DASSAULT AVIATION

ANNUAL REPORT 2014

The English language version of this report is a free translation from the original, which was prepared in French language. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

Contents

2014 ANNUAL
FINANCIAL REPORT

Declaration of the person responsible for the report

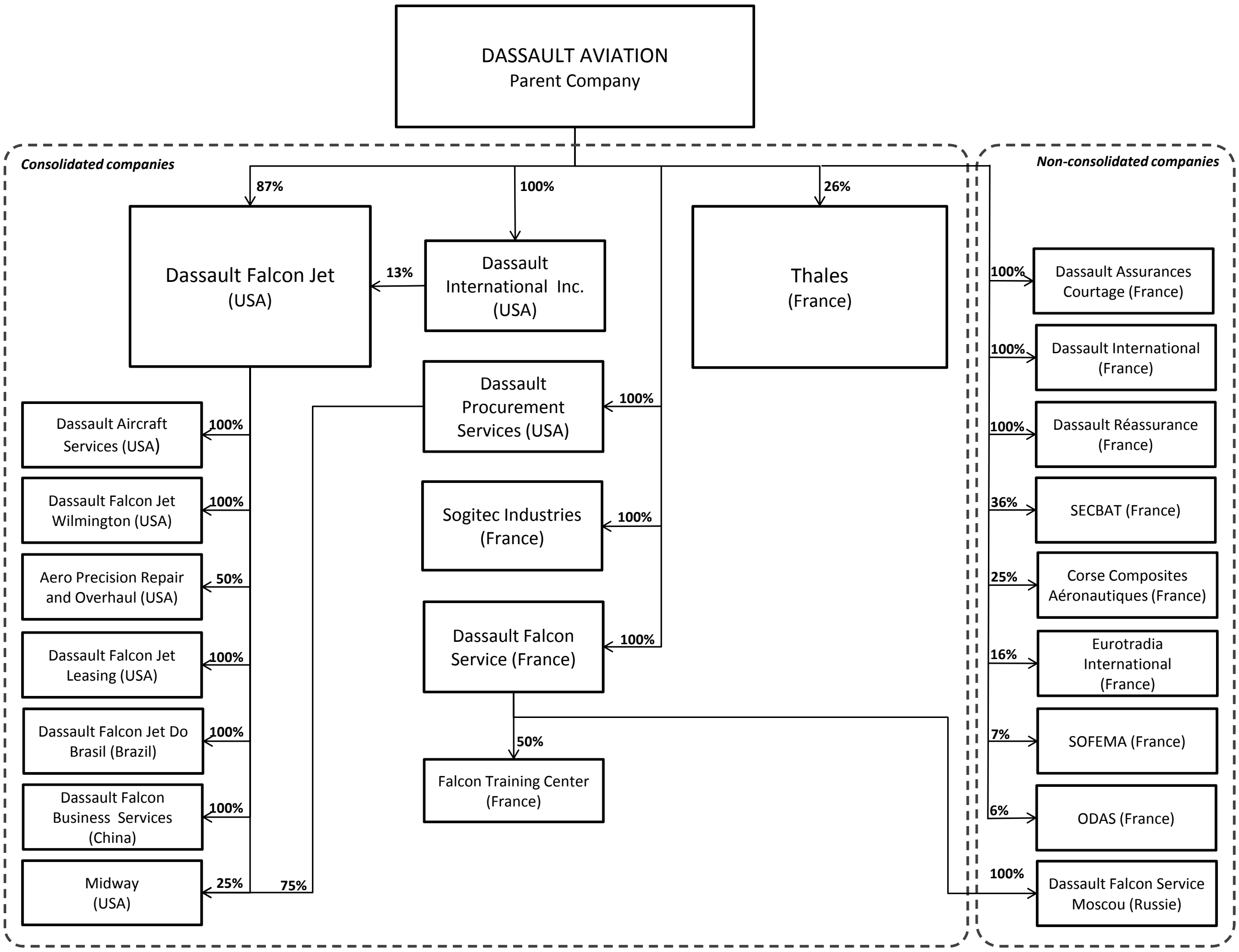
I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the company and all the other entities included in the scope 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 10, 2015

Éric Trappier
Chairman and Chief Executive Officer

Group structure

The Dassault Aviation Group is an international group that encompasses most of the aeronautical business of the Marcel Dassault Industrial Group. The main Group companies are as follows:



Detailed information on the main Group companies is given in paragraph 1.6 of the directors' report.

The list of consolidated entities is presented in Note 2, "Scope of consolidation", to the consolidated financial statements.

Shareholder structure as at December 31, 2014

GROUPE INDUSTRIEL MARCEL DASSAULT: 55.55%
AIRBUS GROUP SAS: 42.11%
DASSAULT AVIATION: 0.44%
FREE-FLOAT: 1.90%

Additional information on the structure of the Group's capital is given in paragraph 4.5.2 "Equity structure" of the directors' report.

Board of Directors

Honorary Chairmen

Serge Dassault   Charles Edelstenne

Chairman of the Board of Directors
Éric Trappier

Directors
Pierre De Bausset
Serge Dassault
Nicole Dassault
Olivier Dassault
Marie-Hélène Habert-Dassault
Charles Edelstenne
Alain Garcia
Lucia Sinapi-Thomas
Henri Proglio
Richard Bedère (director representing employees)

Executive Management

Chief Executive Officer
Éric Trappier

Chief Operating Officer
Loïk Segalen

Executive Committee

Chairman of the Committee

Éric Trappier	Chief Executive Officer
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. Paul Fouilland, 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

Dear shareholders,

Before submitting the annual and consolidated financial statements for the year ended December 31, 2014, we would like to take this opportunity to present the consolidated key figures, the activities of the Group and of the Parent Company during the past year, their future prospects and the other information required by law.

1. DASSAULT AVIATION Group

1.1 CONSOLIDATED KEY FIGURES

1.1.1 Order intake

Consolidated orders in 2014 amounted to **EUR 4,639 million** compared to EUR 4,165 million in 2013. The proportion of orders for **export** amounted to **89%.**

Ordering trends are as follows, in **EUR millions**:

Year	Defense		Falcon	**Total**	% Export
	France	Export			
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%
2014	**441**	**252**	**3,946**	**4,639**	**89%**

The orders consist exclusively of firm orders.

FALCON programs:

Orders for new aircraft stood at **90 FALCON** in 2014 (compared to 64 in 2013).

DEFENSE programs:

DEFENSE orders amounted to **EUR 693 million** in 2014 compared to EUR 1,256 million in 2013. In 2014, orders corresponded to after-sales and development; for the record, 2013 included "F3-R" RAFALE standard development and ATLANTIQUE 2 upgrade orders in France.

1.1.2 Net sales

Consolidated net sales for 2014 amounted to **EUR 3,680 million** compared to EUR 4,593 million in 2013.

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

Year	Defense		Falcon	**Total**	% Export
	France	Export			
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%
2014	**770**	**225**	**2,685**	**3,680**	**77%**

FALCON programs:

FALCON net sales reached EUR 2,685 million in 2014 compared to EUR 3,189 million in 2013. **66 new aircraft were delivered in 2014** (compared to 77 in 2013).

DEFENSE programs:

11 RAFALE were delivered to the French Government in 2014, as in the previous year. DEFENSE net sales amounted to EUR 995 million compared to EUR 1,404 million in 2013, which included nEUROn program sales.

1.1.3 Backlog

The consolidated backlog at December 31, 2014 was EUR **8,217 million** compared to EUR 7,379 million at December 31, 2013.

The "book to bill" (order intake / net sales ratio) stood at 1.26 in 2014. It benefited in particular from orders for FALCON 5X and FALCON 8X, which deliveries will start in 2016 and 2017.

1.2 COMMENTS ON THE 2014 PERFORMANCE IN ADJUSTED DATA

1.2.1 Preamble

To reflect the actual economic performance of the Group, and for monitoring and comparability reasons, the DASSAULT AVIATION Group has prepared **an adjusted income statement**. The consolidated income statement of the Group is therefore adjusted:

- by the amortization of the THALES purchase price allocation (PPA),
- by the value of the foreign-exchange derivatives not eligible for hedge accounting, by neutralizing the change in fair value of these instruments,
- by the adjustments made by THALES in its financial reporting.

1.2.2 2014 key data (adjusted data)

The following table presents the key 2013 and 2014 data by detailing the **adjusted** aggregates:

(in EUR thousands)	2014	2013
Net sales	3,680,381	4,592,966
Operating income	352,748	498,499
Adjusted financial income	42,686	14,937
Adjusted share of income/loss of equity affiliates	138,818	153,115
Adjusted corporate income tax charge	-136,422	-179,551
Adjusted net income	**397,830**	**487,000**
Attributable to the owners of the Parent Company	*397,796*	*486,969*
Attributable to non-controlling interests	*34*	*31*

1.2.3 Reconciliation of consolidated income with adjusted income

The impact in 2014 of the adjustment of income statement aggregates is presented below:

(in EUR thousands)	2014 Consolidated data	THALES PPA amortization (1)	THALES adjustments	Derivatives exchange instruments (2)	2014 Adjusted data
Net financial income	-122,697			165,383	42,686
Share of income/loss of equity affiliates	132,300	45,242	-38,724		138,818
Income tax	-79,481			-56,941	-136,422
Net income	282,870	45,242	-38,724	108,442	**397,830**

(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 foreign exchange instruments which do not qualify for hedge accounting under the terms of IAS 39 "Financial Instruments".

The impact in 2013 of the adjustment of income statement aggregates is presented below:

(in EUR thousands)	2013 Consolidated data	THALES PPA amortization (1)	THALES adjustments	Derivatives exchange instruments (2)	2013 Adjusted data
Net financial income	87,565			-72,628	14,937
Share of income/loss of equity affiliates	77,945	57,333	17,837		153,115
Income tax	-204,557			25,006	-179,551
Net income	459,452	57,333	17,837	-47,622	**487,000**

(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 foreign 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 audited by the Group's statutory auditors. Adjusted financial data are subject to the verification procedures applicable to all of the information provided in the Annual Report.

1.2.4 Operating income

Operating margin stood at **9.6%** compared to 10.9% in 2013. In 2014, consolidated operating income reached EUR 353 million compared to EUR 498 million in 2013.

Self-funded Research and Development, which stood at EUR 488 million (compared to EUR 482 million in 2013), represented 13.3% of net sales (compared to 10.5% in 2013). It largely explains the decrease in operating margin. The favorable evolution in the USD/EUR exchange rate at year-end (1.21 USD/EUR versus 1.38 USD/EUR) and in the hedging rate (1.25 USD/EUR versus 1.26 USD/EUR) mitigated this decrease.

1.2.5 Adjusted financial income

In 2014, **adjusted financial income** amounted to **EUR 43 million**, compared to EUR 15 million in 2013. In particular, the Group made a profit of EUR 35 million on the sale of some available-for-sale marketable securities compared to a profit of EUR 10 million in 2013. This is linked to the partial use of our cash for the purchase of treasury shares.

1.2.6 Adjusted net income

Adjusted net margin reached **10.8%**, vs. 10.6% in 2013. For 2014, Adjusted net income amounted to EUR 398 million compared to EUR 487 million in 2013.

The adjusted contribution of THALES to Group net income, before amortization of Purchase Price Allocation, amounted to EUR 135 million in 2014 compared to EUR 153 million in 2013.

The decrease was mainly due to the negative impact of DCNS, consolidated at 35% by THALES.

Note: IFRS net income was EUR 283 million in 2014 compared to EUR 459 million in 2013.

1.2.7 Dividends

The Board of Directors has decided to submit to the Annual General Meeting the distribution of a dividend of **EUR 10 per share** in 2015, corresponding to a total of EUR 92 million, i.e. a payout of 23% vs. 18% in 2014.

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

Fiscal year	Net dividend distributed (in EUR)	Allowances (*)
2011	8.50	40%
2012	9.30	40%
2013	8.90	40%

(*) Allowance for individuals.

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 uses a specific indicator, referred to as "Available cash", which reflects the total liquidity available to the Group, net of any financial debt. It covers the following balance sheet items:

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

The **Consolidated Available Cash** amounts to **EUR 2,397 million at December 31, 2014** compared to EUR 3,708 million at December 31, 2013.

This decrease is mainly due to the purchase of treasury shares in the amount of EUR 934 million (cf. § 4.5.6), the increase of EUR 608 million in working capital due to the growth of inventories and work-in-progress, and the payment of EUR 90 million in dividends, partially offset by the net cash from operating activities during the year (+EUR 331 million).

1.3.2 Balance sheet

Total equity amounted to EUR 4,096 million at December 31, 2014 compared to EUR 5,096 million (restated) at December 31, 2013. This decrease is mainly due to the purchase of 952,643 treasury shares for EUR 934 million. As planned by the buyback program, 912,143 shares, representing 9.01% of the capital, were cancelled for the amount of EUR 894 million (cf. § 4.5.6).

At December 31, 2014, the Group held 40,500 treasury shares, recognized as a decrease against equity in the amount of EUR 40 million.

Borrowings and financial debts stood at EUR 985 million at December 31, 2014 compared to EUR 268 million at December 31, 2013. In 2014, the Group took out EUR 700 million in loans with credit institutions. Financial debts also included the employee profit-sharing funds.

At December 31, 2014, inventories and work-in-progress increased by EUR 405 million. This item thus reached EUR 3,092 million at December 31, 2014 compared to EUR 2,687 million at December 31, 2013. Customers' advances and progress-payment on work-in-progress stood at EUR 2,271 million compared to EUR 2,294 million at December 31, 2013.

Derivative financial instruments had a negative market value (-EUR 40 million at December 31, 2014 compared to EUR 312 million at December 31, 2013). This change was mainly due to the trend in the USD/EUR exchange rate at December 31 (1.21 USD/EUR at December 31, 2014 compared to 1.38 USD/EUR at December 31, 2013).

The provision for retirement benefits was EUR 487 million at December 31, 2014 versus EUR 382 million at December 31, 2013. This change is primarily due to the decrease in the discount rate (cf. Appendix 12.3 of the consolidated financial statements).

1.4 RELATED-PARTY TRANSACTIONS

The 2014 related parties are identical to those identified in 2013. Some subsidiaries are related with the Parent Company via development and hardware supply, along with software and associated services contracts.

2014 transactions are specified under Note 27 in the Appendix to the consolidated financial statements.

1.5 GROUP ACTIVITIES

1.5.1 Program developments

1. FALCON programs

Highlights for 2014 include:

- the launch in May, at the EBACE in Geneva, of the FALCON 8X, which completes our commercial offer. It has a range of 6,450 nm (~ 12,000 km), the longest passenger cabin in the FALCON family, and low operating costs. The final assembly of the first aircraft took place in Mérignac, its powering up was done in July, and ground testing of its systems was successfully completed. FALCON 8X first public presentation (rollout) took place in Mérignac on December 17, 2014,

- the assembly and start of ground testing of the FALCON 5X,

- the release of the 250th FALCON 7X in Mérignac and the demonstration of this aircraft's exceptional operating capabilities: speed record between New York and London City Airport and operations in Daocheng-Yading, the world's highest commercial airport (4,411 m above sea level),

- the entry into service of two showrooms in Le Bourget (France) and in Teterboro (USA) to receive our FALCON clients and facilitate the aircraft specification process,

- the continuation of the work for expanding and upgrading the DASSAULT FALCON JET site in Little Rock (USA). Work on the future infrastructure intended for FALCON 5X and 8X interior completion was launched on September 2, 2014.

2. DEFENSE programs

In 2014, the highlights for the RAFALE were:

- the delivery of 11 aircraft to the French Air Force and Navy, bringing the total number of delivered RAFALE to 137,

- the launch of the F3-R standard development, following its notification at the end of 2013; this standard, which will be delivered in 2018, notably includes the long-range air-to-air missile METEOR, the New Generation Laser Designation Pod (PDL - NG) and the laser-guided version of the Modular Air-Ground Weapon (AASM),

- the delivery of the first two Marine RAFALE retrofitted to the F3 standard,

- the continuation of exclusive negotiations with the Indian authorities and Indian industrial partners to finalize the contract for the sale / licensing of 126 RAFALE,

- the continuation of promotional and prospecting activities in other countries,

Noteworthy highlights in relation to other military aircraft programs include:

- the continuation of the development for upgrading the Indian MIRAGE 2000, and the launch of retrofit work in India where the first two aircraft are modified under our responsibility,

- within the scope of an "emergency operation", the change of a third ATLANTIQUE 2 by addition of a high-performance electro-optic camera,

- the continuation of the development tasks for the ATLANTIQUE 2 combat system renovation. This renovation includes the integration of a new system core as well as new sensors, among which the Searchmaster radar from THALES,

- the delivery of the second maritime surveillance FALCON 50 SURMAR (out of 4) to the DGA (Direction Générale de l'Armement - French Defense Procurement Agency) and the entry into service of these two aircraft in the French Navy.

Regarding UCAS (Unmanned Combat Air Systems):

- the low observability demonstration campaign for the Unmanned Combat Air Vehicle (UCAV) nEUROn, on behalf of the DGA,

- the notification by the French and British governments, as part of the Brize Norton agreement, of the feasibility study phase lasting 24 months, intended to prepare a potential demonstration program for a Future Combat Air System (SCAF-FCAS). This phase brings BAE SYSTEMS and DASSAULT AVIATION together as leaders of an industrial organization that also includes ROLLS-ROYCE, SAFRAN, SELEX, and THALES.

Regarding MALE (Medium-Altitude Long-Endurance) systems:

- the start of discussions with the French, German and Italian Ministries of Defense for the definition phase of a European MALE drone program, based on the proposal prepared with our partners AIRBUS DEFENCE AND SPACE and ALENIA-AERMACCHI,

- the continuation, in the space field, of our work on the atmospheric reentry demonstrator project "Intermediate eXperimental Vehicle" (IXV) which launch is scheduled for the first half of 2015 and on the "SubOrbital Aircraft Reusable" (SOAR) project lead by SWISS SPACE SYSTEMS, and for which DASSAULT AVIATION is aircraft manufacturer consultant.

1.5.2 **After-Sales**

In 2014, in terms of After-Sales, the Group:

- FALCON:

- purchased land in Mérignac as part of a co-operation agreement with SABENA TECHNICS. This land provides access to the runways and will allow DASSAULT FALCON SERVICE to develop its maintenance offer for FALCON 7X and the future FALCON 5X and 8X, as the facilities in Le Bourget are saturated.

- launched a rapid "Airborne support" intervention service to repair "Aircraft on Ground" (AOG). Two FALCON 900, one based at Le Bourget (France) and the other at Teterboro, New Jersey (USA), will be used to transport maintenance teams and spare parts,

- supplemented its servicing capacity at the Sorocaba station (Brazil),

- Military:

- pursued the implementation of the In-Service Support Package for the RAFALE under the scope of the "RAFALE CARE" contract,

- set up a group of manufacturers (with DEFENSE CONSEIL INTERNATIONAL, SAFRAN, TARMAC and THALES) to answer requests for information from the French Government in relation to the dismantling of military aircraft at the end of their service life,

- was awarded a contract to update the documentation for MIRAGE 2000 from Abu Dhabi,

- held discussions regarding export global support contracts for MIRAGE 2000, based on the French In-Service Support Package, "RAFALE CARE",

- established a contact person for the French Air Force at Bordeaux to strengthen the links with the command of the Air Force and SIMMAD.

1.6 GROUP STRUCTURE

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

1.6.1 Consolidated subsidiaries and companies

- ***DASSAULT FALCON JET (USA)*** markets one part of 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 JET LEASING (USA)**, 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 station dedicated to the maintenance of FALCONs,
  - leasing and management of FALCON aircraft as part of civil transport activities.

  The principal subsidiary of 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 a facility at Luton Airport (UK). In 2013, it 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 FALCONs.
- ***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, 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.

1.6.2 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 ATLANTIQUE maritime surveillance program.

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

1.7 RESEARCH & DEVELOPMENT

Most of our research and development focused on FALCON 5X, FALCON 8X and the F3-R RAFALE standard.

Apart from these major programs, we are continuing with the self-financed "Futur FALCON à Technologies Innovantes" plan ("FALCON Future with Innovative Technologies"). Some of this work has received support from either French civil aviation or European Clean Sky Joint Technology Initiative.

Noteworthy events included:

- preparatory work for the definition of the future FALCON system,
- the development of a composite wing-box demonstrator,
- studies for new cabin fitting concepts.

The 2014 research support plan for business aviation has recently been announced with, in particular, flush antennas being developed for the next generations of FALCONs.

We are taking part in the setting up of the CLEAN SKY 2 research program, which was launched in the second half of 2014; we are also involved in the first call for collaborative projects under the scope of the European Framework Program for Research H2020.

Following the call for tenders concerning "Large Scale Demonstration" projects from SESAR JU, we are taking part in the "Augmented Approach to Land" project which focuses on experimenting with procedures using an augmented vision system in conditions of reduced visibility. Furthermore, following the call for tenders, DASSAULT AVIATION was pre-selected to take part in the definition of the SESAR 2020 research and demonstration program.

We are reinforcing our participation in the following platforms: "On-board systems and advanced functions" and "Aeronautical Plant of the Future" proposed under the second phase of the Future Investment Program. The work is set to start by 2015.

In the military sector, in addition to continuing the in-flight evaluations of the nEUROn demonstrator, the preparation of Future Combat Air System (FCAS) structured around 2 areas:

- an UXAV remote-controlled aircraft component mainly devoted to technical and operational analysis, feasibility and technological maturation work,
- a piloted aircraft component, to prepare the future developments of RAFALE.

In October 2014, the Direction Générale de l'Armement (French Defense Procurement Agency [DGA]) notified us of its research into operational UCAV concepts with a high level of discretion and mature critical technologies. This two-year project, which was the subject of the feasibility phase of the Franco-British demonstration program FCAS-FP, includes a cooperation component and a national component.

The coming weeks will see the completion of the upstream study plan focusing on the employment and technologies concept of the UCAV (CET-UCAV) and a technical and economic study of the impact of combat drones on the combat air fleet.

Moreover, in the area of maritime patrols, we are continuing to study the concept of the PATMAR 2030 system, notified by the DGA in 2013.

We proposed with AIRBUS DEFENCE AND SPACE and ALENIA-AERMACCHI a cooperation study corresponding to the definition phase of a MALE 2020 drone.

Furthermore, we continued our work to achieve protection via anodic oxidation of sulfur, under the scope of the replacement of hexavalent chromium plan and have started research to replace cadmium.

1.8 NEW INDUSTRIAL MANUFACTURING AND MANAGEMENT TECHNIQUES

We are continuing the development of composites:

- as part of the actions initiated by the Conseil pour la Recherche Aéronautique Civile (CORAC, Strategic Committee for Aviation Research), we are working on a demonstrator for a composite wing-box for business aircraft,

- we use fiber placement for the manufacturing of composite parts for our new FALCON 5X aircraft, given the advantages of this method in terms of performance.

In the area of metallic materials, we are continuing our work to automate the forming of machined panels in order to use low density aluminum alloys.

We are using robotized assemblies both for wings and fuselages.

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 comply in advance with the future requirements of European REACh regulations,
- with our industrial partners we are continuing to qualify combinations of "Materials and Processes" via Additive Layers Manufacturing (direct production) for our aircraft programs.

In all our production facilities, we continued the deployment of IRP (Improving Responsiveness in Production) projects, which aim at improving working conditions (especially at reducing work environment stress), as well as quality and flexibility, while 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 advantage.

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 by DASSAULT SYSTEMES,
- we are developing production-line processes which place production-line or control operators in an environment that meets their needs.

Finally, we are enhancing exchanges with our suppliers by extending the roll-out of our supplier portal, while improving our production management system. At the start of 2014, we set up a "Supply Chain Committee" governance body, to strengthen the control and effectiveness of our supply chain.

1.9 PRODUCTION FACILITIES

In 2014, we finalized:

- the implementation of the main industrial production facilities and building conversions related to the 5X FALCON program,
- the deployment of methods of developing Friction Steer Welding (FSW) technology.

We continued:

- to roll out workshop refits as part of Improving Responsiveness in Production (IRP),
- to install Resin Transfer Molding (RTM) facilities in the composites line.

In 2014 these adaptations resulted in the commissioning of:

- a Friction Steer Welding (FSW) robot in Argenteuil,
- a cold press for the production of RTM parts and an automated F5X assembly cell in Biarritz,
- refits of IRP workshops across the production lines.

1.10 TOTAL QUALITY

The Total Quality policy is pursued.

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. RISK FACTORS AND MANAGEMENT

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

2.1 RISKS RELATED TO PROGRAMS

2.1.1 Aerospace cycle

The nature of the activity of DASSAULT AVIATION exposes it to a sector risk. Our clients have all been hit by the 2008 economic crisis:

- government customers have been constrained by increasingly drastic budget policies,
- business aviation customers have been forced to limit their investments.

Moreover, in this context, competition is becoming increasingly aggressive, both in terms of commercial and price policies, and in terms of technological innovation. This pressure could eventually threaten the revenue and profitability of DASSAULT AVIATION.

We are addressing this threat by adapting ourselves to this increasingly demanding market by continuing with our efforts to reduce costs, to streamline the production cycle, and to pursue innovation and expand our FALCON fleet.

2.1.2 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 necessary resources to meet our commitments to our customers, both in regard to technical issues and production deadlines, in order to safeguard our net sales.

As an industrial architect and integrator, we must manage a multitude of associates, partners and suppliers while observing technical and financial constraints, particularly in relation to contracts involving transfers of technology. Consequently, the development of a new engine for the FALCON 5X (SilverCrest Snecma) is a risk for the program's schedule.

Our technical choices must match customer expectations. Our investment in Research and Development must take into account technological developments and result in targeted and fully-controlled innovations.

2.1.3 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.

2.1.4 Competition

Our Company faces aggressive competition in all markets. The euro/dollar exchange rate remains a major drawback in terms of our 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 those in the U.S.

2.2 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.

2.3 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.

The Group protects itself against the risk of attempted breaches of the security of its information technology systems and guarantees the protection of highly confidential data.

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

2.4 RISKS RELATED TO REGULATORY CHANGES

We face changes in many regulations at national, European, and international levels:

- in the aeronautical field, particularly in terms of the navigability of products,
- in terms of occupational health and safety,
- in terms of the environment at the sites (REACh in particular).

2.5 RISKS RELATED TO INTELLECTUAL PROPERTY

Innovation has become an essential tool to reduce production costs and guarantee the success of DASSAULT AVIATION products. Intellectual property, principally via patents, copyright fees and trademarks, plays an important role in the protection of our assets.

In particular, DASSAULT AVIATION uses intellectual property rights to effectively protect its technology, to prevent competitors from using its protected technology and also to remain competitive.

DASSAULT AVIATION has always robustly protected its innovations for reasons of confidentiality. Employees are encouraged to adopt the systems required to avoid any non-protected disclosures.

Some of our innovations remain secret and evidence of creation are prepared to be used, if necessary. Other innovations are patented.

2.5.1 <u>Actions</u>

DASSAULT AVIATION is increasing the number of patents' fillings. It comprises French and foreign patents filed in strategic countries. Trademarks are also registered regularly to protect the names of the Company's leading products and services in the countries where it operates. These portfolios are one of the Company's intangible assets.

Awareness-raising sessions focusing on intellectual property and confidentiality are organized periodically for all employees concerned to ensure they are able to actively protect the Company's technological assets.

2.5.2 <u>Organization</u>

Employees are encouraged to create inventions through a pay policy that has been tailored accordingly. "Intellectual Property Agents" have been appointed at each of the production and research facilities. In particular, their tasks include identifying any inventions requiring protection.

Each month, an "Intellectual Property Committee" decides which of the Company's strategic inventions require protection.

2.6 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.

The Group has started to analyze the positions at risk in order to establish a succession plan for key roles and strategic functions.

2.7 FINANCIAL RISK MANAGEMENT

2.7.1 Cash and liquidity risks

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

Most of the investments in bonds and diversified investments (according to the AMF classification) of the Group were backed by guarantees on December 31, 2014.

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 24.1 "Cash and Liquidity Risks" of the consolidated financial statements.

2.7.2 Credit and counterparty risks

The Group performs its cash and foreign exchange transactions with recognized financial institutions. It spreads its investments and 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 related 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.

2.7.3 Interest-rate risks

The Group is exposed to the volatility of interest rates through loans taken out at a variable rate. Instruments have been put in place to set the rate of these loans.

2.8 MARKET RISKS

2.8.1 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 the cash flows that are considered highly probable. The Parent Company ensures that the initial future cash flows will be sufficient to use the foreign exchange hedges in place. The hedged amount may be adjusted according to the variability in the timing of expected net cash flows.

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

- EMBRAER shares:

The Parent Company owns shares in EMBRAER. 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.

2.8.2 Other market risks

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

2.9 ENVIRONMENTAL RISK MANAGEMENT

2.9.1 Risk management procedure

In terms of controlling environmental risks, we have implemented a structure at our industrial sites to carry out the following:

- 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 processes could have a significant environmental impact undergo environmental audits.

2.9.2 Damage caused to the environment

DASSAULT AVIATION Group has never been found guilty of pollution or ordered 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 plan was installed in accordance with the management plan. Following the supplemental prefectural order of July 2012, asking us to study the improvement of our plan, we have, with the agreement of DREAL, installed additional drains to collect water from the aquifer located to the north of the facility.

In 2014, no environmental incidents were declared at any of the facilities belonging to DASSAULT AVIATION or its subsidiaries.

2.9.3 Provisions and financial guarantees

Subsequent to Decree No. 2012-633 of May 3, 2012 which imposes the establishment of financial guarantees on facilities 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 facilities. These financial guarantees started in 2014 for the facilities at Argenteuil and Biarritz, in accordance with the regulatory time frames.

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 1, 2012, the 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 facilities and draft analysis reports that serve as the basis for the implementation of action plans.

The DASSAULT AVIATION Group did not have to recognize any environmental liabilities in 2014.

2.10 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.

2.11 INSURANCE

The Legal Affairs and Insurance Department implements the risk transfer policy of the DASSAULT AVIATION Group defined by the General Management.

All of the risks generated by the aeronautical activities of DASSAULT AVIATION and its subsidiaries, work under production, aircraft, and civil liability after delivery are the main item for the insurance budget.

The cover is obtained from a wide range of insurers and re-insurers that specialize in the aviation industry and offer high solvency margins, to ensure they are able to handle any longer-term claims.

The industrial facilities, the French plants and production tools are covered for fire and miscellaneous risks.

On a regular basis, the leading underwriter conducts general and prevention audits with the Legal Affairs and Insurance Department to mitigate any risks likely to affect our business operations.

Other less significant programs are covered in order to reduce the risks of civil liability under the headings of general operations, environmental damage, or any arising from the fleet of vehicles, as well as to cover the civil liability of company directors and officers.

In this area we have two specialized subsidiaries: Dassault Assurances Courtage and Dassault Réassurance. The first intervenes to place the risks and the second underwrites a portion of the reinsurance of our aeronautical and fire risks.

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.

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

The information developed and presented below is part of this dynamic. It relates 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 to this 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;
- a motivating 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:
  - implementing corporate agreements or action plans, in particular with regard to job equality between men and women, 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 Employment

As at December 31, 2014, the total number of DASSAULT AVIATION Group employees stands at 11,745 (compared with 11,612 like for like in 2013).

Entity	Staff as at 12/31/2013	**Staff as at 12/31/2014**
DASSAULT AVIATION Parent Company	8,061	**8,186**
DASSAULT FALCON JET	2,522	**2,526**
DASSAULT FALCON SERVICE (*)	578	**598**
SOGITEC INDUSTRIES	423	**405**
DASSAULT PROCUREMENT SERVICES	28	**30**
Total	11,612	**11,745**

(*) Given that the Moscow DFS subsidiary is outside the scope of financial consolidation for the 2014 financial year, the two employees of the subsidiary have been removed from the 2013 figures.
(see Appendix 1 - Reporting methodology for indicators)

The workforce of DASSAULT AVIATION Group consists of 9,735 men and 2,010 women.

Workforce distribution by age group is as follows:

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 2013.

As at December 31, 2014, 417 employees of DASSAULT AVIATION Group were employed on a part-time basis, an increase of 2% compared to 2013.

In 2014, DASSAULT AVIATION Group continued its recruitment policy by hiring 821 people, an increase of nearly 15%.

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 2014, the Parent Company welcomed 384 interns, an increase of 6% compared to 2013.

In 2014, 688 employees left DASSAULT AVIATION Group, as against 685 in 2013. Individual redundancies represent 10% of all these leavers, slightly down compared to the previous year.

3.1.3 Pay

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.

As at December 31, 2014, the average annual salary of Group employees is EUR 52,933. The average annual salary of the Parent Company, including profit-sharing and incentives, amounts to EUR 66,184.

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 22.4 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 2014, 9 agreements and amendments were signed within the Parent Company on topics as varied as provident schemes and healthcare costs, employment and retention in employment of people with disabilities, PERCO (Plan d'Épargne pour la Retraite COllectif - the Collective Retirement Savings Plan), professional and pay equality between men and women, etc.

This information is available on the Parent Company intranet.

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:
  - in accordance with the Law of June 14, 2013 on job protection, a salaried administrator with voting rights was appointed by the union organization that obtained the most votes in the elections of the works councils of the Company and of its subsidiaries located in France,
  - the CCE (Comité Central d'Entreprise - Central Works Council) is also represented by one of its members.

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 following areas:

- professional equality between men and women;
- employment of disabled people;
- integration and retention in employment of young and older employees.

Firmly believing that diversity is a major issue and a performance factor for the company, Group companies restate their commitment to the prevention of discrimination and undertake to promote equality of opportunity and treatment.

In 2014, the Parent Company renewed the corporate agreement relating to the retention in employment of disabled people, which confirms the desire of all corporate players to join forces in implementing this policy.

In particular, the Parent Company works upstream on training disabled people in the aerospace professions. For example, the company has continued 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 are manifested through an employment rate higher than the legal minimum of 6% across all its establishments. At the end of 2014, DASSAULT AVIATION Group employed 579 disabled workers, compared with 608 in 2013. To this may be added initiatives in favor of the protected sector and the induction of disabled interns.

Furthermore, DASSAULT AVIATION has also signed a unanimous social partner agreement on professional and pay equality between men and women, thereby continuing 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 mounting recruitment targets and through the deployment of communication campaigns in educational establishments. To this end, the Parent Company has committed to giving fresh impetus to its partnership with the "Elles bougent" association that sets out to raise female students' awareness of our technical trades.

DASSAULT AVIATION pays particular attention to the training and career development of women, notably by continuing its policy of providing access to DASSAULT Institute management training and promoting women to the highest levels.

The SOGITEC INDUSTRIES and DASSAULT FALCON SERVICE subsidiaries have renewed their action plans promoting professional gender equality. They continue the precedent and emphasize in particular the implementation of actions aimed at encouraging the recruitment of female staff, professional training and career development as well as reconciling professional life with private life.

Furthermore, DASSAULT AVIATION has implemented the "intergenerational" agreement signed in 2013.

In order to encourage the sustainable integration of young people in employment, the Company has therefore committed that 50% of those recruited on permanent contracts are people under 30 years of age. In 2014, this recruitment represented more than 56% of permanent contracts signed.

Moreover, the Company ensures the retention in employment of employees aged over 55 by setting itself the objective of keeping the proportion of employees in this age group at a minimum of 19% of the active workforce. In 2014, employees aged over 55 represented 24% of the active workforce.

Furthermore, in order to encourage end-of-career planning and to facilitate the transition between working life and retirement, DASSAULT AVIATION has committed to accepting at least 50% of the requests for moving into part-time employment from people aged over 55. In 2014, 86% of these requests were accepted.

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 2014 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;
- integration of new recruits: "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;
- the "Industrial Agreements" program has been introduced for first-level managers of production facilities to support the industrial developments of the Parent Company. Two sessions were run in 2014, bringing together 89 supervisors;
- new DASSAULT Institute management programs, which lay the groundwork for the future by developing the skills of managers and improving the performance of our organization in an ever-changing environment, enabled 58 managers to be trained during four sessions that were run in 2014;
- our investments in professional training meet the operational needs of the company and its employees. They represent 236,333 hours of training for DASSAULT AVIATION Group or, in comparison with 2013, an increase of 5%;
- our work/study policy remains focused on our core businesses.

3.1.7 Health and Safety at Work

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

In 2014, DASSAULT AVIATION placed emphasis on the health of its employees and improvement in the prevention of professional risks with:

- continued effort to prevent psychosocial risks by implementing improvement action plans both centrally and in each facility. Training initiatives for management teams continued in 2014. A joint committee meets twice a year to monitor the implementation of our agreement;
- development of the prevention culture at all levels in the Company by calling on management;
- reduction in causes of accidents and improvement in working conditions on priority topics such as workstations clearing, making working at height safer, tightening the monitoring of lifting methods, ergonomics and the wearing of personal protective equipment;
- continuation of less arduous working conditions initiatives;
- reduction in exposure to chemical risks.

The following initiatives have therefore been taken by the Company:

- training of all managers in risk prevention. In 2014, 524 managers were trained;
- launch of 15-minute safety sessions and area safety audits run by local managers;
- deployment of ergonomics in IRP (Improving Responsiveness in Production) projects and existing workstations. To this end, an ergonomist was recruited on January 1, 2014;
- setting up of accident and incident "vigilance" feedback sheets between establishments;

- deployment of standards for evaluating the maturity of Health and Safety at Work (H&S) on the Istres and Seclin pilot sites;
- continuation of annual site safety visits;
- launch of work to define standards for work-stations clearing and making working at height safer;
- replacement of processes and implementation of collective and individual protective methods reducing exposure to Chrome VI;
- defining standards for preventing physical risks in aircraft operations;
- organization of a prevention campaign entitled "J'aime mon cœur" ("I love my heart"), deployed across all Company establishments. This is conducted in conjunction with medical services and the French Cardiology Federation in order to make employees aware of the risks and the prevention of cardiovascular diseases.

For DASSAULT AVIATION Group, absenteeism to December 31, 2014 amounted to 83,618 days of absence for all causes combined, except for maternity and parental leave.

The number of work-related accidents causing absence is 154 in 2014 compared with 202 in 2013, i.e. a significant decrease of 24%. The corresponding number of days lost stands at 5,851 compared with 6,033 in 2013. The frequency rate is down from 10.97 to 8.38 and the severity rate remains relatively stable at 0.32 compared with 0.33 in 2013.

Finally, across the whole Group in 2014, 22 cases of occupational illnesses were identified by the various competent authorities, compared with 24 in 2013.

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 design to customer support (2007),
- integration of Quality and Environment certifications for the Parent Company (2009),
- continuation of work to conform with the ISO 14001 standard by DASSAULT FALCON SERVICE at its Bourget site, with certification planned for 2015.

This approach has significantly contributed to:

- the significant reduction of the environmental impacts of our activities (see Section 3.2.7),
- the reduction and tighter control of our environmental risks (see Section 2.9),
- improved responsiveness to regulatory changes.

In 2014, the industrial site of DASSAULT FALCON JET in Little Rock received a national award in recognition of its commitment and its achievements in terms of protecting the environment and preventing pollution.

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 2014, the main lines of IAEG standardization work, to which DASSAULT AVIATION Group contributes, were focused on:

- the monitoring of all chemicals throughout the supply chain,
- the determination of which chemical substances to be substituted as a priority,
- sector standardization of greenhouse gas emission reviews,
- the environmental evaluation of suppliers.

3.2.3 **Eco-approach**

In 2011, the Parent Company formalized an "Eco-approach 2021" plan based 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 European CLEANSKY projects,
- relies on the Life Cycle Assessment (LCA) analysis method to assess the environmental impact of aircraft and its activities.

Life-cycle analyses conducted in 2014 (FALCON 2000 and FALCON 7X) show that more than 90% of the environmental footprint of aircraft is related to their use by the customer (maintenance flights), the commercial part being relatively low.

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.

3.2.4 **Environmental objectives**

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

Through their design, FALCON aircraft record fuel consumption and CO_2 emissions 20% to 40% lower than other aircraft of comparable performance.

The new FALCON 5X and FALCON 8X models come under this heading.

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 in 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.

The results obtained for the Parent Company for the 2012-2014 period included:

- 15% decrease in energy consumption,
- 4% decrease in VOC/production time emissions,
- 88% of waste recycled in 2014.

For information, 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%.

3.2.5 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.

Staff are made aware of best environmental practices, including measures for resource saving, waste sorting, the use of chemicals, etc.

Specific training is put in place for activities that have a significant impact on the environment, relating to REACH, international regulations, chemical risk, asbestos risk, 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, have all the recent administrative authorizations.

The Poitiers site, classified as "low threshold" under the Seveso "Declaration regime", is being declassified following replacement of the SPF-DB (Super Plastic Forming - Diffusion Bonding) chemical machining of titanium by a more environmentally friendly mechanical manufacturing process.

The Martignas, Saint-Cloud and Seclin 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 mostly consumed in the framework of the industrial activity of the production sites, and the aviation activity.

in Gigajoules	2013		2014	
	Parent Company	Consolidated	Parent Company	Consolidated
Energy excluding kerosene (ENE001)	619,626	931,580	521,496	847,679
Kerosene (ENE002)	224,600(*)	506,402(*)	244,473	509,691
Total	844,226(*)	1,437,982(*)	765,969	1,357,370

(*) 2013 review amended as a result of an error on declared kerosene consumption.

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

in Gigajoules	2013		2014	
	Parent Company	Consolidated	Parent Company	Consolidated
Electricity (ENE001-a)	340,575	518,547	320,857	502,130
Natural gas (ENE001-b)	273,196	403,086	197,632	339,093
LPG (ENE001-c)	107	107	73	75
Domestic fuel oil (ENE001-d)	5,748	9,840	2,934	6,382
Heavy fuel oil (ENE001-e)	0	0	0	0
Total (ENE001)	619,626	931,580	521,496	847,680

Electricity consumption reduced for the Parent Company in 2014 (by around 6%).

Gas consumption by the Parent Company is down (around 28%) as a result of actions undertaken in insulation, hangar renovation and energy management optimization as well as a milder average temperature (for the sites of the Parent Company and French subsidiaries).

- ***Water consumption***

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

in cubic meters	2013		2014	
	Parent Company	Consolidated	Parent Company	Consolidated
Mains water (EAU001-a)	113,872	158,767	110,891	150,724
Groundwater (EAU001-b)	36,424	37,016	26,159	27,020
Total (EAU001)	150,296	195,783	137,050	177,744

The reduction in consumption between 2013 and 2014 is the result of:

- better detection of leakage,
- changes to production processes,
- 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 tons	2013		2014	
	Parent Company	Consolidated	Parent Company	Consolidated
Aluminum (MAT001)	6,047(*)	6,071(*)	5,471	5,499
Titanium (MAT002)	76(*)	77(*)	56	57
Composites (MAT003)	66(*)	105(*)	66	103
Steel (MAT005)	149(*)	149(*)	162	166

(*) 2013 amended as a result of changes in definitions for the Parent Company.

Variations in materials consumption between 2013 and 2014 are largely related to the setting up of materials platforms for the Parent Company.

The modernization of the machine pool and process changes have enabled significant reductions in the consumption of chemicals used, such as solvents, chemical machining products, 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 2014, initiatives to substitute substances of concern and reduce chemical risks were continued, especially in processes using mixtures containing hexavalent chromium (surface treatment).

- ***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 tons of CO_2	2013		2014	
	Parent Company	Consolidated	Parent Company	Consolidated
Scope 1 (AIR001-S1)	33,450 (*)	62,283 (*)	31,301	59,508
Scope 2 (AIR001-S2)	5,676	28,024	5,348	28,098
Total 1 + 2 (AIR001)	39,126(*)	90,307(*)	36,649	87,606

(*) 2013 amended as a result of an error on declared kerosene consumption.

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

The reduction in energy consumption for 2014 explains the reduction in quantities of CO_2 emissions.

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

The results of 2013 energy pre-diagnostics enabled actions to be initiated to reduce the Parent Company's carbon footprint, such as reducing the energy footprint and incorporating energy performance requirements in multi-technology contracts with service providers.

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

Emission of Volatile Organic Compounds (VOC)

in tons of VOC	2013		2014	
	Parent Company	Consolidated	Parent Company	Consolidated
Total quantity (AIR004)	66	168	60	167

Halting the chemical machining of titanium process (SPF-DB) in 2014 contributed to the Parent Company's VOC environmental performance.

Other atmospheric discharges

Phasing out the heavy fuel oil boilers restricted SO_2 and NOx emissions to just the discharges from the 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.

Out of all establishments involved in the monitoring of the Release of Hazardous Substances in Water (RSDE), only the Mérignac site is subject to continuous 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 tons	2013		2014	
	Parent Company	Consolidated	Parent Company	Consolidated
Non-hazardous (DEC001-a)	6,612	8,121	6,680	8,434
Hazardous (DEC001-b)	1,520	2,125	1,491	2,132
Total (DEC001)	8,132	10,246	8,171	10,566
Recycling % (DEC002)	84.8	ND	87.7	ND

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

- recycling of metals,
- energy recovery,
- recycling of non-metallic materials and bio-waste.

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

- ***Land use conditions***

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 2014 for the Parent Company (SOL001 indicator), and was in the order of 51% 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 anti-vibration mountings.

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) have drawn up a Company Travel Plan restricting the use of private cars, including:

- awareness campaigns for 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.
- use of an internal shuttle minibus.

The DASSAULT FALCON SERVICE establishment in Le Bourget is voluntarily committed to an Inter-Company Travel Plan initiative after signing up to the "PRO'MOBILITE LE BOURGET" charter with:

- setting up an intercompany shuttle,
- carpooling.

Finally, distribution platforms for chemicals and materials contribute 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, Martignas (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 2014:

- dismantling of the SPF-DB process: ovens, chemical machining (Poitiers),
- replacement of air conditioners running on R22 (refrigerant with high global warming potential) and gradual withdrawal of ionization chamber smoke detectors (Biarritz, Istres, Mérignac, Poitiers, Saint-Cloud),
- implementation of centralized technical energy management (Argenteuil, Poitiers) and meters for improving its monitoring (all Parent Company sites),
- optimization of power consumption: lighting, heating pump, presence/absence, IT workstation, compressed air, etc. (Saint-Cloud, Mérignac, Seclin, DFJ-Little Rock, DFJ-Reno, DPS),
- thermal insulation and building phonics (Biarritz, Saint-Cloud, Mérignac, Istres),
- replacement of part of the fleet with electric vehicles (Seclin, Mérignac, DFS),
- renovation of heating installations or replacement of an old generation boiler by a more efficient new generation boiler (Martignas, Argenteuil, DPS, DFS),
- purchase of weighbridges for monitoring waste (Seclin, DFJ-Little Rock),
- installation of bio waste recycling resources (Biarritz, Argenteuil, Mérignac).

3.2.9 Environmental risk management

The management of environmental risks is discussed in paragraph 2.9.

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, DASSAULT AVIATION Group is constantly innovating, supported in this by efficient digital industrial processes such as Product Life-cycle Management (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 end, we have launched an action plan for "Improving Responsiveness in Production (IRP)" and we are developing the "digital factory" concept, putting manufacturing and supervisory 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 responsiveness, whether handled preventively or in an emergency in the event of a breakdown, has led us, through our DASSAULT FALCON SERVICE and DASSAULT FALCON JET subsidiaries, to develop close links with local industry, the proximity of which guarantees efficiency 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 adherence to its commitments on the aircraft production and throughout the aircraft service cycle.

All these activities have a strong territorial, economic and social impact. DASSAULT AVIATION Group thus demonstrates its commitment to social responsibility, in particular, on major issues related to its Supply Chain and through constructive dialogue conducted with all stakeholders involved in these processes: users, suppliers, staff members, authorities, audit bodies, regional authorities, professional groups, the academic world, etc.

On January 10, 2014, DASSAULT AVIATION signed the "SME Defense Pact" aimed at encouraging the growth and competitiveness of SMEs in the Defense industry. By signing the Pact, DASSAULT AVIATION reasserts the approach that it has always taken in supporting subcontracting.

- ***Importance of purchasing***

In 2014, the purchasing commitments of DASSAULT AVIATION Group represented approximately EUR 2.2 billion, nearly 55% of which went to French companies, and cover many skills sectors:

- raw materials, engines, equipment and "finishing" represent nearly 70% of purchases,
- aerostructure purchases (structural elements of the aircraft) represent around EUR 300 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 directly by DASSAULT AVIATION establishments, underlining the importance placed on local industry. We work with around 80 suppliers in the scope of our research and testing activities.

The purchases made by DASSAULT FALCON JET for executing its missions (distribution of aircraft and spare parts, internal fittings, maintenance) represent EUR 290 million.

Purchases made by DASSAULT PROCUREMENT SERVICES represent approximately EUR 350 million over the year. Purchases are made based on orders sent by DASSAULT AVIATION and DASSAULT FALCON JET to North American companies. These purchases are made in US dollars.

Purchases made by DASSAULT FALCON SERVICE represented approximately EUR 45 million over the year. French suppliers are responsible for nearly 80% of these purchases.

Purchases made by SOGITEC INDUSTRIES represent approximately EUR 20 million; 80% of these purchases are from companies with which the company has been working for more than 5 years.

- ***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 by 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.

To strengthen the control of our supply chain, we have set up a governance body: the Supply Chain committee, comprised of all stakeholders in the Company's supply process and chaired by two general managers. This committee is meant to take any decision or strategic action in this area.

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 at the end of 2013 on the quality of the relationship of order originators with SMEs ranks DASSAULT AVIATION in 3rd place nationally and 1st in the aeronautical sector. In terms of meeting payment due dates, this survey ranks DASSAULT AVIATION in 2nd place nationally and 1st in the aeronautical sector.

- ***Territorial influence***

The DASSAULT AVIATION Group has an extensive territorial spread:

- DASSAULT AVIATION has 9 sites in France and locally manages a large number of suppliers,
- DASSAULT FALCON SERVICE is located on the Le Bourget airport platforms and has facilities on the airports of London-Luton and Moscow-Vnukovo,
- SOGITEC INDUSTRIES is based on 3 sites in France,
- DASSAULT FALCON JET, directly or through its subsidiaries, is based on 7 sites in the United States, 2 sites in Brazil and 3 in the People's Republic of China. It should be noted that from 2015 these 3 Chinese sites will be transferred to DASSAULT AVIATION.

In addition to the relationships that we have with the national authorities with whose regulations we comply, our establishments also have many relationships with local authorities: prefectures, Regional Directorates of Environment, Planning and Housing (DREAL), Regional Pensions and Safety at Work Offices (CARSAT), Nuclear Safety Authority (ASN), Regional Directorates for Enterprise, Competition, Consumer Affairs, Labor and Employment (DIRECCTE), 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, etc.

We also take an active part in competitiveness clusters and regional professional bodies: 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 (Economic Advisory Committee), etc.

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

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

The Company invests on both the material level and the human level to prepare those who will be joining us at the end of their studies.

The high degree of technicality of our activities leads us to develop cooperation with the world of education, thereby helping to ensure the quality of the training of our future recruits and their match with our skills requirements.

We participate in the discussions held in the framework of professional organizations such as GIFAS (Association of French Aeronautical and Space Industries) and with teaching bodies and institutions (engineering schools, universities, and vocational schools) to adapt the curriculum to the needs identified in the medium or long-term aeronautical industries. To this end, we encourage our staff to get involved and complement academic teachers through:

- supervision of technical projects,
- professional or multidisciplinary teaching,
- participation in examination panels.

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

We also give these various groups of people the opportunity to get to know better our technologies, our professions, our values and our products through internships, international business volunteer programs and work-study contracts.

- ***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 and installed remote communication tools (such as videoconferencing systems), which are 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. We contribute to initiatives, including "Course du Cœur" ("Race for the Heart") 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, and "Humaquitaine", for the renovation of state schools in Senegal. 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). Through a sponsorship agreement, DASSAULT AVIATION has decided to support the renovation of the Verdun Memorial. In the United States, DASSAULT FALCON JET takes part in initiatives, including "Habitat for Humanity", "Arkansas Food Bank", "American Red Cross" and "Muscular Dystrophy Association".

3.3.2 Loyal practices

Through its Ethics Charter, DASSAULT AVIATION Group asserts the values that serve to unite the actions 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.

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.

In 2003, DASSAULT AVIATION, subscribed to the UN Global Compact and adopted the latter's 10 principles, including the principle dedicated to respecting human rights that appears in its general purchasing conditions

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

4. DASSAULT AVIATION, Parent Company

4.1 ACTIVITIES

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

4.2 KEY FIGURES

4.2.1 Order intake

In 2014, orders booked by the Parent Company amounted to **EUR 4,097 million** compared to EUR 3,555 million in 2013, an increase of 15%. The proportion of orders for **export** amounted to **87%.** Ordering trends were as follows, in EUR millions:

Year	Defense		Falcon	**Total**
	France	Export		
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**
2014	**418**	**250**	**3,429**	**4,097**

The orders consist exclusively of firm orders.

FALCON programs:

Orders for new aircraft stood at **93 FALCONs in 2014**. This compares to 65 FALCONs in 2013.

DEFENSE programs:

DEFENSE orders stood at **EUR 668 million in 2014** compared to EUR 1,242 million in 2013. In 2014, the orders corresponded to after-sales and development, and were down 46% compared to 2013 as this year had included "F3-R" RAFALE standard development and ATLANTIQUE 2 upgrade orders in France.

4.2.2 Net sales

In 2014, net sales of the Parent Company were **EUR 3,195 million**, down by 19% compared to 2013.

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

Year	Defense		Falcon	**Total**
	France	Export		
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**
2014	**721**	**224**	**2,250**	**3,195**

4.2.3 Net income

2014 net income amounted to **EUR 272 million**, compared to EUR 360 million in 2013, down by 24%.

Group employees will receive a total of EUR 83 million under the profit-sharing and incentive schemes, divided up as follows:

- Profit-sharing: EUR 63 million
- Incentive: EUR 20 million

These sums represent **18.9% of the payroll** in 2014, **compared to the legal minimum of 0.8%.**

4.2.4 Appropriation of net income

Subject to your approval of the 2014 financial statements, we propose that the net income for the year (EUR 272,134,786.67) plus retained earnings (EUR 2,393,144,965.35), less the dividends for non-treasury shares(*), be allocated to the retained earnings balance.

(*) *The amount of dividends which, in accordance with the provision of the 4th paragraph of Article L.225-210 of the French Commercial Code, may not be paid in relation to the treasury shares held by the Company, shall be reallocated to the Retained Earning item.*

4.2.5 Five-year results summary

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

4.2.6 Tax consolidation

The Company opted for the tax consolidation regime in 1999. As from January 1, 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.

4.3 RISK MANAGEMENT

The risks and uncertainties to which the Company is exposed are the same as those outlined regarding the Group in Chapter 2 above, since the Parent Company plays a predominant role within the Group.

4.4 TERMS OF PAYMENT

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

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

Due-date	2013	2014
Due at year end	15.6	13.5
As of mid-January	78.7	81.0
As of end of January	0.1	0.3
As of mid-February	2.5	6.8
As of end of February	-	-
Other (fixed assets)	2.1	2.3
TOTAL	**99.0**	**103.9**

4.5 SHAREHOLDER INFORMATION

4.5.1 Memorandum of understanding signed with AIRBUS GROUP SAS

DASSAULT AVIATION's Board of Directors met on November 28, 2014, and authorized the signing of a Memorandum of Understanding between DASSAULT AVIATION and AIRBUS GROUP SAS, concerning the acquisition by DASSAULT AVIATION of a block of its own shares from AIRBUS GROUP SAS and the cooperation between the two companies in 2015 for the potential execution of one or more private placements by AIRBUS GROUP SAS of DASSAULT AVIATION shares.

In accordance with the authorization granted to it by the Shareholders' Meeting of September 24, 2014, DASSAULT AVIATION, in compliance with the aforementioned MoU, purchased from AIRBUS GROUP SAS (date of transaction: November 28, 2014) a block of shares representing 8% of the capital of the Company, under the scope of an over-the-counter block trade outside of the market, at a price of EUR 980/share (cf. paragraph 4.5.6 below).

Given a previous buyback of 1.41% of its own shares at a price of EUR 980/share, DASSAULT AVIATION held 9.41% of its capital following the aforesaid transaction.

DASSAULT AVIATION's Board of Directors decided to allocate 9.01% of its capital for cancellation as defined in the buyback program, with the balance of the redeemed shares remaining as treasury shares.

The 9.01% of shares allocated for the cancellation scheme were actually canceled after obtaining from AIRBUS GROUP SAS the waiver requested by the AMF when filing mandatory public offerings.

The parties also agreed to cooperate to one or more private placements by means of an accelerated book building that AIRBUS GROUP SAS may take before June 30, 2015. These placements may relate to a volume of shares representing up to 10% of the capital (if permitted by market conditions) or more, if AIRBUS GROUP SAS so wishes.

DASSAULT AVIATION is committed to cooperating for the execution of such placements and to place an order for half of these placements, capped at 5% of the capital of DASSAULT AVIATION, at a maximum price of EUR 980 per share. AIRBUS GROUP SAS is committed to offering DASSAULT AVIATION half of the securities placed, subject to the same overall cap of 5% of the capital of DASSAULT AVIATION and the quoted price for each of the aforesaid placements. If a placement is priced at more than EUR 980, the price of the DASSAULT AVIATION shares sold to DASSAULT AVIATION concomitantly to this placement will be capped at this price while the price of the shares sold to third parties shall remain unchanged.

4.5.2 Equity structure

The share capital of the Company is EUR 73,710,032. This is divided into 9,213,754 shares, each with a par value of EUR 8. The shares are listed on the regulated "Euronext Paris" market - Compartment A - International Securities Identification Numbers (ISIN Code): FR0000121725. They are eligible for deferred settlement.

As of December 31, 2014, the principal DASSAULT AVIATION shareholders are as follows:

Shareholders	Number of shares	%	Voting rights exercisable	%
GIMD	5,118,240	55.55	5,118,240	55.79
AIRBUS GROUP SAS	3,880,235	42.11	3,880,235	42.30
DASSAULT AVIATION (1)	40,500	0.44	-	-
Free-float (2)	174,779	1.90	174,779	1.91
TOTAL	**9,213,754**	**100.00**	**9,173,254**	**100.00**

(1) Treasury shares held on a "registered share" account without voting rights
(2) Including one share held by the French State

4.5.3 Information on capital, shareholders and voting rights

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

The Company holds treasury shares (cf. 4.5.6 below) but has not set up any reciprocal shareholding schemes.

As of December 31, 2014, 5,050 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 has not issued that would not be securities representative of its current capital. No securities exist with a right to subscribe to the shares of DASSAULT AVIATION or giving access to its capital.

The Company did not implement any stock option plan or any bonus share scheme in 2014.

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

In 2014, there was no statutory obligation to provide information on the crossing of ownership thresholds. However, a recommendation will be made to the Shareholders' Meeting that one should be established in the Articles of Association (cf. Paragraph 5 below).

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

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

4.5.4 Securities Transactions by Directors

In 2014, Marie-Hélène Habert-Dassault and Lucia Sinapi-Thomas acquired director's 25 shares as required by the articles of association; these shares have been entered in to the "registered shares" account. These transactions were reported to the AMF and to 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 (French Financial Markets Authority).

4.5.5 Agreements between shareholders

There is no shareholders' agreement in place between GIMD and AIRBUS GROUP SAS (previously EADS France).

However, the following two agreements are in place:

a) Agreement between the French government, AIRBUS GROUP N.V. and AIRBUS GROUP SAS

Pursuant to Article L. 233-11 of the French Commercial Code, the Company was informed by the French Commissioner of Government Holdings that on June 21, 2013 the French government signed a shareholders' agreement with AIRBUS GROUP N.V. and AIRBUS GROUP SAS constituting a concert party vis-à-vis DASSAULT AVIATION.

This agreement to last 90 years provides for:

- AIRBUS GROUP SAS to exercise its voting rights in the General Assembly after consultation with the French government,
- a right of first refusal and a right of first offer in favor of the French government in the event that AIRBUS GROUP SAS should consider selling all or some of its shares in the capital of DASSAULT AVIATION.

b) Agreement between the French government and GIMD

Pursuant to Article L. 233-11 of the French Commercial Code, the Company was informed by GIMD that on November 28, 2014 the French government signed an agreement with GIMD, which came into force on December 2, 2014, the purpose of which is to give the French government a right of pre-emption in the event of a transfer of DASSAULT AVIATION shares by GIMD that causes it to go below the threshold of 40% of the capital of DASSAULT AVIATION and in the event of the subsequent transfer of shares below this threshold.

This agreement does not constitute a concert party between the French government and GIMD, each remaining at total liberty to manage its shareholding and exercise its voting rights.

These two agreements have no impact on the Company's governance.

GIMD holds the majority of the capital and voting rights of DASSAULT AVIATION.

4.5.6 Implementation of a share buyback program

The Shareholders' meeting of September 24, 2014 authorized the Board of Directors to carry out transactions on the Company's own shares in the scope of a share buyback program according to the procedures provided for by Articles L. 225-209 *et seq.* of the French Commercial Code.

This authorization could be used by the Board of Directors for the following purposes:

1. to cancel shares in order to increase the profitability of shareholders' equity and earnings per share,
2. to stimulate the market or the liquidity of DASSAULT AVIATION shares through the intermediary of an investment services provider or through a liquidity contract in compliance with an ethics charter recognized by the French Financial Markets Authority,
3. to sell or assign shares to employees and senior corporate officers of the Company and/or companies associated with it, subject to and according to the procedures provided for by the law, including in the case of exercising share purchase options or free assignment of existing shares or by disposal and/or contribution in the scope of an employee shareholding transaction based on existing shares,
4. to retain shares with a view to subsequent use, to hand them over as payment or in exchange, including in the scope of potential external growth transactions, up to 5% of the share capital,

5. to hand over shares on exercising rights attached to marketable securities giving access to the capital of DASSAULT AVIATION,

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

Shares could, within the limits imposed by the regulations, be acquired, sold, exchanged or transferred by any means, on whatever market (regulated or not), on a multilateral trading facility (MTF), via a settlement internalizer or over-the-counter through buyback of blocks of shares or otherwise, at times that the Board of Directors or the person acting in a sub-delegated capacity decides, in accordance with the provisions provided for by law.

These means included the use of available cash as well as recourse to any derivative financial instruments, including the use of options or warrants, without any particular limit.

DASSAULT AVIATION could, up to 10% of its capital, purchase its own shares for a unit price capped at EUR 1,200 excluding acquisition charges, subject to adjustments related to transactions on its capital, including through incorporation of reserves and free assignment of shares and/or division of the nominal value of shares or share aggregation.

The maximum amount of funds set aside for buyback of the Company's shares could not exceed EUR 1,215,106,800, this condition being cumulative with that of the 10% cap of the Company's share capital.

This authorization was valid for a period of 18 months from September 24, 2014.

The Shareholders' Meeting conferred all powers to the Board of Directors, with an option to sub-delegate where authorized by the law, to place any stock market or off-market orders, sign any agreements, draw up any documents including information documents, set the terms for the Company's market or off-market dealings, as well as the terms and conditions for acquisition and disposal of shares, to make any declarations including to the French Financial Markets Authority, fulfill any formalities and, in general, do what is necessary to close these transactions.

On September 29, 2014, the Board of Directors sub-delegated the aforementioned powers to the Chairman/CEO.

The Shareholders' Meeting also conferred all powers to the Board of Directors if the law or the French Financial Markets Authority were to extend or add to the objectives authorized for the share buyback program, in order to bring to public attention, within applicable legal and regulatory terms and conditions, any amendments with regard to the program's objectives.

During the fiscal year 2014, within the scope of the aforementioned authorization, DASSAULT AVIATION:

- on September 29, 2014 acquired 142,571 of its own shares off-market over the counter (representing 1.41% of its capital) at the unit price of EUR 980 per share, representing a discount of 6.4% compared to the last trading price of the day, through an off-market block trade representing a total cost of EUR 139,719,580.

  The total amount of trading charges borne by the Company was EUR 423,439.16, of which EUR 279,439.16 was by way of tax on financial transactions.

- on November 28, 2014 acquired from AIRBUS GROUP SAS a block of 810,072 shares representing 8% of the Company's capital in the scope of an off-market over the counter transaction at the unit price of EUR 980 per share, representing a discount of 9.2% compared to the last trading price of the day, for a total amount of EUR 793,870,560.

  The total amount of trading charges was not borne by the Company but by AIRBUS GROUP SAS.

As shown in paragraph 4.5.1, DASSAULT AVIATION's Board Meeting of November 28, 2014, decided to allocate 912,143 shares, i.e. 9.01% of its capital, for the purposes of cancellation provided for by the buyback program, with the balance of 40,500 shares still being held by the Company as at December 31, 2014 for potential allocation of free shares and a potential liquidity contract to stimulate the market or liquidity of the security through the intermediary of an investment services provider.

In order to allow DASSAULT AVIATION to be able to participate in the private placement(s) of AIRBUS GROUP SAS in the first half of 2015, the Board of Directors of DASSAULT AVIATION convened a Shareholders' Meeting that took place on January 28, 2015. This Shareholders' Meeting authorized the implementation of a new share buyback program identical to the previous one. This new authorization, valid for a period of 18 months from January 28, 2015, terminated with effect from January 28, 2015, for the unused part, the share buyback program previously authorized by the Annual General Meeting of September 24, 2014.

In accordance with the provisions of Articles L. 225-211 and R. 225-160 of the French Commercial Code, the Company maintains registers of the purchase and sale of shares acquired and sold in the scope of its share buyback program.

4.5.7 Authorization of reduction in the Company's share capital

The Shareholders' Meeting of September 24, 2014 also authorized the Board of Directors to:

- reduce its share capital by way of cancellation, in one or more stages, all or some of the shares acquired by the Company in the scope of its own share buyback program and limited to 10% of the capital per 24-month period,

- allocate the difference between the buyback value of cancelled shares and their nominal value to premiums and available reserves.

To this end, the Shareholders' Meeting conferred all powers to the Board of Directors to set the terms and conditions for this/these reduction(s) in capital resulting from cancellation transactions authorized by this resolution.

This authorization was given for a period that expires at the end of the Annual General Shareholders' Meeting convened to agree the financial statements for the 2015 fiscal year.

The Board Meeting of September 29, 2014 sub-delegated to the Chairman/CEO all powers to amend the Company's Articles of Association accordingly, to make any declarations to the French Financial Markets Authority or any other body, to fulfill all formalities and, in general, to do anything which could be necessary.

In 2014, 9.01% of the Company's capital was cancelled in the scope of the buyback program (cf. paragraph 4.5.1 above).

The Shareholders' Meeting of January 28, 2015 again authorized the Board of Directors to reduce the share capital of the company by cancelling shares to be acquired. This new authorization invalidated, from January 28, 2015, for the still unused part, the authorization of the same nature agreed by the Shareholders' Meeting of September 24, 2014.

This authorization was given for a period that expires at the end of the Annual General Shareholders' Meeting convened to agree the financial statements for the 2016 fiscal year.

The Board Meeting of January 28, 2015 sub-delegated to the Chairman/CEO all powers to amend the Company's Articles of Association accordingly, to make any declarations to the French Financial Markets Authority or any other body, to fulfill all formalities and, in general, to do anything which could be necessary.

4.5.8 Significant agreements entered into by the Company

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

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

4.5.9 Agreements between a shareholder of the Company and one of its subsidiaries

Ruling no. 2014-863 of July 31, 2014 relating to company law states that there should be reference in the Directors' report of agreements made directly or indirectly or through a third party:

- between one of the shareholders of DASSAULT AVIATION with a share of the voting rights of more than 10%,
- and a subsidiary of DASSAULT AVIATION of which the latter owns less than half of the capital,

with the exception of "agreements representing a current transaction entered into under normal terms and conditions".

To the Company's knowledge, there are no agreements:

- between, on the one hand, GIMD or AIRBUS GROUP SAS (ex EADS France), each holding more than 10% of the voting rights in DASSAULT AVIATION, or one of their subsidiaries,
- and, on the other hand, DFJ (or one of its subsidiaries), DFS or SOGITEC INDUSTRIES,

those do not represent a current transaction entered into under normal terms and conditions.

4.5.10 Board of Directors

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

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

4.6 OPERATION OF THE EXECUTIVE MANAGEMENT

The combined Annual Ordinary and Extraordinary General Shareholders' Meeting of April 25, 2002 brought the Company's Articles of Association into compliance 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.

4.7 OFFICES HELD AND DUTIES PERFORMED BY DASSAULT AVIATION EXECUTIVE AND NON EXECUTIVE DIRECTORS DURING FISCAL YEAR 2014 IN OTHER COMPANIES

4.7.1 Honorary Presidents and Directors

Serge DASSAULT
Age as at December 31, 2014: 89 years
Nationality: French
Date of first appointment: 6/27/1967
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:
  Dassault Wine Estates SAS
- Director:
  Dassault Systèmes SA
  Dassault Falcon Jet Corporation (USA)
  Société Financière Terramaris (Switzerland)
  SITA SA (Switzerland)
- Member of the Strategic Committee:
  Dassault Développement SAS
  (until June 5, 2014)
- Honorary Chairman:
  GIFAS
- General Manager:
  Rond-Point Investissements SARL
  Société Civile Immobilière de Maison Rouge

Other mandates and functions during the last five fiscal years:

- Chairman and Chief Executive Officer:
  SOCPRESSE SA

- Director:
  DOW KOKAM LLC (USA)
  Dassault International Inc. (USA)

Charles EDELSTENNE
Age as at December 31, 2014: 76 years
Nationality: French
Date of first appointment: 1/27/1989
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

- Chairman of the Board of Directors:
  Dassault Systèmes SA

- 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)

- Honorary Chairman:
  GIFAS

- General Manager:
  Sociétés Civiles ARIE, ARIE 2
  Sociétés Civiles NILI, NILI 2

Other mandates and functions during the last five fiscal years:

- Chairman:
  CIDEF (Conseil des Industries de Défense Française - French defense industry council)
  ASD
- Chairman/Chief Executive Officer of DASSAULT AVIATION (*until January 8, 2013*)
- Chairman of DASSAULT FALCON JET Corporation (USA) (*until January 8, 2013*)
- President of DASSAULT INTERNATIONAL Inc (USA) (*until April 29, 2013*)

4.7.2 Chairman and Chief Executive Officer

Éric TRAPPIER
Age as at December 31, 2014: 54 years
Nationality: French
Date of first appointment as Director: 12/18/2012
Start and end of current term as Director: 12/18/2012 (co-optation) - AG 2015
Start and end of the term of Chairman-CEO: 1/9/2013 – AGM 2015
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Director:
  Thales SA
  Sogitec Industries SA

- Chairman:
  Dassault Falcon Jet Corporation (USA)

- Director and President:
  Dassault International Inc. (USA)

- Senior Vice President:
  GIFAS

- Chair of Defense Committee:
  ASD

- Chair of Defense Commission:
  CIDEF

- Director-General Manager:
  GIE Rafale International (*until June 26, 2014*)

- General Manager:
  Dassault International SARL
  (until June 17, 2014)

Other mandates and functions during the last five fiscal years:

- Permanent representative of DASSAULT AVIATION *(until 01/14/2013)* on the Board of Directors of:
  SOFRESA SA
  ODAS SA
  SOFEMA SA
  Eurotradia International SA

4.7.3 Directors

Nicole DASSAULT
Age as at December 31, 2014: 83 years
Nationality: French
Date of first appointment: 5/19/2010
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

Other mandates and functions during the last five fiscal years:

- Director:
  Société des Amis du Louvre (Friends of the Louvre Association)
  Société des Amis du Musée d'Orsay (Friends of the Musée d'Orsay Association)
- Founder member:
  Fondation Serge Dassault

Olivier DASSAULT
Age as at December 31, 2014: 63 years
Nationality: French
Date of first appointment: 4/17/1996
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 Éditions SA
- Member of the Supervisory Board:
  Rubis SA
- General Manager:
  HR Finance SAS
  SCI Rod Spontini
  LBO Invest D

Other mandates and functions during the last five fiscal years:

- Director:
  SOCPRESSE SA

Marie-Hélène HABERT-DASSAULT
Age as at December 31, 2014: 49 years
Nationality: French
Date of first appointment: 5/15/2014
Start and end of current term: AGM 2014 - AGM 2018
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Member of the Supervisory Board:
  Groupe Industriel Marcel Dassault SAS (GIMD)
- Director:
  Biomerieux SA
  Artcurial SA
- General Manager:
  H. Investissements SARL
  SCI Duquesne
  HDH (Société civile)
- Member of the Strategic Committee:
  Dassault Développement
- Permanent representative of GIMD on the Supervisory Board:
  Immobilière Dassault SA

Other mandates and functions during the last five fiscal years:

- Director:
  Fondation Serge Dassault

Alain GARCIA, independent Director
Age as at December 31, 2014: 71 years
Nationality: French
Date of first appointment: 3/18/2009
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

Other mandates and functions during the last five fiscal years:
None.

Denis KESSLER, independent Director (*until May 15, 2014*)
Age as at December 31, 2014: 63 years
Nationality: French
Date of first appointment: 5/22/2003
Start and end of current term: AGM 2009 - May 2014 (resignation)
Member of the Audit Committee (until May 15, 2014)
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
  Invesco Ltd (USA)

- Chairman:
  SCOR Global Life SE
  SCOR Global P&C SE
  SCOR Global life Re Insurance Company of Delaware (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) *(until June 1, 2014)*

- Chairman of the Supervisory Board:
  SCOR Global Investments SE

- Member of the Supervisory Board:
  YAM Invest N.V. (Netherlands) (*until June 30, 2014*)

- Active partner:
  ACOFI SCA (France)

Other mandates and functions during the last five fiscal years:

- Chairman of the Board of Directors:
  SCOR Global Life Rückversicherung Schweiz AG (Switzerland)

- Director:
  Bollore SA (*until June 5, 2013*)
  Strategic Investment Fund (*until July 12, 2013*)

- Censor:
  Financière ACOFI SA
  GIMAR FINANCE & CIE SCA

Lucia SINAPI-THOMAS, independent Director
Age as at December 31, 2014: 51 years
Nationality: French
Date of first appointment: 5/15/2014
Start and end of current term: 5/15/2014 – AGM 2015
Member of the Audit Committee (since May 15, 2014)
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Chairman:
  Capgemini Employees Worldwide SAS (France)

- Director:
  Capgemini SA (France)
  Bureau Veritas SA (France)
  Euriware SA (France)
  Capgemini Sogeti Denmark A/S
  Sogeti Denmark A/S (*until May 22, 2014*)

- Member of the Audit and Risks Committee:
  Bureau Veritas (France)

Other mandates and functions during the last five fiscal years:

- Director:
  Sogeti SA/NV (Belgium) (*until December 31, 2013*)
  Sogeti Sverige AB (Sweden)
  Sogeti Sverige Mitt AB (Sweden)
  Sogeti Norge A/S (Norway)
  Capgemini Reinsurance International SA (Luxembourg)

Henri PROGLIO , independent Director
Age as at December 31, 2014: 65 years
Nationality: French
Date of first appointment: 4/23/2008
Start and end of current term: AGM 2014 - AGM 2018
Chairman of the Audit Committee
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Chairman and Chief Executive Officer:
  EDF SA (*until November 21, 2014*)

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

- Director:
  DALKIA SA *(since July 25, 2014)*
  EDF Energies Nouvelles SA
  EDF Energy Holdings Ltd (UK)
  EDF International SAS
  NATIXIS SA
  Edison SpA (Italy)
  FCC SA (Spain) (*until September 22, 2014*)
  South Stream Transport BV (Netherlands)
  South Stream Transport AG (Switzerland)
  Thales SA *(since December 23, 2014)*

Other mandates and functions during the last five fiscal years:

- Chairman of the Board of Directors:
  VEOLIA Environnement SA (*until December 12, 2010*)
  VEOLIA Propreté SA (*until March 29, 2011*)
  VEOLIA Transport SA (*until March 24, 2011*)
  Tranalspina di Energia Spa (Italy) (*until May 24, 2012*)

- Director:
  VEOLIA Environment North America Operations (*until September 13, 2010*)
  VEOLIA Propreté SA (*until May 3, 2012*)
  VEOLIA Environnement SA (*until October 22, 2012*)
  CNP Assurances SA (*until July 25, 2013*)

- Member of the Supervisory Board:
  DALKIA SAS (*until December 22, 2010*)
  VEOLIA Eau - Cie Générale des Eaux SCA (*until December 12, 2012*)

Pierre de BAUSSET
Age as at December 31, 2014: 53 years
Nationality: French
Date of first appointment: 5/19/2010
Start and end of current term: AGM 2010 - AGM 2016
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Director:
  AIRBUS GROUP SAS
  Vigeo SA

Other mandates and functions during the last five fiscal years:

- General Secretary:
  AIRBUS GROUP NV (Netherlands)

Richard BEDÈRE, Director representing the employees
Age as at December 31, 2014: 58 years
Nationality: French
Date of first appointment: 7/10/2014
Start and end of current term: 7/10/2014 – 7/9/2018
DASSAULT AVIATION shares held: none

Other corporate offices and duties: None.

Other mandates and functions during the last five fiscal years:

- CCE (Comité Central d’Entreprise - Central Works Council) delegate on the Company’s Board of Directors

- Substitute CCE member

- Substitute Mérignac Works Council member

- Central union delegate

4.7.4 Chief Operating Officer

Loïk SEGALEN
Age as at December 31, 2014: 54 years
Nationality: French
Date of first appointment as Chief Operating Officer: 1/9/2013
Start and end of current term: 1/9/2013 – 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)

- Board Member:
  GIFAS

Other mandates and functions during the last five fiscal years:

- Chairman of the Board of Directors:
  Dassault Réassurance
  Dassault Assurances Courtage

- Director:
  SIAE

- General Manager:
  Dassault Aéro Service

- Permanent representative of DASSAULT AVIATION on the Board of Directors:
  Corse Composites Aéronautiques

4.8 COMPENSATION OF CORPORATE OFFICERS IN 2014

4.8.1 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 26,404. He had the use of a chauffeur-driven company car (benefit in kind valued at EUR 16,024).

- *In respect of DASSAULT AVIATION*:

  Serge Dassault, Director, received Board Meeting directors' fees of EUR 31,000.

- *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 42,857 in Directors' fees from the Board of Directors of DASSAULT FALCON JET.

4.8.2 Compensation paid to Charles Edelstenne, Honorary Chairman

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

  Charles Edelstenne received EUR 800,000 as Chief Executive Officer and EUR 22,719 in Supervisory Board attendance fees.

  He had the use of a chauffeur-driven company car (benefit in kind valued at EUR 10,063) 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 Board Meeting directors' fees of EUR 38,500.

  In respect of the Audit Committee, Charles Edelstenne received an additional EUR 6,000 in directors' fees.

  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 in January 2013, Charles Edelstenne did not cease his professional activities, 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.

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

  Charles Edelstenne received USD 42,857 in DASSAULT FALCON JET Board Meeting directors' fees and EUR 25,558 in THALES Board Meeting directors' fees.

4.8.3 Compensation paid to the Chairman and CEO

- *In respect of DASSAULT AVIATION*:

  Éric Trappier received gross annual compensation of EUR 1,365,065 as Chairman and Chief Executive Officer.

  His compensation does not include any variable or exceptional compensation.

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

  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 Board Meeting directors' fees of EUR 74,000 (double the standard amount).

On January 9, 2013, the date of his appointment as CEO, the employment contract of Éric Trappier was suspended due to:

- his length of service of 28 years in the Company on the date of his appointment as 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 on corporate governance with regard to the employment contracts of corporate executive officers.

On reinstatement of his employment contract, Éric Trappier will enjoy 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 Éric Trappier will continue to have the benefit of 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.

Based on his gross annual compensation in 2014, the supplementary pension plan would pay an annual pension of EUR 354,000, representing 26% of Éric Trappier's salary as Chairman and Chief Executive Officer.

During his term of office, the Chairman and Chief Executive Officer also has the benefit of health and welfare plans applicable to all executive employees of the Company.

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

  Éric TRAPPIER received USD 42,857 DASSAULT FALCON JET Board Meeting directors' fees and EUR 25,559 in THALES Board Meeting directors' fees.

(*) 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 150 K in 2014).

The pension paid is capped at 10 times the Annual Social Security Ceiling (EUR 375,000 in 2014) and allows a tapered replacement rate, taken over all pension plans, depending on compensation of between 41% and 35%.

4.8.4 Compensation paid to the Chief Operating Officer

- *In respect of DASSAULT AVIATION*:

  Loïk Segalen received gross annual compensation as Chief Operating Officer of EUR 1,207,577.

  His compensation does not include any variable or exceptional compensation.

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

  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 on corporate governance with regard to the employment contracts of corporate executive officers.

On reinstatement of his employment contract, Loïk Segalen will have 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 Éric 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.

Based on his gross annual compensation in 2014, the supplementary pension plan would pay an annual pension of EUR 291,000, representing 24% of Loïk Segalen's salary 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 42,857 in DASSAULT FALCON JET Board Meeting directors' fees and EUR 26,352 in THALES Board Meeting directors' fees.

(*) *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 150 K in 2014).*

The pension paid is capped at 10 times the Annual Social Security Ceiling (EUR 375,000 in 2014) and allows a tapered replacement rate, taken over all pension plans, depending on compensation of between 41% and 35%.

4.8.5 Compensation paid to Directors

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

  Olivier Dassault received a gross annual compensation of EUR 180,000 as Chairman of the Supervisory Board and a gross annual salary of EUR 150,060 as an employee. He had the use of a company car (benefit in kind valued at EUR 3,329) and received EUR 22,719 in directors' fees.

  Nicole Dassault received EUR 19,035 in directors' fees.

  Marie-Hélène Habert-Dassault received a gross annual salary of EUR 334,584 as Director of Communications and Sponsorship. She had the use of a company car (benefit in kind valued at EUR 3,803) and received EUR 26,404 in directors' fees.

- *In respect of DASSAULT AVIATION*:

  Nicole Dassault, Olivier Dassault and Alain Garcia each received EUR 31,000 in Board Meeting directors' fees. Denis Kessler, Pierre de Bausset, Henri Proglio, Marie-Hélène Habert-Dassault, Lucia Sinapi-Thomas and Richard Bedere received EUR 16,750, EUR 37,000, EUR 21,500, EUR 21,750, EUR 21,750 and EUR 14,255 respectively.

  In respect of the Audit Committee, Denis Kessler and Lucia Sinapi-Thomas each received EUR 3,000 in additional directors' fees and Henri Proglio received EUR 12,000 in additional directors' fees (including EUR 6,000 as Chairman of said Committee).

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

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

4.8.6 Summary tables of compensation (AMF Nomenclature)

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

	2013	2014
Éric Trappier, Chairman and Chief Executive Officer as of January 9, 2013		
Compensation payable during the fiscal year (breakdown in table 2)	1,337,171	1,447,066
Value of year-on-year variable compensation granted during the fiscal year	-	-
Value of stock options granted during the fiscal year	-	-
Value of free shares granted during the fiscal year	-	
TOTAL	**1,337,171**	**1,447,066**
Loïk Segalen, Chief Operating Officer as of January 9, 2013		
Compensation payable during the fiscal year (breakdown in table 2)	1,154,050	1,215,494
Value of year-on-year variable compensation granted during the fiscal year	-	-
Value of stock options granted during the fiscal year	-	-
Value of free shares granted during the fiscal year	-	-
TOTAL	**1,154,050**	**1,215,494**

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

	2013 - amounts		2014 - amounts	
	Payable	**Paid**	**Payable**	**Paid**
Éric Trappier, Chairman and Chief Executive Officer				
Fixed compensation	1,295,644	1,295,644	1,365,065	1,365,065
Annual variable compensation	-	-	-	-
Year-on-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees (1)	33,526	33,526	74,000	74,000
Benefits in kind	8,001	8,001	8,001	8,001
TOTAL	**1,337,171**	**1,337,171**	**1,447,066**	**1,447,066**
Loïk Segalen, Chief Operating Officer				
Fixed compensation	1,146,133	1,146,133	1,207,577	1,207,577
Annual variable compensation	-	-	-	-
Year-on-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees (2)	-	-	-	-
Benefits in kind	7,917	7,917	7,917	7,917
TOTAL	**1,154,050**	**1,154,050**	**1,215,494**	**1,215,494**

(1) Éric Trappier also received USD 42,857 for directors' at the Board Meetings of DASSAULT FALCON JET and EUR 25,559 in Directors' fees from the THALES Board of Directors.

(2) Loïk Segalen received USD 42,857 in Directors' fees from the Board of Directors of DASSAULT FALCON JET and EUR 26,352 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 2013 (Gross)	Amounts paid in 2014 (Gross)
Serge Dassault		
Directors' fees	22,000	31,000
Other compensation	-	-
Charles Edelstenne		
Directors' fees	32,967 (1)	44,500 (1)
Other compensation	-	-
Nicole Dassault		
Directors' fees	22,000	31,000
Other compensation	-	-
Olivier Dassault		
Directors' fees	22,000	31,000
Other compensation	-	-
Marie-Hélène Habert-Dassault		
Directors' fees	-	21,750
Other compensation	-	-
Pierre de Bausset		
Directors' fees	22,000	37,000
Other compensation	-	-
Alain Garcia		
Directors' fees	22,000	31,000
Other compensation	-	-
Denis Kessler		
Directors' fees	28,000 (2)	19,750 (2)
Other compensation	-	-
Henri Proglio		
Directors' fees	32,000 (3)	33,500 (3)
Other compensation	-	-
Lucia Sinapi-Thomas		
Directors' fees	-	24,750 (4)
Other compensation	-	-
Richard Bedère		
Directors' fees	-	14,255
Other compensation		salary
TOTAL	**202,967**	**319,505**

(1) including EUR 4,500 in 2013 and EUR 6,000 in 2014 in respect of the Audit Committee
(2) including EUR 6,000 in 2013 and EUR 3,000 in 2014 in respect of the Audit Committee
(3) including EUR 10,000 in 2013 and EUR 12,000 in 2014 in respect of the Audit Committee
(4) including EUR 3,000 in respect of the Audit Committee

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

N/A

Table 5 Options to subscribe for or purchase shares exercised during the fiscal year by each 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 fiscal 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

Table 11 Other information on executive officers

Executive directors	Employment contract	Supplementary pension plan	Compensation or benefits payable or likely to be payable on termination or change of office	Compensation for non-compete agreement
Éric Trappier Chairman and Chief Executive Officer *start of term: 1/9/2013* *end of term: AGM 2015*	yes (1)	yes (2)	no (2)	no
Loïk Segalen Chief Operating Officer *start of term: 1/9/2013* *end of term: idem C-EO*	yes (1)	yes (2)	no (2)	no

(1) employment contract suspended as of January 9, 2013,
(2) at the end of their terms of office, executive 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.

5. 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 financial statements of the Parent Company (resolution 1) and the consolidated financial statements (resolution 2) for the fiscal year ended December 31, 2014.

  These financial statements were approved by the Board of Directors on March 10, 2015 after prior examination by the Audit Committee, and were the subject of the reports of the Statutory Auditors, featuring in the 2014 Annual Financial Report.

- **Approval of a regulated agreement:**

  Memorandum of understanding signed with AIRBUS GROUP SAS

  The Auditors' Report included in the 2014 Annual Financial Report refers to related party transactions or commitments approved in prior years which continued to be implemented in 2014. It also reports a new regulated agreement authorized by the Board of Directors on November 28, 2014 concerning the acquisition by DASSAULT AVIATION of a block of 8% of its own shares from AIRBUS GROUP SAS and cooperation between the two companies in 2015 for the potential execution of one or more private placements by AIRBUS GROUP SAS of DASSAULT AVIATION shares (cf. paragraph 4.5.1 above).

  You are asked to approve this memorandum of understanding (resolution 3).

- **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 4) that an opinion be issued on the compensation package payable and allocated for fiscal year 2014 to Éric Trappier, Chairman and Chief Executive Officer, as detailed in paragraphs 4.8.3 "Compensation of the Chairman and CEO" and 4.8.6 "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 5) that an opinion be issued on the compensation package payable and allocated for fiscal year 2014 to Loïk Segalen, Chief Operating Officer, as detailed in paragraphs 4.8.4 "Compensation of the Chief Operating Officer" and 4.8.6 "Summary Tables of Compensation" (Tables 1, 2 and 11).

- **Discharge of Directors from liability**

  We propose that you discharge the Directors from any liability in the execution of their terms of office during fiscal year 2014 (resolution 6).

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

  It is proposed that the net income for the year, plus retained earnings of previous years, for a total distributable amount of EUR 2,665,279,752.02 for fiscal year 2014, be subject to distribution of a dividend per share of EUR 10, falling due for payment on June 1, 2015, with the remaining balance to retained earnings (resolution 7).

- **Ratification of appointment of a Director:**

  Lucia Sinapi-Thomas was co-opted as a new director by the Board of Directors on March 15, 2014, replacing Denis Kessler. You are therefore asked to ratify this co-optation (resolution 8).

- **Renewal of terms of office of five Directors:**

  As the terms of office of Serge Dassault, Olivier Dassault, Charles Edelstenne, Éric Trappier and Lucia Sinapi-Thomas expire at the end of the Meeting, it is proposed to renew them for 4 years (resolutions 9 to 13).

Extraordinary resolutions:

- **Addition of a 4th subparagraph to Article 11 of the Articles of Association to provide for a statutory obligation of information in the event that capital or voting rights go above or below the 1% threshold, in addition to the legal obligation of information:**

  With AIRBUS GROUP SAS having declared its intention to continue with the sale of its shares in the Company, the floating element will increase.

  It is therefore timely to find out about movements of securities below the legal thresholds provided for by Article L.233-7 of the French Commercial Code.

  It is therefore proposed to add a 4th subparagraph to Article 11 of the Articles of Association providing for a statutory obligation of information in the event that capital or voting rights go above or below the 1% threshold, in addition to the legal obligation of information (resolution 14).

- **Harmonization of Article 15 of the Articles of Association with prevailing regulations:**

  A Director who, on the day of his appointment, does not hold the number of shares set by the Articles of Association now has a period of six months (instead of three months) to regularize their situation.

  We therefore ask you to replace "three months" with "six months" at the end of Article 15 of the Articles of Association (resolution 15).

- **Amendment of Article 29 of the Articles of Association to harmonize it with prevailing regulations and provide for the option to attend and vote in Meetings by any means of telecommunication:**

  According to decree no. 2014-1466 of December 8, 2014, the right to attend shareholders' meetings is now granted to shareholders registered as such on the 2nd working day prior to the Meeting as at 00:00 Paris time. It is therefore recommended to replace within the 2nd subparagraph of Article 29 of the Articles of Association the period of "three working days" with "two working days".

  In anticipation of an increase in the floating element, it also seems timely to make the provision that, if the Board of Directors decides so at the Meeting, any shareholder may attend and vote in Meetings by videoconference and by any means of telecommunication that enables them to be identified and for their effective attendance at the meeting to be confirmed.

  To this end, it is therefore proposed to add a 5th subparagraph at the end of Article 29 of the Articles of Association (resolution 16).

- **Amendment of Article 31 of the Articles of Association to allow voting at meetings using OCR slips or electronic voting as well as remote voting by any means of telecommunication:**

  For the same reason as above, it seems timely to provide for:

  - votes to be cast at meetings using OCR slips or electronic voting;

  - shareholders to be able to vote by any means of telecommunication that enables them to be identified, subject to prevailing legislative and regulatory provisions.

  We therefore ask you to amend Article 31 of the Articles of Association to this end (resolution 17).

- **Amendment of Article 37 of the Articles of Association to make it possible to opt for dividends to be paid in cash or shares:**

  As dividends can only be paid in shares if provided for by the Articles of Association (Article L.232-18 subparagraph 1 of the Commercial Code), we propose to add a 3rd subparagraph to Article 37 of the Articles of Association to provide for the Meeting to be able to offer, for the payment of dividends or interim dividends, an option to be paid in cash or in shares (resolution 18).

- **Increase in capital reserved for employees:**

  Article L.225-129-6 subparagraph 2 of the Commercial Code stipulates that when the Directors' report to the Ordinary General Shareholders Meeting notes that shares held by the Company's employees or those linked to them within the meaning of Article L.225-180 of the Commercial Code represent less than 3% of share capital, an Extraordinary General Shareholders Meeting (EGM) should be convened every three years to rule on a draft resolution for increasing capital reserved for members of the Company or Group Savings Plan.

  As DASSAULT AVIATION's employee shareholding is less than 3% and such an EGM was held on May 24, 2012, DASSAULT AVIATION must therefore, to comply with these provisions, ask you to rule once again on a draft resolution with regard to an increase in capital reserved for employees belonging to the Company Savings Plan, the list of beneficiaries being finalized by the Board of Directors upon delegation by the AGM.

  The Board of Directors considers that this provision to open up the capital to employees is unsuitable for the Company's shareholders because of the strengthening of the controlling shareholder and because employees benefit from dispensatory profit-sharing and incentive schemes.

  This resolution (resolution 19) is consequently presented to you to satisfy the aforementioned legal provisions but the Board thus asks you to reject this resolution unconditionally.

We nevertheless inform you, pursuant to Articles R.225-113 and R.225-114 of the French Commercial Code, that:

- information on the Company's affairs during the previous financial year and since the beginning of the current year was given to you at the beginning of this Report,
- the maximum amount of capital increase proposed is EUR 700,000,
- removal of preferential subscription rights is justified by this increase being reserved for the aforementioned employees,
- the subscription price will be determined under the terms defined in Article L.3332-19 of the Employment Code.

<u>Ordinary resolution</u>:

- **Powers to execute formalities:**

  This resolution (resolution 20) is aimed at giving the customary powers for the legal formalities to be carried out after the AGM.

6. CONCLUSION AND OUTLOOK

First of all, I would like to highlight two major events for DASSAULT AVIATION: on 6 February 2015, **the success of the FALCON 8X maiden flight**, our new flagship, and a historical time for our Company**, the signing with Egypt of a contract for 24 RAFALE,** on 16 February 2015, the first RAFALE export contract.

In 2014, in an unstable environment, DASSAULT AVIATION held its course and recorded several successes. In particular:

- regarding exports, a great deal of work was done with India and other prospects,
- the RAFALE once again proved its reliability and its versatility in operation. We support the French Armed Forces through the Rafale Care contract and the new Support structure implemented in Bordeaux,
- FALCON sales have increased. For the first time since 2008, we recorded more orders than deliveries. However, we must not forget that the new models, FALCON 8X and FALCON 5X, appearing in the backlog, will not be delivered for several years,
- after the FALCON 5X announcement in 2013, FALCON 8X was launched at the EBACE in Geneva, and its rollout took place last December. During the NBAA, we also presented new FALCON support and interior completion services: airborne support, Le Bourget and Teterboro showrooms, and the extension of DASSAULT FALCON SERVICE in Mérignac,
- the feasibility study phase of the Future Combat Air System (SCAF-FCAS) was notified last November by the French and British Defense procurement agencies. This study is the first stage in a process that should lead us to the launch of a program by 2025-2030. This launch shows our countries' intention of remaining first-rate aeronautical powers.

In the FALCON business, our self-funded Research and Development has increased significantly over the last few years; our strategy is to expand our offer to remain one of the leaders in high-end business jets over the coming decades.

Concerning DEFENSE activities, our goal is to be the European leader in the next-generation fighter jets, despite the drop in domestic budgets and the aggressiveness of our competitors. To achieve this, we have designed a strategy based on RAFALE success, on skills development and on the capacity to implement efficient cooperation, especially in drone programs.

Our competitiveness must be further enhanced. Even if US dollar is strengthening against euro, this favorable trend is not sufficient to offset the additional tax, regulatory and social costs we bear compared to US manufacturers. We are responding by continuously investing in digitizing our processes, automating our production lines and increasing our productivity. In parallel, we must continue increasing our flexibility and controlling our costs.

Our business being dual, civil and military, explains why we are able to keep our facilities in France.

Excellence in quality is crucial for all our aircraft. We have to adopt an approach of continuous improvement and honor the commitments to our clients.

In the FALCON field, the Group's success depends on:

- the continuation of sales efforts for the entire FALCON family,
- the FALCON 5X maiden flight,
- the ramp up of the new models manufacturing, with the objective of a maximum level of maturity upon entry into service,
- the deployment of the support solutions announced at the NBAA;

and in the military field, we have to:

- execute the RAFALE Egypt contract,
- finalize the negotiations with Indian authorities and continue RAFALE export prospecting,
- continue the development of RAFALE F3-R standard,
- finalize the nEUROn tests,
- move forward with the British on the SCAF-FCAS study,
- get the green light from the French, German and Italian defense ministries for the launch of the definition phase of a MALE drone system meeting the needs of the three countries,
- progress in the ATLANTIQUE 2 combat system and sensor renovation work,
- deliver two FALCON 50M to the French Navy and position ourselves in international calls for tenders for the supply of solutions based on the FALCON 2000 MRA, particularly in Japan.

The Group expects to deliver around 65 FALCON in 2015. The RAFALE production line will be kept at the rate of 1 aircraft per month, but due to the adjustment of the RAFALE Egypt deliveries, we should deliver 8 RAFALE in 2015.

Taking into account other activities, 2015 consolidated net sales should be higher than in 2014.

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 accomplish 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 Law
2010-788 of July 12, 2010 ("Grenelle 2") and Decree 2012-557 of April 24, 2012, we publish the following in the Board of Directors' Management Report:

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

The published social and environmental information mostly reflects 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 2014, the scope of the report comprises DASSAULT AVIATION Parent Company (including all of its sites) and its 100%-subsidiaries.

It should however be noted that the following are excluded from the scope of the report for 2014:

- Midway Aircraft Instruments Company (USA - Teterboro), a subsidiary 75%-owned by Dassault Procurement Services and 25% owned by Dassault Falcon Jet: its total integration, which took place in the 2014 financial year, did not enable a CSR reporting process to be set up for the 2014 financial year,
- Dassault International Inc. (USA) and Dassault Falcon Jet Leasing Ltd (100%-owned subsidiary of Dassault Falcon Jet): these companies do not have significant activities from the CSR point of view,
- Dassault Falcon Jet Do Brasil Ltda (100%-owned subsidiary of Dassault Falcon Jet) and Dassault Falcon Business Services (Beijing) Co. Ltd (100%-owned subsidiary of Dassault Falcon Jet) for environmental data,
- the Moscow DFS subsidiary is outside the scope of financial consolidation for the 2014 financial year.

Control and consolidation

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

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

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 datasheets, which constitute the basis of the Grenelle 2 social data reporting repository of DASSAULT AVIATION Group, in force in 2014. The defined indicators are in compliance with national regulations.

The following details are given for the following indicators:

- absenteeism: the causes of absences taken into account for the absenteeism indicator are sickness, stoppages for work-related accidents and accidents when traveling to/from work and unjustified absences. The indicated number of days are normal working days,

- departures and redundancies: traditional terminations are to be counted as departures but are not counted within the number of redundancies,
- Group remuneration: the average annual salary is a gross salary taking into account base salary, 13th month salary and seniority bonus but excluding other bonuses.
- Parent Company remuneration: the average annual salary is a gross salary taking into account base salary, 13th month salary and seniority bonus but excluding other bonuses, profit-sharing and incentives,
- training hours: for France, they include both chargeable and non-chargeable training hours. Work-study training hours recorded in the training plan as well as the in-school training hours of professionalization contracts are also taken into account.

Environmental data

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

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

The balances are produced per calendar year and consolidated, when the data so allows, against invoices and meter readings for the period from January to December. Unavailable information relating to the last months of the year is estimated by comparison with the equivalent months of the previous year or based on the average for the same month of the last three years.

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

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

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

The methodology for calculating "raw materials" for the Parent Company changed in 2014 to take into account the setting up of outsourced materials platforms. The new method records quantities supplied, replacing the tracking of quantities leaving the warehouse. In the interests of consistency and comparison, the 2013 data has been restated.

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 GRI - Indicators & Protocols: Social (version 3.1)
Employment	**EMP01: Total workforce**	LA1: Total workforce per type of employment, work contract and geographical zone
	EMP02: Employee distribution by gender	
	EMP03: Employee distribution by age	LA13: Composition of management bodies and distribution of employees by gender, age group, 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 earnings, and payments to capital providers and governments EC5: Range of ratios of standard entry level salary compared to local minimum on the main operating sites
Work organization	**ORG01: Working time organization**	LA1: Total workforce per type of employment, work contract and geographical zone
	ORG02: Absenteeism	LA7: Rate (...) of absenteeism(...) per geographical zone
Relations social information,	**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 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	

Themes	DASSAULT AVIATION Indicators	Link with GRI - Indicators & Protocols: Social (version 3.1)
Promoting respect for the stipulations of the basic conventions of the International Labor Organization	**OIT01: Respect for freedom of association and the right to collective bargaining**	HR5: Identified activities in the course of which the right to union freedom and collective bargaining risks being threatened; measures taken to ensure this right is maintained LA4: Percentage of employees covered by a collective bargaining agreement LA5: Minimum notice period(s) regarding significant organizational changes, including whether it is specified in a collective bargaining agreement
	OIT02: Eliminating employment and professional discrimination	HR4: Total number of discrimination incidents and measures taken LA13: Composition of management bodies and distribution of employees by gender, age group, 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: materials consumption in weight or in volume
	MAT002: titanium consumption **MAT003: composites consumption**	
	MAT005: steel consumption	
	Qualitative indicator, "recycled aluminum supply" *(see environmental performance chapter, "raw materials" section)*	EN2: percentage of consumed materials derived from recycled materials

Themes	DASSAULT AVIATION Indicators	Link with GRI - Indicators & Protocols: Social (version 3.1)
Energy	**ENE001: energy consumption excluding kerosene and mobile sources**	EN3: direct energy consumption distributed according to primary energy source
	ENE002: kerosene consumption	
	Qualitative indicator, "aircraft design performance/kerosene consumption" *(see environmental information chapter, "environmental objectives" section)*	EN7: initiatives for reducing indirect energy consumption and reductions achieved
Consumption of water	**EAU001: overall water consumption (by source)**	EN8: total volume of water used by source
Biodiversity	**BIO001: number and location of outstanding natural areas present within a 500m radius of the sites**	EN11: location and surface area of land owned, rented or managed in or within the vicinity of protected areas and in zones rich in biodiversity outside of these protected areas
Land use conditions	**SOL001: proportion of sealed surfaces**	
Atmospheric discharges	**AIR001: greenhouse gas emissions (scope 1 and scope 2)**	EN16: total (direct or indirect) greenhouse gas emissions, in weight (CO2 TEQ)
	AIR004: emissions of Volatile Organic Compounds (VOC)	EN20: NOx, SOx and other significant atmospheric emissions, by type and by weight
Waste	**DEC001: total production of hazardous and non-hazardous waste**	EN22: total mass of waste, by type and by treatment mode
	DEC002: proportion of recycled waste	

Appendix 3 to 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	Para-graph
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 discrimination in professional employment • 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 2.9.3
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 3.2.3
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, 2014

Dear shareholders,

In our capacity as Statutory Auditors of Dassault Aviation, designated an independent third-party organization, accredited by COFRAC under no. 3-1048[1], we hereby present to you our report on the consolidated social, environmental and corporate information presented in the Directors' report (hereinafter "CSR information"), drawn up for the year ended December 31, 2014, in accordance with 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.

[1] the scope of which is available on the www.cofrac.fr website,

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 six people between November 2014 and February 2015, over a period of around ten 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.[2].

Certification of presence of CSR information

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.

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.

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

In the event of 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 that it controls as per Article L.233-3 of the French Commercial Code, with limits specified in the methodology note set out in Appendix 1 to the Directors' report.

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 around ten interviews with the people responsible for preparing the CSR information from the departments in charge of information collection processes and, where applicable, those responsible for internal audit 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[3] :

- 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[4] 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 on the sampling base, consisting in verifying the calculations made and checking the data against the supporting documentation. The sample thus selected represents 70% of the workforce and between 10% and 60% of quantitative environmental 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.

[3] 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 close to areas of outstanding natural beauty.
Quantitative social information: Total headcount, breakdown by gender and age group; Number of people joining the company; Number of people leaving the company including proportion of individual layoffs; Average annual pay; Number of part-time employees; Total number of days of absence; Number of disabled workers; Number of training hours; Number of occupational illnesses identified by the competent authorities; Number of work-related accidents with lost time; Number of days lost through work-related accidents.
Qualitative corporate government information: Fairness of practices; Volume of purchases; Purchasing policy and Supply Chain securitization; Environmental performance of Falcons; Measures taken on behalf of gender equality; Local influence.

[4] Dassault Aviation SA: Argenteuil, Istres, Martignas and Saint-Cloud sites.

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 10, 2015

One of the Statutory Auditors

Deloitte & Associés

Jean-François Viat

Chairman's report on corporate governance and internal auditing

Dear shareholders,

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 audit 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 10, 2015.

Taking account of the structure of its shareholdings (majority shares held by GIMD belonging to the DASSAULT family), DASSAULT AVIATION considers that the AFEP/MEDEF (French corporate associations) Code does not constitute, taken as a whole, its standard of reference for 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.

1. Corporate governance

1.1 Composition of the Board of Directors

The Board of Directors comprises 11 members with the experience and expertise required to fulfill their mandate:

Éric Trappier, Serge Dassault, Charles Edelstenne, Nicole Dassault, Marie-Hélène Habert-Dassault, Lucia Sinapi-Thomas, Olivier Dassault, Pierre de Bausset, Alain Garcia, Henri Proglio and Richard Bedère (director representing the employees).

The aforementioned Directors are all of French nationality. The average age is 65 as at December 31, 2014.

The term of office of the directors was reduced from 6 years to 4 years by the AGM of May 15, 2014. The current terms of office will however go to full term.

Their terms of office and functions in other companies are detailed in paragraph 4.7 of the Directors' report.

Concerning the presence of women on the Board, it should be noted that the AGMs of May 19, 2010 and May 15, 2014 appointed Ms. Nicole Dassault and Ms. Marie-Hélène Habert-Dassault as directors.

The Board Meeting of May 15, 2014 co-opted Ms. Lucia Sinapi-Thomas as director, replacing Mr. Denis Kessler.

The proportion of women on the Board is therefore 27%, thus higher than the legal minimum.

Pursuant to the Law of June 14, 2013, the Company's articles of association were amended by the AGM of May 15, 2014 to incorporate the procedures for designating the director representing the employees. This director was subsequently appointed in July 2014.

COMPOSITION OF THE BOARD OF DIRECTORS
on 12/31/2014

Name	Term of office	Age (1)	Independent Director	Participation on the Audit Committee	Start of 1st term of office	End of current term of office	Years on the Board (1)
Eric TRAPPIER French nationality	Chairman and Chief Executive Officer Director	54			2013 2012	2015 2015	2
Serge DASSAULT French nationality	Honorary Chairman Director	89			1967	2015	47
Charles EDELSTENNE French nationality	Honorary Chairman Director	76		Yes	1989	2015	25
Nicole DASSAULT French nationality	Director	83			2010	2016	4
Olivier DASSAULT French nationality	Director	63			1996	2015	18
Marie-Hélène HABERT-DASSAULT French nationality	Director	49			2014	2018	1
Alain GARCIA French nationality	Director	71	Yes		2009	2016	5
Lucia SINAPI-THOMAS French nationality	Director	51	Yes	Yes	2014	2015	1
Henri PROGLIO French nationality	Director	65	Yes	Yes	2008	2018	6
Pierre de BAUSSET French nationality	Director	53			2010	2016	4
Richard BEDERE French nationality	Director Representing the employees	58			2014	2018	1

(1) As of 31 december 2014

As at December 31, 2014, Lucia SINAPI-THOMAS, Alain GARCIA and Henri PROGLIO were considered to be independent directors pursuant 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.

1.2 Conditions for preparing and organizing the work of the Board of Directors

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, except in urgent cases.

Prior to each Board meeting, I, as Chairman, ensure that the relevant documents are addressed to each director in good time, except in urgent cases.

The Statutory Auditors and the Government Commissioner receive the same documents as the Directors.

1.2.2 Activities of the Board of Directors in 2014

In 2014, the Board of Directors met on March 12, May 15, July 24, September 29 and November 28. The average attendance rate at Board meetings was 83%.

The Board of Directors supervised the implementation of the Company's agreed guidelines and inspected its general operations. In particular, the Board of Directors:

- analyzed order entry, the order book and sales, self-financed consolidated research and development,
- oversaw the roll-out of civil and military programs and changes in workforce of the Parent Company and subsidiaries,
- set the medium-term strategy in the civil and military domains.

In addition, the Board of Directors:

- approved the fiscal year 2013 company and consolidated financial statements,
- decided, in terms of governance, to propose to the AGM a reduction in the term of office of directors from 6 years to 4 years, to introduce a preponderant variable element into attendance fees and to propose that the Chief Executive Officer and the Chief Operating Officer would continue to receive the supplementary benefit and pension plan of senior Company executives,
- convened the AGM of May 15, 2014,
- co-opted a new director and appointed this director as a member of the Audit Committee,
- approved the financial statements for the half-year ended June 30, 2014,
- reviewed the Parent Company's forward-looking management documents in March and July 2014 and reviewed the budgets for self-financed technology investments, industrial investments and the pay policy,
- renewed the annual authorization conferred on the Chairman and Chief Executive Officer to grant guarantees and deposits,
- ruled on the professional and pay-scale equality policy,
- approved the contents of half-yearly and annual financial press releases,
- reminded the directors of their obligation to refrain from dealing in the Company's shares in periods of financial statement approval or financial communication and their obligation to declare to the AMF (Autorité des Marchés Financiers - French Financial Markets Authority) their transactions and registration of their shares,
- convened two General Shareholders' Meetings to authorize the Board to implement a program

for buyback of own shares and for reducing capital by the cancellation of shares acquired in the scope of the program,

- put into operation the program for buyback of own shares and sub-delegated to the CEO the powers agreed by the Board Meeting to implement the program for the buyback of shares and reduction in the Company's capital,
- approved under the procedure of regulated agreements the Memorandum of Understanding between DASSAULT AVIATION and AIRBUS GROUP SAS concerning the acquisition by DASSAULT AVIATION of a block of 8% of its own shares in AIRBUS GROUP SAS and cooperation between the two companies in 2015 for the potential execution of one or more private placements by AIRBUS GROUP SAS of DASSAULT AVIATION shares,
- decided, following buyback of this block of 8.00% of the Company's capital which added to the 1.41% already acquired in the scope of the buyback program, to allocate 9.01% of the shares for the purposes of cancellation provided for by the buyback program, the balance of securities remaining held by the Company,
- decided to reduce the capital by cancellation of 9.01% of the aforementioned 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 consists of Henri Proglio, Chairman of the Audit Committee, Charles Edelstenne and Lucia Sinapi-Thomas, replacing Denis Kessler from May 15, 2014. 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.

This composition satisfies the requirements of the aforementioned decree. The Board of Directors considered that Lucia Sinapi-Thomas and Henri Proglio met the recommended independence criteria set forth in paragraph 1.1 above.

The Audit Committee is responsible for monitoring:

- 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 6, 2014 for the financial statements of 2013 and on July 23, 2014 for those of the first half-year of 2014.

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,
- examined actions in progress as well as the review of internal audits conducted in 2013, familiarized themselves with the 2014 audit plan and noted that there was nothing of a critical nature,
- met with the Statutory Auditors, without the General Management being present, after examining the conclusions of their work and their declaration of independence,

- recommended that the Board, following examination of proposals made by the Statutory Auditors, propose their reappointment at 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 internal regulations of the Board of Directors, which allow directors to take part in meetings (debate and vote) by means of telecommunications that are compliant with prevailing regulations.

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 "black out periods" (periods during which dealings in the shares issued by the Company are prohibited), which begins at least 30 days prior to 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 "black out periods" 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 articles of association 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 and 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 and Chief Executive Officer are not limited by the Company's articles of association or the Board of Directors.

As Chairman of the Board, he/she organizes and directs the work of said Board, reporting back on this to the AGM. He/she 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/she is invested with the most extensive powers to act in all circumstances on behalf of the Company. He/she therefore exercises his/her powers with no other limits than those set forth by the prevailing 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 and 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 and 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 and 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 and Chief Executive Officer and of the Chief Operating Officer consists exclusively of a fixed part (cf. paragraphs 4.8.3 and 4.8.4 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.

In 2014, the Chairman (and CEO) 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 contracts of employment were suspended (cf. paragraphs 4.8.3 and 4.8.4 of the Directors' report).

Upon effective reinstatement of the contracts, they will recover the rights of salaried senior executives in their category, according to 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 4.8.3 and 4.8.4 of the Directors' report).

1.7.2 Directors' fees

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 element of EUR 10,000 (double for the Chairman of the Board),
  - creation of a variable element of EUR 6,000 per meeting (double for the Chairman of the Board), with payment dependent on attendance at meetings,
- as Audit Committee: variable element only dependent on attendance at meetings of EUR 3,000 per meeting (double for the Chairman of the Committee).

Taking into account the increase in the number of directors from 9 to 11 (including the director representing the employees), the AGM of May 15, 2014 took the total amount of attendance fees from EUR 247,730 to EUR 444,000 on the basis of 4 Board meetings and 3 Audit Committee meetings per year, it being hereby stated that, in the event of a higher number of meetings, the fixed element would be reduced to remain within the overall package above.

1.8 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 articles of association. 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 should be completed expires three working days prior to the date of the AGM (the AGM of May 20, 2015 will reduce this period to two working days to bring it into line with the provisions of Decree no. 2014-1466 of December 8, 2014),
- the Board of Directors retains the right to accept the attendance certificate after the above deadline,
- shareholders may be represented by proxy according to 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 in the final notice of the AGM that are published in the BALO (Bulletin des Annonces Légales Obligatoires - French official announcements bulletin) and online on 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.

It is hereby stated that pursuant to Law no. 2014-384 of March 29, 2014 "aimed at recapturing the real economy", shares issued by the Company registered in nominal accounts for more than two years will enjoy double voting rights from April 2, 2016 (i.e. two years after the aforementioned law comes into force).

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

A secret ballot may be requested, either by the Board of Directors or by shareholders representing at least one-quarter of the share capital, subject to the submission of written notification to the Board of Directors or the authority convening the meeting at least three days prior to the AGM.

Shareholders may also vote by correspondence in accordance with the legal conditions.

Taking into account the probable increase in the "floating" capital in 2015, it will be proposed at the AGM of May 20, 2015 to amend the Company's articles of association to provide for the following:

- that voting may be performed using OMR slips or be done electronically,
- that shareholders may also, if the Board has decided so at the meeting, vote by any means of telecommunications that enables them to be identified, subject to and according to the procedures provided for by prevailing legislative and regulatory provisions.

1.8.2 Convening of General Meetings

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 each GM is communicated on the Company's website (www.dassault-aviation.com) approximately six months in advance.

No later than 21 days before the GM, the documentation may be viewed on the aforementioned website in the Finance/GM section.

The results of the voting for the resolutions and the minutes of the GM 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 General Management, prevailing laws and regulations and our Company's internal values and rules,
- verify that the information provided and communications addressed to the Board of Directors and to the GMs 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:

- <u>Executive Committee</u>

  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 critical risks and notifies General Management (Chairman/CEO and Chief Operating Officer).

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

  The QMS is coordinated by the Total Quality Management Department and relies on establishments' Quality Control Managers and Quality Representatives of operational departments.

  The system uses a structured document repository, 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, by default, 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.

Periodic management reports are prepared by each subsidiary for the Parent Company.

- ***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 its French government contracts and aerospace activity:

- the calculation of our cost price components (hourly rates, procurement and non-production expenses) as well as the cost prices of our activities related to French government contracts are investigated 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 a 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 2014 to a joint monitoring audit 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 2 of the Directors' report, is based on risks-mapping that is updated by each of the Company's major departments for the activities that concern 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 Supply Chain risks, the DGIA (Direction Générale Industrielle et des Achats - Industrial Operations and Purchasing Department) has put in place a reference system for reducing the risk of shortages on the production line and supplier default.

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 2.7.

Environmental risk management:

- relates to the compliance of sites and products as well as the control of their impacts,
- is performed based on the Group's Environmental Management System (cf. paragraph 2.9 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's processes, responsible for updating risks-mapping.

This Committee 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 the General 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 aforesaid function consists in:

- validating and auditing the Company's centralized financial and accounting information system, implemented by Information Systems General Management,
- updating the consolidation software configuration 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:
    - Regulation ANC 2014-03 endorsed by the Decree of September 8, 2014,
    - opinion and subsequent recommendations of the Accounting Standards Authority,
- the international valuation and presentation standards for IFRS financial reporting in force as of December 31, 2014, as adopted by the European Union and mandatorily applicable for fiscal years open as from January 1, 2014, 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 2014, 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 2014 Actions

The Internal Audit Department (DAI) and the Total Quality Management Department (DGQT) continued to monitor the internal audit procedures for all parties involved by using the risks-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 2015 Action Plan

For 2015, 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 4.5 of the accompanying Directors' report, to which is appended this report. Both these reports are included in the 2014 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 AS AT DECEMBER 31, 2014

ASSETS

(in EUR thousands)	Notes	12/31/2014	12/31/2013 (1)	1/1/2013 (1)
Goodwill	3	14,366	14,366	14,366
Intangible assets	4	22,522	29,241	38,612
Property, plant and equipment	4	417,286	384,231	405,563
Equity affiliates (1)	5	1,600,025	1,659,608	1,630,817
Available-for-sale securities	5	2,796,603	3,126,501	3,262,814
Other financial assets	5	33,759	34,682	34,359
Deferred tax assets	20	305,761	192,132	197,896
TOTAL NON-CURRENT ASSETS		**5,190,322**	**5,440,761**	**5,584,427**
Inventories and work-in-progress	6	3,091,562	2,686,520	2,916,905
Trade and other receivables	7	722,761	550,732	489,955
Advances and progress payments to suppliers		92,667	78,839	184,868
Derivative financial instruments	24	123,554	311,558	247,894
Cash and cash equivalents	8	708,419	983,230	950,416
TOTAL CURRENT ASSETS		**4,738,963**	**4,610,879**	**4,790,038**
TOTAL ASSETS		**9,929,285**	**10,051,640**	**10,374,465**

LIABILITIES AND EQUITY

(in EUR thousands)	Notes	12/31/2014	12/31/2013 (1)	1/1/2013 (1)
Share capital	9	73,710	81,007	81,007
Reserves and consolidated retained earnings (1)		4,064,072	5,124,047	4,697,423
Foreign exchange differences		-2,557	-109,874	-48,107
Treasury shares	9	-39,690	0	0
TOTAL ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		**4,095,535**	**5,095,180**	**4,730,323**
Non-controlling interests		373	339	308
TOTAL EQUITY		**4,095,908**	**5,095,519**	**4,730,631**
Long-term financial debts	11	892,736	205,288	263,539
Deferred tax liabilities	20	0	0	0
TOTAL NON-CURRENT LIABILITIES		**892,736**	**205,288**	**263,539**
Trade and other payables	13	834,899	825,912	768,168
Tax and social security payables	13	251,110	262,102	242,492
Customer advances and progress payments on work-in-progress	14	2,271,430	2,293,925	3,043,088
Short-term financial debts	11	92,027	62,896	58,240
Current provisions	12	1,327,818	1,305,998	1,268,307
Derivative financial instruments	24	163,357	0	0
TOTAL CURRENT LIABILITIES		**4,940,641**	**4,750,833**	**5,380,295**
TOTAL EQUITY AND LIABILITIES		**9,929,285**	**10,051,640**	**10,374,465**

(1) Restated from the impact on the consolidated financial statements of THALES of the combined application of IFRS 11 and IAS 28R standards. Cf. accounting principles, Note 1. A1-3.

INCOME STATEMENT

(in EUR thousands)	Notes	2014	2013
NET SALES	15	**3,680,381**	**4,592,966**
Other revenue	16	42,430	39,473
Changes in inventories of finished goods and work-in-progress		117,784	-147,041
External purchases		-2,434,322	-2,622,730
Payroll and related charges (1)		-1,061,117	-1,079,246
Taxes and social security contributions		-57,741	-64,550
Depreciation and amortization	4	-71,202	-75,847
Charges to provisions	12	-662,292	-997,672
Reversals of provisions	12	771,915	859,781
Other operating income and expenses	17	26,912	-6,635
OPERATING INCOME		**352,748**	**498,499**
Income from cash and cash equivalents		6,892	8,510
Cost of gross financial debt		-7,314	-6,988
Financial income and expenses		-122,275	86,043
NET FINANCIAL INCOME	19	**-122,697**	**87,565**
Share in net income of equity affiliates	5	132,300	77,945
Income tax	20	-79,481	-204,557
NET INCOME		**282,870**	**459,452**
Attributable to the owners of the Parent Company		*282,836*	*459,421*
Attributable to non-controlling interests		*34*	*31*
Basic earnings per share (in EUR)	21	**28.2**	**45.4**
Diluted earnings per share (in EUR)	21	**28.2**	**45.4**

(1) Employee costs include incentive schemes and profit-sharing (EUR 85,665 thousand in 2014 and EUR 111,777 thousand in 2013) along with the contributions paid into State pension plans, comparable to the defined contribution plans (EUR 82,946 thousand in 2014 and EUR 80,978 thousand in 2013).

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in EUR thousands)	Notes	**2014**	**2013**
NET INCOME		**282,870**	**459,452**
Net change in fair value measurement of financial instruments:			
✓ Available-for-sale securities	5	-8,503	4,503
✓ Derivative financial instruments (1)	24	-185,860	-8,964
Corresponding deferred taxes	20	66,845	2,239
Foreign exchange differences		80,071	-25,638
Equity affiliates items to be subsequently recycled to P&L	5	-17,606	-24,159
Items to be subsequently recycled to P&L		**-65,053**	**-52,019**
Actuarial adjustments on defined benefit obligations	12	-94,173	39,325
Corresponding deferred taxes	20	21,055	-9,982
Equity affiliates items not recycled to P&L	5	-136,865	-8,325
Items not recycled to P&L		**-209,983**	**21,018**
INCOME AND EXPENSE RECOGNIZED DIRECTLY THROUGH EQUITY		**-275,036**	**-31,001**
RECOGNIZED INCOME AND EXPENSE		**7,834**	**428,451**
Attributable to the owners of the Parent Company		*7,800*	*428,420*
Attributable to non-controlling interests		*34*	*31*

(1) The amounts stated represent the change in the market value over the period for 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

(in EUR thousands)	Share capital	Reserves and consolidated retained earnings		Foreign exchange differences	Treasury shares	Total attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Additional paid-in capital (1), consolidated retained earnings and other reserves	Derivative financial instruments and available-for-sale securities					
As published at January 1, 2013 (2)	**81,007**	**3,940,806**	**773,495**	**-48,107**	**0**	**4,747,201**	**308**	**4,747,509**
Restatements		-16,878				-16,878		-16,878
As restated at January 1, 2013 (2)	**81,007**	**3,923,928**	**773,495**	**-48,107**	**0**	**4,730,323**	**308**	**4,730,631**
Net income for the year		459,421				459,421	31	459,452
Income and expense recognized directly through equity		21,018	9,748	-61,767		-31,001		-31,001
Recognized income and expense		480,439	9,748	-61,767		428,420	31	428,451
Dividends paid		-94,171				-94,171		-94,171
Movements on treasury shares								
Other movements (3)		30,608				30,608		30,608
As restated at December 31, 2013 (2)	**81,007**	**4,340,804**	**783,243**	**-109,874**	**0**	**5,095,180**	**339**	**5,095,519**
Net income for the year		282,836				282,836	34	282,870
Income and expense recognized directly through equity		-209,983	-172,370	107,317		-275,036		-275,036
Recognized income and expense		72,853	-172,370	107,317		7,800	34	7,834
Dividends paid		-90,120				-90,120		-90,120
Movements on treasury shares (4)	-7,297	-886,603			-39,690	-933,590		-933,590
Other movements (3)		16,265				16,265		16,265
As of December 31, 2014	**73,710**	**3,453,199**	**610,873**	**-2,557**	**-39,690**	**4,095,535**	**373**	**4,095,908**

(1) Additional paid-in capital: EUR 19,579 thousand.

(2) Restated from the impact on the consolidated financial statements of THALES of the combined application of IFRS 11 and IAS 28R standards. Cf. accounting principles, Note 1. A1-3.

(3) For THALES, this largely consists of changes in treasury shares, employee share issues and share-based payments.

(4) The Board meeting of November 28, 2014, in the scope of the authorization granted by the General Meeting of September 24, 2014, decided to reduce the share capital of Dassault Aviation SA by cancellation of 912,143 shares. The difference between the acquisition cost of shares to be cancelled (EUR 893,900 thousand) and the par value of these shares (EUR 8 per share, i.e. EUR 7,297 thousand) was allocated as a reduction of reserves and consolidated retained earnings.

CASH FLOW STATEMENT

(in EUR thousands)	Notes	2014	2013
I - NET CASH FROM OPERATING ACTIVITIES			
NET INCOME		282,870	459,452
Elimination of net income of equity affiliates, net of dividends received	5	-68,283	-30,667
Elimination of gains and losses from disposals of non-current assets	17	-9,593	591
Changes in the fair value of derivative financial instruments	24	165,501	-72,628
Income tax (including deferred taxes)	20	79,481	204,557
Net charges to and reversals of depreciation, amortization and provisions (excluding those relating to working capital)	4, 12	-15,393	155,741
Other items		-170	0
Net cash from operating activities before working capital changes and taxes		**434,413**	**717,046**
Income taxes paid	**20**	**-103,298**	**-208,989**
Change in inventories and work-in-progress (net)	6	-405,042	230,385
Change in advances and progress payments to suppliers		-13,828	106,029
Change in trade and other receivables (net)	7	-172,029	-60,777
Change in customer advances and progress payments on work-in-progress	14	-22,495	-749,163
Change in trade and other payables	13	8,987	57,744
Change in tax and social security payables	13	-10,992	19,610
Consolidation reclassifications and restatements		7,069	-402
Increase (-) or decrease (+) in working capital		**-608,330**	**-396,574**
Total I		**-277,215**	**111,483**
II - NET CASH FROM INVESTING ACTIVITIES			
Purchases of tangible and intangible assets	4	-91,395	-63,507
Increase in financial assets		-492	-2,264
Disposals of or reductions in fixed assets		26,773	14,015
Net cash from acquisitions and sales of subsidiaries		0	0
Total II		**-65,114**	**-51,756**
III - NET CASH FLOW USED IN FINANCING ACTIVITIES			
Net change in available-for-sale marketable securities (at historical cost)	5	299,233	139,481
Capital increase		0	0
Purchases / sales of treasury shares	9	-933,590	0
Increase in financial debts	11	789,615	99,840
Repayments of financial debts	11	-121,377	-153,435
Dividends paid	22	-90,120	-94,171
Total III		**-56,239**	**-8,285**
IV - Impact of exchange rate fluctuations and other **Total IV**		75,416	-18,628
CHANGE IN NET CASH AND CASH EQUIVALENTS (I+II+III+IV)		**-323,152**	**32,814**
Opening net cash and cash equivalents	**8**	**983,230**	**950,416**
Closing net cash and cash equivalents	**8**	**660,078**	**983,230**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Accounting principles

A/ GENERAL PRINCIPLES

On March 10, 2015, the Board of Directors approved and authorized the publication of the consolidated financial statements of DASSAULT AVIATION as at December 31, 2014. These consolidated financial statements shall be submitted to the Annual General Meeting for approval on May 20, 2015.

- 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 2014 to the accounting standards applicable to Dassault Aviation

Standards, amendments and interpretations for mandatory application as of January 1, 2014

On January 1, 2014, the Group applied the following standards, amendments and interpretations:

- IFRS 10 "Consolidated Financial Statements",
- IFRS 11 "Joint Arrangements",
- IFRS 12 "Disclosure of Interest in Other Entities",
- revised IAS 27: "Separate Financial Statements",
- revised IAS 28: "Investments in Associates and Joint Ventures",
- the amendment to IAS 32 clarifying the IASB's
- requirements for offsetting financial instruments,
- the amendment to IAS 36 on recoverable amount disclosures for Non-Financial Assets,
- the amendment to IAS 39 on novation of derivatives and continuation of hedge accounting.

The effects of IFRS 11 and IAS 28R on the Group's financial statements are detailed in paragraph A1-3.

The other standards, amendments and interpretations applicable to fiscal years beginning on January 1, 2014 have no significant effect on the consolidated financial statements of the Group.

Standards, amendments and interpretations for mandatory application after January 1, 2014

The standards, amendments and interpretations that were not mandatory on January 1, 2014 are not applied in advance by the Group. These texts mainly concern:

- interpretation of IFRIC 21 "Levies",
- amendments to IAS 19R on employee contributions to defined benefit plans,
- amendments of the annual improvements 2010-2012 and 2011-2013 cycles.

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 option was available. These texts mainly concern:

- IFRS 9 "Financial Instruments",
- IFRS 15 "Revenue from Contracts with Customers"
- the amendment to IAS 16 and IAS 38 on acceptable methods of depreciation and amortization,
- the amendment to IFRS 11, "Joint Arrangements",
- amendments of the annual improvements 2012-2014 cycle.

The effects of these texts on the financial situation of the Group are currently being assessed.

A1-3 Application of IFRS 11 and IAS 28R

The application of these standards had no material impact on the Group.

The application of IFRS 11 and IAS 28R had an impact on the consolidated financial statements of THALES Group and consequently on the equity affiliates of DASSAULT AVIATION.

The impact on the balance sheet of the DASSAULT AVIATION Group is given below.

Impact on the Group's balance sheet at January 1, 2013:

(in EUR thousands)	01.01.2013 Adjusted	01.01.2013 Published	Difference
Equity affiliates	1,630,817	1,647,695	-16,878
Reserves and consolidated retained earnings	4,697,423	4,714,301	-16,878
Total Balance sheet	10,374,465	10,391,343	-16,878

Impact on the Group's balance sheet at December 31, 2013:

(in EUR thousands)	31.12.2013 Adjusted	31.12.2013 Published	Difference
Equity affiliates	1,659,608	1,676,178	-16,570
Reserves and consolidated retained earnings	5,124,047	5,140,617	-16,570
Total Balance sheet	10,051,640	10,068,210	-16,570

The adjustment mainly results from the cancellation of the revaluation of DCNS shares previously held at the date of the additional 10% DCNS acquisition at the end of 2011.

The application of these standards had no impact on the results for 2013.

• A2 Accounting choices and management estimates

To prepare the Group's financial statements, its 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 for contingencies and losses and for impairment.

These estimates are calculated by taking into account past experience, elements known at the balance sheet date and any 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 affiliates, discontinued operations or operations in the process of being sold, and income 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 (according to the meaning of IFRS 8) at a level beneath this field.

B/ CONSOLIDATION PRINCIPLES AND METHODS

• B1 Consolidation scope and methods

B1-1 Companies under exclusive control

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

B1-2 Companies under notable influence

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 Companies under joint control

Joint arrangements qualified as joint venture are accounted for under the equity method.

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 net sales exceed 2% of the Group total,
- equity exceeds 3% of the 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 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 into euros at the year-end rate,
- income statement items are translated at the average rate.

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

C/ MEASUREMENT METHODS

• C1 Goodwill and business combinations

No business combinations have occurred since January 1, 2010, the date when revised IFRS 3 came into force.

Business combinations prior to January 1, 2010 were recognized according to the acquisition method as defined by IFRS 3 prior to its revision.

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 re-evaluated net assets constitutes the goodwill.

Goodwill accounting:

- 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 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.

Goodwill is not 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).*

At the time of the initial adoption of IFRS, DASSAULT AVIATION chose not to restate goodwill recognized prior to January 1, 2004. Goodwill is recognized as of this date, net of any previously recognized amortization.

• C2 Tangible and intangible fixed assets

C2-1 Principles for recognition and amortization

Tangible and intangible assets are recognized at acquisition or production cost, less any accumulated depreciation or amortization and any accumulated impairment losses.

Each identified component of an tangible or intangible asset 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.

Tangible 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.), these costs are 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 defined as follows:

Software	3-4 years
Development costs	according to 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 tooling	3-15 years
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

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 tangible and intangible fixed assets and goodwill

In accordance with IAS 36 "Impairment of Assets", all long-term assets (tangible and intangible) and goodwill undergo an impairment test when an indication of impairment is detected and, for goodwill and intangible assets with an indefinite service life, at least once a year, on December 31.

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.

Impairment tests consists 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 at 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 of use is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.5% (compared to 8.8% as at December 31, 2013) and a long-term growth rate of 2% (same as at December 31, 2013).

The discount rate includes the rates prevailing in the aviation industry and was calculated using the same method as in 2013. 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 Equity affiliates

Investments in equity affiliates undergo an impairment test once there are objective indications of any 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 stake in THALES, when an impairment test is carried out, the operational and financial hypotheses used stem 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 in net assets plus any significant 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).

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

Once such assets are sold or their value is permanently impaired, any cumulative gains or losses recognized directly in equity during previous years are posted in financial income for marketable securities, and in operating income for equity 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 deposits and loans granted to employees with respect to housing loans.

Loans are recognized at cost less repayments. Other assets are recognized at their historical cost.

• C5 Inventories and work-in-progress

Incoming inventories of raw materials, semi-finished and finished products are measured at acquisition cost for items purchased and at production cost for items manufactured. Outgoing inventories are measured using a 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 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 lease 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 lease contract.

A provision for impairment is recorded when the recoverable value of a receivable is lower than the accounting value.

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 customer default risks, the receivable is written down for the amount of the estimated risk in relation to the portion not covered 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. Reported re-evaluation differences are booked in operating income.

• C7 Cash and cash equivalents

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

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 in income from cash and cash equivalents under net financial income.

• C8 Treasury shares

Treasury shares are deducted from total equity at their acquisition cost. Any gains or losses which are associated with the sale of treasury shares are recognized within equity and does not impact the net income for the period.

• C9 Provisions for contingencies and losses

C9-1 Provisions for warranties

Under the scope of sales or procurement contracts, DASSAULT AVIATION has formal obligations in terms of guaranteeing the equipment, products and/or services (software development, systems integration, etc.) delivered.

These obligations can be broken down in to:

- ✓ "standard" warranties: repairing defective equipment during the contractual warranty period, troubleshooting hardware or software malfunctions identified by the user following qualification and handover to the user, etc.
- ✓ "regulatory" warranties: handling by the manufacturer of any changes to the regulatory framework determined by the regulatory authorities or any regulatory nonconformity identified by the manufacturer or a user following delivery of the delivered materials or products.

The amount to be set aside as a provision for warranties is generally determined as follows:

- ✓ for general equipment warranties: based on feedback about the observed costs, as per the warranty options covered contractually and the models of aircraft concerned,
- ✓ for the handling of malfunctions or changes 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).

C9-2 Retirement severance payments

Retirement severance payments are accrued in full. They 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 revised IAS 19 which stipulates:

- recognition of all actuarial adjustments in other income and expense recognized directly through equity,
- immediate recognition of past service costs,
- alignment between the expected return from the plan's assets and the discount rates,
- accounting for administrative costs relating to management of assets in deduction of their actual yield.

The provision that features on the balance sheet corresponds to the total net commitments of the plan assets. The impact on the income statement is fully recognized in the operating income.

• C10 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. Reported re-evaluation differences are booked 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.

• C11 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.

• C12 Derivative financial instruments

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

Foreign exchange risks mainly arise from US dollar-denominated sales. The corresponding future cash flows are partially hedged using forward exchange contracts and foreign exchange options.

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

On initial recognition, derivatives are booked at acquisition cost in the balance sheet under "Derivative Financial 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 in net financial income or expense in respect to 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.

• C13 Net sales and income

C13-1 Recognition of revenue and operating income or loss

Revenue from the sale 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 using the percentage of completion method according to the milestones stipulated in the contracts. Income or losses are recognized at each stage of completion, if able to be reliably measured.

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

C13-2 Tax Credits for Competitiveness and Employment and Research Tax Credits

The amounts acquired as Tax credits for competitiveness and employment by the French companies of the Group are deducted from payroll and related charges.

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

C13-3 Net financial income

Net financial income mainly comprises:

- unrealized capital gains or losses on cash equivalents,
- gains on the 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,
- changes in fair value of hedging instruments not satisfying the conditions required by the standard for hedge accounting,
- financial income obtained from financial lease operations.

• C14 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 per entity when presented in the balance sheet.

Note 2 - Scope of consolidation

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

Name	Country	% interest (1)		Consolidation method (2)
		12/31/2014	12/31/2013	
DASSAULT AVIATION (3)	**France**	**Parent company**	**Parent company**	
DASSAULT FALCON JET	**USA**	**100**	**100**	**FC**
- DASSAULT FALCON JET WILMINGTON	USA	100	100	FC
- DASSAULT AIRCRAFT SERVICES	USA	100	100	FC
- DASSAULT FALCON JET LEASING	USA	100	100	FC
- AERO PRECISION	USA	50	50	MEQ
- MIDWAY	USA	25	25	FC
- DASSAULT FALCON JET DO BRAZIL	Brazil	100	100	FC
- DASSAULT FALCON BUSINESS SERVICES	China	100	100	FC
DASSAULT FALCON SERVICE	**France**	**100**	**100**	**FC**
- FALCON TRAINING CENTER	France	50	50	MEQ
DASSAULT PROCUREMENT SERVICES	**USA**	**100**	**100**	**FC**
- MIDWAY	USA	75	75	FC
SOGITEC INDUSTRIES	**France**	**100**	**100**	**FC**
DASSAULT INTERNATIONAL INC.	**USA**	**100**	**100**	**FC**
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 held a 25.28% equity interest, 25.51% of the interest entitlements and 29.05% of the voting rights as of December 31, 2014.

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

Note 3 - Goodwill

(in EUR thousands)	12/31/2013	Acquisitions	Disposals	Other	12/31/2014
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" (cf. Note 5).

Note 4 - Intangible assets and property, plant and equipment

4.1 Geographical breakdown

(in EUR thousands)	12/31/2014	12/31/2013
Net value		
France	272,636	278,778
USA	167,172	134,694
TOTAL	**439,808**	**413,472**
Intangible assets	22,522	29,241
Property, plant and equipment	417,286	384,231

4.2 Intangible assets

(in EUR thousands)	12/31/2013	Additions / Charges	Disposals / Reversals	Other	12/31/2014
Gross value					
Development costs (1)	143,309	0	0	0	143,309
Software, patents, licenses and similar assets	100,927	5,549	-8,949	2,587	100,114
Intangible assets in the course of development; advances and progress payments	2,193	788	0	-1,445	1,536
	246,429	**6,337**	**-8,949**	**1,142**	**244,959**
Amortization					
Development costs (1)	-127,562	-7,586	0	0	-135,148
Software, patents, licenses and similar assets	-89,626	-6,248	8,949	-364	-87,289
	-217,188	**-13,834**	**8,949**	**-364**	**-222,437**
Net value					
Development costs (1)	15,747				8,161
Software, patents, licenses and similar assets	11,301				12,825
Intangible assets in the course of development; advances and progress payments	2,193				1,536
TOTAL	**29,241**	**-7,497**	**0**	**778**	**22,522**

(1) Cf. paragraph C2-1 of the accounting principles.

4.3 Property, plant and equipment

(in EUR thousands)	12/31/2013	Additions / Charges	Decreases / Reversals	Other (1)	12/31/2014
Gross value					
Land	27,382	3,251	-519	0	30,114
Buildings	433,987	8,823	-23,357	20,255	439,708
Plant, equipment and machinery	515,630	28,438	-26,274	7,518	525,312
Other property, plant and equipment	241,422	11,013	-36,712	16,191	231,914
Construction in progress; advances and progress payments	13,125	33,533	-1,323	-5,322	40,013
	1,231,546	**85,058**	**-88,185**	**38,642**	**1,267,061**
Amortization					
Land	-5,990	-458	42	0	-6,406
Buildings	-248,599	-17,639	22,707	-6,183	-249,714
Plant, equipment and machinery	-435,282	-27,509	25,828	-3,682	-440,645
Other property, plant and equipment	-156,793	-11,762	23,662	-7,779	-152,672
	-846,664	**-57,368**	**72,239**	**-17,644**	**-849,437**
Impairment (2)					
Other property, plant and equipment	-651	-309	651	-29	-338
	-651	**-309**	**651**	**-29**	**-338**
Net value					
Land	21,392				23,708
Buildings	185,388				189,994
Plant, equipment and machinery	80,348				84,667
Other property, plant and equipment	83,978				78,904
Construction in progress; advances and progress payments	13,125				40,013
TOTAL	**384,231**	**27,381**	**-15,295**	**20,969**	**417,286**

(1) This essentially involves foreign exchange differences.

(2) Impairment tests of property, plant and equipment (cf. Note C3 of the accounting principles):

- The impairment tests carried out for cash-generating units did not highlight any other impairment to be recognized as at December 31, 2014.
- Impairment of capitalized used business jets was revised to EUR 338 thousand as at December 31, 2014, compared to EUR 651 thousand as at December 31, 2013.

Note 5 - Non-current financial assets

5.1 Equity affiliates

5.1.1 Group share in net assets and net income of equity affiliates

As at December 31, 2014, DASSAULT AVIATION held 25.51% of the interest entitlements of THALES Group, compared to 25.85% as at December 31, 2013. The application of new standards on consolidation (IFRS 10, IFRS 11 and IAS 28R) do not call into question the level of control exercised by DASSAULT AVIATION on THALES, the latter still having significant influence, notably with regard to the shareholders' agreement between DASSAULT AVIATION and the public sector.

(in EUR thousands)	Equity affiliates		Net income of equity affiliates	
	12/31/2014	12/31/2013	2014	2013
THALES (1) (2)	1,582,954	1,654,735	128,872	77,895
Other	17,071	4,873	3,428	50
TOTAL	**1,600,025**	**1,659,608**	**132,300**	**77,945**

(1) Restated from the impact on the consolidated financial statements of THALES of the combined application of IFRS 11 and IAS 28R standards. Cf. accounting principles, Note 1. A1-3.

(2) The share value includes goodwill amounting to EUR 1,101,297 thousand. The Group share in THALES net income after consolidation restatements is detailed in Note 5.1.3.

5.1.2 Change in equity affiliates

(in EUR thousands)	2014	2013
On January 1 (1)	**1,659,608**	**1,630,817**
Group share in net income (after consolidation adjustments)	132,300	77,945
Elimination of dividends paid (2)	-64,017	-47,278
Income and expense recognized directly through equity		
- Net change in fair value measurement of available-for-sale securities	34	-13
- Net change in fair value measurement of derivative financial instruments (3)	-67,003	18,611
- Actuarial adjustments on defined benefit obligations	-161,610	-5,481
- Corresponding deferred taxes	46,862	-9,472
- Foreign exchange differences	27,246	-36,129
Share in other income and expense recognized directly through equity relating to equity affiliates (1)	-154,471	-32,484
Other movements (4)	26,605	30,608
On December 31	**1,600,025**	**1,659,608**

(1) Restated from the impact on the consolidated financial statements of THALES of the combined application of IFRS 11 and IAS 28R standards. Cf. accounting principles, Note 1. A1-3.

(2) In 2014, the Group received dividends from THALES: EUR 44,652 thousand for 2013 and EUR 17,860 thousand in interim dividends for 2014. In 2013, the Group received EUR 33,095 thousand for 2012 and EUR 14,183 thousand in interim dividends for 2013.

(3) The amounts stated correspond to the change in the market value over the period. They are not representative of the actual gain/loss when the hedges are exercised.

(4) For THALES, this largely consists of changes in treasury shares, employee share issues and share-based payments.

5.1.3 THALES summary financial statements (100%) and share in net income of equity affiliates by DASSAULT AVIATION

THALES Group operates in the fields of aerospace, transport, defense and security and provides integrated solutions and equipment aimed at increasing reliability and security, monitoring and controlling, protecting and defending (cf.http://www.thalesgroup.com). The headquarters of THALES Group is located at Tour Carpe Diem, 31 place des Corolles, 92 098 PARIS La Défense (France).

(in EUR thousands)	2014	2013
Non-current assets	8,394,900	7,470,100
Current assets (1)	11,595,800	11,183,500
Equity attributable to the owners of the Parent Company	3,771,400	3,846,900
Non-controlling interests	298,500	238,200
Non-current liabilities (2)	4,289,900	3,461,200
Current liabilities (3)	11,630,900	11,107,300
Total Balance sheet	19,990,700	18,653,600
Net sales	12,973,600	12,697,600
Net income attributable to the owners of Parent Company (4)	714,200	573,400
Other comprehensive income attributable to the owners of the Parent Company	-613,000	-141,200
Total comprehensive income attributable to the owners of the Parent Company	101,200	432,200

(1) Including cash and cash equivalents: EUR 2,481,400 thousand in 2014 (EUR 2,563,700 thousand in 2013).
(2) Including non-current financial liabilities: EUR 1,467,800 thousand in 2014 (EUR 1,454,200 thousand in 2013).
(3) Including current financial liabilities: EUR 390,400 thousand in 2014 (EUR 318,600 thousand in 2013).
(4) Including provisions for amortization: - EUR 449,600 thousand in 2014 (-EUR 366,900 thousand in 2013).
Including financial interest on gross debt: -EUR 20,200 thousand in 2014 (-EUR 26,600 thousand in 2013).
Including financial income related to cash and cash equivalents: EUR 22,400 thousand in 2014 (EUR 17,700 thousand in 2013).
Including income tax: - EUR 214,300 thousand in 2014 (-EUR 203,500 thousand in 2013).

Moreover, THALES is exposed to the contingent liability described in Note 26.

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

(in EUR thousands)	2014	2013
THALES net income (100%)	**714,200**	**573,400**
THALES net income - DASSAULT AVIATION share	**182,192**	**148,224**
Post-tax amortization of the purchase price allocation (1)	-45,242	-57,333
Other consolidation adjustments	-8,078	-12,996
Consolidation adjustments subtotal	**-53,320**	**-70,329**
Value applied by DASSAULT AVIATION	**128,872**	**77,895**

(1) Amortization of identified assets for which the modes and periods of depreciation are identical to those used for the year ended December 31, 2014.

5.1.4 Impairment

Based on the market price of THALES shares on December 31, 2014 (EUR 45 per share), DASSAULT AVIATION's investment in THALES is valued at EUR 2,364 million.

In the absence of any objective indication of impairment, the THALES investments were not subject to an impairment test on December 31, 2014.

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 to the consolidated financial statements.

(in EUR thousands)	12/31/2013	Acquisitions	Disposals	Fair value variation	Other	12/31/2014
Marketable securities (listed) (1) (2)	2,993,179	0	-299,233	-20,697	0	2,673,249
Non-listed securities	94,637	183	0	254	-22,345	72,729
EMBRAER shares	38,685	0	0	11,940	0	50,625
Available-for-sale securities	**3,126,501**	**183**	**-299,233**	**-8,503**	**-22,345**	**2,796,603**

(1) The amount of EUR -299,233 thousand corresponds to the net change in available-for-sale marketable securities (at historical cost).

(2) The variation of EUR -20,697 thousand corresponds to the increase in fair value of the listed marketable securities amounting to EUR 13,862 thousand and to the gain on the sale of marketable securities transferred to P&L for EUR -34,559 thousand (included in the net financial income).

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 December 31, 2014 (as at December 31, 2013).

(in EUR thousands)	12/31/2014			12/31/2013		
	Historical cost	Capital gain / loss (1)	Total	Historical cost	Capital gain / loss (1)	Total
Marketable securities (listed)	1,713,756	959,493	2,673,249	2,012,989	980,190	2,993,179
Non-listed securities	46,731	25,998	72,729	68,893	25,744	94,637
EMBRAER shares	32,120	18,505	50,625	32,120	6,565	38,685
Available-for-sale securities	**1,792,607**	**1,003,996**	**2,796,603**	**2,114,002**	**1,012,499**	**3,126,501**

(1) Capital gains/losses are posted to "Other income and expense recognized directly through equity".

5.3 Other financial assets

(in EUR thousands)	12/31/2013	Additions / Charges	Decreases / Reversals	Other	12/31/2014
Gross value					
Advance lease payments	32,644	106	-862	0	31,888
Housing loans and other	2,339	203	-372	20	2,190
TOTAL (1)	**34,983**	**309**	**-1,234**	**20**	**34,078**
Provision	**-301**	**0**	**2**	**-20**	**-319**
NET VALUE	**34,682**	**309**	**-1,232**	**0**	**33,759**

(1) Maturing within more than one year: EUR 33,317 thousand on December 31, 2014 and EUR 34,212 thousand on December 31, 2013.

Note 6 - Inventories and work-in-progress

(in EUR thousands)	12/31/2014			12/31/2013
	Gross	Provision	Net	Net
Raw materials	174,839	-68,995	105,844	108,540
Work-in-progress	2,209,045	-32,448	2,176,597	2,046,123
Semi-finished and finished goods	1,150,482	-341,361	809,121	531,857
TOTAL	**3,534,366**	**-442,804**	**3,091,562**	**2,686,520**

Note 7 - Trade and other receivables

7.1 Details

(in EUR thousands)	12/31/2014			12/31/2013
	Gross	Provision	Net	Net
Trade receivables (1)	576,674	-79,692	496,982	406,727
Corporate income tax receivables	84,078	0	84,078	54,333
Other receivables	129,646	0	129,646	76,870
Prepayments and accrued income	12,055	0	12,055	12,802
TOTAL	**802,453**	**-79,692**	**722,761**	**550,732**

(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

(in EUR thousands)	12/31/2014			12/31/2013		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables (1)	576,674	286,673	290,001	491,871	272,643	219,228
Corporate income tax receivables	84,078	84,078	0	54,333	54,333	0
Other receivables	129,646	129,646	0	76,870	76,870	0
Prepayments and accrued income	12,055	12,055	0	12,802	12,802	0
TOTAL	**802,453**	**512,452**	**290,001**	**635,876**	**416,648**	**219,228**

(1) See Note 7.3 for receivables relating to financial lease contracts.

7.3 Receivables relating to financial lease contracts

(in EUR thousands)	12/31/2014	12/31/2013
Minimum lease receivables	123,463	49,033
Unearned financial income	-10,204	-5,416
Provisions for impairment and write-down	0	0
Net value	**113,259**	**43,617**

The amount due within one year of minimum lease receivable is EUR 30,228 thousand.

Note 8 - Cash and cash equivalents

8.1 Net cash

(in EUR thousands)	12/31/2014			12/31/2013
	Gross	Provision	Net	Net
Cash equivalents (1)	650,518	0	650,518	920,610
Cash at bank and in hand	57,901	0	57,901	62,620
Cash and cash equivalents in the balance sheet	**708,419**	**0**	**708,419**	**983,230**
Bank overdrafts	-48,341	0	-48,341	0
Net cash in the cash flow statement	**660,078**	**0**	**660,078**	**983,230**

(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 financial debts. It is calculated as follows:

(in EUR thousands)	12/31/2014	12/31/2013
Available-for-sale marketable securities (market value) (1)	2,673,249	2,993,179
Cash and cash equivalents (market value)	708,419	983,230
Sub-total	**3,381,668**	**3,976,409**
Financial debts (2)	-984,763	-268,184
Available cash	**2,396,905**	**3,708,225**

(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 - Equity

9.1 Capital

Share capital amounted to EUR 73,710 thousand, comprising 9,213,754 ordinary shares, each with a par value of EUR 8 at December 31, 2014. As at December 31, 2013, share capital stood at EUR 81,007 thousand and comprised 10,125,897 shares.

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

Furthermore, the Group regularly distributes dividends.

9.2 Treasury shares

The General Meeting of September 24, 2014 authorized the Board of Directors to implement a buyback program of own shares, capped at 10% of DASSAULT AVIATION's share capital. The maximum purchase price authorized in the scope of the program is EUR 1,200 per share, excluding acquisition costs, subject to adjustments related to capital transactions. The maximum amount of funds set aside for buyback may not exceed EUR 1,215,106,800, this condition being cumulative with that of the 10% cap on the Company's share capital.

The buyback program provides for the fact that these shares may be mainly used to increase the profitability of shareholders' equity via the cancellation of shares, to ensure liquidity or stimulate the market in DASSAULT AVIATION securities, to be allocated to employees and senior managers or be retained for subsequent use (up to a maximum of 5% of share capital).

In accordance with the General Meeting authorization, DASSAULT AVIATION purchased 952,643 shares in 2014, representing 9.41% of its capital for a total sum of EUR 933,590 thousand. These purchases were notably from Airbus Group, for a sum of EUR 793,871 thousand, corresponding to the buyback of a block of shares representing 8% of capital.

The Board Meeting of November 28, 2014 decided to allocate 912,143 shares, i.e. 9.01% of the capital of DASSAULT AVIATION, for the purposes of share cancellation provided for by the buyback program, the balance of 40,500 treasury shares still being held by the Company as at December 31, 2014 for potential allocation of free shares and a potential liquidity contract to stimulate the market.

Movements on treasury shares are detailed below:

(in number of shares)	2014	2013
Treasury shares at January 1	**0**	**0**
Purchase of shares	952,643	0
Cancellation of shares	-912,143	0
Treasury shares at December 31	**40,500**	**0**

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

Note 10 - Identity of the consolidating Parent Company

	% holding	% voting rights
GROUPE INDUSTRIEL MARCEL DASSAULT (G.I.M.D.) 9, Rond-Point des Champs-Élysées - Marcel Dassault 75008 Paris	55.55%	55.79%

These percentages are those as at December 31, 2014.

Note 11 – Financial debts

(in EUR thousands)	Total on December 31, 2014	Amount duewithin1 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)	**746,559**	48,602	697,957	697,949	8
Other financial debts (2)	**238,204**	43,425	194,779	194,779	0
TOTAL	**984,763**	92,027	892,736	892,728	8

(in EUR thousands)	Total on December 31, 2013	Amount duewithin1 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 financial debts (2)	**268,088**	62,871	205,217	205,217	0
TOTAL	**268,184**	62,896	205,288	205,271	17

(1) In 2014, the Group took out borrowings for a sum of EUR 700,000 thousand. These borrowings, denominated in euros, are payable in the sum of EUR 50,000 thousand in 2017, EUR 50,000 thousand in 2018 and EUR 600,000 thousand in 2019. Initially at a variable interest rate, they were swapped to a fixed rate.

Bank overdrafts stood at EUR 48,341 thousand as at December 31, 2014. There were no bank overdrafts as at December 31, 2013.

(2) On December 31, 2014 and December 31, 2013, the other financial debts 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 revised IAS 19. However, in view of the low historical differences between remuneration rate and discount rate, we consider that the evaluation method by cost less repayments constitutes a satisfactory approximation of the profit-sharing liability.

Note 12 - Provisions

12.1 Provisions for contingencies and losses and for impairment

(in EUR thousands)	12/31/2013	Increases / Charges	Decreases / Reversals	Other (1)	12/31/2014
Provisions for contingencies and losses					
Operational	1,305,998	154,988	-241,239	108,071	1,327,818
	1,305,998	**154,988**	**-241,239**	**108,071**	**1,327,818**
Provisions for impairment and write-down					
Financial	301	0	-2	20	319
Property, plant and equipment	651	309	-651	29	338
Inventories and work-in-progress	442,971	428,664	-446,098	17,267	442,804
Trade receivables	85,144	78,331	-83,927	144	79,692
	529,067	**507,304**	**-530,678**	**17,460**	**523,153**
TOTAL	**1,835,065**	**662,292**	**-771,917**	**125,531**	**1,850,971**

(1) Including foreign exchange differences and actuarial adjustments posted to other income and expense recognized directly through equity.

12.2 Details of provisions for contingencies and losses

(in EUR thousands)	12/31/2013	Increases / Charges	Decreases / Reversals	Other (1)	12/31/2014
Warranties (2)	731,996	58,924	-89,299	4,977	706,598
Services and work to be performed	188,386	57,463	-121,612	5,827	130,064
Retirement severance payments	381,565	37,555	-29,660	97,167	486,627
French companies	*380,684*	*29,021*	*-16,457*	*58,996*	*452,244*
US companies	*881*	*8,534*	*-13,203*	*38,171*	*34,383*
Miscellaneous (3)	4,051	1,046	-668	100	4,529
TOTAL	**1,305,998**	**154,988**	**-241,239**	**108,071**	**1,327,818**

(1) Including foreign exchange differences and actuarial adjustments posted to other income and expense recognized directly through equity. Actuarial adjustments contributed to the increase in provisions for retirement severance payments of EUR 94,173 thousand. These are broken down as follows:

French companies	*58,996*
US companies	*35,177*
Total actuarial adjustments	*94,173*

(2) Warranty provisions are updated to reflect the fleet in service and contracts delivered. Cf. accounting principles C9-1.

(3) As of December 31, 2014, the other long-term benefits relating to long-service awards amounted to EUR 3,071 thousand, compared to EUR 2,685 thousand at the end of 2013.

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	
	2014	2013	2014	2013
Inflation rate	2.00%	2.00%	2.25%	2.25%
Discount rate	1.30%	2.50%	4.40%	5.10%
Weighted average salary increase rate	3.90%	3.90%	3.00%	3.40%

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

12.3.3 History of commitments

(in EUR thousands)	2014	2013	2012	2011	2010
Total commitment	700,535	556,649	579,783	485,241	419,381
Plan assets	213,908	175,084	172,725	155,432	138,786
Unfunded status (1)	**486,627**	**381,565**	**407,058**	**329,809**	**280,595**

(1) Fully provisioned in the Group accounts.

A reduction in the discount rate of 0.50 points would increase the total commitment by EUR 53,803 thousand in 2014.

12.3.4 French companies

The movements in this provision over the year break down as follows:

(in EUR thousands)	2014	2013
As of January 1	**380,684**	**386,599**
Current service cost	19,251	19,679
Interest cost	9,770	9,141
Benefits paid	-16,457	-16,993
Actuarial adjustments	58,996	-17,742
As of December 31	**452,244**	**380,684**

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

(in EUR thousands)	2014	2013
Current service cost	19,251	19,679
Interest cost	9,770	9,141
Periodic cost for defined benefit obligations	**29,021**	**28,820**

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:

(in EUR thousands)	2014	2013
As of January 1	**175,965**	**193,184**
Current service cost	8,451	9,179
Interest cost	9,258	8,298
Benefits paid	-6,024	-5,252
Actuarial adjustments	32,558	-21,420
Foreign exchange differences	28,083	-8,024
As of December 31	**248,291**	**175,965**

Changes in investments held for the plans over the year break down as follows:

(in EUR thousands)	2014	2013
Fair value of the plan as of January 1	**175,084**	**172,725**
Expected return on plan assets	9,175	7,380
Actuarial adjustments	-2,619	163
Employer contributions	13,203	7,925
Benefits paid	-6,024	-5,252
Foreign exchange differences	25,089	-7,857
Fair value of the plan as of December 31	**213,908**	**175,084**

The value of the fund amounted to USD 260 million as of December 31, 2014, compared to USD 241 million as of December 31, 2013.

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

(in EUR thousands)	2014	2013
Current service cost	8,451	9,179
Interest cost	9,258	8,298
Expected return on plan assets	-9,175	-7,380
Periodic cost for defined benefit obligations	**8,534**	**10,097**

The composition of the plan assets is as follows:

	2014	2013
Bonds and debt securities	73%	73%
Shares	26%	27%
Liquidities	1%	0%
Total	**100%**	**100%**

The fund invests largely in bonds with a minimum guaranteed annual yield.

Note 13 - Operating payables

(in EUR thousands)	12/31/2014			12/31/2013		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade payables	631,910	631,910	0	613,000	613,000	0
Other miscellaneous payables	96,455	96,455	0	117,570	117,570	0
Prepayments and accrued income	106,534	63,981	42,553	95,342	64,873	30,469
Trade and other payables	**834,899**	**792,346**	**42,553**	**825,912**	**795,443**	**30,469**
Corporate income tax payables	1,262	1,262	0	22,522	22,522	0
Other tax and social security payables	249,848	249,848	0	239,580	239,580	0
Tax and social security payables	**251,110**	**251,110**	**0**	**262,102**	**262,102**	**0**

Note 14 - Customer advances and progress payments on work-in-progress

(in EUR thousands)	12/31/2014			12/31/2013		
	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	2,271,430	1,513,496	757,934	2,293,925	1,287,155	1,006,770
TOTAL	**2,271,430**	**1,513,496**	**757,934**	**2,293,925**	**1,287,155**	**1,006,770**

Note 15 - Net sales

(in EUR thousands)	2014	2013
France (1)	836,460	1,327,090
Export	2,843,921	3,265,876
TOTAL	**3,680,381**	**4,592,966**

(1) Principally the French government.

One single customer, the French government, accounts for over 10% of the net sales of the Group in 2013 and 2014.

(in EUR thousands)	2014	2013
First quarter	585,968	662,379
Second quarter	928,287	1,164,074
Third quarter	714,302	761,363
Fourth quarter	1,451,824	2,005,150
TOTAL	**3,680,381**	**4,592,966**

The net sales break down as follows:

(in EUR thousands)	2014	2013
Finished goods	3,169,180	3,558,671
Services	511,201	1,034,295
TOTAL	**3,680,381**	**4,592,966**

Note 15 - Net sales (cont'd)

By origin, net sales break down as follows:

(in EUR thousands)	2014	2013
France	2,445,532	2,893,047
USA	1,234,849	1,699,919
TOTAL	**3,680,381**	**4,592,966**

Note 16 - Other revenue

(in EUR thousands)	2014	2013
Research-based tax credits	35,487	33,398
Financial revenue from operations (1)	1,636	750
Capitalized production (2)	0	59
Other operating grants	164	91
Other operating income	5,143	5,175
TOTAL	**42,430**	**39,473**

(1) Interest for delay.

(2) Including capitalized development costs: none in 2014; EUR 59 thousand in 2013.

Note 17 - Other operating income and expenses

(in EUR thousands)	2014	2013
Gains/losses from disposals of fixed assets	9,593	-591
Foreign exchange gains or losses from business transactions (1)	20,684	-7,400
Income/(loss) from non-capital transactions	408	302
Other operating expenses	-3,773	-498
Share in income of joint ventures	0	1,552
TOTAL	**26,912**	**-6,635**

(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:

(in EUR thousands)	2014	2013
Research and development costs	-488,063	-481,560

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

Note 19 - Net financial income

(in EUR thousands)	2014	2013
Interest generated by cash and cash equivalents	6,777	8,387
Disposal gains/losses and change in fair value of cash equivalents	115	123
Income from cash and cash equivalents	**6,892**	**8,510**
Interest charges on financing operations	-7,314	-6,988
Cost of gross financial debt	**-7,314**	**-6,988**
COST OF NET FINANCIAL DEBT	**-422**	**1,522**
Dividends and other investment income	1,364	1,003
Interest income and gains/losses on disposal of other financial assets (excluding cash and cash equivalents)	40,266	14,424
Foreign exchange gain/loss (1)	-163,905	72,801
Other financial expenses	0	-2,185
Financial income and expenses	**-122,275**	**86,043**
NET FINANCIAL INCOME	**-122,697**	**87,565**

(1) The stated amounts mainly correspond to the change in the market value of foreign exchange derivatives 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

(in EUR thousands)	2014	2013
Corporate	-103,298	-208,989
Deferred tax	23,817	4,432
Income tax	**-79,481**	**-204,557**

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

(in EUR thousands)	2014	2013
Derivative financial instruments	63,991	3,086
Available-for-sale securities	2,854	-847
Actuarial adjustments	21,055	-9,982
Deferred tax recognized directly through equity during the period	**87,900**	**-7,743**

Note 20 - Tax position (cont'd)

20.3 Reconciliation of theoretical and actual tax charge

(in EUR thousands)	2014	2013
Net income	282,870	459,452
Cancellation of the income tax	79,481	204,557
Cancellation of the Group share in net income of equity affiliates	-132,300	-77,945
Income before tax	230,051	586,064
Theoretical tax expenses calculated at the current standard rate (1)	**-87,419**	**-222,704**
Effect of tax credits (2)	16,611	14,800
Effect of differences in tax rate	-4,865	3,425
Other	-3,808	-78
Effective tax expense	**-79,481**	**-204,557**

(1) Following the 2014 Finance Act, a rate of 38.00% applies for 2014, as it did in 2013, to the Parent Company of the Group.

(2) Research Tax Credits, recognized under "other revenue", were EUR 35,487 thousand for 2014 and EUR 33,398 thousand for 2013. Tax credits for competitiveness and employment (CICE), recognized under "payroll and related charges", were EUR 8,226 thousand in 2014 and EUR 5,549 thousand for 2013.

20.4 Deferred tax sources

(in EUR thousands)	Consolidated balance sheet		Consolidated income statement	
	12/31/2014	12/31/2013	2014	2013
Temporary differences on provisions (profit-sharing, retirement, etc.)	238,291	242,545	-31,205	34,841
Available-for-sale securities and cash equivalents	-15,507	-11,129	-163	-81
Derivative financial instruments	13,663	-107,269	56,941	-25,006
Other temporary differences	69,314	67,985	-1,756	-5,322
Deferred tax gain / expense			**23,817**	**4,432**
Net deferred tax (1)	**305,761**	**192,132**		
Deferred tax assets	*305,761*	*192,132*		
Deferred tax liabilities	*0*	*0*		

(1) The schedule 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 2015 have been subject to tax at 38%. The other bases are subject to tax at 34.43%.

20.5 Tax losses carried forward

(in EUR thousands)	12/31/2014	12/31/2013
Deferred tax assets not recognized in the balance sheet	97,373	81,659

This concerns temporary differences with a maturity in excess of 10 years.

Note 21 - Earnings per share

	2014	2013
Net income attributable to the owners of the Parent Company (in thousands of euros) (1)	282,836	459,421
Weighted average number of outstanding ordinary shares	10,013,721	10,125,897
Basic earnings per share (in EUR)	28.2	45.4

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

Earnings per share are calculated by dividing net income attributable to the owners of the Parent Company by the weighted average number of ordinary shares in circulation during the year less treasury shares. As the Group 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	2014	2013
Decided and paid during the year (in EUR thousands)	90,120	94,171
Net income per share (EUR)	8.90	9.30
Submitted to the AGM for approval, not recognized as a liability as of December 31 (in EUR thousands)	92,138	
Net income per share (EUR)	10.00	

Note 23 - Summary of financial instruments

The valuation method 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)

(in EUR thousands)	Balance sheet value as of December 31, 2014			
	Cost or cost less repayments (1)	Fair value		Total
		Through P&L	Through equity	
Non-current assets				
Listed investments			50,625	50,625
Non-listed investments			72,729	72,729
Available-for-sale marketable securities			2,673,249	2,673,249
Other financial assets	33,759			33,759
Current assets				
Trade and other receivables	722,761			722,761
Derivative financial instruments		54,442	69,112	123,554
Cash equivalents		650,518		650,518
Total financial instruments (assets)	**756,520**	**704,960**	**2,865,715**	**4,327,195**
Level 1 (2)		650,518	2,723,874	
Level 2		54,442	69,112	
Level 3		0	72,729	

(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 at December 31, 2014: EUR 597,067 thousand.

On December 31, 2013, the data were as follows:

(in EUR thousands)	Balance sheet value as of December 31, 2013			
	Cost or cost less repayments (1)	Fair value		Total
		Through P&L	Through 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 at December 31, 2013: EUR 686,827 thousand.

23.2 Financial instruments (liabilities)

(in EUR thousands)	Balance sheet value as of December 31, 2014			
	Cost or cost less repayments (1)	Fair value		Total
		Through P&L	Through equity	
Non-current liabilities				
Bank borrowings	697,957			697,957
Other financial debts (2)	194,779			194,779
Current liabilities				
Bank borrowings	261			261
Other financial debts (2)	43,425			43,425
Trade and other payables	834,899			834,899
Derivative financial instruments		78,711	84,646	163,357
Total financial instruments (liabilities)	**1,771,321**	**78,711**	**84,646**	**1,934,678**
Level 1		0	0	
Level 2		78,711	84,646	
Level 3		0	0	

On December 31, 2013, the data were as follows:

(in EUR thousands)	Balance sheet value as of December 31, 2013			
	Cost or cost less repayments (1)	Fair value		Total
		Through P&L	Through equity	
Non-current liabilities				
Bank borrowings	71			71
Other financial debts (2)	205,217			205,217
Current liabilities				
Bank borrowings	25			25
Other financial debts (2)	62,871			62,871
Trade and other payables	825,912			825,912
Derivative financial instruments		0	0	0
Total financial instruments (liabilities)	**1,094,096**	**0**	**0**	**1,094,096**
Level 1		0	0	
Level 2		0	0	
Level 3		0	0	

(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) Cf. Note 11.

Note 24 - Financial risk management

24.1 Cash and liquidity risks

24.1.1 Financial debt

The Group has no significant risk in relation to its financial debt. The contracts for these loans include the usual default clauses and restrictions in terms of security conditions and merger or sale transactions. One of the loan clauses provides for an anticipated repayment that would be demanded if GIMD were to hold less than 50% of the capital of DASSAULT AVIATION before the loan maturity date. These loans do not contain any repayment clauses or anticipated demands based on rating or financial ratios. The characteristics of these loans appear in Note 11.

24.1.2 Cash, cash equivalents and available-for-sale marketable securities

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

(in EUR thousands)	12/31/2014			
	Historical cost	Capital gain	Consolidated asset value	As %
Cash at bank and in hand, money market investments, time deposits	1,610,172	314,418	1,924,590	57%
Investments in bonds (1)	229,005	155,975	384,980	11%
Diversified investments (1)	580,229	491,869	1,072,098	32%
Total	**2,419,406**	**962,262**	**3,381,668**	**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:

(in EUR thousands)	12/31/2014		
	Impact on net income	Impact on equity	Total
Cash at bank and in hand, money market investments and time deposits	708,419	1,216,171	1,924,590
Investments in bonds		384,980	384,980
Diversified investments		1,072,098	1,072,098
Total	**708,419**	**2,673,249**	**3,381,668**

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 or 2014.

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 in relation to its 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 principle as defined by IAS 39 "Financial Instruments" are defined in paragraph C12 of the accounting principles.

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.

(in EUR thousands)	Market value as of Dec 31, 2014	Market value as of Dec 31, 2013
Instruments which qualify for hedge accounting	-13,309	170,326
Instruments which do not qualify for hedge accounting	-24,151	141,232
Foreign exchange derivatives	**-37,460**	**311,558**

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, 2014, this risk is insignificant.

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

(in EUR thousands)	Less than one year	Between 1 and 3 years	More than 3 years	Total
Foreign exchange derivatives	-30,515	-13,650	6,705	**-37,460**

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

(in EUR thousands)	12/31/2013	Impact on equity (1)	Impact on net financial income (2)	12/31/2014
Foreign exchange derivatives	311,558	-183,635	-165,383	**-37,460**

(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.

Market value of the portfolio (in EUR thousands)	12/31/2014		12/31/2013	
Net balance sheet position	-37,460		311,558	
Closing US dollar/euro exchange rate	1 EUR = 1.2141 USD		1 EUR = 1.3791 USD	
Closing dollar/euro exchange rate +/- 10 cents	1.3141 USD	1.1141 USD	1.4791 USD	1.2791 USD
Change in net balance sheet position (1)	+ 315,695	- 529,287	+ 99,167	- 173,885
Impact on net income	*+ 200,897*	*- 393,881*	*+ 12,161*	*- 73,275*
Impact on equity	*+ 114,798*	*- 135,406*	*+ 87,006*	*- 100,610*

(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 the Brazilian market. On December 31, 2014, the EMBRAER shares were valued at EUR 50,625 thousand (cf. Note 5.2). A 10% upward or downward variation of the exchange rate would have no significant impact on the Group's equity and results.

24.4 Interest rate risks

The Group is exposed to the volatility of interest rates through loans taken out at a variable rate. The latter were swapped at a fixed rate to limit this risk. Rate swaps were secured for loans taken out in 2014, the characteristics of which are described in Note 11.

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

(in EUR thousands)	12/31/2013	Impact on equity (1)	Impact on net financial income	12/31/2014
Interest rate derivatives	0	-2,225	-118	**-2,343**

(1) Posted as income and expense recognized directly through equity, fully consolidated companies.

24.5 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 equity and results.

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	12/31/2014	12/31/2013
Future payments to subcontractors or suppliers	1,930,120	1,654,852
Fixed asset orders	63,184	66,000
Guarantees and deposits	80,069	54,766
TOTAL	**2,073,373**	**1,775,618**

COMMITMENTS RECEIVED	12/31/2014	12/31/2013
Future billings to customers	8,216,800	7,378,729
Export insurance guarantees	100,477	56,627
Collateral	103,487	111,331
TOTAL	**8,420,764**	**7,546,687**

PAYABLES AND RECEIVABLES SECURED BY BANK GUARANTEES	12/31/2014	12/31/2013
Customer advances and progress payments on work-in-progress	510,499	461,849
Advances and progress payments to suppliers	4,445	5,893
TOTAL	**514,944**	**467,742**

OPERATING LEASES	TOTAL	Within 1 year	More than 1 year
Minimum future non-cancellable lease payments (not discounted)	258,691	40,014	218,677

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 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.

Note 27 - Related-party transactions

The Group's related parties are:

- GROUPE INDUSTRIEL MARCEL DASSAULT, and its subsidiaries,
- THALES Group and its subsidiaries,
- the Chairman and Chief Executive Officer, and the Chief Operating Officer of DASSAULT AVIATION,
- 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 2014, the Group did not recognize any provisions for bad debts relating to amounts receivable from related parties. The need for provisions is assessed each year by examining the financial position of the related parties and the market in which they operate.

27.1 Details of transactions

(in EUR thousands)	2014	2013
Sales	1,635	48,267
Purchases	146,177	164,408
Trade receivables	30,760	31,318
Advances and deposits received	29,000	20,520
Trade payables	45,492	83,966
Advances and deposits paid	17,639	28,542

27.2 Compensation of senior executives and benefits in kind

The compensation and benefits in kind paid by the DASSAULT AVIATION Group to the corporate officers are broken down as follows:

(in EUR thousands)	2014	2013
Fixed compensation	2,573	2,453
Directors' fees	522	328
Benefits in kind	16	16
Other	0	9
TOTAL	**3,111**	**2,806**

Note 28 - Average number of employees

	2014	2013
Engineers and management and executive grades	5,464	5,351
Supervisory and technical grades	2,295	2,313
Administrative employees	1,181	1,198
Production employees	2,714	2,728
TOTAL	**11,654**	**11,590**

Note 29 - Environmental information

DASSAULT AVIATION Group recorded environmental capital expenditure amounting to EUR 2,294 thousand and expenses of EUR 1,595 thousand in 2014 relating to risk, impact and regulatory compliance analyses.

Note 30 - Statutory auditors' fees

The statutory auditors' fees posted to expenses for 2014 and 2013 are as follows:

(EUR 000)	DELOITTE & ASSOCIES		MAZARS	
	2014	2013	2014	2013
Statutory audit, certification, review of individual and consolidated financial statements (1)				
DASSAULT AVIATION	200	210	200	210
Fully consolidated subsidiaries	0	0	342	334
Other statutory audit engagements (2)				
DASSAULT AVIATION	45	75	51	49
Fully consolidated subsidiaries	0	0	10	16
TOTAL	**245**	**285**	**603**	**609**

(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 must be added to the above amounts: EUR 139 thousand in 2014 and EUR 71 thousand in 2013.

Note 31 - Subsequent events

No events likely to have a material impact on the financial statements occurred between December 31, 2014 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, 2014

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, 2014 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, 2014 and the results of its operations for the year then ended in accordance with IFRS as adopted in the European Union.

Without calling into question the opinion expressed above, we draw your attention to "Note 1-A1-3 Application of IFRS 11 and IAS 28 Revised standards" in the appendix to the consolidated financial statements, which highlights the change of accounting method relating to the application on January 1, 2014 of IFRS 11 - "Joint Arrangements" - and IAS 28 Revised - "Investments in Associates and Joint Ventures".

JUSTIFICATION OF ASSESSMENTS

Pursuant to 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.

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 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 the "Note 1-C9" and "Note 12" of the appendix to the consolidated financial 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

Your Company's income relating to service provision is stated according to the completion method for multi-annual contracts, as described in "Note 1-C13-1" of the appendix to the consolidated financial 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 consolidated financial statements taken as a whole and contributed to our opinion as expressed in the first part of this report.

SPECIFIC CHECKS

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 10, 2015

The Statutory Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Jean-François Viat

COMPANY FINANCIAL STATEMENTS PARENT COMPANY AS AT DECEMBER 31, 2014

ASSETS

(in EUR thousands)	Notes	12/31/2014			12/31/2013
		Gross	Depreciation, amortization and provisions	Net	Net
Intangible assets	2	88,014	-74,914	13,100	12,758
Property, plant and equipment	2	909,249	-679,028	230,221	229,194
Long-term investments	3	2,257,678	-1,094	2,256,584	2,218,596
TOTAL NON-CURRENT ASSETS		**3,254,941**	**-755,036**	**2,499,905**	**2,460,548**
Inventories and work-in-progress	4	2,828,453	-282,800	2,545,653	2,295,603
Advances and progress payments to suppliers		93,195	0	93,195	85,984
Trade receivables	6	560,680	-70,540	490,140	415,976
Other receivables, prepayments and accrued income	6	559,316	0	559,316	484,135
Marketable securities and cash instruments	9	1,713,734	0	1,713,734	2,173,288
Cash at bank and in hand		122,726	0	122,726	224,079
TOTAL CURRENT ASSETS		**5,878,104**	**-353,340**	**5,524,764**	**5,679,065**
TOTAL ASSETS		**9,133,045**	**-1,108,376**	**8,024,669**	**8,139,613**

LIABILITIES AND EQUITY

(in EUR thousands)	Notes	12/31/2014	12/31/2013
Share capital	10	73,710	81,007
Additional paid-in capital		19,579	19,579
Reserves	12	2,404,652	3,021,217
Net income for the year		272,135	360,328
Tax provisions	14	186,969	234,474
TOTAL EQUITY	**13**	**2,957,045**	**3,716,605**
PROVISIONS FOR CONTINGENCIES AND LOSSES	**14**	**1,178,943**	**1,196,004**
Financial debts (1)	15	985,081	266,337
Customer advances and progress payments on work-in-progress		1,973,341	2,059,010
Trade payables	16	554,693	522,025
Other payables, accruals and deferred income	17	375,566	379,632
TOTAL LIABILITIES		**3,888,681**	**3,227,004**
TOTAL EQUITY AND LIABILITIES		**8,024,669**	**8,139,613**
(1) of which short-term bank credit:		48,341	0

INCOME STATEMENT

(in EUR thousands)	Notes	2014	2013
NET SALES	**20**	**3,194,910**	**3,965,672**
Capitalized production		0	0
Change in work-in-progress		35,337	-211,679
Reversals of provisions and depreciation and amortization, expense reclassifications		532,624	654,724
Other revenue		3,499	3,374
OPERATING INCOME		**3,766,370**	**4,412,091**
External purchases		-1,891,128	-2,082,603
Payroll and related charges (1)		-691,976	-686,075
Other operating expenses		-313,224	-295,066
Taxes and social security contributions		-50,692	-57,866
Depreciation and amortization	2	-47,858	-49,705
Charges to provisions	14	-502,058	-727,705
OPERATING EXPENSES		**-3,496,936**	**-3,899,020**
NET OPERATING INCOME BEFORE FINANCIAL ITEMS		**269,434**	**513,071**
NET FINANCIAL INCOME/(EXPENSE)	22	**93,216**	**47,030**
NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX		**362,650**	**560,101**
Non-recurring items	23	57,689	42,309
Employee profit-sharing		-83,367	-108,936
Income tax	24	-64,837	-133,146
NET INCOME		**272,135**	**360,328**
(1) incl. tax credit for competitiveness and employment (cf. Note 7):		7,646	5,115

CASH FLOW STATEMENT

(in EUR thousands)	2014	2013
I - NET CASH FROM OPERATING ACTIVITIES		
NET INCOME	272,135	360,328
Elimination of gains and losses from disposals of non-current assets	-9,754	-28
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)	-15,928	63,249
Net cash from operating activities before working capital changes	**246,453**	**423,549**
Change in inventories and work-in-progress (net)	-250,050	250,789
Change in advances and progress payments to suppliers	-7,211	110,515
Change in trade and other receivables (net)	-74,164	-30,894
Change in other receivables, prepayments and accrued income	-75,181	-22,657
Change in customer advances and progress payments on work-in-progress	-85,669	-740,183
Change in trade payables	32,668	64,719
Change in other payables, accruals and deferred income	-4,066	-6,124
Increase (-) or decrease (+) in working capital requirement	**-463,673**	**-373,835**
Total I	**-217,220**	**49,714**
II - NET CASH FROM INVESTING ACTIVITIES		
Purchases of tangible and intangible assets	-55,884	-44,179
Purchases of financial assets (1)	-933,891	-1,954
Disposals of or reductions in fixed assets (1)	911,533	13,882
Total II	**-78,242**	**-32,251**
III - NET CASH FLOW USED IN FINANCING ACTIVITIES		
Change in share capital (2)	-7,297	0
Increase in equity items	0	0
Reduction in equity items (2)	-886,772	0
Increase in financial debts (3)	790,755	98,738
Repayments of financial debts	-120,352	-152,111
Dividends paid during the year	-90,120	-94,171
Total III	**-313,786**	**-147,544**
CHANGE IN NET CASH AND CASH EQUIVALENTS (I + II +III)	**-609,248**	**-130,081**
Opening net cash and cash equivalents (4)	**2,397,367**	**2,527,448**
Closing net cash and cash equivalents (4)	**1,788,119**	**2,397,367**

(1) Acquisition of own shares (EUR 933,590 thousand) and cancellation of own shares (EUR 893,900 thousand) (cf. Note 10.2).

(2) Reduction in share capital in 2014 (cf. Note 13).

(3) In 2014, the Company subscribed to loans with banks (cf. features of Note 15).

(4) Cash and cash equivalents comprise the following balance sheet headings:

[cash at bank and in hand] + [marketable securities and cash instruments] - [bank overdrafts]

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 73,710,032 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, 2014 were approved at the meeting of the Board of Directors held on March 10, 2015, and will be submitted for approval to the Annual General Meeting to take place on May 20, 2015.

The individual financial statements have been prepared in accordance with ANC Regulation 2014-03 endorsed by the Decree of September 8, 2014 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/ VALUATION PRINCIPLES

• B1 Intangible assets and property, plant and equipment.

Intangible assets and property, plant and equipment are recognized at acquisition or production cost, less 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 years
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 a depreciation 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 8.5% (compared to 8.8% as of December 31, 2013) and a 2% growth rate (same as of December 31, 2013). The discount rate includes the rates prevailing in the aviation industry and was calculated using the same method as in 2013. 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 fixed and marketable investment securities

Gross values are represented by the purchase cost excluding incidental charges, except in the case of those subject to the 1976 legal revaluation. A provision for depreciation 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

Statutory provisions appearing on the balance sheet 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 Warranty provisions

In the framework of sales or procurement contracts, DASSAULT AVIATION has formal obligations with regard to guaranteeing the equipment, products and/or services (software development, systems integration, etc.) delivered.

These obligations may be distinguished between:
- "current" 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" warranties: handling by the manufacturer of any changes to the regulatory framework determined by the regulatory authorities or 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 current warranty of equipment: based on feedback about the observed costs, as per the warranty options covered contractually and the models of aircraft concerned,
- for handling of malfunctions or changes 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 Retirement severance payments and related benefits

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 Foreign exchange hedging

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 potential sale of options are only recognized as income on maturity of these options, with the exception of those relating to "zero premium" hedging strategies, which are immediately recognized as income to avoid temporary timing differences.

• B10 Foreign currency transactions

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 Revenue and income

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 Unrealized capital gains on marketable investment securities

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.

• B13 Treasury shares

Whatever their accounting classification (in “Other fixed securities” or in “Marketable investment securities”, the book value of treasury shares at year-end is determined by the average stock market price in the month preceding year-end. If the stock market price is lower than the purchase value, a depreciation is recorded, with the exception of securities in the process of being cancelled with a view to their allocation in the scope of a defined plan.

C/ FISCAL INTEGRATION

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

(in EUR thousands)	12/31/2013	Additions Charges	Disposals Reversals	Other	12/31/2014
Gross value					
Software, patents, licenses and similar assets	88,565	5,411	-8,943	1,445	86,478
Construction in progress; advances and progress payments	2,193	788	0	-1,445	1,536
	90,758	**6,199**	**-8,943**	**0**	**88,014**
Amortization					
Software, patents, licenses and similar assets	-78,000	-5,857	8,943	0	-74,914
	-78,000	**-5,857**	**8,943**	**0**	**-74,914**
Net value					
Software, patents, licenses and similar assets	10,565				11,564
Construction in progress; advances and progress payments	2,193				1,536
TOTAL	**12,758**	**342**	**0**	**0**	**13,100**

2.2 Property, plant and equipment

(in EUR thousands)	12/31/2013	Additions Charges	Disposals Reversals	Other	12/31/2014
Gross value					
Land	27,119	3,252	-520	0	29,851
Buildings	288,284	7,592	-20,519	2,582	277,939
Plant, equipment and machinery	465,229	23,536	-24,749	409	464,425
Other property, plant and equipment	136,387	6,971	-15,212	529	128,675
Construction in progress; advances and progress payments	4,867	8,334	-1,322	-3,520	8,359
	921,886	**49,685**	**-62,322**	**0**	**909,249**
Amortization					
Land	-5,990	-458	43	-1	-6,406
Buildings	-184,856	-11,710	19,948	0	-176,618
Plant, equipment and machinery	-398,358	-23,160	24,328	0	-397,190
Other property, plant and equipment	-103,488	-6,673	11,346	1	-98,814
	-692,692	**-42,001**	**55,665**	**0**	**-679,028**
Impairment (1)					
Other property, plant and equipment	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
Net value					
Land	21,129				23,445
Buildings	103,428				101,321
Plant, equipment and machinery	66,871				67,235
Other property, plant and equipment	32,899				29,861
Construction in progress; advances and progress payments	4,867				8,359
TOTAL	**229,194**	**7,684**	**-6,657**	**0**	**230,221**

(1) impairment tests on property, plant and equipment (cf. Paragraph B2 of the Accounting policies): the impairment tests carried out on property, plant and equipment did not indicate any other impairment to be recognized as of December 31, 2014.

Note 3 - Long-term investments

(in EUR thousands)	12/31/2013	Additions Charges	Disposals Reversals	Other	12/31/2014
Equity investments (1)	2,147,769	0	0	0	2,147,769
Other investment securities (2)	37,407	933,590	-893,900	0	77,097
Loans	2,194	203	-372	0	2,025
Other long-term investments	31,540	98	-851	0	30,787
TOTAL	**2,218,910**	**933,891**	**-895,123**	**0**	**2,257,678**
Provisions	-314	-940	160	0	-1,094
NET VALUE	**2,218,596**	**932,951**	**-894,963**	**0**	**2,256,584**

(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, 2014 (EUR 45 per share), DASSAULT AVIATION's investment in THALES is valued at EUR 2,364 million.

In the absence of any objective indication of impairment, the THALES investments were not subject to an impairment test on December 31, 2014.

(2) including treasury shares: EUR 39,690 thousand (cf. Note 10).

Maturity of long-term investments

(in EUR thousands)	Total	Within 1 year	More than 1 year
Loans	2,025	275	1,750
Other long-term investments	30,787	0	30,787
TOTAL	**32,812**	**275**	**32,537**

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 thousands)	Share capital	Equity other than share capital	% shareholding	Carrying amount of shares held		Outstanding loans and advances granted by the Company	Amount of guarantees and deposits 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	73,834	*99.99*	59,453	59,453	0	0	155,124	6,974	0
DASSAULT INTERNATIONAL	1,529	19,062	*99.63*	19,236	19,236	0	0	1,238	315	0
DASSAULT-REASSURANCE	10,459	8,349	*99.99*	10,133	10,133	0	0	2,304	23	0
DASSAULT-AVIATION PARTICIPATION	4,037	-41	*100.00*	4,037	4,037	0	0	0	-2	0
SOGITEC INDUSTRIES	4,578	129,328	*99.80*	25,446	25,446	0	0	83,162	10,884	0
Total				**118,305**	**118,305**	**0**	**0**			**0**
b. Foreign subsidiaries										
DASSAULT FALCON JET (1)	11,574	612,716	*87.47*	7,767	7,767	0	80,069	1,367,109	28,187	0
DASSAULT INTERNATIONAL INC (USA)	4,159	54,748	*100.00*	3,727	3,727	0	0	954	44	0
DASSAULT PROCUREMENT SERVICES INC (USA)	82	53,334	*100.00*	28,965	28,965	0	0	359,928	3,548	0
Total				**40,459**	**40,459**	**0**	**80,069**			**0**
Total SUBSIDIARIES				**158,764**	**158,764**	**0**	**80,069**			**0**
2. AFFILIATES (between 10 and 50% shareholding)										
a. French affiliates										
CORSE COMPOSITES AERONAUTIQUES	1,707	5,986	*24.81*	996	996	0	0	45,515	965	0
EUROTRADIA INTERNATIONAL (2)	3,000	29,034	*16.20*	3,099	3,099	0	0	41,311	1,712	282
THALES (3)	623,500	5,327,500	*25.28*	1,984,272	1,984,272	0	0	224,400	662,900	62,512
Total				**1,988,367**	**1,988,367**	**0**	**0**			**62,794**
b. Foreign affiliates										
Total				0	0	0	0			0
Total AFFILIATES				**1,988,367**	**1,988,367**	**0**	**0**			**62,794**

(1) This is a direct holding; the remaining 12.53% of the shares are held by Dassault International Inc. (USA), which in turn is a wholly-owned subsidiary of DASSAULT AVIATION.

(2) 2013 fiscal year information.

(3) Parent company financial statements.

Note 3 - Long-term investments (cont'd)

B. Other subsidiaries and affiliates

General information (in EUR thousands)	Carrying amount of shares held		Outstanding loans and advances granted by the Company	Amount of guarantees and deposits 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	4,367	0	0	495
b. Foreign affiliates	32,171	32,171	0	0	585
Total	**37,478**	**36,538**	**0**	**0**	**1,080**

C. General information on securities (A+B)

General information (in EUR thousands)	Carrying amount of shares held		Outstanding loans and advances granted by the Company	Amount of guarantees and deposits 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	80,069	0
Total	**159,331**	**159,331**	**0**	**80,069**	**0**
2. AFFILIATES					
a. French affiliates	1,993,674	1,992,734	0	0	63,289
b. Foreign affiliates	32,171	32,171	0	0	585
Total	**2,025,845**	**2,024,905**	**0**	**0**	**63,874**
GRAND TOTAL	**2,185,176**	**2,184,236**	**0**	**80,069**	**63,874**

Note 4 - Inventories and work-in-progress

(in EUR thousands)	12/31/2014			12/31/2013
	Gross	Provision	Net	Net
Raw materials	170,504	-67,135	103,369	105,792
Work-in-progress	1,834,507	0	1,834,507	1,799,170
Semi-finished and finished goods	823,442	-215,665	607,777	390,641
TOTAL	**2,828,453**	**-282,800**	**2,545,653**	**2,295,603**

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

(in EUR thousands)	12/31/2014			12/31/2013
	Gross	Provision	Net	Net
Trade receivables				
Trade receivables	560,680	-70,540	490,140	415,976
	560,680	**-70,540**	**490,140**	**415,976**
Other receivables, prepayments and accrued income				
Other receivables	196,728	0	196,728	115,578
Prepaid expenses	348,802	0	348,802	355,394
Prepayments and accrued income	13,786	0	13,786	13,163
	559,316	**0**	**559,316**	**484,135**
TOTAL	**1,119,996**	**-70,540**	**1,049,456**	**900,111**

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

(in EUR thousands)	12/31/2014			12/31/2013		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables (1)	560,680	358,587	202,093	492,082	310,850	181,232
Other receivables	196,728	196,728	0	115,578	115,578	0
Prepaid expenses	348,802	348,802	0	355,394	355,394	0
Prepayments and accrued income	13,786	13,786	0	13,163	13,163	0
TOTAL	**1,119,996**	**917,903**	**202,093**	**976,217**	**794,985**	**181,232**

(1) of which receivables and payables represented by commercial paper: EUR 104,198 thousand on December 31, 2014 and EUR 56,089 thousand on December 31, 2013.

Note 7 - Accrued income

Accrued income is included in the following balance sheet accounts (in EUR thousands)	12/31/2014	12/31/2013
Trade receivables	250,161	188,597
Other receivables, prepayments and accrued income (1)	7,646	5,155
Marketable securities	0	17
Cash at bank and in hand	23	28
TOTAL	**257,830**	**193,797**

(1) incl. tax credit for competitiveness and employment: EUR 7,646 thousand in 2014 and EUR 5,115 thousand in 2013. On the income statement, it is recorded as deduction of payroll and related charges. In 2014, it was used for improving the production 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

(in EUR thousands)	12/31/2014	12/31/2013
Operating income	57,304	59,230
Operating expenses (1)	348,802	355,394
(1) income tax on unrealized capital gains	339,684	346,753

Note 9 - Difference in measurement of marketable securities

MARKETABLE SECURITIES AND CASH INSTRUMENTS		
(in EUR thousands)	12/31/2014	12/31/2013
Balance sheet value	1,713,734	2,173,288
Market value	2,673,227	3,153,476

Note 10 - Share capital and treasury shares

10.1 Share capital

	Number of shares	Par value
Share capital at the beginning of the year	10,125,897	EUR 8
Capital reduction (1)	912,143	EUR 8
Share capital at the end of the year	9,213,754	EUR 8

(1) cf. Note 13.

10.2 Treasury shares

The General Meeting of September 24, 2014 authorized the Board of Directors to implement a buyback program of own shares, capped at 10% of DASSAULT AVIATION's share capital. The maximum purchase price authorized in the scope of the program is EUR 1,200 per share, excluding acquisition costs, subject to adjustments related to capital transactions. The maximum amount of funds set aside for buyback may not exceed EUR 1,215,106,800, this condition being cumulative with that of the 10% cap on the Company's share capital.

The buyback program expects that these own shares may be used mainly to increase the profitability of shareholders' equity via the cancellation of shares, to ensure liquidity and stimulate the market in DASSAULT AVIATION securities, to be allocated to employees and senior managers or be retained for subsequent use (up to a maximum of 5% of share capital).

In accordance with the General Meeting authorization, DASSAULT AVIATION purchased 952,643 shares in 2014, representing 9.41% of its capital for a total sum of EUR 933,590 thousand. These purchases were notably from Airbus Group, for a sum of EUR 793,871 thousand, corresponding to the buyback of a block of shares representing 8% of capital.

The Board Meeting of November 28, 2014 decided to allocate 912,143 shares, i.e. 9.01% of the capital of DASSAULT AVIATION, for the purposes of share cancellation provided for by the buyback program, the balance of 40,500 securities being still held by the Company as at December 31, 2014 for potential allocation of free shares and a potential liquidity contract to stimulate the market.

Movements on treasury shares are detailed below:

	12/31/2013	Acquisitions	Cancellations	Impairment (1)	12/31/2014
Number of shares	0	952,643	912,143		40,500
Value (in €K)	0	933,590	893,900	0	39,690

(1) The average price in December 2014 stood at EUR 1,069.19 for an average purchase price of EUR 980.

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	55.55%

Note 12 - Reserves

12.1 Reserves

(in EUR thousands)	12/31/2014	12/31/2013
Revaluation difference	4,136	4,305
Legal reserve	7,371	8,101
Other reserves	0	71,332
Retained earnings	2,393,145	2,937,479
TOTAL (1)	**2,404,652**	**3,021,217**

(1) Allocation of the capital reduction (cf. details of Note 13).

12.2 Revaluation reserves

(in EUR thousands)	Movements in the revaluation reserve			
		2014 MOVEMENTS		
	12/31/2013	Decreases due to disposals	Other changes	12/31/2014
Land	3,784	-169	0	3,615
Investments	521	0	0	521
TOTAL	**4,305**	**-169**	**0**	**4,136**
Revaluation reserve (1976)	**4,305**	**-169**	**0**	**4,136**

Note 13 - Statement of changes in equity for the year

1/ INCOME FOR THE YEAR

	2014		2013
ACCOUNTING INCOME			
In EUR thousands	272,135		360,328
In EUR per share	29.54		35.58
CHANGE IN EQUITY EXCLUDING NET INCOME FOR THE YEAR			
In EUR thousands	-941,574		-41,975
In EUR per share	-102.19		-4.15
DIVIDENDS			
In EUR thousands	92,138	(1)	90,120
In EUR per share	10.00	(1)	8.90

(1) Proposed at the Annual General Meeting

2/ STATEMENT OF CHANGES IN EQUITY EXCLUDING INCOME FOR THE YEAR (in EUR thousands)

	Prior to appropriation of 2013 net income as of 12/31/2014		After appropriation of 2013 net income as of 12/31/2014
A -			
1. 2013 closing equity excluding net income for the year	3,356,277		3,356,277
2. 2013 net income prior to appropriation	360,328		
3. Appropriation of 2013 net income to net equity by the AGM			270,207
4. 2014 opening equity	3,716,605		3,626,484
B - Additional paid-in capital with retroactive effect to 2014 opening equity			**0**
1. Change in share capital		0	
2. Change in other items		0	
C - (= A4 + B) 2014 opening equity			**3,626,484**
D - Changes during the year excluding 2014 net income			**-941,574**
1. Change in share capital (1)		-7,297	
2. Change in additional paid-in capital, reserves, retained earnings (1)		-886,603	
3. Change in equity provisions		0	
4. Revaluation offsetting entries - Reserve		-169	
5. Change in tax provisions and equipment grants		-47,505	
6. Other changes		0	
E - 2014 CLOSING EQUITY EXCLUDING 2014 NET INCOME PRIOR TO THE AGM (= C + D)			**2,684,910**
F - TOTAL 2014 CHANGE IN EQUITY EXCLUDING 2014 NET INCOME (= E - C)			**-941,574**

(1) The Board Meeting of November 28, 2014, in the scope of the authorization granted to it by the AGM of September 24, 2014, decided to reduce the share capital of the Company by cancelling 912,143 shares, that is EUR 893,900 thousand, charging this reduction as follows:

(in EUR thousands)	12/31/2014
Share capital (EUR 8 x 912,143)	7,297
Legal reserve	730
Other reserves	71,332
Retained earnings	814,541
TOTAL ALLOCATED TO THE CAPITAL REDUCTION	**893,900**

3/ FUTURE TAX PAYABLE (in EUR thousands)

Statutory provisions excluding provisions for investments:	112,996	x 38% =	42,938

Note 14 - Provisions

14.1 Provisions

(in EUR thousands)	12/31/2013	Increases / Charges		Decreases / Reversals		Other	12/31/2014
Tax provisions							
Investments	113,819	0	(3)	-39,846	(3)	0	73,973
Price increases	56,830	10,458	(3)	-10,562	(3)	0	56,726
Accelerated tax depreciation	61,928	10,853	(3)	-17,294	(3)	0	55,487
Medium-term export credit	1,879	0	(3)	-1,114	(3)	0	765
Capital gains rolled over	18	0	(3)	0	(3)	0	18
	234,474	**21,311**		**-68,816**		**0**	**186,969**
Provisions for contingencies and losses							
Operating	1,182,841	148,718	(1)	-166,402	(1)	0	1,165,157
Financial	13,163	13,786	(2)	-13,163	(2)	0	13,786
Non-recurring	0	0	(3)	0	(3)	0	0
	1,196,004	**162,504**		**-179,565**		**0**	**1,178,943**
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	314	940	(2)	-160	(2)	0	1,094
Inventories and work-in-progress	290,116	282,800	(1)	-290,116	(1)	0	282,800
Trade receivables	76,106	70,540	(1)	-76,106	(1)	0	70,540
	366,536	**354,280**		**-366,382**		**0**	**354,434**
TOTAL	**1,797,014**	**538,095**		**-614,763**		**0**	**1,720,346**

Provision increases and reversals and expense reclassifications	{ - Operating	502,058	(1)	-532,624	(1)
	{ - Financial	14,726	(2)	-13,323	(2)
	{ - Non-recurring	21,311	(3)	-68,816	(3)
		538,095		**-614,763**	

14.2 Details of provisions for contingencies and losses

(in EUR thousands)	12/31/2013	Increases / Charges	Decreases / Reversals	Other	12/31/2014
Operating					
Retirement severance payments and long-service awards (1)	366,000	87,785	-18,785	0	435,000
Warranties (2)	679,600	34,000	-62,200	0	651,400
Services and work to be performed	137,241	26,933	-85,417	0	78,757
	1,182,841	**148,718**	**-166,402**	**0**	**1,165,157**
Financial					
Forex losses	13,163	13,786	-13,163	0	13,786
	13,163	**13,786**	**-13,163**	**0**	**13,786**
Non-recurring					
Miscellaneous	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES	**1,196,004**	**162,504**	**-179,565**	**0**	**1,178,943**

(1) Provisions for retirement severance payments and long-service awards:

Retirement severance payment commitments are calculated for all employees using the projected unit credit method. They 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 the following annual assumptions: wage increase: 3.9%, discount rate: 1.3%.

(2) Warranty provisions: warranty provisions are updated to reflect the fleet in service and contracts delivered (cf. accounting principles B8-1).

Note 15 - Financial debts

(in EUR thousands)	12/31/2014	12/31/2013
Bank borrowings (1)	748,640	96
Other financial debts (2)	236,441	266,241
TOTAL	**985,081**	**266,337**

(1) of which short-term bank credit: 48,341 as of December 31, 2014, and none as of December 31, 2013.
Including borrowings as of December 31, 2014: EUR 50,000 thousand payable in 3 years, EUR 50,000 thousand payable in 4 years, and EUR 600,000 thousand in 5 years.

These loans are denominated in euros. Initially at a variable interest rate, they were swapped to a fixed rate. The contracts for these loans include the usual default clauses and restrictions in terms of security terms and conditions and merger or sale transactions. One of the loan clauses provides for an anticipated repayment that would be demanded if GIMD were to hold less than 50% of the capital of DASSAULT AVIATION before the loan maturity date. These loans do not contain any repayment clauses or anticipated demands based on rating or financial ratios.

(2) on December 31, 2014 and December 31, 2013, the other loans and financial debts mainly include locked-in employee profit-sharing funds.

There are no participating loans.

Note 16 - Maturity of borrowings

(in EUR thousands)	Total	Within 1 year	Between 1 and 5 years	More than 5 years
Bank borrowings (1)	748,640	48,583	700,049	8
Other financial debts (2)	236,441	43,166	193,275	0
Trade payables (3)	554,693	554,693	0	0
Tax and social security payables	196,547	196,547	0	0
Amounts payable in respect of PP&E and related accounts	2,283	2,283	0	0
Other payables	92,016	92,016	0	0
TOTAL	**1,830,620**	**937,288**	**893,324**	**8**

(1) cf. Note 15.

(2) cf. Note 15.

(3) of which payables represented by commercial paper: EUR 104,198 thousand.

Note 17 - Other payables, accruals and deferred income

(in EUR thousands)	12/31/2014	12/31/2013
Tax and social security payables	196,547	201,034
Amounts payable in respect of PP&E and related accounts	2,283	2,082
Other payables	92,016	111,536
Deferred income	57,304	59,230
Accruals and deferred income	27,416	5,750
TOTAL	**375,566**	**379,632**

Note 18 - Accrued expenses

Accrued expenses are included in the following balance sheet accounts (in EUR thousands)	12/31/2014	12/31/2013
Financial debts (1)	4,151	4,227
Trade payables	453,106	425,076
Other payables, accruals and deferred income	215,436	238,921
TOTAL	**672,693**	**668,224**

(1) of which bank borrowings: EUR 228 thousand as of December 31, 2014, and none as of December 31, 2013.

Note 19 - Notes on related companies and affiliates

(in EUR thousands)	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	30,415	0
Advances and progress payments to suppliers	20,329	14,618
Trade receivables	217,454	314
Miscellaneous receivables	0	0
Customer advances and progress payments on work-in-progress	280,479	16,785
Trade payables	101,581	27,134
Other miscellaneous payables	0	0
Financial expenses	0	0

Note 20 - Net sales

(in EUR thousands)	2014	2013
A) ANALYSIS BY CLASS OF GOODS OR SERVICES:		
Finished goods	2,735,461	2,994,813
Services	459,449	970,859
TOTAL	**3,194,910**	**3,965,672**
B) ANALYSIS BY GEOGRAPHICAL AREA:		
France	800,522	1,331,938
Export	2,394,388	2,633,734
TOTAL	**3,194,910**	**3,965,672**
C) ANALYSIS BY QUARTER:		
First quarter	508,791	647,758
Second quarter	838,206	1,026,022
Third quarter	560,733	682,238
Fourth quarter	1,287,180	1,609,654
TOTAL	**3,194,910**	**3,965,672**

Note 21 - Research and development costs

Research and development costs are recognized in expenses as incurred and represent:

(in EUR thousands)	2014	2013
Research and development costs	-448,645	-442,108

The Company's research and development strategy and initiatives are described in the Directors' report.

Note 22 - Net financial income/(expense)

(in EUR thousands)	2014	2013
Investment income (1)	62,794	48,054
Income from other long-term loans and assets	1,129	1,081
Other interest and similar income	3,495	4,065
Reversals of provisions for Forex losses	13,163	6,027
Reversals of provisions for equity investments	160	0
Foreign exchange gains	0	0
Net gains on sale of marketable securities	34,559	10,316
FINANCIAL INCOME	**115,300**	**69,543**
Net charges to provisions for Forex losses	-13,786	-13,163
Net charges to provisions for equity investments	-940	-160
Net charges to provisions for loans	0	0
Interest and similar expenses	-7,358	-9,065
Foreign exchange losses	0	-125
Net losses on sale of marketable securities	0	0
FINANCIAL EXPENSES	**-22,084**	**-22,513**
NET FINANCIAL INCOME/(EXPENSE)	**93,216**	**47,030**

(1) of which THALES dividends: EUR 62,512 thousand in 2014 and EUR 47,278 thousand in 2013.

Note 23 - Non-recurring items

(in EUR thousands)	2014	2013
Gains on sales of assets		
- Property, plant and equipment	15,088	10,299
- Long-term investments	0	605
	15,088	**10,904**
Other non-recurring income	**468**	**384**
Reversals of provisions		
- Investments	39,846	29,841
- Price increases	10,562	9,554
- Medium-term export credit	1,114	2,298
- Accelerated tax depreciation	17,294	23,894
- Capital gains rolled over	0	0
	68,816	**65,587**
NON-RECURRING INCOME	**84,372**	**76,875**
Non-recurring expenses on operating activities	**-1**	**-13**
Carrying amount of assets disposed		
- Intangible assets	0	0
- Property, plant and equipment	-5,334	-10,270
- Long-term investments	0	-606
	-5,334	**-10,876**
Other non-recurring expenses	**-37**	**-65**
Charges to tax provisions		
- Price increases	-10,458	-10,227
- Accelerated tax depreciation	-10,853	-13,385
	-21,311	**-23,612**
Other non-recurring provisions	**0**	**0**
NON-RECURRING EXPENSES	**-26,683**	**-34,566**
NON-RECURRING ITEMS	**57,689**	**42,309**

Note 24 - Analysis of corporate income tax

(in EUR thousands)	Income before tax	Corporate income tax	Long-term capital gains tax	Income after tax
Net income from ordinary activities before tax	362,650	-99,452	0	263,198
Non-recurring items (including profit-sharing and incentive schemes)	-25,678	34,615	0	8,937
Accounting income	336,972	-64,837	0	272,135
		-64,837		

Note 25 - Off-balance sheet financial commitments

COMMITMENTS GIVEN (in EUR thousands)	12/31/2014	12/31/2013
Future payments to subcontractors or suppliers	1,852,532	1,571,052
Fixed asset orders	22,481	15,062
Guarantees given in respect of:		
- subsidiaries	80,069	54,766
- equity investments	0	0
- other	0	0
TOTAL	**1,955,082**	**1,640,880**

COMMITMENTS RECEIVED (in EUR thousands)	12/31/2014	12/31/2013
Future billings to customers	7,352,200	6,640,700
Export insurance guarantees	100,477	56,627
Collateral (e.g. mortgages, pledges)	103,487	111,331
TOTAL	**7,556,164**	**6,808,658**

Note 26 - Payables and receivables secured by bank guarantees

(in EUR thousands)	12/31/2014	12/31/2013
Customer advances and progress payments on work-in-progress	510,499	461,849
Advances and progress payments to suppliers	4,445	5,893
TOTAL	**514,944**	**467,742**

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 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.

Note 28 - Financial instruments: US dollar foreign exchange transaction portfolio

DASSAULT AVIATION is exposed to a foreign exchange risk in relation to its 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 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.

	12/31/2014		12/31/2013	
MARKET VALUE	In USD thousands	In EUR thousands	In USD thousands	In EUR thousands
Forex options	-29,650	-24,421	195,857	142,017
Futures	-16,158	-13,309	234,896	170,326
TOTAL	**-45,808**	**-37,730**	**430,753**	**312,343**

Note 29 - Impact of accelerated tax valuations

(in EUR thousands)	12/31/2014	12/31/2013
Net income for the year	272,135	360,328
Income tax	64,837	133,146
INCOME BEFORE TAX	**336,972**	**493,474**
Accelerated tax depreciation	-6,441	-10,509
Provision for price increases	-104	673
Provision for capital gains rolled over	0	0
Provision for medium-term export credit	-1,114	-2,298
INCREASE IN TAX PROVISIONS	**-7,659**	**-12,134**
NET INCOME EXCLUDING TAX VALUATIONS ACCELERATED DEPRECIATION (BEFORE TAX)	**329,313**	**481,340**

Note 30 - Increases and reductions in future tax charges

(in EUR thousands)	12/31/2014	12/31/2013
Tax provisions:		
- Price increases	56,726	56,830
- Medium-term export credit	765	1,879
- Accelerated tax depreciation	55,487	61,928
BASIS FOR INCREASES	**112,978**	**120,637**
INCREASE IN FUTURE TAX LIABILITIES	***42,932***	***45,842***
Items not deductible in the current year:		
- Employee profit-sharing	63,367	88,936
- Retirement severance payments and long-service awards	435,000	366,000
Other partly non-deductible items (trade receivables, inventories, warranties, other)	470,661	516,240
BASIS FOR DECREASES	**969,028**	**971,176**
REDUCTIONS IN FUTURE TAX CHARGES	***368,231***	***369,047***
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 2,982,065 for 2014.

Note 32 - Average number of employees

	Company employees	Seconded to the Company
Engineers and management and executive grades	4,592	
Supervisory and technical grades	1,997	
Administrative employees	453	39
Production employees	1,064	171
2014 TOTAL	**8,106**	**210**
2013 TOTAL	8,082	222

Note 33 - Environmental information

DASSAULT AVIATION recognized environmental capital expenditure amounting to EUR 2,212 thousand and posted EUR 1,153 thousand to 2014 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 (in EUR thousands except per share data in point 3 stated in EUR/share)	2010	2011	2012	2013	2014
1/ FINANCIAL POSITION AT YEAR-END					
a. Share capital	81,007	81,007	81,007	81,007	73,710
b. Number of shares outstanding	10,125,897	10,125,897	10,125,897	10,125,897	9,213,754
2/ SUMMARY OF OPERATING RESULTS					
a. Net sales, excluding tax	3,551,695	2,914,346	3,341,778	3,965,672	3,194,910
b. Income before tax, depreciation, amortization and provisions	769,467	409,810	522,253	581,481	308,162
c. Corporate income tax	167,441	104,766	141,486	133,146	64,837
d. Income after tax, depreciation, amortization and provisions	325,815	259,279	282,658	360,328	272,135
e. Dividends paid	108,347	86,070	94,171	90,120	92,138 (1)
3/ PER SHARE DATA (EUR)					
a. Income after tax, but before depreciation, amortization and provisions	59.5	30.1	37.6	44.3	26.4
b. Income after tax, depreciation, amortization and provisions	32.2	25.6	27.9	35.6	29.5
c. Dividends paid	10.7	8.5	9.3	8.9	10 (1)
4/ PERSONNEL					
a. Average number of employees during the year	8,138	8,059	8,097	8,082	8,106
b. Total payroll charges excluding taxes	414,240	417,578	430,604	441,956	449,978
c. Total payroll taxes and social security charges	221,369	222,600	245,876	244,119	241,998
5/ EMPLOYEE PROFIT-SHARING	**106,451**	**86,426**	**94,219**	**88,936**	**63,367**
6/ INCENTIVE PAYMENTS	**14,000**	**14,000**	**14,000**	**20,000**	**20,000**

(1) proposed to the Annual General Meeting.

AUDITORS' REPORT ON THE COMPANY FINANCIAL STATEMENTS

Year ended December 31, 2014

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, 2014 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, 2014 and of the results of its operations for the year then ended in accordance with French accounting regulations.

JUSTIFICATION OF ASSESSMENTS

Pursuant to 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 10, 2015

The Statutory Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Jean-François Viat

AUDITORS' REPORT PREPARED PURSUANT TO ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Year ended December 31, 2014

Dear shareholders,

In our capacity as Statutory Auditors of Dassault Aviation and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present you with our report 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, 2014.

It is the responsibility of the Chairman to prepare and submit for the approval of the Board of Directors a report on the internal audit 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 the corporate governance mechanism.

It is our duty 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
- certify that the report contains the other information required by Article L. 225-37 of the French Commercial Code, it being stated that it is not incumbent upon us to verify the integrity 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 audit 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 pursuant to 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 10, 2015

The Statutory Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Jean-François Viat

AUDITORS' REPORT ON RELATED PARTY TRANSACTIONS AND COMMITMENTS

Year ended December 31, 2014

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 AGM.

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 consistency of the information provided to us with the relevant source documents.

TRANSACTIONS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE ANNUAL GENERAL MEETING

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 AIRBUS GROUP SAS, SHAREHOLDER OF DASSAULT AVIATION HOLDING OVER 10% OF VOTING RIGHTS

Persons concerned: Pierre de Bausset (Director), also a director of AIRBUS GROUP SAS.

Nature and purpose: Memorandum of Understanding concerning the acquisition by DASSAULT AVIATION of a block of its own shares from AIRBUS GROUP SAS and cooperation between the two companies in 2015 for the potential execution of one or more private placements by AIRBUS GROUP SAS of DASSAULT AVIATION shares.

Conditions: Due the intention expressed by AIRBUS GROUP SAS to sell part of the DASSAULT AVIATION shares it owns, on November 28, 2014, the Board of Directors pre-authorized the signing of the aforementioned Memorandum of Understanding between DASSAULT AVIATION and AIRBUS GROUP SAS. The Memorandum of Understanding was signed the same date.

In accordance with the authorization granted to it by the Annual General Meeting of September 24, 2014, DASSAULT AVIATION, in compliance with the aforementioned MoU, purchased from AIRBUS GROUP SAS (date of transaction: November 28, 2014) a block of 810,072 shares representing 8% of the capital of the Company, under the scope of an over-the-counter block trade outside of the market. This transaction was executed at a price of EUR 980 per share, i.e. a total amount of EUR 793,870,560, representing a 9.02% discount compared to the last trading price of the day.

Given the buyback of 142,571 shares previously held by a third party, following the aforesaid transaction DASSAULT AVIATION held 952,643 shares representing 9.41% of its capital.

On November 28, 2014, the Board Meeting of DASSAULT AVIATION decided to allocate 912,143 shares, i.e. 9.01%, for the share cancellation scheme stipulated in the buyback program, with the balance of 40,500 securities (representing 0.44% of its capital) still being held by the Company.

The 9.01% of shares allocated for the cancellation scheme were actually canceled on December 22, 2014, after obtaining from AIRBUS GROUP SAS the waiver requested by the AMF when filing mandatory public offerings.

DASSAULT AVIATION and AIRBUS GROUP SAS have also agreed to cooperate under the scope of one or more private placements by fast tracking an order book that AIRBUS GROUP SAS may take on from now until June 30, 2015, in connection to a volume of shares representing up to 10% of the capital (if permitted by market conditions) or even relating a greater amount, if AIRBUS GROUP SAS so wishes. DASSAULT AVIATION is committed to cooperating for the execution of such placements and to place an order for half of these placements, capped at 5% of the capital of DASSAULT AVIATION and with a maximum price of EUR 980 per share. AIRBUS GROUP SAS is committed to offering DASSAULT AVIATION half of the securities placed, subject to the same overall cap of 5% of the capital of DASSAULT AVIATION and the quoted price for each of the aforesaid placements. If a placement is priced at more than EUR 980, the price of the DASSAULT AVIATION shares sold to DASSAULT AVIATION concomitantly to this placement will be capped at this price while the price of the shares sold to third parties shall remain unchanged.

To implement this agreement, on November 28, 2014, the Board of Directors of DASSAULT AVIATION decided to convene a General Meeting of Shareholders, which was held on January 28, 2015, to authorize the implementation of a new share buyback program and a possible reduction of capital by canceling the shares acquired under the program.

TRANSACTIONS AND COMMITMENTS ALREADY APPROVED BY THE AGM

Transactions and commitments approved in previous fiscal 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 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: 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.

Conditions: The rental expenses under these leases in 2014 amounted to a total of EUR 34,740,494.78 excl. taxes. This amount was lower than in 2013, and GIMD repaid EUR 670,220.50 to DASSAULT AVIATION as part of the guarantee deposit.

REGARDING ALL THE DIRECTORS AND CORPORATE OFFICERS OF THE COMPANY AND ITS SUBSIDIARIES

Nature and purpose: A "Directors and Corporate Officers Liability" insurance policy was taken out with AXA GLOBAL RISKS, now called AXA CORPORATE SOLUTIONS, with effect from July 1, 1999.

This policy, which was renewed on January 1, 2014, covers all directors and corporate officers of the Company and its subsidiaries for the year 2014 up to an annual limit of indemnity of EUR 25 million.

Conditions: The annual insurance premium amounted to EUR 97,042.70 incl. VAT in 2014.

Transactions and commitments authorized over the past fiscal year

Moreover, we have been notified of the continuation of the following commitments, already approved by the AGM on May 15, 2014, after reviewing the Auditors' report of March 12, 2014, but which were not executed during the past fiscal year.

REGARDING ERIC TRAPPIER, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 (i.e., EUR 150,000 in 2014). 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 375,000 in 2014).

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 2014, would pay him, if all conditions are met, an annual pension of EUR 354,000, representing 26% of his compensation.

REGARDING 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 (i.e., EUR 150,000 in 2014). 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 375,000 in 2014).

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 2014, would pay him, if all conditions are met, an annual pension of EUR 291,000, representing 24% of his compensation.

Courbevoie and Neuilly-sur-Seine, March 10, 2015

The Statutory Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Jean-François Viat

COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 20, 2015

COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 20, 2015 - DRAFT RESOLUTIONS

RESOLUTION FALLING WITHIN THE COMPETENCE OF THE ORDINARY GENERAL MEETING

First resolution

Approval of the 2014 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 Directors' report, the Chairman's report governed by section 6 of Article L.225-37 of the French Commercial Code, the Auditors' report on the annual financial statements and their own report, governed by section 5 of Article L.225-235 of the French Commercial Code, hereby **approve**, in full and without reservation, the **annual financial statements** for fiscal year 2014 as presented and showing a **net profit of EUR 272,134,786.67**, together with all transactions reflected therein or summarized in these reports.

Second resolution

Approval of the 2014 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 Group management report 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 fiscal year 2014 as presented and showing a **consolidated net profit of EUR 282,870 thousand** (including EUR 282,836 thousand attributable to the owners of the Parent Company), together with all transactions reflected therein or summarized in these reports.

Third resolution

Approval of a regulated agreement: Memorandum of Understanding signed with AIRBUS GROUP SAS

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having taken due note of the Directors' report and of the special Auditors' report on regulated agreements and commitments governed by Articles L.225-38 et seq. of the French Commercial Code, hereby **approve the regulated agreement** authorized by the Board Meeting of November 28, 2014 concerning the acquisition by DASSAULT AVIATION of a block of 8% of its own shares from AIRBUS GROUP SAS and cooperation between the two companies in 2015 for the potential execution of one or more private placements by AIRBUS GROUP SAS of DASSAULT AVIATION shares.

Fourth resolution

Advisory opinion on the compensation package payable and allocated for fiscal year 2014 to Éric 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 fiscal year 2014 to Éric Trappier, Chairman and Chief Executive Officer**, as detailed in the Directors' report in paragraphs 4.8.3 - Compensation paid to the Chairman and CEO - and 4.8.6 - Summary Compensation Tables (Tables 1, 2 and 11).

Fifth resolution

Advisory opinion on the compensation package payable and allocated for fiscal year 2014 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 2014 to Loïk**

SEGALEN, Chief Operating Officer, as detailed in the Directors' report in paragraphs 4.8.4 - Compensation paid to the Chief Operating Officer and 4.8.6 - Summary Tables of Compensation (Tables 1, 2 and 11).

Sixth 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, 2014.

Seventh 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 272,134,786.67,

plus retained earnings of:

EUR 2,393,144,965.35,

that is, a total of:

EUR 2,665,279,752.02,

be appropriated as follows:

- dividend distribution of:

EUR 92,137,540.00,

- with the remaining balance to retained earnings:

EUR 2,573,142,212.02.

As a result of the above allocations, a **dividend per share of EUR 10** is distributed.

The dividend shall fall due for payment in euros on June 1, 2015 and be paid directly to holders of "pure registered shares" and via authorized intermediaries for holders of "administered registered shares" or "bearer shares".

The amount of dividends that, in accordance with the provisions of the 4th sub-paragraph of Article L.225-210 of the French Commercial Code, cannot be paid in relation to treasury shares held by the Company, shall be reallocated to retained earnings.

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 EUR)	Tax allowance (1)
2011	8.50	40%
2012	9.30	40%
2013	8.90	40%

(1) allowance for individuals

Eighth resolution

Ratification of appointment of a Director

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, **hereby ratify the co-optation of Lucia Sinapi-Thomas** to replace Denis Kessler, for the remaining period of her predecessor's term of office, that is until the end of the General Shareholders' Meeting convened to approve the accounts for fiscal year 2014.

Ninth resolution

Renewal of Serge Dassault's term of office as 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 **Serge Dassault** expires at the end of this Shareholders' Meeting, hereby resolve, on the proposal of the Board, **to renew the said term of office for four years**, that is until the end of the General Shareholders' Meeting convened to approve the accounts for fiscal year 2018.

Tenth resolution

Renewal of Olivier Dassault's term of office as 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 **Olivier Dassault** expires at the end of this Shareholders' Meeting, hereby resolve, on the proposal of the Board, **to renew the said term of office for four years**, that is until the end of the General Shareholders' Meeting convened to approve the accounts for fiscal year 2018.

Eleventh resolution

Renewal of Charles Edelstenne's term of office as 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 **Charles Edelstenne** expires at the end of this Shareholders' Meeting, hereby resolve, on the proposal of the Board, **to renew the said term of office for four years**, that is until the end of the General Shareholders' Meeting convened to approve the accounts for fiscal year 2018.

Twelfth resolution

Renewal of Éric Trappier's term of office as 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 **Éric Trappier** expires at the end of this Shareholders' Meeting, hereby resolve, on the proposal of the Board, **to renew the said term of office for four years**, that is until the end of the General Shareholders' Meeting convened to approve the accounts for fiscal year 2018.

Thirteenth resolution

Renewal of Lucia Sinapi-Thomas's term of office as 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 **Lucia Sinapi-Thomas** expires at the end of this Shareholders' Meeting, hereby resolve, on the proposal of the Board, **to renew the said term of office for four years**, that is until the end of the General Shareholders' Meeting convened to approve the accounts for fiscal year 2018.

RESOLUTIONS WITHIN THE COMPETENCE OF THE EXTRAORDINARY GENERAL MEETING

Fourteenth resolution

Addition of a 4th sub-paragraph to Article 11 of the Articles of Association to provide for a statutory obligation of information in the event that capital or voting rights go above or below the 1% threshold, in addition to the legal obligation of information

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 the following 4th sub-paragraph at the end of Article 11 of the Articles of Association**:

"Apart from the obligation to notify the Company in the event of going above or below the thresholds for holding capital and voting rights according to the terms and conditions provided for by Articles L.233-7 *et seq.* of the French Commercial Code, any natural or legal person, acting alone or in concert, coming into the possession, directly or indirectly, of a number of shares that represents a percentage equal to or more than 1% of the Company's capital or voting rights and any multiple of this percentage, should inform the Company by registered letter with acknowledgement receipt of the number of shares or voting rights that they hold within the anticipated period for crossing legal thresholds.

This obligation of information applies, under the same terms and conditions, when the capital shareholding goes under the thresholds mentioned in the previous sub-paragraph.

These thresholds are determined pursuant to Article L.233-9 of the French Commercial Code.

In the event of non-observance of the obligation of declaration provided for by this Article, the shareholder shall, within the terms and limits defined by the law, be stripped of voting rights pertaining to shares that exceed the threshold in question."

Fifteenth resolution

Harmonization of Article 15 of the Articles of Association with prevailing regulations

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 harmonize the provisions of Article 15 of the Articles of Association with prevailing regulations and to replace the period of "three months"** at the end of the aforesaid Article 15 of the Articles of Association with the **period of "six months"**:

Sixteenth resolution

Amendment of Article 29 of the Articles of Association to harmonize it with prevailing regulations and provide for the option to attend and vote in Meetings by any means of telecommunication

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 replace within the 2nd sub-paragraph of Article 29 of the Articles of Association the period of "three working days" with "two working days" and to add the following sub-paragraph at the end of Article 29 of the Articles of Association:

"Any shareholder may also, if the Board of Directors so decides when convening the Shareholders' Meeting, attend and vote in Shareholders' Meetings by videoconference or by any means of telecommunication that enables them to be identified and their actual attendance at the Shareholders' Meeting confirmed, under the terms and conditions and according to the procedures provided for by prevailing legislative and regulatory provisions. They will therefore be represented in the calculation of the quorum and of the shareholders' majority."

Seventeenth resolution

Amendment of Article 31 of the Articles of Association to allow voting at meetings using OCR slips or electronic voting as well as remote voting by any means of telecommunication

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 as follows the 2nd sub-paragraph of Article 31 of the Articles of Association:**

  "Voting is expressed by the raising of hands and/or by voting slips including OCR voting slips or electronic voting."

- **to add the following to the 4th sub-paragraph of Article 31 of the Articles of Association**:

"They may also, where necessary, vote as provided for by Article 29 above by any means of telecommunication that enables them to be identified and their effective attendance at the Shareholders' Meeting confirmed, under the terms and conditions and according to the procedures provided for by prevailing legislative and regulatory provisions."

Eighteenth resolution

Amendment of Article 37 of the Articles of Association to make it possible to opt for dividends to be paid in cash or 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 insert the following sub-paragraph between the 2nd and 3rd sub-paragraphs of Article 37 of the Articles of Association**:

"The General Shareholders' Meeting ruling on the financial statements for the fiscal year has the power to grant each shareholder, under legal terms and conditions, for all or part of the dividend or interim dividends released for distribution, an option to be paid in cash or in shares."

Nineteenth resolution

Increase in capital reserved for 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 and the special report of the Statutory Auditors, hereby resolves, in the scope of Articles L.225-129-1, L.225-129-6 sub-paragraph 2 and L.225-138-1 of the French Commercial Code and Articles L.3332-18 *et seq.* of the Employment Code, to increase the Company's share capital by a sum that may not exceed EUR 700,000 through the issue of shares reserved for employees who are members of the Company's Corporate Savings Scheme.

The shareholders hereby resolve to remove the preferential subscription right of shareholders in favor of members of the Company's Corporate Savings Scheme.

The shareholders delegate all powers to the Board of Directors, with the power of sub-delegation to the Chairman and Chief Executive Officer under the terms and conditions provided for in Article L.225-129-4 of the French Commercial Code to implement this ruling, within the limits and under the terms and condition specified above, for the particular purposes of:

- carrying out this increase in one or more stages,
- setting the length of service conditions that employees who are members of the Company's Corporate Savings Scheme should fulfill to have the benefit of new shares and, within legal limits, the period granted to subscribers to pay up these shares,
- determining whether subscriptions should be made through the intermediary of a mutual investment fund or directly,
- deciding on the number and characteristics of shares to be issued, the subscription price under the terms defined in Article L.3332-19 of the Employment Code, the length of the subscription period, the date from which new shares will bear dividend entitlement and, in general, all procedures relating to issue,
- recording the completion of each increase in capital by the amount of shares that will actually be subscribed,
- conducting the resulting formalities and applying the correlative amendments to the Articles of Association,
- at their sole discretion, after each increase, charging the costs of increasing capital to the amount of related bonuses and deducting from this amount the sums necessary for bringing the legal reserve up to one-tenth of new capital,
- fulfilling all acts and formalities for the purpose of recording the increase(s) in capital conducted in execution of this delegation for the amount of shares actually issued, amending the Articles of Association accordingly and, in general, doing all that which is necessary.

This delegation is valid for a period of 3 years from this Shareholders' Meeting.

RESOLUTION FALLING WITHIN THE COMPETENCE OF THE ORDINARY GENERAL MEETING

Twentieth 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 combined Ordinary and Extraordinary General Meeting of May 20, 2015

Current version	**New version**
ARTICLE 11 - RIGHTS AND OBLIGATIONS ATTACHED TO SHARES	ARTICLE 11 - RIGHTS AND OBLIGATIONS ATTACHED TO SHARES
Each share gives rights in the ownership of corporate assets, in profit-sharing and in liquidation surplus, proportionate to the number of existing shares.	Each share gives rights in the ownership of corporate assets, in profit-sharing and in liquidation surplus, proportionate to the number of existing shares.
All shares that comprise or will comprise share capital will always be comparable in terms of tax charges. Consequently, any taxes that could, for any reason whatsoever, because of capital redemption of these shares, become due for some of the shares only, either while the Company is in existence or upon liquidation, will be shared out between all shares comprising the capital at the time of this or these redemption(s), such that all current or future shares confer to their owners, for the same amount paid up and not redeemed, the same actual benefits and give them the right to receive the same net amount.	All shares that comprise or will comprise share capital will always be comparable in terms of tax charges. Consequently, any taxes that could, for any reason whatsoever, because of capital redemption of these shares, become due for some of the shares only, either while the Company is in existence or upon liquidation, will be shared out between all shares comprising the capital at the time of this or these redemption(s), such that all current or future shares confer to their owners, for the same amount paid up and not redeemed, the same actual benefits and give them the right to receive the same net amount.
Whenever it is necessary to own more than one share to exercise any rights, one-off securities or of a lower number than that required do not give any rights to their owners on the Company, with the shareholders in this case having to take personal responsibility for grouping the number of shares necessary.	Whenever it is necessary to own more than one share to exercise any rights, one-off securities or of a lower number than that required do not give any rights to their owners on the Company, with the shareholders in this case having to take personal responsibility for grouping the number of shares necessary.
	In addition to the obligation to notify the Company in the event of going above or below the thresholds for holding capital and voting rights according to the terms and conditions provided for by Articles L.233-7 *et seq.* of the French Commercial Code, any natural or legal person, acting alone or in concert, coming into the possession, directly or indirectly, of a number of shares that represents a percentage equal to or more than 1% of the Company's capital or voting rights and any multiple of this percentage, should inform the Company by registered letter with acknowledgement receipt of the number of shares or voting rights that they hold within the anticipated period for crossing legal thresholds.

Current version	New version
	This obligation of information applies, under the same terms and conditions, when the capital shareholding goes under the thresholds mentioned in the previous sub-paragraph. **These thresholds are determined pursuant to Article L.233-9 of the French Commercial Code.** **In the event of non-observance of the obligation of declaration provided for by this Article, the shareholder shall, within the terms and limits defined by the law, be stripped of voting rights pertaining to shares that exceed the threshold in question.**
<u>ARTICLE 15 - DIRECTORS' SHARES</u>	<u>ARTICLE 15 - DIRECTORS' SHARES</u>
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.	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 their appointment, a director does not own the required number of shares, or if during their term of office they should cease to own them, they shall be considered to have resigned unless they have rectified their situation within a period of **six** months.
<u>ARTICLE 29 - ACCESS TO SHAREHOLDERS' MEETINGS</u>	<u>ARTICLE 29 - ACCESS TO SHAREHOLDERS' MEETINGS</u>
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. bank, financial institution or investment services provider) and production of a participation certificate issued by the aforesaid intermediary, The period during which these formalities must be completed expires three working days prior to the date of the Meeting, at 00:00 Paris time.	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. bank, financial institution or investment services provider) and production of a participation certificate issued by the aforesaid intermediary, The period during which these formalities should be completed expires **two** working days prior to the date of the Shareholders' Meeting, at 00:00 Paris time.

Current version	**New version**
The Board of Directors will retain the right to accept the participation certificate after the above deadline.	The Board of Directors will retain the right to accept the participation certificate after the above deadline.
A shareholder may be represented by proxy according to legal and regulatory terms and conditions. The notification of the appointment 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 their link to the associated document, and may in particular consist of a username and password.	A shareholder may be represented by proxy according to legal and regulatory terms and conditions. The notification of the appointment 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 their link to the associated document, and may in particular consist of a username and password.
	Any shareholder may also, if the Board of Directors so decides when convening the Shareholders’ Meeting, attend and vote in Shareholders’ Meetings by videoconference or by any means of telecommunication that enables them to be identified and their effective attendance at the Shareholders’ Meeting to be confirmed, under the terms and conditions and according to the procedures provided for by prevailing legislative and regulatory provisions. They will therefore be represented in the calculation of the quorum and of the shareholders’ majority.
ARTICLE 31 - VOTE / NUMBER OF VOTES	ARTICLE 31 - VOTE / NUMBER OF VOTES
Subject to special circumstances set forth by law, all members present at the Shareholders’ Meeting have as many votes, without limitation, as the number of fully paid-up shares they own or represent.	Subject to special circumstances set forth by law, all members present at the Shareholders’ Meeting have as many votes, without limitation, as the number of fully paid-up shares they own or represent.
Voting is performed by the raising of hands and/or voting slips.	Voting is expressed by the raising of hands and/or by voting slips **including OCR voting slips or electronic voting**.
A secret ballot may be requested either by the Board of Directors or by shareholders representing at least one-quarter of the share capital, subject to the submission of written notification to the Board of Directors or to the convening authority, no later than three days prior to the date of the Shareholders’ Meeting.	A secret ballot may be requested either by the Board of Directors or by shareholders representing at least one-quarter of the share capital, subject to the submission of written notification to the Board of Directors or to the convening authority, no later than three days prior to the date of the Shareholders’ Meeting.

Current version	New version
Shareholders may also vote by correspondence.	Shareholders may also vote by correspondence. **They may also, where necessary, vote as provided for by Article 29 above by any means of telecommunication that enables them to be identified and their effective attendance at the Shareholders' Meeting confirmed, under the terms and conditions and according to the procedures provided for by prevailing legislative and regulatory provisions.**
In the case of the voting by correspondence, voting forms not providing a voting intention or expressing an abstention are considered as negative votes.	In the case of the voting by correspondence, voting forms not providing a voting intention or expressing an abstention are considered as negative votes.
To calculate the majority, only correspondence voting forms duly completed and received by the Company at least three days before the date of the Shareholders' Meeting are taken into account.	To calculate the majority, only correspondence voting forms duly completed and received by the Company at least three days before the date of the Shareholders' Meeting are taken into account.
The registered proxy with a general securities' management mandate communicates the votes of shareholders whose identity has been disclosed in accordance with legal provisions.	The registered proxy with a general securities' management mandate communicates the votes of shareholders whose identity has been disclosed in accordance with legal provisions.
<u>ARTICLE 37 - DIVIDEND PAYMENT RELEASE</u>	<u>ARTICLE 37 - DIVIDEND PAYMENT RELEASE</u>
Dividends are paid, in cash or by check, at a time and according to the terms and conditions set each year by the General Shareholders' Meeting or by the Board of Directors authorized by the Meeting for this purpose.	Dividends are paid, in cash or by check, at a time and according to the terms and conditions set, each year, by the General Shareholders' Meeting or by the Board of Directors authorized by the Meeting for this purpose.
However, dividend payment release should take place within a maximum period of nine months after the end of the fiscal year, except where this period is extended by a court ruling.	However, dividend payment release should take place within a maximum period of nine months after the end of the fiscal year, except where this period is extended by a court ruling.
	The General Shareholders' Meeting ruling on the financial statements for the fiscal year has the power to grant each shareholder, under legal terms and conditions, for all or part of the dividend or interim dividends released for distribution, an option to be paid in cash or in shares.
Dividends not claimed within five years of their payment release date are waived, in accordance with the law.	Dividends not claimed within five years of their payment release date are waived, in accordance with the law.

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