2008

ANNUAL FINANCIAL REPORT

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DASSAULT AVIATION

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DECLARATION OF THE PERSON RESPONSIBLE FOR THE REPORT

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

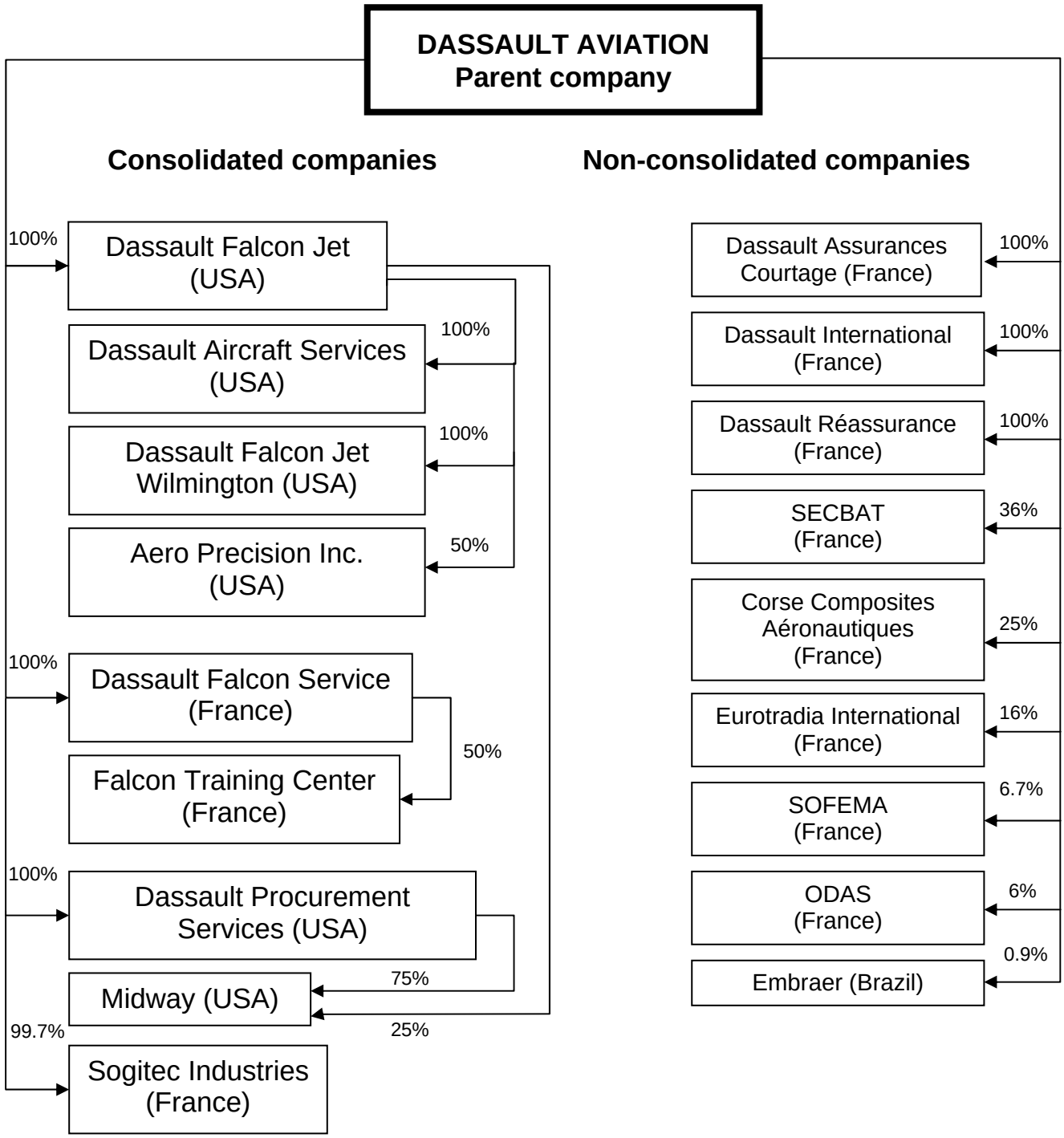
Paris, March 19, 2009

Charles Edelstenne
Chairman and Chief Executive Officer

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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
46.32% EADS France
3.13% PRIVATE INVESTORS

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BOARD OF DIRECTORS

Honorary Chairman
Serge DASSAULT

Chairman and Chief Executive Officer
Charles EDELSTENNE

Directors
Olivier DASSAULT
Serge DASSAULT
Charles EDELSTENNE
Alain GARCIA
Philippe HUSTACHE
Denis KESSLER
Henri PROGLIO
Pierre-Henri RICAUD

MANAGEMENT COMMITTEE

Chairman

Charles EDELSTENNE	Chairman and Chief Executive Officer
Alain BONNY	Executive Vice-President, Military Customer Support Division
Claude DEFAWE	Vice-President, National and Cooperative Military Sales
Didier GONDOIN	Executive Vice-President, Research, Design and Engineering
Gérald MARIA	Executive Vice-President, Total Quality
Jacques PELLAS	Corporate Secretary
Guy PIRAS	Executive Vice-President, Industrial Operations, Procurement and Purchasing
Loïk SEGALEN	Executive 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 S.A., represented by Mr. Serge Castillon, partner
Deloitte & Associés S.A., represented by Mr. Dominique Jumaucourt, partner

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Ladies and Gentlemen,

Before submitting the annual and consolidated financial statements for the year ended December 31, 2008 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:

Consolidated orders in 2008 totaled **EUR 5.82 billion**, down 7% compared to 2007.

In particular, 115 new Falcons were ordered in 2008, compared to 212 in 2007.

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

Fiscal year	Defense		Falcon	**Total**	% Export
	France	Export			
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%
2008	**956**	**241**	**4,625**	**5,822**	**81%**

NET SALES:

Consolidated net sales amounted to **EUR 3.75 billion** in 2008, down 8% compared to 2007. 62% 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			
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%
2008	**1,166**	**269**	**2,313**	**3,748**	**66%**

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OPERATING INCOME:

Consolidated operating income in 2008 totaled **EUR 434 million**, down 14% compared to 2007.

Operating profitability stood at 11.6%.

NET INCOME:

In 2008, the Group reported **consolidated net income** (before minority interests) of **EUR 373 million**, down 2% on fiscal year 2007.

Net profitability was 9.9%.

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.

FINANCIAL STRUCTURE:

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

Cash and cash equivalents, net of bank balances in credit, totaled EUR 814 million.

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, 2008 totaled **EUR 4.43 billion**, compared to EUR 4.56 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.

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 and places its investments and has bank accounts with these various institutions. The Group had no investments or accounts with financial institutions that went bankrupt in 2008.

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

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percentage of outstanding receivables not impaired at the year-end is immaterial and not at risk.

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 when 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.

RELATED-PARTY TRANSACTIONS:

Related parties as of December 31, 2008 are identical to those as of December 31, 2007. Transactions performed during fiscal year 2008 are described in Note 26 to the consolidated financial statements.

GROUP ACTIVITIES:

PROGRAM DEVELOPMENTS:

- ***Falcon programs:***

  Fiscal year 2008 was marked by steady sales of Falcon executive jets until the third quarter, whereas the fourth quarter was impacted by the financial crisis.

  Other highlights include:

  - the delivery of 72 Falcons,
  - the announcement at the EBACE air show in May of the launch of the Falcon 900LX program,
  - the delivery of the first Falcon 7X to Netjets.

- ***Defense programs:***

  Rafale highlights in 2008 included:

  - the delivery of 14 Rafale production aircraft,
  - a new deployment in Afghanistan of French Air Force Rafale with AASM firing,
  - participation of the Air Rafale at the Red Flag exercise during the summer in Nevada in the United States and the inclusion of the French Navy Rafale in the fleet of the aircraft carrier USS Roosevelt,
  - the qualification of the F3 standard, providing the Rafale with nuclear deterrence capabilities.

  Other programs included:

  - the delivery of 9 retrofitted Greek Mirage 2000,
  - notification in April 2008 of the detailed definition and completion of the nEUROn Unmanned Combat Aircraft Vehicle (UCAV) demonstrator program. This program, under the project management of Dassault Aviation, includes five other European partners,

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- the signature in June 2008 with Thales and Indra of an industrial agreement involving MALE drones and the submission of an offer to the French and Spanish Defense Ministries for a jointly developed system,

- the signature with Infotech (India) of a draft agreement to work together and set up activities for the "Compensations" phase of the "Medium Multirole Combat Aircraft" (MMRCA) program organized by the Indian Defense Ministry,

- continued production of pyrotechnical and telemetry equipment for Ariane and Vega and research on the Rafale airborne mini-launcher (MLA project) for the CNES.

CUSTOMER SUPPORT AND SERVICES:

In 2008, the Dassault Aviation Group:

- organized the world "Falcon maintenance and operations" seminar in March,
- strengthened its customer support organization by opening four new regional spare parts distribution centers, setting up two new maintenance centers in Brazil and Nevada and expanding the service stations in Le Bourget and Little Rock,
- received from the French government a major 10-year Rafale Operational Condition Maintenance (OCM) contract, remunerated according to the number of hours of flight. This contract covers both Dassault Aviation equipment and all equipment of Category C suppliers,
- obtained spare parts and repair support contracts, particularly with the Brazilian Defense Ministry for the maintenance of Brazilian Air Force Mirage 2000,
- began work on the return to flight of the first 12 Libyan F1 Mirages,
- set up a joint venture with a local partner in the United Arab Emirates called Dasbat Aviation in order to support Dassault Aviation military aircraft for the Middle East.

SUBSIDIARY ACTIVITIES:

- ***DASSAULT FALCON JET (United States)***: 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.

- ***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,

  - leasing and management of Falcon aircraft as part of passenger public transport activities.

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

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

- **SOGITEC INDUSTRIES (France)** operates in the simulation and documentation sectors. In 2008, it delivered the simulator for the RAFALE F2 to Landivisiau and the update for the Mirage 2000-5 simulator in Dijon.

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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. We consider our investment in Embraer as strategic.

PURCHASE OF THALES SHARES HELD BY ALCATEL-LUCENT AND GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD):

In December 2008, Alcatel-Lucent and Dassault Aviation signed the final agreement for Dassault Aviation's purchase of the Thales shares held by Alcatel-Lucent. The transaction is subject to the approval of various administrative authorities, including antitrust regulators.

At the same time, the French government and Dassault Aviation entered into an agreement allowing the Company to replace Alcatel-Lucent alongside the French government as the principal industrial shareholder of Thales. The relations between the French government and Dassault Aviation are governed by a shareholders' agreement that is very similar to the one currently binding the French government and Alcatel-Lucent.

Considering Dassault Aviation's pledge at the start of March 2009 to purchase the 5.1% stake in Thales held by GIMD subject to the completion of the purchase of the shares held by Alcatel-Lucent, the "Public Sector" and Dassault Aviation will together hold a 53% stake in Thales and 61% of its voting rights, thus guaranteeing for Thales a stable shareholders' base in the long term.

The purchase of two blocks of shares approved by the Board of Directors will enable both companies to strengthen their expertise in systems and high-tech activities. The strengthening of the partnership between Thales and Dassault Aviation will thus create a world-class French center of excellence in strategic technologies, aviation and aerospace, defense and security, mirroring entitles set up in the United States, the UK, Italy and Sweden with other industrial players.

For Dassault Aviation, this is a long-term industrial investment that should help optimize both companies' activities in order to enhance their respective profitability.

Since these two purchases represent a long-term strategic investment, Dassault Aviation underweighted the impacts of the financial crisis and adopted a purchase price of EUR 38 per share, i.e. the average annual Thales share price or an industrial share price for the company. This price was deemed fair by a leading bank for both blocks.

The purchase of the 5.1% stake held by GIMD will enable Dassault Aviation to become the principal private industrial shareholder in Thales with a total shareholding of 25.9%.

The total purchase price of EUR 1.96 billion (including EUR 391 million for the GIMD purchase) will be paid in cash for Alcatel-Lucent and 50% cash/50 credit (1/4 in one year, 1/4 in two years) for GIMD at the time of the transaction, scheduled for the spring of 2009.

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.

Considerable efforts were made in 2008 in order to adapt processes for the scheduled PLM V6 deployment in the SMS program.

The multi-annual transversal plans set up to prepare the next generation of Falcon aircraft with cutting-edge technologies have been implemented nominally in order to significantly reduce the environmental impact of the future business aircraft and propose high-quality services to our customers.

Initiated in September 2008, the work carried out for the Clean Sky partnership initiative forms part of our strategy to prepare future Falcon aircraft. This will enable developments in terms of on-board power management, advanced aircraft control, drag reduction and eco-design to be validated using techno-

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logical demonstrators and as part of a European cooperation.

The projects of the 7th European Research and Development Framework Program, with Dassault Aviation's participation, also contribute to this strategy. Similarly, the General Directorate of Civil Aviation supports certain research topics (aerodynamics, internal noise, manufacturing and on-board systems).

In the military sector, Dassault Aviation was notified of a certain number of Upstream Research Programs in 2008: pre-analysis of on-board software architecture, analysis of discrete exhaust systems in a bilateral framework with Sweden and continued research into aeroelasticity.

In addition to the nEUROn, the initial research phase for a future operational UCAV as part of an Upstream Research Program has also been completed, thus enabling Dassault Aviation to propose three operational UCAV concepts.

In accordance with the guidelines of the new White Paper on Defense and National Security and the scope of the next Military Planning Act (2009-2014), Dassault Aviation will set up with the French General Delegation for Armament a multi-annual Upstream Research Program strategy to maintain Rafale efficiency in relation to future operating environments and ensure the maturing of UCAV concepts as an extension of nEUROn research.

NEW INDUSTRIAL REVOLUTION:

As stated in previous reports, in connection with 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 efficient use of Product Lifecycle Management (PLM) tools was demonstrated by the FALCON 7X program. New programs benefit from this progress.

With respect to competitiveness clusters, particularly the "digital factory" in Ile-de-France and "Aerospace Valley" in Midi Pyrénées/Aquitaine, Dassault is working to improve PLM digital channels and qualify new methods of composite manufacturing and assembly by welding as well as testing new aluminum alloys.

Dassault continues its efforts to use robots for the assembly of sub-units and composite parts.

Finally, there have been several developments in order to reduce the environmental impact of our manufacturing processes:

- new paint ranges containing less solvent pollutants ("water-based"),
- aluminum and titanium chemical machining replacement processes together with the partial or total redesign of the relevant parts,
- electronic component welding processes and alloys,
- replacement of thermal or surface treatments by less pollutive processes (e.g.: removal of salt baths from thermal treatments).

PRODUCTION FACILITIES:

The modernization and adaptation of Dassault Aviation production facilities were represented in 2008, in particular, by the commissioning and ordering of:

- Falcon wing panel forming facilities: automated forming line and shot peening cabins,
- new robotic facilities: fiber installation, Falcon skin panel and horizontal stabilizer assembly,
- a Falcon external paint workshop and an additional paint workshop for Falcon fuselages.

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 2008, Dassault Aviation was successfully audited under the EN 9100 certification, a standard specific to the aviation sector and encompassing ISO 9001.

The Group's certifications for the design, production and maintenance of civil aircraft are also monitored. and the Group is preparing to set up corresponding certifications for military aircraft.

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 12,438 people as of December 31, 2008.

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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 2008 amounted to **EUR 5.19 billion**, representing a 6% decrease on fiscal year 2007.

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

Fiscal year	Defense		Falcon	**Total**
	France	Export		
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**
2008	**939**	**222**	**4,033**	**5,194**

NET SALES:

Parent company **net sales in fiscal year 2008** totaled **EUR 3.54 billion**, down 2% compared to 2007.

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

Fiscal year	Defense		Falcon	Total
	France	Export		
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
2008	**1,159**	**264**	**2,117**	**3,540**

NET INCOME:

Net income for the year is **EUR 353 million,** up 9% compared to 2007.

Company employees will receive a total of EUR 122 million under the profit-sharing scheme and EUR 14 million under the incentive scheme.

This represents 33.5% of salaries paid in 2008, compared to a legal minimum of 10.5%.

DIVIDENDS (APPROPRIATION OF NET INCOME):

Considering the financial crisis, we propose that dividends be limited to one sixth of the parent company's net income, compared to one third in previous years.

This gives rise to **a dividend per share of EUR 5.80.**

Subject to your approval of the 2008 financial statements, we propose that the net income for the year of: EUR 352,508,278.99
plus retained earnings of EUR 1,887,675,268.72
giving a total of EUR 2,240,183,547.71
be appropriated as follows:

- **dividend distribution: EUR 58,730,202.60**
- with the remaining balance to retained earnings: EUR 2,181,453,345.11

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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
2005	9.90	40% (1)
2006	7.40	40% (1)
2007	10.60	40% (2)

(1) allowance for individuals

(2) allowance or, as an option, a flat-rate withholding for 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, tacitly renewable for 5-year periods, was signed with each of these subsidiaries.

RISK MANAGEMENT:

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

PURCHASES AND SUBCONTRACTING:

In fiscal year 2008, Dassault Aviation purchases totaled EUR 2.22 billion, representing around 62% 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 8,343 employees as of December 31, 2008.

Total employees as of 12/31/2007	Departures	Recruitments	**Total employees as of 12/31/2008**
8,327	472	488	**8,343**

The 488 recruits in 2008 involved all the professional categories and all age groups.

The orientation days for new executives ("Journées ENVOL") have been extended and include a visit to military airbases so that new employees can meet and discuss directly with our clients.

The Company-wide agreement on professional equality for men and women signed on January 30, 2007 is aimed at developing the men/women ratio, managing careers and reconciling professional and family life. In 2008, 22% of all recruits involved women.

Furthermore, a training initiative on professional equality between men and women was undertaken in 2008 by all the Human Resources teams.

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

- the renewal of our partnership with the "Elles bougent" association for the promotion of engineering professions for women,
- the extension over a new fiscal year of the Student Aerospace Challenge aims to associate teams of students with the space tourism aircraft project led by Jean-Pierre Haigneré.

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, 2008, the number of employees under fixed-term contracts was 57, or 0.68% of total employees.

EMPLOYMENT AND INTEGRATION OF HANDICAPPED EMPLOYEES:

The initiatives undertaken under the three-year (2007-2009) agreement signed on November 14, 2006 with labor unions have enabled Dassault to focus its actions on job development and ergonomics.

In 2007, the Company hired 9 handicapped employees and received 7 handicapped interns.

Financial backing and numerous sponsorships were organized in 2008 for training, workstation adaptation, fitting of premises, transport, accommodation, technological developments for the handicapped, and initiatives for schools and centers for the handicapped as well as the sheltered sector.

The Company employed a total of 565 units in relation to an employment obligation of 505 units.

ORGANIZATION OF WORKING HOURS AND REMUNERATION:

As of December 31, 2008, 4,154 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 279 or 3.34% of total employees as of December 31, 2008.

The average rate of absenteeism was 3.39% of days worked.

The minimum annual Company salary was EUR 20,424.

The average annual growth in current salaries was 4.47%.

Current gross annual salaries in euros are as follows:

	1st decile	1st quartile	median	3rd quartile	9th decile
2008	26,086	30,132	38,967	55,461	78,395

In 2008, average profit-sharing and incentive scheme amounts received by entitled employees were EUR 14,205 and EUR 1,629, respectively.

In addition, a total of EUR 30,070,062 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.

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EMPLOYEE RELATIONS:

Consultation and negotiation with labor unions continued.

In 2008, in addition to the annual agreement on wages and the organization of working time, Company- wide agreements were signed with regard to:

- the Company Savings Plan,
- the exceptional unblocking of employee profit-sharing,
- the Paid Vacation Time Savings Account,
- the collective retirement savings plan (PERCO),
- health expenses for executives and non-executives,
- the role, methods and career of employee representatives.

In addition, work groups were organized in order to improve the understanding, prior to negotiation, of various issues such as careers of employee representatives, the collective retirement savings plan, the Company savings plan, charges to the Works' Committees and the cleaning of work clothing.

DEVELOPMENT OF HUMAN RESOURCES AND TRAINING:

The modernization of the Company's Human Resources development policies, initiated at the beginning of 2000, continued in 2008.

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, 97% of employees are now assigned to a company job description database,
- 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,
- 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 3.80% of total payroll for 190,979 hours of training.

The Dassault Institute adopted a new concept: "Journées Cré'Action". These seminars bring together management employees from the company's research divisions, from design to after-sales, in order to promote exchanges between sectors, find out about production sites, propose innovative approaches to daily issues relating to sectors and to discuss directly with Executive Management.

In 2008, 525 interns on scholarships were received in all Company departments.

A total of EUR 3,165,623 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.

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HEALTH - SAFETY:

The Company decided to set up a work health and safety management system by creating corresponding head office functions.

Accordingly, Dassault Aviation has installed a professional risk appraisal software common to all sites that will also include a medical software package.

During 2008, 181 accidents resulted in work stoppages, corresponding to a frequency rate (1) of 14.44 and a severity rate (2) of 0.43.

In addition, 11 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.

It decided to reinforce its environmental approach by implementing a Company management system, that was ISO 14001 certified in 2007.

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 2008 with respect to environmental protection and/or improvements were as follows:

- retention of the ISO 14001 certification of the Company Environmental Management System following a follow-up audit in April 2008,
- following the adoption of the Clean Sky project by the European Parliament, whose purpose is to develop technologies for the emergence of "green" aircraft as from 2020, initiation of activities relating to the "Ecodesign" platform for which Dassault Aviation is jointly responsible, as well as "Smart Fixed Wing Aircraft" platform activities in which Dassault Aviation is heavily involved,
- preparation for the new REACh regulations,
- environment awareness-raising campaign for our industrial subcontractors,
- installation of systems to manage equipment containing radionuclides.

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 local relevant authorities.

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

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

  The Total Quality Management Department coordinates the Company EMS. It proposes 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 or central department contacts with directives aligned with internal or external best practices.

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

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- ***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 has been set up.

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

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

- ***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:

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

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

- ***Resource consumption/Energy***

  In addition to the kerosene used for flight tests, the energy used by Dassault Aviation at its different sites is 53% electricity, 46% gas and 1% liquid fuel (fuel-oil, diesel).

Year	Tera Joules			
	Electricity	**Gas**	**Fuel oils**	**Total**
1998	*322*	*321*	*98*	***741***
2007	350	279	11	**640**
2008	351	308	6	**665**

Despite the substantial production increase, overall energy consumption has remained stable 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.

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.

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- ***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***
2007	174	77	**251**
2008	171	43	**214**

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 (installation of closed circuits, leak detection campaign, reduction in consumption, etc.). The decline in groundwater consumption in 2008 was due to the shutdown of a heating pump at the Istres site.

- ***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***
2007	119	11	**130**
2008	129	8	**137**

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 50% 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***
2007	17	19	**36**
2008	18	18	**36**

Year	Tons of SO_2		
	without kerosene	**from kerosene**	**Total**
1998	*17*	*3*	***20***
2007	0	3	**3**
2008	0	3	**3**

Year	Tons of NO_x		
	without kerosene	**from kerosene**	**Total**
1998	*39*	*50*	***89***
2007	21	43	**64**
2008	22	40	**62**

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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.

- ***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.

To prevent any pollution arising from an accidental stripping or a fire, Dassault sites are equipped with hydrocarbon separators and specific stripping areas. They have set up containment ponds for water used to extinguish fires.

- ***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***
2007	6,298	2,217	**8,515**
2008	6,518	2,108	**8,626**

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	**Oil**	**Metals, Machining**	**Total**
2005	*989*	*423*	*2,251*	***3,663***
2007	1,177	255	3,077	**4,704**
2008	997	200	3,843	**5,040**

- ***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 2008 totaled EUR 3.3 million. Risk, impact and regulatory compliance studies amounting to EUR 0.7 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 at the end of 2007. A municipal order from the town of Anglet reiterated the ban on the use of groundwater. The treatment plan has since proved effective and the Company has implemented a management plan to monitor the pollution removal.

- ***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 2009 with respect to the environment were as follows:

- reinforce the Company-wide ISO 14001 certification,
- continue to promote environmental concern with respect to the design of new products,
- set up the organization required to implement the REACH regulations.

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, 2008 are as follows:

Shareholders	Number of shares	% interest and voting rights
GIMD	5,118,240	50.55%
EADS France	4,690,307	46.32%
Private investors	317,350	3.13%
TOTAL	**10,125,897**	**100.00%**

SHARE OWNERSHIP AND VOTING RIGHTS

As of December 31, 2008, 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.

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.

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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 2008:

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
  . Rond-Point Immobilier SAS
  . Cleanova Systèmes 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:
  . Dassault Développement SA
  . Société de véhicules électriques SAS
  . Dassault Falcon Jet Corporation (United States)
  . Dassault International Inc. (United States)
- General Manager:
  . Rond-Point Investissements SARL
  . Société Civile Immobilière de Maison Rouge
  . Société Civile TVES
  . S.C.I. des Hautes Bruyères

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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:
  . Carrefour SA
  . Sogitec Industries SA
  . SABCA (Belgium)
- Chairman :
  . Dassault Falcon Jet Corporation (United States)
- President:
  . Dassault International Inc. (United States)
- General Manager:
  . Sociétés Civiles ARIE, ARIE 2
  . Sociétés Civiles NILI, NILI 2

DIRECTORS:

Olivier ANDRIES
Term of office beginning and end: 08.29.2007 – 02.28.2008
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- Director of Strategic Coordination:
  . EADS NV *(until 02/28/2008)*

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:
  . Valmonde et Cie SA
- Director:
  . Socpresse SA
  . Société du Figaro SA
  . Valmonde et Cie SA
- Chairman of the Supervisory Board:
  . Journal des Finances SA
- Member of the Supervisory Board:
  . Groupe Industriel Marcel Dassault SAS
  . Rubis SA
- General Manager:
  . SCI ROD SPONTINI

Louis GALLOIS
Term of office beginning and end: 02.14.2007 – 11.26.2008
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)
- Director:
  . SOGEPA SA (France)
- Member of the Supervisory Board:
  . CIE GENERALE DES ETS MICHELIN SA (France)

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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

- Director:
  . BNP Paribas SA
  . Bolloré SA
  . Cogedim SAS
  . INVESCO Ltd (US)
  . DEXIA SA (Belgium)
  . SCOR Global Life SE
  . SCOR Canada Reinsurance Company (Canada)

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

- Chairman:
  . SCOR Global P & C SE
  . SCOR Holding (SWITZERLAND) AG (Switzerland)
  . SCOR Reinsurance Company (United States)
  . SCOR US Corporation (United States)
  . SCOR Global Life US Re Insurance Company (United States)
  . SCOR Global Life Re Insurance Company of Texas (United States)

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

Henri PROGLIO
Term of office beginning and end: 2008 AGM - 2014 AGM
Number of Dassault Aviation shares held: 25

Other corporate offices and duties:

- Chairman and Chief Executive Officer:
  . VEOLIA Environnement SA

- Chairman of the Board of Directors:
  . VEOLIA Propreté SA
  . VEOLIA Transport SA
  . VEOLIA Water SA

- Chairman:
  . Campus VEOLIA SAS

- Director:
  . EDF SA
  . CNP Assurances SA
  . SARP Industries SA
  . DALKIA International SA
  . Société des Eaux de Marseille SA
  . VEOLIA ES Australia
  . VEOLIA Transport Australasia (Australia)
  . VEOLIA Environnemental Services (UK) PLC
  . SIRAM (Italy)
  . VEOLIA Transport Northern Europe (Sweden)
  . VEOLIA ES North America Corp (United States).

- General Manager:
  . VEOLIA EAU - Cie Générale des Eaux SCA

- Chairman of the Supervisory Board:
  . DALKIA France SCA

- Member of the Supervisory Board:
  . NATIXIS SA
  . LAGARDERE SCA

- Member of Supervisory Boards A and B:
  . DALKIA SAS

- Supervisory Board Advisor:
  . Caisse Nationale des Caisses d'Épargne SA

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Bruno REVELLIN-FALCOZ
Term of office beginning and end: 2002 AGM – 04.23.2008
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 (France)

EXECUTIVE OFFICER COMPENSATION IN 2008:

COMPENSATION TO THE HONORARY CHAIRMAN:

- In respect of GIMD, which controls Dassault Aviation:

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

  He had the use of a company car.

- In respect of Dassault Aviation:

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

COMPENSATION TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER:

- In respect of GIMD, which controls Dassault Aviation:

  Mr. Charles Edelstenne received directors' fees of EUR 20,000.

- In respect of Dassault Aviation:

  Mr. Charles Edelstenne received gross annual compensation of EUR 667,170 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).

  With respect to his current term of office which expires at the Shareholders' Meeting held to approve the 2008 financial statements,
  Mr. Charles Edelstenne:

  - will be entitled upon retirement (whose employment contract was suspended when he became Chairman and CEO) to a retirement termination benefit and a pension in accordance with the Company's rules applicable to his employee category.

  - was also allocated by the Board of Directors 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.

  These components will be reviewed in accordance with the AFEP/MEDEF recommendations subject to the renewal of his term of office as Chairman and CEO.

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

  Mr. Charles Edelstenne did not receive any compensation, directors' fees or benefits in kind.

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 20,000.

- In respect of Dassault Aviation:

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

  Messrs. Olivier Andries, Henri Proglio and Bruno Revellin-Falcoz each received directors' fees of EUR 8,643, EUR 9,594 and EUR 12,406, respectively.

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

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

ADOPTION OF AFEP/MEDEF RECOMMENDATIONS

On December 18, 2008, the Company adopted the recommendations of the AFEP and the MEDEF on the compensation of corporate officers.

Regarding Mr. Edelstenne, these recommendations will apply at the Board meeting that follows the shareholders' meeting held to approve the renewal of his term of office as Chairman and CEO.

COMPENSATION GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Table 1

Summary of compensation, options and shares (in EUR) granted to Mr. Charles Edelstenne, Chairman and Chief Executive Officer		
	2007	2008
Compensation payable during the fiscal year (breakdown in table 2)	688,553	717,173
Options granted during the fiscal year	-	-
Performance shares granted during the fiscal year	-	-
TOTAL	688,553	717,173

Table 2

Breakdown of compensation (in EUR) of Mr. Charles Edelstenne, Chairman and Chief Executive Officer		
	Fiscal year 2007	Fiscal year 2008
- fixed compensation	638,550	667,170
- variable compensation	-	-
- exceptional compensation	-	-
- directors' fees	44,000	44,000
- benefits in kind	6,003	6,003
TOTAL	688,553	717,173

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FEES ALLOCATED TO DIRECTORS BY THE COMPANY

Directors' fees (in EUR)		
Board members	Paid in 2007	Paid in 2008
Serge Dassault	22,000	22,000
Charles Edelstenne	44,000	44,000
Olivier Andries	1,955	8,643
Olivier Dassault	22,000	22,000
Louis Gallois	13,750	22,000
Philippe Hustache	22,000	22,000
Denis Kessler	22,000	22,000
Henri Proglio	-	9,594
Bruno Revellin-Falcoz	22,000	12,406
Pierre-Henri Ricaud	22,000	22,000
TOTAL	191,705	206,643

OUTLOOK FOR THE FUTURE:

Parent company sales in fiscal year 2009 are expected to total around EUR 3 billion.

PROPOSED RESOLUTIONS:

The ordinary 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, i.e.:
  - the terms and conditions of those agreements entered into prior to 2008 with continuing effect in 2008,
  - the new leases for the rental from GIMD and two of its real-estate subsidiaries of a number of premises, plots of land and industrial facilities that replaced, with effect as of January 1, 2008, those signed in 2006, bearing in mind that GIMD agreed to block the lease adjustment formula for 2008, generating savings of EUR 1.3 million,
- the discharge of Directors from any liability arising from their management of the Company,
- the appropriation of net income,
- the renewal of the terms of office of five directors: Messrs. Serge Dassault, Charles Edelstenne, Olivier Dassault, Philippe Hustache and Denis Kessler,
- the approval of the appointment of Mr. Alain Garcia as a new Director.

The extraordinary resolution complies with section 2 of Article L 225-129-6 of the French Commercial Code, which stipulates that where it is stated in the Directors' Report submitted to the Annual General Meeting that shares held by employees of the Company or its affiliates as defined by Article L 225-180 of the French Commercial Code represent less than 3% of the share capital, an Extraordinary General Meeting must be held every three years to vote on a draft resolution for a share capital increase reserved for subscribers to the Company's or Group's savings plan.

Since employee share ownership is less than 3%, and Dassault Aviation held such Extraordinary General Meeting on April 20, 2006, in order to comply with these provisions, shareholders are therefore asked to vote on a draft resolution for a share capital increase reserved for subscribers to the Company's savings plan. The list of beneficiaries has to be approved by the Board of Directors as delegated by the Meeting.

The Board of Directors believes this system of employee share ownership to be unsuited to the Company's share ownership structure.

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Hence, this resolution is presented to shareholders in accordance with the aforementioned legal provisions yet the Board of Directors therefore asks shareholders to unconditionally reject this resolution.

Shareholders are, nevertheless, informed, in accordance with Articles R 225-113 and R 225-114 of the French Commercial Code, that:

- the information on the Company's business trends in the previous year and since the beginning of the current year was provided at the start of this report,
- the maximum capital increase proposed is EUR 800,000,
- preferential subscription rights are cancelled due to the reservation of the increase for employees,
- the subscription price will be determined under the conditions defined in Article L 3332-19 of the French Labor Code (*Code du travail*).

CONCLUSION:

In our history, 2008 will remain a pivotal year, marked by the initial impacts of the financial crisis. Originating from the United States, this crisis has transformed before our eyes into an unprecedented global economic depression, the duration, scope and intensity of which nobody can predict. Like all other industrial sectors, the aviation industry has encountered considerable turbulence.

In the past few months already, this economic situation has had a significant impact on our Falcon business: decline in sales, order cancellations and postponements, freezing of the used aircraft market. We must now demonstrate flexibility and adjust our production rates to the new situation.

Furthermore, we are still impacted by the value of the US dollar which is far from the 1 to 1 parity that would put us on an equal footing with our North American competitors.

Regarding our Defense business, the White Paper has approved the principle of French combat aviation with 300 aircraft, which is in line with the number of Rafale scheduled for the future. However, this scheduling has been extended as deliveries will now be spread out pursuant to the 2009-2014 Military Planning Act. It is thus vital that we finalize export contracts. Our teams are in talks with several countries and benefit from the unfailing support of the President of the French Republic.

In the drones sector, the nEURon program is progressing nominally, with very satisfactory initial static tests. We have also adopted a position regarding the MALE drone segment by offering France and Spain a solution based on the cooperation of Thales, Indra and IAI.

Regardless of the future changes in our civil and military activities, we must abide by our requirements in terms of competitiveness, cost control, flexibility and innovation in order to adapt ourselves to meet future challenges.

The primary objectives for 2009 are to:

- obtain the certification of the FALCON 2000LX,
- adjust the definition of the SMS in order to meet the technical and financial objectives that have already been determined,
- continue developing our Falcon service station network,
- ensure that the Rafale proves deservedly successful in exports,
- launch the detailed definition of the systems and equipped airframe for the nEUROn,
- and, ensure the preparation for the future based on our research into aircraft concepts, technological developments and fitted process improvements.

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 composition of the Board of Directors, the preparation and organization of the Board's work and the internal control and risk management procedures set up by the Company are presented below.

COMPOSITION OF THE BOARD OF DIRECTORS:

DIRECTORS

The Board of Directors has 8 members with the experience and expertise required to hold office.

During fiscal year 2008, the Board of Directors acknowledged the resignation of Messrs. Olivier Andries and Louis Gallois.

The Shareholders' Meeting of April 23, 2008 appointed Mr. Henri Proglio as Director, in replacement of Mr. Bruno Revellin-Falcoz.

On March 13, 2009, the Board of Directors co-opted Mr. Alain Garcia as Director, in replacement of Mr. Louis Gallois, the latest Director to resign, for his remaining term of office. This appointment is subject to the approval of the shareholders.

The Board of Directors therefore comprises Messrs.:

- Charles Edelstenne,
- Serge Dassault,
- Olivier Dassault,
- Alain Garcia,
- Philippe Hustache,
- Denis Kessler,
- Henri Proglio,
- Pierre-Henri Ricaud.

PREPARATION AND ORGANIZATION OF THE BOARD'S WORK:

DIRECTOR INFORMATION

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

The notices of Board meetings specifying the agenda are generally sent to the Directors 8 to 15 days in advance.

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

BOARD'S WORK IN 2008

In 2008, the Board of Directors met four times on February 20, August 27, November 26 and December 18. The average attendance rate was 84%.

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.

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In addition, the Board of Directors:

- approved the fiscal year 2007 company and consolidated financial statements,
- called the Annual Shareholders' Meeting of Shareholders on April 23, 2008
- drew up the financial statements for the half-year ended June 30, 2008,
- reviewed forecast management documents in February 2008 and revised the forecast income statement in August 2008,
- renewed the annual authorization conferred on the Chairman and Chief Executive Officer to grant guarantees and deposits,
- acknowledged the resignation of two directors,
- approved a related-party transaction,
- approved the planned purchase of the Thales shares held by Alcatel-Lucent and GIMD,
- adopted the recommendations of the MEDEF and the AFEP on the compensation of corporate officers,
- and approved the contents of financial press releases.

POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the provisions of the New Economic Regulations Law, the possibility of separating the duties of the Chairman of the Board of Directors and those of the Chief Executive Officer was introduced into the Company's bylaws during the Shareholders' Meeting of April 25, 2002.

On April 25, 2002, the Board of Directors decided that the Chairman of the Board of Directors would be responsible for the general management of the Company.

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

INTERNAL CONTROL AND RISK MANAGEMENT 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 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.

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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:

- Management Committee:

  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.

- Total Quality Management Department:

  - 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.

  - 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.

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- 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).

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

RISK MANAGEMENT PROCEDURES:

Risk management at Dassault Aviation is based on the following approach:

- identification of critical risks by product program,

- risk analysis (assessment and prioritization),

- treatment of risks in order to reduce them.

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

Each major company department has a risk mapping that identifies those risks relating to its activity.

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

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Risks are monitored at the various stages in a product's life based on different reviews:

- program launch review,
- offer review,
- contract review.

The purpose of these reviews is to identify new critical risks and monitor and reduce existing risks.

The Risk Management Department notifies Executive Management by transmitting the list of critical risks identified.

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, 2008, 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 reviewed by the statutory auditors in connection with their annual certification of the financial statements.

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

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

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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 Executive Vice-President for Economic and Financial Affairs sets up a committee to review the financial reports and statements.

2008 ACTIONS:

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.

2009 ACTION PLAN:

I have entrusted the Economic and Financial Affairs Department and the Total Quality Management Department with the task of conducting audits in 2009 in order to verify the correct application of the internal control procedures.

CORPORATE GOVERNANCE:

The Board of Directors has chosen the general management option best adapted to the Company's specificities. The decision was therefore made not to separate the duties of Chairman of the Board of Directors and Chief Executive Officer. Shareholders and third parties are fully informed of this decision in the management report.

The Company adopted the October 2008 recommendations of the AFEP and MEDEF on the compensation of corporate officers that shall apply upon the renewal of the term of office of the Chairman and Chief Executive Officer.

SPECIFIC CONDITIONS GOVERNING SHAREHOLDERS' ATTENDANCE AT SHAREHOLDERS' MEETINGS:

ADMISSION:

The conditions governing shareholders' attendance at Shareholders' Meetings are set forth in Articles 29 and 31 of the bylaws. These conditions are as follows:

- the right to attend Shareholders' Meetings is subject to:
  - for holders of registered shares, registration in the registered share accounts held by the Company,
  - for holders of bearer shares, registration in the bearer share accounts held by the authorized intermediary (Bank, Financial Institution or Investment Service Provider) and production of a participation certificate issued by the intermediary,
- these formalities must be completed by no later than zero hour, Paris time, on the third working day preceding the date of the Shareholders' Meeting,
- the Board of Directors retains the right to accept the participation certificate after the above deadline,
- Shareholders can be legally represented at Shareholders' Meetings.

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These conditions are reiterated in the preliminary notice and the final notice of the General Shareholders' Meeting that are published in the BALO and on-line at the Company's website.

VOTING RIGHTS:

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

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

A secret ballot may be requested by either the Board of Directors, or shareholders representing at least one quarter of the share capital, subject to the submission of written notification to the Board of Directors or the authority convening the meeting, no later than three days prior to the meeting date.

Shareholders may also legally vote by correspondence.

PRINCIPLES AND RULES TO DETERMINE COMPENSATION AND BENEFITS IN KIND GRANTED TO CORPORATE OFFICERS:

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

The Board of Directors distributed this overall amount equally among the Directors, apart from the Chairman who received double the standard amount.

The compensation and benefits in kind of the Chairman and Chief Executive Officer were determined by a Committee comprising two Directors and approved by the Board of Directors.

INFORMATION MENTIONED IN ARTICLE L 225-100-3 OF THE FRENCH COMMERCIAL CODE:

As provided in Article L225-100-3 of the French Commercial Code, the information set forth in this Article is mentioned in the accompanying Directors' report, which is appended to this report, bearing in mind that both these reports are included in the 2008 Annual Financial Report that will transmitted electronically and filed with the AMF by our distributor HUGIN, and published on-line at our Company website in the Finances/publications section.

Chairman of the Board of Directors

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

In thousands of euros

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ASSETS

(in thousands of euros)	NOTE	As of December 31, 2008	As of December 31, 2007
NON-CURRENT ASSETS			
GOODWILL	3	14,366	14,366
INTANGIBLE ASSETS	4	70,634	73,717
PROPERTY, PLANT AND EQUIPMENT	4	438,016	412,725
EQUITY AFFILIATES	5	4,592	4,246
AVAILABLE-FOR-SALE SECURITIES	5	3,942,973	3,662,732
OTHER FINANCIAL ASSETS	5	30,591	31,366
DEFERRED TAX ASSETS	21	28,618	10,002
TOTAL NON-CURRENT ASSETS		4,529,790	4,209,154
CURRENT ASSETS			
INVENTORIES AND WORK-IN-PROGRESS	6	3,428,827	3,003,615
TRADE AND OTHER RECEIVABLES	7	396,052	501,040
ADVANCES AND PROGRESS PAYMENTS TO SUPPLIERS		147,297	89,088
HEDGING INSTRUMENTS	24	446,605	512,715
CASH AND CASH EQUIVALENTS	8	824,194	1,265,505
TOTAL CURRENT ASSETS		5,242,975	5,371,963
TOTAL ASSETS		9,772,765	9,581,117

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LIABILITIES AND EQUITY

(in thousands of euros)	NOTE	As of December 31, 2008	As of December 31, 2007
CAPITAL AND RESERVES			
CAPITAL	9	81,007	81,007
RESERVES		2,692,791	2,394,212
RESERVES FOR MEASUREMENT OF FINANCIAL INSTRUMENTS		899,746	893,360
ATTRIBUTABLE NET INCOME FOR THE YEAR		372,958	382,278
ATTRIBUTABLE EQUITY		4,046,502	3,750,857
MINORITY INTERESTS		138	106
TOTAL EQUITY		4,046,640	3,750,963
NON-CURRENT LIABILITIES			
LONG-TERM BORROWINGS	11	209,083	197,427
DEFERRED TAX LIABILITIES	21	12,289	116,972
TOTAL NON-CURRENT LIABILITIES		221,372	314,399
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	13	955,948	904,149
TAX AND EMPLOYEE-RELATED LIABILITIES	13	209,174	274,299
CUSTOMER ADVANCES AND PROGRESS PAYMENTS ON WORK-IN-PROGRESS	14	3,414,927	3,589,685
SHORT-TERM BORROWINGS	11	48,654	65,183
CURRENT PROVISIONS	12	876,050	682,439
TOTAL CURRENT LIABILITIES		5,504,753	5,515,755
TOTAL EQUITY AND LIABILITIES		9,772,765	9,581,117

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INCOME STATEMENT

(in thousands of euros)	NOTE	For the year ended December 31, 2008	For the year ended December 31, 2007
NET SALES	15	3,748,146	4,084,741
OTHER REVENUE	16	8,347	22,752
TOTAL REVENUE		3,756,493	4,107,493
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN- PROGRESS		464,542	221,412
EXTERNAL PURCHASES		(2,281,401)	(2,619,315)
PAYROLL AND RELATED CHARGES (1)		(1,029,716)	(987,506)
TAXES AND SOCIAL SECURITY CONTRIBUTIONS		(63,111)	(54,360)
DEPRECIATION AND AMORTIZATION	4	(79,724)	(65,777)
CHARGES TO PROVISIONS	12	(854,510)	(648,568)
REVERSALS OF PROVISIONS	12	519,477	526,929
OTHER OPERATING INCOME AND EXPENSES	17	2,115	(3,322)
CURRENT OPERATING INCOME		434,165	476,986
OTHER NON-RECURRING INCOME AND EXPENSES	19	0	26,401
NET OPERATING INCOME		434,165	503,387
NET FINANCIAL INCOME/(EXPENSE)	20	60,586	61,605
SHARE OF INCOME OF EQUITY AFFILIATES	5	95	152
CORPORATE INCOME TAX	21	(121,856)	(182,848)
NET INCOME (2)		372,990	382,296
Attributable consolidated net income		*372,958*	*382,278*
Minority interests		*32*	*18*
Basic earnings per share	22	36.8	37.8
Diluted earnings per share	22	36.8	37.8
(1) employee incentives and profit-sharing included in payroll and related charges		(140,456)	(117,807)

(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, 2008	For the year ended December 31, 2007
NET INCOME FOR THE YEAR	372,990	382,296
Elimination of net income of equity affiliates, net of dividends received	(95)	(152)
Elimination of net income from disposals of non-current assets	1,610	(25,556)
Income tax expense (including deferred taxes)	121,856	182,848
Net charges to and reversals of depreciation, amortization and provisions (excluding those relating to working capital)	300,344	198,175
NET CASH FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES AND TAXES (A)	796,705	737,611
INCOME TAXES PAID (B)	(216,949)	(208,361)
Change in inventories and work-in-progress (net)	(425,212)	(182,756)
Change in advances and progress payments to suppliers	(58,209)	17,113
Change in trade and other receivables (net)	104,988	(57,493)
Change in foreign hedging premiums	2,863	(2,910)
Change in customer advances and progress payments on work-in-progress	(174,758)	686,692
Change in trade and other payables	51,799	109,873
Change in tax and employee-related liabilities	(65,125)	23,643
Consolidation reclassifications and restatements (1)	(40,420)	(36,130)
INCREASE (-) OR DECREASE (+) IN WORKING CAPITAL (C)	(604,074)	558,032
NET CASH FROM OPERATING ACTIVITIES (D=A+B+C)	(24,318)	1,087,282
Purchases of property, plant and equipment and intangible assets	(140,826)	(93,679)
Purchases of investments	(2,300)	(3,334)
Disposals of non-current assets	14,916	91,675
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)	(128,210)	(5,338)
Change in available-for-sale marketable securities (at cost)	(193,403)	(830,185)
Capital increase	0	0
Change in equity items	0	0
Increase in borrowings	108,628	83,696
Repayments of borrowings	(100,892)	(88,674)
Dividends paid during the year	(107,335)	(74,932)
NET CASH FLOW USED IN FINANCING ACTIVITIES (F)	(293,002)	(910,095)
CHANGE IN NET CASH AND CASH EQUIVALENTS (D+E+F)	(445,530)	171,849
Opening net cash and cash equivalents (2)	1,242,674	1,126,173
Change in net cash and cash equivalents	(445,530)	171,849
Exchange rate fluctuations	16,828	(55,348)
Closing net cash and cash equivalents (2)	813,972	1,242,674

(1) EUR 40,420 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, 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					*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
2008 movements								
Dividends paid			(107,335)			(107,335)		(107,335)
Net income for the year			372,958			372,958	32	372,990
Translation differences				23,636		23,636		23,636
Gain or losses on fair value remeasurement								
- Available-for-sale financial assets					*82,892*	*82,892*		*82,892*
- Hedging instruments					*(63,247)*	*(63,247)*		*(63,247)*
Corresponding deferred taxes					*(13,259)*	*(13,259)*		*(13,259)*
Income or loss recognized directly in equity					6,386	6,386	0	6,386
Other movements						0	0	0
As of December 31, 2008	81,007	19,579	3,168,815	(122,645)	899,746	4,046,502	138	4,046,640

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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 March 18, 2009, the Board of Directors approved the 2008 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, 2008
1	I - ACCOUNTING POLICIES
	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
15	Net sales
16	Other revenue
17	Other operating income and expenses
18	Research and development costs
19	Other non-recurring income and expenses
20	Net financial income/(expense)
	III - FINANCIAL COMMITMENTS AND OTHER INFORMATION
21	Tax position
22	Earnings per share
23	Dividends paid and proposed
24	Financial risk management
	Types, scope and management of risks
	Financial instruments: market value, impact on net income and equity
25	Financial commitments
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27	Average number of employees
28	Environmental information
29	Statutory auditors' fees
30	Subsequent events

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NOTE 1

ACCOUNTING POLICIES

A/ GENERAL PRINCIPLES

• A1 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, 2008 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, 2008, but whose application is only mandatory starting from fiscal years beginning on or after January 1, 2009. 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.

• A2 Accounting choices and management estimates

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

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

• A3 Presentation of the consolidated financial statements

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

Consolidated income statement items are presented by nature.

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

B1-1 Investments in subsidiaries

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

B1-2 Investments in equity affiliates

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

In 2007 and 2008, the Group did not have any material investments of this type.

B1-3 Investments in joint ventures

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

In 2007 and 2008, the Group did not have any material investments of this type.

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

To apply the concept of relative size, companies are included in the scope of consolidation when all the following conditions are satisfied:
- total assets and liabilities exceed 2% of the equivalent Group totals,
- total revenue exceeds 2% of the equivalent Group total,
- equity exceeds 3% of the equivalent Group total.

B1-5 Elimination of inter-company transactions

All material inter-company transactions, and unrealized internal gains and losses included in non-current assets, 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. No residual value is taken into account, except for aircraft.

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

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

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, divided by an estimated number of aircraft to be delivered under the program (including those for the year).

• C3 Useful lives

Useful lives are as follows:

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

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 if an indication of impairment has been detected. At each annual closing, an impairment test is systematically carried out.

Indications of impairment include, in particular, significant adverse changes of a permanent nature, affecting the economic environment (sales outlets, supply sources, cost or index fluctuations, etc.) or the assumptions or objectives adopted by the Group (profitability analyses, 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. The amount of impairment recognized in net income is equal to the difference between the net carrying amount and the recoverable amount.

The recoverable amount of a cash-generating unit corresponds to its value in use.

The value in use of a cash-generating unit is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.9% (compared to 8.8% as of December 31, 2007) and a 2% growth rate (same as of December 31, 2007). The discount rate includes the rates prevailing in the aviation industry and was calculated using the same method as in 2007.

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

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

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

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

• C6 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.

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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".

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.

Capital gains or losses, net of applicable deferred taxes, are directly recognized in equity (reserves for measurement of financial instruments), with the exception of capital losses deemed definitive.

Once these assets are sold or definitively written-down, 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 written-down when their net realizable value is lower than their carrying amount. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

• 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 write-down 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 written-down up to the amount of the estimated risk for the portion not hedged by credit insurance (export credit insurance or collateral).

No provisions for write-down are recorded for 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.

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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

C11-1 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. The rates used were calculated using the same method as in 2007.

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

C11-2 Other provisions for contingencies and losses

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

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

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

• 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 reason 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.

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• 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.

• 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)	
		2008	2007
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, 2007	OTHER MOVEMENTS	ADDITIONS	DISPOSALS	As of Dec. 31, 2008
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, 2007	OTHER MOVEMENTS	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2008
IMMOBILISATIONS INCORPORELLES					
Gross value					
Development costs	137,480	0	0	0	137,480
Software, patents, licenses and similar assets	74,375	2,646	7,764	(811)	83,974
Intangible assets in the course of development; advances and progress payments	2,501	(2,501)	1,602	0	1,602
	214,356	145	9,366	(811)	223,056
Amortization					
Development costs	(73,180)	0	(7,000)	0	(80,180)
Software, patents, licenses and similar assets	(67,459)	(145)	(5,442)	804	(72,242)
	(140,639)	(145)	(12,442)	804	(152,422)
Net value					
Development costs	64,300				57,300
Software, patents, licenses and similar assets	6,916				11,732
Intangible assets in the course of development; advances and progress payments	2,501				1,602
TOTAL	73,717	0	(3,076)	(7)	70,634

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, 2007	OTHER MOVEMENTS	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2008
PROPERTY, PLANT AND EQUIPMENT					
Gross value					
Land	26,087	0	426	(238)	26,275
Buildings	325,465	15,991	15,171	(1,825)	354,802
Finance leases (buildings)	3,150	0	0	(3,150)	0
Plant, machinery and equipment	478,943	1,887	24,008	(9,739)	495,099
Other property, plant and equipment	205,977	3,931	53,661	(19,855)	243,714
Construction in progress; advances and progress payments	14,659	(10,436)	38,194	(618)	41,799
	1,054,281	11,373	131,460	(35,425)	1,161,689
Depreciation					
Land	(3,807)	0	(440)	165	(4,082)
Constructions	(156,325)	(1,198)	(15,991)	1,384	(172,130)
Finance leases (buildings)	(2,550)	0	0	2,550	0
Plant, machinery and equipment	(380,714)	(1,169)	(26,912)	9,443	(399,352)
Other property, plant and equipment	(98,160)	(1,104)	(23,939)	6,434	(116,769)
	(641,556)	(3,471)	(67,282)	19,976	(692,333)
Impairment					
Other property, plant and equipment (1)	0	(592)	(30,748)	0	(31,340)
	0	(592)	(30,748)	0	(31,340)
Net value					
Land	22,280				22,193
Constructions	169,140				182,672
Finance leases (buildings)	600				0
Plant, machinery and equipment	98,229				95,747
Other property, plant and equipment	107,817				95,605
Construction in progress; advances and progress payments	14,659				41,799
TOTAL	412,725	7,310	33,430	(15,449)	438,016

(1) Impairment tests of intangible assets and property, plant and equipment (see Note C5 Accounting policies):

- The impairment tests carried out on cash-generating units did not highlight any impairment to be recognized as of December 31, 2008.
- In 2008, a provision of EUR 30,748 thousand was recognized in net income for capitalized aircraft in order to take into account the impact of the crisis on the used executive aircraft market. This provision is equal to the difference between the net carrying amount of the capitalized aircraft and their recoverable value. The recoverable value is the higher of its fair value (less costs to sell) and its value in use. The value in use of a capitalized aircraft is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.9%, a 2% growth rate, a cash flow forecast period equal to the aircraft's lease term and a value at which the aircraft will be resold after the lease term.

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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.:

Change in the carrying amount of equity affiliated (in thousands of euros)	
As of December 31, 2007	4,246
Share of net income	95
Translation differences	251
As of December 31, 2008	4,592

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, 2007	OTHER MOVEMENTS	CHANGES IN FAIR VALUE	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2008
Gross value						
Listed shares (EMBRAER)	51,554	0	(33,433)	0	0	18,121
Marketable securities (listed)	3,556,012	0	116,325	379,327	(185,924)	3,865,740
Unlisted securities	55,301	2,102	0	1,851	0	59,254
	3,662,867	2,102	82,892	381,178	(185,924)	3,943,115
Provisions						
Listed shares (EMBRAER)	0	0	0	0	0	0
Marketable securities (listed)	0	0	0	0	0	0
Unlisted securities	(135)	(8)	0	0	1	(142)
	(135)	(8)	0	0	1	(142)
NET VALUE	3,662,732	2,094	82,892	381,178	(185,923)	3,942,973

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NOTE 5 (cont'd.)

NON-CURRENT FINANCIAL ASSETS

(in thousands of euros)	As of Dec. 31, 2008			As of Dec. 31, 2007		
	Historical cost	Capital gain / (loss)	Consolidated value	Historical cost	Capital gain / (loss)	Consolidated value
Shares (EMBRAER) (1)	32,120	(13,999)	18,121	32,120	19,434	51,554
Marketable securities (listed) (2)	2,921,960	943,780	3,865,740	2,728,557	827,455	3,556,012
Unlisted securities	59,254	(142)	59,112	55,301	(135)	55,166
Available-for-sale securities	3,013,334	929,639	3,942,973	2,815,978	846,754	3,662,732

Recognition in the Group consolidated financial statements (see Accounting Policies Note C7-2):

(1) this change in value was mainly due to the decline in the EMBRAER share price in 2008. Dassault Aviation still wishes to maintain a stake in EMBRAER, which it considers to be strategic, and does not intend to sell this asset in the short term. In addition, Dassault Aviation considers that the loss recorded in 2008 is temporary. It was therefore recognized in equity (under Reserves for measurement of financial instruments) instead of net income.

(2) capital gain recognized in equity (under Reserves for measurement of financial instruments).

OTHER FINANCIAL ASSETS

(in thousands of euros)	As of Dec. 31, 2007	OTHER MOVEMENTS	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2008
Gross value					
Held-to-maturity securities	0	0	0	0	0
Advance lease payments	29,163	0	107	(656)	28,614
Housing loans and other	2,339	8	342	(414)	2,275
TOTAL (1)	31,502	8	449	(1,070)	30,889
Provisions	(136)	(8)	(155)	1	(298)
NET VALUE	31,366	0	294	(1,069)	30,591

(1) maturing within more than one year: 30,210 as of December 31, 2008 and 30,854 as of December 31, 2007.

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NOTE 6

INVENTORIES AND WORK-IN-PROGRESS

(in thousands of euros)	As of Dec. 31, 2008			As of Dec. 31, 2007
	GROSS	PROVISION	NET	(NET)
Raw materials	170,853	(60,642)	110,211	132,385
Work-in-progress	2,905,345	(31,942)	2,873,403	2,432,788
Semi-finished and finished goods	666,546	(221,333)	445,213	438,442
TOTAL	3,742,744	(313,917)	3,428,827	3,003,615

NOTE 7

TRADE AND OTHER RECEIVABLES

(in thousands of euros)	As of Dec. 31, 2008			As of Dec. 31, 2007
	GROSS	PROVISION	NET	(NET)
Trade receivables	446,658	(152,780)	293,878	368,819
Other receivables	92,623	0	92,623	123,519
Prepayments and accrued income	9,551	0	9,551	8,702
TOTAL	548,832	(152,780)	396,052	501,040

MATURITY OF TRADE AND OTHER RECEIVABLES – GROSS VALUE

(in thousands of euros)	As of Dec. 31, 2008			As of Dec. 31, 2007		
	TOTAL	Within 1 year	More than 1 year	TOTAL	Within 1 year	More than 1 year
Trade receivables	446,658	323,546	123,112	536,672	395,155	141,517
Other receivables	92,623	92,623	0	123,519	123,519	0
Prepayments and accrued income	9,551	9,551	0	8,702	8,702	0
TOTAL – GROSS VALUE	548,832	425,720	123,112	668,893	527,376	141,517

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NOTE 8

CASH AND CASH EQUIVALENTS

NET CASH

(in thousands of euros)	As of Dec. 31, 2008			As of Dec. 31, 2007
	GROSS	PROVISION	NET	(NET)
Marketable securities (1)	523,306	0	523,306	1,057,168
Cash at bank and in hand	300,888	0	300,888	208,337
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET	824,194	0	824,194	1,265,505
- Bank loans and credit balance bank accounts	(10,222)	0	(10,222)	(22,831)
= NET CASH IN THE CASH FLOW STATEMENT	813,972	0	813,972	1,242,674

(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, 2008	As of Dec. 31, 2007
Available-for-sale marketable securities (market value) (1)	3,865,740	3,556,012
Cash equivalent marketable securities (market value)	523,306	1,057,168
Total marketable securities (market value) (2)	4,389,046	4,613,180
+ Cash at bank and in hand	300,888	208,337
- Borrowings (3)	(257,737)	(262,610)
= AVAILABLE CASH	4,432,197	4,558,907

(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, 2008 TOTAL	Amount due within 1 year	Amount due in more than 1 year		
			Total	1 to 5 years	More than 5 years
Credit institutions (1)	10,292	10,234	58	46	12
Finance leases	0	0	0	0	0
Other borrowings (2)	247,445	38,420	209,025	209,025	0
TOTAL	257,737	48,654	209,083	209,071	12

(in thousands of euros)	As of Dec. 31, 2007 TOTAL	Amount due within 1 year	Amount due in more than 1 year		
			Total	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

(1) of which short-term banking facilities: EUR 10,222 as of December 31, 2008 and EUR 22,831 as of December 31, 2007.

(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, 2007	Other (translation differences, changes in Group structure, etc.)	Increases/ charges	Decreases/ reversals	As of Dec. 31, 2008
PROVISIONS FOR CONTINGENCIES AND LOSSES					
Operating – current	682,376	3,892	361,628	(171,846)	876,050
Financial	63	0	0	(63)	0
TOTAL I	682,439	3,892	361,628	(171,909)	876,050
PROVISIONS FOR WRITE-DOWN					
Long-term investments and marketable securities	271	16	155	(2)	440
Property, plant and equipment	0	592	30,748	0	31,340
Inventories and work-in-progress	179,748	4,471	309,473	(179,775)	313,917
Trade receivables	167,853	122	152,661	(167,856)	152,780
TOTAL II	347,872	5,201	493,037	(347,633)	498,477
GRAND TOTAL (I + II)	1,030,311	9,093	854,665	(519,542)	1,374,527

Including charges and reversals			
- operating (1)	854,510	(519,477)	
- financial	155	(65)	
	854,665	(519,542)	

(1) Breakdown		
Charges to provisions	854,510	
Reversal of provisions		(519,477)
	854,510	(519,477)

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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, 2007	Other (translation differences, changes in Group structure, etc.)	Increases/ charges	Decreases/ reversals	As of Dec. 31, 2008
PROVISIONS FOR CONTINGENCIES AND LOSSES					
Warranties	303,944	2,375	204,044	(98,253)	412,110
Services and work to be performed	124,815	2,254	102,511	(46,085)	183,495
Retirement severance payments and long-service awards	243,186	316	47,826	(24,763)	266,565
Miscellaneous	10,431	(1,053)	7,247	(2,745)	13,880
Operating - current (A)	682,376	3,892	361,628	(171,846)	876,050
Miscellaneous	63	0	0	(63)	0
Financial (B)	63	0	0	(63)	0
TOTAL CURRENT PROVISIONS (A+B)	682,439	3,892	361,628	(171,909)	876,050

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NOTE 12 (cont'd.)

BREAKDOWN OF PROVISIONS FOR CONTINGENCIES AND LOSSES

- **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	
	2008	2007	2008	2007
Inflation rate	2.00%	2.00%	3.00%	3.00%
Discount rate	4.30%	4.40%	6.00%	5.80%
Weighted average salary increase rate	4.15%	4.15%	4.23%	4.23%

These rates were calculated using the same methods as in 2007.

➢ **French companies:**

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

(in thousands of euros)	2008	2007
As of January 1,	240,251	201,926
Impact of actuarial change	2,340	(3,698)
Supplemental benefits and movements (entrants/departures)	18,135	42,023
As of December 31,	260,726	240,251

➢ **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 151 million as of December 31, 2008, compared to USD 147 million as of December 31, 2007.

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NOTE 13

OPERATING PAYABLES

(in thousands of euros)	As of Dec. 31, 2008			As of Dec. 31, 2007		
	TOTAL	Within 1 year	More than 1 year	TOTAL	Within 1 year	More than 1 year
Trade payables	758,812	758,812	0	733,086	733,086	0
Other payables	142,927	142,927	0	120,719	120,719	0
Accruals and deferred income	54,209	31,590	22,619	50,344	29,900	20,444
Trade and other payables	955,948	933,329	22,619	904,149	883,705	20,444
Tax and employee-related liabilities	209,174	208,321	853	274,299	272,568	1,731

NOTE 14

CUSTOMER ADVANCES AND PROGRESS PAYMENTS

(in thousands of euros)	As of Dec. 31, 2008			As of Dec. 31, 2007		
	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	3,414,927	1,758,888	1,656,039	3,589,685	2,229,175	1,360,510
TOTAL	3,414,927	1,758,888	1,656,039	3,589,685	2,229,175	1,360,510

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)	2008			2007		
	France	Export	TOTAL	France	Export	TOTAL
NET SALES	1,268,177	2,479,969	3,748,146	959,859	3,124,882	4,084,741

(in thousands of euros)	2008	2007
First quarter	754,746	724,184
Second quarter	789,425	1,065,961
Third quarter	989,257	900,083
Fourth quarter	1,214,718	1,394,513
TOTAL	3,748,146	4,084,741

NOTE 16

OTHER REVENUE

(in thousands of euros)	2008	2007
Financial revenue from operations (1)	881	4,593
Changes in inventories of finished goods and work-in-progress (2)	127	10,796
Operating grants	67	118
Expense reclassifications	12	103
Other operating income	7,260	7,142
TOTAL	8,347	22,752

(1) interest in arrears.

(2) including capitalized development costs:	0	10,600

NOTE 17

OTHER OPERATING INCOME AND EXPENSES

(in thousands of euros)	2008	2007
Losses from disposals of non-current assets	(1,610)	(884)
Foreign exchange gains or losses from business transactions (1)	3,585	(3,455)
Income/(loss) from non-capital transactions	(202)	(64)
Other operating expenses	(285)	(240)
Share of income of joint ventures	627	1,321
TOTAL	2,115	(3,322)

(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)	2008	2007
RESEARCH AND DEVELOPMENT COSTS	(272,730)	(254,428)

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)	2008	2007
CASA early retirement program	0	(3,014)
Reversal of the provision for the CASA early retirement program	0	3,014
Proceeds on the sale of EMBRAER shares	0	26,401
TOTAL	0	26,401

NOTE 20

NET FINANCIAL INCOME/(EXPENSE)

(in thousands of euros)	2008	2007
Interest generated by cash and cash equivalents	34,080	49,215
Disposal gains and change in fair value of cash equivalents	22,469	18,895
Income from cash and cash equivalents	56,549	68,110
Interest charges on financing operations	(11,632)	(11,264)
Cost of gross financial debt	(11,632)	(11,264)
COST OF NET FINANCIAL DEBT	44,917	56,846
Dividends and other investment income	5,283	3,229
Interest income and gains on disposal of other financial assets (excluding cash and cash equivalents)	13,339	1,410
Foreign exchange gain	0	183
Financial income	18,622	4,822
Foreign exchange loss	(2,798)	0
Other financial expenses	(155)	(63)
Financial expenses	(2,953)	(63)
OTHER FINANCIAL INCOME AND EXPENSES	15,669	4,759
NET FINANCIAL INCOME/(EXPENSE)	60,586	61,605

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NOTE 21

TAX POSITION

(in thousands of euros)

TAXES ON INCOME	2008	2007
Current tax expenses	(216,949)	(208,361)
Deferred taxes	95,093	25,513
TOTAL	(121,856)	(182,848)

TAXES ON RESERVES FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	2008	2007
Cash flow hedges	21,776	5,758
Available-for-sale financial assets	(35,035)	(31,311)
TAX CHARGE ON EQUITY	(13,259)	(25,553)

RECONCILIATION OF THE THEORETICAL AND ACTUAL TAX EXPENSES	2008	2007
- Theoretical tax expenses calculated at the year-end standard tax rate (1)	(170,343)	(194,527)
- Effect of foreign tax rates and deferred tax	20	(3,083)
- Changes resulting from non-taxable income and non-deductible expenses	48,467	14,762
- Actual tax expenses	(121,856)	(182,848)

(1) 34.43% in 2008 (same in 2007).

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NOTE 21 (cont'd.)

TAX POSITION

DEFERRED TAXES	Consolidated balance sheet		Consolidated income statement	
	As of Dec. 31, 2008	As of Dec. 31, 2007	For the year ended December 31, 2008	For the year ended December 31, 2007
Deferred tax assets				
Temporary differences on provisions (profit-sharing, retirement, etc.)	51,386	3,396	23,313	925
Consolidation and other entries (1)	(21,207)	6,656	2,970	2,869
Fair value remeasurement of available-for-sale securities and other marketable securities	(787)	(356)	(432)	(31)
Fair value remeasurement of foreign exchange contracts (cash flow hedges)	(774)	306		
TOTAL DEFERRED TAX ASSETS (2)	28,618	10,002		
Deferred tax liabilities				
Temporary differences on provisions (profit-sharing, retirement, etc.)	137,189	118,630	39,614	21,016
Consolidation and other entries (1)	741	(56,792)	29,277	1,428
Fair value remeasurement of available-for-sale securities and other marketable securities	2,100	(2,915)	(369)	(631)
Fair value remeasurement of foreign exchange contracts (cash flow hedges)	(152,319)	(175,895)	720	(63)
TOTAL DEFERRED TAX LIABILITIES (2)	(12,289)	(116,972)		
DEFERRED TAX GAIN/(EXPENSE)			95,093	25,513

(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	2008	2007
- Deferred tax assets not recognized in the balance sheet	59,107	62,871

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NOTE 22

EARNINGS PER SHARE

BASIC EARNINGS PER SHARE	2008	2007
Net income attributable to shareholders (in thousands of euros) (1)	372,958	382,278
Weighted average number of outstanding ordinary shares	10,125,897	10,125,897
Basic earnings per share (in EUR)	36.8	37.8

(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, diluted earnings per share is identical to basic earnings per share.

NOTE 23

DIVIDENDS PAID AND PROPOSED

(in thousands of euros)	2008	2007
Decided and paid during the year		
Dividends on ordinary shares		
- Final dividends for 2007: EUR 10.6 per share (2006 : EUR 7.4)	107,335	74,932
- Interim dividends for 2008	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 2008: EUR 5.80 per share (2007: EUR 10.6)	58,730	

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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, 2008			
	At historical cost	Capital gain	Amount in consolidated assets	%
Cash at bank and in hand, monetary investments, time deposits	3,721,448	953,660	4,675,108	99.7%
Various investments (AMF reference, mainly monetary)	10,626	4,200	14,826	0.3%
Total marketable securities (available for sale or cash equivalents) and cash at bank and in hand	3,732,074	957,860	4,689,934	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. It places its investments and has bank accounts with these various institutions.

The Group had no investments or accounts with financial institutions that went bankrupt in 2008.

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 write-down method described in section C9 of Note 1 to the consolidated financial statements, the percentage of outstanding receivables not written-down at the year-end is immaterial and not at risk.

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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 through the parent company with regard to Falcon sales that are virtually all denominated in US dollars.

This risk is partially hedged by using forward sales contracts and foreign exchange options.

The Group partially hedges its cash flows that are considered highly probable. It ensures that the initial future cash flows will be sufficient to use the foreign exchange hedges in place. The 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, 2008		As of December 31, 2007	
Net balance sheet position	446,605		512,715	
Closing US dollar/euro exchange rate	1 euro = 1.3917 dollars		1 euro = 1.4721 dollars	
Change in closing US dollar/euro exchange rate	1 euro = 1.4917 dollars	1 euro = 1.2917 dollars	1 euro = 1.5721 dollars	1 euro = 1.3721 dollars
Change in net balance sheet position	+300,580	-344,060	+110,100	-114,230

✓ 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, 2008		As of December 31, 2007	
Net balance sheet position	18,121		51,554	
Closing Brazilian real/euro exchange rate	1 euro = 3.2436 reals		1 euro = 2.6075 reals	
Change in closing Brazilian real/euro exchange rate	1 euro = 3.3436 reals	1 euro = 3.1436 reals	1 euro = 2.7075 reals	1 euro = 2.5075 reals
Change in net balance sheet position	-542	+ 576	-1,904	+ 2,056

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NOTE 24 (cont'd.)

FINANCIAL RISK MANAGEMENT

- **OTHER RISKS**

The Group is exposed to another 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, 2008		As of December 31, 2007	
Net balance sheet position	18,121		51,554	
Embraer share price in reals	8.81 reals		20.15 reals	
Change in Embraer share price	+ 10%	- 10%	+ 10%	- 10%
Change in net balance sheet position	+ 1,812	-1,812	+ 5,155	-5,155

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

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, 2008		As of December 31, 2007	
	In thousands of US dollars	In thousands of US dollars	In thousands of US dollars	In thousands of US dollars
Forex options	(2,841)	(2,041)	24,633	16,733
Forwards	624,381	448,646	730,135	495,982
TOTAL	621,540	446,605	754,768	512,715

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 Dec.31, 2008	Market value as of Dec. 31, 2007	Recognition of changes in fair value in		
			Equity (1)	Income statement	
				Operating income/(loss)	Net financial income/(expense)
Instruments recognized in assets	446,605	512,715			
including premiums on financial instruments	1,956	2,727			
Capital gains on financial instruments	444,649	509,988	(63,247)	0	(2,092)
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, 2008	As of Dec. 31, 2007
Guarantees and deposits	185,486	142,232
TOTAL	185,486	142,232

COMMITMENTS RECEIVED	As of Dec. 31, 2008	As of Dec. 31, 2007
Export insurance guarantees	51,092	190,989
Collateral	0	0
TOTAL	51,092	190,989

BILATERAL COMMITMENTS IN RESPECT OF	As of Dec. 31, 2008	As of Dec. 31, 2007
Future billings to customers	17,065,400	14,992,000
Future payments to subcontractors or suppliers	2,929,749	2,495,329
Fixed asset orders	43,500	28,000
TOTAL	20,038,649	17,515,329

SECURED PAYABLES AND RECEIVABLES	As of Dec. 31, 2008	As of Dec. 31, 2007
Customer advances and progress payments on work-in-progress	500,689	557,272
Advances and progress payments to suppliers	3,834	1,877
TOTAL	504,523	559,149

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)	326,502	29,682	296,820

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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	2008 fiscal year	23,276	67,914	27,459	2,032
	2007 fiscal year	34,793	63,382	20,508	4,172

Group key employees

Directors' loans	2008 fiscal year	None
	2007 fiscal year	None
Other directors' interests	2008 fiscal year	None
	2007 fiscal year	None

Remuneration and other commitments

Total remuneration received by corporate officers in respect of 2008, broken down in the management report, amounted to EUR 888,964 for the parent company, USD 0 for subsidiaries and EUR 480,000 for GIMD.

Other commitments: commitment towards the Chairman and Chief Executive Officer with regard to his term of office that expires at the Shareholders' Meeting held to approve the 2008 financial statements.

- 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 his 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.

- On December 18, 2008, the Company adopted the recommendations of the AFEP and the MEDEF on the compensation of corporate officers.

  Regarding Mr. Edelstenne, these recommendations shall apply at the Board meeting that follows the Shareholders' Meeting held to approve the renewal of his term of office as Chairman and Chief Executive Officer.

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 2008, 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

	2008	2007
Engineers and management and executive grades	5,137	5,203
Supervisory and technical grades	2,408	2,495
Administrative employees	1,464	1,387
Production employees	3,382	3,051
TOTAL	12,391	12,136

NOTE 28

ENVIRONMENTAL INFORMATION

The Dassault Aviation Group recognized environmental investments in the amount of EUR 3,530,000 and expenditure of around EUR 820,000 in 2008 relating to risk, impact and regulatory compliance analyses.

NOTE 29

STATUTORY AUDITORS' FEES

(in EUR)	DELOITTE & ASSOCIES		MAZARS	
	2008	2007	2008	2007
Audit				
Statutory audit, certification, review of individual and consolidated financial statements: (1)				
DASSAULT AVIATION	124,967	152,500	175,467	107,500
Fully consolidated subsidiaries	0	0	406,943	343,932
Other statutory audit engagements (2)				
DASSAULT AVIATION	24,994	15,000	72,534	64,000
Fully consolidated subsidiaries	0	0	25,629	8,975
TOTAL	149,961	167,500	680,573	524,407

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

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

In addition, the fees paid by fully consolidated subsidiaries to statutory auditors other than Deloitte & Associés et Mazars should be added to the above amounts: EUR 42,000 in 2008 and EUR 40,000 in 2007 (excluding VAT).

NOTE 30

SUBSEQUENT EVENTS

No events occurred after December 31, 2008 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, 2008

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, 2008.

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, 2008 and the results of its operations for the year then ended in accordance with IFRS as adopted in the European Union.

JUSTIFICATION OF ASSESSMENTS

The consolidated financial statements for the year ended December 31, 2008 were prepared in the financial context outlined in the conclusion to the Directors' report.

It is in this context and in accordance with article L. 823-9 of the French Commercial Code that we have conducted our own assessments, which we bring to your attention.

Our work mainly consisted in assessing the data and assumptions used to determine the estimated provisions for contingencies, as described in Note 1-C11 to the consolidated financial statements, reviewing the calculations performed by the Company, comparing the accounting estimates of previous periods with the corresponding results and examining the procedures adopted by Management to approve such estimates. On this basis, we assessed the reasonableness of these estimates.

These assessments were made as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our 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 in accordance with professional standards applicable in France. We have no comment to make as to the fair presentation of this information or its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, March 19, 2009

The Auditors

Mazars	Deloitte & Associés
Serge Castillon	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, 2008

In thousands of euros

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ASSETS

(in thousands of euros)	NOTE	As of Dec. 31, 2008			As of Dec. 31, 2007
		Gross	Depreciation, amortization and provisions	Net	Net
INTANGIBLE ASSETS	2	73,368	(60,734)	12,634	8,323
PROPERTY, PLANT AND EQUIPMENT	2	893,074	(596,133)	296,941	301,876
LONG-TERM INVESTMENTS	3	227,071	(14,154)	212,917	225,816
TOTAL NON-CURRENT ASSETS		1,193,513	(671,021)	522,492	536,015
INVENTORIES AND WORK-IN-PROGRESS	4	2,986,207	(204,573)	2,781,634	2,524,112
ADVANCES AND PROGRESS PAYMENTS TO SUPPLIERS		196,953	0	196,953	183,335
TRADE RECEIVABLES	6	462,039	(139,074)	322,965	359,588
OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME	7	423,048	0	423,048	411,539
MARKETABLE SECURITIES AND CASH INSTRUMENTS	10	3,132,893	0	3,132,893	3,079,215
CASH AT BANK AND IN HAND		200,795	0	200,795	75,354
TOTAL CURRENT ASSETS		7,401,935	(343,647)	7,058,288	6,633,143
TOTAL ASSETS		8,595,448	(1,014,668)	7,580,780	7,169,158

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LIABILITIES AND EQUITY

(in thousands of euros)	NOTE	As of Dec. 31, 2008	As of Dec. 31, 2007
SHARE CAPITAL	11	81,007	81,007
ADDITIONAL PAID-IN CAPITAL		19,579	19,579
RESERVES	13	1,971,413	1,755,252
NET INCOME FOR THE YEAR		352,508	323,496
TAX -DRIVEN PROVISIONS	15	273,194	267,450
EQUITY		2,697,701	2,446,784
PROVISIONS FOR CONTINGENCIES AND LOSSES	15	781,363	608,100
BORROWINGS (1)	16	256,101	261,020
CUSTOMER ADVANCES AND PROGRESS PAYMENTS ON WORK-IN-PROGRESS		2,828,489	2,792,243
TRADE PAYABLES	17	663,449	682,746
OTHER PAYABLES, ACCRUALS AND DEFERRED INCOME	18	353,677	378,265
TOTAL LIABILITIES		4,101,716	4,114,274
TOTAL EQUITY AND LIABILITIES		7,580,780	7,169,158
(1) including bank balances in credit of:		10,222	22,831

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INCOME STATEMENT

(in thousands of euros)	NOTE	For the year ended Dec. 31, 2008	For the year ended Dec. 31, 2007
NET SALES	21	3,540,455	3,605,350
CAPITALIZED PRODUCTION		127	196
CHANGE IN WORK-IN-PROGRESS AND FINISHED GOODS INVENTORY		288,423	83,450
REVERSALS OF PROVISIONS AND DEPRECIATION AND AMORTIZATION, EXPENSE RECLASSIFICATIONS		406,824	385,368
OTHER REVENUE		7,311	7,244
OPERATING REVENUES		4,243,140	4,081,608
EXTERNAL PURCHASES		(1,881,689)	(1,939,564)
PAYROLL AND RELATED CHARGES		(636,900)	(627,347)
OTHER OPERATING EXPENSES		(298,218)	(317,997)
TAXES AND SOCIAL SECURITY CONTRIBUTIONS		(56,874)	(48,918)
DEPRECIATION AND AMORTIZATION	2	(54,950)	(44,206)
NET CHARGES TO PROVISIONS	15	(654,393)	(514,039)
OPERATING EXPENSES		(3,583,024)	(3,492,071)
NET OPERATING INCOME BEFORE FINANCIAL ITEMS		660,116	589,537
NET FINANCIAL INCOME/(EXPENSE)	23	19,107	17,121
NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX		679,223	606,658
NON-RECURRING ITEMS	24	(6,503)	17,371
EMPLOYEE PROFIT-SHARING		(136,203)	(114,747)
CORPORATE INCOME TAX	25	(184,009)	(185,786)
NET INCOME FOR THE YEAR		352,508	323,496

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CASH FLOW STATEMENT

(in thousands of euros)	For the year ended December 31, 2008	For the year ended December 31, 2007
NET CASH FROM OPERATING ACTIVITIES		
Net income for the year	352,508	323,496
Elimination of net income from disposals of non-current assets	665	(25,875)
Elimination of investment grants added to net income	0	0
Net charges to and reversals of depreciation, amortization and provisions	255,116	183,625
NET CASH FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES (A)	608,289	481,246
Impact of:		
Change in inventories and work-in-progress	(257,522)	(93,112)
Change in advances and progress payments to suppliers	(13,618)	24,821
Change in trade receivables	36,623	(55,617)
Change in other receivables, prepayments and accrued income	(11,509)	(61,159)
Change in customer advances and progress payments on work-in-progress	36,246	422,107
Change in trade payables	(19,297)	107,080
Change in other payables, accruals and deferred income	(24,588)	53,074
CHANGES IN WORKING CAPITAL (B)	(253,665)	397,194
(A+B)	354,624	878,440
NET CASH USED IN INVESTING ACTIVITIES		
Purchases of intangible assets and property, plant and equipment	(75,869)	(51,357)
Purchases of investments	(2,258)	(3,043)
Disposals of non-current assets	14,876	89,282
	(63,251)	34,882
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	107,448	83,217
Repayments of borrowings	(99,758)	(88,347)
Dividends paid	(107,335)	(74,932)
	(99,645)	(80,062)
CHANGE IN NET CASH AND CASH EQUIVALENTS	191,728	833,260
OPENING NET CASH AND CASH EQUIVALENTS (1)	3,131,738	2,298,478
CHANGE IN NET CASH AND CASH EQUIVALENTS	191,728	833,260
CLOSING NET CASH AND CASH EQUIVALENTS (1)	3,323,466	3,131,738

(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, 2008**, showing total assets of **EUR 7,580,780 thousand** and to the Income Statement, showing total revenues of **EUR 4,355,794 thousand** and net income of **EUR 352,508 thousand**.

The financial statements have been prepared for a 12-month period extending from **January 1, 2008 to December 31, 2008.**

The notes (or tables) (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, 2008
1	I - ACCOUNTING POLICIES
	II - ADDITIONAL INFORMATION RELATING TO THE BALANCE SHEET AND INCOME STATEMENT
2	Intangible assets and property, plant and equipment
3	Long-term investments
	Maturity of long-term investments
	List of subsidiaries and affiliates, whose gross amount exceeds 1% of the Company's share capital and in which the Company holds at least 10% of shares
	Other subsidiaries and affiliates
	General information on securities
4	Inventories and work-in-progress
5	Interest on current assets
6	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
29	Impact of exceptional tax assessments
30	Deferred tax
31	Remuneration of company officers
32	Average number of employees
33	Environmental information
34	Five-year summary
35	Investment portfolio as of December 31, 2008

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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	4-10 years
Rolling stock	3-4 years
Other property, plant and equipment	3-8 years
Second-hand goods	case-by-case basis

B) IMPAIRMENT OF ASSETS

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

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

Intangible assets and property, plant and equipment are impaired by the Company when their net carrying amount exceeds their present value. The amount of impairment recognized in net income is equal to the difference between the net carrying amount and the present value.

The present value of an asset is the higher of its fair value (less costs to sell) and its value in use.

The value in use of an asset is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.9% and a 2% growth rate. 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.

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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 write-down 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.

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

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

E) RECEIVABLES

Receivables are stated at nominal value. A provision for write-down 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 related benefits:

Retirement severance payment and related benefit (long-service awards…) 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”

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hedging strategies, which are recognized immediately in the income statement to avoid the creation of temporary timing differences.

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 is tacitly renewable by periods of five fiscal years.

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

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NOTE 2

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	As of Dec. 31, 2007	OTHER MOVEMENTS	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2008	INITIAL VALUES EXCLUDING LEGAL REVALUATION
INTANGIBLE ASSETS						
Gross value						
Software, patents, licenses and similar assets	62,242	2,497	7,559	(531)	71,767	71,767
Intangible assets in the course of development; advances and progress payments	2,497	(2,497)	1,601		1,601	
TOTAL	64,739	0	9,160	(531)	73,368	71,767
Amortization						
Software, patents, licenses and similar assets	(56,416)	0	(4,849)	531	(60,734)	
TOTAL	(56,416)	0	(4,849)	531	(60,734)	
Net value						
Software, patents, licenses and similar assets	5,826				11,033	
Intangible assets in the course of development; advances and progress payments	2,497				1,601	
TOTAL INTANGIBLE ASSETS	8,323	0	4,311	0	12,634	

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NOTE 2 - (cont'd.)

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	As of Dec. 31, 2007	OTHER MOVEMENTS	ADDITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2008	INITIAL VALUES EXCLUDING LEGAL REVALUATION
PROPERTY, PLANT AND EQUIPMENT						
Gross value						
Land	25,827	0	426	(238)	26,015	22,231
Buildings	227,991	17	6,116	(1,823)	232,301	222,500
Plant, machinery and equipment	438,070	92	18,763	(9,291)	447,634	446,806
Other property, plant and equipment	163,336	146	18,291	(18,971)	162,802	162,520
Construction in progress; advances and progress payments	2,081	(255)	23,113	(617)	24,322	
TOTAL	857,305	0	66,709	(30,940)	893,074	854,057
Depreciation						
Land	(3,807)	0	(440)	165	(4,082)	
Buildings	(123,748)	0	(10,912)	1,383	(133,277)	
Plant, machinery and equipment	(350,740)	0	(23,202)	9,042	(364,900)	
Other property, plant and equipment	(77,134)	0	(15,547)	5,811	(86,870)	
TOTAL	(555,429)	0	(50,101)	16,401	(589,129)	
Impairment						
Other property, plant and equipment (1)	0	0	(7,004)	0	(7,004)	
TOTAL	0	0	(7,004)	0	(7,004)	
Net value						
Land	22,020				21,933	
Buildings	104,243				99,024	
Plant, machinery and equipment	87,330				82,734	
Other property, plant and equipment	86,202				68,928	
Construction in progress; advances and progress payments	2,081				24,322	
TOTAL PROPERTY, PLANT AND EQUIPMENT	301,876	0	9,604	(14,539)	296,941	

(1) Impairment tests of intangible assets and property, plant and equipment (see section B of Note 1 to the financial statements):

In 2008, a provision of EUR 7,004 thousand was recognized in net income for capitalized aircraft in order to take into account the impact of the crisis on the used executive aircraft market.

This provision is equal to the difference between the net carrying amount of the capitalized aircraft and their present value. The present value of a capitalized aircraft is the higher of its fair value (less costs to sell) and its value in use. The value in use of a capitalized aircraft is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.9%, a 2% growth rate, a cash flow forecast period equal to the aircraft's lease term and a value at which the aircraft will be resold after the lease term.

The impairment tests carried out on other property, plant and equipment did not highlight any other impairment to be recognized as of December 31, 2008.

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NOTE 3

LONG-TERM INVESTMENTS

(in thousands of euros)	As of Dec. 31, 2007	OTHER MOVEMENTS	ACQUISITIONS/ CHARGES	DISPOSALS/ REVERSALS	As of Dec. 31, 2008	INITIAL VALUES EXCLUDING LEGAL REVALUATION
Equity investments	191,452		51	0	191,503	191,134
Other investment securities	4,094		1,800	0	5,894	5,742
Loans	2,203		342	(414)	2,131	2,131
Other long-term investments	28,067		65	(589)	27,543	27,543
TOTAL	225,816	0	2,258	(1,003)	227,071	226,550
Provisions	0		(14,154)		(14,154)	(14,154)
NET VALUE	225,816	0	(11,896)	(1,003)	212,917	212,396

MATURITY OF LONG-TERM INVESTMENTS

(in thousands of euros)	Gross	Maturing within one year	Maturing within more than one year
Loans	2,131	389	1,742
Other long-term investments	27,543	0	27,543
GRAND TOTAL	29,674	389	29,285

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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	55,530	99.99%	59,453	59,453	0	0	125,451	3,380	0
DASSAULT INTERNATIONAL	1,529	16,466	99.63%	19,236	19,236	0	0	2,558	965	0
DASSAULT-REASSURANCE	10,459	7,214	99.99%	10,132	10,132	0	0	2,274	332	0
SOGITEC INDUSTRIES	4,578	46,398	99.74%	25,348	25,348	0	0	85,764	11,618	0
Total French subsidiaries				114,169	114,169	0	0			0
b. Foreign subsidiaries										
DASSAULT FALCON JET (1)	10,097	420,999	87.47%	7,767	7,767	0	185,486	1,416,991	5,849	0
DASSAULT INTERNATIONAL INC (USA)	3,629	34,893	100.00%	3,727	3,727	0	0	991	489	0
DASSAULT PROCUREMENT SERVICES INC (USA)	72	34,471	100.00%	28,965	28,965	0	0	394,481	4,596	0
Total foreign subsidiaries				40,459	40,459	0	185,486			0
Total subsidiaries				154,628	154,628	0	185,486			0
2. AFFILIATES (between 10 and 50% shareholding)										
a. French affiliates										
CORSE COMPOSITES AERONAUTIQUES	1,707	6,099	24.81%	996	996	0	0	30,908	560	0
EUROTRADIA INTERNATIONAL (2)	3,000	32,865	16.20%	3,099	3,099	0	0	38,624	1,816	292
Total French affiliates				4,095	4,095	0	0			292
b. Foreign affiliates										
Total foreign affiliates				0	0	0	0			0
Total affiliates				4,095	4,095	0	0			292

(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 2007 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	600	600	0	0	0
b. Foreign subsidiaries	0	0	0	0	0
Total subsidiaries	600	600	0	0	0
2. AFFILIATES					
a. French affiliates	5,903	5,903	0	0	2,471
b. Foreign affiliates	32,171	18,172	0	0	1,319
Total affiliates	38,074	24,075	0	0	3,790

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	114,769	114,769	0	0	0
b. Foreign subsidiaries	40,459	40,459	0	185,486	0
Total	155,228	155,228	0	185,486	0
2. AFFILIATES					
a. French affiliates	9,998	9,998	0	0	2,763
b. Foreign affiliates	32,171	18,172	0	0	1,319
Total	42,169	28,170	0	0	4,082
GRAND TOTAL	197,397	183,398	0	185,486	4,082

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NOTE 4

INVENTORIES AND WORK-IN-PROGRESS

(in thousands of euros)	Gross	Provision	As of Dec. 31, 2008 Net	As of Dec. 31, 2007 Net
Raw materials	165,966	(59,881)	106,085	129,507
Work-in-progress	2,386,371	0	2,386,371	2,097,948
Semi-finished and finished goods	433,870	(144,692)	289,178	296,657
TOTAL	2,986,207	(204,573)	2,781,634	2,524,112

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	462,039	338,927	123,112
Other receivables	76,554	76,554	0
Prepaid expenses	344,551	344,551	0
TOTAL	883,144	760,032	123,112

NOTE 7

OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

(in thousands of euros)	As of Dec. 31, 2008	As of Dec. 31, 2007
Other receivables	76,554	106,779
Prepaid expenses	344,551	301,430
Prepayments and accrued income	1,943	3,330
TOTAL	423,048	411,539

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NOTE 8

ACCRUED INCOME

Amount of accrued income included in the following balace sheet items (in thousands of euros)	As of Dec. 31, 2008	As of Dec. 31, 2007
Trade receivables	77,806	106,665
Other receivables, prepayments and accrued income	62	88
Marketable securities	0	0
Cash at bank and in hand	837	727
TOTAL	78,705	107,480

NOTE 9

PREPAID EXPENSES AND DEFERRED INCOME

(in thousands of euros)	Expenses	Income
Operating expenses/income as of December 31, 2008	344,551 (1)	20,415
Operating expenses/income as of December 31, 2007	301,430 (2)	14,151

(1) income tax on unrealized capital gains as of December 31, 2008 337,763

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

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, 2008	3,130,936 (1)	4,086,510
Marketable securities and cash instruments as of December 31, 2007	3,076,488	3,913,584

(1) the EUR 1,957 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, 2008	As of Dec. 31, 2007
Revaluation difference	4,305	4,305
Legal reserve	8,101	8,101
Other reserves	71,332	71,332
Retained earnings	1,887,675	1,671,514
TOTAL	1,971,413	1,755,252

REVALUATION RESERVE

(in thousands of euros)	Movements in the revaluation reserve			
	As of Dec. 31, 2007	2008 movements		As of Dec. 31, 2008
		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)			
	2008		2007
ACCOUNTING INCOME			
In thousands of euros	352,508		323,496
Euros per share	34.81		31.95
CHANGE IN EQUITY EXCLUDING INCOME FOR THE YEAR			
In thousands of euros	5,744		8,536
Euros per share	0.57		0.84
DIVIDENDS			
In thousands of euros	58,730	(1)	107,335
Euros per share	5.80	(1)	10.60

(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 2007 net income as of Dec. 31, 2008		After appropriation of 2007 net income as of Dec. 31, 2008
A -			
1. 2007 closing equity excluding net income for the year	2,123,288		2,123,288
2. 2007 net income prior to appropriation	323,496		
3. Appropriation of 2007 net income to net equity by the Annual General Meeting			216,161
4. 2008 opening equity	2,446,784		2,339,449
B - Additional paid-in capital with retroactive effect to 2008 opening equity			0
1. Change in share capital		0	
2. Change in other items		0	
C - (= A4 + B) 2008 opening equity			2,339,449
D - Changes during the year excluding 2008 net income			5,744
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		5,744	
6. Other changes		0	
E - 2008 CLOSING EQUITY EXCLUDING 2008 NET INCOME PRIOR TO THE ANNUAL GENERAL MEETING (= C + D)			2,345,193
F - TOTAL 2008 CHANGE IN EQUITY EXCLUDING 2008 NET INCOME (= E - C)			5,744

3/ POTENTIAL TAX PAYABLE (in thousands of euros)

Tax-driven provisions excluding provisions for investments:	135,764	x	34.43%	46,744

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NOTE 15

PROVISIONS

(in thousands of euros)

	As of December 31, 2007	Other movements	Increases/ charges in the year		Decreases/ reversals in the year		As of December 31, 2008
TAX PROVISIONS							
Investments	134,773	0	29,841	(3)	(27,184)	(3)	137,430
Price increases	55,656	0	10,562	(3)	(11,174)	(3)	55,044
Accelerated tax depreciation	75,471	0	17,970	(3)	(14,110)	(3)	79,331
Medium-term export credit	1,533	0	0	(3)	(161)	(3)	1,372
Capital gains rolled over	17	0	0	(3)	0	(3)	17
TOTAL I	267,450	0	58,373		(52,629)		273,194
PROVISIONS FOR CONTINGENCIES AND LOSSES							
Operating	604,770	0	303,742	(1)	(129,092)	(1)	779,420
Financial	3,330	0	1,943	(2)	(3,330)	(2)	1,943
Non-recurring	0	0	0	(3)	0	(3)	0
TOTAL II	608,100	0	305,685		(132,422)		781,363
PROVISIONS FOR WRITE-DOWN							
Intangible assets	0	0	0	(1)	0	(1)	0
Property, plant and equipment	0	0	7,004	(1)	0	(1)	7,004
Long-term investments	0	0	14,154	(2)	0	(2)	14,154
Inventories and work-in-progress	121,529	0	204,573	(1)	(121,529)	(1)	204,573
Trade receivables	156,203	0	139,074	(1)	(156,203)	(1)	139,074
TOTAL III	277,732	0	364,805		(277,732)		364,805
GRAND TOTAL	1,153,282	0	728,863		(462,783)		1,419,362

	} - operating	654,393	(1)	(406,824)	(1)
Charges, reversals and expense transfers	} - financial	16,097	(2)	(3,330)	(2)
	} - non-recurring	58,373	(3)	(52,629)	(3)
		728,863		(462,783)	

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NOTE 15 (cont'd.)

BREAKDOWN OF PROVISIONS FOR CONTINGENCIES AND LOSSES

(in thousands of euros)

	As of Dec. 31, 2007	Other movements	Increases/ charges in the year	Reversals in the year	As of Dec. 31, 2008
PROVISIONS FOR CONTINGENCIES AND LOSSES					
Retirement severance payments and long-service awards	232,000		38,520	(19,520)	251,000
Warranties	279,040		192,992	(87,399)	384,633
Services and work to be performed	93,730		72,230	(22,173)	143,787
Operating	604,770	0	303,742	(129,092)	779,420
Foreign exchange losses	3,330		1,943	(3,330)	1,943
Financial	3,330	0	1,943	(3,330)	1,943
Other	0				0
Non-recurring	0	0	0	0	0
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES	608,100	0	305,685	(132,422)	781,363

- 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 4.1% per annum, a discounting rate of 4.3% 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.

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NOTE 16

BORROWINGS

(in thousands of euros)	As of Dec .31, 2008	As of Dec .31, 2007
Bank borrowings (1)	10,292	22,912
Other borrowings (2)	245,809	238,108
TOTAL	256,101	261,020
(1) including bank balances in credit	10,222	22,831
(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)	10,292	10,234	46	12
Other borrowings (2)	245,809	37,583	208,226	0
Trade payables	663,449	663,449	0	0
Tax and employee-related liabilities	180,648	179,795	853	0
Amounts payable in respect of PP&E and related accounts	13,126	13,126	0	0
Other payables	136,714	136,714	0	0
TOTAL	1,250,038	1,040,901	209,125	12
(1) including bank balances in credit	10,222	10,222	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, 2008	As of Dec. 31, 2007
Tax and employee-related liabilities	180,648	241,215
Amounts payable in respect of PP&E and related accounts	13,126	7,265
Other payables	136,714	115,078
Deferred income	20,415	14,151
Accruals and deferred income	2,774	556
TOTAL	353,677	378,265

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NOTE 19

ACCRUED EXPENSES

(in thousands of euros)		
Amount of accrued expenses included in the following balance sheet items	As of Dec. 31, 2008	As of Dec. 31, 2007
Bank borrowings	7,397	7,073
Trade payables	524,104	435,059
Other payables, accruals and deferred income	250,127	225,299
TOTAL	781,628	667,431

NOTE 20

NOTES ON SEVERAL BALANCE SHEET ITEMS

(in thousands of euros)	Notes on		Receivables and payables represented by commercial paper
Balance sheet items	Related undertakings	Companies in which Dassault holds an investment	
Equity investments	155,228	36,275	0
Loans	0	0	0
Advances and progress payments to suppliers	57,238	0	0
Trade receivables	80,527	0	0
Miscellaneous receivables	1,318	0	0
Customer advances and progress payments on work-in-progress	446,379	0	0
Trade payables	71,432	0	64,198
Other miscellaneous payables	0	0	0

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NOTE 21

SALES ANALYSIS

(in thousands of euros)	For the year ended Dec. 31, 2008	For the year ended Dec. 31, 2007
A) ANALYSIS BY CLASS OF GOODS OR SERVICES:		
Finished goods	2,719,345	3,123,939
Services	821,110	481,411
TOTAL	3,540,455	3,605,350
B) ANALYSIS BY GEOGRAPHICAL AREA:		
France	1,231,328	920,218
Export	2,309,127	2,685,132
TOTAL	3,540,455	3,605,350
C) ANALYSIS BY QUARTER :		
First quarter	704,014	743,958
Second quarter	771,830	925,444
Third quarter	979,093	721,217
Fourth quarter	1,085,518	1,214,731
TOTAL	3,540,455	3,605,350

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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)	2008	2007
RESEARCH AND DEVELOPMENT	(241,789)	(229,882)

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, 2008		For the year ended Dec. 31, 2007	
Investment income		1,622		2,043
Income from other long-term loans and assets		2,519		56
Other interest and similar income		7,865		12,649
Reversals of provisions				
- Foreign exchange losses	3,330		950	
- Equity investments	0		0	
		3,330		950
Net proceeds from sale of marketable securities		30,818		14,682
Total financial income		46,154		30,380
Amortization and provisions				
- Foreign exchange losses	(1,943)		(3,330)	
- Equity investments	(13,999)		0	
- Loans	(155)		0	
		(16,097)		(3,330)
Interest and similar expenses		(10,950)		(9,929)
Total financial expense		(27,047)		(13,259)
Net financial income/(expense)		19,107		17,121

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NOTE 24

NON-RECURRING ITEMS

(in thousands of euros)	For the year ended Dec. 31, 2008	For the year ended Dec. 31, 2007
Proceeds from disposal of:		
- Property, plant and equipment	13,256	18,453
- Long-term investments	0	69,896
	13,256	88,349
Other non-recurring income	614	198
Reversals of provisions		
- Investments	27,184	15,679
- Price increases	11,174	8,649
- Medium-term export credit	161	0
- Accelerated tax depreciation	14,110	19,153
- Capital gains rolled over	0	0
- CASA early retirement plan	0	3,013
	52,629	46,494
	66,499	135,041
Non-recurring charges on non-capital transactions	(217)	0
Carrying amount of:		
- Intangible assets	0	0
- Property, plant and equipment	(13,921)	(19,018)
- Long-term investments	0	(43,456)
	(13,921)	(62,474)
Other non-recurring charges (1)	(491)	(3,179)
Charges to tax-driven provisions		
- Investments	(29,841)	(22,699)
- Price increases	(10,562)	(9,554)
- Medium-term export credit	0	(1,533)
- Accelerated tax depreciation	(17,970)	(18,231)
	(58,373)	(52,017)
Other non-recurring provisions	0	0
	(73,002)	(117,670)
Non-recurring items	(6,503)	17,371

(1) of which CASA charges: 0 in 2008

EUR 3,013 thousand in 2007

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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	679,223	(235,118)	0	444,105
Non-recurring items (including profit-sharing and incentive schemes)	(142,706)	51,109	0	(91,597)
Accounting income	536,517	(184,009)	0	352,508
		(184,009)		

NOTE 26

FINANCIAL COMMITMENTS

COMMITMENTS GIVEN (in thousands of euros)	As of Dec. 31, 2008	As of Dec. 31, 2007
- Guarantees given in respect of:		
. subsidiaries	185,486	142,232
. equity investments	0	0
. other	0	0
TOTAL	185,486	142,232

COMMITMENTS RECEIVED (in thousands of euros)	As of Dec. 31, 2008	As of Dec. 31, 2007
Export insurance guarantees	51,092	190,989
Collateral (mortgages, pledges)	0	0
TOTAL	51,092	190,989

BILATERAL COMMITMENTS IN RESPECT OF (in thousands of euros)	As of Dec. 31, 2008	As of Dec. 31, 2007
Future billings to customers	15,166,400	13,513,300
Future payments to subcontractors or suppliers	2,395,948	1,992,746
Fixed asset orders	32,451	13,943
TOTAL	17,594,799	15,519,989

NOTE 27

SECURED PAYABLES AND RECEIVABLES

(in thousands of euros)	As of Dec. 31, 2008	As of Dec. 31, 2007
Customer advances and progress payments on work-in-progress	500,689	557,272
Advances and progress payments to suppliers	3,834	1,877
TOTAL	504,523	559,149

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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, 2008		
Forex options	(4,181)	(3,004)
Forwards	622,594	447,362
TOTAL	618,413	444,358
As of December 31, 2007		
Forex options	24,633	16,733
Forwards	731,442	496,870
TOTAL	756,075	513,603

NOTE 29

IMPACT OF EXCEPTIONAL TAX ASSESSMENTS

(in thousands of euros)	For the year ended Dec. 31, 2008	For the year ended Dec. 31, 2007
Net income for the year	352,508	323,496
Corporate income tax	184,009	185,786
NET INCOME BEFORE TAX	536,517	509,282
INCREASE IN TAX-DRIVEN PROVISIONS	3,087	1,516
Of which:		
- Accelerated tax depreciation	3,860	(922)
- Provision for price increases	(612)	905
- Provision for capital gains rolled over	0	0
- Provision for medium-term export credit	(161)	1,533
NET INCOME EXCLUDING EXCEPTIONAL TAX ASSESSMENTS (BEFORE TAX)	539,604	510,798

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NOTE 30

DEFERRED TAX

(in thousands of euros)	As of December 31, 2008		As of December 31, 2007	
INCREASES				
Tax-driven provisions:				
- Price increases	55,044		55,656	
- Medium-term export credit	1,372		1,533	
- Accelerated tax depreciation	79,331		75,471	
TOTAL	135,747		132,660	
CONTINGENT DEFERRED TAX LIABILITY		46,738		45,675
DECREASES				
Items not deductible in the current year:				
- Employee profit-sharing	122,203		100,747	
- Retirement severance payments and long-service awards	251,000		232,000	
Other partly non-deductible items (sales-related social security contributions, trade receivables, inventories, warranties, other):	231,096		159,443	
TOTAL	604,299		492,190	
CONTINGENT DEFERRED TAX ASSET		208,060		169,461
Long-term capital losses	0		0	

NOTE 31

REMUNERATION OF CORPORATE OFFICERS

Total remuneration received by corporate officers in respect of 2008, broken down in the management report, amounted to EUR 888,964 for the parent company.

NOTE 32

AVERAGE NUMBER OF EMPLOYEES

	Employed by the Company	Seconded to the Company
Management and executive grades	4,241	
Supervisory and technical grades	2,138	
Administrative employees	600	35
Production employees	1,370	217
TOTAL	8,349	252
Average number of employees for fiscal year 2007	8,430	271

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NOTE 33

ENVIRONMENTAL INFORMATION

Dassault Aviation recognized environmental investments in the amount of EUR 3,350,000 and expenditure of around EUR 677,000 in 2008 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)

	2004	2005	2006	2007	2008
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	2,810,343	2,969,785	2,853,461	3,605,350	3,540,455
b. Income before income tax, depreciation, amortization and provisions	375,732	434,310	483,736	690,062	857,547
c. Corporate income tax	101,710	117,009	120,085	185,786	184,009
d. Income after income tax, depreciation, amortization and provisions	226,640	260,901	224,943	323,496	352,508
e. Dividends paid	77,969	100,246	74,932	107,335	58,730 (1)
3/ PER SHARE DATA (in EUR)					
a. Income after income tax, but before depreciation, amortization and provisions	27.1	31.3	35.9	49.8	66.5
b. Income after income tax, depreciation, amortization and provisions	22.4	25.8	22.2	31.9	34.8
c. Dividends paid	7.7	9.9	7.4	10.6	5.8 (1)
4/ PERSONNEL					
a. Average number of employees during the year	8,800	8,774	8,614	8,430	8,349
b. Total payroll charges excluding taxes	385,616	393,883	407,858	418,125	422,353
c. Total payroll taxes and social security charges	188,100	194,380	198,836	209,222	214,547
5/ EMPLOYEE PROFIT-SHARING	75,547	86,967	74,981	100,747	122,203
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, 2008

(in thousands of euros)	Number of shares	Gross value	Provisions	Net value
MARKETABLE SECURITIES				
Short- and medium-term government and savings bonds		10,976	0	10,976
Mutual funds		2,482,688	0	2,482,688
Cash management mutual funds (SICAV) and other		637,272	0	637,272
TOTAL I		3,130,936	0	3,130,936
EQUITY INVESTMENTS				
AEROSPACE SECTOR				
CORSE COMPOSITES AÉRONAUTIQUES	184,139	996	0	996
DASSAULT AÉRO SERVICE	5,000	106	0	106
DASSAULT AVIATION PARTICIPATION	3,700	37	0	37
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	13,999	18,120
EUROTRADIA INTERNATIONAL	21,625	3,099	0	3,099
SECBAT	717	11	0	11
SOGITEC INDUSTRIES	12,478	25,348	0	25,348
OTHER		50	0	50
OTHER SECTORS				
DASSAULT ASSURANCES COURTAGE	9,983	457	0	457
DASSAULT - RÉASSURANCE	261,469	10,132	0	10,132
TOTAL II		191,503	13,999	177,504
OTHER INVESTMENTS				
ODAS	1,800	1,800	0	1,800
SOFEMA	4,998	161	0	161
SOFRESA	6,000	3,924	0	3,924
OTHER		9	0	9
TOTAL III		5,894	0	5,894
GRAND TOTAL (I+II+III)		3,328,333	13,999	3,314,334

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AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2008

In accordance with our appointment as auditors by your Annual General Meeting, we hereby report to you for the year ended December 31, 2008 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 consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2008 and of the results of its operations for the year then ended in accordance with French accounting regulations.

JUSTIFICATION OF OUR ASSESSMENTS

The financial statements for the year ended December 31, 2008 were prepared in the financial context outlined in the conclusion to the Directors' report.

It is in this context and in accordance with Article L. 823-9 of the French Commercial Code that we have conducted our own assessments, which we bring to your attention.

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

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

SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed the other procedures required by law.

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 the relevant company officers and any commitments undertaken in their favor at the time of the adoption, change, or termination 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 the identity of shareholders and voting rights.

Courbevoie and Neuilly-sur-Seine, March 19, 2009

The Auditors

Mazars	Deloitte & Associés
Serge Castillon	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 modified 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 PREPARED IN ACCORDANCE WITH ARTICLE L. 225-35 OF THE FRENCH COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Year ended December 31, 2008

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, 2008.

It is the responsibility of the Chairman to prepare and submit to the approval of the Board of Directors a report on the internal control and risk management procedures implemented in the Company containing the other information required by Article L. 225-37, particularly relating to corporate governance.

It is our responsibility to:

- report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information, and

- certify that the report contains the other information required by Article L. 225-37 of the French Commercial Code, bearing in mind that we are not required to verify the fairness of this other information.

We conducted our procedures in accordance with the professional practice standards applicable in France.

Information concerning the internal control procedures for the preparation and processing of financial and accounting information

The professional practice 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 processing of financial and accounting information. Specifically, these procedures consist in:

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

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

- determining whether the major internal control deficiencies relating to the preparation and processing of financial and accounting information that we identified during our 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 processing of financial and accounting information, set forth in the report of the Chairman of the Board of Directors, prepared in accordance with Article L.225-37 of the French Commercial Code.

Other information

We certify that the report of the Chairman of the Board of Directors contains the other information required by Article L. 225-37 of the French Commercial Code.

Courbevoie and Neuilly-sur-Seine, March 19, 2009

The Auditors

Mazars	Deloitte & Associés
Serge Castillon	Dominique Jumaucourt

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AUDITORS' REPORT ON RELATED PARTY TRANSACTIONS AND COMMITMENTS

Year ended December 31, 2008

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

On August 27, 2008, the Board of Directors renewed the authorization to rent from GIMD and two of its real-estate subsidiaries a number of premises, plots of land and industrial facilities, under new leases replacing as of January 1, 2008 those signed in 2006.

Under these new leases with a definitive term of 12 years, the lease adjustment formula was blocked for 2008, generating savings of EUR 1.3 million compared to previous leases.

Rent paid to the aforementioned companies during fiscal year 2008 totaled EUR 29,724,917.52 excluding VAT.

GIMD absorbed the two aforementioned real-estate subsidiaries on September 30, 2008.

Director concerned: Mr. Serge Dassault.

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 DASSAULT FALCON JET (USA):

At the request of Dassault Falcon Jet, Dassault Aviation undertook to refund amounts paid on account by Dassault Falcon Jet customers, should Dassault Falcon Jet fail to meet its contractual obligations. These guarantees remain in force until delivery of the aircraft ordered.

As of December 31, 2008, the guarantees amounted to EUR 185,485,798.66.

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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 corporate officers of the Company and its subsidiaries up to an annual guaranteed limit of EUR 25,000,000, for an annual premium in 2008 of EUR 78,509.90 (including issue costs and insurance taxes).

Courbevoie and Neuilly-sur-Seine, March 19, 2009

The Auditors

Mazars	Deloitte & Associés
Serge Castillon	Dominique Jumaucourt

This is a free translation of the original text in French for information purposes only.
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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COMBINED ANNUAL AND EXTRAORDINARY

GENERAL MEETING OF

MAY 13, 2009

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DASSAULT AVIATION

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COMBINED ANNUAL AND EXTRAORDINARY GENERAL MEETING OF MAY 13, 2009 / DRAFT RESOLUTIONS

RESOLUTIONS PRESENTED TO THE ANNUAL GENERAL MEETING:

FIRST RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, having taken due note of the Directors' Report, the Chairman's report governed by section 6 of Article L 225-37 of the French Commercial Code, the Auditors' Report and their report governed by section 5 of Article L 225-235 of the French Commercial Code, hereby approve, in full and without reservation, the financial statements for the year ended December 31, 2008 as presented and showing a net income of EUR 352,508,278.99, together with all transactions presented therein or summarized in these reports.

SECOND RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, having taken due note that the report on Group activities is included in the Directors' Report and having read the Auditors' Report on the consolidated financial statements, hereby approve, in full and without reservation, the consolidated financial statements for the year ended December 31, 2008 as presented and showing consolidated net income before minority interests of EUR 372,990,000 (including net income after minority interests of EUR 372,958,000), together with all transactions presented therein or summarized in these reports.

THIRD RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, 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 terms and conditions of those transactions concluded prior to 2008 with continuing effect in 2008 presented in this report.

FOURTH RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, 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 renewal of the rental from GIMD and two of its real-estate subsidiaries of a number of premises, plots of land and industrial facilities, under new leases replacing as of January 1, 2008 those signed in 2006, bearing in mind that the annual lease payment under these new leases with a definitive term of 12 years totaled EUR 29.7 million, while the lease adjustment formula was blocked for 2008, generating savings of EUR 1.3 million.

FIFTH RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, hereby discharge Directors, fully and finally, from any liability arising from their management of the Company during the year ended December 31, 2008.

SIXTH RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, in accordance with the proposal of the Board of Directors, hereby decide that the net income for the year of…….EUR 352.508.278,99

plus retained earnings of……..EUR 1,887,675,268.72

giving a total of .....EUR 2,240,183,547.71

be appropriated as follows::

- **dividend distribution of……..EUR 58,730,202.60**
- with the remaining balance to retained earnings of ……EUR 2,181,453,345.11.

As a result of the above appropriation, a dividend per share of EUR 5.80 shall be distributed.

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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 20, 2009, 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
2005	9.90	40% (1)
2006	7.40	40% (1)
2007	10.60	40% (2)

(1) allowance for individuals
(2) allowance or, as an option, a flat-rate withholding for individuals

SEVENTH RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, having noted that the term of office of Mr. Serge Dassault as Director expires at the end of this Meeting, hereby decide to renew such term 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, 2014.

EIGHTH RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, having noted that the term of office of Mr. Olivier Dassault as Director expires at the end of this Meeting, hereby decide to renew such term 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, 2014.

NINTH RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, having noted that the term of office of Mr. Charles Edelstenne as Director expires at the end of this Meeting, hereby decide to renew such term 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, 2014.

TENTH RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, having noted that the term of office of Mr. Philippe Hustache as Director expires at the end of this Meeting, hereby decide to renew such term 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, 2014.

ELEVENTH RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, having noted that the term of office of Mr. Denis Kessler as Director expires at the end of this Meeting, hereby decide to renew such term 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, 2014.

TWELFTH RESOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Annual General Meetings, hereby ratify the co-option of Mr. Alain Garcia as Director, to replace Mr. Louis Gallois, 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.

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RESOLUTIONS PRESENTED TO THE EXTRAORDINARY GENERAL MEETING:

THIRTEENTH RÉSOLUTION

Shareholders, deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings, and having taken due note of the Directors' Report and the Auditors' Special Report, hereby decide, pursuant to Articles L. 225-129-1, section 2 of Article L 225-129-6 and Article L 225-138-1 of the French Commercial Code and Articles L 3332-18 et seq. of the French Labor Code, to increase the share capital of the Company by a maximum amount of EUR 800,000, via the issue of shares reserved for subscribers to the Company's Corporate Savings Plan.

Shareholders hereby decide to cancel their preferential subscription rights in favor of subscribers to the Company's Corporate Savings Plan.

Shareholders confer full powers on the Board of Directors, including that of delegation to the Chairman and Chief Executive Officer in accordance with Article L 225-129-4 of the French Commercial Code, within the limits and subject to the conditions detailed above, in order notably to:

- increase the share capital of the Company on one or more occasions;
- set the length of service conditions to be met by subscribers to the Company's Corporate Savings Plan in order to benefit from new shares and, within legal limits, the period granted to subscribers to pay up the shares;
- determine whether subscriptions should be performed directly or via a mutual fund;
- decide the number and characteristics of shares to be issued, the subscription price under the conditions defined in Article L 3332-19 of the French Labor Code, the length of the subscription period, the dividend-ranking date of new shares and more generally, the procedures of each issue;
- take due note of the performance of each share capital increase and the number of shares effectively subscribed;
- perform all necessary formalities and amend the by-laws accordingly;
- after each increase and at its sole initiative, offset the share capital increase costs against the related additional paid-in capital and deduct from this balance the amount necessary to bring the legal reserve to 10% of the new share capital amount;
- perform all acts and formalities necessary to take due note of the share capital increase or increases performed pursuant to the present authorization in the amount of the number of shares effectively issued, amend the bylaws accordingly and, more generally, do all that is necessary.

This authorization is valid for a period of 3 years with effect from this Meeting.

FOURTEENTH 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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