2007

ANNUAL FINANCIAL REPORT

Rapport annuel 2007 GB, états financiers.pdf RELEASED document issued from Dassault Aviation repository.

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DECLARATION OF THE PERSON RESPONSIBLE FOR THE REPORT

I certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the company and all the other companies included in the scope of consolidation, and that the management report includes a fair review of the development of the business, performance and position of the company and all the other companies included in the scope of consolidation, together with a description of the principal risks and uncertainties that they face.

Paris, February 21, 2008

Charles Edelstenne
Chairman and CEO

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GROUP STRUCTURE

The Dassault Aviation Group is an international group that encompasses most of the aviation activities of Groupe Industriel Marcel Dassault.

DASSAULT AVIATION SHAREHOLDERS

50.55% GROUPE INDUSTRIEL MARCEL DASSAULT
46.30% EADS France
3.15% PRIVATE INVESTORS

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BOARD OF DIRECTORS

Honorary Chairman
Serge DASSAULT

Chairman and Chief Executive Officer
Charles EDELSTENNE

Directors
Olivier ANDRIES
Olivier DASSAULT
Serge DASSAULT
Charles EDELSTENNE
Louis GALLOIS
Philippe HUSTACHE
Denis KESSLER
Bruno REVELLIN-FALCOZ
Pierre-Henri RICAUD

MANAGEMENT COMMITTEE

Chairman

Charles EDELSTENNE	Chairman and Chief Executive Officer
Alain BONNY	Senior Vice-President, Military Customer Support Division
Claude DEFAWE	Vice-President, National and Cooperative Military Sales
Didier GONDOIN	Executive Vice-President, Research, Design and Engineering
Jacques MIANNAY	Executive Vice-President, Total Quality
Jacques PELLAS	Corporate Secretary
Guy PIRAS	Executive Vice-President, Industrial Operations, Procurement and Purchasing
Loïk SEGALEN	Vice-President, Economic and Financial Affairs
Eric TRAPPIER	Executive Vice-President, International
Olivier VILLA	Senior Vice-President, Civil Aircraft

GOVERNMENT COMMISSIONER

Mr. Thierry Perrin, French Armed Forces General Inspector

STATUTORY AUDITORS

Mazars & Guérard S.A., represented by Mr. Serge Castillon, partner
Deloitte & Associés S.A., represented by Mr. Philippe Mouraret and Mr. Dominique Jumaucourt, partners

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Ladies and Gentlemen,

Before submitting the annual and consolidated financial statements for the year ended December 31, 2007 for your approval and deciding the proposed appropriation of net income for the year, we would like to take this opportunity to present the Dassault Aviation Group consolidated key figures, the activities of Dassault Aviation Group, the activities and financial statements of its parent company, Dassault Aviation, during the last year, their future prospects and other information required by law.

DASSAULT AVIATION GROUP

CONSOLIDATED KEY FIGURES:

ORDER BOOK:

The sound performance of the executive aviation market gained momentum in 2007.

Dassault Aviation registered 212 new Falcon orders. This represents an historical record, since the highest previous order was for 158 Falcons in 2006.

Consolidated orders in 2007 totaled **EUR 6.26 billion**, up 18% compared to 2006. 86% of orders were for Falcon aircraft.

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

Fiscal year	Defense		Falcon	**Total**	% Export
	France	Export			
2003	878	153	1,385	**2,416**	62%
2004	1,730	123	2,166	**4,019**	53%
2005	315	150	4,061	**4,526**	93%
2006	391	142	4,762	**5,295**	90%
2007	**644**	**239**	**5,382**	**6,265**	**89%**

NET SALES:

Consolidated net sales amounted to **EUR 4.08 billion** in 2007, up 24% compared to 2006. 57% of orders were for Falcon aircraft.

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

Fiscal year	Defense		Falcon	**Total**	% Export
	France	Export			
2003	545	1,061	1,692	**3,298**	82%
2004	505	838	2,116	**3,459**	83%
2005	1,349	428	1,651	**3,428**	58%
2006	974	275	2,053	**3,302**	67%
2007	**883**	**855**	**2,347**	**4,085**	**77%**

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OPERATING INCOME:

Consolidated operating income in 2007 totaled **EUR 503 million**, up 35% compared to 2006.

Operating profitability stood at 12.3%.

NET INCOME:

In 2007, the Group reported **consolidated net income** (before minority interests) of **EUR 382 million**, up 36% on fiscal year 2006.

Net profitability was 9.4%.

FINANCIAL REPORTING:

Dassault Aviation has chosen the aviation industry, without geographical distinction, as the sector of activity for segment reporting under IFRS.

Dassault Aviation considers that its military and civil products have comparable characteristics in terms of:

- design, development, manufacturing and maintenance,
- sales and distribution,
- pricing policy resulting in similar economic performances,

and that their market does not present any particular geographical features.

SALE OF EMBRAER SHARES

Dassault Aviation sold 57.5% of its Embraer shares as part of a public offering in February 2007.

This transaction generated a gross capital gain of EUR 26 million that was included in operating income.

Dassault Aviation now holds 0.9% of Embraer's share capital, thus reflecting its desire to maintain its presence, considered strategic, within the company.

FINANCIAL STRUCTURE:

The Group has no bank indebtedness. The significant borrowings shown in the consolidated balance sheet correspond to the employee profit-sharing funds frozen in a current account and Falcon repayable advances.

Cash and cash equivalents, net of bank balances in credit, totaled EUR 1.24 billion.

This heading is not comparable with cash and cash equivalents under French GAAP. Most of the Group's marketable securities are now classified under IFRS in "Non-current assets" on the balance sheet and measured at market value.

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

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

Consolidated available cash as of December 31, 2007 totaled **EUR 4.56 billion**, compared to EUR 3.50 billion in the previous year.

FINANCIAL RISK MANAGEMENT:

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

CASH AND LIQUIDITY RISKS:

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

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

CREDIT RISK:

The Group performs its cash and foreign exchange transactions with recognized financial institutions.

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

Considering the trade receivables impairment method used to prepare the financial statements, the percentage of outstanding receivables not impaired at the year-end is immaterial.

MARKET RISK:

- ***Foreign exchange risks:***

  - Hedging portfolio:

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

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

  Dassault Aviation partially hedges its net future cash flows only if they are considered highly probable, and partially to ensure that the initial future cash flows will be sufficient to use the foreign exchange hedges in place. The amount of the hedge may be adjusted according to the variability in the timing of expected net cash flows.

  - EMBRAER shares:

  The Group's parent company owns Embraer shares. Embraer is listed on the Brazilian stock market and stated in euros in the Group financial statements based on its closing market value in Brazilian real translated into euros. The value of the shares may therefore fluctuate according to the exchange rate of these two currencies.

- ***Other risks:***

  The Group is exposed to a pricing risk relating to the price fluctuations of the Embraer shares.

GROUP ACTIVITIES:

PROGRAM DEVELOPMENTS:

- ***Falcon programs:***

  Fiscal year 2007 was marked by very significant sales in Falcon executive jets, exceeding those of the previous year. A new orders record was set.

  Other highlights include:

  - the delivery of 70 Falcons, compared to 61 in 2006,
  - **the delivery of the first Falcon 7X on June 13, 2007**, following its dual European and US certification on April 27, 2007,
  - the announcement at the EBACE air show in May 2007 of the launch of the Falcon 2000 LX program,
  - the maiden flight of the Falcon 2000DX on June 19, 2007 in Mérignac and its certification by the EASA and FAA on October 12, 2007.

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- ***Defense programs:***

  Rafale highlights in 2007 included:

  - delivery of 13 Rafale production aircraft,
  - the deployment of the French Air Force and Navy Rafale in a foreign field of operations. This demonstrated the excellent availability and operating capabilities of the aircraft,
  - the delivery of the Saint-Dizier Rafale Simulation Center,
  - continued development of the F3 standard, particularly several validation firing tests on the Charles de Gaulle (AASM, AM39) aircraft carrier or at the Landes Test Center (ASMPA).

  Other programs included:

  - the **delivery of 15 new MIRAGE 2000-5** to Greece,
  - the end of the feasibility phase for the nEUROn Unmanned Combat Aircraft Vehicle (UCAV) demonstrator in June 2007 and approval by the French General Delegation for Armament of the related equipment in November 2007. The definition phase began in July 2007. This program, under the project management of Dassault Aviation, includes five other European partners: ALENIA (Italy), EADS-CASA (Spain), HAI (Greece), RUAG (Switzerland) and SAAB (Sweden),
  - continued work for the integration of the Link 16 function in the Mirage 2000 D and Mirage 2000-5,
  - in the aerospace industry, the production of pyrotechnical equipment for Ariane and Vega and involvement in CNES research on the airborne mini-launcher for the Rafale.

CUSTOMER SUPPORT AND SERVICES:

In 2007, the Dassault Aviation Group:

- doubled the warranty period for Falcon spare parts,
- commissioned a Falcon technical support center in Saint-Cloud,
- received a major order from the French government for Rafale spare parts and obtained spare parts orders for export military aircraft.

SUBSIDIARY ACTIVITIES:

- ***DASSAULT FALCON JET (USA)***: this company markets Falcon jets and is responsible for their fitting-out.

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

  Its subsidiaries are:

  - Dassault Falcon Jet - Wilmington (wholly owned subsidiary), an aviation maintenance and service company, located in Wilmington (Delaware),
  - Dassault Aircraft Services (wholly-owned subsidiary), responsible for promoting aviation maintenance and service sales in the United States, also located in Wilmington (Delaware),
  - APRO (50/50 owned with Messier-Services Inc.), responsible for the repair and maintenance of Falcon and ATR landing gear and flight controls. The company's facility is located in Deerfield Beach, Florida.

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- ***DASSAULT FALCON SERVICE (France),*** based at Le Bourget airport, contributed to Falcon support activities in the following two areas:
  - maintenance and fitting-out of Falcon aircraft: a service station dedicated to Falcon aircraft, it maintains around 250 aircraft every year, representing nearly 400 inspections and 2,200 repair jobs,
  - leasing and management of Falcon aircraft as part of passenger public transport activities: this division also has a welcome department for passing aircraft (FBO, handling) and offers its expertise in the operational use of Falcon aircraft.

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

- ***MIDWAY (USA)*** ensures the overhaul and repair of civil aviation equipment for French OEMs, suppliers of Falcons or other aircraft.

- **SOGITEC INDUSTRIES (France)** operates in the simulation and documentation sectors. In 2007, it delivered the simulator for the Rafale F2 in Saint-Dizier and the electronic documentation for the Falcon 7X, prepared by Dassault Aviation and its partners.

AFFILIATES:

- ***CORSE COMPOSITES AÉRONAUTIQUES (France)*** is specialized in the production of aviation parts from composite materials, in particular for its corporate shareholders (EADS Airbus, Latecoere, Snecma and Dassault Aviation).

- ***EMBRAER (Brazil)***, a major player in the aviation industry, enabled the Group to maintain its presence in South America, and particularly in Brazil.

RESEARCH AND DEVELOPMENT:

In addition to programs, our future preparatory activities focus on research involving aircraft concepts, technological developments and the improvement of our well-equipped processes.

The strengthening of our project management abilities, the improvement of our competitiveness and the creation of differentiators for our products remain our primary objectives.

In the military aviation industry, a certain number of initiatives have been submitted to the French General Delegation for Armament in order to maintain the Rafale in optimal condition in the future.

In addition to nEUROn, the initial research phase for the preparation of a future operational UCAV as part of the Upstream Research Program has been completed, thus enabling Dassault to propose three operational UCAV concepts. This work should continue with a view to preparing the next phase of the nEUROn program.

In 2007, priority was given to research into cutting-edge technologies for the next generation of Falcon aircraft to significantly reduce the environmental impact of the future business aircraft and propose high-quality services to our customers.

The developments made in terms of on-board power management, advanced aircraft control, drag reduction and eco-design can be validated using the demonstrators as part of the Clean Sky technology initiative which should begin in 2008.

The 7th European Research and Development Framework Program and the DPAC support the set-up of projects contributing to these objectives.

With regard to upstream research, Dassault is organizing a maintenance analysis project proposal in connection with the Astech competitiveness cluster.

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NEW INDUSTRIAL REVOLUTION:

As stated in previous reports, for the Falcon 7X program, Dassault Aviation made the digital company and Product Lifecycle Management (PLM) a reality, thus providing a significant technological and competitive advantage. Hence, after the design phase on a "physical plateau ", the partners have continued their work on a "virtual plateau" using a shared digital model.

NEW PRODUCTION TECHNIQUES:

The widespread use of PLM (Product Lifecycle Management) tools on the Falcon 7X resulted in significant cost cuts and industrial development and production cycle gains.

With respect to competitiveness clusters, Dassault Aviation organizes development projects for the composite and metallic parts sectors (new aluminum alloys, new welding techniques).

Robotized assembly cells continue to be developed.

Several research projects are under way in order to reduce the environmental impact of manufacturing processes: new paint ranges containing less solvent pollutants, alternative chemical machining processes for aluminum and titanium and new electronic component welding processes.

PRODUCTION FACILITIES:

The modernization and adaptation of Dassault Aviation production facilities were represented in 2007, in particular, by:

- the commissioning of high-performance industrial facilities, including:
  - two robotized assembly cells for fuselages in Argenteuil,
  - a second robotized assembly cell for section seams in Biarritz,
  - adaptation and development of Resin Transfer Molding (RTM) facilities in Biarritz,
  - shot peening cabin in Seclin.
- the ordering of new facilities:
  - high-speed machining cell in Seclin,
  - a second shot peening cabin in Seclin,
  - digitally controlled pointing center in Argonay,
  - fuselage painting cabin, with building renovations, in Biarritz,
  - laser tracker measuring devices for Biarritz, Martignas and Seclin.

In addition, the extension of the Lindbergh hall and the expansion of the Mérignac run-up area got underway.

ETHICS:

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

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

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TOTAL QUALITY:

The Group pursued its Total Quality policy defined on the basis of four major strategies:

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

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

In November 2007, Dassault Aviation was successfully audited under the EN 9100 certification, a standard specific to the aviation sector and encompassing ISO 9001.

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

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

HUMAN RESOURCES:

Dassault Aviation Group employed 12,160 people as of December 31, 2007.

DASSAULT AVIATION, PARENT COMPANY

ACTIVITIES:

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

KEY FIGURES:

ORDER BOOK:

Total orders booked by the parent company in 2007 amounted to **EUR 5.54 billion**, representing a 24% increase on fiscal year 2006.

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

Fiscal year	Defense		Falcon	**Total**
	France	Export		
2003	878	139	1,084	**2,101**
2004	1,727	103	1,530	**3,360**
2005	313	134	3,485	**3,932**
2006	380	141	3,933	**4,454**
2007	**638**	**233**	**4,664**	**5,535**

NET SALES:

Parent company **net sales in fiscal year 2007** totaled **EUR 3.61 billion**, up 26% compared to 2006.

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

Fiscal year	Defense		Falcon	**Total**
	France	Export		
2003	541	1,061	1,199	**2,801**
2004	495	837	1,478	**2,810**
2005	1,347	419	1,204	**2,970**
2006	971	252	1,630	**2,853**
2007	**878**	**844**	**1,883**	**3,605**

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NET INCOME:

Net income for the year is **EUR 323 million**, up 44% compared to 2006.

Company employees will receive a total of EUR 101 million under the profit-sharing scheme and EUR 14 million under the incentive scheme.

This represents 29.1% of salaries paid in 2007, compared to a legal minimum of 10.5%.

DIVIDENDS (APPROPRIATION OF NET INCOME):

Subject to your approval of the 2007 financial statements, we propose that the net income for the year of: EUR 323,495,737.49
plus retained earnings of EUR 1,671,514,039.43
giving a total of EUR 1,995,009,776.92
be appropriated as follows:

- **dividend distribution of EUR 107,334,508.20**
- with the remaining balance to retained earnings EUR 1,887,675,268.72

If you accept this proposal, a **dividend per share of EUR 10.6** will be distributed in respect of fiscal year 2007.

For individuals taxable in France, this dividend shall be liable for a progressive scale after the 40% allowance or, as an option, a flat-rate withholding. Whatever option is chosen, this dividend shall give rise to social security contributions deducted at source.

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

Fiscal year	**Net dividend** (in EUR)	**Allowance (1)**
2004	7.70	50%
2005	9.90	40%
2006	7.40	40%

(1) individuals

FIVE-YEAR SUMMARY:

The Dassault Aviation five-year summary is shown in Note 34 to the financial statements.

TAX CONSOLIDATION:

The Company elected for tax consolidation with effect from January 1, 1999, forming a tax group with those French subsidiaries in which it holds an interest of over 95%. A tax consolidation agreement was signed with each of these subsidiaries and renewed at the end of 2003 for a period of five years.

RISK MANAGEMENT:

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

PURCHASES AND SUBCONTRACTING:

In fiscal year 2007, Dassault Aviation purchases totaled EUR 2.27 billion, representing around 63% of sales.

Purchases break down into three categories: equipment and support (2/5), semi-products, accessories, industrial subcontracting and special process subcontracting (2/5), general purchases, including training and intellectual services (1/5).

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

EMPLOYEE MATTERS:

RECRUITMENT:

The Company had a total of 8,327 employees as of December 31, 2007.

Total employees as of 12/31/2006	Departures	Recruitments	**Total employees as of 12/31/2007**
8,452	772	647	**8,327**

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The 647 recruits in 2007 involved all the professional categories, in particular laborers. They mainly correspond to permanent contracts covering all age groups.

With respect to the Company-wide agreement on professional equality for men and women signed on January 30, 2007 with the aim of developing the men/women ratio, 17% of all recruits involved women.

The measures implemented as part of our “School Relations" policy were developed. These included in particular:

- our partnership with the "Elles bougent" association for the promotion of engineering professions for women,
- the Student Aerospace Challenge aims to associate teams of students with the space tourism aircraft project led by Jean-Pierre Haigneré,
- exchanges with various student associations in order to provide them with an insight into aviation and the professions of technician or engineer.

Numerous “business” seminars were also organized in vocational schools, technological institutes, universities or engineering schools. At the same time, Dassault’s presence at forums or the student visits on its own premises help young people to define their career path.

Dassault is also present in schools through the numerous lessons given by its experts, who therefore supplement student academic programs with their professional expertise.

As of December 31, 2007, the number of employees under fixed-term contracts was 60, or 0.72% of total employees. The average number of temporary employees was 270, or 3.24% of total employees.

EMPLOYMENT AND INTEGRATION OF HANDICAPPED EMPLOYEES:

A new three-year agreement for the period 2007-2009 was signed on November 14, 2006 with five labor unions and approved by the administrative authorities.

In 2007, the Company hired 7 handicapped employees and received 15 handicapped interns.

Adapted work positions and grants were organized for the studies of young handicapped persons.

The Company employed a total of 661 units in relation to a 6% employment obligation equal to 508 units.

ORGANIZATION OF WORKING HOURS AND REMUNERATION:

As of December 31, 2007, 4,210 employees received a fixed salary with no reference to working hours or with reference to an annual number of working days.

The average effective working week of employees paid on an hourly basis was 34.50 hours.

The number of part-time employees totaled 280 or 3.36% of total employees as of December 31, 2007.

The average rate of absenteeism was 3.18% of days worked.

The annual report on professional equality between men and women did not reveal any significant differences. A Company-wide agreement on professional equality for men and women was signed in early 2007. Its content mainly focuses on the increasing the men/women ratio, particularly, in technical professions, professional development and training, and the balance between working and family life.

The minimum annual Company salary was EUR 20,020.

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The average annual growth in current salaries was 4.70%.

Current gross annual salaries in euros are as follows:

	1st decile	1st quartile	median	3rd quartile	9th decile
2007	26,153	30,317	38,610	54,798	77,254

Average profit-sharing and incentive scheme amounts received by entitled employees were EUR 11,599 and EUR 1,613, respectively.

In addition, a total of EUR 31,684,264 was paid to the Works' Councils in respect of employee activities (5% of total payroll) or for various employee-related expenses: transport, housing, catering, etc.

EMPLOYEE RELATIONS:

Consultation and negotiation with labor unions continued.

In 2007, in addition to the annual agreement on wages and the organization of working time, Company-wide agreements were signed with regard to:

- professional equality among men and women,
- collective incentive scheme for fiscal years 2007 to 2009,
- composition of the Central Works' Council,
- forecast management of employment and skills,
- relief teams,
- stand-by duty,
- death/total or permanent disability risk for executives and non-executives.

In addition, numerous work groups were organized in order to improve the understanding, prior to negotiation, of various issues such as health insurance, death insurance, careers of employee representatives, mutual funds and professional equality among men and women.

DEVELOPMENT OF HUMAN RESOURCES AND TRAINING:

The modernization of the Company's Human Resources development policies, initiated at the beginning of 2000, continued in 2007.

With the primary aim of enhancing the Company's performance, Dassault Aviation successfully maintained and developed the level of skills of its employees by taking into consideration individual and group expectations and the Company's social and economic environment.

Certain long-term projects have begun to bear fruit. As a result:

- under the employee skills management project, 90% of employees are now assigned to a company job description database,

- the preparation of Curriculum Vitae, initiated in 2001, and the conduct and follow-up of individual interviews are now customary human resource management tools. The experience gained and the signing in 2007 of the Company-wide agreement relating to the forecast management of employment and skills led to an improvement in individual interview tools,

- professional mobility, an essential tool, satisfies the Company's resource requirements and meets employee expectations,

- the transfer of operating know-how through the Dassault Skills Conservatory (the range of training courses continues to develop) is deployed in all sites,

- a managerial culture based on high-quality close communications is transmitted through numerous Dassault Institute seminars,

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- the deployment of the "Dassault Business Class" training seminar conveying "Customer culture" promotes commercial and legal reflexes as from the initial phase of Dassault's projects,

- continued capital expenditure on professional training satisfies employee operating requirements, and represents a financial expense equivalent to 3.53% of total payroll for 185,973 hours of training.

In 2007, 556 interns on scholarships were received in all Company departments.

A total of EUR 3,074,418 was paid in apprenticeship tax.

Employee communications and information continued, particularly through the Deltanet tool, which provides each employee with up-to-date information on the organization of daily activity within the Company. The traditional "Management/Supervisor/Employee/Labor Union" meetings continued, thus illustrating the direct communication method that the Company intends to develop.

HEALTH - SAFETY:

During 2007, 199 accidents resulted in work stoppages, corresponding to a frequency rate [(1)] of 16.06 and a severity rate [(2)] of 0.43.

In addition, 7 cases of occupational sickness were recognized by the social security during the year.

(1) $\frac{\text{Nber of work-related accidents with stoppage}}{\text{Number of hours worked}} \times 1{,}000{,}000$

(2) $\frac{\text{Nber of days lost due to temporary disability}}{\text{Number of days worked}} \times 1{,}000$

ENVIRONMENT:

CONTEXT

Between 2003 and 2005, Dassault Aviation ensured the certification of all its sites under the ISO 14001 standard relating to environmental management systems, in accordance with the UN Global Compact initiative.

In 2007, it decided to reinforce its environmental approach by implementing a Company management system.

FOREIGN SUBSIDIARIES

The main industrial site of the US subsidiary, Dassault Falcon Jet, specializing in the commercial development of Falcon aircraft, is also ISO 14001 certified.

MAIN ACHIEVEMENTS

Our main achievements in 2007 with respect to environmental protection and/or improvements were as follows:

- ISO 14001 certification of the Company Environmental Management System in April 2007,
- creation of a Safety Data Sheet (SDS) database for the chemicals used by Dassault's plants,
- implementation on all sites specialized in the painting of Falcon exteriors of a new chromate free range with a low concentration of volatile organic compounds (VOC),
- qualification of the unsealed anodizing of aluminum alloy parts, thus reducing the residual amount of chromates found on aircraft.

INTERNAL ORGANIZATION OF THE COMPANY WITH REGARD TO THE ENVIRONMENT

- ***The Environmental Management System of the Dassault Aviation sites (Site EMS)***

  The Site EMS mainly focuses on the quality and environmental departments which represent management with the relevant authorities.

  A network of environmental contacts reinforces site supervision in order to deploy instructions, analyses and action plans in the field.

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- ***The Dassault Aviation Environmental Management System (Company EMS)***

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

  The Total Quality Management Department also defines the database, provides shared operational tools and supplies site environmental managers with directives aligned with internal or external best practices.

  Finally, it is responsible for preparing Company progress reports for review by management.

- ***Environmental risk management***

  Dassault Aviation's industrial sites are governed by legislation covering Environmental Protection Classified Installations.

  Their classification is representative of the level of risk:

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

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

  - comprehensive risk analysis,
  - implementation of an emergency response plan,
  - accident simulations.

- ***Employee awareness***

  Virtually all Dassault Aviation employees have been made aware of environmental concerns, as well as the external companies working at the Dassault Aviation sites whose activities impact the environment.

ENVIRONMENTAL PERFORMANCE

- ***Environmental reporting***

  A reporting mechanism has been set up for impacts at the Company level (consumption of resources, discharges, waste, etc.).

  Each site has determined:

  - local Company environmental reporting indicators,
  - specific indicators for its activities.

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

- ***Resource consumption/Energy***

  In addition to the kerosene used for flight tests, the energy used by Dassault Aviation at its different sites is 55% electricity, 43% gas and 2% liquid fuel (fuel-oil, diesel).

Year	Tera Joules			
	Electricity	**Gas**	**Fuel oils**	**Total**
1998	*322*	*321*	*98*	***741***
2006	359	324	9	**692**
2007	350	279	11	**640**

  Despite the substantial production increase, overall energy consumption has decreased thanks to the energy saving schemes implemented by the sites.

  Electricity is used for the lighting on the sites and the air conditioning of premises, in addition to certain processes (thermal treatments, composite manufacturing, etc.).

  Gas provides the energy required for certain processes (surface treatment and paint workshops) and to heat the premises.

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

- ***Resource consumption/Water***

The water used at the production sites comes from public supply networks and/or is pumped from the ground. Furthermore, the Argenteuil site also set up a rainwater recovery system.

Year	Thousands of m^3		
	Municipal water	**Ground water**	**Total**
1998	*463*	*271*	***734***
2006	197	90	**287**
2007	174	77	**251**

The significant decline in water consumption since 1998 is particularly due to the management of water used for cooling, catering, bathroom facilities and watering of green areas.

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

Airframes are mainly manufactured using aluminum, which is a recyclable material, composite materials, paints and mastics. Consumables such as acids and bases (surface treatment baths), machining oils and mainly non-halogenated degreasing solvents are also used.

- ***Solvents and related discharges***

The table hereafter shows the trends in the overall consumption of solvents on Dassault Aviation sites.

Year	Tons		
	Non-halogenated	**Halogenated**	**Total**
2000	*144*	*118*	***262***
2006	144	19	**163**
2007	119	11	**130**

Despite the increase in production loads compared to 2000, the consumption of solvents, in particular halogenated solvents, has declined by replacing these solvents (e.g. trichloroethylene) with other substances such as water-based detergents.
Dassault Aviation sites also discharge volatile organic compounds (VOC) used in degreasing and painting through either channeled or diffused emissions. VOC emissions have dropped by around 40% since 2000.

- ***Other atmospheric discharges***

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

These activities generate carbon dioxide (CO_2), sulfur dioxide (SO_2) and nitrogen oxide (NOx) waste.

Year	Thousand of tons of CO_2		
	without kerosene	**from kerosene**	**Total**
1998	*26*	*23*	***49***
2006	19	21	**40**
2007	17	19	**36**

Year	Tons of SO_2		
	without kerosene	**from kerosene**	**Total**
1998	*17*	*3*	***20***
2006	0	3	**3**
2007	0	3	**3**

Year	Tons of NOx		
	without kerosene	**from kerosene**	**Total**
1998	*39*	*50*	***89***
2006	23	46	**69**
2007	21	43	**64**

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

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- ***Water discharges***

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

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

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

  In addition, the Argonay site has a "zero waste" workshop for its surface treatment activities that eliminates pollutant discharges that have a significant impact on the environment.

- ***Waste***

  The waste generated by the Dassault Aviation plants breaks down into two major categories: non-hazardous industrial waste (paper, cardboard, scrap iron, etc.) and hazardous industrial waste (oils, metal hydroxide sludge, solvents, soiled packaging, etc.).

  Overall waste production trends are presented in the table below:

Year	Tons		
	Non-hazardous	**Hazardous**	**Total**
2005	4,919	2,184	**7,103**
2006	6,071	2,043	**8,114**
2007	6,298	2,217	**8,515**

  The waste tonnage increase is due to the rise in the production rate. It mainly stems from the waste generated by the following activities:

Year	Tons		
	Surface treatment	**Metals, Machining**	**Total**
2005	989	2,251	**3,240**
2006	1,062	3,077	**4,139**
2007	1,177	3,272	**4,449**

- ***Noise and vibrations***

  Noisy equipment is to a maximum extent placed inside buildings, and any devices likely to cause vibrations are set on concrete blocks equipped with anti-vibration mountings.

  Noise level measurements did not reveal any significant noise disturbances.

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

- ***Traffic***

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

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

- ***Odors***

  The Dassault Aviation production sites do not create any olfactory disturbances for the neighboring communities.

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ENVIRONMENTAL COSTS

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

  The capital expenditure for the environment incurred by Dassault Aviation in 2007 totaled EUR 1 million.

  Risk, impact and regulatory compliance studies amounting to EUR 2.28 million were performed.

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

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

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

- ***Provisions and financial guarantees***

  Dassault Aviation has not recognized any environmental provisions and is not legally obliged to provide financial guarantees in accordance with current mining authorization decrees.

  It bears mentioning that, in addition to its General Operations Civil Liability insurance policy (EUR 1.5 million for environmental damage risks), the Company has taken out environmental multi-risk coverage in the amount of EUR 8 million.

PRIORITIES AND LINES FOR DEVELOPMENT

Our main achievements in 2008 with respect to the environment were as follows:

- reinforce the Company-wide ISO 14001 certification by rectifying certain deficiencies identified during the 2007 audit,
- develop actions to promote environmental concern with respect to the design of new products,
- set up the organization and tools required by the REACH regulation on chemical substances of very high concern.

SHAREHOLDER INFORMATION:

CAPITAL STRUCTURE

The share capital of the Company totaling EUR 81,007,176 is made up of 10,125,897 shares, each with a par value of EUR 8. The shares are listed on the "Euronext Paris" market.

The principal Dassault Aviation shareholders as of December 31, 2007 are as follows:

Shareholders	Number of shares	% interest and voting rights
GIMD (1)	5,118,240	50.55%
EADS France	4,688,307	46.30%
Private investors	319,350	3.15%
TOTAL	**10,125,897**	**100.00%**

(1) GIMD (Groupe Industriel Marcel Dassault): direct and indirect shareholding.

SHARE OWNERSHIP AND VOTING RIGHTS

As of December 31, 2007, 5,600 shares (0.06% of the share capital) were held by a corporate investment fund, whose members consist of current and former Company employees.

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

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

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

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

THE BOARD OF DIRECTORS

The rules governing the appointment and replacement of members of the Board of Directors and amendments to the bylaws are those provided by the prevailing laws.

The powers of the Board of Directors are those provided by the prevailing laws. It is not authorized to issue new shares or buy back Company shares.

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 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.

EXECUTIVE MANAGEMENT:

The Combined Annual and Extraordinary General Meeting of April 25, 2002 brought the bylaws of the Company into compliance with the New Economic Regulations Law of May 15, 2001.

The Board of Directors, which met after this meeting, decided that the Chairman of the Board of Directors, Mr. Charles Edelstenne, would be responsible for the Company's Executive Management.

OTHER OFFICES HELD AND DUTIES PERFORMED BY DASSAULT AVIATION EXECUTIVE OFFICERS DURING FISCAL YEAR 2007:

HONORARY CHAIRMAN AND DIRECTOR:

Serge Dassault
Term of office beginning and end: 2003 AGM – 2009 AGM
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- Chairman:
  . Groupe Industriel Marcel Dassault SAS
  . Groupe Figaro SAS

- Chairman and Chief Executive Officer:
  . Socpresse SA

- Chairman of the Board of Directors:
  . Société du Figaro SA

- Chief Executive Officer:
  . Château Dassault SAS

- Director:
  . Thales SA *(1)*
  . Dassault Développement SA
  . Société de véhicules électriques SAS
  . Dassault Falcon Jet Corporation (USA)
  . Dassault International Inc. (USA)

- Chairman:
  . Rond-Point Immobilier SAS

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- General Manager:
  . Immobilière Argenteuil Le Parc SARL
  . Société Immobilière du Rond-Point des Champs-Elysées SARL
  . Société Civile Immobilière de Maison Rouge
  . Rond-Point Investissements SARL
  . Société Civile TVES
  . S.C.I. des Hautes Bruyères

(1) until February 2007

CHAIRMAN AND CHIEF EXECUTIVE OFFICER:

Charles EDELSTENNE
Term of office beginning and end: 2003 AGM – 2009 AGM
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- Chairman of the Board of Directors:
  . Dassault Systèmes SA

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

- Director:
  . Thales Systèmes Aéroportés SA *(1)*
  . Sogitec Industries SA
  . Société Anonyme Belge de Constructions Aéronautiques (Belgium)

- Chairman:
  . Dassault Falcon Jet Corporation (USA)

- President:
  . Dassault International Inc. (USA)

- General Manager:
  . Société Civile ARIE
  . Société Civile NILI

(1) until June 2007

DIRECTORS:

Olivier ANDRIES
Term of office beginning and end: 08.29.2007 – 2010 AGM
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- Director of Strategic Coordination:
  . EADS NV *(1)*

- Director:
  . AEROPORTS DE PARIS

(1) since July 2007

Olivier DASSAULT
Term of office beginning and end: 2003 AGM – 2009 AGM
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- Chairman:
  . Dassault Communications SAS

- Vice-Chairman:
  . Groupe Industriel Marcel Dassault SAS

- Director:
  . Socpresse SA
  . Société du Figaro SA

- Chairman of the Supervisory Board:
  . Groupe Valmonde SA
  . Journal des Finances SA

- Member of the Supervisory Board:
  . Rubis SA

Noël FORGEARD
Term of office beginning and end: 09.14.2005 – 2.2.2007
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- Director:
  . Schneider Electric

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Louis GALLOIS
Term of office beginning and end: 02.14.2007 – 2010 AGM
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- Chief Executive Officer
  . EADS N.V. (Netherlands)
  . EADS PARTICIPATIONS B.V. (Netherlands)

- Chairman:
  . EADS FRANCE SAS (France)
  . AIRBUS SAS (France) *(1)*

- Director:
  . SOGEADE SA (France) *(1)*

(1) until August 2007

Jean-Paul GUT
Term of office beginning and end: 2004 AGM – 07.27.2007
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- Chief Operating Officer, Marketing, Strategy & Global development d'EADS N.V. (Netherlands) *(1)*

- Director-General Manager:
  . AMLI (GIE) *(1)*

- Director:
  . ARJIL Commanditée-ARCO SA
  . EADS CASA SA (Spain) *(1)*
  . EADS North America, Inc (USA) *(1)*

- Permanent representative of MBDA France on the Board of:
  . Eurotradia International SA *(1)*

- Member of the Supervisory Board:
  . Eurocopter SAS *(1)*

- Member of the Shareholders' Committee:
  . AIRBUS SAS *(1)*

(1) until July 2007

Philippe HUSTACHE
Term of office beginning and end: 2003 AGM – 2009 AGM
Number of Dassault Aviation shares held: 50

Other corporate offices and duties:

- Adviser to the Chairman
  . Groupe Industriel Marcel Dassault SAS

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

Denis KESSLER
Term of office beginning and end: 2003 AGM – 2009 AGM
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- Chairman and Chief Executive Officer:
  . SCOR SE

- Chairman:
  . SCOR HOLDING (SWITZERLAND) AG (Switzerland) *(1)*

- Director:
  . BNP Paribas SA
  . Bolloré Investissement SA
  . Cogedim SAS *(2)*
  . INVESCO Plc (GB)
  . DEXIA SA (Belgium)
  . SCOR Canada Reinsurance Company (Canada)

- Board advisor:
  . FINANCIERE ACOFI SA
  . Gimar Finance et Cie SCA

- President:
  . SCOR GLOBAL LIFE SE
  . SCOR Italia Riassicurazioni S.p.a. (Italy) *(3)*
  . SCOR Reinsurance Company (USA)
  . SCOR US Corporation (USA)
  . SCOR Global Life US Re Insurance Company (USA)

- Permanent representative of Fergascor on the Board of:
  . Communication & Participation SA

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- Member of the Supervisory Board:
  . SCOR Deutschland (Germany) *(3)*

(1) since August 2007
(2) until April 2007
(3) until August 2007

Yves MICHOT
Term of office beginning and end: 2004 AGM – 04.20.2007
Number of Dassault Aviation shares held: 27

Other corporate offices and duties:

- Chairman and Chief Executive Officer:
  . Défense Conseil International (DCI) SA *(1)*
  . Brienne Conseil & Finance SA *(1)*

- Chairman
  . DCI/Services & Assistance SAS *(1)*
  . ARCADIA SAS *(1)*
  . Financière de Brienne SAS
  . Chabrier Investissement Conseil SAS

- Director:
  . DCNS SA
  . CNES

- Member of the Supervisory Board:
  . Bayard Presse SA
  . Armaris SA *(1)*

(1) until April 2007

Bruno REVELLIN-FALCOZ
Term of office beginning and end: 2002 AGM – 2008 AGM
Number of Dassault Aviation shares held: 37

No other corporate offices and duties.

Pierre-Henri RICAUD
Term of office beginning and end: 2004 AGM – 2010 AGM
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- General Manager:
  . PRAGMA

EXECUTIVE OFFICER COMPENSATION IN 2007:

COMPENSATION TO THE HONORARY CHAIRMAN:

- In respect of GIMD, which controls Dassault Aviation:
  Mr. Serge Dassault received a gross annual compensation of EUR 150,000 in respect of his duties as Chairman of GIMD.

  He had the use of a company car.

  In addition, he received directors' fees of EUR 17,000.

- In respect of Dassault Aviation:

  Mr. Serge Dassault, Director, received:
  - directors' fees of EUR 22,000 and
  - annual compensation of EUR 9,148 for advisory services.

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

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

- In respect of French and foreign companies controlled by Dassault Aviation as defined by Article L 233-16 of the French Commercial Code (i.e. companies included in the scope of consolidation):

  Mr. Serge Dassault received gross directors' fees of USD 34,286 for his activities on the Dassault Falcon Jet Board.

COMPENSATION TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER:

- In respect of GIMD, which controls Dassault Aviation:

  Mr. Charles Edelstenne received directors' fees of EUR 17,000.

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- In respect of Dassault Aviation:

  Mr. Charles Edelstenne received gross annual compensation of EUR 638,550 in respect of his duties as Chairman and Chief Executive Officer.

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

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

  Mr. Edelstenne, whose employment contract was suspended when he became Chairman and CEO, will be entitled to a retirement termination benefit and a pension in accordance with the Company's rules applicable to this employee category.

  The Board of Directors has also allocated Mr. Edelstenne an annual retirement benefit equal to 3% of his gross annual remuneration on the date of his retirement multiplied by the number of years during which he was Chairman and CEO and limited so that all benefits do not exceed 60% of his last gross annual remuneration.

- In respect of French and foreign companies controlled by Dassault Aviation:

  Mr. Charles Edelstenne received gross directors' fees of USD 34,286 for his activities on the Dassault Falcon Jet Board.

COMPENSATION PAID TO OTHER DIRECTORS:

- In respect of GIMD, which controls Dassault Aviation:

  Messrs. Olivier Dassault and Philippe Hustache each received directors' fees of EUR 17,000.

- In respect of Dassault Aviation:

  Messrs. Olivier Dassault, Philippe Hustache, Denis Kessler and Pierre-Henri Ricaud each received directors' fees of EUR 22,000.

  Messrs. Olivier Andries, Noël Forgeard, Yves Michot, Louis Gallois and Jean-Paul Gut each received directors' fees of EUR 1,955, EUR 7,517, EUR 12,222, EUR 13,750 and EUR 18,150 respectively.
  Mr. Bruno Revellin-Falcoz received directors' fees of EUR 22,000 and compensation in the amount of EUR 60,000 for an exceptional technical expertise assignment granted by the Board of Directors. The expenses incurred during this assignment were paid by the Company. Mr. Bruno Revellin-Falcoz, Director, employed until March 31, 2006, also received in 2007 compensation of EUR 150,800, employee profit-sharing of EUR 5,825 and incentive payments of EUR 1,299.

- In respect of French and foreign companies controlled by Dassault Aviation:

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

OUTLOOK FOR THE FUTURE:

Parent company sales in fiscal year 2008 are expected to total around EUR 3.3 billion.

PROPOSED RESOLUTIONS:

The resolutions presented to you for adoption concern:

- the approval of the parent company financial statements,
- the approval of the consolidated financial statements,
- the approval of agreements detailed in the Auditors' Report on related-party transactions,
- the discharge of Directors from any liability arising from their management of the Company,
- the appropriation of net income,
- the approval of the appointment of a new Director,
- the appointment of a new Director,
- the renewal of mandates for the principal statutory auditors, a deputy statutory auditor and the appointment of a new deputy statutory auditor.

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CONCLUSION:

For Dassault, 2007 will remain a mixed year. We have registered a record number of Falcon orders, but must cope with the steady depreciation over the past five years of the US dollar against the euro.

The fall in the dollar is undermining our competitiveness and internal financing capacity.

Cutting costs and achieving productivity gains are no longer sufficient. The Company must undergo changes to adapt to the new situation.

Such changes include:

- technical innovation through research & development in order to stay ahead in strategic fields,
- improvement of processes to remain the benchmark for digital collaboration companies,
- development of our industrial organization, particularly by gradually outsourcing a certain number of non-strategic research and manufacturing activities to subcontractors in France or abroad, in the US dollar zone or low cost countries.

The primary objectives for 2008 are to:

- increase Falcon delivery rates,
- launch the Falcon 900LX, equipped with winglets,
- push forward the development of the Falcon SMS and step up research into the next generation of Falcon jets, equipped with innovative technology,
- pursue the nEUROn program, essential to maintaining Dassault's competencies and those of Europe with respect to military aviation,
- sign the first Rafale export contract,
- improve the quality of our products and customer service and support activities.

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

The Board of Directors

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Ladies and Gentlemen,

The terms and conditions governing the preparation and organization of the Board's work during fiscal year 2007 and the internal control procedures set up by the Company are presented below.

ORGANIZATION AND FUNCTIONING OF THE BOARD OF DIRECTORS:

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

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.

Prior to each Board meeting, the Chairman verifies that the relevant documents are addressed to each Director in sufficient time.

Following the decision of the Board of Directors' meeting of April 25, 2002, the duties of the Company's Chief Executive Officer are exercised by the Chairman of the Board of Directors.

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

In 2007, the Board of Directors met twice on February 14 and August 29. The average attendance rate was 94%.

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

- analyzed order levels, the order book and sales,
- reviewed the internally-financed technology budget and the capital expenditure budget,
- analyzed the current and forecast workload compared to Company potential, the progress of the civil and military programs and the implementation of the labor policy.

In addition, the Board of Directors:

- approved the fiscal year 2006 company and consolidated financial statements, called the Annual General Meeting of Shareholders on April 25, 2007 and drew up the financial statements for the half-year ended June 30, 2007,
- reviewed forecast management documents in February 2007 and revised the forecast income statement in August 2007,
- renewed the annual authorization conferred on the Chairman and Chief Executive Officer to grant guarantees and deposits,
- co-opted two new directors,
- approved a related-party transaction,
- and approved the contents of financial press releases.

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INTERNAL CONTROL PROCEDURES:

INTERNAL CONTROL OBJECTIVES:

The Company's internal control procedures are intended to:

- ensure that operations and management acts as well as staff conduct fall within the framework defined by Executive Management, applicable laws and regulations, and the Company's internal values, code of conduct and rules,

- verify that the information provided and communications addressed to the Board of Directors, and the Shareholders' General Meetings are reliable and give a true and fair view of the Company's activity.

One of the main purposes of the internal control system is to anticipate and control risks resulting from the Company's activity and risks of error or fraud, particularly with respect to finance and accounting. However, as with any control system, it cannot provide absolute assurance that these have been totally removed.

GENERAL INTERNAL CONTROL ORGANIZATION AND ENVIRONMENT:

- ***Internal control reference documents:***

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

  - the Ethics Charter, which defines our values and code of conduct,

  - the Quality Manual, which describes the Company processes,

  - the Organization Manual, which describes the assignments and organization of each department,

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

- ***Internal control bodies:***

  The main internal control bodies in Dassault Aviation are as follows:

  - <u>Management Committee:</u>

    The Management Committee comprises the persons in charge of the Company's various departments (see first pages of the directors' report). It covers all aspects of the Company's activities and operations and meets on a weekly basis.

    Each Committee member is responsible for the internal control of his department.

    The actions and recommendations decided by the Committee are assigned to one or more of its members, and a manager is designated to ensure coordination. At each meeting, the Committee secretary monitors the progress of these actions until their effective completion.

  - <u>Total Quality Management Department:</u>

    - Through the Risk Management Department:

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

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- Through the Quality Management System (QMS):

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

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

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

- Program Departments based on Program Management:

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

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

  Management control, coordinated by the Economic and Financial Affairs Department, with respect to both "structure" and "programs" is primarily responsible for the budgetary process.

  It is comprised of a network of management controllers in all Company departments. The Economic and Financial Affairs Department organizes quarterly budgetary reviews, particularly for the purpose of reporting to the Chairman and Chief Executive Officer.

- ***Control of subsidiaries:***

  The Dassault Aviation strategy is, but for a few exceptions, to exercise majority control over its subsidiaries (see Notes to the Parent Company Financial Statements).

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

  The Company is also represented on the Executive Committee of Dassault Falcon Jet, the Group's principal subsidiary.

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

- ***External control factors:***

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

  - the calculation of cost factors (hourly rate, procurement and non-operating expenses) and the costs of activities relating to French government markets are controlled by the French General Delegation for Armament,

  - product monitoring, in the military aviation activity, is performed by the French General Delegation for Armament,

  - in the civil aviation activity, the Company holds design, production and maintenance agreements, which are continually monitored by the General Directorate of Civil Aviation.

  On a voluntary basis, the Company is EN 9100 certified and its Quality Management System is audited each year by an external organization (Bureau Veritas Certification).

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The Company is ISO 14001 certified and audited each year by Bureau Veritas Certification.

INTERNAL CONTROL PROCEDURES FOR FINANCIAL AND ACCOUNTING PURPOSES:

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

  This function described in the Quality Manual is managed by the Economic and Financial Affairs Department for both the parent company and Group consolidation.

  This function is also responsible for:

  - the validation and control of the Company's centralized financial and accounting information system, implemented by the Information Systems Management Department,

  - the updating of the consolidation software used by the parent company, its subsidiaries or subsidiary sub-groups.

- ***General references:***

  The financial statements are prepared in accordance with:

  - accounting standards applicable to French groups and companies:

    - the decree of June 22, 1999 approving French Accounting Standards Committee Regulations 99-03 and 99-02 of April 29, 1999, and subsequent applicable regulations,

    - subsequent notices and recommendations of the French National Accounting Board (CNC).

  - international measurement and presentation standards for IFRS financial reporting prevailing as from December 31, 2007, as adopted by the European Union,

  - operating and control procedures described in the economic and financial data management process, completed by the specific procedures for the approval of the parent company and Group consolidated half-yearly and annual financial statements.

    These procedures and the IT applications used by the finance and accounting department are regularly audited by the statutory auditors.

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

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

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

  At the same time, the Vice-President for Economic and Financial Affairs sets up a committee to review the financial reports and statements.

  This review committee is independent of the teams involved in the preparation of these reports and statements.

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2007 ACTIONS:

In 2007, the Economic and Financial Affairs Department and the Total Quality Management Department continued to formalize the internal control procedures for all relevant persons by using the risk mapping updated during the year.

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

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

In addition, the Economic and Financial Affairs Department was audited in November 2007 as part of the EN 9100 certification audit. This audit noted the compliance of the Total Quality Management System with the standard's requirements.

2008 ACTION PLAN:

I have entrusted the Economic and Financial Affairs Department and the Total Quality Management Department with the task of conducting audits in 2008 in order to verify the correct application of the internal control procedures.

Chairman of the Board of Directors

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

In thousands of euros

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ASSETS

(in thousands of euros)	NOTE	As of December 31, 2007	As of December 31, 2006
NON-CURRENT ASSETS			
GOODWILL	3	14,366	14,366
INTANGIBLE ASSETS	4	73,717	70,356
PROPERTY, PLANT AND EQUIPMENT	4	412,725	420,491
EQUITY AFFILIATES	5	4,246	4,589
AVAILABLE-FOR-SALE SECURITIES	5	3,662,732	2,801,259
OTHER FINANCIAL ASSETS	5	31,366	28,911
DEFERRED TAX ASSETS	21	10,002	6,394
TOTAL NON-CURRENT ASSETS		4,209,154	3,346,366
CURRENT ASSETS			
INVENTORIES AND WORK-IN-PROGRESS	6	3,003,615	2,820,859
TRADE AND OTHER RECEIVABLES	7	501,040	443,547
ADVANCES AND PROGRESS PAYMENTS TO SUPPLIERS		89,088	106,201
HEDGING INSTRUMENTS	24	512,715	526,530
CASH AND CASH EQUIVALENTS	8	1,265,505	1,183,914
TOTAL CURRENT ASSETS		5,371,963	5,081,051
TOTAL ASSETS		9,581,117	8,427,417

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LIABILITIES AND EQUITY

(in thousands of euros)	NOTE	As of December 31, 2007	As of December 31, 2006
CAPITAL AND RESERVES			
SHARE CAPITAL	9	81,007	81,007
RESERVES		2,394,212	2,234,582
RESERVES FOR MEASUREMENT OF FINANCIAL INSTRUMENTS		893,360	860,450
ATTRIBUTABLE NET INCOME FOR THE YEAR		382,278	281,224
ATTRIBUTABLE EQUITY		3,750,857	3,457,263
MINORITY INTERESTS		106	88
TOTAL EQUITY		3,750,963	3,457,351
NON-CURRENT LIABILITIES			
LONG-TERM BORROWINGS	11	197,427	211,853
NON-CURRENT PROVISIONS	12	0	3,014
DEFERRED TAX LIABILITIES	21	116,972	163,210
TOTAL NON-CURRENT LIABILITIES		314,399	378,077
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	13	904,149	794,276
TAX AND EMPLOYEE-RELATED LIABILITIES	13	274,299	250,656
CUSTOMER ADVANCES AND PROGRESS PAYMENTS ON WORK-IN-PROGRESS	14	3,589,685	2,902,993
SHORT-TERM BORROWINGS	11	65,183	90,645
CURRENT PROVISIONS	12	682,439	553,419
TOTAL CURRENT LIABILITIES		5,515,755	4,591,989
TOTAL EQUITY AND LIABILITIES		9,581,117	8,427,417

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INCOME STATEMENT

(in thousands of euros)	NOTE	For the year ended December 31, 2007	For the year ended December 31, 2006
NET SALES	15	4,084,741	3,302,246
OTHER REVENUE	16	22,752	48,740
TOTAL REVENUE		4,107,493	3,350,986
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN- PROGRESS		221,412	374,092
EXTERNAL PURCHASES		(2,619,315)	(2,226,211)
PAYROLL AND RELATED CHARGES (1)		(987,506)	(928,353)
TAXES AND SOCIAL SECURITY CONTRIBUTIONS		(54,360)	(52,180)
DEPRECIATION AND AMORTIZATION	4	(65,777)	(64,513)
CHARGES TO PROVISIONS	12	(648,568)	(586,208)
REVERSALS OF PROVISIONS	12	526,929	505,049
OTHER OPERATING INCOME AND EXPENSES	17	(3,322)	(937)
CURRENT OPERATING INCOME		476,986	371,725
OTHER NON-RECURRING INCOME AND EXPENSES	19	26,401	0
NET OPERATING INCOME		503,387	371,725
NET FINANCIAL INCOME/(EXPENSE)	20	61,605	44,873
SHARE OF INCOME OF EQUITY AFFILIATES	5	152	152
CORPORATE INCOME TAX	21	(182,848)	(135,513)
NET INCOME (2)		382,296	281,237
Attributable consolidated net income		*382,278*	*281,224*
Minority interests		*18*	*13*
Basic earnings per share	22	37.8	27.8
Diluted earnings per share	22	37.8	27.8
(1) employee incentives and profit-sharing included in payroll and related charges		(117,807)	(91,024)

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

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CASH FLOW STATEMENT

(in thousands of euros)	For the year ended December 31, 2007	For the year ended December 31, 2006
NET INCOME FOR THE YEAR	382,296	281,237
Elimination of net income of equity affiliates, net of dividends received	(152)	(152)
Elimination of net income from disposals of non-current assets	(25,556)	1,003
Income tax expense (including deferred taxes)	182,848	135,513
Net charges to and reversals of depreciation, amortization and provisions (excluding those relating to working capital)	198,175	118,057
NET CASH FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES AND TAXES (A)	737,611	535,658
INCOME TAXES PAID (B)	(208,361)	(145,047)
Change in inventories and work-in-progress (net)	(182,756)	(336,999)
Change in advances and progress payments to suppliers	17,113	14,473
Change in trade and other receivables (net)	(57,493)	176,790
Change in foreign hedging premiums	(2,910)	1,411
Change in customer advances and progress payments on work-in-progress	686,692	220,644
Change in trade and other payables	109,873	(11,254)
Change in tax and employee-related liabilities	23,643	(5,438)
Consolidation reclassifications and restatements (1)	(36,130)	(23,452)
INCREASE (-) OR DECREASE (+) IN WORKING CAPITAL (C)	558,032	36,175
NET CASH FROM OPERATING ACTIVITIES (D=A+B+C)	1,087,282	426,786
Purchases of property, plant and equipment and intangible assets	(93,679)	(146,104)
Purchases of investments	(3,334)	(1,112)
Disposals of non-current assets	91,675	23,264
Dividends received from equity affiliates	0	0
Net cash from acquisitions and sales of subsidiaries	0	0
NET CASH FLOW USED IN INVESTING ACTIVITIES (E)	(5,338)	(123,952)
Change in available-for-sale marketable securities (at cost)	(830,185)	(550,985)
Capital increase	0	0
Change in equity items	0	0
Increase in borrowings	83,696	93,273
Repayments of borrowings	(88,674)	(86,437)
Dividends paid during the year	(74,932)	(100,246)
NET CASH FLOW USED IN FINANCING ACTIVITIES (F)	(910,095)	(644,395)
CHANGE IN NET CASH AND CASH EQUIVALENTS (D+E+F)	171,849	(341,561)
Opening net cash and cash equivalents (2)	1,126,173	1,514,230
Change in net cash and cash equivalents	171,849	(341,561)
Exchange rate fluctuations	(55,348)	(46,496)
Closing net cash and cash equivalents (2)	1,242,674	1,126,173

(1) EUR 36,130 thousand relating to the reclassification in deferred tax assets of the tax paid in advance on the capital gains arising from marketable securities.

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

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STATEMENT OF CHANGES IN EQUITY

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

- the heading "capital" includes the share capital of the parent company, Dassault Aviation,
- the heading "capital reserves" includes additional paid-in capital,
- the heading "consolidated reserves and income" includes the net income for the year and legal reserves,
- the heading "foreign exchange differences" records the exchange differences arising from the translation of the financial statements of subsidiaries outside the Euro zone,
- the heading "reserves for measurement of financial instruments" highlights the income or loss directly recognized in equity. This income or loss is generated for the Group based on the net tax changes in the fair value of available-for-sale financial assets and foreign currency hedging instruments.

The remeasurement of financial instruments is detailed in:

- Note 5 for available-for-sale financial assets,
- Note 24 for foreign currency hedging instruments,
- Note 21 for corresponding deferred taxes.

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STATEMENT OF CHANGES IN EQUITY (cont'd.)

(in thousands of euros)	Share capital	Capital reserves	Consolidated reserves and income	Foreign exchange differences	Reserves for measurement of financial instruments	Total attributable equity	Minority interests	Total
As of December 31, 2005	81,007	19,579	2,414,868	(51,590)	739,072	3,202,936	91	3,203,027
2006 movements								
Dividends paid			(100,246)			(100,246)		(100,246)
Net income for the year			281,224			281,224	13	281,237
Translation differences				(48,029)		(48,029)		(48,029)
Gain or losses on fair value remeasurement								
- Available-for-sale financial assets					*85,578*	*85,578*		*85,578*
- Hedging instruments					*94,467*	*94,467*		*94,467*
Corresponding deferred taxes					*(58,667)*	*(58,667)*		*(58,667)*
Income or loss recognized directly in equity					121,378	121,378	0	121,378
Other movements						0	(16)	(16)
As of December 31, 2006	81,007	19,579	2,595,846	(99,619)	860,450	3,457,263	88	3,457,351
2007 movements								
Dividends paid			(74,932)			(74,932)		(74,932)
Net income for the year			382,278			382,278	18	382,296
Translation differences				(46,662)		(46,662)		(46,662)
Gain or losses on fair value remeasurement								
- Available-for-sale financial assets (1)					*75,188*	*75,188*		*75,188*
- Hedging instruments					*(16,725)*	*(16,725)*		*(16,725)*
Corresponding deferred taxes					*(25,553)*	*(25,553)*		*(25,553)*
Income or loss recognized directly in equity					32,910	32,910	0	32,910
Other movements						0	0	0
As of December 31, 2007	81,007	19,579	2,903,192	(146,281)	893,360	3,750,857	106	3,750,963

(1) changes in fair value of available-for-sale securities: EUR 75,188 thousand (of which negative EUR 27,227 thousand for Embraer relating to the Group's partial sale of its interest in this company (see Note 5)).

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

LIMITED LIABILITY COMPANY WITH A SHARE CAPITAL OF EUR 81,007,176, LISTED AND REGISTERED IN FRANCE
Registered with the Paris Trade Registry under the number 712 042 456
SIRET: 712 042 456 00111

On February 20, 2008, the Board of Directors approved the 2007 Dassault Aviation Group consolidated financial statements and authorized their publication

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NOTES / SUMMARY

Notes	TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2007
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	II - ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT
2	Scope of consolidation
3	Goodwill
4	Intangible assets and property, plant and equipment
5	Non-current financial assets
	Equity affiliates
	Available-for-sale securities
	Other financial assets
6	Inventories and work-in-progress
7	Trade and other receivables
	Maturity of trade and other receivables – gross value
8	Cash and cash equivalents
	Net cash
	Available cash
9	Share capital and capital management
10	Identity of the consolidating parent company
11	Borrowings
12	Provisions
	Breakdown of provisions for contingencies and losses
13	Operating payables
14	Customer advances and progress payments on work-in-progress
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17	Other operating income and expenses
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	III - FINANCIAL COMMITMENTS AND OTHER INFORMATION
21	Tax position
22	Earnings per share
23	Dividends paid and proposed
24	Financial risk management
25	Financial commitments
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27	Average number of employees
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NOTE 1

ACCOUNTING POLICIES

A/ GENERAL PRINCIPLES

Compliance with accounting standards

The consolidated financial statements of the Dassault Aviation Group have been prepared in accordance with IFRS (International Financial Reporting Standards), applicable as of December 31, 2007 as adopted by the European Union.

The Group has not opted for the early adoption of the standards and interpretations published as of December 31, 2007, but whose application is only mandatory starting from fiscal years beginning on or after January 1, 2008. With respect to those which are relevant to the Group and given its current accounting policies, the adoption of such standards and interpretations would not have an impact on the Group's earnings and financial position. This would only require changes in presentation.

Accounting choices and management estimates

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

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

They are calculated by taking into account past experience, elements known at the period-end in addition to reasonable change assumptions. Subsequent results may therefore differ from such estimates.

Presentation of the consolidated financial statements

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

Consolidated income statement items are presented by nature.

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

Net operating income breaks down into two separate items: "current operating income" and "other non-recurring income and expenses." Only material unusual items are recorded in "other non-recurring income and expenses."

B/ CONSOLIDATION POLICIES

- B1 Choice of companies and consolidation methods

Investments in subsidiaries

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

Investments in equity affiliates

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

In 2006 and 2007, the Group did not have any material investments of this type.

Investments in joint ventures

Companies which Dassault Aviation controls with other parties and which are considered material are proportionately consolidated.

In 2006 and 2007, the Group did not have any material investments of this type.

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

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

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

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 Basis of consolidation

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

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

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

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

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

C/ MEASUREMENT METHODS

• C1 Goodwill (IFRS 3)

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

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

• C2 Principles for recognition and depreciation or amortization of property, plant and equipment and intangible assets (IAS 16 and 38)

Intangible assets and property, plant and equipment are recognized at acquisition or production cost (excluding interest expense), less any accumulated depreciation or amortization and any accumulated impairment losses. Each identified component of an intangible asset or item of property, plant and equipment is recognized and depreciated or amortized separately.

Depreciation and amortization are calculated using the straight-line method without deducting a residual value, with the exception of aircraft.

Property, plant and equipment and intangible assets are depreciated and amortized over their estimated useful lives. Useful lives are reviewed at each year-end for material non-current assets.

Initial useful lives are extended or reduced depending on the conditions in which the asset is used.

Development costs are capitalized to the extent that they satisfy the following three decisive criteria: technical feasibility, economic feasibility and reliability of information relating to the expenditure. They should be likely to generate clearly identifiable future economic benefits attributable to a specific product. Capitalized development costs are amortized according to the number of aircraft delivered during the year, added to an estimated number of aircraft to be delivered under the program (including those for the year).

• C3 Useful lives

Useful lives are as follows:

Software	3-4 years
Development costs	according to the number of units to be produced
Industrial buildings	25-30 years
Office buildings	25-35 years
Fixtures and fittings	7-15 years
Plant, equipment and machinery	3-15 years
Aircraft	on average 10 years
Rolling stock	4-5 years
Other property, plant and equipment	3-8 years
Second-hand goods	case-by-case basis

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

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

• C5 Impairment and recoverable amount of non-current assets

In accordance with IAS 34, the Group assesses for each financial report whether there is an indication of impairment and carries out an impairment test at each annual closing or once an indication of impairment has been detected when preparing an interim financial report.

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

Cash-generating units containing property, plant and equipment and intangible assets (including goodwill) are impaired by the Group where the net carrying amount exceeds the recoverable amount.

Each consolidated company represents a cash-generating unit, i.e. smallest identifiable group of assets that generates cash inflows.

The recoverable amount of a cash-generating unit corresponds, in the absence of market value, to its post-tax value in use, calculated using the discounted future cash flow method, with a post-tax discount rate of 8.8% (compared to 8.3% as of December 31, 2006) and a 2% growth rate (same as of December 31, 2006). The discount rate includes the rates prevailing in the aviation industry. Post-tax cash flows are projected over a period of five years and the method takes into account a terminal value.

• C6 Finance leases

When the Group holds property, plant or equipment under a finance lease, its value is capitalized and depreciated using the appropriate method of depreciation and useful life, as described above. The corresponding liability is recorded in the balance sheet.

• C7 Securities and other non-current financial assets

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

They break down into two categories:

C7-1 Loans and receivables

Loans and receivables mainly comprise guarantee and loan deposits granted to employees with respect to housing loans.

Loans are recognized at amortized cost (historical cost less repayments). Other assets are recognized at historical cost.

C7-2 Available-for-sale assets

Available-for-sale assets mainly comprise short-term investments in the form of marketable securities and non-consolidated investments that the Group does not intend to sell in the short term. They are recognized at fair value under "Available-for-sale securities". Unrealized gains or losses, net of applicable deferred taxes, are directly recognized in equity (reserves for measurement of financial instruments).

For listed assets (marketable securities and non-consolidated investments), fair value corresponds to the market rate prevailing at the year-end.

For unlisted non-consolidated investments, the fair value corresponds to the share of net equity if there is no material unrealized capital gain. Fair value is calculated based on the most recent financial statements available at the year-end.

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Once these assets are sold or definitively impaired, the total capital gains or losses previously recognized in equity are included in "other financial income and expenses" for marketable securities and in “other non-recurring income and expenses” for non-consolidated investments.

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

• C8 Inventories and work-in-progress

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

Work-in-progress is 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.

• C9 Receivables

Foreign currency receivables are translated into euros at the year-end rate. Any translation differences are recognized in operating income.

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

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

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

Non-impaired receivables are recent receivables with no material credit risk.

• C10 Cash and cash equivalents

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

Cash equivalents are marketable securities satisfying the criteria set forth in IAS 7: short-term, highly liquid investments that are readily convertible to known amounts of cash and which are not subject to a material risk of changes in value.

They are initially recognized at acquisition cost, and subsequently at fair value, corresponding, for these listed securities, to the market rate prevailing at the year-end. The change in fair value is recorded in cost of net financial debt.

Net disposal gains or losses are recognized in cost of net financial debt.

• C11 Provisions for contingencies and losses

Retirement severance payments and long-service awards:

Retirement severance payment and long-service award commitments are provided in full. Provisions cover all employees and are estimated based on vested rights and a projection of current salaries, after taking into account mortality rates, employee turnover, and a discounting assumption.

Actuarial gains or losses or gains and losses analyzed as such are fully recognized in income in the period during which they are incurred.

Other provisions for contingencies and losses:

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

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

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

• C12 Payables

Foreign currency payables are translated into euros at the year-end rate. Any translation differences are recognized in operating income.

• C13 Discounting of receivables, payables and provisions

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

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

Other provisions are measured at present value.

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

• C14 Derivative financial instruments

The Group 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 by firm or optional forward transactions.

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

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

- the changes in fair value of hedging instruments are recognized, net of tax, in equity, except for changes corresponding to the ineffective amount of the hedge, if any, which are recognized in operating income or loss,
- where the cash flow is received, the gain or loss on the hedging instrument is recognized in operating income or loss.

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.

• C15 Recognition of revenue and income or loss

C15-1 Recognition of revenue and operating income or loss

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

Services are recognized under the percentage of completion method according to the milestones set forth in contracts. Income or loss is recognized at each stage of completion if it can be reliably measured. Losses on completion are recognized as soon as they are known.

C15-2 Net financial income or expense

Net financial income or expense mainly comprises:

- the unrealized capital gains or losses on cash equivalent marketable securities,
- gains on disposal of marketable securities,
- dividends recognized when the Group - shareholder - is entitled to receive payment,
- interest expense, especially the interest paid on the employee profit-sharing current account.

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• C16 Deferred taxation

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

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

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

Restatements involving finance leases give rise to deferred taxes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on local tax rates (and tax laws) that have been enacted by the year-end.

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

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

D/ SEGMENT INFORMATION

Dassault Aviation has chosen the aviation industry, without geographical distinction, as the sector of activity for segment information under IFRS.

Dassault Aviation considers that its military and civil products have comparable characteristics in terms of:

- design, development, manufacturing and maintenance,
- sales and distribution,
- pricing policy resulting in similar economic performances,

and that their market does not present any particular geographical features.

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NOTE 2

SCOPE OF CONSOLIDATION

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

Name	Country	% equity interest (identical to % control)	
		2007	2006
Fully consolidated companies			
DASSAULT AVIATION	France	Parent company	Parent company
DASSAULT FALCON JET	United States	100	100
DASSAULT FALCON SERVICE	France	100	100
DASSAULT PROCUREMENT SERVICES	United States	100	100
SOGITEC INDUSTRIES	France	100	100
Equity affiliates			
DASSAULT INTERNATIONAL INC (USA)	United States	100	100

NOTE 3

GOODWILL

(in thousands of euros)	As of Dec. 31, 2006	OTHER MOVEMENTS	ADDITIONS	DISPOSALS	As of Dec. 31, 2007
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 GOODWILL (1)	14,366	0	0	0	14,366

(1) acquired in business combinations.

NOTE: as the tests performed under IAS 36 did not indicate any impairment loss, no provision for goodwill impairment was recognized.

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NOTE 4

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	As of Dec. 31, 2006	OTHER MOVEMENTS	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2007
INTANGIBLE ASSETS					
Gross value					
Development costs	126,880	0	10,600	0	137,480
Software, patents, licenses and similar assets	75,344	(197)	2,697	(3,469)	74,375
Intangible assets in the course of development; advances and progress payments	1,514	(1)	988	0	2,501
	203,738	(198)	14,285	(3,469)	214,356
Amortization					
Development costs	(65,580)	0	(7,600)	0	(73,180)
Software, patents, licenses and similar assets	(67,802)	296	(3,422)	3,469	(67,459)
	(133,382)	296	(11,022)	3,469	(140,639)
Net value					
Development costs	61,300				64,300
Software, patents, licenses and similar assets	7,542				6,916
Intangible assets in the course of development; advances and progress payments	1,514				2,501
TOTAL	70,356	98	3,263	0	73,717

Development costs:

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

In practice, for the Group:

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

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

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NOTE 4 (cont'd.)

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	As of Dec. 31, 2006	OTHER MOVEMENTS	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2007
PROPERTY, PLANT AND EQUIPMENT					
Gross value					
Land	25,572	18	503	(6)	26,087
Buildings	321,606	(5,824)	12,758	(3,075)	325,465
Finance leases (buildings)	3,150	0	0	0	3,150
Plant, machinery and equipment	486,530	(2,233)	23,421	(28,775)	478,943
Other property, plant and equipment	205,831	(1,166)	29,687	(28,375)	205,977
Construction in progress; advances and progress payments	8,711	(6,654)	13,025	(423)	14,659
	1,051,400	(15,859)	79,394	(60,654)	1,054,281
Depreciation					
Land	(3,407)	0	(406)	6	(3,807)
Buildings	(144,951)	1,887	(15,942)	2,681	(156,325)
Finance leases (buildings)	(2,392)	0	(158)	0	(2,550)
Plant, machinery and equipment	(384,970)	2,145	(25,906)	28,017	(380,714)
Other property, plant and equipment	(95,189)	1,208	(12,343)	8,164	(98,160)
	(630,909)	5,240	(54,755)	38,868	(641,556)
Net value					
Land	22,165				22,280
Buildings	176,655				169,140
Finance leases (buildings)	758				600
Plant, machinery and equipment	101,560				98,229
Other property, plant and equipment	110,642				107,817
Construction in progress; advances and progress payments	8,711				14,659
TOTAL	420,491	(10,619)	24,639	(21,786)	412,725

Impairment tests of intangible assets and property, plant and equipment:

For each financial report within the meaning of IAS 34, the Group assesses whether there is an indication of impairment and carries out an impairment test at each annual closing or once an indication of impairment has been detected when preparing an interim financial report. Cash-generating units containing property, plant and equipment and intangible assets (including goodwill) are impaired where the net carrying amount exceeds the recoverable amount.

Each consolidated company represents a cash-generating unit, i.e. smallest identifiable group of assets that generates cash inflows.

The recoverable amount of a cash-generating unit corresponds, in the absence of market value, to its post-tax value in use, calculated using the discounted future cash flow method, with a post-tax discount rate of 8.8% (compared to 8.3% as of December 31, 2006) and a 2% growth rate (same as of December 31, 2006). The discount rate includes the rates prevailing in the aviation industry.

The amount of impairment is equal to the difference between the net carrying amount and the recoverable amount. The impairment tests carried out did not highlight any impairment to be recognized as of December 31, 2007.

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NOTE 5

NON-CURRENT FINANCIAL ASSETS

EQUITY AFFILIATES

The Group fully owns Dassault International Inc. (United States). This is a holding company, whose only financial asset is DFJ (12.53%). It is consolidated using the equity method, as its assets and liabilities, other than the DFJ securities, are negligible.

The following table summarizes the information concerning the investment in Dassault International Inc.:

(in thousands of euros)	
As of December 31, 2006	4,589
Share of net income	152
Translation differences	(495)
As of December 31, 2007	4,246

AVAILABLE-FOR-SALE SECURITIES

Available-for-sale financial assets comprise, in particular, the Group's short-term investments in the form of marketable securities. It should be noted that other marketable securities are classified under "cash equivalents" (see Note 8). The analysis of risks relating to all the Group's available-for-sale securities is presented in Note 24 to the consolidated financial statements.

(in thousands of euros)	As of Dec. 31, 2006	OTHER MOVEMENTS	CHANGES IN FAIR VALUE	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2007
Gross value						
Listed shares (EMBRAER) (1)	122,925	0	(27,916)	0	(43,455)	51,554
Marketable securities (listed)	2,622,723	0	103,104	1,006,135	(175,950)	3,556,012
Unlisted securities	55,762	(463)	0	2	0	55,301
	2,801,410	(463)	75,188	1,006,137	(219,405)	3,662,867
Provisions						
Listed shares (EMBRAER)	0	0	0	0	0	0
Marketable securities (listed)	0	0	0	0	0	0
Unlisted securities	(151)	16	0	0	0	(135)
	(151)	16	0	0	0	(135)
NET VALUE	2,801,259	(447)	75,188	1,006,137	(219,405)	3,662,732

(1) Dassault Aviation sold 57.5% of the Embraer shares that it held as of December 31, 2006 as part of a public offering in February 2007. This transaction generated a gross capital gain of EUR 26 million - difference between the disposal price (EUR 69 million) and the purchase cost (EUR 43 million) – included in operating income. Dassault Aviation now holds 0.9% of Embraer's share capital, thus reflecting its desire to maintain its presence, considered strategic, within the company.

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NOTE 5 (cont'd.)

The following table presents the movements in listed shares (EMBRAER):

(in thousands of euros)	As of Dec. 31, 2006	OTHER MOVEMENTS	CHANGES IN FAIR VALUE	ADDITIONS	DISPOSALS	As of Dec. 31, 2007
Listed shares (EMBRAER)	122,925	0	(27,916)	0	(43,455)	51,554
of which shares sold in 2007	70,682	0	(27,227)	0	(43,455)	0
of which shares retained	52,243	0	(689)	0	0	51,554

In IAS 39, for available-for-sale marketable securities and Embraer shares, the difference between market value and historical cost is recognized in a specific equity heading. The provision for unlisted securities is maintained in reserves.

(in thousands of euros)	As of Dec. 31, 2007			As of Dec. 31, 2006		
	Historical cost	Capital gain / (loss)	Consolidated value	Historical cost	Capital gain / (loss)	Consolidated value
Shares (EMBRAER)	32,120	19,434	51,554	75,575	47,350	122,925
Marketable securities (listed)	2,728,557	827,455	3,556,012	1,898,372	724,351	2,622,723
Unlisted securities	55,301	(135)	55,166	55,762	(151)	55,611
Available-for-sale securities	2,815,978	846,754	3,662,732	2,029,709	771,550	2,801,259

OTHER FINANCIAL ASSETS

(in thousands of euros)	As of Dec. 31, 2006	OTHER MOVEMENTS	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2007
Gross value					
Held-to-maturity securities	0	0	0	0	0
Advance lease payments	26,860	0	2,795	(492)	29,163
Housing loans and other	2,203	(16)	537	(385)	2,339
TOTAL (1)	29,063	(16)	3,332	(877)	31,502
Provisions	(152)	16	0	0	(136)
NET VALUE	28,911	0	3,332	(877)	31,366

(1) maturing within more than one year: EUR 30,854 thousand as of December 31, 2007 and EUR 28,298 thousand as of December 31, 2006.

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NOTE 6

INVENTORIES AND WORK-IN-PROGRESS

(in thousands of euros)	As of Dec. 31, 2007			As of Dec. 31, 2006
	GROSS	PROVISION	NET	(NET)
Raw materials	149,970	(17,585)	132,385	119,465
Work-in-progress	2,450,132	(17,344)	2,432,788	2,288,433
Semi-finished and finished goods	583,261	(144,819)	438,442	412,961
TOTAL	3,183,363	(179,748)	3,003,615	2,820,859

NOTE 7

TRADE AND OTHER RECEIVABLES

(in thousands of euros)	As of Dec. 31, 2007			As of Dec. 31, 2006
	GROSS	PROVISION	NET	(NET)
Trade receivables	536,672	(167,853)	368,819	321,396
Other receivables	123,519	0	123,519	114,991
Prepayments and accrued income	8,702	0	8,702	7,160
TOTAL	668,893	(167,853)	501,040	443,547

MATURITY OF TRADE AND OTHER RECEIVABLES – GROSS VALUE

(in thousands of euros)	As of Dec. 31, 2007			As of Dec. 31, 2006		
	TOTAL	Within 1 year	More than 1 year	TOTAL	Within 1 year	More than 1 year
Trade receivables	536,672	395,155	141,517	497,517	363,410	134,107
Other receivables	123,519	123,519	0	114,991	114,991	0
Prepayments and accrued income	8,702	8,702	0	7,160	7,160	0
TOTAL - GROSS VALUE	668,893	527,376	141,517	619,668	485,561	134,107

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NOTE 8

CASH AND CASH EQUIVALENTS

NET CASH

(in thousands of euros)	As of Dec. 31, 2007			As of Dec. 31, 2006
	GROSS	IMPAIRMENT	NET	(NET)
Marketable securities (1)	1,057,168	0	1,057,168	1,051,662
Cash at bank and in hand	208,337	0	208,337	132,252
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET	1,265,505	0	1,265,505	1,183,914
- Bank loans and credit balance bank accounts	(22,831)	0	(22,831)	(57,741)
= NET CASH IN THE CASH FLOW STATEMENT	1,242,674	0	1,242,674	1,126,173

(1) the analysis of the corresponding risks is presented in Note 24 to the consolidated financial statements.

AVAILABLE CASH

(in thousands of euros)	As of Dec. 31, 2007	As of Dec. 31, 2006
Available-for-sale marketable securities (market value) (1)	3,556,012	2,622,723
Cash equivalent marketable securities (market value)	1,057,168	1,051,662
Total marketable securities (market value) (2)	4,613,180	3,674,385
+ Cash at bank and in hand	208,337	132,252
- Borrowings (3)	(262,610)	(302,498)
= AVAILABLE CASH	4,558,907	3,504,139

(1) see Note 5.

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

(3) see Note 11.

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NOTE 9

SHARE CAPITAL AND CAPITAL MANAGEMENT

Share capital amounted to EUR 81,007,000, comprising 10,125,897 fully paid-up issued ordinary shares, each with a par value of EUR 8. The number and par value of the shares did not change during the year.

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

As the Group does not have any bank borrowings, it has no contractual commitments to comply with debt ratios. Furthermore, the Group regularly distributes dividends.

NOTE 10

IDENTITY OF THE CONSOLIDATING PARENT COMPANY

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

NOTE 11

BORROWINGS

(in thousands of euros)	As of Dec. 31, 2007 TOTAL	Amount due within 1 year	Amount due in more than 1 year		
			Amount due in more than 1 year	1 to 5 years	More than 5 years
Credit institutions (1)	22,912	22,842	70	46	24
Finance leases	0	0	0	0	0
Other borrowings (2)	239,698	42,341	197,357	197,357	0
TOTAL	262,610	65,183	197,427	197,403	24

(in thousands of euros)	As of Dec. 31, 2006 TOTAL	Amount due within 1 year	Amount due in more than 1 year		
			Amount due in more than 1 year	1 to 5 years	More than 5 years
Credit institutions (1)	57,841	57,760	81	46	35
Finance leases	0	0	0	0	0
Other borrowings (2)	244,657	32,885	211,772	211,271	501
TOTAL	302,498	90,645	211,853	211,317	536

(1) of which short-term banking facilities: EUR 22,831 thousand as of December 31, 2007 and EUR 57,741 thousand as of December 31, 2006.

(2) other borrowings mainly include frozen employee profit-sharing funds.

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NOTE 12

PROVISIONS

Nature of provisions (in thousands of euros)	As of Dec. 31, 2006	Other (translation differences, changes in Group structure, etc.)	Increases/ charges	Decreases/ reversals	As of Dec. 31, 2007
PROVISIONS FOR CONTINGENCIES AND LOSSES					
Operating – non-current	3,014	0	0	(3,014)	0
Operating – current	553,360	(6,392)	298,412	(163,004)	682,376
Financial	59	0	63	(59)	63
TOTAL I	556,433	(6,392)	298,475	(166,077)	682,439
PROVISIONS FOR WRITE-DOWN					
Long-term investments and marketable securities	303	(32)	0	0	271
Inventories and work-in-progress	189,147	(3,534)	182,065	(187,930)	179,748
Trade receivables	176,121	(364)	168,091	(175,995)	167,853
TOTAL II	365,571	(3,930)	350,156	(363,925)	347,872
GRAND TOTAL (I + II)	922,004	(10,322)	648,631	(530,002)	1,030,311

Including charges and reversals

- operating (1)	648,568	(529,943)
- financial	63	(59)
	648,631	(530,002)

(1) Breakdown

Charges to provisions	648,568	
Reversal of provisions		(526,929)
Other non-recurring income and expenses	0	(3,014)
	648,568	(529,943)

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NOTE 12 (cont'd.)

BREAKDOWN OF PROVISIONS FOR CONTINGENCIES AND LOSSES

Nature of provisions (in thousands of euros)	As of Dec. 31, 2006	Other (translation differences, changes in Group structure, etc.)	Increases/ charges	Decreases/ reversals	As of Dec. 31, 2007
PROVISIONS FOR CONTINGENCIES AND LOSSES					
Parent company CASA early retirement plan	3,014	0	0	(3,014)	0
Operating – non-current (A)	3,014	0	0	(3,014)	0
TOTAL NON-CURRENT PROVISIONS (A)	3,014	0	0	(3,014)	0
Warranties	215,922	(2,248)	120,276	(30,006)	303,944
Services and work to be performed	117,143	(3,273)	108,506	(97,561)	124,815
Retirement severance payments and long-service awards	209,460	(512)	64,985	(30,747)	243,186
Miscellaneous	10,835	(359)	4,645	(4,690)	10,431
Operating - current (B)	553,360	(6,392)	298,412	(163,004)	682,376
Miscellaneous	59	0	63	(59)	63
Financial (C)	59	0	63	(59)	63
TOTAL CURRENT PROVISIONS (B+C)	553,419	(6,392)	298,475	(163,063)	682,439
TOTAL (A+B+C)	556,433	(6,392)	298,475	(166,077)	682,439

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NOTE 12 (cont'd.)

BREAKDOWN OF PROVISIONS FOR CONTINGENCIES AND LOSSES

- **Provisions for CASA early retirement program**: this item mainly includes the parent company's future expenses to finance the period of inactivity of the employees involved in the CASA early retirement program (signed in 2002), up to retirement age.

- **Provisions for warranties**: warranty provisions are updated to reflect the fleet in service and contracts delivered.

- **Provisions for retirement severance payments and long-service awards:**

Retirement severance payment and long-service award commitments are calculated for all Group employees using the projected unit credit method. Outstanding commitments are provided 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 cost of retirement, pro rata to the employee's length of service at the period-end in relation to his total career expectancy, is retained.

➢ **Assumptions used:**

	French companies		US companies	
	2007	2006	2007	2006
Inflation rate	2.00%	2.00%	3.00%	3.00%
Discount rate	4.40%	4.20%	5.80%	5.75%
Weighted average salary increase rate	4.15%	3.60%	4.23%	4.25%

➢ **French companies:**

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

(in thousands of euros)	2007	2006
As of January 1,	201,926	166,112
Impact of actuarial change	(3,698)	32,053
Supplemental benefits and movements (entrants/departures)	42,023	3,761
As of December 31,	240,251	201,926

➢ **US companies:**

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

The plan assets amounted to USD 147 million as of December 31, 2007, compared to USD 127 million as of December 31, 2006.

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NOTE 13

OPERATING PAYABLES

(in thousands of euros)	As of Dec. 31, 2007			As of Dec. 31, 2006		
	TOTAL	Within 1 year	More than 1 year	TOTAL	Within 1 year	More than 1 year
Trade payables	733,086	733,086	0	657,556	657,556	0
Other payables	120,719	120,719	0	93,577	93,577	0
Accruals and deferred income	50,344	29,900	20,444	43,143	21,865	21,278
Trade and other payables	904,149	883,705	20,444	794,276	772,998	21,278
Tax and employee-related liabilities	274,299	272,568	1,731	250,656	248,059	2,597

NOTE 14

CUSTOMER ADVANCES AND PROGRESS PAYMENTS

(in thousands of euros)	As of Dec. 31, 2007			As of Dec. 31, 2006		
	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	3,589,685	2,229,175	1,360,510	2,902,993	1,836,548	1,066,445
TOTAL	3,589,685	2,229,175	1,360,510	2,902,993	1,836,548	1,066,445

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

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NOTE 15

NET SALES

(in thousands of euros)	For the year ended December 31, 2007			For the year ended December 31, 2006		
	France	Export	TOTAL	France	Export	TOTAL
NET SALES	959,859	3,124,882	4,084,741	1,093,913	2,208,333	3,302,246

NOTE 16

OTHER REVENUE

(in thousands of euros)	For the year ended December 31, 2007	For the year ended December 31, 2006
Financial revenue from operations (1)	4,593	3,631
Changes in inventories of finished goods and work-in-progress (2)	10,796	31,434
Operating grants	118	271
Expense reclassifications	103	9
Other operating income	7,142	13,395
TOTAL	22,752	48,740

(1) interest in arrears.

(2) including capitalized development costs:	10,600	31,200

NOTE 17

OTHER OPERATING INCOME AND EXPENSES

(in thousands of euros)	For the year ended December 31, 2007	For the year ended December 31, 2006
Losses from disposals of non-current assets	(884)	(1,003)
Foreign exchange gains or losses from sales transactions (1)	(3,455)	(601)
Income/(loss) from non-capital transactions	(64)	(29)
Other operating expenses	(240)	(224)
Share of income of joint ventures	1,321	920
TOTAL	(3,322)	(937)

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

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NOTE 18

RESEARCH AND DEVELOPMENT COSTS

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

(in thousands of euros)	For the year ended December 31, 2007	For the year ended December 2006
RESEARCH AND DEVELOPMENT COSTS	(254,428)	(251,227)

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

NOTE 19

OTHER NON-RECURRING INCOME AND EXPENSES

(in thousands of euros)	For the year ended December 31, 2007	For the year ended December 31, 2006
CASA early retirement program	(3,014)	(9,531)
Reversal of the provision for the CASA early retirement program	3,014	9,531
Proceeds on the sale of EMBRAER shares	26,401	0
TOTAL	26,401	0

NOTE 20

NET FINANCIAL INCOME/(EXPENSE)

(in thousands of euros)	For the year ended December 31, 2007	For the year ended December 31, 2006
Interest generated by cash and cash equivalents	49,215	31,846
Disposal gains and change in fair value of cash equivalents	18,895	15,775
Income from cash and cash equivalents	68,110	47,621
Interest charges on financing operations	(11,264)	(9,014)
Cost of gross financial debt	(11,264)	(9,014)
COST OF NET FINANCIAL DEBT	56,846	38,607
Dividends and other investment income	3,229	4,121
Interest income and gains on disposal of other financial assets (excluding cash and cash equivalents)	1,410	2,204
Foreign exchange gain	183	0
Financial income	4,822	6,325
Impairment of non-consolidated securities	0	0
Other financial expenses	(63)	(59)
Financial expenses	(63)	(59)
OTHER FINANCIAL INCOME AND EXPENSES	4,759	6,266
NET FINANCIAL INCOME/(EXPENSE)	61,605	44,873

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NOTE 21

TAX POSITION

(in thousands of euros)

TAXES ON INCOME	For the year ended December 31, 2007	For the year ended December 31, 2006
Current tax expenses	(208,361)	(145,047)
Deferred taxes	25,513	9,534
TOTAL	(182,848)	(135,513)

TAXES ON RESERVES FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	For the year ended December 31, 2007	For the year ended December 31, 2006
Cash flow hedges	5,758	(32,525)
Available-for-sale financial assets	(31,311)	(26,142)
TAX CHARGE ON EQUITY	(25,553)	(58,667)

RECONCILIATION OF THE THEORETICAL AND ACTUAL TAX EXPENSES	For the year ended December 31, 2007	For the year ended December 31, 2006
-Theoretical tax expenses calculated at the year-end standard tax rate (1)	(194,527)	(143,435)
- Effect of foreign tax rates and deferred tax	(3,083)	(788)
- Changes resulting from non-taxable income and non-deductible expenses	14,762	8,710
- Actual tax expenses	(182,848)	(135,513)

(1) 34.43% in 2007 (same in 2006).

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NOTE 21 (cont'd.)

TAX POSITION

DEFERRED TAXES	Consolidated balance sheet		Consolidated income statement	
	As of Dec. 31, 2007	As of Dec. 31, 2006	For the year ended December 31, 2007	For the year ended December 31, 2006
Deferred tax assets				
Temporary differences on provisions (profit-sharing, retirement, etc.)	3,396	2,471	925	748
Consolidation and other entries (1)	6,656	4,047	2,869	1,510
Fair value remeasurement of available-for-sale securities and other marketable securities	(356)	(326)	(31)	(101)
Fair value remeasurement of foreign exchange contracts (cash flow hedges)	306	202		
TOTAL DEFERRED TAX ASSETS (2)	10,002	6,394		
Deferred tax liabilities				
Temporary differences on provisions (profit-sharing, retirement, etc.)	118,630	84,071	21,016	11,224
Consolidation and other entries (1)	(56,792)	(58,693)	1,428	(3,973)
Fair value remeasurement of available-for-sale securities and other marketable securities	(2,915)	(7,102)	(631)	126
Fair value remeasurement of foreign exchange contracts (cash flow hedges)	(175,895)	(181,486)	(63)	
TOTAL DEFERRED TAX LIABILITIES (2)	(116,972)	(163,210)		
DEFERRED TAX EXPENSE			25,513	9,534

(1) restatement of tax provisions, internal margins, capitalized development costs.

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

TAX LOSSES CARRIED FORWARD	2007	2006
- Deferred tax assets not recognized in the balance sheet	62,871	49,509

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NOTE 22

EARNINGS PER SHARE

BASIC EARNINGS PER SHARE	2007	2006
Net income attributable to shareholders (in thousands of euros) (1)	382,278	281,224
Weighted average number of outstanding ordinary shares	10,125,897	10,125,897
Basic earnings per share (in EUR)	37.8	27.8

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

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, except for the ordinary shares acquired by the Group and held as treasury shares.

As the Group does not hold any treasury shares and does not have any share option plans by virtue of which share subscription options would have been granted to certain employees and senior executives, diluted earnings per share is identical to basic earnings per share.

NOTE 23

DIVIDENDS PAID AND PROPOSED

(in thousands of euros)	2007	2006
Decided and paid during the year		
Dividends on ordinary shares		
- Final dividends for 2006: EUR 7.4 per share (2005: EUR 9.9)	74,932	100,246
- Interim dividends for 2007	n.a.	
Submitted to the Annual General Meeting for approval		
(not recognized as a liability as of December 31):		
Dividends on ordinary shares		
- Proposed dividends for 2007: EUR 10.6 per share (2006: EUR 7.4)	107,335	

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NOTE 24

FINANCIAL RISK MANAGEMENT

TYPES, SCOPE AND MANAGEMENT OF RISKS

CASH AND LIQUIDITY RISKS

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

(in thousands of euros)	As of December 31, 2007			
	At historical cost	Capital gain	Amount in consolidated assets	%
Cash at bank and in hand, monetary investments, time deposits	3,892,537	830,465	4,723,002	98%
Various investments (AMF reference, mainly monetary)	90,851	7,664	98,515	2%
Total marketable securities (available for sale or cash equivalents) and cash at bank and in hand	3,983,388	838,129	4,821,517	100%

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

CREDIT RISK

The Group performs its cash and foreign exchange transactions with recognized financial institutions.

The Group limits counterparty risk by performing most of its sales in cash and ensuring that the granted loans are secured by export credit insurance (COFACE) or collateral. The amounts of export credit insurance guarantees and collateral obtained and not exercised at the year-end are recorded in off-balance sheet commitments (see Note 25). Guarantees are also underwritten with export credit insurance firms for the manufacturing risk relating to major military export contracts.

Considering the trade receivables impairment method described in section C9 of Note 1 to the consolidated financial statements, the percentage of outstanding receivables not impaired at the year-end is immaterial.

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NOTE 24 (cont'd.)

FINANCIAL RISK MANAGEMENT

MARKET RISK

- **FOREIGN EXCHANGE RISKS**

✓ **HEDGING PORTFOLIO**

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

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

Dassault Aviation hedges its net future cash flows only if they are considered highly probable, and partially to ensure that the initial future cash flows will be sufficient to use the foreign exchange hedges in place. The amount of the hedge may be adjusted according to the variability in the timing of expected net cash flows.

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

PORTFOLIO MARKET VALUE (in thousands of euros)	As of December 31, 2007		As of December 31, 2006	
Net balance sheet position	512,715		526,530	
Closing US dollar/euro exchange rate	1 euro = 1.4721 US dollars		1 euro = 1.3170 US dollars	
Change in closing US dollar/euro exchange rate	1 euro = 1.5721 US dollars	1 euro = 1.3721 US dollars	1 euro = 1.4170 US dollars	1 euro = 1.2170 US dollars
Change in net balance sheet position	+ 110,100	- 114,230	+ 106,010	- 124,240

✓ **EMBRAER SHARES**

The Group's parent company owns Embraer shares. Embraer is listed on the Brazilian stock market and stated in euros in the Group financial statements based on its closing market value in Brazilian real translated into euros. The value of the shares may therefore fluctuate according to the exchange rate of these two currencies.

A sensitivity analysis was performed in order to determine the impact of a 10 centime increase or decrease in the Brazilian real/euro exchange rate on the special reserve for measurement of financial instruments.

MARKET VALUE OF THE EMBRAER SHARES HELD BY THE GROUP (in thousands of euros)	As of December 31, 2007		As of December 31, 2006	
Net balance sheet position	51,554		122,925	
Closing Brazilian real/euro exchange rate	1 euro = 2.6075 reals		1 euro = 2.8157 reals	
Change in closing Brazilian real/euro exchange rate	1 euro = 2.7075 reals	1 euro = 2.5075 reals	1 euro = 2.9157 reals	1 euro = 2.7157 reals
Change in net balance sheet position	- 1,904	+ 2,056	- 4,216	+4,526

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NOTE 24 (cont'd.)

FINANCIAL RISK MANAGEMENT

- **OTHER RISKS**

The Group is exposed to a pricing risk relating to the price fluctuations of the Embraer shares. A sensitivity analysis was performed in order to determine the impact of a 10% increase or decrease in the price of Embraer shares on the special reserve for measurement of financial instruments.

MARKET VALUE OF THE EMBRAER SHARES HELD BY THE GROUP (in thousands of euros)	As of December 31, 2007		As of December 31, 2006	
Net balance sheet position	51,554		122,925	
Embraer share price in reals	20.15 reals		22.05 reals	
Change in Embraer share price	+ 10%	- 10%	+ 10%	- 10%
Change in net balance sheet position	+ 5,155	- 5,155	+ 12,293	- 12,293

MARKET VALUE, IMPACT ON NET INCOME AND EQUITY OF FINANCIAL INSTRUMENTS

The different types of financial instrument used by the Group (foreign currency hedging instruments) are defined in section C14 of Note 1 to the consolidated financial statements as well as their recognition under hedge accounting as defined by IAS 39.

The portfolio of derivative financial instruments is as follows:

MARKET VALUE	As of December 31, 2007		As of December 31, 2006	
	In thousands of US dollars	In thousands of euros	In thousands of US dollars	In thousands of euros
Forex operations	24,633	16,733	7,645	5,805
Forwards	730,135	495,982	685,796	520,725
TOTAL	754,768	512,715	693,441	526,530

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

(in thousands of euros)	Market value as of December 31, 2007	Market value as of December 31, 2006	Recognition of changes in fair value in		
			Equity (1)	Income statement	
				Operating income/(loss)	Net financial income/(expense)
Instruments recognized in assets	512,715	526,530			
including premiums on financial instruments	2,727	0			
Capital gains on financial instruments	509,988	526,530	(16,725)	0	183
Instruments recognized in liabilities	0	0			
including premiums	0	0			
Capital losses on financial instruments	0	0	0	0	0

(1) recognition in the specific heading "Reserves for measurement of financial instruments".

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NOTE 25

FINANCIAL COMMITMENTS

(in thousands of euros)

COMMITMENTS GIVEN	As of Dec. 31, 2007	As of Dec. 31, 2006
Guarantees and deposits	142,232	56,133
TOTAL	142,232	56,133

COMMITMENTS RECEIVED	As of Dec. 31, 2007	As of Dec. 31, 2006
Export insurance guarantees	190,989	36,785
Collateral	0	0
TOTAL	190,989	36,785

BILATERAL COMMITMENTS IN RESPECT OF	As of Dec. 31, 2007	As of Dec. 31, 2006
Future billings to customers	14,992,000	12,811,400
Future payments to subcontractors or suppliers	2,495,329	2,299,200
Fixed asset orders	28,000	20,000
TOTAL	17,515,329	15,130,600

SECURED PAYABLES AND RECEIVABLES	As of Dec. 31, 2007	As of Dec. 31, 2006
Customer advances and progress payments on work-in-progress	557,272	985,271
Advances and progress payments to suppliers	1,877	2,142
TOTAL	559,149	987,413

OPERATING LEASES			
The Group's main operating leases concern industrial office buildings.			
	TOTAL	Less than 1 year	More than one year
Minimum future non-cancelable lease payments (not discounted)	102,137	29,723	72,414

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NOTE 26

RELATED-PARTY TRANSACTIONS

The Group's related parties are:

- Groupe Industriel Marcel Dassault, and its subsidiaries,
- Chairman and Chief Executive Officer of Dassault Aviation,
- Directors of Dassault Aviation,

(in thousands of euros)		Related party sales	Related party purchases	Related party receivables	Related party payables
GIMD	2007 fiscal year	34,793	63,382	20,508	4,172
	2006 fiscal year	1,068	59,026	14,593	2,170

Group key employees

Directors' loans	2007 fiscal year	None
	2006 fiscal year	None
Other directors' interests	2007 fiscal year	None
	2006 fiscal year	None

Remuneration and other commitments

Total remuneration received by corporate officers in respect of 2007, broken down in the management report, amounted to EUR 1,095,216 for the parent company and USD 68,572 for subsidiaries and EUR 218,000 for GIMD.

Other commitments:

Upon retirement, Mr. Edelstenne, whose employment contract was suspended when he became Chairman and CEO, will be entitled to a retirement termination benefit and a pension in accordance with the Company's rules applicable to this employee category.

The Board of Directors has also allocated Mr. Edelstenne an annual retirement benefit equal to 3% of his gross annual remuneration on the date of his retirement multiplied by the number of years during which he was Chairman and CEO and limited so that all benefits do not exceed 60% of his last gross annual remuneration.

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 2007, 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.

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NOTE 27

AVERAGE NUMBER OF EMPLOYEES

	2007	2006
Engineers and management and executive grades	5,203	5,274
Supervisory and technical grades	2,495	2,677
Administrative employees	1,387	1,376
Production employees	3,051	2,730
TOTAL	12,136	12,057

NOTE 28

ENVIRONMENTAL INFORMATION

The Dassault Aviation Group recognized environmental investments in the amount of EUR 1,010,000 and expenditure of around EUR 2,450,000 in 2007 relating to risk, impact and regulatory compliance analyses.

NOTE 29

SUBSEQUENT EVENTS

No events occurred after December 31, 2007 that may have a significant impact on the financial statements.

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2007

In accordance with our appointment as auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Dassault Aviation for the year ended December 31, 2007.

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.

These financial statements have been prepared in accordance with IFRS as adopted in the European Union.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as of December 31, 2007 and the results of its operations for the year then ended in accordance with IFRS as adopted in the European Union.

JUSTIFICATION OF ASSESSMENTS

Pursuant to the provisions of Article L.823-9 of the French Commercial Code governing the justification of our assessments, we draw your attention to the following:

The Group records profits from long-term contracts using the percentage of completion method.

In accordance with professional standards applicable to accounting estimates, and based on the information made available to date, we assessed the data and assumptions prepared by management, on which the estimated profits on completion of these contracts and any subsequent changes were based. We reviewed the calculations performed and compared the accounting estimates of previous years with the corresponding results.

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

SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed the procedures required by law on the Group financial information 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, February 21, 2008

The Auditors

Mazars & Guérard

Serge Castillon

Deloitte & Associés

Philippe Mouraret

Dominique Jumaucourt

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This is a free translation into English of the auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The auditors' report includes for the information of the reader, as required under French law in any auditors' report, whether qualified or not, explanatory paragraphs separate from and presented below the audit opinion discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. Such report, together with the auditors' report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

In thousands of euros

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ASSETS

(in thousands of euros)	NOTE	As of Dec. 31, 2007			As of Dec. 31, 2006
		Gross	Depreciation, amortization and provisions	Net	Net
INTANGIBLE ASSETS	2	64,739	(56,416)	8,323	7,434
PROPERTY, PLANT AND EQUIPMENT	2	857,305	(555,429)	301,876	315,056
LONG-TERM INVESTMENTS	3	225,816	0	225,816	266,739
TOTAL NON-CURRENT ASSETS		1,147,860	(611,845)	536,015	589,229
INVENTORIES AND WORK-IN-PROGRESS	4	2,645,641	(121,529)	2,524,112	2,431,000
ADVANCES AND PROGRESS PAYMENTS TO SUPPLIERS		183,335	0	183,335	208,156
TRADE RECEIVABLES	6	515,791	(156,203)	359,588	303,971
OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME	7	411,539	0	411,539	350,380
MARKETABLE SECURITIES AND CASH INSTRUMENTS	10	3,079,215	0	3,079,215	2,242,914
CASH AT BANK AND IN HAND		75,354	0	75,354	113,305
TOTAL CURRENT ASSETS		6,910,875	(277,732)	6,633,143	5,649,726
TOTAL ASSETS		8,058,735	(889,577)	7,169,158	6,238,955

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LIABILITIES AND EQUITY

(in thousands of euros)	NOTE	As of Dec. 31, 2007	As of Dec. 31, 2006
SHARE CAPITAL	11	81,007	81,007
ADDITIONAL PAID-IN CAPITAL		19,579	19,579
RESERVES	13	1,755,252	1,605,241
NET INCOME FOR THE YEAR		323,496	224,943
TAX -DRIVEN PROVISIONS	15	267,450	258,914
EQUITY		2,446,784	2,189,684
PROVISIONS FOR CONTINGENCIES AND LOSSES	15	608,100	477,217
BORROWINGS (1)	16	261,020	301,061
CUSTOMER ADVANCES AND PROGRESS PAYMENTS ON WORK-IN-PROGRESS		2,792,243	2,370,136
TRADE PAYABLES	17	682,746	575,666
OTHER PAYABLES, ACCRUALS AND DEFERRED INCOME	18	378,265	325,191
TOTAL LIABILITIES		4,114,274	3,572,054
TOTAL EQUITY AND LIABILITIES		7,169,158	6,238,955
(1) including bank balances in credit of:		22,831	57,741

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INCOME STATEMENT

(in thousands of euros)	NOTE	For the year ended Dec. 31, 2007	For the year ended Dec. 31, 2006
NET SALES	21	3,605,350	2,853,461
CAPITALIZED PRODUCTION		196	234
CHANGE IN WORK-IN-PROGRESS AND FINISHED GOODS INVENTORY		83,450	307,307
REVERSALS OF PROVISIONS AND DEPRECIATION AND AMORTIZATION, EXPENSE RECLASSIFICATIONS		385,368	359,329
OTHER REVENUE		7,244	8,225
OPERATING REVENUES		4,081,608	3,528,556
EXTERNAL PURCHASES		(1,939,564)	(1,668,833)
PAYROLL AND RELATED CHARGES		(627,347)	(606,694)
OTHER OPERATING EXPENSES		(317,997)	(281,896)
TAXES AND SOCIAL SECURITY CONTRIBUTIONS		(48,918)	(45,841)
DEPRECIATION AND AMORTIZATION	2	(44,206)	(41,955)
NET CHARGES TO PROVISIONS AND OTHER WRITE-DOWNS	15	(514,039)	(431,459)
OPERATING EXPENSES		(3,492,071)	(3,076,678)
NET OPERATING INCOME BEFORE FINANCIAL ITEMS		589,537	451,878
NET FINANCIAL INCOME/(EXPENSE)	23	17,121	16,339
NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX		606,658	468,217
NON-RECURRING ITEMS	24	17,371	(34,208)
EMPLOYEE PROFIT-SHARING		(114,747)	(88,981)
CORPORATE INCOME TAX	25	(185,786)	(120,085)
NET INCOME FOR THE YEAR		323,496	224,943

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CASH FLOW STATEMENT

(in thousands of euros)		
	For the year ended December 31, 2007	For the year ended December 31, 2006
NET CASH FROM OPERATING ACTIVITIES		
Net income for the year	323,496	224,943
Elimination of net income from disposals of non-current assets	(25,875)	997
Elimination of investment grants added to net income	0	0
Net charges to and reversals of depreciation, amortization and provisions	183,625	130,043
NET CASH FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES (A)	481,246	355,983
Impact of:		
Change in inventories and work-in-progress	(93,112)	(316,424)
Change in advances and progress payments to suppliers	24,821	11,643
Change in trade receivables	(55,617)	149,533
Change in other receivables, prepayments and accrued income	(61,159)	(42,199)
Change in customer advances and progress payments on work-in-progress	422,107	55,215
Change in trade payables	107,080	(14,797)
Change in other payables, accruals and deferred income	53,074	(4,598)
CHANGES IN WORKING CAPITAL (B)	397,194	(161,627)
(A+B)	878,440	194,356
NET CASH USED IN INVESTING ACTIVITIES		
Purchases of intangible assets and property, plant and equipment	(51,357)	(74,731)
Disposals of and deposit reversals for intangible assets and property, plant and equipment	18,876	4,654
Purchases of investments	(3,043)	(1,115)
Disposals of investments	70,406	1,263
	34,882	(69,929)
NET CASH USED IN FINANCING ACTIVITIES		
Capital increase	0	0
Increase in equity items	0	0
Decrease in equity items	0	0
Increase in borrowings	83,217	93,273
Repayments of borrowings	(88,347)	(86,051)
Dividends paid	(74,932)	(100,246)
	(80,062)	(93,024)
CHANGE IN NET CASH AND CASH EQUIVALENTS	833,260	31,403
OPENING NET CASH AND CASH EQUIVALENTS (1)	2,298,478	2,267,075
CHANGE IN NET CASH AND CASH EQUIVALENTS	833,260	31,403
CLOSING NET CASH AND CASH EQUIVALENTS (1)	3,131,738	2,298,478

(1) cash and cash equivalents comprise the following balance sheet headings:
[cash at bank and in hand] + [marketable securities at historical cost] - [bank facilities and bank balances in credit].

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

LIMITED LIABILITY COMPANY WITH A SHARE CAPITAL OF EUR 81,007,176
Registered with the Paris Trade Registry under the number 712 042 456
SIRET: 712 042 456 00111

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Balance Sheet before appropriation of earnings for the year ended **December 31, 2007**, showing total assets of **EUR 7,169,158 thousand** and to the Income Statement, showing total revenues of **EUR 4,248,924 thousand** and net income of **EUR 323,496 thousand**.

The financial statements have been prepared for a 12-month period extending from **January 1, 2007 to December 31, 2007.**

The notes (or tables*)* presented below (nos. 1 to 35*)* are an integral part of the financial statements.

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NOTES: SUMMARY

Notes	To the balance sheet as of and the income statement for the year ended December 31, 2007
1	I - ACCOUNTING POLICIES
	II - ADDITIONAL IINFORMATION RELATING TO THE BALANCE SHEET AND INCOME STATEMENT
2	Intangible assets and property, plant and equipment
3	Long-term investments
	Maturity of long-term investments
	List of subsidiaries and affiliates, whose gross amount exceeds 1% of the Company's share capital and in which the Company holds at least 10% of shares
	Other subsidiaries and affiliates
	General information on securities
4	Inventories and work-in-progress
5	Interest on current assets
6	Maturity of current assets
7	Other receivables, prepayments and accrued income
8	Accrued income
9	Prepaid expenses and deferred income
10	Difference in measurement of current assets
11	Breakdown of share capital
12	Identity of the consolidating parent company
13	Reserves
	Revaluation reserve
14	Statement of changes in equity
15	Provisions
	Provisions for contingencies and losses
16	Borrowings
17	Maturity of borrowings
18	Other payables, accruals and deferred income
19	Accrued expenses
20	Notes on several balance sheet items
21	Sales analysis
22	Research and development costs
23	Net financial income/(expense)
24	Non-recurring items
	III - FINANCIAL COMMITMENTS AND OTHER INFORMATION
25	Analysis of corporate income tax
26	Financial commitments
27	Secured payables and receivables
28	Financial instruments: US dollar foreign exchange transaction portfolio
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NOTE 1
ACCOUNTING POLICIES

The individual financial statements have been prepared in accordance with French Accounting Standards Committee Regulation 99-03 approved by the decree of June 22, 1999 and subsequent notices and recommendations of the French National Accounting Board (CNC).

The methods used to present the financial statements are comparable year-on-year.

The following fundamental accounting concepts have been applied:

- prudence,
- going concern,
- consistency,
- accruals.

The individual financial statements have been prepared on a historical cost basis.

The principal accounting policies adopted are outlined below:

A) INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets and property, plant and equipment are recognized at acquisition or production cost, less any accumulated depreciation or amortization and any accumulated impairment losses. As an exception to the rule, intangible assets and property, plant and equipment acquired prior to December 31, 1976 were revalued. Interest expense is not capitalized. Each identified component of an intangible asset or item of property, plant and equipment is recognized and depreciated or amortized separately.

Depreciation and amortization are calculated using the straight-line method without deducting a residual value, with the exception of aircraft.

Property, plant and equipment and intangible assets are depreciated and amortized over their estimated useful lives. Useful lives are reviewed at each year-end for material non-current assets.

Initial useful lives are extended or reduced depending on the conditions in which the asset is used.

Useful lives are as follows:

Software	3-4 years
Industrial buildings	25-30 years
Office buildings	25-35 years
Fixtures and fittings	7-15 years
Plant, equipment and machinery	3-15 years
Aircraft	on average 10 years
Rolling stock	4-5 years
Other property, plant and equipment	3-8 years
Second-hand goods	case-by-case basis

B) IMPAIRMENT OF ASSETS

The Company performs an impairment test at each annual year-end and once there is an indication of impairment.

An asset is impaired where its net carrying amount exceeds its market or present value.

C) EQUITY INVESTMENTS, OTHER INVESTMENTS AND MARKETABLE SECURITIES

The gross value of such assets is their purchase price excluding incidental costs, except in the case of assets subject to the 1976 legal revaluation. A provision for impairment is recorded when the market value of such assets (determined by the Company) is lower than their gross value.

D) INVENTORIES AND WORK-IN-PROGRESS

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

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Work-in-progress is measured at production cost and does not include interest expense.

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

E) RECEIVABLES

Receivables are stated at nominal value. A provision for impairment is recorded when the recoverable value is less than the carrying amount.

F) TAX-DRIVEN PROVISIONS

These include:

- provisions for investments,
- provisions for price increases,
- provisions for medium-term export credit risk,
- accelerated depreciation.

G) PROVISIONS FOR CONTINGENCIES AND LOSSES

Retirement severance payments and long-service awards:

Retirement severance payment and long-service award commitments are provided in full. Provisions cover all employees and are estimated based on vested rights and a projection of current salaries, after taking into account mortality rates, employee turnover, and a discounting assumption.

Actuarial gains or losses or gains and losses analyzed as such are fully recognized in income in the period during which they are incurred.

Other provisions for contingencies and losses:

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

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

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

H) CURRENCY HEDGING TRANSACTIONS

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 by firm or optional forward transactions.

Premiums paid or received on the purchase or sale of put options are recognized in the income statement on maturity of the option, with the exception of those relating to “zero premium” hedging strategies, which are recognized immediately in the income statement to avoid the creation of temporary timing differences.

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I) Transactions denominated in foreign currencies

Income statement items denominated in foreign currencies are translated into euros at the exchange rate prevailing at the date of payment or receipt, with the exception of flows covered by hedging arrangements which are recorded at the hedge rate for the year.

Receivables and payables outstanding at the year-end are translated into euros at the closing rate of exchange. Differences arising on the translation of opening balances at closing rates of exchange 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.

J) Recognition of revenue and income or loss

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

Services are recognized under the percentage of completion method according to the milestones set forth in contracts.

Income or loss is recognized at each stage of completion if it can be reliably measured. Losses on completion are recognized as soon as they are known.

K) Unrealized capital gains on marketable securities

Unrealized capital gains on marketable securities are not recognized in the income statement until effectively realized.

Under Article 8 of the French Commercial Code, the corporate income tax charge recorded in the financial statements relates solely to reported income. As such, the tax charge relating to unrealized gains on marketable securities is recorded within prepayments until recognition of the capital gains within financial income.

This method, which constitutes a departure from the general principle of full recognition of deferred tax, has been adopted to provide a fairer presentation of the results of the Company.

L) Tax consolidation

With effect from January 1, 1999, Dassault Aviation, 9 Rond-Point des Champs-Elysées 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 was extended until fiscal year 2008.

By agreement, this tax consolidation election does not impact on member company net income, as tax charges are borne by the tax group companies as if no such election had been made.

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NOTE 2

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	As of Dec. 31, 2006	OTHER MOVEMENTS	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2007	INITIAL VALUES EXCLUDING LEGAL REVALUATION
INTANGIBLE ASSETS						
Gross value						
Software, patents, licenses and similar assets	62,877		2,612	(3,247)	62,242	62,242
Intangible assets in the course of development; advances and progress payments	1,513		984		2,497	
TOTAL	64,390	0	3,596	(3,247)	64,739	62,242
Amortization						
Software, patents, licenses and similar assets	(56,956)		(2,707)	3,247	(56,416)	
TOTAL	(56,956)	0	(2,707)	3,247	(56,416)	
Net value						
Software, patents, licenses and similar assets	5,921				5,826	
Intangible assets in the course of development; advances and progress payments	1,513				2,497	
TOTAL INTANGIBLE ASSETS	7,434	0	889	0	8,323	

PROPERTY, PLANT AND EQUIPMENT						
Gross value						
Land	25,312	18	503	(6)	25,827	22,043
Buildings	223,544	1,543	4,894	(1,990)	227,991	218,189
Plant, machinery and equipment	442,413	155	18,756	(23,254)	438,070	437,206
Other property, plant and equipment	167,011	1	21,607	(25,283)	163,336	163,043
Construction in progress; advances and progress payments	2,220	(1,717)	2,001	(423)	2,081	
TOTAL	860,500	0	47,761	(50,956)	857,305	840,481
Depreciation						
Land	(3,407)		(406)	6	(3,807)	
Buildings	(114,145)	0	(11,481)	1,878	(123,748)	
Plant, machinery and equipment	(351,069)	0	(22,199)	22,528	(350,740)	
Other property, plant and equipment	(76,823)		(7,413)	7,102	(77,134)	
TOTAL	(545,444)	0	(41,499)	31,514	(555,429)	
Net value						
Land	21,905				22,020	
Buildings	109,399				104,243	
Plant, machinery and equipment	91,344				87,330	
Other property, plant and equipment	90,188				86,202	
Construction in progress; advances and progress payments	2,220				2,081	
TOTAL PROPERTY, PLANT AND EQUIPMENT	315,056	0	6,262	(19,442)	301,876	

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NOTE 3

LONG-TERM INVESTMENTS

(in thousands of euros)	As of Dec. 31, 2006	OTHER MOVEMENTS	ACQUISITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2007	INITIAL VALUES EXCLUDING LEGAL REVALUATION
Equity investments	234,908		0	(43,456)	191,452	191,083
Other investment securities	4,092		2	0	4,094	3,942
Loans	2,050		537	(384)	2,203	2,203
Other long-term investments	25,689		2,504	(126)	28,067	28,067
TOTAL	266,739	0	3,043	(43,966)	225,816	225,295
Provisions	0				0	
NET VALUE	266,739	0	3,043	(43,966)	225,816	225,295

MATURITY OF LONG-TERM INVESTMENTS

(in thousands of euros)	Gross	Maturing within one year	Maturing within more than one year
Loans	2,203	357	1,846
Other long-term investments	28,067	0	28,067
GRAND TOTAL	30,270	357	29,913

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NOTE 3 - (cont'd.)

A. LIST OF SUBSIDIARIES AND AFFILIATES whose gross amount exceeds 1% of the Company's share capital and in which the Company holds at least 10% of shares

(in thousands of euros)

Companies or groups of companies	Share capital	Equity other than share capital	% shareholding	Carrying amount of shares held		Outstanding loans and advances granted by the company	Guarantees given by the company	Net sales of the most recent fiscal year	Net income 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	52,088	99.99%	59,453	59,453	0	0	139,271	3,352	0
DASSAULT INTERNATIONAL	1,529	15,500	99.63%	19,236	19,236	0	0	2,733	869	0
DASSAULT-REASSURANCE	10,459	6,882	99.99%	10,132	10,132	0	0	3,274	20,937	0
SOGITEC INDUSTRIES	4,578	34,847	99.74%	25,348	25,348	0	0	120,812	9,691	0
Total French subsidiaries				114,169	114,169	0	0			0
b. Foreign subsidiaries										
DASSAULT FALCON JET (1)	9,546	377,218	87.47%	7,767	7,767	0	142,232	1,206,537	11,046	0
DASSAULT INTERNATIONAL INC (USA)	3,430	32,498	100.00%	3,727	3,727	0	0	718	1,063	0
DASSAULT PROCUREMENT SERVICES INC (USA)	68	27,996	100.00%	28,965	28,965	0	0	365,059	4,760	0
Total foreign subsidiaries				40,459	40,459	0	142,232			0
Total subsidiaries				154,628	154,628	0	142,232			0
2. AFFILIATES (between 10 and 50% shareholding)										
a. French affiliates										
CORSE COMPOSITES AERONAUTIQUES (2)	1,707	4,722	24.81%	996	996	0	0	24,885	890	0
EUROTRADIA INTERNATIONAL (2)	3,000	33,616	16.20%	3,099	3,099	0	0	45,706	2,465	400
Total French affiliates				4,095	4,095	0	0			400
b. Foreign affiliates										
Total foreign affiliates				0	0	0	0			0
Total affiliates				4,095	4,095	0	0			400

(1) direct shareholding: the other shares, i.e. 12.53% of capital, are held by Dassault International Inc (USA), a wholly owned Dassault Aviation subsidiary.

(2) fiscal year 2006 information.

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NOTE 3 - (cont'd.)

B. OTHER SUBSIDIARIES AND AFFILIATES

(in thousands of euros)					
General information	Carrying amount of shares held		Outstanding loans and advances granted by the company	Guarantees given by the company	Dividends received by the company during the fiscal year
	Gross	Net			
1. SUBSIDIARIES					
a. French subsidiaries	563	563	0	0	0
b. Foreign subsidiaries	0	0	0	0	0
Total subsidiaries	563	563	0	0	0
2. AFFILIATES					
a. French affiliates	4,103	4,103	0	0	155
b. Foreign affiliates	32,157	32,157	0	0	1,488
Total affiliates	36,260	36,260	0	0	1,643

C. GENERAL INFORMATION ON SECURITIES (A+B)

(in thousands of euros)					
General information	Carrying amount of shares held		Outstanding loans and advances granted by the company	Guarantees given by the company	Dividends received by the company during the fiscal year
	Gross	Net			
1. SUBSIDIARIES					
a. French subsidiaries	114,732	114,732	0	0	0
b. Foreign subsidiaries	40,459	40,459	0	142,232	0
Total	155,191	155,191	0	142,232	0
2. AFFILIATES					
a. French affiliates	8,198	8,198	0	0	555
b. Foreign affiliates	32,157	32,157	0	0	1,488
Total	40,355	40,355	0	0	2,043
GRAND TOTAL	195,546	195,546	0	142,232	2,043

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NOTE 4

INVENTORIES AND WORK-IN-PROGRESS

(in thousands of euros)	Gross	Provision	As of Dec. 31, 2007 Net	As of Dec. 31, 2006 Net
Raw materials	146,383	(16,876)	129,507	118,112
Work-in-progress	2,097,948	0	2,097,948	2,014,498
Semi-finished and finished goods	401,310	(104,653)	296,657	298,390
TOTAL	2,645,641	(121,529)	2,524,112	2,431,000

NOTE 5

INTEREST ON CURRENT ASSETS

No interest is included in the amount of inventories and work-in-progress on the balance sheet.

NOTE 6

MATURITY OF CURRENT ASSETS

(in thousands of euros)	Gross	Maturing within one year	Maturing within more than one year
Trade receivables	515,791	374,274	141,517
Other receivables	106,779	106,779	0
Prepaid expenses	301,430	301,430	0
TOTAL	924,000	782,483	141,517

NOTE 7

OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

(in thousands of euros)	As of Dec. 31, 2007	As of Dec. 31, 2006
Other receivables	106,779	85,696
Prepaid expenses	301,430	263,734
Prepayments and accrued income	3,330	950
TOTAL	411,539	350,380

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NOTE 8

ACCRUED INCOME

(in thousands of euros)	As of Dec. 31, 2007	As of Dec. 31, 2006
Trade receivables	106,665	187,048
Other receivables, prepayments and accrued income	88	50
Marketable securities	0	940
Cash at bank and in hand	727	187
TOTAL	107,480	188,225

NOTE 9

PREPAID EXPENSES AND DEFERRED INCOME

(in thousands of euros)	Expenses	Income
Operating expenses/income as of December 31, 2007	301,430 (1)	14,151
Operating expenses/income as of December 31, 2006	263,734 (2)	10,183

(1) income tax on unrealized capital gains as of December 31, 2007 297,343

(2) income tax on unrealized capital gains as of December 31, 2006 261,213

NOTE 10

DIFFERENCE IN MEASUREMENT OF MARKETABLE SECURITIES

(in thousands of euros)		
MARKETABLE SECURITIES AND CASH INSTRUMENTS		
	Carrying amount	Market value
Marketable securities and cash instruments as of December 31, 2007	3,076,488 (1)	3,913,584
Marketable securities and cash instruments as of December 31, 2006	2,242,914	2,974,435

(1) the EUR 2,727 thousand difference included in balance sheet marketable securities and cash instruments corresponds to the premiums paid on foreign exchange options which are only taken to income at the maturity date of the options (see Section H, Note 1).

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NOTE 11

BREAKDOWN OF SHARE CAPITAL

	Number	Par value
1. Share capital at the beginning of the year	10,125,897	EUR 8
2. Share capital at the end of the year	10,125,897	EUR 8

NOTE 12

IDENTITY OF THE CONSOLIDATING PARENT COMPANY

	% consolidation
GROUPE INDUSTRIEL MARCEL DASSAULT 9, Rond Point des Champs Élysées - Marcel Dassault 75008 PARIS	50.55%

NOTE 13

RESERVES

(in thousands of euros)	As of Dec. 31, 2007	As of Dec. 31, 2006
Revaluation difference	4,305	4,305
Legal reserve	8,101	8,101
Other reserves	71,332	71,332
Retained earnings	1,671,514	1,521,503
TOTAL	1,755,252	1,605,241

REVALUATION RESERVE

(in thousands of euros)	Movements in the revaluation reserve			
	As of December 31, 2006	2007 movements		As of December 31, 2007
		Decreases due to disposals	Other changes	
Land	3,784	0	0	3,784
Equity investments	521	0	0	521
TOTAL	4,305	0	0	4,305
Revaluation reserve (1976)	4,305	0	0	4,305

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NOTE 14

STATEMENT OF CHANGES IN EQUITY

1/ INCOME FOR THE YEAR

(in thousands of euros or in euros per share)		
	2007	2006
ACCOUNTING INCOME		
In thousands of euros	323,496	224,943
Euros per share	31.95	22.21
CHANGE IN EQUITY EXCLUDING INCOME FOR THE YEAR		
In thousands of euros	8,536	33,204
Euros per share	0.84	3.28
DIVIDENDS		
In thousands of euros	107,335 (1)	74,932
Euros per share	10.60 (1)	7.40

(1) proposed to the Annual General Meeting.

2/ STATEMENT OF CHANGES IN EQUITY EXCLUDING INCOME FOR THE YEAR (in thousands of euros)

	Prior to appropriation of 2006 net income as of Dec. 31, 2007		After appropriation of 2006 net income as of Dec. 31, 2007
A -			
1. 2006 closing equity excluding net income for the year	1,964,741		1,964,741
2. 2006 net income prior to appropriation	224,943		
3. Appropriation of 2006 net income to net equity by the Annual General Meeting			150,011
4. 2007 opening equity	2,189,684		2,114,752
B - Additional paid-in capital with retroactive effect to 2007 opening equity			0
1. Change in share capital		0	
2. Change in other items		0	
C - (= A4 + B) 2007 opening equity			2,114,752
D - Changes during the year excluding 2007 net income			8,536
1. Change in share capital		0	
2. Change in additional paid-in capital, reserves		0	
3. Change in equity provisions		0	
4. Revaluation offsetting entries - Reserve		0	
5. Change in tax-driven provisions and equipment grants		8,536	
6. Other changes		0	
E - 2007 CLOSING EQUITY EXCLUDING 2007 NET INCOME PRIOR TO THE ANNUAL GENERAL MEETING (= C + D)			2,123,288
F - TOTAL 2007 CHANGE IN EQUITY EXCLUDING 2007 NET INCOME (= E - C)			8,536

3/ TAX PAYABLE (in thousands of euros)

Tax-driven provisions excluding provisions for investments:	132,677	x	34.43%	45,681

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NOTE 15

PROVISIONS

(in thousands of euros)								
	As of December 31, 2006	Other movements	Increases/ charges in the year		Decreases/ reversals in the year		As of December 31, 2007
TAX PROVISIONS							
Investments	127,753	0	22,699	(3)	(15,679)	(3)	134,773
Price increases	54,751	0	9,554	(3)	(8,649)	(3)	55,656
Accelerated tax depreciation	76,393	0	18,231	(3)	(19,153)	(3)	75,471
Medium-term export credit	0	0	1,533	(3)	0	(3)	1,533
Capital gains rolled over	17	0	0	(3)	0	(3)	17
TOTAL I	258,914	0	52,017		(43,481)		267,450
PROVISIONS FOR CONTINGENCIES AND LOSSES							
Operating	473,254	0	236,307	(1)	(104,791)	(1)	604,770
Financial	950	0	3,330	(2)	(950)	(2)	3,330
Non-recurring	3,013	0	0	(3)	(3,013)	(3)	0
TOTAL II	477,217	0	239,637		(108,754)		608,100
PROVISIONS FOR IMPAIRMENT							
Intangible assets	0	0	0	(1)	0	(1)	0
Property, plant and equipment	0	0	0	(1)	0	(1)	0
Long-term investments	0	0	0	(2)	0	(2)	0
Inventories and work-in-progress	117,527	0	121,529	(1)	(117,527)	(1)	121,529
Trade receivables	163,050	0	156,203	(1)	(163,050)	(1)	156,203
TOTAL III	280,577	0	277,732		(280,577)		277,732
GRAND TOTAL	1,016,708	0	569,386		(432,812)		1,153,282

operating - }	charges, reversals and expense transfers	514,039	(1)	(385,368)	(1)
financial - }		3,330	(2)	(950)	(2)
non-recurring - }		52,017	(3)	(46,494)	(3)
		569,386		(432,812)	

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NOTE 15 (cont'd.)

BREAKDOWN OF PROVISIONS FOR CONTINGENCIES AND LOSSES

(in thousands of euros)					
	As of December 31, 2006	Other movements	Increases/ charges in the year	Reversals in the year	As of December 31, 2007
PROVISIONS FOR CONTINGENCIES AND LOSSES					
Retirement severance payments and long-service awards	195,000		55,200	(18,200)	232,000
Warranties	191,340		108,170	(20,470)	279,040
Services and work to be performed	86,914		72,937	(66,121)	93,730
Operating	473,254	0	236,307	(104,791)	604,770
Foreign exchange losses	950		3,330	(950)	3,330
Financial	950	0	3,330	(950)	3,330
CASA early retirement program and other	3,013			(3,013)	
Non-recurring	3,013	0	0	(3,013)	0
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES	477,217	0	239,637	(108,754)	608,100

- Provisions for retirement severance payments and long-service awards:

  Retirement severance payment and long-service award commitments are calculated for all employees using the projected unit credit method and provided 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 cost of retirement, pro rata to the employee's length of service at the period-end in relation to his total career expectancy, is retained,
  - this cost is calculated by taking into account the average wage increase assumption of 4.2% per annum, a discounting rate of 4.4% per annum and an annual inflation rate of 2%.

- Provisions for warranties: warranty provisions are updated to reflect the fleet in service and contracts delivered.

- CASA early retirement program and other: this item mainly includes the financing of the period of inactivity of the employees involved in the CASA early retirement program (signed in 2002), up to retirement age.

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NOTE 16

BORROWINGS

(in thousands of euros)	As of Dec .31, 2007	As of Dec .31, 2006
Bank borrowings (1)	22,912	57,841
Other borrowings (2)	238,108	243,220
TOTAL	261,020	301,061
(1) including bank balances in credit	22,831	57,741
(2) of which participating loans	0	0

NOTE 17

MATURITY OF BORROWINGS

(in thousands of euros)	Gross	Maturing within 1 year	Between 1 and 5 years	After 5 years
Bank borrowings (1)	22,912	22,842	46	24
Other borrowings (2)	238,108	42,310	195,798	0
Trade payables	682,746	682,746	0	0
Tax and employee-related liabilities	241,215	239,484	1,731	0
Amounts payable in respect of PP&E and related accounts	7,265	7,265	0	0
Other payables	115,078	115,078	0	0
TOTAL	1,307,324	1,109,725	197,575	24
(1) including bank balances in credit	22,831	22,831	0	0
(2) of which participating loans	0	0	0	0

NOTE 18

OTHER PAYABLES, ACCRUALS AND DEFERRED INCOME

(in thousands of euros)	As of Dec. 31, 2007	As of Dec. 31, 2006
Tax and employee-related liabilities	241,215	218,471
Amounts payable in respect of PP&E and related accounts	7,265	5,879
Other payables	115,078	89,273
Deferred income	14,151	10,183
Accruals and deferred income	556	1,385
TOTAL	378,265	325,191

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NOTE 19

ACCRUED EXPENSES

(in thousands of euros)		
	As of Dec. 31, 2007	As of Dec. 31, 2006
Bank borrowings	7,073	6,430
Trade payables	435,059	422,148
Other payables, accruals and deferred income	225,299	195,857
TOTAL	667,431	624,435

NOTE 20

NOTES ON SEVERAL BALANCE SHEET ITEMS

(in thousands of euros)	Notes on		Receivables and payables represented by commercial paper
	Related undertakings	Companies in which Dassault holds an investment	
Equity investments	155,191	36,261	0
Loans	0	0	0
Advances and progress payments to suppliers	113,778	0	0
Trade receivables	39,583	0	386
Miscellaneous receivables	0	0	0
Customer advances and progress payments on work-in-progress	287,761	0	0
Trade payables	125,743	0	0
Other miscellaneous payables	0	0	0

NOTE 21

SALES ANALYSIS

(in thousands of euros)	For the year ended Dec. 31, 2007	For the year ended Dec. 31, 2006
A) ANALYSIS BY CLASS OF GOODS OR SERVICES:		
Finished goods	3,123,939	2,426,292
Services	481,411	427,169
TOTAL	3,605,350	2,853,461
B) ANALYSIS BY GEOGRAPHICAL AREA:		
France	920,218	1,041,852
Export	2,685,132	1,811,609
TOTAL	3,605,350	2,853,461

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NOTE 22

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are recognized in expenses as incurred and represent:

(in thousands of euros)	For the year ended Dec. 31, 2007	For the year ended Dec. 31, 2006
RESEARCH AND DEVELOPMENT	(229,882)	(256,884)

The Company's research and development strategy and initiatives are described in the management report.

NOTE 23

NET FINANCIAL INCOME/(EXPENSE)

(in thousands of euros)		For the year ended Dec. 31, 2007		For the year ended Dec. 31, 2006
Investment income		2,043		2,801
Income from other long-term loans and assets		56		59
Other interest and similar income		12,649		9,201
Reversals of provisions				
- Foreign exchange losses	950		0	
- Equity investments	0		0	
		950		0
Net proceeds from sale of marketable securities		14,682		13,905
Total financial income		30,380		25,966
Amortization and provisions				
- Foreign exchange losses	(3,330)		(950)	
- Equity investments	0		0	
		(3,330)		(950)
Interest and similar expenses		(9,929)		(8,677)
Total financial expense		(13,259)		(9,627)
Net financial income/(expense)		17,121		16,339

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NOTE 24

NON-RECURRING ITEMS

(in thousands of euros)	For the year ended Dec. 31, 2007		For the year ended Dec. 31, 2006	
Proceeds from disposal of:				
- Property, plant and equipment	18,453		2,520	
- Long-term investments	69,896		45	
		88,349		2,565
Other non-recurring income		198		240
Reversals of provisions				
- Investments	15,679		11,654	
- Price increases	8,649		7,682	
- Medium-term export credit	0		0	
- Accelerated tax depreciation	19,153		5,165	
- Capital gains rolled over	0		0	
- CASA early retirement plan	3,013		9,531	
		46,494		34,032
		135,041		36,837
Non-recurring charges on non-capital transactions		0		0
Carrying amount of:				
- Intangible assets	0		0	
- Property, plant and equipment	(19,018)		(3,484)	
- Long-term investments	(43,456)		(78)	
		(62,474)		(3,562)
Other non-recurring charges (1)		(3,179)		(9,778)
Charges to tax-driven provisions				
- Investments	(22,699)		(30,297)	
- Price increases	(9,554)		(7,999)	
- Medium-term export credit	(1,533)		0	
- Accelerated tax depreciation	(18,231)		(19,409)	
		(52,017)		(57,705)
Other non-recurring provisions		0		0
		(117,670)		(71,045)
Non-recurring items		17,371		(34,208)

(1) of which CASA charges: EUR 3,013 thousand in 2007
EUR 9,531 thousand in 2006

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NOTE 25

ANALYSIS OF CORPORATE INCOME TAX

(in thousands of euros)	Net income before tax	Corporate income tax	Long-term capital gains tax	Income after tax
Net income from ordinary activities before tax	606,658	(216,881)	0	389,777
Non-recurring items (including profit-sharing and incentive schemes)	(97,376)	31,095	0	(66,281)
Accounting income	509,282	(185,786)	0	323,496
		(185,786)		

NOTE 26

FINANCIAL COMMITMENTS

COMMITMENTS GIVEN (in thousands of euros)	As of Dec. 31, 2007	As of Dec. 31, 2006
- Guarantees given in respect of:		
. subsidiaries	142,232	56,133
. equity investments	0	0
. other	0	0
TOTAL	142,232	56,133

COMMITMENTS RECEIVED (in thousands of euros)	As of Dec. 31, 2007	As of Dec. 31, 2006
Export insurance guarantees	190,989	36,785
Collateral (mortgages, pledges)	0	0
TOTAL	190,989	36,785

BILATERAL COMMITMENTS IN RESPECT OF (in thousands of euros)	As of Dec. 31, 2007	As of Dec. 31, 2006
Future billings to customers	13,513,300	11,583,200
Future payments to subcontractors or suppliers	1,992,746	1,835,783
Fixed asset orders	13,943	11,371
TOTAL	15,519,989	13,430,354

NOTE 27

SECURED PAYABLES AND RECEIVABLES

(in thousands of euros)	As of Dec. 31, 2007	As of Dec. 31, 2006
Customer advances and progress payments on work-in-progress	557,272	985,271
Advances and progress payments to suppliers	1,877	2,142
TOTAL	559,149	987,413

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NOTE 28

FINANCIAL INSTRUMENTS: US DOLLAR FOREIGN EXCHANGE TRANSACTION PORTFOLIO

Dassault Aviation is exposed to a foreign exchange risk with regard to the gains from sales of Falcon aircraft which are virtually all denominated in US dollars. The parent company only incurs a portion of its expenditure in the same currency (mainly purchases). Dassault Aviation is therefore exposed to foreign exchange risk that it partially hedges using forward sales contracts and, where necessary, foreign exchange options.
The financial instruments held by Dassault Aviation are measured below at market value.
Market values represent the euro-equivalent, translated at closing rates of exchange, of amounts payable or receivable in the event of liquidation of the entire portfolio. They do not reflect actual results realizable on transaction maturity, as they do not take account of future price fluctuations.
The portfolio valuation is, therefore, provided for information purposes only.

In valuing the portfolio, the assumed hedging rate did not generate any losses on commercial transactions hedged.

MARKET VALUE	In thousands of US dollars	In thousands of euros
As of December 31, 2007		
Forex operations	24,633	16,733
Forwards	731,442	496,870
TOTAL	756,075	513,603
As of December 31, 2006		
Forex operations	7,645	5,805
Forwards	686,567	521,311
TOTAL	694,212	527,116

NOTE 29

IMPACT OF EXCEPTIONAL TAX ASSESSMENTS

(in thousands of euros)	For the year ended Dec. 31, 2007		For the year ended Dec. 31, 2006	
Net income for the year		323,496		224,943
Corporate income tax		185,786		120,085
NET INCOME BEFORE TAX		509,282		345,028
INCREASE IN TAX-DRIVEN PROVISIONS		1,516		14,561
Of which:				
- Accelerated tax depreciation	(922)		14,244	
- Provision for price increases	905		317	
- Provision for capital gains rolled over	0		0	
- Provision for medium-term export credit	1,533		0	
NET INCOME EXCLUDING EXCEPTIONAL TAX ASSESSMENTS (BEFORE TAX)		510,798		359,589

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NOTE 30

DEFERRED TAX

(in thousands of euros)	As of Dec. 31, 2007		As of Dec. 31, 2006	
Tax-driven provisions:				
- Price increases	55,656		54,751	
- Medium-term export credit	1,533		0	
- Accelerated tax depreciation	75,471		76,393	
TOTAL	132,660		131,144	
CONTINGENT DEFERRED TAX LIABILITY		45,675		45,153
Items not deductible in the current year:				
- Employee profit-sharing	100,747		74,981	
- Retirement severance payments and long-service awards	232,000		195,000	
Other partly non-deductible items (sales-related social security contributions, trade receivables, inventories, warranties, other):	159,443		129,700	
TOTAL	492,190		399,681	
CONTINGENT DEFERRED TAX ASSET		169,461		137,610
Long-term capital losses	0		31	

NOTE 31

REMUNERATION OF CORPORATE OFFICERS

Total remuneration received by corporate officers in respect of 2007, broken down in the management report, amounted to EUR 1,095,216 for the parent company.

NOTE 32

AVERAGE NUMBER OF EMPLOYEES

	Employed by the Company	Seconded to the Company
Management and executive grades	4,289	
Supervisory and technical grades	2,239	
Administrative employees	629	46
Production employees	1,273	225
TOTAL	8,430	271
Average number of employees for fiscal year 2006	8,614	286

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NOTE 33

ENVIRONMENTAL INFORMATION

Dassault Aviation recognized environmental investments in the amount of EUR 1,010,000 and expenditure of around EUR 2,280,000 in 2007 relating to risk, impact and regulatory compliance analyses.

The Company did not need to recognize any environmental liabilities.

NOTE 34

FIVE-YEAR SUMMARY

(in thousands of euros except per share data)					
	2003	2004	2005	2006	2007
1/ FINANCIAL POSITION AT YEAR-END					
a. Share capital	81,007	81,007	81,007	81,007	81,007
b. Number of shares outstanding	10,125,897	10,125,897	10,125,897	10,125,897	10,125,897
2/ SUMMARY OF OPERATING RESULTS					
a. Net sales	2,801,410	2,810,343	2,969,785	2,853,461	3,605,350
b. Income before income tax, depreciation, amortization and provisions	445,677	375,732	434,310	483,736	690,062
c. Corporate income tax	74,046	101,710	117,009	120,085	185,786
d. Income after income tax, depreciation, amortization and provisions	233,348	226,640	260,901	224,943	323,496
e. Dividends paid	77,969	77,969	100,246	74,932	107,335 (1)
3/ PER SHARE DATA (in EUR)					
a. Income after income tax, but before depreciation, amortization and provisions	36.7	27.1	31.3	35.9	49.8
b. Income after income tax, depreciation, amortization and provisions	23.0	22.4	25.8	22.2	31.9
c. Dividends paid	7.7	7.7	9.9	7.4	10.6 (1)
4/ PERSONNEL					
a. Average number of employees during the year	8,857	8,800	8,774	8,614	8,430
b. Total payroll charges excluding taxes	382,500	385,616	393,883	407,858	418,125
c. Total payroll taxes and social security charges	186,826	188,100	194,380	198,836	209,222
5/ EMPLOYEE PROFIT-SHARING	70,971	75,547	86,967	74,981	100,747
6/ INCENTIVE PAYMENTS	14,000	14,000	14,000	14,000	14,000

(1) proposed to the Annual General Meeting.

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NOTE 35

INVESTMENT PORTFOLIO AS OF DECEMBER 31, 2007

(in thousands of euros)	Number of shares	Gross value	Impairment, Provisions	Net value
MARKETABLE SECURITIES				
Short- and medium-term government and savings bonds		10,976	0	10,976
Mutual funds		2,433,472	0	2,433,472
Cash management mutual funds (SICAV) and other		632,040	0	632,040
TOTAL I		3,076,488	0	3,076,488
EQUITY INVESTMENTS				
AEROSPACE SECTOR				
CORSE COMPOSITES AÉRONAUTIQUES	184,139	996	0	996
DASSAULT AÉRO SERVICE	5,000	106	0	106
DASSAULT FALCON SERVICE	229,990	59,453	0	59,453
DASSAULT INTERNATIONAL	10,960	19,236	0	19,236
DASSAULT INTERNATIONAL(USA) Inc	5,050	3,727	0	3,727
DASSAULT FALCON JET - Ordinary shares	88,612	3,068	0	3,068
DASSAULT FALCON JET - Preferred shares	69,877	4,699	0	4,699
DASSAULT PROCUREMENT SERVICES	1,000	28,965	0	28,965
EMBRAER	6,671,360	32,119	0	32,119
EUROTRADIA INTERNATIONAL	21,625	3,099	0	3,099
SECBAT	717	11	0	11
SOGITEC INDUSTRIES	12,478	25,348	0	25,348
OTHER		36	0	36
OTHER SECTORS				
DASSAULT ASSURANCES COURTAGE	9,983	457	0	457
DASSAULT - RÉASSURANCE	261,469	10,132	0	10,132
TOTAL II		191,452	0	191,452
OTHER INVESTMENTS				
OTHER		9	0	9
SOFEMA	4,998	161		161
SOFRESA	6,000	3,924	0	3,924
TOTAL III		4,094	0	4,094
GRAND TOTAL (I+II+III)		3,272,034	0	3,272,034

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AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2007

In accordance with our appointment as auditors by your Annual General Meeting, we hereby report to you for the year ended December 31, 2007 on:

- the audit of the accompanying financial statements of Dassault Aviation,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

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

OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2007 and 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 governing the justification of our assessments, we draw your attention to the following:

The Company records profits from long-term contracts using the percentage of completion method.

In accordance with professional standards applicable to accounting estimates, and based on the information made available to date, we assessed the data and assumptions prepared by management, on which the estimated profits on completion of these contracts and any subsequent changes were based. We reviewed the calculations performed and compared the accounting estimates of previous years with the corresponding results.

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

SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed the other 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,
- the fair presentation of the information provided in the Directors' report regarding the compensation and benefits paid to company officers and any commitments undertaken in their favor at the time of the adoption, termination or change of positions or subsequent thereto.

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Pursuant to the law, we have verified that the Directors' Report contains the appropriate disclosures relating to acquisitions of interest or control and the identity of shareholders.

Courbevoie and Neuilly-sur-Seine, February 21, 2008

The Auditors

Mazars & Guérard

Serge Castillon

Deloitte & Associés

Philippe Mouraret Dominique Jumaucourt

This is a free translation into English of the auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The auditors' report includes for the information of the reader, as required under French law in any auditors' report, whether qualified or not, explanatory paragraphs separate from and presented below the audit opinion discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. Such report, together with the auditors' report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

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AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS CONCERNING THE INTERNAL CONTROL PROCEDURES FOR THE PREPARATION AND TREATMENT OF FINANCIAL AND ACCOUNTING INFORMATION

Year ended December 31, 2007

In our capacity as auditors of Dassault Aviation, and in accordance with Article L.225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2007.

In his report, the Chairman reports on the conditions and organization of the Board's procedures and the internal control procedures implemented by the Company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and treatment of financial and accounting information.

We conducted our procedures in accordance with the professional standards applicable in France. Those standards require that we assess the fairness of the information set forth in the Chairman's report concerning the internal control procedures for the preparation and treatment of financial and accounting information. Specifically, these procedures consist in:

- taking due note of the internal control procedures for the preparation and treatment of financial and accounting information underlying the information presented in the Chairman's report and existing documentation;

- taking due note of the work performed in order to prepare this information and existing documentation;

- determine whether the major internal control deficiencies relating to the preparation and treatment of financial and accounting information that we identified during our engagement are appropriately disclosed in the Chairman's report.

On the basis of our procedures, we have no comment to make on the information concerning the internal control procedures for the preparation and treatment of financial and accounting information, set forth in the report of the Chairman of the Board, prepared in accordance with Article L.225-37 of the French Commercial Code.

Courbevoie and Neuilly-sur-Seine, February 21, 2008

The Auditors

Mazars & Guérard

Serge Castillon

Deloitte & Associés

Philippe Mouraret

Dominique Jumaucourt

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AUDITORS' REPORT ON RELATED-PARTY TRANSACTIONS AND COMMITMENTS

Year ended December 31, 2007

In accordance with our appointment as auditors of your Company, we hereby report on related-party transactions and commitments.

Transactions and commitments authorized during the fiscal year

Pursuant to Article L.225-40 of the French Commercial Code, the agreements and commitments previously authorized by the Board of Directors were brought to our attention.

The terms of our engagement do not require us to identify such transactions and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those transactions and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these transactions and commitments for the purpose of approving them.

We conducted our procedures in accordance with professional standards applicable in France. Those standards require that we agree the information provided to us with the relevant source documents.

WITH ONE OF ITS DIRECTORS:

The Board of Directors, during its meeting of February 14, 2007, entrusted Mr. Bruno Revellin-Falcoz, in the interest of Dassault Aviation, with an exceptional technical expertise assignment as part of the ongoing first instance proceedings with regard to the accident of the Greek government's Falcon 900 in 1999.

In consideration for his technical expertise, Mr. Bruno Revellin- Falcoz received EUR 60,000. The expenses incurred during this assignment were paid by the Company.

Transactions and commitments approved in previous years with continuing effect

In addition, pursuant to the French Commercial Code, we have been advised that the following transactions and commitments entered into and approved in previous years have had continuing effect during the year.

WITH GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD) AND TWO OF ITS REAL-ESTATE SUBSIDIARIES:

Dassault Aviation continued to lease from GIMD and two of its real-estate subsidiaries a number of premises, plots of land and industrial facilities in accordance with the law governing commercial leases.

Rent paid to the aforementioned companies during fiscal year 2007 totaled EUR 29,722,861.04 excluding VAT.

WITH DASSAULT FALCON JET:

At the request of Dassault Falcon Jet, Dassault Aviation undertook to refund amounts paid on account by Dassault Falcon Jet customers, should Dassault Falcon Jet fail to meet its contractual obligations.

These guarantees remain in force until delivery of the aircraft ordered. As of December 31, 2007, the guarantees amounted to EUR 142,231,342.98.

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WITH ALL THE GROUP DIRECTORS AND OFFICERS:

A Directors and Executive Officers Civil Liability insurance policy was taken out with AXA Global Risk, now called AXA Corporate Solutions, with effect as of July 1, 1999. This policy covers all directors and executive officers of the Company and its subsidiaries up to an annual guaranteed limit of EUR 20,000,000, for an annual premium in 2007 of EUR 63,644.10 (including issue costs and insurance taxes).

Courbevoie and Neuilly-sur-Seine, February 21, 2008

The Auditors

Mazars & Guérard

Serge Castillon

Deloitte & Associés

Philippe Mouraret

Dominique Jumaucourt

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It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standard.

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ANNUAL ORDINARY GENERAL MEETING

OF APRIL 23, 2008

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DASSAULT
AVIATION

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ANNUAL GENERAL MEETING OF APRIL 23, 2008 / DRAFT RESOLUTIONS

FIRST RESOLUTION

Shareholders, having taken due note of the Directors' Report, the Chairman's report governed by section 6 of Article L 225-37 of the French Commercial Code, the Auditors' Report and their report governed by section 5 of Article L 225-235 of the French Commercial Code, hereby approve, in full and without reservation, the financial statements for the year ended December 31, 2007 as presented and showing a net income of EUR 323,495,737.49, together with all transactions presented therein or summarized in these reports.

SECOND RESOLUTION

Shareholders, having taken due note that the report on Group activities is included in the Directors' Report and having read the Auditors' Report on the consolidated financial statements, hereby approve, in full and without reservation, the consolidated financial statements for the year ended December 31, 2007 as presented and showing consolidated net income before minority interests of EUR 382,296,000 (including net income after minority interests of EUR 382,278,000), together with all transactions presented therein or summarized in these reports.

THIRD RESOLUTION

Shareholders, having taken due note of the Auditors' Report on related-party transactions, governed by Articles L 225-38 et seq. of the French Commercial Code, hereby approve the transactions presented in this report

FOURTH RESOLUTION

Shareholders hereby discharge Directors, fully and finally, from any liability arising from their management of the Company during the year ended December 31, 2007.

FIFTH RESOLUTION

Shareholders, in accordance with the proposal of the Board of Directors, hereby decide that the net income for the year of……EUR 323,495,737.49

plus retained earnings of.....EUR 1,671,514,039.43

giving a total of .....EUR 1,995,009,776.92

be appropriated as follows:

- dividend distribution of……..EUR 107,334,508.20
- with the remaining balance
  to retained earnings of .....EUR 1,887,675,268.72

As a result of the above appropriation, a dividend per share of EUR 10.60 shall be distributed.

For individuals taxable in France, this dividend shall be liable for a progressive scale after the 40% allowance or, as an option, a flat-rate withholding. Whatever option is chosen, this dividend shall give rise to social security contributions deducted at source.

The dividend shall fall due for payment in euros on May 5, 2008, and be paid directly for registered shares, and via authorized intermediaries for administrated or bearer shares.

Net dividends per share distributed in respect of the last three years and the corresponding tax credits or allowances are as follows:

Fiscal year	**Net dividends** (in EUR)	**Tax allowance (1)**
2004	7.70	50%
2005	9.90	40%
2006	7.40	40%

(1) individuals

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SIXTH RESOLUTION

Shareholders hereby ratify the co-option of Mr. Olivier Andries as director, to replace Mr. Jean-Paul Gut, for the remainder of his term of office, that is until the end of the Annual General Meeting held to adopt the financial statements for the year ended December 31, 2009.

SEVENTH RESOLUTION

Shareholders, having noted that the term of office of Mr. Bruno Revellin-Falcoz expires at the end of this General Meeting, hereby decide to appoint Mr. Henri Proglio in replacement thereof, for six years, that is until the end of the Annual General Meeting held to adopt the financial statements for the year ended December 31, 2013.

EIGHTH RESOLUTION

Shareholders, having noted that the terms of office of:

- the principal statutory auditors:
  - Deloitte & Associés S.A.
  - Mazars & Guerard S.A.
- the deputy statutory auditors:
  - Mr. Alain Pons
  - Mr. Michel Rosse

expire at the end of this General Meeting, hereby decide to:

- renew the term of office of Deloitte & Associés S.A. as principal statutory auditor for six fiscal years, that is until the end of the Annual General Meeting held to adopt the financial statements for the year ended December 31, 2013,
- renew the term of office of Mazars & Guerard S.A. as principal statutory auditor for six fiscal years, that is until the end of the Annual General Meeting held to adopt the financial statements for the year ended December 31, 2013,
- renew the term of office of Mr. Alain Pons, partner within Deloitte & Associés S.A., as deputy statutory auditor of Deloitte & Associés S.A. for the remainder of the latter's term of office,
- appoint Mr. Philippe Castagnac, partner within Mazars & Guerard S.A., as deputy statutory auditor of Mazars & Guerard S.A. for the remainder of the latter's term of office.

NINTH RESOLUTION

Shareholders, hereby confer full powers on the bearer of copies of or extracts from the minutes of this meeting in order to comply with all legal, publication or other formalities.

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