 2016*
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- General Manager:
  Novation Aero Consulting SARL

Denis KESSLER, Non-executive Director
Age: 62 years
Nationality: French
Date of first appointment: 22/05/2003
Start and end of current term: AGM 2009 - AGM 2015
Member of the Audit Committee
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Chairman and Chief Executive Officer:
  SCOR SE

- Director:
  SCOR Canada Reinsurance Company (Canada)
  BNP Paribas SA
  Bollore SA (*until 06/05/2013*)
  Invesco Ltd (USA)
  Strategic Investment Fund (*until 07/12/2013*)

- Chairman:
  SCOR Global Life SE
  SCOR Global P&C SE
  SCOR Global Life Re Insurance Company of Texas (USA)
  SCOR Global Life Americas Reinsurance Company (USA)
  SCOR Reinsurance Company (USA)
  SCOR U.S. Corporation (USA)
  SCOR Holding (Switzerland) AG (Switzerland)
  SCOR Services Switzerland AG (Switzerland)
  SCOR Switzerland AG (Switzerland)
  SCOR Perestrakhovaniye (Russia)

- Chairman of the Supervisory Board:
  SCOR Global Investments SE

- Member of the Supervisory Board:
  YAM INVEST N.V. (Netherlands)

Henri PROGLIO, Non-executive Director
Age: 64 years
Nationality: French
Date of first appointment: 04/23/2008
Start and end of current term: AGM 2008 - AGM 2014
Chairman of Audit Committee
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Chairman and Chief Executive Officer:
  EDF SA

- Chairman of the Board of Directors:
  EDISON SpA (Italy)

- Director:
  CNP Assurances SA (*until 07/25/2013*)
  EDF Energies Nouvelles SA
  EDF Energy Holdings Ltd (UK)
  EDF International SAS
  NATIXIS SA
  EDISON SpA (Italy)
  FCC SA (Spain)
  South Stream Transport BV (Netherlands)
  South Stream Transport AG (Switzerland)

Pierre de BAUSSET
Age: 53 years
Nationality: French
Date of first appointment: 05/19/2010
Start and end of current term: AGM 2010 - AGM 2016
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Director:
  EADS France SAS
  Vigeo SA

2.8.4 Chief Operating Officer

Loïk SEGALEN
Age: 54 years
Nationality: French
Date of first appointment as Chief Operating Officer: 09/01/2013
Start and end of current term as Director 12/18/2012 (cooptation) - AGM 2015
Start and end of the current term: 09/01/2013 – AGM 2015
DASSAULT AVIATION shares held: none

Other corporate offices and duties:

- Director:
  Thales SA
  Sogitec Industries SA
  Dassault Falcon Jet Corporation (USA)
  Dassault International Inc. (USA)
  Dassault Procurement Services (USA)
  Midway Aircraft Instrument Corporation (USA)
  Dassault Belgique Aviation SA
  SABCA and SABCA Limburg (Belgium)

2.9 EXECUTIVE OFFICER COMPENSATION IN 2013

2.9.1 Compensation paid to Serge DASSAULT, Honorary Chairman

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

  Serge DASSAULT received a gross annual compensation of EUR 600,000 and directors' fees of EUR 25,667. He has a company car (benefit in kind valued at EUR 3,153).

- *In respect of DASSAULT AVIATION*:

  Serge DASSAULT, Director, received EUR 22,000 in directors' fees from 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 within the meaning of Article L. 233-16 of the French Commercial Code (i.e., companies included in the scope of consolidation):*

  Serge DASSAULT received USD 38,572 in directors' fees from the Board of Directors of DASSAULT FALCON JET.

2.9.2 Compensation paid to Charles EDELSTENNE, Honorary President

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

  Charles EDELSTENNE received EUR 196,115.12 as Chief Executive Officer since 01/08/2013 and EUR 21,000 for attendance on the Supervisory Board.

  He had the use of a chauffeur-driven company car (benefit in kind valued at EUR 9,030) and all expenses incurred in the course of his duties were reimbursed on an actual-cost basis.

- *In respect of DASSAULT AVIATION*:

  Charles EDELSTENNE received a gross compensation of EUR 10,798 for the period from 01/01/2013 to 08/01/2013 during which he was Chairman and CEO.

  In addition, he received directors' fees of EUR 28,467.

  In respect of the Audit Committee, Charles EDELSTENNE received an additional EUR 4,500 in attendance fees.

  Consequences of the end of term of office as Chairman and Chief Executive Officer of Charles EDELSTENNE

  Supplementary pension:

  DASSAULT AVIATION has undertaken to pay a supplementary pension to Charles EDELSTENNE. This represents a sum of EUR 308,660 per annum. DASSAULT AVIATION has provisioned this sum in its accounts, for payment that should have begun in 2013.

  However, at the end of his term of office as Chairman and Chief Executive Officer of DASSAULT AVIATION, Charles EDELSTENNE has not ceased his professional activity on account of his terms of office with DASSAULT SYSTÈMES and GIMD. He cannot therefore draw on his statutory pension.

  Consequently, DASSAULT AVIATION, despite its commitment, has had to defer the payment of this pension.

  Retirement allowance:

  In 2009, the employment contract of Charles EDELSTENNE was terminated at the initiative of DASSAULT AVIATION on account of his retirement.

  Since Charles EDELSTENNE was pursuing at the time the exercise of his term of office as Chairman and Chief Executive Officer of DASSAULT AVIATION, the Board had linked the payment of this allowance to the end of his last term of office.

  Whereas:

  - his term of office as Chairman and Chief Executive Officer of DASSAULT AVIATION has now come to an end,
  - he no longer exercises within DASSAULT AVIATION any activity giving rise to the payment of salaried remuneration or the like,
  - the payment of this allowance is not subject to the condition that its beneficiary effectively draw on his retirement benefits,

  the Board has decided to pay, in 2013, to Charles EDELSTENNE, his contractual retirement allowance, amounting to EUR 460,833.

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

  Charles EDELSTENNE received USD 38,572 in directors' fees from the Board of Directors of DASSAULT FALCON JET and EUR 36,500 in directors' fees from the THALES Board of Directors.

2.9.3 Compensation paid to the Chairman and CEO

- *In respect of DASSAULT AVIATION*:

  Eric TRAPPIER received gross annual compensation of EUR 1,295,644 in his capacity as Chairman and Chief Executive Officer.

  His compensation in 2013 does not include any variable part or exceptional compensation.

  He has not been allocated any stock options or performance shares.

  He did not receive compensation related to his taking office of CEO.

  He does not benefit as an executive officer from any compensation linked to the cessation of his term of office.

  He had the use of a chauffeur-driven company car (benefit in kind valued at EUR 8,001) 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 33,526 (double the standard amount).

On January 9, 2013, the date of his appointment as CEO, the employment contract of Mr. Eric TRAPPIER was suspended due to:

- his length of service of 28 years in the Company on the date of his appointment as CEO in January 2013,
- the desire of the Company to use internal promotion in the appointment of Executive Directors entrusting these responsibilities to experienced executives with deep knowledge of the industry and the aviation sector.

The decision to suspend his contract of employment is consistent with the position of the AMF in its reports (2012 and 2013) on corporate governance in regard to the employment contracts of Executive corporate officers.

On the reinstatement of his employment contract, Eric TRAPPIER will have the severance and supplementary pension benefits(*) applicable to employees of his category, according to the rules of our Company.

The Board of Directors decided on March 12, 2014 that Eric TRAPPIER will continue to benefit from the supplementary pension plan(*) applicable to senior executives of the Company. The pension paid shall be calculated according to the average gross annual compensation for his last three years as an executive officer.

On the basis of his compensation in 2013, the supplementary scheme will pay an annual pension of EUR 333,000, representing 26% of Eric TRAPPIER's salary as Chairman and Chief Executive Officer.

During his term of office, the Chairman and Chief Executive Officer also benefits from health and welfare plans applicable to all management employees of the Company.

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

  Eric TRAPPIER received directors' fees of EUR 35,250 from the Board of Directors of THALES.

(*) The supplementary pension plan is meant for Company executives with at least 10 years of service, who are still employed by the Company at the time of taking retirement, who are at least 60 years of age, and whose salary is greater than four-times the French annual Social Security ceiling (EUR 148 K in 2013).

The pension paid is capped at 10 times the Annual Social Security Ceiling (EUR 370,000 in 2013) and allows a tapered replacement rate, taken over all pension plans, depending on compensation of between 41% and 35%.

2.9.4 Compensation paid to the Chief Operating Officer

- *In respect of DASSAULT AVIATION*:

  Loïk SEGALEN received gross annual compensation as Chief Operating Officer of EUR 1,146,133.

  His compensation in 2013 includes no variable or exceptional compensation.

  He has not been allocated any stock options or performance shares.

  He did not receive compensation related to his taking office as Chief Operating Officer.

  He does not benefit as an executive officer from any compensation linked to the cessation of his term of office.

  He had the use of a chauffeur-driven company car as needed (benefit in kind valued at EUR 7,917), and all expenses incurred in the course of his duties were reimbursed on an actual-cost basis.

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

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

The decision to suspend his contract of employment is consistent with the position of the AMF in its reports (2012 and 2013) on corporate governance in regard to the employment contracts of Executive Corporate Officer.

On the reinstatement of his employment contract, Loïk SEGALEN will have the severance and supplementary pension benefits(*) applicable to employees of his category, according to the rules of our Company.

The Board of Directors decided on March 12, 2014 that, like Eric TRAPPIER, Loïk SEGALEN will continue to benefit from the supplementary pension plan(*) applicable to senior executives of the Company. The pension paid shall be calculated according to the average gross annual compensation for his last three years as an executive officer.

On the basis of his compensation in 2013, the supplementary scheme will pay an annual pension of EUR 274,000, representing 24% of Loïk SEGALEN's compensation as Chief Operating Officer.

During his term of office, the Chief Operating Officer also benefits from health and welfare plans applicable to all management employees of the Company.

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

  Loïk SEGALEN received USD 38,572 in directors' fees from the Board of Directors of DASSAULT FALCON JET and EUR 37,750 in directors' fees from the THALES Board of Directors.

(*) The supplementary pension plan is meant for Company executives with at least 10 years of service, who are still employed by the Company at the time of taking retirement, who are at least 60 years of age, and whose salary is greater than four-times the French annual Social Security ceiling (EUR 148 K in 2013).

The pension paid is capped at 10 times the Annual Social Security Ceiling (EUR 370,000 in 2013) and allows a tapered replacement rate, taken over all pension plans, depending on compensation of between 41% and 35%.

2.9.5 <u>Compensation paid to Directors</u>

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

  Olivier DASSAULT received a gross annual compensation of EUR 180,000 in his capacity as Chairman of the Supervisory Board, and a gross annual salary of EUR 148,572. He received a company car (benefit in kind valued at EUR 3,329.37) and was paid EUR 25,666.67 in director's fees.

  Nicole Dassault received EUR 25,666.67 in directors' fees.

- *In respect of DASSAULT AVIATION*:

  Nicole DASSAULT, Olivier DASSAULT, Pierre de BAUSSET, Alain GARCIA, Denis KESSLER and Henri PROGLIO each received EUR 22,000 in directors' fees from the Board of Directors. Philippe HUSTACHE received EUR 4,430.

  In respect of the Audit Committee, Denis KESSLER received EUR 6,000 in additional directors' fees and Henri PROGLIO received EUR 10,000 in additional directors' fees (including EUR 4,000 in his capacity as Chairman of said Committee).

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

  The Directors referred to in Section 1 of the paragraph above did not receive any compensation, directors' fees or benefits in kind.

2.9.6 Summary tables of compensation (AMF Nomenclature)

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

	2012	2013
Charles EDELSTENNE Chairman and Chief Operating Officer until 01/08/2013		
Compensation payable during the fiscal year (breakdown in table 2)	806,870	43,765
Value of year-on-year variable compensation granted during the year	-	-
Value of stock options granted during the year	-	-
Value of free shares granted during the year	-	-
TOTAL	**806,870**	**43,765**
Eric TRAPPIER, Chairman and Chief Executive Officer as of 01/09/2013		
Compensation payable during the fiscal year (breakdown in table 2)	-	1,337,171
Value of year-on-year variable compensation granted during the year	-	-
Value of stock options granted during the year	-	-
Value of free shares granted during the year	-	-
TOTAL	**-**	**1,337,171**
Loïk SEGALEN, Chief Operating Officer with effect from 01/09/2013		
Compensation payable during the fiscal year (breakdown in table 2)	-	1,154,050
Value of year-on-year variable compensation granted during the year	-	-
Value of stock options granted during the year	-	-
Value of free shares granted during the year	-	-
TOTAL	**-**	**1,154,050**

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Table 2 Summary table of compensation paid to each Executive corporate officer (in EUR)

	2012 - amounts		2013 - amounts	
	Payable	**Paid**	**Payable**	**paid**
Charles EDELSTENNE, Chairman and CEO until 01/08/2013				
Fixed compensation	753,840	753,840	10,798	10,798
Annual variable compensation	-	-	-	-
Year-on-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors’ fees (1)	44,000	44,000	32,967	32,967
Benefits in kind	9,030	9,030	-	-
TOTAL	**806,870**	**806,870**	**43,765**	**43,765**
Eric TRAPPIER, Chairman and Chief Executive Officer with effect from 01/09/2013				
Fixed compensation	-	-	1,295,644	1,295,644
Annual variable compensation	-	-	-	-
Year-on-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees (2)	-	-	33,526	33,526
Benefits in kind	-	-	8,001	8,001
TOTAL	**-**	**-**	**1,337,171**	**1,337,171**
Loïk SEGALEN, Chief Operating Officer with effect from 09/01/2013				
Fixed compensation	-	-	1,146,133	1,146,133
Annual variable compensation	-	-	-	-
Year-on-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees (3)	-	-	-	-
Benefits in kind	-	-	7,917	7,917
TOTAL	-	-	**1,154,050**	**1,154,050**

(1) Charles EDELSTENNE also received EUR 196,115.12 as Chief Executive Office of GIMD, EUR 21,000 in directors' fees from the Supervisory Board of GIMD, USD 38,572 in directors' fees from the Board of Directors of DASSAULT FALCON JET and EUR 36,500 in directors' fees from the THALES Board of Directors.
(2) Eric TRAPPIER received directors’ fees of EUR 35,250 from the THALES Board of Directors
(3) Loïk SEGALEN received USD 38,572 in directors' fees from the Board of Directors of DASSAULT FALCON JET and EUR 37,750 in directors' fees from the THALES Board of Directors.

Table 3 Table of directors' fees and other compensation paid to non-executive directors (in EUR)

Non-executive directors	Amounts paid in 2012 (Gross)	Amounts paid in 2013 (Gross)
Serge DASSAULT		
Directors' fees	22,000	22,000
Other compensation	-	-
Charles EDELSTENNE		
Directors' fees	44,000	32,967 (1)
Other compensation	-	-
Nicole DASSAULT		
Directors' fees	22,000	22,000
Other compensation	-	-
Olivier DASSAULT		
Directors' fees	22,000	22,000
Other compensation	-	-
Pierre de BAUSSET		
Directors' fees	22,000	22,000
Other compensation	-	-
Alain GARCIA		
Directors' fees	22,000	22,000
Other compensation	-	-
Philippe HUSTACHE		
Directors' fees	28,000 (2)	4,430
Other compensation	-	-
Denis KESSLER		
Directors' fees	28,000 (2)	28,000 (2)
Other compensation	-	-
Henri PROGLIO		
Directors' fees	32,000 (3)	32,000 (3)
Other compensation	-	-
TOTAL	**242,000**	**207,397**

(1) including EUR 4,500 in respect of the Audit Committee
(2) including EUR 6,000 in respect of the Audit Committee
(3) including EUR 10,000 in respect of the Audit Committee

Table 4 options to subscribe for or purchase shares granted during the year to each executive officer by the issuer or any Group company.

N/A

Table 5 options to subscribe for or purchase shares exercised during the year by each executive officer.

N/A

Table 6 performance shares granted during the year to each executive officer by the issuer or any Group company.

N/A

Table 7 performance shares that became available during the year for each executive officer.

N/A

Table 8 Previous grants of stock options or purchase of shares - Information on subscription or purchase options.

N/A

Table 9 options to subscribe for or purchase shares granted to the ten non-executive employees granted options and exercised by them.

N/A

Table 10 previous allocations of performance shares - Information on performance shares.

N/A

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Table 11 Other information on Executive Corporate Officers

Executive directors	Employment contract	Pension plan supplementary	Compensation or benefits payable or likely to be payable on termination or change of office	Compensation for non-compete agreement
Eric TRAPPIER				
Chairman and Chief Executive Officer	yes [1]	yes [2]	no [2]	no
start of term: 01/09/2013				
end of term: AGM 2015				
Loïk SEGALEN				
Chief Operating Officer	yes [1]	yes [2]	no [2]	no
start of term: 01/09/2013				
end of term: ditto Chairman-CEO				

[1] employment contract suspended as of January 9, 2013

[2] at the end of their term of office, corporate officers receive retirement allowances and supplementary pensions according to the rules applicable to employees in their category. The Board of Directors decided on March 12, 2014 that the reference compensation for the calculation of supplementary pension will be the average gross annual compensation for their last three years as executive officer.

3. Social, environmental and corporate responsibility information

The DASSAULT AVIATION Group actively pursues a policy of corporate environmental and social responsibility (CSR) and promotes six strategic development themes:

- developing innovative products and processes to reduce environmental impact,
- developing the human potential of the Group,
- striving for excellence in employee safety and protection,
- adopting a wage policy that involves employees in the results,
- achieving a responsible approach towards its partners and suppliers,
- making an active contribution to local economic and social life.

These themes are reflected in the ethical commitments of DASSAULT AVIATION Group to unite all Group employees around them.

CSR policy is based on the different departments of Dassault Aviation and its subsidiaries. It is well integrated with the strategy of DASSAULT AVIATION.

Information developed and presented below are part of this dynamic. They relate to the DASSAULT AVIATION Group, comprising the Parent Company and its subsidiaries.

Most of the indicators used take account of the regulatory requirements and of the principles of the GRI (Global Reporting Initiative). A correspondence table between our indicators and these principles is included in appendix 2 of the present report.

"Quality Instructions" formalize the reporting rules, and periodic checks are now carried out by our independent third-party auditor.

However, as detailed in the methodological note included in appendix 1 to this report, certain indicators cannot be consolidated on account of regulatory differences between countries.

3.1 SOCIAL INFORMATION

3.1.1 Staff Policy

The fundamental principles governing the staff policy of the DASSAULT AVIATION Group are:

- attentive job management, designed to preserve our skills in a continually evolving environment,
- an attractive pay policy,
- a permanent staff dialog, manifested via:
  - the search for collective agreement,
  - the smooth functioning of the staff representative institutions,
- combating all forms of discrimination by:
  - the implementation of corporate agreements or action plans, in particular with regard to job equality between men and women, and the employment and retention in employment of disabled people, and the integration and retention in employment of young and older people,
  - informing and training employees and managers on these topics.
- the professional and career development of each employee, based in particular on:
  - Jobs and Skills Forecast Management, making tools available to all employees of the Parent Company for managing their career paths,
  - training, in particular via the DASSAULT Institute for the development of our managers and the Skills Conservatory for the preservation of our skills and know-how,
  - internal mobility: all employees of the Parent Company have access to internal vacancies,
- preventive health & safety actions carried out in coordination with the medical network and the Health & Safety and Working Conditions network, in order to ensure the well-being of employees, both physically and psychologically.

3.1.2 Recruitment

On December 31, 2013, the total number of DASSAULT AVIATION Group employees remained stable and amounted to 11,614 people (compared with 11,582 in 2012 on the same basis).

Entity	Workforce on December 31, 2013
DASSAULT AVIATION Parent Company	**8,061**
DASSAULT FALCON JET	**2,522**
DASSAULT FALCON SERVICE	**580**
SOGITEC INDUSTRIES	**423**
DASSAULT PROCUREMENT SERVICES	**28**
Total :	**11,614**

The workforce of DASSAULT AVIATION Group consists of 9,641 men and 1,973 women, according to the following breakdown:

Distribution by age	
Up to 35 years	23%
36 to 50	40%
Over 51 years	37%

The employees of DASSAULT AVIATION Group are distributed as: 78% in France and 22% in the United States; this is identical to 2012.

As at December 31, 2013, 409 employees of DASSAULT AVIATION Group were employed on a part-time basis, an increase of 5% compared to 2012.

In 2013, DASSAULT AVIATION continued its recruitment policy by hiring 717 people, an increase of 4%.

To prepare for its future recruitment needs, the Parent Company is pursuing its cooperation with educational institutions and establishments.

In order to promote our company and help students to construct their career plans, company employees are officially assigned as "ambassadors" for passing on their skills and taking part in actions run at company level, or at local level by our establishments.

These upstream recruitment efforts are backed by an internship policy designed to facilitate entry into working life. In this way, in 2013, the Parent Company was able to receive 361 interns.

In 2013, 685 employees left DASSAULT AVIATION Group, compared with 596 in 2012, an increase of nearly 15%. Individual dismissals represent 11% of all these departures, stable compared to the previous year. This variation reflects the change in the definition of the indicator (see methodological note in Appendix 1 to this report).

3.1.3 Pay policy

The DASSAULT AVIATION Group pursues a pay policy whose objectives are to reward, motivate and inspire loyalty among its employees, while adapting to its situation and its economic environment.

At December 31, 2013, the average annual compensation of employees of the Group was EUR 50,473. The average annual compensation in the Parent Company, including profit-sharing and incentives, amounted to EUR 65,288.

The Parent Company also encourages employee savings. Company employees can use the Enterprise Savings Plan (PEE - Plan d'Epargne Entreprise), with a wide range of investment possibilities, along with the Collective Retirement Savings Plan (PERCO - Plan d'Epargne pour la Retraite COllectif), with the company matching the employee's contributions.

Furthermore, the Parent Company channeled EUR 21.7 million into the Works' Committees to fund social and cultural activities, representing 5% of the payroll.

3.1.4 Employee relations

The DASSAULT AVIATION Group implements an active employee relations policy. Regular negotiations take place with the staff representatives, giving rise to a staff dialog based on the quest for collective agreement.

In 2013, 11 agreements and amendments were signed on topics as varied as profit-sharing, incentives, employment and retention in employment of people with disabilities, the union intranet, youth and older employment, etc. This information is available on the intranet of the Parent Company.

This regular staff dialog helps to maintain a climate propitious to the smooth running of the company. It operates at several levels, involving:

- staff representative bodies:
  - Works' Committees,
  - Health & Safety and Working Conditions Committees,
  - Staff Delegates,
  - Specialized committees (economic, training, employment, prevention of psychosocial risks, etc.),
  - Central Works Council,
- union organizations:
  - local union delegates and central union delegates,
  - Representative of the union sections,
- the Board of Directors: the Central Works Council is represented on the Board of Directors.

An agreement of the Parent Company on the role, capabilities and career of staff representatives, signed in 2010, facilitates the functioning of trade unions and staff representative bodies by providing many additional resources to those provided by law (time off for trade union duties, budgetary allocations for the unions, material resources, career-monitoring facility for staff representatives).

3.1.5 Diversity

The DASSAULT AVIATION Group adheres to the principles of non-discrimination and promotes its desire to encourage diversity, considered a key factor in its Human Resources policy. This desire is manifested in the signing of corporate agreements and the implementation of action plans in the areas of job equality between men and women, the employment of disabled people and the integration and retention in employment of young and older employees.

In order to raise the awareness of all managers about the issues of diversity, and to integrate these more efficiently into the job of management, the Parent Company continued training in 2013 on the theme: "Management and diversity". 475 managers were trained in 2013, with a total of 961 managers receiving training since 2012.

In 2013, the Parent Company reaffirmed its policy with regard to job equality for men and women by implementing an agreement signed in late 2011, reinforcing the provisions of the previous agreement dating from 2007.

Furthermore, DASSAULT AVIATION is pursuing its policy to develop diversity within the Company, particularly in technical and industrial trades. This desire to encourage the employment of women is manifested through recruitment targets and through the deployment of communication campaigns in educational establishments in order to get women students to learn more about the technical professions. Particular attention is paid to the training and career development of women, notably through encouraging their access to the management training of the DASSAULT Institute.

The subsidiaries SOGITEC INDUSTRIES and DASSAULT FALCON SERVICE have also begun measures to promote access to training and the reconciliation of work and private life.

In its continued commitment to encourage recruitment, retention in employment and career development of disabled employees, in 2013 the Parent Company signed with all the unions an amendment to the 2010 agreement on the employment of disabled people.

In this respect, the Company has organized an information campaign about disability titled « j’ai un handicap, et alors ?» ("I'm disabled – so what?"). Introduced in all of the Company's nine facilities, the aims of the event were to raise staff awareness on disability issues, to enhance the actions and commitments of DASSAULT AVIATION in this area, to fight against certain stereotypes, and also to serve as a reminder about existing arrangements made available to the employees concerned.
This event has also been completed throughout the year by local actions implemented at the instigation of local "Cap Avenir" committees.

The Parent Company also works upstream on training disabled people in the aerospace professions. For example, the company has renewed its partnership with the Hanvol Association, created in 2010 with the support of GIFAS (the Association of French Aeronautical and Space Industries), and other aerospace companies, to promote the training and integration of disabled people through the establishment of work-study training.

The commitments of the Parent Company with regard to the employment of disabled people have been manifested through a hiring rate greater than the legal minimum of 6%. At the end of 2013, DASSAULT AVIATION Group employed 608 disabled workers, compared with 633 in 2012. To this may be added initiatives in favor of the protected sector (i.e.: for the employment of disabled people) and the induction of disabled interns.

Lastly, through an "intergenerational" agreement signed in 2013, the Parent Company is committed to promote the sustainable integration of young people in employment by giving them access to permanent contracts, hiring and retaining older workers in employment, but also to ensure the transmission of knowledge and skills. Similarly, SOGITEC INDUSTRIES and DASSAULT FALCON SERVICE are committed to action plans on these issues.

Coordinators are appointed to lead and monitor the initiatives provided for in the agreements signed by the Parent Company.

3.1.6 Human Resources development

In the Group, the actions undertaken in 2013 underpinned the maintenance and development of employee skills levels, taking into account both individual and collective aspirations, on the one hand, and the social and economic climate of the Company, on the other.

In the Parent Company, several arrangements continue to bear fruit. These include:

- The high degree of technicality of our activities leads us to develop special relations with the world of education, thereby helping to ensure the suitability and quality of the training of our future recruits,
- the integration of new employees: "ENVOL days" bring together newly hired executive staff to meet with managers and discuss the issues and challenges affecting the Company,
- professional mobility, a crucial tool for assuring vitality, allows the Company to satisfy its human resources needs while catering to the aspirations of employees,
- the transfer of operational know-how through the Skills Conservatory (the range of training courses continues to develop) is deployed on all sites,
- an overhaul of the DASSAULT Institute management programs is laying the groundwork for the future by developing the skills of managers and improving the performance of our organization within an ever-changing environment. In this context, an additional arrangement, the "Industrial Agreements", has been introduced for the first-level managers of production facilities to support the industrial developments of the Parent Company,
- our investments in professional training meet the operational needs of the company and its employees. They represent 224,927 hours of training for the DASSAULT AVIATION Group or, on a comparable basis against 2012, a decrease of 10%,
- our work/study policy, centered on our core businesses, continues to develop.

3.1.7 Health and Safety at Work

Health and safety at work are priorities in DASSAULT AVIATION policy.

In 2013, DASSAULT AVIATION paid particular attention to leading improvement initiatives that in the following areas have resulted in:

- our continued effort in the prevention of psychosocial risks by implementing improvement action plans both centrally and in each facility. Furthermore, the training initiatives for the management teams, initiated in 2008, continued to be pursued in 2013. A joint committee meets twice a year to monitor the implementation of our agreement,
- the reduction in exposure to key factors of work stress by strengthening collective and individual protection from chemical risks, noise reduction at source and the layout of workstations based on ergonomic studies,

- the introduction of risk prevention sheets for the employees concerned,
- the continued action of substitution of hazardous chemicals in favor of new methods entailing lower risk.

At the Parent Company, the following initiatives have been introduced to improve working conditions and enhance risk management:

- the launch of action plans to reduce absenteeism and work accidents,
- ATEX (Explosive Atmosphere) technical risk assessment,
- the provision of a Company catalog of personal protective equipment,
- the establishment of a central organization for the study and analysis of new chemical products,
- technical validation of new methods to reduce chromate exposure,
- the improvement of working conditions in the design of new workstations using "Immersive Reality Center" technology and the provision of ergonomics resources,
- defining standards of prevention of chemical risk in aircraft operations,
- preparation of an electrical safety handbook suited to activities of the Parent Company.

For the DASSAULT AVIATION Group, absenteeism at 31 December 2013 amounted to 84,104 days of absence from all causes, except for maternity and parental leave.

The number of work-related accidents with work stoppage amounted to 202 in 2013 compared with 189 in 2012 for a total number of days of absence of 6,033 against 7,852 in 2012. The frequency rate rose slightly from 10.21 to 10.97 and the severity rate decreased from 0.42 to 0.33.

Finally, in the Group in 2013, 24 cases of occupational illnesses were identified by the various competent authorities, against 23 in 2012.

For the Parent Company, this mainly involved repetitive strain injuries.

3.2 ENVIRONMENTAL INFORMATION

3.2.1 General framework

A policy of environmental improvement has been observed for more than 10 years in the DASSAULT AVIATION Group. This policy is based on a management system deployed by stages:

- ISO 14001 certification of the Little Rock site of DASSAULT FALCON JET in the United States (2002),
- ISO 14001 certification of the industrial sites of the Parent Company (2002-2006),
- overall certification of the Parent Company from inception to After-Sales (2007),
- integration of Quality and Environment certifications for the Parent Company (2009),
- continued work for compliance with ISO 14001 for DASSAULT FALCON SERVICE on its Le Bourget site.

This approach has significantly contributed to:

- the significant reduction of the environmental impacts of our activities (see Section 3.2.7),
- the reduction and improved management of our environmental risks (see Section 1.5.8),
- improved responsiveness to regulatory changes.

3.2.2 Environmental commitment

Since 2008, the Parent Company has been a member of the Council for Civil Aeronautical research (CORAC) set up following the Grenelle de l'Environnement conference for defining and implementing technological research and innovation actions. Its purpose is to achieve the environmental objectives set at European level for 2020 and to reinforce the competitiveness of the sector.

The Parent Company is also one of the founding members of the IAEG (International Aerospace Environmental Group), created in 2011, whose objectives are to promote and facilitate the integration of environmental concerns in the world aerospace industry. DASSAULT FALCON JET and DASSAULT PROCUREMENT SERVICES signed up to the IAEG in 2012.

In 2013, the main lines of work of the IAEG were focused on:

- the monitoring of all chemicals throughout the supply chain,
- the determination of which chemical substances to be substituted as a priority,
- Greenhouse Gas inventories.

3.2.3 Environmental objectives

Over the past 40 years, technological progress with regard to engine efficiency, aerodynamics and weight saving have made it possible to reduce considerably the fuel consumption, CO_2 emissions and noise nuisance from our aircraft.

DASSAULT AVIATION intends to pursue this path and has therefore subscribed to the objectives defined by the Advisory Council for Aeronautics Research in Europe (ACARE):

- 50% reduction of noise levels on the ground,
- 50% reduction of CO_2 emissions,
- reducing the environmental impact created by the production and withdrawal from service of aircraft.

On the industrial side, we continue our goal of reducing the environmental impact of our facilities. Thus, since the beginning of the process, we have reduced:

- our water consumption by 70%,
- our VOC emissions by 50%,
- our consumption of heavy fuel oil by 100%.

3.2.4 Eco-approach

In 2011, based on these objectives, the Parent Company has constructed an "Eco-approach 2021" plan grounded on two key points: eco-design (green aircraft) and eco-production (green factory).

On the "green aircraft" aspect, the Parent Company:

- is participating in studies on the aircraft of the future, particularly in the context of the European project CLEANSKY,
- relies on the Life Cycle Assessment (LCA) analysis method to assess the environmental impact of aircraft and its activities.

In regard to "green factory", whether for regulatory reasons or as part of the development of more environmentally friendly technologies, the Parent Company is conducting numerous projects:

- for the development of cleaner processes,
- for the replacement of substances of concern such as chromates and cadmium.

3.2.5 Employee awareness

In the DASSAULT AVIATION Group environmental matters are the responsibility of a central team coordinating the environmental initiatives of the facilities, departments and subsidiaries.

Each of the Parent Company's facilities has an Environment team and a network of Environment officers. Each subsidiary has at least one Environment officer.

The Environment teams and Environment officers undergo regular awareness training on environmental issues, for example, for the Parent Company, through specific seminars on the topic.

The staff has been made conscious of good environmental practices including measures for resource saving, waste sorting, the use of chemicals, etc

For activities that have a significant impact on the environment, specific training is implemented, such as REACh, international regulation, chemical hazard, asbestos hazard, etc.

Workers from outside companies are made aware by means of prevention plans and other site-specific documents.

3.2.6 Administrative regimes

The French industrial sites are subject to ICPE (Environment Protection Classified Installations) legislation, and as such possess all the recent administrative authorizations.

The Poitiers site, the only DASSAULT AVIATION Group site to be classified as "low threshold" under the Seveso Directive, is being reclassified following the replacement of the chemical machining of titanium (Super Plastic Forming - Diffusion Bonding) by a more environmentally friendly manufacturing process.

The Martignas and Saint-Cloud sites are subject to the "Declaration" regime, while the other establishments of the Parent Company and the DASSAULT FALCON SERVICE site at Le Bourget are subject to the "Authorization" regime.

The SOGITEC INDUSTRIES sites are not classified.

The industrial sites of foreign subsidiaries are monitored in accordance with the regulations of their country.

3.2.7 Environmental performance

- ***Energy consumption***

Energy is in the main consumed in the framework of the industrial activity of the production sites, and the aviation activity.

in Gigajoules	2012		2013	
	Parent Company	Consolidated	Parent Company	Consolidated
Energy excluding kerosene (ENE001)	612,854	895,618	619,626	931,580
Kerosene (ENE002)	234,093	498,889	257,948	539,749
Total	846,947	1,394,507	877,574	1,471,329

With the exception of the kerosene consumed by the aircraft, the main energy sources are electricity and gas.

in Gigajoules	2012		2013	
	Parent Company	Consolidated	Parent Company	Consolidated
Electricity (ENE001-a)	343,374	512,268	340,575	518,547
Natural gas (ENE001-b)	266,397	378,218	273,196	403,086
LPG (ENE001-c)	178	178	107	107
Domestic fuel oil (ENE001-d)	2,904	4,953	5,748	9,840
Heavy fuel oil (ENE001-e)	0	0	0	0
Total (ENE001)	612,853	895,617	619,626	931,580

Electricity consumption remained stable in 2013 despite the increased size of working premises. Gas consumption by the Parent Company is increasing, due to adverse weather conditions in the first quarter.

In 2013, an energy pre-diagnosis was performed on all Parent Company sites. This resulted in a mapping of energy consumption, to identify potential actions for improvement.

- ***Water consumption***

The water used comes from public supply networks, or from pumped groundwater.

in cubic meters	2012		2013	
	Parent Company	Consolidated	Parent Company	Consolidated
Mains water (EAU001-a)	112,875	160,583	113,872	158,767
Groundwater (EAU001-b)	35,839	35,839	36,424	37,016
Total (EAU001)	148,714	196,422	150,296	195,783

The increase in consumption between 2012 and 2013 does not negate the significant reduction in water consumption of about 55% in 10 years, which is the result of actions taken on:

- supply network renovation,
- the elimination of open-circuit installations,
- changes to production processes,
- the recycling of industrial wastewater,
- restricting the watering of green spaces,
- the recovery of rainwater or industrial water.

- ***Raw materials and other products***

The aircraft structures mainly consist of aluminum, 80% of which comes from recycled raw materials.

in tonnes	2012		2013	
	Parent Company	Consolidated	Parent Company	Consolidated
Aluminum (MAT001)	4,214	4,235	5,668	5,692
Titanium (MAT002)	101	101	78	78
Composites (MAT003)	106	145	111	150
Steel (MAT005)	161	ND	123	123

The increase in aluminum consumption is linked to the growth of our business and the launch of new programs.

After machining, more than 80% of the aluminum consumed is reinjected into the metals recycling circuit (R4 channel).

The modernization of the machines pool and the process changes have enabled significant reductions in the consumption of the chemical products used, such as solvents, cleaning products and cutting fluids.

Current actions on more environmentally friendly production processes will in the long time contribute to reducing the consumption of materials (Eco-approach 2021 plan).

In 2013, initiatives to substitute substances of concern and reduce chemical risks were stepped up, especially in processes using mixtures containing hexavalent chromium.

- ***Atmospheric discharges***

Greenhouse gas emissions

The first inventories on emissions of Greenhouse Gases (GHG) of the Parent Company and of DASSAULT FALCON SERVICE were published in 2012 for reference year 2011, in accordance with Article 75 of the Grenelle 2 Act.

The inventory was made for direct emissions (scope 1) and indirect emissions from electricity consumption (scope 2).

in tonnes of CO2	2012		2013	
	Parent Company	Consolidated	Parent Company	Consolidated
Scope 1 (AIR001-S1)	33,890	(*)60,016	35,883	64,716
Scope 2 (AIR001-S2)	5,722	28,045	5,676	28,024
Total 1 + 2 (AIR001)	39,612	88,061	41,559	92,740

(*) excluding emissions linked to refrigeration processes in the US subsidiaries.

GHG emissions derive essentially from combustion installations (boilers and backup generators) and aviation activity (scope 1).

The Parent Company has taken action to reduce GHG emissions. Note in particular the setting up of platforms for the distribution of raw materials which reduce significantly the emissions linked to road transport.

The results of the 2013 energy pre-diagnosis helped identify future areas of potential CO_2 footprint reduction for the Company.

As it does every year, the Parent Company produced a CO_2 declaration for its aviation activity in the framework of the "Emissions Trading Scheme" regulations.

Emission of Volatile Organic Compounds (VOC)

in tonnes of VOC	2012		2013	
	Parent Company	Consolidated	Parent Company	Consolidated
Total quantity (AIR004)	61	151	66	153

The increase in emission of VOCs between 2012 and 2013 does not negate the significant reduction achieved for 10 years through:

- the reduction of chemical machining processes,
- the almost total elimination of trichloroethylene,
- the replacement of methyl ethyl ketone.

Since 1993, VOC emissions from aircraft have been reduced by 79% on the DASSAULT FALCON JET site at Little Rock.

The use of halogenated solvents has also been significantly reduced (over 90% in 10 years).

Halting the chemical machining of titanium process (SPFDB) in 2013 will further improve the environmental performance in VOCs of the Parent Company.

Other atmospheric discharges

Phasing out the heavy fuel oil boilers restricted SO_2 emissions exclusively to the discharges from aviation activity (kerosene).

- ***Wastewater***

The production sites likely to generate industrial wastewater are equipped with detoxification stations or wastewater treatment installations of the "zero liquid discharge" type.

This equipment gives us heavy metal discharge rates lower than the value limits set by the regulations.

On all institutions involved in the monitoring of the Release of Hazardous Substances in Water, only the Mérignac site requires permanent monitoring.

In order to prevent accidental pollution, the sites are equipped with hydrocarbon separators, stripping areas and containment basins for fire-extinguishing water.

Sites situated over water tables have instituted monitoring of the water quality (piezometer) when their activities so require.

- ***Waste***

The waste generated is divided into Non-Hazardous Waste (paper, cardboard, metals, etc.) and Hazardous Waste (contaminated packaging, oils, metal hydroxide sludge, solvents, etc.).

in tonnes	2012		2013	
	Parent Company	Consolidated	Parent Company	Consolidated
Non-hazardous (DEC001-a)	6,325	7,896	6,612	8,121
Hazardous (DEC001-b)	1,554	2,086	1,520	2,125
Total (DEC001)	7,879	9,982	8,132	10,246
Recycling % (DEC002)	80.4	N/A	84.8	N/A

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

- recycling of metals,
- energy recovery,
- the reuse of non-metallic materials.

Each facility has a specific collection area, fitted to prevent accidental pollution.

- ***Conditions of ground use***

Excluding the historic Saint-Cloud and Argenteuil sites, which are located in urban zones, the sites of the DASSAULT AVIATION Group have been laid out with a view to preserving green spaces.

The average proportion of sealed surfaces (developed land and roads) amounted to 48% in 2013 for the Parent Company (SOL001 indicator), and was in the order of 56% for the subsidiaries.

- ***Noise and vibrations***

In the production facilities, noisy equipment is isolated geographically or physically, and devices likely to generate vibrations are set up on antivibration mountings.

Noise level measurements have not revealed any significant noise pollution for the vicinity.

Ground tests and flight operations are conducted in compliance with applicable regulations.

- ***Transport***

Travel by DASSAULT AVIATION Group employees has been minimized by the implementation of collaborative tools, videoconferencing or business centers/lounges.

The industrial streamlining carried out by the Parent Company has provided the opportunity to optimize inter-site transport for persons and goods.

The arrangements for ferrying personnel by bus have been optimized in terms of circuits and capacity in order to match actual needs.

Three facilities (Saint-Cloud, Istres and Argenteuil) are involved in the development of a Company Travel Plan restricting the use of private cars. In this regard the following have been conducted:

- awareness campaigns for a Company Travel Plan or the use of electric vehicles,
- encouragement to carpool through the provision of a "matchmaking" noticeboard,
- promotion of electric bikes and the conversion of specific parking areas.

In 2013, the establishment of DASSAULT FALCON SERVICE at Le Bourget voluntarily committed to the process of an Inter-Company Travel Plan by signing the "PRO'MOBILITE LE BOURGET" Charter aimed at optimizing the transport in the airport area.

Finally, the implementation of distribution platforms for chemicals and materials contributes to the reduction of transport flows.

- ***Biodiversity***

The activities of the DASSAULT AVIATION Group have no known impact on biodiversity.

Our facilities are situated within dedicated industrial or airport zones.
Only the sites at Istres, Biarritz (Parent Company) and Reno (Dassault Falcon Jet) are close to outstanding natural areas (BIO001 Indicator).

3.2.8 Resources committed to the environment

Every year the DASSAULT AVIATION Group carries out actions of improvement for the preservation of the environment and reduction of its carbon footprint. As examples, in 2013:

- the replacement of air conditioners running on R22 (refrigerant with high global warming potential) and the gradual withdrawal of smoke detectors using ionization chambers,
- the establishment of centralized technical energy management at Istres,
- the installation of solar heating at Martignas,
- the replacement of part of the fleet with electric vehicles,
- the extension of the rainwater recovery circuit at Argenteuil,
- the reuse of decontaminated water for cooling facilities at Biarritz,
- the recovery of bio-waste,
- the replacement of heating, ventilation and air conditioning (DASSAULT FALCON JET),
- the acquisition of a solvent regenerator (DASSAULT FALCON JET),
- the dismantling of surface treatments (DASSAULT FALCON JET),
- using recycled plastic pallets instead of wooden pallets (DASSAULT PROCUREMENT SERVICES).

3.2.9 Environmental risk management

The management of environmental risk is discussed in paragraph 1.5.8.

3.3 CORPORATE RESPONSIBILITY INFORMATION

3.3.1 Company commitments in favor of sustainable development

- ***A policy of sustainability***

Because of the peculiarities of its activities, the DASSAULT AVIATION Group remains committed to a policy of sustainability, both in the choice of its partners and in its purchasing policy.

The service life of our aircraft requires us to anticipate the constraints relating to their life cycle from the time of their design. To achieve this, the DASSAULT AVIATION Group is constantly innovating, supported in this by efficient digital industrial processes such as PLM. All the Group's suppliers are involved in this process.

We optimize our production to increase efficiency while improving the working conditions of our employees. To this effect, we have launched an action plan for "Improving Responsiveness in Production (IRP)" and we are developing the "digital factory" concept placing line or control operatives in an environment that meets their needs.

Similarly, our Group's approach, with its commitment to ecology (via eco-design), the use of new materials and the definition of new clean processes, makes a strong contribution to the optimization of our products and stands us in good stead in the face of future regulations.

- ***A culture of safety and performance***

The markets on which our Group operates are highly competitive. In order to satisfy our clients and meet their expectations with regard to high technology, performance and innovation, we are obliged to constantly optimize the features of our aircraft, the on-board services and the associated ground services.

As part of our security policy and performance, we work closely with the French and international airworthiness authorities, both civil and military. We are regularly audited by these authorities to ensure that we strictly adhere to the regulations on design, manufacture and testing, maintenance, and security management.

In the same way, aircraft operations and logistics support are governed by specific regulations that apply to operators.

The necessary reactivity, whether employed preventively or in an emergency in the event of a breakdown, has led us, via our subsidiaries and DASSAULT FALCON SERVICE and DASSAULT FALCON JET to develop close links with local industry whose proximity is a guarantee of efficacy and safety.

- ***Corporate commitment for industrial and purchasing activities***

In the framework of its industrial and purchasing activities, the DASSAULT AVIATION Group:

- procures, purchases, manufactures and integrates all the elements making up its aircraft, then carries out the internal fittings according to the requirements of its customers,
- disassembles, repairs and reinstalls these same elements while the aircraft is in service,
- ensures control over its supply chain, directly or through its subsidiary DASSAULT PROCUREMENT SERVICES in the case of North American suppliers,
- informs of any procurement instabilities in order to ensure long-term respect of its commitments on the production of aircraft and throughout the aircraft service cycle.

All these activities have a strong territorial, economic and social impact. The DASSAULT AVIATION Group demonstrates its commitment to social responsibility, in particular, in major issues related to its Supply Chain and in the constructive dialogue conducted with all stakeholders involved in these processes: users, suppliers, staff, authorities, auditing agencies, local authorities, professional associations, the academic community, ...

- ***Importance of purchasing***

In 2013, the purchasing commitments of the DASSAULT AVIATION Group represented approximately EUR 2 billion and cover numerous areas of expertise:

- raw materials, engines, equipment and finishing represent three quarters of all purchasing. About 60% takes place with French suppliers,
- aerostructures purchases (structural elements of the aircraft) represent about EUR 430 million involving 250 suppliers.

Segmentation of our suppliers	
Strategic partners	20%
Production subcontractors managed locally	60%
Production support	20%

Over 60% of these suppliers are managed locally by the establishments of the DASSAULT AVIATION Parent Company, underlining the importance placed on local industry. As part of our research and testing activities we work with about 80 suppliers.

The purchases made by DASSAULT FALCON JET for executing its missions (distribution of aircraft and spare parts, internal fittings, maintenance) represent EUR 300 million.

Purchases made by DASSAULT FALCON SERVICE represented approximately EUR 45 million over the year. French suppliers are responsible for 90% of these purchases.

Purchases made by SOGITEC INDUSTRIES represent approximately EUR 25 million. French suppliers are responsible for 75% of these purchases.

- ***Our purchasing policy and the securing of our Supply Chain***

The guiding principles of our purchasing policy lead us to integrate, as far as possible, our suppliers in the industrial and logistical processes, in the quest for:

- reactivity,
- long-lasting relationship,
- cost control,
- optimization of the consumption of resources,
- inventory reduction.

Our corporate approach is passed on to our suppliers by way of our technical and industrial specifications, our Quality/Environment purchasing clauses and our contractual requirements.

We require our Supply Chain to have the same commitment.

We control the risks represented by our suppliers employing a formal and systematic approach and we require them to undergo an accreditation process before placing orders.

We permanently carry out actions to assess and audit our suppliers, taking into account compliance with Quality and Environment requirements. We ask them to improve by means of "progress plans" that we monitor through to successful completion.

For non-aerostructure purchases, more than 1,200 suppliers have been evaluated. Of these, around 100 account for approximately 80% of our purchases, and they are subject to specific monitoring.

For aerostructure purchases, 200 suppliers have been certified, and 50 of them are subject to specific monitoring.

We also carry out training initiatives with our buyers, and with our suppliers for the establishment of best practices.

Lastly, we make sure that these initiatives do not constitute an inordinate burden for our suppliers by pooling our requests with the other contracting clients in the aeronautical sector. To this end, we participate actively in the QUALIFAS and SPACE (Supply Chain Progress towards Aerospace Community Excellence) initiatives run by the profession.

Our commitment to the quality of the relationship with our suppliers has been rewarded. A survey conducted in 2013 on the practices of principals vis-à-vis SMEs ranks DASSAULT AVIATION in 3rd place nationally, and 1st in the aeronautical sector.

- ***Territorial influence***

The DASSAULT AVIATION Group has an extensive territorial spread:

- DASSAULT AVIATION possesses 9 sites in France and manages locally a large number of suppliers,
- DASSAULT FALCON SERVICE is located in the airport platforms of Le Bourget, London-Luton and Moscow-Vnukovo,
- SOGITEC INDUSTRIES is based on 3 sites in France,
- DASSAULT FALCON JET has 6 sites in the USA.

In addition to our relationship with national authorities to which we are accountable on regulatory compliance, our facilities also have many relationships with local authorities: prefectures, Regional Directorates of Environment, Planning and Housing, Regional Pensions and Safety at Work Offices (CARSAT), Nuclear Safety Authority, Regional Directorates for Enterprise, Competition, Consumer Affairs, Labor and Employment, Customs, etc.

We participate actively on territorial bodies: Chambers of Commerce & Industry, Territorial Economic & Social Councils, Environment Committees and the Franco-American Chamber of Commerce,…

We also participate actively in clusters or regional professional organizations: including Aerospace Valley (Midi-Pyrénées & Aquitaine) Pegase (Provence-Alpes-Côte d'Azur), BAAS (Bordeaux Aquitaine Aerospace) Club for Partners in Sustainable Development of Le Bourget Airport, development agencies in Arkansas, Delaware, New Jersey, ...

We are a member of the Conservatoire de l'Aéronautique et de l'Espace.

- ***Relations with the world of Education***

We place high emphasis on the training of future generations of specialists.

The high degree of technicality of our activities leads us to develop locally special relations with the world of education, thereby helping to ensure the suitability and quality of the training of our future recruits.
We participate in the discussions held in the framework of professional organizations GIFAS (the Association of French Aeronautical and Space Industries), etc., or with teaching bodies and institutions (engineering schools, universities, vocational schools) to adapt the curriculum to the needs identified in the medium or long-term aeronautical industries.
We encourage our personnel to:

- supervise technical projects,
- teach classes,
- participate on examination juries.

We take part in business gatherings (forums, company presentations, etc.) and organize visits to our sites for pupils, students and their opinion formers (teachers, career advisors, headmasters, etc.).

We have actively participated in the "Trades Airplane" event during the Le Bourget Trade Fair of 2013.

We also provide these various populations with the opportunity to get to know better our technologies, our professions, our values and our products through internships, VIEs and work-study periods. The number of apprentices that we take is greater than the minimum required by law.

- ***Raising employee awareness about responsible behavior***

DASSAULT AVIATION Group encourages staff to demonstrate responsible behavior through Company or local campaigns, at the initiative of the managers of our sites.

We therefore urge employees to pool their means of transport; we have organized "road accident prevention" days; installed remote communication tools (such as videoconferencing systems), made available to employees in order to keep their travel to a minimum. We have organized conferences on the themes of Health & Safety in the workplace, addiction prevention, stress, etc.

- ***Charitable actions***

The DASSAULT AVIATION Group is actively involved in many charities.

For example, we support the "Course du Cœur" ("Race for the Heart") initiative in aid of organ donation; "Rêves de Gosse" ("A Child's Dream"), offering disabled children the opportunity to fly in a plane for the first time; "Technowest", for the integration of young people into the world of employment; "Humaquitaine", for the renovation of state schools in Senegal, etc. We have developed a partnership with the Mercure Association (gifts of materials for the restoration of aircraft by the members, all aviation enthusiasts) and events for the "Les Vieilles Racines" ("Old Roots") Association (former employees of aerospace companies).

3.3.2 Loyal practices

The DASSAULT AVIATION Group asserts, via its Ethical Charter, the values serving as the basis of the action of all its employees.

This Charter sets out a code of conduct towards customers, partners and suppliers.

Observing a strict code of ethics, we act in accordance with the Convention of the Organization for Economic Cooperation and Development (OECD), the United Nations Convention (UN) and national legislation on the fight against corruption.

The DASSAULT AVIATION Group conducts an active policy for the prevention of corruption, in particular by way of strict internal procedures and the training of its employees. DASSAULT AVIATION is, moreover, signatory to numerous international undertakings on the prevention of corruption: Global Compact, Common Industry Standards, Global Principles (see website: www.dassault-aviation.com, Ethics section).

3.3.3 Human Rights

The DASSAULT AVIATION Group, whose main sites are located in France and the USA, complies with all the national and international laws and regulations relating to Human Rights protection. It acts in conformity with the Universal Declaration of Human Rights and the texts of the OECD and the International Labor Organization relating to Human Rights. The Ethical Charter reflects this commitment.

DASSAULT AVIATION, which subscribed in 2003 to the UN Global Compact, adopted the latter's 10 principles including the principle dedicated to respecting human rights, as featuring in its general purchasing conditions

(see also, above [3.1], the social information for details of the commitments relating to employee rights, and the website: www.dassault-aviation.com, Ethics section).

4. Proposed resolutions

The resolutions submitted for your approval cover the following points:

Ordinary resolutions:

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

  You are asked to approve the annual statements of the Parent Company (resolution 1) and the consolidated statements (resolution 2) for the year ended December 31, 2013.

  These financial statements were approved by the Board of Directors on March 12, 2014 after prior examination by the Audit Committee, and were the subject of the reports of the Statutory Auditors, featuring in the 2013 Annual Financial Report.

- **Approval of a related party transaction for a real estate lease granted by GIMD:**

  The Special Auditors' Report included in the Annual Financial Report 2013 refers to related party transactions or commitments approved in prior years which continued to be implemented in 2013. It also reports a new transaction authorized by the Board of Directors on March 13, 2013 laying down the conditions of the lease granted by GIMD to DASSAULT AVIATION on an office building already occupied by DASSAULT AVIATION, which GIMD has just acquired. You are asked to approve the terms of this lease (resolution 3).

- **Approval of a related party transaction on the continued benefit from the supplementary pension applicable to senior executives of the Company in favor of the Chairman and Chief Executive Officer:**

  On reinstatement of his employment contract (contract suspended), Eric TRAPPIER will benefit from the collective supplementary defined benefits pension plan for senior executives of the Company. In its meeting of March 12, 2014 the Board of Directors authorized the continuation of the supplementary pension for Eric TRAPPIER in his capacity as Executive Officer, calculated on the basis of his average gross annual compensation in his last three years as corporate officer.

  This supplementary pension plan, based on his compensation in 2013, would pay him an annual pension of EUR 333,000, representing 26% of his compensation.

  You are asked to approve the continuation of the plan described in paragraph 2.9.3 of this report and in the Auditors' special report for Eric TRAPPIER in his capacity as Chairman and Chief Executive Officer (resolution 4).

- **Approval of a related party transaction on the continued benefit from the supplementary pension applicable to senior executives of the Company in favor of the Chief Operating Officer:**

  On reinstatement of his employment contract (contract suspended), Loïk SEGALEN will benefit from the collective supplementary defined benefits pension plan for senior executives of the Company. In its meeting of March 12, 2014 the Board of Directors authorized the continuation of the supplementary pension plan for Loïk SEGALEN in his capacity as Executive Officer, the pension being calculated on the basis of his average gross annual compensation in his last three years as corporate officer.

  This supplementary pension plan, based on his compensation in 2013, would pay him an annual pension of EUR 274,000, representing 24% of his compensation.

  You are asked to approve the continuation of the scheme described in paragraph 2.9.4 of this report and in the Auditors' special report for Loïk SEGALEN in his capacity as Chief Operating Officer (resolution 5).

- **Advisory vote on the compensation package of the Chairman and Chief Executive Officer:**

  It is recommended that the compensation paid to Executive Directors should be submitted to an advisory vote by the shareholders. It is therefore proposed to the Meeting (resolution 6) that an opinion be issued on the compensation package payable and allocated for 2013 to Eric TRAPPIER, Chairman and Chief Executive Officer, as detailed in paragraphs 2.9.3 "Compensation of the Chairman and CEO" and 2.9.6 "Summary Tables of Compensation" (Tables 1, 2 and 11).

- **Advisory vote on the compensation package of the Chief Operating Officer:**

  It is recommended that the compensation paid to Executive Directors should be submitted to an advisory vote by the shareholders. It is therefore proposed to the Meeting (resolution #7) that an opinion be issued on the compensation package payable and allocated for 2013 to Loïk SEGALEN, Chief Operating Officer, as detailed in paragraphs 2.9.4 "Compensation of the Chief Operating Officer" and 2.9.6 "Summary Tables of Compensation" (Tables 1, 2 and 11).

- **Discharge of Directors from any liability arising from their management of the Company:**

  We propose that you discharge the Directors from any liability in the execution of their terms of office during 2013 (resolution 8).

- **Appropriation and distribution of the net income of the Parent Company:**

  We propose to you that the net income for the year, plus retained earnings of previous years, for a total attributable of EUR 3,297,806,922.08 for the year 2013, be subject to a distribution of a dividend per share of EUR 8.90, falling due for payment on May 26, 2014, with the remaining balance to retained earnings (resolution 9).

Extraordinary resolutions:

- **Amendment of the 2nd paragraph of Article 13 of the Bylaws concerning the term of office of Directors:**

  With a view to better governance, it is proposed that the term of office of Directors be reduced from 6 years to 4 years. For current terms of office, this change will apply when these terms expire (resolution 10).

- **Addition of a 4th paragraph to Article 13 of the Bylaws to incorporate the terms of appointment of a Director representing the employees:**

  In accordance with the Act of June 14, 2013 on the protection of jobs, employee participation on the Board of Directors has become mandatory. The number of Directors representing employees with voting rights must be at least 1 when the number of Directors is less than or equal to 12 and at least 2 when the number of Directors is more than 12.

  As our Board has only 9 members, one Director representing the employees must be appointed.

  The method of appointment of the Director representing the employees must be subject to an amendment of the Company Bylaws to be incorporated into them.

  It is therefore proposed to include in the Bylaws the method of appointment that has been chosen, namely appointment by the union totalizing the most votes in the local works council elections of the Company and its direct and indirect subsidiaries with headquarters on French territory, after consultation and favorable opinion from the Central Works Council (resolution 11).

- **Corresponding adjustments to Articles 14, 15 and 32 of the Bylaws:**

  As a result of the foregoing amendment, it is necessary to make a number of adjustments to the Bylaws (resolution 12, 13 and 14).

- **Harmonization of paragraphs 18.1 and 24.3 of the Bylaws with the current wording of Article L. 225-29 of the French Commercial Code :**

  Given the repeal of 2nd paragraph of Article L. 225-39 of the French Commercial Code by Act No. 2011-525 of May 15, 2011, it is proposed to delete accordingly the 3rd section of paragraph 18.1 and the 2nd sentence of paragraph 24.3 of the Bylaws, relating to transactions relating to current operations entered into under normal conditions (resolution 15).

Ordinary resolutions:

- **Reappointment of a Director:**

  As the term of office of Mr. Henri PROGLIO expires at the end of the Meeting, it is proposed to renew it for 4 years (resolution 16).

- **Appointment of a new Director:**

  In public listed companies, the proportion of women may not be less than 20% at the end of the AGM of 2014.

  We therefore propose the appointment of Mrs. Marie-Hélène HABERT-DASSAULT as Director for a term of 4 years (resolution #17). Marie-Hélène HABERT-DASSAULT is:

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

  - Director:
    Biomerieux SA
    Artcurial SA

  - General Manager:
    H. Investissements SARL
    SCI Duquesne
    HDH (Société civile).

- **Increase in the total annual amount of fees paid to Directors:**

  The annual amount of EUR 247,730 authorized by the Shareholders' Meeting is fully utilized.

Given the appointment of Marie-Hélène HABERT-DASSAULT and the forthcoming appointment of a Director representing the employees, the total number of members of the Board of Directors will be increased from 9 to 11.

In addition, the Company has introduced a variable portion in the amount of Directors' fees, which could lead to an increase, depending on the number of Board of Directors and Audit Committee meetings.

We propose to increase the total annual amount of directors' fees from EUR 247,730 to EUR 444,000, given the increase in the number of Directors and the new variable system on the assumption of four Board of Directors and 3 Audit Committee meetings per year (resolution 18).

- **Reappointment of Statutory and Alternate Auditors:**

  The term of appointment of Statutory Auditors DELOITTE & ASSOCIÉS and MAZARS SA, as well as their respective alternates, expires at the end of the AGM. It is proposed that you renew the appointment of the Statutory and alternate Auditors for 6 years (resolutions 19 to 22).

- **Powers to execute formalities:**

  This resolution (23) is designed to determine the customary powers for the legal formalities to be carried out after the AGM.

5. Conclusion and outlook

2013 was marked by the launch of FALCON 5X, an important addition to the Falcon range, and the consolidation of the RAFALE base in France.

RAFALE and FALCON deliveries took place at the pace we were committed to; despite some difficulties, the most unpredictable of which was the US "shutdown".

The Minister of Defense announced that, ultimately, the Armed Forces would be equipped with a homogeneous fleet of 225 RAFALE, in line with the conclusions of the White Paper, which establishes the principle of a future "tranche 5" for our aircraft.

Notification of the award of the F3-R standard to enhance the RAFALE with new capabilities that respond to the feedback expressed by operational staff and the order for the upgrading of ATL2 have contributed to the good level of Defense orders.

Negotiations in India for a contract for 126 aircraft RAFALEs progressed well, especially in regard to the industrial aspects.

Canvassing for RAFALE customers continued in other countries.

Testing of the nEUROn UCAV demonstrator took place to the satisfaction of the DGA and pave the way for the future of combat aircraft in Europe.

In the field of civil aviation, 2013, the fiftieth anniversary of FALCON, our range of business aircraft, was marked by:

- the launch of FALCON 5X last November at NBAA. This aircraft will expand our FALCON range,
- EASA and FAA certification of the FALCON 2000S and 2000LXS,

however, the numbers of FALCONs delivered remained higher than orders, reflecting a market that is slow to recover.

For 2014, a number of major challenges should be highlighted.

In the defense field, the following key challenges lie ahead:

- for the RAFALE, to finalize the Indian contract, and get into action on other important export prospects,
- to prepare for the future in the areas of combat drones and surveillance with European partners,
- to complete the development of F3-R, the upgrade of ATL2 and deliver the retrofitted FALCON 50 SURMAR.

In the civil field, our main priorities are:

- to replenish our backlog by increasing sales,
- to continue the development of the FALCON 5X and complete the assembly of the first aircraft,
- to pursue our After Sales efforts for FALCON customers
- to prepare for the future by thinking ahead to the future FALCON.

Innovation and cost control while maintaining high standards of quality are imperative to increase our sales.

Pursuing the implementation of new PLM/ERP processes, industrial organization and the development of strategic sectors, the dual nature of our business should allow us to confront the Company's commercial and industrial challenges.

The Group expects to deliver approximately 70 FALCONs in 2014, subject to the recovery in the market of business aviation, and 11 RAFALEs. 2014 net sales should be higher than in 2013.

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

Appendix 1 to the Directors' report

Reporting methodology for indicators

Pursuant to Article L.225-102-1 of the French Commercial Code as amended by Article 225 of Act 2010-788 of July 12, 2010 ("Grenelle 2"), and Decree No. 2012-557 of April 24, 2012, in the Directors' report we publish:

- social information,
- environmental information,
- corporate governance information.

The published social and environmental information reflects for the most part the 3rd-generation guidelines relating to management and reporting in the Global Reporting Initiative (GRI). This concerns an initiative co-managed by the United Nations Environment Program, designed to harmonize the consolidation of data on sustainable development. The guidelines propose principles to be followed in order to help organizations to provide a balanced and reasonable presentation of their economic, environmental and labor-relations performance.

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

Scope of consolidation

For 2013, the scope of the report comprises DASSAULT AVIATION Parent Company (including all of its sites) and its 100%-subsidiaries.

Note, however, that compared to 2012:

- Dassault Falcon Jet Do Brasil Ltda (100%-owned subsidiary of Dassault Falcon Jet) Dassault Falcon Business Services - Beijing (100%-owned subsidiary of Dassault Falcon Jet) and DFS Moscow company (100%-owned subsidiary of Dassault Falcon service) are included regarding the social aspect but not environment.
- the subsidiary Midway Aircraft Instruments Corp. was removed from the scope of consolidation in respect of both social and environmental aspects.

Control and consolidation

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

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

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

Social and Human Resources data

The social data in this report are based on descriptive and methodological data sheets, which constitute the basis of the Grenelle 2 social data reporting repository of the DASSAULT AVIATION Group, in force in 2013. The defined indicators are in compliance with national regulations.

The following details are given for the following indicators:

- absenteeism: the causes of absences taken into account for the absenteeism indicator are sickness, stoppages for work-related accidents and accidents when traveling to/from work, and unpaid absences. The indicated number of days are normal working days,
- departures and dismissals: the number of dismissals does not include the number of contractual terminations,
- Group pay: the average annual salary is a gross salary taking into account the last basic salary, the 13th month and the seniority bonus and excluding other bonuses.
- Parent Company pay: the average annual salary is a gross salary taking into account the last basic salary, the 13th month and the seniority bonus, excluding other bonuses, plus profit-sharing and incentive payments.

- hours of training: for France, they include both chargeable and non-chargeable training hours.

Environmental data

The environmental reporting mechanism for 2013 has been perfected and enhanced through the introduction of new indicators, linked in particular to the greenhouse gas emissions inventory.

The environmental indicators and the associated generation methods are subject to descriptive methodological procedures both for the Parent Company and for its French and American subsidiaries.

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

The balances are produced per calendar year and consolidated, when the data so allows, against invoices and meter readings for the period from January to December. Information relating to the last months of the year which is not available is estimated by analogy with the equivalent months of the previous year, or based on the average for the preceding months of the same year.

The consumption of kerosene for maintenance activities is calculated on the basis of the purchased, non-reinvoiced fuel.

The consumption of kerosene for production activities includes both civil and military aircraft.

The US entities are excluded from the scope of consolidation for refrigerant fluids consumption for this year.

The raw materials taken into account are exclusively the raw materials per se and not the manufactured items.

The environmental indicators and the associated generation methods are subject to descriptive methodological procedures both for the Parent Company and for its French and American subsidiaries.

The balances are produced per calendar year and consolidated, when the data so allows, against invoices and meter readings for the period from January to December. Information relating to the last months of the year which is not available is estimated by analogy with the equivalent months of the previous year, or based on the average for the same month during the last three years.

Corporate governance data

The corporate governance information meets the requirements of the French Government Decree of April 24, 2012. The statistical data featuring in the Industrial and Purchasing section are qualitative, and provided for illustrative purposes only.

External checking

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

Appendix 2 to the Directors' report

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

Themes	Dassault Aviation Indicators	Link with the GRI - Indicators & Protocols: Social (version 3.1)
Recruitment	**EMP01: Total workforce**	LA1: Total workforce per type of employment, work contract and geographical zone
	EMP02: Employee distribution by gender	
	EMP03: Employee distribution by age	LA13: Composition of management bodies and distribution of employees by gender, age group, appurtenance to a minority group and other diversity indicators
	EMP04: Employee distribution by geographical zone	LA1: Total workforce per type of employment, work contract and geographical zone
	EMP05: Hiring	LA2: Staff turnover in number of employees and percentage per age group, gender and geographical zone
	EMP06: Departures and dismissals	
	EMP07: Pay	EC1: Direct economic value created and distributed, including revenues, operational costs, employee compensation, donations and other community investments, retained earning, and payments to capital providers and governments EC5: Range of ratios of standard entry level salary compared to local minimum on the main operating sites
Work Organization	**ORG01: Working time organization**	LA1: Total workforce per type of employment, work contract and geographical zone
	ORG02: Absenteeism	LA7: Rate (...) of absenteeism(...) per geographical zone
Social relations	**REL01: Organization of the labor relations dialog, procedures for informing and consulting personnel and for negotiations**	LA4: Percentage of employees covered by a collective bargaining agreement
	REL02: Collective bargaining agreements	LA5: Minimum notice period(s) regarding significant organizational changes, including whether it is specified in a collective bargaining agreement

Themes	Dassault Aviation Indicators	Link with the GRI - Indicators & Protocols: Social (version 3.1)
Health and Safety	**S&S01: Conditions of health & safety in the workplace**	LA6: Percentage of the total workforce represented on formal joint management-worker health & safety committees, for monitoring and issuing statements on the health & safety in the workplace programs LA8: Programs for risk education, training, consulting, prevention and management put in place in order to help employees, their families or the members of their local communities in the event of serious illness
	S&S02: Agreements signed with the Union Organizations or staff representatives with regard to health & safety in the workplace	LA9: Questions of health & safety covered by formal agreements with the unions
	S&S03: Work-related accidents	LA7: Rate of work-related accidents, occupational illnesses, (...) number of days lost and total number of fatal work-related accidents, per geographical zone
	S&S04: Frequency rate of work-related accidents	
	S&S05: Severity rate of work-related accidents	
	S&S06: Occupational illnesses	
Training	**FOR01: Policies implemented with regard to training**	LA11: Lifelong skills and training development programs, designed to guarantee employability
	FOR02: Total number of training hours	LA10: Average number of training hours per year, per employee and per professional category
Equality of treatment	**EGA01: Measures taken in favor of gender equality**	LA14: Basic pay ratio between men and women per professional category
	EGA02: Measures taken in favor of the employment and integration of disabled people	LA13: Composition of management bodies and distribution of employees by gender, age group, appurtenance to a minority group and other diversity indicators
	EGA03: Anti-discrimination policy	
Promoting respect for the stipulations of the basic conventions of the	**OIT01: Respect for freedom of association and the right to collective bargaining**	HR5: Identified activities in the course of which the right to union freedom and collective bargaining risks being threatened; measures taken to ensure this right is maintained

Themes	Dassault Aviation Indicators	Link with the GRI - Indicators & Protocols: Social (version 3.1)
International Labor Organization		LA4: Percentage of employees covered by a collective bargaining agreement LA5: Minimum notice period(s) regarding significant organizational changes, including whether it is specified in a collective bargaining agreement
	OIT02: Eliminating employment and professional discrimination	HR4: Total number of discrimination incidents and measures taken LA13: Composition of management bodies and distribution of employees by gender, age group, appurtenance to a minority group and other diversity indicators LA14: Basic pay ratio between men and women per professional category
	OIT03: Elimination of forced or compulsory labor	HR7: Activities identified as presenting a serious risk of incidents involving forced or compulsory labor; measures taken to contribute to the prohibition of this type of labor
	OIT04: Effective abolition of child labor	HR6: Activities identified as presenting a serious risk of incidents involving child labor; measures taken to contribute to the prohibition of this type of labor
Consumption of raw materials	**MAT001: aluminum consumption**	EN1: EN1: materials consumption in weight or in volume EN2: EN2: percentage of consumed materials derived from recycled materials
	MAT002: titanium consumption	
	MAT003: composites consumption	
	MAT005: steel consumption	
Energy	**ENE001: energy consumption excluding kerosene and mobile sources**	EN3: direct energy consumption distributed according to primary energy source EN4: indirect energy consumption distributed according to primary energy source
	ENE002: kerosene consumption	
Water consumption	**EAU001: global consumption (per source)**	EN8: total volume of water used per source
Biodiversity	**BIO001: number and location of outstanding natural areas present within a 500 m radius of the sites**	EN11: location and surface area of land owned, rented or managed or within the vicinity of protected areas and in zones rich in biodiversity outside of these protected areas

Themes	Dassault Aviation Indicators	Link with the GRI - Indicators & Protocols: Social (version 3.1)
Conditions of ground use	**SOL001: proportion of sealed surfaces**	
Atmospheric discharges	**AIR001: greenhouse gas emissions (scope 1 and scope 2)**	EN16: total (direct or indirect) greenhouse gas emissions, by weight (teq CO2)
	AIR004: emissions of Volatile Organic Compounds (VOC)	EN20: NOx, SOx and other significant atmospheric emissions, per type and per weight
Waste	**DEC001: total production of hazardous and non-hazardous waste**	EN22: total mass of waste, per type and per treatment mode
	DEC002: proportion of recycled waste	

Appendix 3 to the Directors' report

Concordance table of information relating to Decree No. 2012-557 of April 24, 2012 (social, environmental and corporate governance information)

THEME	TYPE OF INFORMATION	Paragraph
Social information		
a) Employment	• The total number and distribution of employees by sex, age and geographical area • Recruitment and dismissals • Pay and changes in pay	3.1.2 3.1.2 3.1.3
b) Work organization	• Working time organization • Absenteeism	3.1.2 3.1.7
c) Social relations	• The organization of employee relations, including procedures for staff information, consultation and negotiation • Collective bargaining agreements	3.1.4 3.1.4
d) Health & Safety	• Conditions of health & safety in the workplace • Agreements signed with the unions or staff representatives with regard to health & safety in the workplace • Work-related accidents, including their frequency and severity, as well as occupational illnesses	3.1.7 3.1.7 3.1.7
e) Training	• The policies implemented with regard to training • Total number of training hours	3.1.6 3.1.6
f) Equality of treatment	• Measures taken in favor of gender equality • Measures taken in favor of the employment and integration of disabled people • Anti-discrimination policy	3.1.5 3.1.5 3.1.5
g) Promoting respect for the stipulations of the basic conventions of the International Labor Organization in regard to:	• Respect for freedom of association and the right to collective bargaining • Eliminating employment in professional discrimination • Eliminating forced or compulsory labor • The effective abolition of child labor	3.3.3 3.3.3 3.3.3 3.3.3

Environmental information		
a) General environmental policy	• The organization of Company to take into account environmental issues and, where appropriate, steps taken for assessment or environmental certifications • The training and information of employees conducted on environmental protection • The resources devoted to the prevention of environmental risks and pollution • The amount of provisions and guarantees for environmental risks (provided that such information is not likely to cause serious harm to the Company in any pending litigation)	3.2.1 3.2.5 3.2.8 1.5.8
b) Pollution and Waste Management	• Measures for the prevention, reduction or remedying of discharges into air, water and soil seriously affecting the environment • Measures for the prevention, recycling and disposal of waste • Taking into account noise and other forms of pollution specific to an activity	3.2.7 3.2.7 3.2.7
c) Sustainable use of resources	• Water consumption and water supply according to local constraints • Consumption of raw materials and measures taken to improve efficient use • Energy consumption, measures taken to improve energy efficiency and use of renewable energy • Land use	3.2.7 3.2.7 3.2.7 3.2.7
d) Climate change	• Greenhouse gas emissions • Adaptation to the consequences of climate change	3.2.7 3.2.4
e) Protection of Diversity	• Measures taken to preserve or develop diversity	3.2.7
Information on social commitments for sustainable development		
a) Territorial, economic and social impact of the company's business	• Regarding employment and regional development on the neighboring and local residents	3.3.1

b) Relationships with persons or organizations interested in the activities of the company (including integration associations, educational institutions, environmental protection associations, consumer associations and local residents)	• The conditions for dialog with those persons or organizations • Partnership or sponsorship initiatives.	3.3.1 3.3.1
c) Outsourcing and suppliers	• The consideration of social and environmental issues in purchasing policy • The importance of outsourcing and in relations with suppliers and subcontractors the consideration of their social and environmental responsibility	3.3.1 3.3.1
d) Loyal practices	• Actions taken to prevent corruption • Measures taken for the health and safety of consumers • Other actions in favor of human rights	3.3.2 3.2.2 3.3.3

REPORT BY ONE OF THE AUDITORS, DESIGNATED AN INDEPENDENT THIRD-PARTY ORGANIZATION, ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND CORPORATE RESPONSIBILITY INFORMATION PRESENTED IN THE DIRECTORS' REPORT

Year ended December 31, 2013

Dear Shareholders,

In our capacity as a statutory auditor of Dassault Aviation, and designated an independent third-party organization, for which the admissibility of our accreditation request has been accepted by COFRAC, we hereby present to you our report on the consolidated social, environmental and corporate governance ("corporate social responsibility") information presented in the directors' report (hereinafter called the "CSR information"), drawn up for the year ended December 31, 2013, in application of the provisions of Article L.225-102-1 of the French Commercial Code.

Responsibility of the Company

It is the responsibility of the Board of Directors to prepare a directors' report containing the CSR information set forth in article R.225-105-1 of the French Commercial Code, in accordance with the internal measurement and reporting protocols used by the company (hereinafter called the "Reference standards") and available from the Total Quality Management Department, on the one hand, and from the Human Resources Department, on the other.

Independence and quality control

Our independence is defined by the rule of law, the professional code of ethics and the provisions set forth in article L.822-11 of the French Commercial Code. Furthermore, we have put in place a quality control system which comprises documented policies and procedures aimed at ensuring compliance with the rules of professional ethics, the standards of professional practice and the applicable laws and regulations.

Responsibility of the Statutory auditor

It is our responsibility, on the basis of our work:

- to certify that the requisite CSR information is present in the Directors' report or is subject, in the event of omission, to an explanation in application of article R.225-105 of the French Commercial Code (Certification of the presence of CSR information);

- to express a moderately-assured conclusion that the CSR information, taken as a whole, is presented in all its significant aspects, in a sincere fashion, in accordance with the Reference standards (reasoned opinion concerning the sincerity of the CSR information).

Our work was carried out by a team of five persons between October 2013 and February 2014, for a duration of approximately 11 weeks. In order to assist us in conducting our work, we called upon our CSR experts.

We carried out the work described hereinafter in accordance with the standards of professional practice applicable in France, and the Order of May 13, 2013 determining the manner whereby an independent third-party organization conducts its mission, and - concerning the opinion on sincerity - with international standard ISAE 3000[1].

CERTIFICATION OF PRESENCE

We learned, on the basis of interviews with the managers of the departments concerned, about the orientations with regard to sustainable development, vis-à-vis the social and environmental consequences linked to the activities of the company and its corporate governance commitments and, where applicable, the actions or programs arising out of this.

[1] ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*

We compared the CSR information presented in the Directors' report with the list set forth in article R.225-105-1 of the French Commercial Code.

In the event of the absence of certain consolidated information, we checked that the explanations were supplied in accordance with the provisions of article R.225-105 paragraph 3 of the French Commercial Code.

We checked that the CSR information covered the scope of consolidation, i.e.: the company and its subsidiaries as per article L.233-1 and the companies it controls as per article L.233-3 of the French Commercial Code.
On the basis of this work, we can certify the presence in the Directors' report of the requisite CSR information.

REASONED OPINION ON THE SINCERITY OF THE CSR INFORMATION

Nature and extent of the work

We conducted ten interviews with the persons responsible for preparing the CSR information from the departments responsible for the information collection processes and, where applicable, those in charge of the internal auditing and risk management procedures, in order:

- to assess the appropriate character of the Reference standards with regard to their pertinence, exhaustiveness, reliability, neutrality and comprehensibility, while taking into account, where applicable, the best practices in the sector;

- to verify the implementation of a collection, compilation, processing and auditing process aimed at ensuring the exhaustiveness and coherence of the CSR information, and taking account of the internal auditing and risk management procedures relating to the generation of CSR information.

We determined the nature and extent of our tests and inspections according to the nature and importance of the CSR information, vis-à-vis the characteristics of the company, the social and environmental contingencies of its activities, its orientations in matters of sustainable development and the best practices in the sector.

Regarding the CSR information that we considered to be the most important[2]:

- For the consolidating entity, we consulted the documentation sources and carried out interviews in order to corroborate the qualitative information (organization, policies, actions). We carried out analytical procedures on the quantitative information and verified, based on samples, the calculations and the data consolidation, and we checked their coherence and concordance with the other information featuring in the Directors' report.

- For a representative sample of entities that we selected[3] according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we carried out interviews in order to verify the correct application of procedures and conducted detailed tests

[2] Quantitative environmental information: ISO 14001-certified sites; Emissions of Volatile Organic Compounds (VOC); Emissions of greenhouse gases (GHG), scope 1 and scope 2; Generated waste: Hazardous waste, Non-hazardous waste, Recycling percentage; Total water consumption; Consumption of raw materials (aluminum, titanium and composites); Energy consumption excluding kerosene; Kerosene consumption; Sites in proximity to zones of outstanding natural beauty.
Quantitative social information: Total headcount, breakdown by gender and age class; Number of people joining the company; Number of people leaving the company including number of individual layoffs; Average annual pay; Number of part-time employees; Total number of days of absence; Number of disabled workers; Number of hours of training; Number of occupational illnesses identified by the competent authorities; Number of work-related accidents with stoppage; Number of days lost through work-related accidents.
Qualitative corporate government information: Loyal practices; Sales volumes; Sales policy.
[3] Dassault Aviation SA: Mérignac and Biarritz sites; Dassault Falcon Jet; Dassault Falcon Services.

on the sampling base, consisting in verifying the calculations made and checking the data against the supporting documentation. The sample thus selected represents on average 62% of the environmental information and 96% of the social and safety information.

For the other consolidated CSR information, we assessed its coherence vis-à-vis our knowledge of the company.

Lastly, we assessed the pertinence of the explanations relating, where applicable, to the total or partial absence of certain information.

We deem that the sampling methods and sample sizes that we used in exercising our professional judgment enable us to formulate a moderately-assured conclusion; a higher-level conclusion would have required more extensive verification work. Due to our recourse to the use of sampling techniques and other limits inherent in the operation of any information and internal auditing system, the risk of non-detection of a significant anomaly in the CSR information may not be totally excluded.

CONCLUSION

Based on our work, we detected no material misstatement likely to call into question the fact that the CSR information, taken as a whole, is presented sincerely, in accordance with the Reference standards.

Neuilly-sur-Seine, March 12, 2014

One of the Statutory Auditors

Deloitte & Associés

Jean-François Viat

Chairman's report on corporate governance and internal auditing

Ladies and Gentlemen,

This report is intended to inform you of the composition of the Board of Directors of the Company and of the conditions for preparing and organizing its work, along with the internal auditing and risk management procedures put in place by the Company.

This report, drawn up in application of article L.225-37 of the French Commercial Code, is presented to you in conjunction with the Directors' report. The Financial Department, the Legal Affairs and Insurance Department and the Internal Auditing Department carried out preparatory checks on the drafting of said report, which was then reviewed by the Audit Committee and approved by the Board of Directors on March 12, 2014.

Considering the structure of its shareholdings (majority shares held by GIMD belonging to the Dassault family), and the low public float of its shares, DASSAULT AVIATION considers that the AFEP/MEDEF (French corporate associations) Code does not constitute, taken as a whole, its standard of reference in matters of corporate governance. Nevertheless, DASSAULT AVIATION applies principles with reference to the aforesaid Code, in regard to the independence of the Directors and the compensation of the corporate officers.

Furthermore, on March 12, 2014 the Board of Directors also decided, with reference to these principles, to reduce from 6 to 4 years the term of office of Directors, and to modify the directors' fees system in order to introduce a preponderant variable part, dependent on presence.

1. Corporate governance:

1.1 Composition of the Board of Directors

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

Eric TRAPPIER, Serge DASSAULT, Charles EDELSTENNE, Nicole DASSAULT, Olivier DASSAULT, Pierre de BAUSSET, Alain GARCIA, Denis KESSLER and Henri PROGLIO.

The aforementioned Directors are all of French nationality. The average age is 68, as of March 12, 2014, the date of approval of the present report by the Board of Directors.

The term of office of the Directors is 6 years, but the proposal to reduce this to 4 years will be presented to the AGM on May 15, 2014. The current terms of office shall however go to full term.

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

These criteria are based on the principle that independent Directors must not find themselves in a position likely to alter their freedom of judgment or place them in a situation of real or potential conflict of interests.

The proportion of independent Directors is one-third, the recommended percentage in companies with a controlling shareholder.

Concerning the presence of women on the Board, it should be noted that the AGM of May 19, 2010 appointed Ms Nicole DASSAULT as a Director.

The AGM of May 15, 2014 shall rule on the nomination of Ms Marie-Hélène HABERT-DASSAULT as a Director (information about her is given in paragraph 4 of the Directors' report relating to draft resolutions).

The proportion of women on the Board will therefore be 20%, in accordance with the legal provisions.

In application of the Act of June 14, 2013, a Director representing the employees shall be designated in 2014. It is envisaged that the bylaws of the Company will be amended by the AGM of May 15, 2014 in order to specify how this Director is to be designated.

The duration of the current terms of office of the Directors, along with their terms of office and functions in other companies, are detailed in paragraph 2.8 of the Directors' report.

COMPOSITION OF THE BOARD OF DIRECTORS

ON 31/12/2013

Name	Term of office	Age	Independent Director	Participation on the Audit Committee	Start of 1st term of office	End of current term of office	Years on the Board
Eric TRAPPIER French nationality	Chairman and Chief Executive Officer Director	53			2013 2012	2015	1
Serge DASSAULT French nationality	Honorary Chairman Director	89			1967	2015	47
Charles EDELSTENNE French nationality	Honorary Chairman Director	76		x	1989	2015	25
Nicole DASSAULT French nationality	Director	83			2010	2016	3
Olivier DASSAULT French nationality	Director	62			1996	2015	18
Alain GARCIA French nationality	Director	71	x		2009	2016	5
Denis KESSLER French nationality	Director	62	x	x	2003	2015	11
Henri PROGLIO French nationality	Director	64	x	x	2008	2014	6
Pierre de BAUSSET French nationality	Director	53			2010	2016	4

1.2 Conditions of preparation and organization of the work of the Board

1.2.1 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, the Statutory Auditors and the Government Commissioner at least one week in advance.

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

The Statutory Auditors and the Government Commissioner receive the same documents as the Directors.

1.2.2 Board's work in 2013

In 2013, the Board of Directors met on March 13 and July 24. The average attendance rate was 94%.

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

- analyzed order entry, the order book and sales,
- reviewed the internally-financed 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,
- and set the medium-term challenges in the civil and military domains.

In addition, the Board of Directors:

- approved the fiscal year 2012 company and consolidated financial statements,
- called the Shareholders' Meeting of May 15, 2013,
- approved the financial statements for the half-year ended June 30, 2013,
- reviewed forecast management documents in March and July 2013,
- renewed the annual authorization conferred on the Chairman and Chief Executive Officer to grant guarantees and deposits,
- approved a related-party transaction,
- analyzed the consequences of the end of the term of office of Mr Charles EDELSTENNE,
- ruled on the professional and pay-scale equality policy,
- approved the contents of financial press releases,
- reminded the Directors of their obligation to refrain from dealings in the shares of the Company in periods of financial statement approval or financial communication, and their obligation to declare to the AMF their transactions and the registration of their shares.

1.2.3 Audit Committee

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

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

This Committee is composed of Messrs Henri PROGLIO, Chairman of the Audit Committee, Charles EDELSTENNE and Denis KESSLER. They were appointed on account of their skills resulting from their academic training, their experience in the financial and accounting fields with listed companies, and their executive management functions. 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 set forth in paragraph 1.1 above.

The Audit Committee is responsible for monitoring:

- procedures for preparing financial information,
- the quality of the risk management and internal auditing systems,
- the auditing of the company and consolidated financial statements by the Statutory Auditors,
- the independence of the statutory auditors.

It convened on March 8, 2013 for the financial statements of 2012 and on July 23, 2013 for those of the first half-year of 2013.

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

- examined the consolidated financial statements and those of the Parent Company, the main events of the year or half-year concerned, and the draft financial reports,
- took note of the management report of the Board of Directors and of the half-yearly activity report,
- reviewed the Chairman's report on internal auditing and risk management,
- noted the conclusions of the internal audit and observed that the 2012 audit plan had been carried out in accordance with forecasts,
- met with the Statutory Auditors, without the General Management being present, after examining the conclusions of their work and their declaration of independence,
- analyzed the proposals made by the Statutory Auditors with a view to submitting their renewal to the AGM,
- reported back on its work to the Board of Directors.

1.2.4 Internal Regulations

The Board meeting of July 25, 2012 approved the Regulations of the Board of Directors which allows Directors to take part in meetings (debate and vote) by means of telecommunications that are in compliance with the regulations in force.

1.2.5 Preventing insider dealing

In accordance with the recommendations formulated in the AMF guide of November 3, 2010, the company has put in place a "closed seasons" mechanism (periods during which dealings in the shares issued by the company are prohibited) and which begin at least 30 days prior to the publication of the annual and half-yearly financial statements, and 15 days prior to the publication of the quarterly statements (Q1 and Q3). Since the financial statements are in general published by the company before the opening of the stock market, the date of publication is included in the prohibited period.

The Directors are informed by letter in December of the calendar of "closed seasons" for the following year.

The financial calendar is put online on the website of the company at the start of each year.

1.3 Operation of the Executive Management

In accordance with the provisions of the New Economic Regulations Act, 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.

This was because the Board of Directors had chosen the Executive Management option that it deemed best suited to the Company’s specific features. The decision was therefore made not to separate the duties of Chairman of the Board of Directors and of the Chief Executive Officer.

Shareholders and third parties are fully informed of this decision in the director's report.

The Chairman-Chief Executive Officer has been assisted since January 9, 2013 by a Chief Operating Officer.

1.4 Powers of the Chairman and Chief Executive Officer

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

As Chairman of the Board, he organizes and directs the work of said Board, reporting back on this to the AGM. He executes the decisions of the Board. He oversees the smooth running of the Company bodies and ensures that the Directors are capable of fulfilling their duties.

As Chief Executive Officer, he is invested with the most extensive powers to act in all circumstances on behalf of the Company. He therefore exercises his powers with no other limits than those set forth by the current regulations concerning the powers attributed expressly by law to AGMs and to the Board of Directors.

1.5 Powers of the Chief Operating Officer

The Chief Operating Officer assists the Chairman-Chief Executive Officer. Vis-à-vis third parties, he has the same powers as the Chief Executive Officer.

1.6 Executive committee

Presided over by the Chairman-Chief Executive Officer, this committee comprises the persons in charge of the Company's various departments (cf. 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.

1.7 Principles and rules to determine compensation and benefits in kind granted to corporate officers

1.7.1 Compensation of corporate officers

The compensation of the Chairman-Chief Executive Officer and of the Chief Operating Officer, along with their benefits in kind, have been determined by the Board of Directors with reference to the recommendations of the AFEP/MEDEF code. They are in accordance with the annual report of the AMF on corporate governance and the compensation of the executives of listed companies.

The compensation of the Chairman-Chief Executive Officer and of the Chief Operating Officer consists exclusively of a fixed part (cf. paragraphs 2.9.3 and 2.9.4 of the Directors' report).

This compensation, paid over 13 months, is increased annually in line with the pay rises of the company executives, unless decided otherwise by the Board of Directors.

The Chairman-Chief Executive Officer and the Chief Operating Officer have not benefited:

- from any variable or exceptional compensation,
- from stock options or performance shares,
- from private unemployment insurance,
- from severance packages,
- from specific supplementary pensions linked to their term of office.

Their contract of employment has been suspended (cf. paragraphs 2.9.3 and 2.9.4 of the Directors' report). Upon the effective reinstatement of the contract, they would recover the rights of salaried senior executives in their category, according to the Company rules.

The Board of Directors meeting of March 12, 2014 decided that they will continue to benefit from the supplementary pension plan applicable to the senior executives of the Company, calculated with respect to the average gross annual compensation for the last three years of their term of office (cf. paragraphs 2.9.3 and 2.9.4 of the Directors' report).

1.7.2 Directors' fees

The overall annual amount of Directors' fees was determined by the Annual General Meeting as standing at EUR 247,730

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 6000 per year to each member of the Audit Committee, and a further EUR 4000 for the Committee Chairman, payable quarterly in equal amounts, in arrears.

The Board of Directors meeting of March 12, 2014 decided to modify as follows the system of granting Directors' fees:

- for the Board of Directors:
  - creation of annual fixed part of EUR 10,000 (double for the Chairman of the Board),
  - creation of a variable part of EUR 6000 per meeting (double for the Chairman of the Board), with payment dependent on presence at the meetings,
- for the Audit Committee: variable part only, dependent on presence at the meetings, of EUR 3000 per meeting (double for the Chairman of the Committee).

Considering the increase in the number of Directors from 9 to 11 (including the Director representing the employees), it is to be proposed at the AGM to increase the global amount of annual Directors' fees from EUR 247,730 to EUR 444,000 on the basis of 4 Board meetings and 3 Audit Committee meetings per year.

If we were to be called upon to hold more than 4 Board meetings and 3 Audit Committee meetings per year, the fixed part would be reduced in order to remain within the above global envelope.

1.8 Annual General Meeting

1.8.1 Specific conditions governing shareholders' attendance at the AGM

1.8.1.1 Admission

The conditions governing shareholders' attendance at Annual General 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 prior to the date of the AGM,
- the Board of Directors retains the right to accept the participation certificate after the above deadline,
- shareholders may be represented by proxy according to the legal and regulatory conditions.

The notification of the designation and revocation of the proxy agent may be made either on paper or by electronic means. In the latter case, the shareholder's signature may constitute in practice a reliable process of identification guaranteeing his/her link to the associated document, and may in particular consist of a login and password.

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

1.8.1.2 Voting rights

Subject to special circumstances set forth by law, all members present at the AGM 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 date of the AGM.

Shareholders may also vote by correspondence in accordance with the legal conditions.

1.8.2 Convening of Annual General Meetings

Annual General Meetings are convened by the Board of Directors according to the legal and regulatory provisions. All shareholders, however many shares they possess, may take part. The date of the AGM is communicated on the Company website approximately 6 months in advance.

No later than 21 days before the AGM, the documentation may be consulted on the aforementioned site (www.dassault-aviation.com) section Finance / General Meetings.

The results of the voting for the resolutions and the minutes of the AGM are also placed online within 15 days of the meeting taking place.

2. Internal auditing and risk management procedures

2.1 Internal auditing objectives

The Company's internal auditing 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 AGMs are reliable and give a true and fair view of the Company's activity.

One of the main purposes of the internal auditing system is to anticipate and manage the risks resulting from the Company's activity and risks of error or fraud, particularly with respect to finance and accounting. However, as with any control system, it cannot provide absolute assurance that these have been totally eliminated.

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

2.2 General internal auditing organization and environment

- ***Internal auditing reference documents***

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

- the Ethical Charter, which defines our values and code of conduct,
- the Quality Manual, which describes the Company processes,
- the Organization Manual, which describes the tasks and organization of each department,
- for financial or accounting activities, the economic and financial data management procedure defined in the Quality Manual.

- ***Internal auditing bodies:***

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

- Executive Committee

  The composition and the role of this Committee are detailed in paragraph 1.6 above. Each Committee member is responsible for the internal auditing of his or her department.

  The actions and recommendations decided upon by the Committee are assigned to one or more of its members, and a manager is designated to ensure coordination. At each meeting, the Committee secretary monitors the progress of these actions through to their effective completion.

- Total Quality Management Department

  - *through the Risk Management Department:*

  This Department ensures the smooth running of the risk management process relating to aircraft programs and products. It identifies the critical risks and notifies Executive Management (the Chairman-Chief Executive Officer and, as from January 9, 2013, the Chief Operating Officer also).

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

  The QMS is coordinated by the Total Quality Management Department and draws 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 through Program Management

  Program Management is coordinated by each Program Director, reporting back to Senior Management. It draws on the Program Managers of the functional departments.

- Financial Department via Management Auditing

  Management auditing, with respect to both "structure" and "programs", ensures the control of the budgetary process.

  It comprises a network of management auditors in all Company departments. Monthly and quarterly budget reviews are produced, particularly for the purpose of reporting to Senior Management.

- ***Control of subsidiaries***

The DASSAULT AVIATION strategy is to exercise majority control over its subsidiaries or significant influence as in the case of THALES.

The Company maintains an effective presence on the Boards of Directors and management bodies of its subsidiaries.

The Company is also represented on the Executive Committee of DASSAULT FALCON JET.

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

- ***Internal auditing***

The Internal Auditing Department, which reports back to Senior Management, is assigned with evaluating the risk management and internal auditing processes.

The Internal Audit Director reports to Senior Management on the results of the audits and the recommendations implemented. He also submits for the latter's approval the internal audit plan prior to its implementation.

The Audit Committee meets with the Internal Audit Director and takes note of the audit plan and of the conclusions of the audits.

- ***External auditing factors***

The Company operates in a particular external auditing environment due to of its French government contracts and aerospace activity:

- the calculation of our cost factors (i.e.: hourly rates, procurement and non-production expenses) and the costs of activities relating to French government contracts are audited by the French Defense Procurement Agency (DGA),
- the DGA monitors our products and grants us our design organization approval in the military aviation field,
- the Company, in the field of civil aviation, possesses design, production and maintenance certifications. These certifications are subject to permanent monitoring by the airworthiness authorities that have issued them:
    - Direction Générale de l'Aviation Civile (DGAC),
    - European Aviation Safety Agency (EASA),
    - Federal Aviation Administration (FAA).

In the framework of our proactive approach, the Company is certified EN 9100, ISO 9001 and ISO 14001. Its Quality Management System (QMS) and its Environment Management System (EMS) were subject in March 2013 to a joint audit of renewal by an outside body (Bureau Veritas Certification). This audit confirmed that our QMS and our EMS were compliant with the requirements of the standards.

2.3 Risk management procedures

The risk management mechanism, detailed in Chapter 1.5 of the Directors' report, 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, 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 held in conjunction with program management, operational management and site management.

Risks are monitored at the various stages in a product’s life cycle based on various reviews.

The purpose of these reviews is to identify new critical risks and monitor and reduce existing risks.

The Risk Management Department notifies Executive Management by transmitting the list of critical risks identified.

The risk management procedures are defined and applied by the various Departments of the Company.

For the supply chain risks, the DGIA (Industrial Operations and Purchasing Department) has put in place a reference system for reducing the risk of shortages on the production line and supplier defaulting.

With regard to information systems, the Group has put in place procedures designed to ensure the security of the IT systems and the integrity of data.

The social risk of maintaining skills levels is subject to joint management between each operational department and the Human Resources department.

Concerning financial risks, their management is detailed in the Directors' report, in paragraph 1.5.6.

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 (cf. paragraph 1.5.8 of the Directors' report).

Lastly, in 2011 the Company created a Risks Committee. Its mission, based on the risks-mapping and any other relevant factors, is to:

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

To this end, the Committee conducts interviews with those in charge of the Company processes, responsible for updating the risks map.

It also ensures that the risk management mechanism is taken into account in the subsidiaries.
It is presided over by the Executive Vice-President for Total Quality, and reports back to Executive Management.

2.4 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 Financial Department for both the parent company and Group consolidation. This function consists in:

- validating and auditing 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:

- the accounting standards applicable to French companies:
    - the Order of June 22, 1999 approving French Accounting Standards Committee Regulations 99-03 of April 29, 1999, and subsequent applicable regulations,
    - subsequent notices and recommendations of the French National Accounting Board (CNC).
- the international valuation and presentation standards for IFRS financial reporting in force as of December 31, 2013, as adopted by the European Union and mandatorily applicable for fiscal years open as from January 1, 2013, for the consolidated accounts,
- the operating and control procedures described in the "Economic and financial data management" process, supplemented 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 statutory auditors in connection with their annual certification of the financial statements.

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

In 2013, the Financial Department centralized the accounting data and produced the financial statements for the Parent Company and the Group.

It distributed 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 indicated the start date for the Statutory Auditors' certification procedures at approximately four weeks prior to the Board meeting at which the financial statements are submitted for approval.

In parallel, the financial reports and statements are reviewed by a review committee independent of the teams participating in the drafting of these documents.

2.5 2013 Actions

The Internal Auditing Department and the Total Quality Management Department continued to monitor the internal auditing procedures for all relevant persons by using the risk-mapping 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.

2.6 2014 Action Plan

For 2014, 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 auditing and risks management mechanism and verify the proper application of the procedures.

3. Information mentioned in Article L. 225-100-3 of the French Commercial Code

The information set forth in this Article is stated in paragraph 2.5 of the accompanying Directors' report, to which is appended this report. Both these reports are included in the 2013 Annual Financial Report that has been published electronically and filed with the AMF by our distributor, "HUGIN AS, part of NASDAQ OMX". They are published online on our Company website in the Finance/publications section.

Chairman of the Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

ASSETS

(EUR 000)	NOTE	31.12.2013	31.12.2012 (1)	01.01.2012 (1)
Goodwill	3	14,366	14,366	14,366
Intangible assets	4	29,241	38,612	44,181
Property, plant and equipment	4	384,231	405,563	426,105
Equity affiliates (1)	5	1,676,178	1,647,695	1,654,084
Available-for-sale securities	5	3,126,501	3,262,814	3,185,517
Other financial assets	5	34,682	34,359	32,325
Deferred tax assets	20	192,132	197,896	203,345
TOTAL NON-CURRENT ASSETS		**5,457,331**	**5,601,305**	**5,559,923**
Inventories and work-in-progress	6	2,686,520	2,916,905	2,799,090
Trade and other receivables	7	550,732	489,955	535,800
Advances and progress payments to suppliers		78,839	184,868	154,447
Derivative financial instruments	24	311,558	247,894	179,129
Cash and cash equivalents	8	983,230	950,416	921,808
TOTAL CURRENT ASSETS		**4,610,879**	**4,790,038**	**4,590,274**
TOTAL ASSETS		**10,068,210**	**10,391,343**	**10,150,197**

LIABILITIES AND EQUITY

(EUR 000)	NOTE	31.12.2013	31.12.2012 (1)	01.01.2012 (1)
Share capital	9	81,007	81,007	81,007
Reserves and consolidated retained earnings (1)		5,140,617	4,714,301	4,393,240
Foreign exchange differences		-109,874	-48,107	-38,475
TOTAL ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		**5,111,750**	**4,747,201**	**4,435,772**
Non-controlling interests		339	308	264
TOTAL EQUITY		**5,112,089**	**4,747,509**	**4,436,036**
Long-term borrowings	11	205,288	263,539	276,915
Deferred tax liabilities	20	0	0	0
TOTAL NON-CURRENT LIABILITIES		**205,288**	**263,539**	**276,915**
Trade and other payables	13	825,912	768,168	729,061
Tax and employee-related liabilities	13	262,102	242,492	208,937
Customer advances and progress payments on work-in-progress	14	2,293,925	3,043,088	2,897,612
Short-term borrowings	11	62,896	58,240	437,094
Current provisions	12	1,305,998	1,268,307	1,164,542
TOTAL CURRENT LIABILITIES		**4,750,833**	**5,380,295**	**5,437,246**
TOTAL EQUITY AND LIABILITIES		**10,068,210**	**10,391,343**	**10,150,197**

(1) the 2012 data have been restated to take into account the first application of the revised IAS 19 standard. The effects are described in Note 1.A1-3.

INCOME STATEMENT

(EUR 000)	NOTES	2013	2012 (1)
NET SALES	15	**4,592,966**	**3,941,234**
Other revenue	16	39,473	43,470
Changes in inventories of finished goods and work-in-progress		-147,041	-30,101
External purchases		-2,622,730	-2,221,606
Payroll and related charges (2)		-1,079,246	-1,077,350
Taxes and social security contributions		-64,550	-65,059
Depreciation and amortization	4	-75,847	-72,250
Charges to provisions	12	-997,672	-726,489
Reversals of provisions	12	859,781	749,681
Other operating income and expenses	17	-6,635	5,456
OPERATING INCOME		**498,499**	**546,986**
Income from cash and cash equivalents		8,510	8,690
Cost of gross financial debt		-6,988	-12,437
Financial income and expenses		86,043	101,644
NET FINANCIAL INCOME/(EXPENSE)	19	**87,565**	**97,897**
Share of income/loss of equity affiliates (1)	5	77,945	82,581
Income tax	20	-204,557	-225,441
NET INCOME (1)		**459,452**	**502,023**
Attributable to the owners of the Parent Company (1)		*459,421*	*501,979*
Attributable to non-controlling interests		*31*	*44*
Basic earnings per share (in EUR) (1)	21	**45.4**	**49.6**
Diluted earnings per share (in EUR) (1)	21	**45.4**	**49.6**

(1) the 2012 data have been restated to take into account the first application of the revised IAS 19 standard. The effects are described in Note 1.A1-3.

(2) Employee costs include incentive schemes and profit-sharing (EUR 111,777 thousand in 2013 and EUR 112,330 thousand in 2012) along with the contributions paid into State plans, comparable to the defined contribution plans (EUR 80,978 thousand in 2013 and EUR 77,953 thousand in 2013), along with the positive effect of the tax credits for competitiveness and employment (*Crédits d'Impôts Compétitivité Emploi*) (EUR 5,549 thousand in 2013).

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(EUR 000)	NOTES	2013	2012 (1)
NET INCOME (1)		**459,452**	**502,023**
Net change in fair value measurement of financial instruments:			
✓ Available-for-sale financial assets	5	4,503	27,135
✓ Hedging instruments (2)	24	-8,964	-13,253
Corresponding deferred taxes	20	2,239	-3,854
Foreign exchange differences		-25,638	-11,133
Equity affiliates items to be recycled to income, net (1)	5	-24,159	13,867
Items to be recycled to income		**-52,019**	**12,762**
Actuarial adjustments on defined benefit obligations	12	39,325	-69,137
Corresponding deferred taxes	20	-9,982	13,757
Equity affiliates items not recycled to income, net (1)	5	-8,325	-64,090
Items not recycled to income		**21,018**	**-119,470**
INCOME AND EXPENSE RECOGNIZED DIRECTLY THROUGH EQUITY (1)		**-31,001**	**-106,708**
RECOGNIZED INCOME AND EXPENSE (1)		**428,451**	**395,315**
Attributable to the owners of the Parent Company (1)		*428,420*	*395,271*
Attributable to non-controlling interests		*31*	*44*

(1) the 2012 data have been restated to take into account the first application of the revised IAS 19 standard. The effects are described in Note 1.A1-3.

(2) The amounts stated represent the change in the market value for the period of the instruments which qualify for hedge accounting. They are not representative of the actual gain/loss when the hedges are exercised.

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 "Additional paid-in capital, consolidated retained earnings and other reserves" includes capital reserves (i.e.: additional paid-in capital), legal reserves, the net income for the year and the net actuarial adjustments on defined benefit obligations.
- The heading "Hedging instruments and available-for-sale securities" covers post-tax changes in the fair value of available-for-sale financial assets and hedging instruments which qualify for hedge accounting.
- The heading "Foreign exchange differences" records the exchange differences arising from the translation of the financial statements of subsidiaries outside the euro zone.

(EUR 000)	Share capital	Reserves and consolidated retained earnings		Foreign exchange differences	Total attributable to the owners of the Parent Company	non-controlling interests	Total
		Additional paid-in capital (1), consolidated retained earnings and other reserves	Hedging instruments and available-for-sale securities				
31.12.2011 published	**81,007**	**3,668,094**	**751,101**	**-38,475**	**4,461,727**	**264**	**4,461,991**
IAS 19 R restated		**-25,955**			**-25,955**		**-25,955**
01.01.2012 restated (2)	**81,007**	**3,642,139**	**751,101**	**-38,475**	**4,435,772**	**264**	**4,436,036**
Net income for the year		*501,979*			*501,979*	*44*	*502,023*
Total income and expense recognized directly through equity		*-119,470*	*22,394*	*-9,632*	*-106,708*		*-106,708*
Total recognized income and expense		382,509	22,394	-9,632	395,271	44	395,315
Dividends paid		-86,070			-86,070		-86,070
Other movements (3)		2,228			2,228		2,228
31.12.2012 restated (2)	**81,007**	**3,940,806**	**773,495**	**-48,107**	**4,747,201**	**308**	**4,747,509**
Net income for the year		*459,421*			*459,421*	*31*	*459,452*
Total income and expense recognized directly through equity		*21,018*	*9,748*	*-61,767*	*-31,001*		*-31,001*
Total recognized income and expense		480,439	9,748	-61,767	428,420	31	428,451
Dividends paid		-94,171			-94,171		-94,171
Other movements (3)		30,300			30,300		30,300
As of 31.12.2013	**81,007**	**4,357,374**	**783,243**	**-109,874**	**5,111 750**	**339**	**5,112,089**

(1) additional paid-in capital: EUR 19,579 thousand.

(2) the 2012 data have been restated to take into account the first application of the revised IAS 19 standard. The effects are described in Note 1.A1-3.

(3) This largely consists of changes in treasury shares, employee share issues and THALES share-based payments.

CASH FLOW STATEMENT

(EUR 000)	NOTES	2013	2012 (1)
I - NET CASH FROM OPERATING ACTIVITIES			
NET INCOME (1)		459,452	502,023
Elimination of net income of equity affiliates, net of dividends received (1)	5.1	-30,667	-41,606
Elimination of gains and losses from disposals of non-current assets		591	190
Changes in the fair value of hedging instruments	24.3	-72,628	-82,018
Income tax (including deferred taxes)	20	204,557	225,441
Net charges to and reversals of depreciation, amortization and provisions (excluding those relating to working capital)	4, 12.1	155,741	100,287
Net cash from operating activities before working capital changes and taxes		**717,046**	**704,317**
Income taxes paid	20	**-208,989**	**-204,501**
Change in inventories and work-in-progress (net)	6	230,385	-117,815
Change in advances and progress payments to suppliers		106,029	-30,421
Change in trade and other receivables (net)	7	-60,777	45,845
Change in customer advances and progress payments on work-in-progress	14	-749,163	145,476
Change in trade and other payables	13	57,744	39,107
Change in tax and employee-related liabilities	13	19,610	33,555
Consolidation reclassifications and restatements		-402	-6,849
Increase (-) or decrease (+) in working capital		**-396,574**	**108,898**
Total I		**111,483**	**608,714**
II - NET CASH FROM INVESTING ACTIVITIES			
Purchases of intangible assets and property, plant and equipment	4	-63,507	-60,462
Purchases of investments		-2,264	-5,892
Disposals of or reductions in fixed assets		14,015	20,692
Net cash from acquisitions and sales of subsidiaries		0	0
Total II		**-51,756**	**-45,662**
III - NET CASH FLOW USED IN FINANCING ACTIVITIES			
Net change in available-for-sale marketable securities (at cost)	5.2	139,481	-45,653
Capital increase		0	0
Change in equity items		0	0
Increase in borrowings	11	99,840	94,846
Repayments of borrowings	11	-153,435	-487,076
Dividends paid	22	-94,171	-86,070
Total III		**-8,285**	**-523,953**
IV - Exchange rate fluctuations **Total IV**		-18,628	-10,491
CHANGE IN NET CASH AND CASH EQUIVALENTS (I+II+III+IV)		**32,814**	**28,608**
Opening net cash and cash equivalents		**950,416**	**921,808**
Closing net cash and cash equivalents		**983,230**	**950,416**

(1) the 2012 data have been restated to take into account the first application of the revised IAS 19 standard. The effects are described in Note 1.A1-3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Accounting principles

A/ GENERAL PRINCIPLES

On March 12, 2014, the Board of Directors approved and authorized the publication of the consolidated financial statements of DASSAULT AVIATION of December 31, 2013. These consolidated financial statements shall be submitted for approval from the shareholders at the Annual General Meeting on May 15, 2014.

• A1 Reference standards

A1-1 Basis for the preparation of the financial reporting

The consolidated financial statements of the DASSAULT AVIATION Group are prepared in accordance with the international (IAS/IFRS) standards and interpretations as adopted by the European Union and applicable as of the balance sheet date.

A1-2 Changes in 2013 to the accounting standards applicable to Dassault Aviation

Standards, amendments and interpretations for mandatory application in 2013

On January 1, 2013, the Group applied for the first time the following standards, amendments and interpretations:

- IAS 19 revised: "Employee benefits",
- IFRS 13: "Fair value measurement",
- IFRS 7 amendment: "Financial instruments: disclosures",
- IAS 1 amendment: "Presentation of financial statements",
- 2009-2011 improvements made to standards.

The effects of the revised IAS 19 standard are detailed in paragraph *A1-3 First application of the revised IAS 19 standard.*

The other standards, amendments and interpretations applicable to fiscal years beginning on or after January 1, 2013 have no significant effect on the consolidated financial statements of the Group.

The Group took advantage of the application of the amendments to IAS 1 to reorganize the presentation of its equity under liabilities and the changes in equity statement.

Hence, under liabilities, the "Reserves", "Other income and expense recognized directly through equity" and "Income for the year attributable to the owners of the Parent Company" headings are now brought together under the heading "Reserves and consolidated retained earnings".

In the changes of equity statement, the items have been grouped together in order to identify the share of income and expense recognized directly through equity, subsequently recyclable as income.

Standards, amendments and interpretations for mandatory application post-2013

The standards, amendments and interpretations that were not mandatory on January 1st, 2013 are not applied in advance by the Group.

The texts applicable to DASSAULT AVIATION as from January 1st, 2014:

- IFRS 10 standard: "Consolidated financial statements",
- IFRS 11 standard: "Partnerships",
- IFRS 12 standard: "Disclosure of interests in other entities",
- revised IFRS 27 standard: "Individual financial statements",
- revised IAS 28 standard: "Investment in associates and joint ventures",
- IAS 32 revised: "Financial instruments: presentation".

The Group does not anticipate any significant impact of these texts on the consolidated financial statements.

The standards, amendments or interpretations published by the IASB and not yet adopted by the European Union have not been applied in advance by the Group for the preparation of its consolidated financial statements when this possibility was available. These texts mainly concern IFRS 9 standard: "Financial instruments".

The effects of this standard on the financial situation of the Group are currently being assessed.

A1-3 First application of the revised IAS 19 standard

The revised IAS 19 standard sets forth:

- recognition of all actuarial adjustments as other income and expense recognized directly through equity,
- immediate recognition of past service costs,
- alignment of expected return on plan assets with the discount rates,
- accounting for administrative costs only, relating to management of assets with deduction of their actual yield.

Taking into account the accounting rules and methods applied previously, the investment characteristics and the chosen assumptions, the Group is very little affected by the application of this new standard. The impacts on the fully consolidated entities are insignificant. The only incidence recorded results from the consolidation of THALES under the equity method.

The impact on the Group balance sheet as at January 1, 2012 is as follows:

(EUR 000)	01.01.2012 Restated	01.01.2012 Published	Difference
Equity affiliates	1,654,084	1,680,039	-25,955
Total Assets	10,150,197	10,176,152	-25,955
Reserves and consolidated retained earnings	4,393,240	4,419,195	-25,955
Total Liabilities	10,150,197	10,176,152	-25,955

The impact on the income statement of 2012 is as follows:

(EUR 000)	2012 Restated	2012 Published	Difference
Share of income/loss of equity affiliates	82,581	90,436	-7,855
Net income	502,023	509,878	-7,855

In 2012, the restated earnings per share is EUR 49.6 per share (compared to EUR 50.3 published).

The impact on the Group balance sheet as at December 31, 2012 is as follows:

(EUR 000)	31.12.2012 Restated	31.12.2012 Published	Difference
Equity affiliates	1,647,695	1,641,590	6,105
Total Assets	10,391,343	10,385,238	6,105
Reserves and consolidated retained earnings	4,714,301	4,708,196	6,105
Total Liabilities	10,391,343	10,385,238	6,105

• 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 the amounts entered in the balance sheet and the income statement.

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. The Group's activities have long operating cycles. Consequently, the assets (liabilities) generally realized (settled) in the framework of the operating cycle (inventories and work-in-progress, receivables, advances and progress payments received from clients, etc.) are presented in the consolidated balance sheet as current assets and liabilities, with no distinction between the amount due within one year and the amount due within more than one year.

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 taxes.

• A4 Segment reporting

IFRS 8, "Operating Segments", requires the presentation of information according to internal management criteria. The activity of the DASSAULT AVIATION Group relates entirely to the aerospace field. The internal reporting made to the Chairman-CEO and the Chief Operating Officer, as used for the strategy and decision-making, presents no performance analysis (in the IFRS 8 sense) at a level beneath this field.

B/ CONSOLIDATION POLICIES

• B1 Consolidation scope and 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.

B1-3 Investments in joint ventures

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

In 2012 and 2013, the Group did not have any material investments of this type.

B1-4 Consolidation thresholds

To apply the concept of relative importance, companies which are controlled or over which the Group exercises a notable influence 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, are eliminated in the inventories and work-in-progress of consolidated companies.

• B2 Closure dates

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 currency used in the preparation of the consolidated financial statements is the euro.

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

C1-1 Business combinations since January 1st, 2010

There have been no business combinations since January 1st, 2010.

C1-2 Business combinations prior to January 1st, 2010

Business combinations prior to January 1st, 2010 are recognized according to the acquisition method as defined in standard IFRS 3.

The identified assets and liabilities are recognized at their fair value on the date of acquisition.

The difference between the acquisition cost of the shares and the Group's share in the restated net assets constitutes the goodwill.

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.

In accordance with standard IFRS 3, goodwill is no longer amortized. It is subject to an impairment test at each year-end, or if an indication of impairment has been detected (see *C3 Loss in value and recoverable value).*

C1-3 Reminder of first adoption rules for IFRS

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

• C2 Intangible assets and property, plant and equipment

C2-1 Principles for recognition and appreciation or amortization

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.

In accordance with IAS 38 "Intangible assets" concerning development costs, the Group determines the development phase of its programs that satisfies the criteria for capitalization. Development costs are capitalized to the extent that they satisfy the following three decisive criteria:
- The technical criterion is satisfied when the period for the validation of results after the maiden flight has elapsed without the project being called into question
- 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 a distinction cannot be made, as may be the case for minor developments (e.g.: modification, improvement, etc.), the expenditure is not capitalized.

The asset should be likely to generate clearly identifiable future economic benefits attributable to a specific product.

The capitalized development costs are measured at production cost. 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).

C2-2 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 ans
Second-hand goods	on a case-by-case basis

C2-3 Derecognition

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.

• C3 Loss in value and recoverable value of intangible assets, plant, property and equipment, and goodwill

In accordance with IAS 36 "Impairment of assets", all long-term assets (tangible and intangible) and goodwill undergo an impairment test upon detection of an indication of impairment and at least once a year, on December 31, for goodwill and for intangible assets with an indefinite service life.

Indications of impairment derive from significant adverse changes of a permanent nature, affecting the economic environment or the assumptions or objectives adopted by the Group.

The impairment tests consist in ensuring that the recoverable values of the tangible assets, intangible assets and cash-generating units to which the goodwill is assigned are at least equal to their net book value. Otherwise, impairment is recognized in net income and the net book value of the asset is written down to its recoverable value.

The recoverable value of a tangible or intangible asset is the highest value between its fair value, less the costs of disposal, and its value in use.

The recoverable amount of a cash-generating unit corresponds to its value in use. Each consolidated company represents a cash-generating unit, i.e.: the smallest identifiable group of assets that generates cash inflows and outflows.

The value in use is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.8% (compared to 8.7% as of 31.12.2012) and a 2% long-term growth rate (same as of 31.12.2012).

The discount rate includes the rates prevailing in the aviation industry and was calculated using the same method as in 2012. Post-tax cash flows are projected over a period not exceeding 5 years and the method takes into account a terminal value. These future cash flows result from the economic assumptions and forecast operating conditions adopted by the Group's Executive Management.

When a cash-generating unit needs to be impaired, the impairment is first of all applied to the goodwill then, if appropriate, to the other assets of the cash-generating unit proportionate to their net book value. Impairments may be reversed except those relating to goodwill.

• C4 Securities and other non-current financial assets

These fall into three categories.

C4-1 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 recognized if the recoverable value is lower than the carrying amount, with the recoverable value being equivalent to the value in use, as defined in paragraph C3, or the fair value net of transaction costs, whichever is the higher.

Concerning the equity investment in THALES, when an impairment test is carried out, the operational and financial hypotheses used derive directly from data provided by THALES.

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

C4-2 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 their fair value.

For listed assets (marketable securities and non-consolidated investments), fair value corresponds to the market price prevailing at the balance sheet date. These items are classified as level 1 (as per IFRS 13).

For non-listed investments, in the absence of any external valuation elements, 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. These items are classified as level 3 (as per IFRS 13).

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

C4-3 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.

• C5 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 used aircraft which are stated at acquisition cost. Work-in-progress is stated at production cost.

Inventories and work-in-progress are impaired when their net realizable value is 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.

• C6 Receivables

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

Receivables resulting from financial leasing contracts are presented under "Trade and other receivables". They correspond to the discounted amount of the expected lease revenue, increased by the residual value of the aircraft at the end of the financial leasing contract.

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 and/or receivables with no material credit risk.

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

• C7 Cash and cash equivalents

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

The cash equivalents satisfy the criteria set forth in IAS 7 "Statement of cash flows": 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.

• C8 Provisions for contingencies and losses

C8-1 Provisions for warranties:

In the framework of our sales or procurement contracts, we have formal obligations with regard to guaranteeing the equipment, products and/or services (software developers, systems integration, etc.) delivered.

These obligations may be distinguished between:

- "standard" warranty: repairing defective equipment during the contractual warranty period, processing hardware or software malfunctions identified by the user following qualification and handover to the user, etc.
- "regulatory" warranty: handling by the manufacturer of any changes to the regulatory framework determined by the regulatory authorities are of any regulatory nonconformity identified by the manufacturer or a user following delivery of the delivered materials or products.

Determining the amount of the warranty provisions is mainly done as follows:

- for the standard equipment warranty: based on feedback about the observed costs, as per the warranty options covered contractually and the models of aircraft concerned,
- for the processing of malfunctions or upgrades and regulatory nonconformities: based on quotations drawn up by specialists from the business lines that are concerned by the corrective actions to be implemented (these actions having been detailed in technical files).

C8-2 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, with equivalent maturity to the duration of the calculated liabilities.

The Group applies the revised IAS 19 standard which stipulates:

- recognition of all actuarial adjustments as other income and expense recognized directly through equity,
- immediate recognition of past service costs,
- alignment of expected return on plan assets with the discount rates,
- accounting for administrative costs only, relating to management of assets with deduction of their actual yield.

The provision that features on the balance sheet corresponds to the total net commitments of the plan assets. The impacts on the income statement are fully recognized in the operating income.

- C9 Borrowings and payables

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

Loans 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.

- C10 Discounting of receivables, payables and provisions

The receivables and payables are recognized for their discounted amounts when their term of settlement is more than one year and the effects of the discounting are significant.

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

Other provisions are stated at present value.

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

- C11 Derivative financial instruments

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

These risks mainly arise from US dollar denominated sales. The corresponding future cash flows are partially hedged using forward exchange contracts and foreign exchange options.

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 and the market parameters observed on the closure date, taking into account any counterparty risks. The evaluation of financial instruments comes under level 2 as per IFRS 13.

The Group applies hedge accounting for the operations concerned in accordance with the criteria set forth in IAS 39 "Financial instruments":

- the changes in fair value of hedging instruments are posted, net of tax, to other income and expense recognized 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.

- C12 Net sales and income

C12-1 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.

Financial lease contracts are recognized as credit sales in application of IAS 17: "Leases".

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.

C12-2 Tax credits for competitiveness and employment and Tax credits for research

The amounts acquired as Tax credits for competitiveness and employment by the French companies of the Group are deducted from the some of payroll and related charges.

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

C12-3 Net financial income or expense

Net financial income or expense mainly comprises:

- unrealized capital gains or losses on cash equivalents,
- gains on disposal of marketable securities,
- dividends from non-consolidated companies recognized when the Group – as shareholder - is entitled to receive payment,
- financial expense, which largely relates to contracted borrowings and employee profit sharing current accounts.
- variations in value of hedging instruments not satisfying the conditions required by the standard for hedge accounting,
- financial income obtained from financial lease operations.

• C13 Deferred taxation

Deferred taxes linked to temporary differences are calculated per company.

In accordance with the requirements of IAS 12 "Income taxes", deferred tax assets are only recognized, for each company, insofar as 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 through equity are charged or credited to equity.

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

Note 2 - Scope of consolidation

2.1 Scope of consolidation as at December 31, 2013

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

Name	Country	% interest (1)		Consolidation method (2)
		31.12.2013	31.12.2012	
DASSAULT AVIATION (3)	**France**	**Parent company**	**Parent company**	
DASSAULT FALCON JET	**USA**	**100**	**100**	**FC**
- DASSAULT FALCON JET WILMINGTON	USA	100	100	
- DASSAULT AIRCRAFT SERVICES	USA	100	100	
- DASSAULT FALCON JET LEASING	USA	100	-	
- AERO PRECISION	USA	50	50	
- MIDWAY	USA	25	25	
- DASSAULT FALCON JET DO BRAZIL	Brazil	100	100	
- DASSAULT FALCON BUSINESS SERVICES	China	100	100	
DASSAULT FALCON SERVICE	**France**	**100**	**100**	**FC**
- FALCON TRAINING CENTER	France	50	50	
DASSAULT PROCUREMENT SERVICES	**USA**	**100**	**100**	**FC**
- MIDWAY	USA	75	75	
SOGITEC INDUSTRIES	**France**	**100**	**100**	**FC**
DASSAULT INTERNATIONAL INC.	**USA**	**100**	**100**	**MEQ**
THALES	**France**	**26**	**26**	**MEQ**

(1) The equity interest percentages are identical to the percentages of effective control for all Group companies except for THALES, for which the Group holds a 25.53% equity interest, 25.85% of the interest entitlements and 29.31% of the voting rights as of December 31, 2013.

(2) FC: fully consolidated, MEQ: equity method.

(3) Identity of the parent company: Société Anonyme (French limited liability company) with share capital of EUR 81,007,176, listed and registered in France, 712 042 456 RCS PARIS - 9, Rond-Point des Champs-Élysées-Marcel Dassault - 75008 PARIS.

2.2 Changes in the scope of consolidation 2013

In 2013 DFJ created a subsidiary in the USA called DASSAULT FALCON JET LEASING, the activity of which is to finance the sale of Falcon aircraft via financial lease contracts.

Note 3 - Goodwill

(EUR 000)	31.12.2012	Acquisitions	Disposals	Other	31.12.2013
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
TOTAL	**14,366**	**0**	**0**	**0**	**14,366**

As the tests performed in accordance with IAS 36 "Impairment of assets" did not indicate any impairment loss, no provision for goodwill impairment was recognized. A 10% variation of the discount rate and of the long-term growth rate does not affect the absence of goodwill impairment.

Pursuant to the IFRS standards, the goodwill for THALES, which is consolidated under the equity method, is included under "Equity affiliates" (see Note 5).

Note 4 - Intangible assets and property, plant and equipment

4.1 Geographical breakdown

(EUR 000)	31.12.2013	31.12.2012
Net value		
France	278,778	306,929
USA	134,694	137,246
TOTAL	**413,472**	**444,175**
Intangible assets	29,241	38,612
Property, plant and equipment	384,231	405,563

4.2 Intangible assets

(EUR 000)	31.12.2012	Additions / Charges	Disposals / Reversals	Other	31.12.2013
Gross value					
Development costs (1)	143,250	59	0	0	143,309
Software, patents, licenses and similar assets	102,327	6,994	-9,926	1,532	100,927
Intangible assets in the course of development; advances and progress payments	1,624	2,193	0	-1,624	2,193
	247,201	**9,246**	**-9,926**	**-92**	**246,429**
Amortization					
Development costs (1)	-116,250	-11,312	0	0	-127,562
Software, patents, licenses and similar assets	-92,339	-7,334	9,926	121	-89,626
	-208,589	**-18,646**	**9,926**	**121**	**-217,188**
Net value					
Development costs (1)	27,000				15,747
Software, patents, licenses and similar assets	9,988				11,301
Intangible assets in the course of development; advances and progress payments	1,624				2,193
TOTAL	**38,612**	**-9,400**	**0**	**29**	**29,241**

(1) cf. paragraph C2-1 of the accounting principles.

4.3 Property, plant and equipment

(EUR 000)	31.12.2012	Additions / Charges	Disposals / Reversals	Other (1)	31.12.2013
Gross value					
Land	27,081	322	-38	17	27,382
Buildings	431,664	8,055	-1,924	-3,808	433,987
Plant, equipment and machinery	535,112	25,709	-47,812	2,621	515,630
Other property, plant and equipment	275,092	7,314	-38,072	-2,912	241,422
Construction in progress; advances and progress payments	9,529	12,861	-2,212	-7,053	13,125
	1,278,478	**54,261**	**-90,058**	**-11,135**	**1,231,546**
Amortization					
Land	-5,556	-453	19	0	-5,990
Buildings	-234,554	-17,540	1,592	1,903	-248,599
Plant, equipment and machinery	-456,332	-27,374	47,266	1,158	-435,282
Other property, plant and equipment	-174,962	-11,834	28,029	1,974	-156,793
	-871,404	**-57,201**	**76,906**	**5,035**	**-846,664**
Impairment (2)					
Other property, plant and equipment	-1,511	-651	1,511	0	-651
	-1,511	**-651**	**1,511**	**0**	**-651**
Net value					
Land	21,525				21,392
Buildings	197,110				185,388
Plant, equipment and machinery	78,780				80,348
Other property, plant and equipment	98,619				83,978
Construction in progress; advances and progress payments	9,529				13,125
TOTAL	**405,563**	**-3,591**	**-11,641**	**-6,100**	**384,231**

(1) This involves essentially foreign exchange differences.

(2) Impairment tests of property, plant and equipment (cf. Note C3 "Accounting policies"):

- The impairment tests carried out for cash-generating units did not highlight any other impairment to be recognized as of 31.12.2013.
- The provision for depreciation of capitalized used business jets was revised to EUR 651 thousand on December 31, 2013, compared to EUR 1,511 thousand on December 31, 2012.

Note 5 - Non-current financial assets

5.1 Equity affiliates

This concerns, on the one hand, the THALES participation for which, as of December 31, 2013, DASSAULT AVIATION possesses 29.31% of the voting rights and 25.85% of the interest 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, since its assets and liabilities, other than the DFJ investment, are negligible.

5.1.1 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)	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012 (3)	2013	2012 (3)
DASSAULT INTERNATIONAL INC.	100	100	4,873	5,042	50	60
THALES (3)(4)	25.85	26.33	1,671 305	1,642,653	77,895	82,521
TOTAL			**1,676,178**	**1,647,695**	**77,945**	**82,581**

(1) % interest entitlements.

(2) Group share after consolidation adjustments.

(3) the 2012 data have been restated to take into account the first application of the revised IAS 19 standard. The effects are described in Note 1.A1-3.

(4) The share value includes goodwill amounting to EUR 1,101,297 thousand. The Group share of the THALES income after consolidation adjustments is detailed in Note 5.1.3.

5.1.2 Growth of investments in equity affiliates

(EUR 000)	2013	2012 (1)
On January 1 (1)	**1,647,695**	**1,654,084**
Group share of net income (after consolidation adjustments) (1)	77,945	82,581
Elimination of dividends paid by THALES (2)	-47,278	-40,975
Total income and expense recognized directly through equity		
- Net change in fair value measurement of available-for-sale financial assets	-13	132
- Net change in fair value measurement of hedging instruments (3)	18,611	20,379
- Actuarial adjustments on defined benefit obligations (1)	-5,481	-84,756
- Corresponding deferred taxes (1)	-9,472	12,521
- Foreign exchange differences	-36,129	1,501
Share of income and expense recognized directly through equity relating to equity affiliates (1)	-32,484	-50,223
Other movements (4)	30,300	2,228
On December 31	**1,676,178**	**1,647,695**

(1) cf. Note 1.A1-3 on the application of the revised IAS 19 standard.

(2) In 2013, the Group received EUR 33,095 thousand in THALES dividends for 2012 and EUR 14,183 thousand in interim dividends for 2013. In 2012, the Group received EUR 40,975 thousand in THALES dividends, comprising EUR 27,842 thousand for 2011 and EUR 13,133 thousand in interim dividends for 2012.

(3) The totals stated correspond to the change in the portfolio's market value for the period. They are not representative of the actual gains/losses when the hedges are exercised.

(4) This largely consists of changes in treasury shares, employee share issues and THALES share-based payments.

5.1.3 THALES summary financial statements (100%) and share of net income of equity affiliates by DASSAULT AVIATION

(EUR 000)	2013	2012 (1)
Total assets	21,494 800	21,317,700
Equity attributable to the owners of the Parent Company	3,911 000	3,541,100
Net sales	14,194 100	14,158,100
Net income attributable to the owners of Parent Company (1)	573,400	585,500

(1) cf. Note 1.A1-3 on the application of the revised IAS 19 standard.

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)	2013	2012 (1)
THALES net income (100%) (1)	**573,400**	**585,500**
THALES net income - DASSAULT AVIATION share (1)	**148,224**	**154,162**
Post-tax amortization of the purchase price allocation (2)	-57,333	-67,967
Other consolidation adjustments		
• run-off of the hedging instruments included in THALES equity on the acquisition date	-3,102	-2,370
• corresponding deferred tax	1,068	856
• dilution impact	-10,962	-2,160
Consolidation adjustments subtotal	**-70,329**	**-71,641**
Value applied by DASSAULT AVIATION (1)	**77,895**	**82,521**

(1) cf. Note 1.A1-3 on the application of the revised IAS 19 standard.

(2) depreciation of identified assets for which the modes and periods of depreciation are identical to those used for the year ended December 31, 2012.

5.1.4 Market price of THALES shares and impairment test

Based on the market price of THALES shares on December 31, 2013 of EUR 46.80 per share, DASSAULT AVIATION's investment in THALES is valued at EUR 2,458 million.

In the absence of any objective indication of impairment, the THALES investments were not subject to an impairment test on December 31, 2013.

5.2 Available-for-sale securities

Available-for-sale securities are recognized at their fair value. They comprise in particular short-term Group investments in the form of marketable securities. It should be noted that other marketable securities are classified under "cash equivalents" (cf. Note 8). The analysis of risks relating to all the Group's available-for-sale securities is presented in Note 24 of the Appendix.

(EUR 000)	31.12.2012	Acquisitions	Disposals	Fair value variation	Other	31.12.2013
Marketable securities (listed) (1)(2)	3,131,652	0	-139,481	1,008	0	2,993,179
Unlisted securities	95,506	1,092	-606	466	-1,821	94,637
Shares (EMBRAER)	35,656	0	0	3,029	0	38,685
Available-for-sale securities	**3,262,814**	**1,092**	**-140,087**	**4,503**	**-1,821**	**3,126,501**

(1) The amount of EUR -139,481 thousand corresponds to the net change in available-for-sale marketable securities (at cost).

(2) The variation of EUR 1,008 thousand corresponds to the increase in fair value of the listed marketable securities amounting to EUR 11,324 thousand offset by a loss on sale amounting to EUR -10,316 thousand (included in the net financial income).

(EUR 000)	31.12.2013			31.12.2012		
	Historical cost	Capital gain / loss (1)	Consolidated value	Historical cost	Capital gain / loss (1)	Consolidated value
Marketable securities (listed) (2)	2,012,989	980,190	2,993,179	2,152,470	979,182	3,131,652
Unlisted securities	68,893	25,744	94,637	70,228	25,278	95,506
Shares (EMBRAER)	32,120	6,565	38,685	32,120	3,536	35,656
Available-for-sale securities	**2,114,002**	**1,012,499**	**3,126,501**	**2,254,818**	**1,007,996**	**3,262,814**

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

(2) An exhaustive analysis of the performance of available-for-sale securities is carried out at each period-end. The investment portfolio does not present, line-by-line, any objective indication of impairment as of 31.12.2013 (as was also the case on 31.12.2012).

5.3 Other financial assets

(EUR 000)	31.12.2012	Additions / Charges	Disposals / Reversals	Other	31.12.2013
Gross value					
Advance lease payments	32,188	939	-483	0	32,644
Housing loans and other	2,477	233	-364	-7	2,339
TOTAL (1)	**34,665**	**1,172**	**-847**	**-7**	**34,983**
Provision	**-306**	**-2**	**0**	**7**	**-301**
NET VALUE	**34,359**	**1,170**	**-847**	**0**	**34,682**

(1) maturing within more than one year: EUR 34,212 thousand as of 31.12.2013 and EUR 33,898 thousand as of 31.12.2012.

Note 6 - Inventories and work-in-progress

(EUR 000)	31.12.2013			31.12.2012
	Gross	Provision	Net	Net
Raw materials	183,846	-75,306	108,540	109,126
Work-in-progress	2,077,947	-31,824	2,046,123	2,228,382
Semi-finished and finished goods	867,698	-335,841	531,857	579,397
TOTAL	**3,129,491**	**-442,971**	**2,686,520**	**2,916,905**

Note 7 - Trade and other receivables

7.1 Details

(EUR 000)	31.12.2013			31.12.2012
	Gross	Provision	Net	Net
Trade receivables (1)	491,871	-85,144	406,727	367,513
Corporate income tax receivables	54,333	0	54,333	26,355
Other receivables	76,870	0	76,870	84,193
Prepayments and accrued income	12,802	0	12,802	11,894
TOTAL	**635,876**	**-85,144**	**550,732**	**489,955**

(1) see Note 7.3 for receivables relating to financial lease contracts.

The percentage of outstanding receivables not written-down at the year-end is subject to regular individual monitoring.

7.2 Maturity - gross value

(EUR 000)	31.12.2013			31.12.2012		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables (1)	491,871	272,643	219,228	457,200	314,901	142,299
Corporate income tax receivables	54,333	54,333	0	26,355	26,355	0
Other receivables	76,870	76,870	0	84,193	84,193	0
Prepayments and accrued income	12,802	12,802	0	11,894	11,894	0
TOTAL	**635,876**	**416,648**	**219,228**	**579,642**	**437,343**	**142,299**

(1) see Note 7.3 for receivables relating to financial lease contracts.

7.3 Receivables relating to financial lease contracts

(EUR 000)	31.12.2013	31.12.2012
Receivables for minimum lease payment income	49,033	0
Unearned financial income	-5,416	0
Provisions for impairment and write-down	0	0
Net value	**43,617**	**0**

The amount due within one year of minimum lease payment income is EUR 8,387 thousand.

Note 8 - Cash and cash equivalents

8.1 Net cash

(EUR 000)	31.12.2013			31.12.2012
	Gross	**Provision**	**Net**	**Net**
Cash equivalents (1)	920,610	0	920,610	725,840
Cash at bank and in hand	62,620	0	62,620	224,576
Cash and cash equivalents in the balance sheet	**983,230**	**0**	**983,230**	**950,416**
Bank loans and credit balance bank accounts	0	0	0	0
Net cash in the cash flow statement	**983,230**	**0**	**983,230**	**950,416**

(1) mainly time deposits and cash equivalent marketable securities. The corresponding risk analysis is described in Note 24 to the consolidated financial statements.

8.2 Available cash

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

(EUR 000)	31.12.2013	31.12.2012
Available-for-sale marketable securities (market value) (1)	2,993,179	3,131,652
Cash equivalents (market value)	983,230	950,416
Sub-total	**3,976,409**	**4,082,068**
Borrowings (2)	-268,184	-321,779
Available cash	**3,708,225**	**3,760,289**

(1) See Note 5. At the Group's initiative, the available-for-sale marketable securities may be sold in the very near future, given their liquidity.

(2) See Note 11.

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.

Furthermore, the Group regularly distributes dividends.

Note 10 - Identity of the consolidating Parent Company

	% control (1)
GROUPE INDUSTRIEL MARCEL DASSAULT (G.I.M.D.) 9, Rond-Point des Champs-Élysées - Marcel Dassault 75008 Paris	50.55%

(1) identical to the consolidation percentage.

Note 11 - Borrowings

(EUR 000)	Total on 31.12.2013	Amount due within 1 year	Amount due in more than 1 year		
			Total due within more than 1 year	Of which: > than 1 year and < than 5 years	More than 5 years
Bank borrowings (1)	**96**	25	71	54	17
Other borrowings (2)	**268,088**	62,871	205,217	205,217	0
TOTAL	**268,184**	62,896	205,288	205,271	17

(EUR 000)	Total on 31.12.2012	Amount due within 1 year	Amount due in more than 1 year		
			Total due within more than 1 year	Of which: > than 1 year and < than 5 years	More than 5 years
Bank borrowings (1)	**56**	17	39	39	0
Other borrowings (2)	**321,723**	58,223	263,500	262,773	727
TOTAL	**321,779**	58,240	263,539	262,812	727

(1) No short-term bank credit on 31.12.2013 and on 31.12.2012.

(2) On 31.12.2013 and on 31.12.2012, the other borrowings mainly include locked-in employee profit-sharing funds. Employee profit-sharing corresponds to "other long-term benefits", and should be evaluated and discounted according to the principles of the revised IAS 19 standard. However, in view of the low historical differences between remuneration rate and discount rate, we consider that the evaluation method by cost less repayments constitutes a satisfactory approximation of the profit-sharing liability.

Note 12 - Provisions

12.1 Provisions for contingencies and losses and for impairment

(EUR 000)	31.12.2012	Increases / Charges	Decreases / Reversals	Other (1)	31.12.2013
Provisions for contingencies and losses					
Operational	1,268,307	465,062	-384,310	-43,061	1,305,998
Financial	0	0	0	0	0
	1,268,307	**465,062**	**-384,310**	**-43,061**	**1,305,998**
Provisions for impairment and write-down					
Financial	306	2	0	-7	301
Property, plant and equipment	1,511	651	-1,511	0	651
Inventories and work-in-progress	386,212	447,982	-385,481	-5,742	442,971
Trade receivables	89,687	83,977	-88,479	-41	85,144
	477,716	**532,612**	**-475,471**	**-5,790**	**529,067**
TOTAL	**1,746,023**	**997,674**	**-859,781**	**-48,851**	**1,835,065**

(1) Including foreign exchange differences and actuarial adjustments posted to other income and expense recognized directly through equity.

12.2 Provisions for contingencies and losses

(EUR 000)	31.12.2012	Increases / Charges	Decreases / Reversals	Other (1)	31.12.2013
Warranties (2)	658,788	296,101	-221,322	-1,571	731,996
Services and work to be performed	195,178	129,484	-134,334	-1,942	188,386
Retirement severance payments	407,058	38,917	-24,918	-39,492	381,565
French companies	*386,599*	*28,820*	*-16,993*	*-17,742*	*380,684*
US companies	*20,459*	*10,097*	*-7,925*	*-21,750*	*881*
Miscellaneous (3)	7,283	560	-3,736	-56	4,051
Operating – current	**1,268,307**	**465,062**	**-384,310**	**-43,061**	**1,305,998**
Financial	**0**	**0**	**0**	**0**	**0**
TOTAL	**1,268,307**	**465,062**	**-384,310**	**-43,061**	**1,305,998**

(1) Including foreign exchange differences and actuarial adjustments posted to other income and expense recognized directly through equity. The actuarial adjustments contributed to the reduction in provisions for retirement severance payments amounting to EUR -39,325 thousand. These may be broken down, excluding exchange differences, as follows:

French companies	*-17,742*
US companies	*-21,583*
Total actuarial adjustments	*-39,325*

(2) Warranty provisions are updated to reflect the fleet in service and contracts delivered. Cf. accounting principles C8-1.

(3) As of December 31, 2013, the other long-term benefits relating to long-service awards amounted to EUR 2,685 thousand, compared to EUR 2,699 thousand at the end of 2012.

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 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 according to employee length of service at the period-end in relation to their 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	
	2013	2012	2013	2012
Inflation rate	2.00%	2.00%	2.25%	3.00%
Discount rate	2.50%	2.30%	5.10%	4.45%
Weighted average salary increase rate	3.90%	3.90%	3.40%	4.18%

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

12.3.3 History of commitments

(EUR 000)	2013	2012	2011	2010	2009
Total commitment	556,649	579,783	485,241	419,381	382,715
Plan assets	175,084	172,725	155,432	138,786	116,075
Unfunded status (1)	**381,565**	**407,058**	**329,809**	**280,595**	**266,640**

(1) fully provisioned in the Group accounts.

A reduction in the discount rate of 0.50 points would increase the total commitment by EUR 38,313 thousand in 2013.

12.3.4 French companies

The movements in this provision over the year break down as follows:

(EUR 000)	2013	2012
As of January 1	**386,599**	**318,698**
Current service cost	19,679	15,630
Interest cost	9,141	12,549
Benefits paid	-16,993	-10,128
Actuarial adjustments	-17,742	49,850
As of December 31	**380,684**	**386,599**

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

(EUR 000)	2013	2012
Current service cost	19,679	15,630
Interest cost	9,141	12,549
Periodic cost for defined benefit obligations	**28,820**	**28,179**

12.3.5 US companies

In the US, defined benefit retirement commitments are financed externally. Commitments not covered by the plan assets are provisioned.

The movements in this provision over the year break down as follows:

(EUR 000)	2013	2012
As of January 1	**193,184**	**166,543**
Current service cost	9,179	8,424
Interest cost	8,298	8,349
Benefits paid	-5,252	-4,737
Actuarial adjustments	-21,420	18,629
Foreign exchange differences	-8,024	-4,024
As of December 31	**175,965**	**193,184**

Changes in investments held for the plans over the year break down as follows:

(EUR 000)	2013	2012
Fair value of the plan as of January 1	**172,725**	**155,432**
Expected return on plan assets	7,380	8,098
Actuarial adjustments	163	-658
Employer contributions	7,925	18,141
Benefits paid	-5,252	-4,737
Foreign exchange differences	-7,857	-3,551
Fair value of the plan as of December 31	**175,084**	**172,725**

The value of the fund amounted to USD 241 million as of 31.12.2013, compared to USD 228 million as of 31.12.2012.

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

(EUR 000)	2013	2012
Current service cost	9,179	8,424
Interest cost	8,298	8,349
Expected return on plan assets	-7,380	-8,098
Periodic cost for defined benefit obligations	**10,097**	**8,675**

The composition of the plan assets is as follows:

	2013	2012
Bonds and debt securities	73%	68%
Shares	27%	30%
Liquidities	0%	2%
Total	**100%**	**100%**

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

Note 13 - Operating payables

(EUR 000)	31.12.2013			31.12.2012		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade payables	613,000	613,000	0	536,606	536,606	0
Other miscellaneous payables	117,570	117,570	0	118,974	118,974	0
Prepayments and accrued income	95,342	64,873	30,469	112,588	73,713	38,875
Trade and other payables	**825,912**	**795,443**	**30,469**	**768,168**	**729,293**	**38,875**
Current corporate income tax payables	22,522	22,522	0	5,472	5,472	0
Other tax and social security payables	239,580	239,580	0	237,020	237,020	0
Tax and employee-related liabilities	**262,102**	**262,102**	**0**	**242,492**	**242,492**	**0**

Note 14 - Customer advances and progress payments on work-in-progress

(EUR 000)	31.12.2013			31.12.2012		
	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	2,293,925	1,287,155	1,006,770	3,043,088	2,244,170	798,918
TOTAL	**2,293,925**	**1,287,155**	**1,006,770**	**3,043,088**	**2,244,170**	**798,918**

Note 15 - Net sales

(EUR 000)	2013	2012
France (1)	1,327,090	997,341
Export	3,265,876	2,943,893
TOTAL	**4,592,966**	**3,941,234**

(1) principally the French government.

One single customer, the French government, accounts for over 10% of the net sales of the Group in 2012 and 2013.

(EUR 000)	2013	2012
First quarter	662,379	950,103
Second quarter	1,164,074	978,988
Third quarter	761,363	591,913
Fourth quarter	2,005,150	1,420,230
TOTAL	**4,592,966**	**3,941,234**

The net sales break down as follows:

(EUR 000)	2013	2012
Finished goods	3,558 671	3,180,800
Services	1,034 295	760,434
TOTAL	**4,592 966**	**3,941,234**

Note 15 - Net sales (cont'd)

By origin, net sales break down as follows:

(EUR 000)	2013	2012
France (1)	2,893,047	2,562,426
United States (2)	1,699,919	1,378,808
TOTAL	**4,592,966**	**3,941,234**

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

(2) DASSAULT FALCON JET and DASSAULT PROCUREMENT SERVICES.

Note 16 - Other revenue

(EUR 000)	2013	2012
Research-based tax credits	33,398	32,552
Financial revenue from operations (1)	750	796
Capitalized production (2)	59	4,257
Other operating grants	91	243
Other operating income	5,175	5,622
TOTAL	**39,473**	**43,470**

(1) interest in arrears.

(2) including capitalized development costs: EUR 59 thousand in 2013 and EUR 4,220 thousand in 2012.

Note 17 - Other operating income and expenses

(EUR 000)	2013	2012
Losses from disposals of non-current assets	-591	-190
Foreign exchange gains or losses from business transactions (1)	-7,400	8,206
Income/(loss) from non-capital transactions	302	-127
Other operating expenses	-498	-3,987
Share of income of joint ventures	1,552	1,554
TOTAL	**-6,635**	**5,456**

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

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)	2013	2012
Research and development costs	-481,560	-387,457

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

Note 19 - Net financial income / (expense)

(EUR 000)	2013	2012
Interest generated by cash and cash equivalents	8,387	8,081
Disposal gains and change in fair value of cash equivalents	123	609
Income from cash and cash equivalents	**8,510**	**8,690**
Interest charges on financing operations	-6,988	-12,437
Cost of gross financial debt	**-6,988**	**-12,437**
COST OF NET FINANCIAL DEBT	**1,522**	**-3,747**
Dividends and other investment income	1,003	2,856
Interest income and gains/losses on disposal of other financial assets (excluding cash and cash equivalents)	14,424	15,470
Foreign exchange gain/loss (1)	72,801	83,318
Other financial expenses	-2,185	0
Financial income and expenses	**86,043**	**101,644**
NET FINANCIAL INCOME/(EXPENSE)	**87,565**	**97,897**

(1) The stated totals correspond mainly to the variation in the value of hedging instruments which do not qualify for hedge accounting under the terms of IAS 39 "Financial instruments". They are not representative of the actual gain/loss when the hedges are exercised.

Note 20 - Tax position

20.1 Net effect of taxes on net income

(EUR 000)	2013	2012
Current tax expense	-208,989	-204,501
Deferred tax gain / expense	4,432	-20,940
Tax gain / expense on net income	**-204,557**	**-225,441**

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

(EUR 000)	2013	2012
Hedging instruments	3,086	4,566
Available-for-sale securities	-847	-8,420
Actuarial adjustments	-9,982	13,757
Tax charge recognized directly through equity	**-7,743**	**9,903**

Note 20 - Tax position (cont'd)

20.3 Reconciliation of the theoretical and actual tax charge

(EUR 000)	2013	2012
Net income	459,452	502,023
Cancellation of the tax charge	204,557	225,441
Cancellation of the Group share of net income of equity affiliates	-77,945	-82,581
Income before tax	586,064	644,883
Theoretical tax expenses calculated at the current standard tax rate (1)	**-222,704**	**-232,803**
Effect of tax credits (2)	14,800	11,751
Differences in tax rate	3,425	-1,685
Other	-78	-2,704
Effective Tax Expense	**-204,557**	**-225,441**

(1) Following the 2014 Finance Act, a rate of 38.00% applies for the years 2013 and 2014 to the Parent Company of the Group.

(2) CIR (research based tax credit) in 2012, CIR and CICE (tax credit for competitiveness and employment) in 2013.

20.4 Deferred tax sources

(EUR 000)	Consolidated balance sheet		Consolidated income statement	
	31.12.2013	31.12.2012	2013	2012
Temporary differences on provisions (profit-sharing, retirement, etc.)	242,545	219,717	34,841	72
Available-for-sale securities and cash equivalents	-11,129	-10,603	-81	583
Hedging instruments	-107,269	-85,349	-25,006	-28,284
Other temporary differences	67,985	74,131	-5,322	6,689
Deferred tax gain /expense			**4,432**	**-20,940**
Net deferred tax (1)	**192,132**	**197,896**		
Deferred tax assets	*192,132*	*197,896*		
Deferred tax liabilities	*0*	*0*		

(1) The schedule for the payment of deferred taxes was not determined as certain deferred tax bases may not be accurately broken down by year. The deferred tax bases for which a reversal is expected with certainty in 2013 and 2014 have been subject to tax at 38%. The other bases are subject to tax at 34.43%.

20.5 Tax losses carried forward

(EUR 000)	31.12.2013	31.12.2012
Deferred tax assets not recognized in the balance sheet	81,659	84,975

This concerns temporary differences with a maturity in excess of 10 years.

Note 21 – Earnings per share

Basic earnings per share	2013	2012
Net income attributable to shareholders (EUR 000) (1)	459,421	501,979
Weighted average number of outstanding ordinary shares	10,125,897	10,125,897
Basic earnings per share (in EUR)	45.4	49.6

(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. 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

DIVIDENDS ON ORDINARY SHARES	2013	2012
Decided and paid during the year (in EUR 000)	94,171	86,070
Net income per share (EUR)	*9.30*	*8.50*
Submitted to the AGM for approval, not recognized as a liability as of December 31 (in EUR 000)	90,120	
Net income per share (EUR)	*8.90*	

Note 23 - Financial instruments

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

The Group used the following hierarchy for the fair-value evaluation of the financial assets and liabilities:

- Level 1: Quoted prices in active markets,
- Level 2: Valuation techniques based on observable market data,
- Level 3: Valuation techniques based on non-observable market data.

23.1 Financial instruments assets

(EUR 000)	Balance sheet value as of 31.12.2013			
	Cost or cost less repayments (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current assets				
Listed investments			38,685	38,685
Non-listed investments			94,637	94,637
Available-for-sale marketable securities			2,993,179	2,993,179
Other financial assets	34,682			34,682
Current assets				
Trade and other receivables	550,732			550,732
Derivative Financial instruments		141,232	170,326	311,558
Cash equivalents		920,610		920,610
Total financial instruments (assets)	**585,414**	**1,061,842**	**3,296,827**	**4,944 083**
Level 1 (2)		920,610	3,031,864	
Level 2		141,232	170,326	
Level 3		0	94,637	

(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) including time deposits as of 31.12.2013: EUR 686,827 thousand

On December 31, 2012, the data were as follows:

(EUR 000)	Balance sheet value as of 31.12.2012			
	Cost or cost less repayments (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current assets				
Listed investments			35,656	35,656
Non-listed investments			95,506	95,506
Available-for-sale marketable securities			3,131,652	3,131,652
Other financial assets	34,359			34,359
Current assets				
Trade and other receivables	489,955			489,955
Derivative Financial instruments		68,604	179,290	247,894
Cash equivalents		725,840		725,840
Total financial instruments (assets)	**524,314**	**794,444**	**3,442,104**	**4,760,862**
Level 1 (2)		725,840	3,167,308	
Level 2		68,604	179,290	
Level 3		0	95,506	

(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) including time deposits as of 31.12.2012: EUR 469,471 thousand.

23.2 Financial instruments (liabilities)

(EUR 000)	Balance sheet value as of 31.12.2013			
	Cost or cost less repayments (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	71			71
Other borrowings (2)	205,217			205,217
Current liabilities				
Bank borrowings	25			25
Other borrowings (2)	62,871			62,871
Trade and other payables	825,912			825,912
Total financial instruments liabilities	**1,094,096**	**0**	**0**	**1,094,096**

On December 31, 2012, the data were as follows:

(EUR 000)	Balance sheet value as of 31.12.2012			
	Cost or cost less repayments (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	39			39
Other borrowings (2)	263,500			263,500
Current liabilities				
Bank borrowings	17			17
Other borrowings (2)	58,223			58,223
Trade and other payables	768,168			768,168
Total financial instruments liabilities	**1,089,947**	**0**	**0**	**1,089,947**

(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 include locked-in employee profit-sharing funds (cf. Note 11).

Note 24 - Financial risk management

24.1 Cash and liquidity risks

The Group investment portfolio mainly comprises money market investments with no significant risk of impairment.

(EUR 000)	31.12.2013			
	Historical cost	Capital gain	Consolidated value	As %
Cash at bank and in hand, money market investments, demand deposits	2,173,166	354,273	2,527,439	63%
Bonds (1)	257,553	164,440	421,993	11%
Diversified investments (1)	562,423	464,554	1,026,977	26%
Total	**2,993,142**	**983,267**	**3,976,409**	**100%**

(1) Investments in bonds and diversified investments are in most cases backed by guarantees, which limits the risk of impairment.

The Group can therefore meet its commitments without any liquidity risk due to its cash resources and its portfolio of available-for-sale marketable securities. The Group is not faced with restrictions with regard to the availability of its cash and of its marketable securities portfolio.

Fair values classification:

(EUR 000)	31.12.2013		
	Impact on net income	Impact on equity	Total
Cash at bank and in hand, money market investments, demand deposits	983,230	1,544,209	2,527,439
Investments in bonds		421,993	421,993
Diversified investments		1,026,977	1,026,977
Total	**983,230**	**2,993,179**	**3,976,409**

24.2 Credit and counterparty risks

The Group spreads its investments and performs its cash and foreign exchange transactions with recognized financial institutions The Group had no investments or accounts with financial institutions that went bankrupt in 2013.

The Group limits counterparty risk by performing most of its sales in cash and ensuring that the granted loans are secured by export insurance guarantees (COFACE) or collateral.

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

The amounts of export insurance guarantees and collateral obtained and not exercised at the year-end are recorded in off-balance sheet commitments (cf. Note 25).

The share of contingent receivables is written-down, and the share of outstanding receivables not written-down is subject to regular individual monitoring (paragraph C6 of the accounting principles).

24.3 Foreign exchange risks

24.3.1 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 exchange 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.

The derivative financial instruments used by the Group (foreign currency hedges) along with their recognition under hedge accounting as defined by IAS 39 "Financial instruments" are defined in section C11 of the accounting principles.

The fair value of the foreign exchange derivatives presented in the balance sheet is a net amount. The fair value of the financial instrument derivatives before and after compensation of the negative positions is presented in the following tables:

(EUR 000)	31.12.2013	31.12.2012
Positive market values	312,344	263,182
Negative market values	-786	-15,288
Market values of foreign exchange derivatives	**311,558**	**247,894**

The counterparty risk for foreign exchange derivatives (CVA/DVA) is calculated based on the current exposure method, and using the historical default probabilities per rating class communicated by the rating agencies. On December 31, 2013, this counterparty risk is insignificant.

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

(EUR 000)	Within 1 year	Between 1 and 3 years	More than 3 years	Total
Derivative financial instruments	109,992	131,546	70,020	**311,558**

The foreign exchange derivatives used by the Group do not all qualify for hedge accounting under the terms of IAS 39 "Financial instruments". Their breakdown is presented in the table below.

(EUR 000)	Market value as of 31.12.2013	Market value as of 31.12.2012
Instruments which qualify for hedge accounting	170,326	179,290
Instruments which do not qualify for hedge accounting	141,232	68,604
Derivative financial instruments	**311,558**	**247,894**

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

(EUR 000)	31.12.2012	Impact in equity (1)	Impact in financial income (2)	31.12.2013
Derivative financial instruments	247,894	-8,964	72,628	**311,558**

(1) posted as income and expense recognized directly through equity, fully consolidated companies.

(2) change in fair value of foreign exchange hedging instruments which do not qualify for hedge accounting under the terms of IAS 39 "Financial instruments".

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.

(EUR 000)	31.12.2013		31.12.2012	
Net balance sheet position	311,558		247,894	
Closing US dollar/euro exchange rate	1 EUR = 1.3791 USD		1 EUR = 1.3194 USD	
Closing dollar /euro exchange rate +/- 10 cents	1.4791 USD	1.2791 USD	1.4194 USD	1.2194 USD
Change in net balance sheet position (1)	+ 99,167	- 173,885	+ 172,046	-226,561
Impact on net income	*+ 12,161*	*- 73,275*	*+24,933*	*-55,319*
Impact on equity	*+ 87,006*	*- 100,610*	*+147,113*	*-171,242*

(1) Data calculated based on existing market conditions on the balance sheet dates. The data are not representative of the actual gain/loss when the hedges are exercised.

24.3.2 EMBRAER shares

The Group is exposed to a foreign exchange risk through its investment in EMBRAER, denominated in Brazilian reals.
On December 31, 2013, the EMBRAER shares were valued at EUR 38,685 thousand (cf. Note 5.2). A 10% upward or downward variation of the exchange rate would have no significant impact on the Group's financial statements.

24.4.3 Other market risks

The Group is exposed to a pricing risk relating to price fluctuations of EMBRAER shares. A 10% upward or downward variation of the share price would have no significant impact on the Group's financial statements.

Note 25 - 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)

COMMITMENTS GIVEN	31.12.2013	31.12.2012
Future payments to subcontractors or suppliers	1,654 852	2,093,642
Fixed asset orders	66,000	18,000
Guarantees and deposits	54,766	16,054
TOTAL	**1,775 618**	**2,127,696**

COMMITMENTS RECEIVED	31.12.2013	31.12.2012
Future billings to customers	7,378 729	7,991,200
Export insurance guarantees	56,627	59,449
Collateral	111,331	51,309
TOTAL	**7,567 558**	**8,101,958**

SECURED PAYABLES AND RECEIVABLES	31.12.2013	31.12.2012
Customer advances and progress payments on work-in-progress	461,849	456,988
Advances and progress payments to suppliers	5,893	5,070
TOTAL	**467,742**	**462,058**

OPERATING LEASES	TOTAL	Within 1 year	More than 1 year
Minimum future non-cancelable lease payments (not discounted)	262,041	38,403	223,638

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

Note 26 - Contingent liabilities

In late 2002, a group of French manufacturers, including Dassault Aviation, was collectively issued with a request for arbitration from a common client claiming a sum which, according to the plaintiff, would amount to no less than USD 260 million, and for which the group of manufacturers may have joint obligation with regard to the plaintiff. This request related to the execution of old contracts implemented by these manufacturers. In the framework of an agreement signed between the parties in June 2003, the plaintiff withdrew its action. In November 2012, the latter gave notification of a new request for arbitration based on similar grounds to to the 2002 action, for a total now amounting to EUR 226 million. The parties firmly contest this request and, to date, it has not been possible to evaluate the possible financial risk. Consequently, Dassault Aviation has not established a reserve. This procedure is still ongoing.

Note 27 - 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.

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 2013, the Group did not recognize any provisions for bad debts relating to amounts receivable from related parties. The need for provisions is assessed each year by examining the financial position of the related parties and the market in which they operate.

27.1 Details of transactions

(EUR 000)	2013	2012
Sales	48,267	10,171
Purchases	164,408	126,421
Trade receivables	31,318	31,908
Advances and deposits received	20,520	32,353
Trade payables	83,966	47,724
Advances and deposits paid	28,542	26,377

27.2 Compensation of senior executives and benefits in kind

The compensation and benefits in kind paid by the DASSAULT AVIATION Group to the executive officers may be broken down as follows:

(EUR 000)	2013	2012
Fixed compensation	2,453	754
Directors' fees	328	302
Benefits in kind	16	9
Other	9	9
TOTAL	**2,806**	**1,074**

Note 28 - Average number of employees

EUR 000	2013	2012
Engineers and management and executive grades	5,351	5,245
Supervisory and technical grades	2,313	2,337
Administrative employees	1,198	1,228
Production employees	2,728	2,742
TOTAL	**11,590**	**11,552**

Note 29 - Environmental information

DASSAULT AVIATION Group recorded environmental capital expenditure amounting to EUR 1,438 thousand and income statement expense of around EUR 1,530 thousand in 2013 relating to risk, impact and regulatory compliance analyses.

Note 30 - Statutory auditors' fees

The statutory auditors' fees posted to expenses for 2013 and 2012 are as follows:

EUR 000	DELOITTE & ASSOCIES		MAZARS	
	2013	2012	2013	2012
Statutory audit, certification, review of individual and consolidated financial statements (1)				
DASSAULT AVIATION	210	210	210	210
Fully consolidated subsidiaries	0	0	334	349
Other statutory audit engagements (2)				
DASSAULT AVIATION	75	44	49	29
Fully consolidated subsidiaries	0	0	16	26
TOTAL	**285**	**254**	**609**	**614**

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

(2) 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 paid by fully consolidated subsidiaries to statutory auditors other than DELOITTE & ASSOCIÉS and MAZARS need to be added to the above amounts: EUR 71 thousand in 2013 and EUR 46 thousand in 2012.

Note 31 - Subsequent events

No events likely to have a material impact on the financial statements occurred between December 31, 2013 and the date of the financial statements being approved by the Board of Directors.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

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, 2013 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 the professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes checking, 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 year's 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, 2013 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-A1-3: First application of the revised IAS 19 standard" of the appendix to the consolidated financial statements which details the change of accounting method relating to the application on January 1, 2013, of the amendments to the revised IAS 19 standard: "Employee benefits".

JUSTIFICATION OF ASSESSMENTS

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

Evaluation of the THALES investment

Notes 1-C4-1 and 5.1.4 of the appendix to the consolidated financial statements describe the methods for implementing, where applicable, an impairment test of the investment stake in THALES. We have verified the appropriate nature of the accounting methods cited above, and we can express our assurance that they are correctly applied.

Provisions for contingencies and losses

Our work consisted in particular in assessing the data and assumptions used to determine the estimated provisions for contingencies and losses, as described in Note 1-C8 and Note 12 of the appendix to the consolidated statements, reviewing the calculations performed by the Company, 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 agreements, the Company's income relating to service provisions is calculated according to the completion method, as described in "Note 1-C12-1" of the appendix to the consolidated statements. On the basis of data available to date, our work consisted in assessing the data and the assumptions made 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, and 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 consolidated financial statements taken as a whole and contributed to our opinion as expressed 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 12, 2014

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Jean-François Viat

FINANCIAL STATEMENTS
PARENT COMPANY
FOR THE YEAR ENDED
DECEMBER 31, 2013

ASSETS

(EUR 000)	NOTE	31.12.2013			31.12.2012
		Gross	Depreciation, amortization and provisions	Net	Net
Intangible assets	2	90,758	-78,000	12,758	10,861
Property, plant and equipment	2	921,886	-692,692	229,194	249,097
Long-term investments	3	2,218,910	-314	2,218,596	2,218,175
TOTAL NON-CURRENT ASSETS		**3,231,554**	**-771,006**	**2,460,548**	**2,478,133**
Inventories and work-in-progress	4	2,585,719	-290,116	2,295,603	2,546,392
Advances and progress payments to suppliers		85,984	0	85,984	196,499
Trade receivables	6	492,082	-76,106	415,976	385,082
Other receivables, prepayments and accrued income	6	484,135	0	484,135	461,478
Marketable securities and cash instruments	9	2,173,288	0	2,173,288	2,313,074
Cash at bank and in hand		224,079	0	224,079	214,374
TOTAL CURRENT ASSETS		**6,045,287**	**-366,222**	**5,679,065**	**6,116,899**
TOTAL ASSETS		**9,276,841**	**-1,137,228**	**8,139 613**	**8,595,032**

LIABILITIES AND EQUITY

(EUR 000)	NOTE	31.12.2013	31.12.2012
Share capital	10	81,007	81,007
Additional paid-in capital		19,579	19,579
Reserves	12	3,021,217	2,832,730
Net income for the year		360,328	282,658
Tax provisions	14	234,474	276,449
TOTAL EQUITY	**13**	**3,716,605**	**3,492,423**
PROVISIONS FOR CONTINGENCIES AND LOSSES	**14**	**1,196,004**	**1,140,644**
Borrowings (1)	15	266,337	319,710
Customer advances and progress payments on work-in-progress		2,059,010	2,799,193
Trade payables	16	522,025	457,306
Other payables, accruals and deferred income	17	379,632	385,756
TOTAL LIABILITIES		**3,227,004**	**3,961,965**
TOTAL EQUITY AND LIABILITIES		**8,139,613**	**8,595,032**
(1) of which short-term banking facilities :		0	0

INCOME STATEMENT

(EUR 000)	NOTES	2013	2012
NET SALES	**20**	**3,965,672**	**3,341,778**
Capitalized production		0	37
Change in work-in-progress		-211,679	-59,548
Reversals of provisions and depreciation and amortization, expense reclassifications		654,724	458,308
Other revenue		3,374	5,835
OPERATING REVENUES		**4,412,091**	**3,746,410**
External purchases		-2,082,603	-1,671,745
Payroll and related charges (1)		-686,075	-676,480
Other operating expenses		-295,066	-298,880
Taxes and social security contributions		-57,866	-57,022
Depreciation and amortization	2	-49,705	-49,899
Charges to provisions	14	-727,705	-549,100
OPERATING EXPENSES		**-3,899,020**	**-3,303,126**
NET OPERATING INCOME BEFORE FINANCIAL ITEMS		**513,071**	**443,284**
NET FINANCIAL INCOME/(EXPENSE)	22	**47,030**	**61,854**
NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX		**560,101**	**505,138**
Non-recurring items	23	42,309	27,225
Employee profit-sharing		-108,936	-108,219
Corporate income tax charge	24	-133,146	-141,486
NET INCOME FOR THE YEAR		**360,328**	**282,658**
(1) incl. tax credit for competitiveness and employment (cf. Note 7):		5115	0

CASH FLOW STATEMENT

(EUR 000)	2013	2012
I - NET CASH FROM OPERATING ACTIVITIES		
NET INCOME FOR THE YEAR	360,328	282,658
Elimination of gains and losses from disposals of non-current assets	-28	-308
Elimination of investment grants added to net income	0	0
Net charges to and reversals of depreciation, amortization and provisions (excluding those relating to working capital)	63,249	100,912
Net cash from operating activities before working capital changes	**423,549**	**383,262**
Change in inventories and work-in-progress (net)	250,789	-54,914
Change in advances and progress payments to suppliers	110,515	2,473
Change in trade and other receivables (net)	-30,894	-21,140
Change in other receivables, prepayments and accrued income	-22,657	71,448
Change in customer advances and progress payments on work-in-progress	-740,183	172,915
Change in trade payables	64,719	8,135
Change in other payables, accruals and deferred income	-6,124	24,774
Increase (-) or decrease (+) in working capital	**-373,835**	**203,691**
Total I	**49,714**	**586,953**
II - NET CASH FROM INVESTING ACTIVITIES		
Purchases of intangible assets and property, plant and equipment	-44,179	-44,966
Purchases of investments	-1,954	-5,848
Disposals of or reductions in fixed assets	13,882	6,926
Total II	**-32,251**	**-43,888**
III - NET CASH FLOW USED IN FINANCING ACTIVITIES		
Capital increase	0	0
Change in equity items	0	0
Increase in borrowings	98,738	94,564
Repayments of borrowings (1)	-152,111	-486,642
Dividends paid	-94,171	-86,070
Total III	**-147,544**	**-478,148**
CHANGE IN NET CASH AND CASH EQUIVALENTS (I + II +III)	**-130,081**	**64,917**
Opening net cash and cash equivalents (2)	**2,527,448**	**2,462,531**
Closing net cash and cash equivalents (2)	**2,397,367**	**2,527,448**

(1) In 2012, the Company repaid the loan taken out with a credit establishment.

(2) Cash and cash equivalents comprise the following balance sheet headings:
[cash at bank and in hand] + [marketable securities and cash instruments] - [bank facilities and bank balances in credit]

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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

Note 1 - Accounting policies

A/ GENERAL PRINCIPLES

The financial statements of the Parent Company as of December 31, 2013 were approved at the meeting of the Board of Directors held on March 12, 2014, and will be submitted for approval to the Annual General Meeting to take place on May 15, 2014.

The individual financial statements have been prepared in accordance with French Accounting Standards Committee Regulation 99-03 approved by the Order 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,
- permanence of the accounting methods from one year to the next,
- 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.

B/ MEASUREMENT METHODS

• B1 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. 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.

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 ans
Aircraft	4-10 years
Rolling stock	3-4 years
Other property, plant and equipment	3-8 years
Second-hand goods	on a case-by-case basis

• B2 Impairment of assets

The Company carries out an impairment test if an indication of impairment has been detected.

Indications of impairment derive from significant adverse changes of a permanent nature, affecting the economic environment or the assumptions or objectives adopted by the Company.

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 8.8% (compared to 8.7% as of 31.12.12) and a 2% growth rate (same as of 31.12.12). The discount rate includes the rates prevailing in the aviation industry and was calculated using the same method as in 2012. Post-tax cash flows are projected over a period not exceeding 5 years and the method takes into account a terminal value. These future cash flows result from the economic assumptions and forecast operating conditions adopted by the Group's Executive Management.
Concerning the equity investment in THALES, when an impairment test is carried out, the operational and financial hypotheses used derive directly from data provided by THALES.

• B3 Equity investments, other investments and marketable securities

The gross value of such assets is 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 book value is lower than the gross value. The fair value is the higher of its market value and its value in use.

• B4 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 used aircraft which are stated at acquisition cost.

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.

• B5 Receivables

Receivables are stated at nominal value. A provision for impairment is recorded when the recoverable value is lower than the carrying amount.

• B6 Borrowings

Borrowings are recorded at the amount received. Transaction costs are posted to expenses for the year.

• B7 Statutory provisions

These include:

- Provisions for investments,
- Provisions for price increases,
- Provisions for medium-term export credit risk,
- Accelerated depreciation.

• B8 Provisions for contingencies and losses

B8-1 Provisions for warranties

In the framework of our sales or procurement contracts, we have formal obligations with regard to guaranteeing the equipment, products and/or services (software developments, systems integration, etc.) delivered.

These obligations may be distinguished between:
- "standard" warranty: repairing defective equipment during the contractual warranty period, processing hardware or software malfunctions identified by the user following qualification and handover to the user, etc.
- "regulatory" warranty: handling by the manufacturer of any changes to the regulatory framework determined by the regulatory authorities or of any regulatory nonconformity identified by the manufacturer or a user following delivery of the delivered materials or products.

Determining the amount of the warranty provisions is mainly done as follows:

- for the standard equipment warranty: based on feedback about the observed costs, as per the warranty options covered contractually and the models of aircraft concerned,
- for the processing of malfunctions or upgrades and regulatory nonconformities: based on quotations drawn up by specialists from the business lines that are concerned by the corrective actions to be implemented (these actions having been detailed in technical files).

B8-2 <u>Retirement severance payments and related benefits</u>

Retirement severance payment and related benefits (e.g., long-service award) commitments are provisioned 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, with equivalent maturity to the duration of the calculated liabilities.

Actuarial gains or losses or gains and losses analyzed as such are fully recognized in income in the period during which they are incurred.

• B9 <u>Foreign exchange hedging</u>

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. The corresponding future cash flows are partially hedged using forward exchange contracts and foreign exchange options.

Premiums paid or received on the purchase or sale of put options are recognized in the income statement on maturity of these options, with the exception of those relating to "zero premium" hedging strategies, which are recognized immediately in the income statement to avoid temporary timing differences.

• B10 <u>Operations in foreign currencies</u>

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.

• B11 <u>Net sales and income</u>

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.

• B12 <u>Unrealized capital gains on marketable securities</u>

Unrealized capital gains on marketable securities are not recognized in the income statement until effectively realized.

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.

C/ TAX CONSOLIDATION

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 et seq. of the French General Tax Code.

This tax consolidation arrangement is tacitly renewable per period 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

2.1 Intangible assets

(EUR 000)	31.12.2012	Additions Charges	Disposals Reversals	Other	31.12.2013
Gross value					
Software, patents, licenses and similar assets	90,226	6,612	-9,892	1,619	88,565
Construction in progress; advances and progress payments	1,619	2,193	0	-1,619	2,193
	91,845	**8,805**	**-9,892**	**0**	**90,758**
Amortization					
Software, patents, licenses and similar assets	-80,984	-6,908	9,892	0	-78,000
	-80,984	**-6,908**	**9,892**	**0**	**-78,000**
Net value					
Software, patents, licenses and similar assets	9,242				10,565
Construction in progress; advances and progress payments	1,619				2,193
TOTAL	**10,861**	**1,897**	**0**	**0**	**12,758**

2.2 Property, plant and equipment

(EUR 000)	31.12.2012	Additions Charges	Disposals Reversals	Other	31.12.2013
Gross value					
Land	26,821	322	-38	14	27,119
Buildings	282,784	5,833	-515	182	288,284
Plant, equipment and machinery	486,253	19,984	-44,774	3,766	465,229
Other property, plant and equipment	166,113	4,486	-34,674	462	136,387
Construction in progress; advances and progress payments	6,753	4,749	-2,211	-4,424	4,867
	968,724	**35,374**	**-82,212**	**0**	**921,886**
Amortization					
Land	-5,556	-452	18	0	-5,990
Buildings	-173,438	-11,747	329	0	-184,856
Plant, equipment and machinery	-419,509	-23,445	44,596	0	-398,358
Other property, plant and equipment	-121,124	-7,153	24,789	0	-103,488
	-719,627	**-42,797**	**69,732**	**0**	**-692,692**
Impairment (1)					
Other property, plant and equipment	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
Net value					
Land	21,265				21,129
Buildings	109,346				103,428
Plant, equipment and machinery	66,744				66,871
Other property, plant and equipment	44,989				32,899
Construction in progress; advances and progress payments	6,753				4,867
TOTAL	**249,097**	**-7,423**	**-12,480**	**0**	**229,194**

(1) Impairment tests of property, plant and equipment (cf. paragraph B2 of the Accounting policies): the impairment tests carried out on property, plant and equipment did not bring to light any other impairment to be recognized as of 31.12.2013.

Note 3 - Long-term investments

(EUR 000)	31.12.2012	Additions Charges	Disposals Reversals	Other	31.12.2013
Equity investments (1)	2,179,097	791	0	-32,119	2,147,769
Other investment securities	5,894	0	-606	32,119	37,407
Loans	2,325	233	-364	0	2,194
Other long-term investments	31,013	930	-403	0	31,540
TOTAL	**2,218,329**	**1,954**	**-1,373**	**0**	**2,218,910**
Provisions	-154	-160	0	0	-314
NET VALUE	**2,218,175**	**1,794**	**-1,373**	**0**	**2,218,596**

(1) of which THALES: EUR 1,984,272 thousand.

Market price of THALES shares and impairment test:

Based on the market price of THALES shares as at December 31, 2013 of EUR 46.80 per share, DASSAULT AVIATION's investment in THALES is valued at EUR 2,458 million.

In the absence of any objective indication of impairment, the THALES investments were not subject to an impairment test on December 31, 2013.

Maturity of long-term investments

(EUR 000)	Total	Within 1 year	More than 1 year
Loans	2,194	307	1,887
Other long-term investments	31,540	0	31,540
TOTAL	**33,734**	**307**	**33,427**

Note 3 - Long-term investments (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

Companies or groups of companies (in EUR 000)	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					
1. SUBSIDIARIES (more than 50% shareholding)										
a. French subsidiaries										
DASSAULT FALCON SERVICE	3,680	67,261	*99.99*	59,453	59,453	0	0	146,676	3,405	0
DASSAULT INTERNATIONAL	1,529	18,811	*99.63*	19,236	19,236	0	0	1,739	67	0
DASSAULT-REASSURANCE	10,459	8,326	*99.99*	10,133	10,133	0	0	2,397	454	0
DASSAULT-AVIATION PARTICIPATION	4,037	-39	*100.00*	4,037	4,037	0	0	0	-11	0
SOGITEC INDUSTRIES	4,578	118,418	*99.80*	25,446	25,446	0	0	69,178	8,896	0
Total				**118,305**	**118,305**	**0**	**0**			**0**
b. Foreign subsidiaries										
DASSAULT FALCON JET (1)	10,189	529,839	*87.47*	7,767	7,767	0	54,766	1,751 782	37,225	0
DASSAULT INTERNATIONAL INC (USA)	3,662	45,918	*100.00*	3,727	3,727	0	0	1,111	3,122	0
DASSAULT PROCUREMENT SERVICES INC (USA)	73	43,481	*100.00*	28,965	28,965	0	0	308,196	1,352	0
Total				**40,459**	**40,459**	**0**	**54,766**			**0**
Total SUBSIDIARIES				**158,764**	**158,764**	**0**	**54,766**			**0**
2. AFFILIATES (between 10 and 50% shareholding)										
a. French affiliates										
CORSE COMPOSITES AERONAUTIQUES	1,707	5,005	*24.81*	996	996	0	0	38,295	929	0
EUROTRADIA INTERNATIONAL (2)	3,000	31,741	*16.20*	3,099	3,099	0	0	45,249	1,990	324
THALES (3)	617,200	4,844 100	*25.53*	1,984,272	1,984,272	0	0	205,900	400,600	47,278
Total				**1,988,367**	**1,988,367**	**0**	**0**			**47,602**
b. Foreign affiliates										
Total				0	0	0	0			0
Total AFFILIATES				**1,988,367**	**1,988,367**	**0**	**0**			**47,602**

(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) 2012 fiscal year information

(3) parent company financial statements

Note 3 - Long-term investments (cont'd)

B. Other subsidiaries and affiliates

General information (EUR 000)	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			
1. SUBSIDIARIES					
a. French subsidiaries	567	567	0	0	0
b. Foreign subsidiaries	0	0	0	0	0
Total	**567**	**567**	**0**	**0**	**0**
2. AFFILIATES					
a. French affiliates	5,307	5,147	0	0	1,028
b. Foreign affiliates	32,171	32,171	0	0	452
Total	**37,478**	**37,318**	**0**	**0**	**1,480**

C. General information on securities (A+B)

General information (EUR 000)	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			
1. SUBSIDIARIES					
a. French subsidiaries	118,872	118,872	0	0	0
b. Foreign subsidiaries	40,459	40,459	0	54,766	0
Total	**159,331**	**159,331**	**0**	**54,766**	**0**
2. AFFILIATES					
a. French affiliates	1,993,674	1,993,514	0	0	48,630
b. Foreign affiliates	32,171	32,171	0	0	452
Total	**2,025,845**	**2,025,685**	**0**	**0**	**49,082**
GRAND TOTAL	**2,185,176**	**2,185,016**	**0**	**54,766**	**49,082**

Note 4 - Inventories and work-in-progress

(EUR 000)	31.12.2013			31.12.2012
	Gross	Provision	Net	Net
Raw materials	179,028	-73,236	105,792	105,802
Work-in-progress	1,799,170	0	1,799,170	2,010,849
Semi-finished and finished goods	607,521	-216,880	390,641	429,741
TOTAL	**2,585,719**	**-290,116**	**2,295,603**	**2,546,392**

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

6.1 Details

(EUR 000)	31.12.2013			31.12.2012
	Gross	Provision	Net	Net
Trade receivables				
Trade receivables	492,082	-76,106	415,976	385,082
	492,082	**-76,106**	**415,976**	**385,082**
Other receivables, prepayments and accrued income				
Other receivables	115,578	0	115,578	101,632
Prepaid expenses	355,394	0	355,394	353,819
Prepayments and accrued income	13,163	0	13,163	6,027
	484,135	**0**	**484,135**	**461,478**
TOTAL	**976,217**	**-76,106**	**900,111**	**846,560**

The percentage of outstanding receivables not written-down at the year-end is subject to regular individual monitoring.

6.2 Maturity of trade and other receivables - gross value

(EUR 000)	31.12.2013			31.12.2012		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables (1)	492,082	310,850	181,232	463,095	330,804	132,291
Other receivables	115,578	115,578	0	101,632	101,632	0
Prepaid expenses	355,394	355,394	0	353,819	353,819	0
Prepayments and accrued income	13,163	13,163	0	6,027	6,027	0
TOTAL	**976,217**	**794,985**	**181,232**	**924,573**	**792,282**	**132,291**

(1) of which receivables and payables represented by commercial paper: EUR 56,089 thousand on December 31, 2013 and EUR 78,635 thousand on December 31, 2012.

Note 7 - Accrued income

Accrued income is included in the following balance sheet accounts (EUR 000)	31.12.2013	31.12.2012
Trade receivables	188,597	151,187
Other receivables, prepayments and accrued income (1)	5,155	0
Marketable securities	17	345
Cash at bank and in hand	28	250
TOTAL	193,797	151,782

(1) Incl. tax credit for competitiveness and employment (CICE): EUR 5,115 thousand in 2013. On the income statement, it is recorded as deduction of payroll and related charges. It is used for improving the production and sales tools through the acquisition and replacement of equipment, in particular in the framework of the implementation of "Improving Responsiveness in Production" projects.

Note 8 - Prepaid expenses and deferred income

(EUR 000)	31.12.2013	31.12.2012
Operating income	59,230	70,315
Operating expenses (1)	355,394	353,819
(1) income tax on unrealized capital gains	346,753	346,351

Note 9 - Difference in measurement of marketable securities

MARKETABLE SECURITIES AND CASH INSTRUMENTS		
(EUR 000)	31.12.2013	31.12.2012
Book value	2,173,288	2,313,074
Market value	3,153,476	3,292,255

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 (G.I.M.D) 9, Rond-Point des Champs Élysées - Marcel Dassault 75008 PARIS	50.55 %

Note 12- Reserves

12.1 Reserves

(EUR 000)	31.12.2013	31.12.2012
Revaluation difference	4,305	4,305
Legal reserve	8,101	8,101
Other reserves	71,332	71,332
Retained earnings	2,937,479	2,748,992
TOTAL	**3,021,217**	**2,832,730**

12.2 Revaluation reserves

(EUR 000)	Movements in the revaluation reserve			
		2013 MOVEMENTS		
	31.12.2012	Decreases due to disposals	Other changes	31.12.2013
Land	3,784	0	0	3,784
Investments	521	0	0	521
TOTAL	**4,305**	**0**	**0**	**4,305**
Revaluation reserve (1976)	**4,305**	**0**	**0**	**4,305**

Note 13 - Statement of changes in equity

1/ INCOME FOR THE YEAR

	2013		2012
ACCOUNTING INCOME			
EUR 000	360,328		282,658
In EUR per share	35.58		27.91
CHANGE IN EQUITY EXCLUDING NET INCOME FOR THE YEAR			
EUR 000	-41,975		-26,941
In EUR per share	-4.15		-2.66
DIVIDENDS			
EUR 000	90,120	(1)	94,171
In EUR per share	8.90	(1)	9.30

(1) proposed at the Annual General Meeting

2/ STATEMENT OF CHANGES IN EQUITY EXCLUDING INCOME FOR THE YEAR (EUR 000)

	Prior to appropriation of 2012 net income as of 31.12.2013		After appropriation of 2012 net income as of 31.12.2013
A -			
1. 2012 closing equity excluding net income for the year	3,209,765		3,209,765
2. 2012 net income prior to appropriation	282,658		
3. Appropriation of 2012 net income to net equity by the AGM			188,487
4. 2013 opening equity	3,492,423		3,398,252
B - Additional paid-in capital with retroactive effect to 2013 opening equity			**0**
1. Change in share capital		0	
2. Change in other items		0	
C - (= A4 + B) 2013 opening equity			**3,398,252**
D - Changes during the year excluding 2013 net income			**-41,975**
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		-41,975	
6. Other changes		0	
E - 2013 CLOSING EQUITY EXCLUDING 2013 NET INCOME PRIOR TO THE AGM (= C + D)			**3,356,277**
F - TOTAL 2013 CHANGE IN EQUITY EXCLUDING 2013 NET INCOME (= E - C)			**-41,975**

3/ FUTURE TAX PAYABLE (EUR 000)

Statutory provisions excluding provisions for investments: 120,655 x 38 % = 45,849

Note 14 - Provisions

14.1 Provisions

(EUR 000)	31.12.2012	Increases / Charges		Decreases / Reversals		Other	31.12.2013
Tax provisions							
Investments	143,660	0	(3)	-29,841	(3)	0	113,819
Price increases	56,157	10,227	(3)	-9,554	(3)	0	56,830
Accelerated tax depreciation	72,437	13,385	(3)	-23,894	(3)	0	61,928
Medium-term export credit	4,177	0	(3)	-2,298	(3)	0	1,879
Capital gains rolled over	18	0	(3)	0	(3)	0	18
	276,449	**23,612**		**-65,587**		**0**	**234,474**
Provisions for contingencies and losses							
Operating	1,134,617	361,483	(1)	-313,259	(1)	0	1,182,841
Financial	6,027	13,163	(2)	-6,027	(2)	0	13,163
Non-recurring	0	0	(3)	0	(3)	0	0
	1,140,644	**374,646**		**-319,286**		**0**	**1,196,004**
Provisions for impairment and write-down							
Intangible assets	0	0	(1)	0	(1)	0	0
Property, plant and equipment	0	0	(1)	0	(1)	0	0
Financial	154	160	(2)	0	(2)	0	314
Inventories and work-in-progress	263,452	290,116	(1)	-263,452	(1)	0	290,116
Trade receivables	78,013	76,106	(1)	-78,013	(1)	0	76,106
	341,619	**366,382**		**-341,465**		**0**	**366,536**
TOTAL	**1,758,712**	**764,640**		**-726,338**		**0**	**1,797,014**

Provision increases and reversals and expense reclassifications	{ - Operating	727,705	(1)	-654,724	(1)
	{ - Financial	13,323	(2)	-6,027	(2)
	{ - Non-recurring	23,612	(3)	-65,587	(3)
		764,640		**-726,338**	

14.2 Provisions for contingencies and losses

(EUR 000)	31.12.2012	Increases / Charges	Decreases / Reversals	Other	31.12.2013
Operating					
Retirement severance payments and long-service awards (1)	371,500	14,381	-19,881	0	366,000
Warranties (2)	614,400	264,500	-199,300	0	679,600
Services and work to be performed	148,717	82,602	-94,078	0	137,241
	1,134,617	**361,483**	**-313,259**	**0**	**1,182,841**
Financial					
Forex losses	6,027	13,163	-6,027	0	13,163
	6,027	**13,163**	**-6,027**	**0**	**13,163**
Non-recurring					
Miscellaneous	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES	**1,140,644**	**374,646**	**-319,286**	**0**	**1,196,004**

(1) 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 3.9% per annum, a discount rate of 2.5% and an annual inflation rate of 2%.

(2) Warranty provisions: warranty provisions are updated to reflect the fleet in service and contracts delivered (cf. accounting principles B8-1).

Note 15 - Borrowings

(EUR 000)	31.12.2013	31.12.2012
Bank borrowings (1)	96	56
Other borrowings (2)	266,241	319,654
TOTAL	**266,337**	**319,710**

(1) of which short-term bank credit: zero as of 31.12.2013 and as of 31.12.2012.

(2) on 31.12.2013 and on 31.12.2012, the other borrowings mainly include locked-in employee profit-sharing funds.

There are no participating loans.

Note 16 - Maturity of borrowings

(EUR 000)	Total	Within 1 year	Between 1 and 5 years	More than 5 years
Bank borrowings (1)	96	25	54	17
Other borrowings (2)	266,241	62,435	203,806	0
Trade payables (3)	522,025	522,025	0	0
Tax and employee-related liabilities	201,034	201,034	0	0
Amounts payable in respect of PP&E and related accounts	2,082	2,082	0	0
Other payables	111,536	111,536	0	0
TOTAL	**1,103,014**	**899,137**	**203,860**	**17**

(1) see Note 15.

(2) see Note 15.

(3) of which payables represented by commercial paper: EUR 56,089 thousand.

Note 17 - Other payables, accruals and deferred income

(EUR 000)	31.12.2013	31.12.2012
Tax and employee-related liabilities	201,034	194,178
Amounts payable in respect of PP&E and related accounts	2,082	4,673
Other payables	111,536	111,216
Deferred income	59,230	70,315
Accruals and deferred income	5,750	5,374
TOTAL	**379,632**	**385,756**

Note 18 - Accrued expenses

Accrued expenses are included in the following balance sheet accounts (EUR 000)	31.12.2013	31.12.2012
Borrowings (1)	4,227	6,448
Trade payables	425,076	376,153
Other payables, accruals and deferred income	238,921	234,260
TOTAL	**668,224**	**616,861**

(1) of which bank borrowings: zero as of 31.12.13 and 31.12.12.

Note 19 - Notes on related companies and affiliates

(EUR 000)	Notes on companies	
	which are related	in which the Company holds an investment
Investments	159,331	1,988,438
Loans and other long-term investments	31,085	0
Advances and progress payments to suppliers	26,417	26,924
Trade receivables	106,430	120
Miscellaneous receivables	0	0
Customer advances and progress payments on work-in-progress	252,175	13,860
Trade payables	101,207	47,171
Other miscellaneous payables	0	0
Financial expenses	0	0

Note 20 – Net sales

(EUR 000)	2013	2012
A) ANALYSIS BY CLASS OF GOODS OR SERVICES:		
Finished goods	2,994,813	2,644,563
Services	970,859	697,215
TOTAL	**3,965,672**	**3,341,778**
B) ANALYSIS BY GEOGRAPHICAL AREA:		
France	1,331,938	989,033
Export	2,633,734	2,352,745
TOTAL	**3,965,672**	**3,341,778**
C) ANALYSIS BY QUARTER:		
First quarter	647,758	881,388
Second quarter	1,026,022	750,706
Third quarter	682,238	502,646
Fourth quarter	1,609,654	1,207,038
TOTAL	**3,965,672**	**3,341,778**

Note 21 - Research and development costs

Research and development costs are recognized in expenses as incurred and represent:

(EUR 000)	2013	2012
Research and development costs	-442,108	-359,756

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

Note 22 - Net financial income/(expense)

(EUR 000)	2013	2012
Investment income (1)	48,054	41,578
Income from other long-term loans and assets	1,081	611
Other interest and similar income	4,065	4,082
Reversals of provisions for Forex losses	6,027	19,668
Reversals of provisions for equity investments	0	2,000
Foreign exchange gains	0	0
Net gains on sale of marketable securities	10,316	12,416
FINANCIAL INCOME	**69,543**	**80,355**
Net charges to provisions for Forex losses	-13,163	-6,027
Net charges to provisions for equity investments	-160	0
Net charges to provisions for loans	0	0
Interest and similar expenses	-9,065	-12,425
Foreign exchange losses	-125	-49
Net losses on sale of marketable securities	0	0
TOTAL FINANCIAL EXPENSE	**-22,513**	**-18,501**
NET FINANCIAL INCOME/(EXPENSE)	**47,030**	**61,854**

(1) of which THALES dividends: EUR 47,278 thousand in 2013 and EUR 40,975 thousand in 2012.

Note 23 – Non-recurring items

(EUR 000)	2013	2012
Gains on sales of assets		
- Property, plant and equipment	10,299	4,287
- Long-term investments	605	0
	10,904	**4,287**
Other non-recurring income	**384**	**19**
Reversals of provisions		
- Investments	29,841	22,699
- Price increases	9,554	7,999
- Medium-term export credit	2,298	1,621
- Accelerated tax depreciation	23,894	17,788
- Capital gains rolled over	0	0
	65,587	**50,107**
NON-RECURRING INCOME	**76,875**	**54,413**
Non-recurring expenses on operating activities	**-13**	**0**
Carrying amount of assets disposed:		
- Intangible assets	0	0
- Property, plant and equipment	-10,270	-3,979
- Long-term investments	-606	0
	-10,876	**-3,979**
Other non-recurring expenses	**-65**	**-43**
Charges to tax provisions		
- Price increases	-10,227	-11,434
- Medium-term export credit	0	0
- Accelerated tax depreciation	-13,385	-11,732
	-23,612	**-23,166**
Other non-recurring provisions	**0**	**0**
NON-RECURRING EXPENSES	**-34,566**	**-27,188**
NON-RECURRING ITEMS	**42,309**	**27,225**

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	560,101	-171,810	0	388,291
Non-recurring items (including profit-sharing and incentive schemes)	-66,627	38,664	0	-27,963
Accounting income	493,474	-133,146	0	360,328
		-133,146		

Note 25 - Off-balance sheet financial commitments

COMMITMENTS GIVEN (EUR 000)	31.12.2013	31.12.2012
Future payments to subcontractors or suppliers	1,571,052	1,979,886
Fixed asset orders	15,062	12,483
Guarantees given in respect of:		
- subsidiaries	54,766	16,054
- equity investments	0	0
- other	0	0
TOTAL	**1,640,880**	**2,008,423**

COMMITMENTS RECEIVED (EUR 000)	31.12.2013	31.12.2012
Future billings to customers	6,640,700	7,219,300
Export insurance guarantees	56,627	59,449
Collateral (e.g. mortgages, pledges)	111,331	51,309
TOTAL	**6,808,658**	**7,330,058**

Note 26 - Payables and receivables secured by bank guarantees

(EUR 000)	31.12.2013	31.12.2012
Customer advances and progress payments on work-in-progress	461,849	456,988
Advances and progress payments to suppliers	5,893	5,070
TOTAL	**467,742**	**462,058**

Note 27 - Contingent liabilities

In late 2002, a group of French manufacturers, including Dassault Aviation, was collectively issued with a request for arbitration from a common client claiming a sum which, according to the plaintiff, would amount to no less than USD 260 million, and for which the group of manufacturers may have joint obligation with regard to the plaintiff. This request related to the execution of old contracts implemented by these manufacturers. In the framework of an agreement signed between the parties in June 2003, the plaintiff withdrew its action. In November 2012, the latter gave notification of a new request for arbitration based on similar grounds to to the 2002 action, for a total now amounting to EUR 226 million. The parties firmly contest this request and, to date, it has not been possible to evaluate the possible financial risk. Consequently, Dassault Aviation has not established a reserve. This procedure is still ongoing.

Note 28 - Financial instruments: US dollar foreign exchange transaction portfolio

DASSAULT AVIATION is exposed to a foreign exchange risk through FALCON sales that are virtually all denominated in US dollars. This risk is partially hedged by using forward exchange contracts and Forex 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. This is not representative of the actual gain/loss when the hedges are exercised.

The portfolio market value is therefore provided for illustration only.

	31.12.2013		31.12.2012	
MARKET VALUE	USD 000	EUR 000	USD 000	EUR 000
Forex options	195,857	142,017	59,634	45,198
Futures	234,896	170,326	267,722	202,912
TOTAL	430,753	312,343	327,356	248,110

Note 29 - Impact of accelerated tax valuations

(EUR 000)	31.12.2013	31.12.2012
Net income for the year	360,328	282,658
Corporate income tax charge	133,146	141,486
NET INCOME BEFORE TAX	493,474	424,144
Accelerated tax depreciation	-10,509	-6,056
Provision for price increases	673	3,435
Provision for capital gains rolled over	0	0
Provision for medium-term export credit	-2,298	-1,621
INCREASE IN TAX PROVISIONS	-12,134	-4,242
NET INCOME EXCLUDING TAX VALUATIONS ACCELERATED DEPRECIATION (BEFORE TAX)	481,340	419,902

Note 30 - Increases and reductions in future tax charges

(EUR 000)	31.12.2013	31.12.2012
Tax provisions:		
- Price increases	56,830	56,157
- Medium-term export credit	1,879	4,177
- Accelerated tax depreciation	61,928	72,437
TOTAL	**120,637**	**132,771**
INCREASES IN FUTURE TAX CHARGES	***45,842***	***47,930***
Items not deductible in the current year:		
- Employee profit-sharing	88,936	94,219
- Retirement severance payments and long-service awards	366,000	371,500
Other partly non-deductible items (trade receivables, inventories, warranties, other)	516,240	491,001
TOTAL	**971,176**	**956,720**
REDUCTIONS IN FUTURE TAX CHARGES	***369,047***	***345,376***
Long-term capital losses	0	0

Note 31 - Compensation of corporate officers

Total compensation received by corporate officers, as broken down in the directors' report, amounted to EUR 2,718,564 for 2013.
It should be noted that Mr Charles EDELSTENNE received his contractual retirement allowance of EUR 460,833 euros (cf. paragraph 2.9.2 of the Directors' report).

Note 32 - Average number of employees

(EUR 000)	Company employees	Seconded to the Company
Engineers and management and executive grades	4,491	
Supervisory and technical grades	2,006	
Administrative employees	471	45
Production employees	1,114	177
TOTAL 2013	**8,082**	**222**
TOTAL 2012	8,097	194

Note 33 - Environmental information

DASSAULT AVIATION recognized environmental capital expenditure amounting to EUR 1,438 thousand and posted around EUR 1,114 thousand to 2013 expenses relating to risk, impact and regulatory compliance analyses.

The Company did not have to recognize any environmental liabilities.

Note 34 - Five-year summary

Nature of indications (EUR 000 except per share data in point 3 stated in EUR/share)	2009	2010	2011	2012	2013
1/ FINANCIAL POSITION AT YEAR-END					
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
2/ SUMMARY OF OPERATING RESULTS					
a. Net sales	2,748,219	3,551,695	2,914,346	3,341,778	3,965,672
b. Income before tax, depreciation, amortization and provisions	473,545	769,467	409,810	522,253	581,481
c. Corporate income tax	63,335	167,441	104,766	141,486	133,146
d. Income after tax, depreciation, amortization and provisions	265,969	325,815	259,279	282,658	360,328
e. Dividends paid	89,108	108,347	86,070	94,171	90,120 (1)
3/ PER SHARE DATA (EUR)					
a. Income after tax, but before depreciation, amortization and provisions	40.5	59.5	30.1	37.6	44.3
b. Income after tax, depreciation, amortization and provisions	26.3	32.2	25.6	27.9	35.6
c. Dividends paid	8.8	10.7	8.5	9.3	8.9 (1)
4/ PERSONNEL					
a. Average number of employees during the year	8,362	8,138	8,059	8,097	8,082
b. Total payroll charges excluding taxes	415,659	414,240	417,578	430,604	441,956
c. Total payroll taxes and social security charges	208,945	221,369	222,600	245,876	244,119
5/ EMPLOYEE PROFIT-SHARING	**86,712**	**106,451**	**86,426**	**94,219**	**88,936**
6/ INCENTIVE PAYMENTS	**14,000**	**14,000**	**14,000**	**14,000**	**20,000**

(1) proposed to the Annual General Meeting.

AUDITORS' REPORT ON THE COMPANY FINANCIAL STATEMENTS

Year ended Tuesday, December 31, 2013

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, 2013 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 the professional standards applicable in France. These 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, 2012 and of the results of its operations for the year then ended in accordance with French accounting regulations.

JUSTIFICATION OF ASSESSMENTS

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

Equity investments

Notes 1-B2, 1-B3 and 3 to the financial statements describe the evaluation principles for equity investments, and the estimations and assumptions that your company is led to make concerning the methods for implementing, where applicable, an impairment test of the investment stake in THALES.

We have checked the appropriate character of the accounting methods cited above, and we can express our assurance that they are correctly applied.

Provisions for contingencies and losses

Our work consisted in particular in assessing the data and assumptions used to determine the estimated provisions for contingencies and losses, as described in Note 1-B8 and in Note 14 of the appendix to the annual statements, reviewing the calculations performed by the Company, 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, as described in "Note 1-B11" of the appendix to the annual statements. 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/loss on completion of those contracts and their trends, reviewing the calculations made, and 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 French Commercial Code, regarding the compensation and benefits paid to corporate 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 the identity of shareholders and holders of voting rights.

Courbevoie and Neuilly-sur-Seine, March 12, 2014

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Jean-François Viat

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, 2013

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 your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2013.

It is the responsibility of the Chairman to prepare and submit for the approval of the Board of Directors a report on the internal auditing and risk management procedures implemented in the Company and containing the other information required by Article L. 225-37 of the French Commercial Code, relating in particular to corporate governance.

It is our job to:

- communicate to you our observations on the information contained in the Chairman's report concerning the internal auditing and risk management procedures for the preparation and processing of financial and accounting information, and
- to certify that the report contains the other information required by Article L. 225-37 of the French Commercial Code, while specifying that it is not incumbent upon us to check the sincerity of this other information.

We have carried out our work based on the professional standards applicable in France.

Information concerning internal auditing and risk management procedures relating to the preparation and processing of financial and accounting information

Professional standards require that we implement procedures in order to obtain reasonable assurance that information concerning the internal auditing and risk management procedures for the preparation and processing of financial and accounting information, as set out in the report of the Chairman, is free of material misstatement. These procedures consist in particular in:

- taking note of the internal auditing and risk management procedures for the preparation and processing of financial and accounting information underlying the information presented in the Chairman's report, and of the existing documentation;
- taking note of the work involved in preparing this information and the existing documentation;
- determining whether the major internal auditing 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 auditing 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.

Other information

We certify that the report of the Chairman of the Board of Directors contains the other information required under Article L. 225-37 of the French Commercial Code.

Courbevoie and Neuilly-sur-Seine, March 12, 2014

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Jean-François Viat

AUDITORS' REPORT ON RELATED PARTY TRANSACTIONS AND COMMITMENTS

Year ended December 31, 2013

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 attached to the conclusion of these transactions and commitments prior to their approval.

Moreover, it is our duty, if necessary, to provide you with the information specified in Article R. 225-31 of the French Commercial Code relating to the performance during the year of transactions and commitments already approved by the 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.

TRANSACTIONS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE AGM

Transactions and commitments authorized over the past fiscal year

In application of Article L. 225-40 of the French Commercial Code, we have been advised of the following transactions and commitments, which were previously authorized by your Board of Directors.

With the company GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD), majority shareholder of DASSAULT AVIATION

Persons concerned: Serge DASSAULT (Director), also Chairman of GIMD, and Charles EDELSTENNE (Director), also Managing Director of GIMD.

Nature and purpose: Lease of an office building already occupied by DASSAULT AVIATION

Conditions: On July 10, 2013 GIMD acquired from LA MONDIALE an office building that was already leased by DASSAULT AVIATION.

At its meeting of March 13, 2013 the Board of Directors authorized the signing of a new lease granted to DASSAULT AVIATION by GIMD under the following conditions:

- Term of lease: 12 years,
- Annual rent: EUR 1,614,233.00 excl. taxes (EUR 300,000 less than the rent paid to LA MONDIALE)
- Guarantee deposit: three months rent excl. taxes
- Rent indexation: to follow the INSEE Cost-of-Construction index.

The rental expense under this new lease that entered into force on July 10, 2013 represented in 2013 the amount of EUR 910,301.37 excl. taxes. The amount of deposit under this new lease is EUR 403,558.00.

Transactions and commitments authorized since year-end

We have been advised of the following transactions and commitments authorized since the end of the last financial year, which have been subject to prior authorization from the Board of Directors.

With Eric TRAPPIER, Chairman and CEO

Nature and purpose: Continued benefit from supplementary pension for Company senior executives in favor of the Chairman and Chief Executive Officer

Conditions: On reinstatement of his employment contract (contract suspended), Eric TRAPPIER will benefit from the collective supplementary defined benefits pension plan applicable to senior executives of the Company.

This supplementary pension plan is meant for executives of your Company with at least 10 years of service still working for your Company at the time of retirement, aged at least 60 and whose salary exceeds 4 times the Annual Social Security Ceiling (EUR 148,000 in 2013). It provides eligible individuals with a tapered replacement rate, taken over all pension plans, depending on compensation (41% to 35%, provided that there is no change in the pensions paid by the State plans). The supplementary annual pension paid is capped at 10 times the Annual Social Security Ceiling (i.e., EUR 370,000 in 2013).

In its meeting of March 12, 2014 the Board of Directors authorized the continuation of the supplementary pension for Eric TRAPPIER in his capacity as Executive Director, the pension being calculated on the basis of his average gross annual compensation for his last three years as executive officer.

This supplementary pension plan, based on his compensation in 2013, would pay him, if all conditions are met, an annual pension of EUR 333,000, representing 26% of his remuneration.

Loïk SEGALEN, Chief Operating Officer

Nature and purpose: Continued benefit from supplementary pension plan for Company executives in favor of the Chief Operating Officer

Conditions: On reinstatement of his employment contract (contract suspended), Loïk SEGALEN will benefit from the collective supplementary defined benefits pension plan applicable to senior executives of the Company.

This supplementary pension plan is meant for executives of the Company with at least 10 years of service still working for the Company at the time of retirement, aged at least 60 and whose salary exceeds 4 times the Annual Social Security Ceiling (EUR 148,000 in 2013). It provides eligible individuals with a tapered replacement rate, taken over all pension plans, depending on compensation (41% to 35%, provided that there is no change in the pensions paid by the State plans). The supplementary annual pension paid is capped at 10 times the Annual Social Security Ceiling (i.e., EUR 370,000 in 2013).

In its meeting of March 12, 2014 the Board of Directors authorized the maintenance of the supplementary pension plan for Loïk SEGALEN in his capacity as Executive Director, the pension being calculated on the basis of his average gross annual compensation for his last three years as executive officer.

This supplementary pension plan, based on his compensation in 2013, would pay him, if all conditions are met, an annual pension of EUR 274,000, representing 24% of his compensation.

TRANSACTIONS AND COMMITMENTS ALREADY APPROVED BY THE AGM

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 were informed that the performance of the following transactions and commitments, already approved by the AGM in previous years, continued during the year.

WITH THE COMPANY GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD), MAJORITY SHAREHOLDER OF DASSAULT AVIATION

DASSAULT AVIATION has continued to rent a number of premises, land and industrial facilities from GIMD under leases that entered into force on January 1, 2009.

The rental expenses under these leases in 2013 amounted to a total of EUR 34,011,387.48 excl. taxes. A supplemental guarantee deposit of EUR 446,813.67 was also paid to GIMD in fiscal year 2013 under these leases.

The directors concerned are: Serge DASSAULT (Director), also Chairman of GIMD, and Charles EDELSTENNE (Director), also Managing Director of GIMD.

WITH THE COMPANY DASSAULT FALCON JET (USA), 100% SUBSIDIARY OF DASSAULT AVIATION

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, 2013, the guarantees amounted to EUR 54,765,842.22.

The directors concerned are: Serge DASSAULT (Director), Charles EDELSTENNE (Director) and Loïk SEGALEN (Chief Operating Officer) also Directors of DASSAULT FALCON JET, and Eric TRAPPIER (Chairman and CEO), also Chairman of DASSAULT FALCON JET.

WITH ALL THE DIRECTORS AND CORPORATE OFFICERS OF THE COMPANY 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 1st, 1999.

This policy covers all directors and corporate officers of the Company and its subsidiaries for the year 2013 up to an annual limit of indemnity of EUR 25 million.

The annual insurance premium amounted to EUR 102,209.30 incl. VAT in 2013.

Courbevoie and Neuilly-sur-Seine, March 12, 2014

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Jean-François Viat

ORDINARY AND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF MAY 15, 2014

ORDINARY AND EXTRAORDINARY ANNUAL GENERAL MEETING OF MAY 15, 2014 - DRAFT RESOLUTIONS

RESOLUTIONS FALLING WITHIN THE COMPETENCE OF THE ORDINARY AGM

First resolution

Approval of the 2013 annual financial statements

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having taken due note of the report of the Board of Directors, of the Chairman's report governed by section 6 of Article L. 225-37 of the French Commercial Code, the Auditors' Report and their own report, as 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 financial year 2013 as presented and showing a **net income of EUR 360,328,290.06**, together with all transactions presented therein or summarized in these reports.

Second resolution

Approval of the 2013 consolidated financial statements

The shareholders, acting in accordance with the rules as to 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 financial year 2013 as presented and showing **consolidated net income before minority interests of EUR 459,452 thousand** (including EUR 459,421 thousand attributable to the owners of the Parent Company), together with all transactions presented therein or summarized in these reports.

Third resolution

Approval of a related party transaction for a real estate lease granted by GIMD

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having taken due note of the report of the Board of Directors, and of the Auditors' report on related party agreements and commitments governed by Articles L. 225-38 of the French Commercial Code, hereby **approve the conditions of the lease** granted by **GIMD to DASSAULT AVIATION** (terms authorized by the Board of Directors meeting of March 13, 2013) on a **office building located in Saint-Cloud**, already occupied by DASSAULT AVIATION, which has been acquired by GIMD.

Fourth resolution

Approval of a related party transaction on the continued benefit from the supplementary pension plan applicable to senior executives of the company in favor of the Chairman and Chief Executive Officer

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having taken due note of the report of the Board of Directors, and of the Auditors' report on related party agreements and commitments governed by Articles L. 225-38 of the French Commercial Code, hereby **approve the related party agreement** authorized by the Board of Directors on March 12, 2014 on the **continued benefit from the supplementary pension** described in paragraph 2.9.3 of the Directors' report and the aforementioned special Auditor's report **for Éric TRAPPIER, in his capacity as Chairman and Chief Executive Officer, calculated on the basis of his average gross annual compensation for the last three years as executive officer.**

Fifth resolution

Approval of a related party transaction on the continued benefit from the supplementary pension applicable to senior executives of the company in favor of the Chief Operating Officer

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having taken due note of the report of the Board of Directors, and of the Auditors' report on related party agreements and commitments governed by Articles L. 225-38 of the French Commercial Code, hereby **approve the related party agreement** authorized by the Board of Directors on March 12, 2014 on the **continued benefit from the supplementary pension** described in paragraph 2.9.4 of the Directors' report and the aforementioned special Auditors' report **for Loïk SEGALEN, in his capacity as Chief Operating Officer, calculated on the basis of his average gross annual compensation for the last three years as executive officer.**

Sixth resolution

Opinion on the compensation package payable and allocated for 2013 to Eric TRAPPIER Chairman and Chief Executive Officer

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having reviewed the Directors' report, hereby **issue a favorable opinion on the compensation package payable and allocated for 2013 to Eric TRAPPIER, Chairman and Chief Executive Officer**, as detailed in the Directors' report in paragraphs 2.9.3 - Compensation paid to the Chairman and CEO and 2.9.6 - Summary Tables of Compensation (Tables 1, 2 and 11).

Seventh resolution

Opinion on the compensation package payable and allocated for 2013 to Loïk SEGALEN, Chief Operating Officer

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having reviewed the Directors' report, hereby **issue a favorable opinion on the compensation package payable and allocated for 2013 to Loïk SEGALEN, Chief Operating Officer**, as detailed in the Directors' report in paragraphs 2.9.4 - Compensation paid to the Chief Operating Officer and 2.9.6 - Summary Tables of Compensation (Tables 1, 2 and 11).

Eighth resolution

Discharge of Directors from liability

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, hereby **discharge the Directors**, fully and finally and without reservation, from any liability arising from their management of the Company during the year ended December 31, 2013.

Ninth resolution

Appropriation and distribution of the net income of the Parent Company

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, hereby resolve, on the proposal of the Board of Directors, that the net income of:

EUR 360,328,290.06

plus retained earnings from prior years:
EUR 2,937,478,632.02

that is, a total of:
EUR 3,297,806,922.08

Be appropriated as follows:

- dividend distribution of:
  EUR 90,120,483.30
- with the remaining balance to retained earnings:
  EUR 3,207,686,438.78.

As a result of the above appropriation, a **dividend per share of EUR 8.90** shall be distributed.

The dividend shall fall due for payment in euros on May 26, 2014, and be paid directly for registered shares, and via authorized intermediaries for administrated or bearer shares.

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)
2010	10.70	40%
2011	8.50	40%
2012	9.30	40%

(1) allowance for individuals

RESOLUTIONS WITHIN THE COMPETENCE OF THE EXTRAORDINARY GENERAL MEETING

Tenth resolution

Amendment of the 2nd paragraph of Article 13 of the Bylaws concerning the term of office of Directors

The shareholders, acting in accordance with the rules as to quorum and majority applicable to extraordinary general meetings, having taken due note of the Directors' report, hereby resolve to **reduce the term of office of Directors from six to four years** and to replace the 2nd paragraph of Article 13 of the Bylaws by "Their term of office is four years. As an exception, offices whose initial term was set at six years will continue until their expiry date."

Eleventh resolution

Addition of a 4th paragraph to Article 13 of the Bylaws to incorporate the terms of appointment of a Director representing the employees in accordance with the Act of June 14, 2013 relating to job security

The shareholders, acting in accordance with the rules as to quorum and majority applicable to extraordinary general meetings, having taken due note of the Directors' report and of the favorable opinion of the Central Works Council, hereby resolve to add the following 4th paragraph to Article 13 of the Bylaws, "Board of Directors" for the purpose of incorporating the **terms of appointment of a Director** representing the employees:

"In accordance with statutory provisions, where the number of Directors is less than or equal to twelve, a Director representing the employees is appointed for a term of four years by the union totalizing the most votes in the local works council elections of the Company and its direct and indirect subsidiaries with headquarters on French territory.

The Director representing the employees has voting rights. He is not taken into account for determining the minimum number and the maximum number of Directors referred to in paragraph 1 of this article. »

Twelfth resolution

Amendment of paragraph 1 of Article 14 of the Bylaws and addition of a 4th paragraph in that article to specify how a vacant seat as Director representing the employees is filled

The shareholders, acting in accordance with the rules as to quorum and majority applicable to extraordinary general meetings, having taken due note of the report of the Board of Directors, hereby resolve to amend Article 14 of the Bylaws as follows:

- in the 1st paragraph, after "In the event of vacancy by death or resignation of one or more Directors...": specify "appointed by the Ordinary General Meeting",
- addition of the following 4th paragraph: **"In the event of the vacancy of the seat of the Director representing the employees, this vacancy is to be filled in accordance with the provisions of Article L. 225-34 of the French Commercial Code."**

Thirteenth resolution

Amendment of the 1st paragraph of Article 15 of the Bylaws to stipulate that under the aforementioned Act of June 14, 2013, the Director representing the employees will not be required to hold any Director's shares

The shareholders, acting in accordance with the rules as to quorum and majority applicable to extraordinary general meetings, having taken due note of the report of the Board of Directors, hereby resolve to amend the 1st paragraph of Article 15 of the Bylaws, "Directors' Shares": "Each Director, **with the exception of the Director representing the employees, must own at least 25 shares,** for the duration of his term of office." (the 2nd paragraph remains unchanged.)

Fourteenth resolution

Amendment of the 6th paragraph of Article 32 of the Bylaws to reflect the methods of appointment and dismissal of the Director representing the employees

The shareholders, acting in accordance with the rules as to quorum and majority applicable to extraordinary general meetings, having taken due note of the report of the Board of Directors, hereby resolve to add in the list of **powers of the Ordinary General Meeting** contained in the 6th paragraph of Article 32 of the Bylaws after "to appoint or dismiss Directors" the following parenthesis "**(with the exception of the Director representing the employees,** who is appointed under the provisions of Article 13 hereof and removed from office in accordance with the provisions of Article L. 225-32 of the French Commercial Code)."

Fifteenth resolution

Harmonization of paragraphs 18.1 and 24.3 of the Bylaws with the current wording of Article L. 225-39 of the French Commercial Code

The shareholders, acting in accordance with the rules as to quorum and majority applicable to extraordinary general meetings, having taken due note of the report of the Board of Directors, hereby resolve to **remove** the 3rd section of paragraph 18.1 and the second sentence of paragraph 24.3 **of the Bylaws, relating to transactions relating to current operations entered into under normal conditions.**

RESOLUTION FALLING WITHIN THE COMPETENCE OF THE ORDINARY AGM

Sixteenth resolution

Reappointment of a Director

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, and noting that the term of office of Mr. **Henri PROGLIO** expires at the end of this Meeting, hereby resolve, on the proposal of the Board, **to renew said term of office for four years**, that is, until the end of the General Meeting convened to approve the accounts for the year 2017.

Seventeenth resolution

Appointment of a new Director

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, hereby resolve, on the proposal of the Board, **to appoint Mrs Marie-Hélène HABERT-DASSAULT** as new director **for four years**, that is, until the end of the General Meeting convened to approve the accounts for the year 2017.

Eighteenth resolution

Increase in the total annual amount of directors' fees

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, hereby resolve, on the proposal of the Board of Directors, **to increase the total annual amount of fees granted to Directors from EUR 247,730 to EUR 444,000** from the current financial year 2014 until further decision of the AGM.

Nineteenth resolution

Reappointment of DELOITTE & ASSOCIÉS SA as Statutory Auditors

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having noted that the term of appointment of the Statutory Auditor DELOITTE & ASSOCIÉS SA expires at the end of this meeting, hereby resolve, on the proposal of the Board of Directors, **to renew DELOITTE & ASSOCIÉS SA as Statutory Auditors** for six years, until the end of the General Meeting convened to approve the accounts for the year 2019.

Twentieth resolution

Reappointment of MAZARS SA as Statutory Auditors

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having noted that the term of appointment of the Statutory Auditor MAZARS SA expires at the end of this meeting, hereby resolve, on the proposal of the Board of Directors, to **renew MAZARS SA as Statutory Auditors** for six years, until the end of the General Meeting convened to approve the accounts for the year 2019.

Twenty-first resolution

Reappointment of Mr. Alain Pons as Alternate Auditor (alternate for DELOITTE & ASSOCIÉS SA)

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having noted that the term of appointment of the Alternate Auditor Mr. Alain PONS expires at the end of this meeting, hereby resolve, on the proposal of the Board of Directors, **to reappoint Mr. Alain Pons,** partner of DELOITTE & ASSOCIÉS SA, **as Alternate Auditor** for the company DELOITTE & ASSOCIÉS SA for the duration of the appointment of the latter.

Twenty-second resolution

Reappointment of Mr. Philippe CASTAGNAC as Alternate Auditor (alternate for MAZARS SA)

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having noted that the term of appointment of the Alternate Auditor Mr. Philippe CASTAGNAC expires at the end of this meeting, hereby resolve, on the proposal of the Board of Directors, **to reappoint Mr. Philippe CASTAGNAC,** partner of MAZARS SA, **as Alternate Auditor** for the company MAZARS SA for the for the duration of the appointment of the latter.

Twenty-third resolution

Powers to execute formalities

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, 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**.

Amendments Proposed to the Ordinary and Extraordinary Annual General Meeting of May 15, 2014

Current version	**New version**
ARTICLE 13 - BOARD OF DIRECTORS	ARTICLE 13 - BOARD OF DIRECTORS
The Company is managed by a Board of Directors composed of at least three members and at most twelve members chosen from among the shareholders and appointed by the Ordinary General Meeting.	The Company is managed by a Board of Directors composed of at least three members and at most twelve members chosen from among the shareholders and appointed by the Ordinary General Meeting.
Their term of office is six years.	Their term of office is ***four years. As an exception, offices whose initial term was set at six years will continue until their expiry date.***
At no time may the number of Directors in office who have reached the age of 70 be more than half of the total number of Directors in office. Should this limit of half be exceeded, the oldest of the Directors over the age of 70 will be considered automatically to have resigned.	At no time may the number of Directors in office who have reached the age of 70 be more than half of the total number of Directors in office. Should this limit of half be exceeded, the oldest of the Directors over the age of 70 will be considered automatically to have resigned.
	In accordance with statutory provisions, where the number of Directors is less than or equal to twelve, a Director representing the employees is appointed for a term of four years by the union totalizing the most votes in the local works council elections of the Company and its direct and indirect subsidiaries with headquarters on French territory. ***The Director representing the employees has voting rights. He is not taken into account for determining the minimum number and the maximum number referred to in paragraph 1 of this article.***
Directors may be reappointed.	Directors may be reappointed.

Current version	New version
ARTICLE 14 - VACANCY OF ONE OR MORE SEATS ON THE BOARD OF DIRECTORS	ARTICLE 14 - VACANCIES OF ONE OR MORE SEATS ON THE BOARD OF DIRECTORS
In the event of vacancy by death or resignation of one or more Directors, the Board of Directors may make provisional appointments between two General Assemblies. These appointments are subject to ratification by the next OGM.	In the event of vacancy by death or resignation of one or more Directors ***appointed by the Ordinary General Meeting***, the Board of Directors may make provisional appointments between two General Assemblies. These appointments are subject to ratification by the next OGM.
The Director appointed to replace another shall only remain in office for the unexpired term of his predecessor.	The Director appointed to replace another shall only remain in office for the unexpired term of his predecessor.
If the number of Directors falls below the legal minimum, the remaining Directors must immediately convene an Ordinary General Meeting to make up the members on the Board.	If the number of Directors falls below the legal minimum, the remaining Directors must immediately convene the Ordinary General Meeting to make up the members on the Board.
	In the event of the vacancy of the seat of the Director representing the employees, this vacancy is to be filled in accordance with the provisions of Article L.225-34 of the French Commercial Code.
ARTICLE 15 - DIRECTORS' SHARES	ARTICLE 15 - DIRECTORS' SHARES
Each Director must own at least 25 shares, for the duration of his term of office.	Each Director, ***with the exception of the Director representing the employees***, must own at least 25 shares, for the duration of his term of office.
If on the date of his appointment, a Director does not own the required number of shares, or if during his term he should cease to own them, he shall be considered to have automatically resigned unless he has rectified the situation within three months.	If on the date of his appointment, a Director does not own the required number of shares, or if during his term he should cease to own them, he shall be considered to have automatically resigned unless he has rectified the situation within three months.

Current version	New version
ARTICLE 18 - COMMITTEE OF THE BOARD	ARTICLE 18 - COMMITTEE OF THE BOARD
18.1 Chairman:	18.1 Chairman:
The Board of Directors shall appoint from among its members, for the period that it shall determine, a Chairman who must be a natural person. He may be reelected and may hold this office until the age of 75.	The Board of Directors shall appoint from among its members, for the period that it shall determine, a Chairman who must be a natural person. He may be reelected and may hold this office until the age of 75.
The Chairman organizes and directs the work of the Board of Directors and reports thereon to the General Assembly and carries out its decisions. He watches over the proper functioning of the Company's decision-making bodies and ensures that the Directors are able to fulfill their duties.	The Chairman organizes and directs the work of the Board of Directors and reports thereon to the General Assembly and carries out its decisions. He watches over the proper functioning of the Company's decision-making bodies and ensures that the Directors are able to fulfill their duties.
The Chairman of the Board receives notice of the transactions from the person concerned relating to current operations entered into under normal conditions except when, because of their purpose or their financial implications, they are not significant for any of the parties. The Chairman notifies the list and the purpose of those transactions to Board members and the Auditors.	
24.3 Current transactions:	24.3 Current transactions:
Transactions relating to current operations entered into under normal conditions are not subject to the statutory authorization and approval procedure.	Transactions relating to current operations entered into under normal conditions are not subject to the statutory authorization and approval procedure.
However, these transactions, except when due to their purpose or their financial implications, they are not significant for any of the parties, must be notified by the person concerned to the Chairman of the Board of Directors. The list and the purpose of those transactions are communicated by the Chairman to the Board of Directors and Statutory Auditors in accordance with regulations.	

<table>
<tr><th><u>Current version</u></th><th><u>New version</u></th></tr>
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<u>ARTICLE 32 - DUTIES - POWERS [OF THE ORDINARY GENERAL MEETING]</u>

It chiefly has the following powers:

• to approve, amend or reject the annual and consolidated financial statements that are submitted to it,
• to decide on the distribution and allocation of profits in accordance with legal and statutory requirements,
• to discharge, or refuse discharge to, Directors from any liability arising from their management of the Company,
• to appoint or dismiss Directors and Auditors
• to approve or reject the cooptations of Directors made by the Board,
• to fix the amount of fees granted to Directors and the remuneration of the Auditors,
• to determine the total or partial redemption of capital,
• to authorize the Company to trade in its own shares on the stock exchange,
• to pass a decision on the Auditors' report on related-party transactions,
• to authorize the issuance of bonds and the formation of collateral that may be conferred upon them,
• and, in general, to pass decisions on subjects not directly or indirectly entailing an amendment of the Bylaws.
</td><td>
<u>ARTICLE 32 - DUTIES - POWERS [OF THE ORDINARY GENERAL MEETING]</u>

It chiefly has the following powers:

• to approve, amend or reject the annual and consolidated financial statements that are submitted to it,
• to decide on the distribution and allocation of profits in accordance with legal and statutory requirements,
• to discharge, or refuse discharge to, Directors from any liability arising from their management of the Company,
• to appoint or dismiss Directors (with the exception of the Director representing the employees, who is appointed under the provisions of Article 13 hereof and removed from office in accordance with the provisions of Article L. 225-32 of the French Commercial Code) and the Auditors,
• to approve or reject the cooptations of Directors made by the Board,
• to fix the amount of fees granted to Directors and the remuneration of the Auditors,
• to determine the total or partial redemption of capital,
• to authorize the Company to trade in its own shares on the stock exchange,
• to pass a decision on the Auditors' report on related-party transactions,
• to authorize the issuance of bonds and the formation of collateral that may be conferred upon them,
• and, in general, to pass decisions on subjects not directly or indirectly entailing an amendment of the Bylaws.
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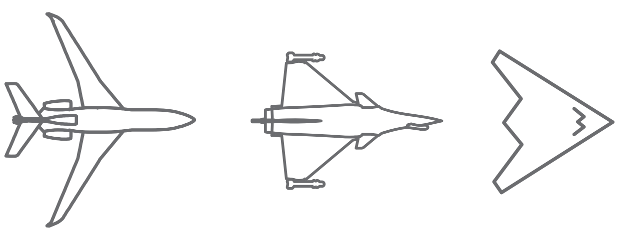

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