2012 ANNUAL REPORT

DASSAULT AVIATION

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DASSAULT AVIATION

VISION

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

With each of our aircraft, we demonstrate our mastery of advanced technology, dedicated to the service of our customers. In so doing, we help our customers to maintain their independence and manage their own time, their own space, their decisions and their actions, worldwide.

Our vision and our long-term viability are built upon bold yet realistic technical and industrial choices, in compliance with ethical, social and environmental imperatives.

As a pivotal component of a high value-added strategic industry, we contribute to the development of a wide range of high-flying companies, laboratories and educational establishments. Thanks to the skills and experience of our teams, we are able to develop a degree of know-how that is unique in Europe, and which we are keen to share with a host of French and international partners.

MESSAGE FROM THE CHAIRMAN

VALUES BUILT TO LAST

On January 9, 2013, Éric Trappier succeeded
Charles Edelstenne as Chairman – CEO of Dassault Aviation.

SALES OF FALCONS AND RAFALES, PREPARING FOR THE FUTURE

2012 began with some good news: the selection of the Rafale for sale to India. The MMRCA contract still needs to be finalized, but the decision from New Delhi, taken on the basis of technical, operational and financial criteria, confirms the superiority of our jet.

Alongside the success of the Rafale there have been the highly successful maiden flights of the nEUROn stealth combat drone. Only the United States had previously flown devices of this type.

As far as Falcon sales are concerned, the current situation is akin to a slow convalescence: orders were negative by minus 163 in 2009, minus 9 in 2010, and positive by 36 in 2011 and 58 in 2012, on the back of a more dynamic final quarter. The uncertain development of the global economy does not do our activities any favors. The main problem resides in the United States and Western Europe. With large fleets of business jets, these two zones are particularly sensitive to vicissitudes on the used aircraft market, and this has yet to see any real upturn. What is more, the weakness of the dollar remains a serious constraint, and over which we are powerless to act.

In this context, Dassault Aviation's 2012 consolidated figures were as follows:

- orders: €3,32 billion, of which 76% for Falcons;
- consolidated net sales: €3,94 billion, of which 71% for Falcons and 75% for export;
- operating income: €547 million, for an operational margin of 13,9%;
- adjusted net income: €524 million (€366 million, excluding Thales).

Our company is built upon French foundations, in the shape of the French armed forces and the DGA (French Defense Procurement Agency); upon the Falcon community; and upon our military export clients. Taking this established base as a starting point, we have an immediate priority for implementation in 2013: selling Falcons and Rafales, with the constant concern of guaranteeing the provision of reliable and lasting after-sales support, without which there can be no customer satisfaction.

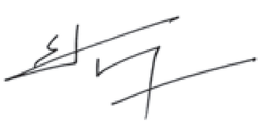
To increase our civil sales, we count on the quality of our aircraft. The Falcon range has developed in leaps and bounds in recent years, with the 900LX, 2000LXS and 2000S models; the EASy II flight deck; and, of course, the 7X and its fly-by-wire control systems. We also count on the progress that we have made in terms of support. Major investments have been plowed into extending the coverage of our service center network, improving the distribution and reducing the cost of spare parts, proposing new remote maintenance monitoring tools, and offering personalized assistance to the operators or to the teams of our customers.

For the Rafale, the objective is clear: we need to conclude the Indian contract while pursuing our efforts in the other prospective countries. Success will involve striking up strategic, technological and industrial partnerships. All calls for tenders insist on this notion of partnership, with the bid that we put in for India being a prime example of this.

Over the longer term, we remain mobilized in preparing for the future, in particular with regard to maintaining our skills levels. Despite the crisis, we continue to hire in the critical professions, the R&D budgets are the highest they have ever been in the history of the Company, and several ambitious programs are underway: SMS (to be unveiled in a few months), nEUROn and UCAS research in collaboration with the United Kingdom, improvements to the Falcon range, upgrading the Rafale. Not to be forgotten is all the upstream work that we are carrying out with the DGAC (French Civil Aviation Authority) and the DGA, and the work done in the framework of Clean Sky and Investment in the Future.

Within these activities, everything pertaining to the civil domain depends primarily on us, since the costs are within our scope and the potential clients, many. The opposite applies to the military domain, where the financing always comes down from State level, even in the USA. Nowadays, in a Europe that earmarks less and less of its budgets for defense, we need to propose innovative solutions, where efficiency and collaboration are the bywords. This is precisely what we have done with the nEUROn: the expertise that we demonstrate, the digital tools that we share, the new forms of program management that we have instituted – all of this goes to show that we are key players.

People change, but the values of our company remain steadfast: independence, long-term vision, culture of excellence, technological innovation, a human dimension and a passion for fine aircraft.



Éric Trappier
Chairman and Chief Executive Officer

MANAGEMENT COMMITTEE

Jean Sass
Executive Vice-President,
Information Systems

Loïk Segalen
Chief Operating
Officer

Éric Trappier
Chairman and CEO

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

Didier Gondoin
Executive Vice-President,
Engineering

Alain Bonny
Senior Vice-President,
Military Customer
Support Division

Benoît Dussaugey
Executive
Vice-President,
International

Olivier Villa
Senior Vice-President,
Civil Aircraft

Gérald Maria
Executive
Vice-President,
Total Quality

Claude Defawe
Vice-President,
National and
Cooperative Military Sales

HUMAN RESOURCES & COMMUNICATION

Jean-Jacques Cara
Vice-President,
Human Resources

Stéphane Fort
Vice-President, External Relations
& Corporate Communication

PROFILE

GLOBAL AND STILL ON A HUMAN SCALE

Key player in the aerospace industry, both in Europe and internationally, courtesy of the initiatives and skills developed within our Group.

Only group in the world to design, manufacture and support both combat aircraft (instruments of political independence) and business jets (work and economic development tools).

Strategic player for the policy of national independence.

Group at the vanguard of the technical and industrial revolution of the digital enterprise.

Last aviation group in the world still owned by its founding family and bearing its name.

Trademarks: Rafale, Falcon, nEUROn, Mirage.

Since 1999, our main activity has been the export of business jets.

Revenue in 2012: 71% business jets, 75% for export.

Over the past 10 years, exports have accounted on average for 74% of sales.

Over the past 10 years, Falcon business jets have accounted on average for 64% of sales.

Some
11,600
employees, 9,000 of whom are based in France

More than
8,000
aircraft delivered since 1945

In
83
countries worldwide

Over
28 million
flying hours

STRATEGY

HIGHER TOGETHER

As a designer of complex airborne systems, an industrial driving force and a catalyst for the keenest of strategic technologies, Dassault Aviation can draw on almost a century of experience and on its ambitious lines of development.

The **satisfaction** of our **customers** is our number one priority. We can offer our customers, from design through to operation, a huge wealth of know-how informed by the **cross-fertilization** of our civil and military activities, and invested with a **solid set of values** that provide a powerful illustration of our enterprise culture.

In both the civil and military domains, we maintain our excellent skills levels through our **self-financing** capacity and the launch of **new programs** such as:

- the development of a new business jet (the SMS);
- preliminary projects on greener, high-performance Falcon aircraft;
- projects for combat/surveillance UAVs.

We also ensure that the Rafale remains efficient in the face of the challenge of future operational scenarios.

We are bringing to maturity our unmanned stealth combat aircraft concepts through extending our work on the nEUROn.

Thanks to our close ties with Dassault Systèmes, we constitute a model **digital enterprise**. The progressive rollout of the sixth version of the product lifecycle management (PLM V6) solutions and of its “Systems” component has generated new collaborative tools and methods. PLM V6 offers unparalleled prospects for collaboration and synergy through the coordination of participants (both inside and outside the company), projects and technologies (whatever the location), employees, programs and products. Configured to match production to the market cycles, this allows us to underpin the versatility of our business lines and the **flexibility** of our industrial facilities. We offer our partners the benefits of all this through pragmatic and innovative **cooperation** scenarios.

We contribute to the dynamism of the French economy and, through our equity stake in Thales, we **are building a hub of global dimensions in the fields of strategic, aerospace, defense and security technologies**.

At the same time, we are aware that **protecting the environment** is a global issue, requiring collective endeavor. We are convinced that the major aerospace developments will be measured against the yardstick of the initiatives launched in this domain. We are continuing to work toward this end, in particular via the European Clean Sky research projects. Thanks to our progress in matters of eco-design, the reduction of noise nuisance and reduced fuel consumption, our products contribute to the objectives of preserving our planet's resources.

Falcon 7X and Falcon 900 fuselage assembly line, Biarritz (France)
Since 1963, some 2,000 Falcons have been delivered to 80 countries.

Higher together
Éric Trappier, Chairman and CEO of Dassault Aviation, Loïk Segalen, Chief Operating Officer, aboard a Falcon 7X.

Maiden flight of the nEUROn, December 1st, 2012
The European combat drone technology demonstrator takes off from the Dassault Aviation flight testing center in Istres (France).

New executive management for Dassault Aviation
Charles Edelstenne, CEO of the Marcel Dassault Industrial Group, with Éric Trappier, Chairman and CEO, and Loïk Segalen, Chief Operating Officer of Dassault Aviation, following their appointments by the Board of Directors on December 18, 2012.

2012

HIGHLIGHTS

Orders (in units)	58 Falcons
Deliveries (in units)	66 Falcons 11 Rafales
Operating margin	13.9%
Adjusted net income*	€524 million (€366 million, excluding Thales)

FALCON

- Final assembly of the 200th Falcon 7X at Mérignac, France (July).
- Launch of the Falcon broadcast service for the transmission of remote maintenance data (September).
- Launch of the Falcon 2000LXS at the NBAA in Orlando, Florida (October).

RAFALE

- The Rafale is selected to equip the Indian Air Force (January).
- Successful firing of the Meteor new-generation beyond-visual-range air-air missile (BVRAAM) on the Rafale B301 out of the DGA flight testing center in Cazaux, France (October).
- Delivery to the DGA (French Defense Procurement Agency) of the first Rafale equipped as standard with the RBE2 active-antenna radar. The Rafale is the first European combat aircraft in service to benefit from AESA (Active Electronically Scanned Array) technology, which significantly improves its detection range (October).
- Orders from the French government for retrofitting the Rafale to the F3-R standard (December).

UNMANNED AERIAL VEHICLES (UAV)

- Presentation of the nEUROn by Charles Edelstenne, Chairman and CEO of Dassault Aviation until January 8, 2013, to the official services of the various governments participating in the program and to our industrial partners (Saab, Sweden - Alenia Aermacchi, Italy - EADS-CASA, Spain - HAI, Greece and RUAG, Switzerland) (January).
- Successful maiden flight for the nEUROn, European stealth UCAV (Unmanned Combat Air Vehicle) technology demonstrator from the test base of Dassault Aviation, in Istres, in collaboration with the flight test teams of the DGA (December).

SPACE

- Successful maiden launch of the new Vega rocket from the space center in French Guiana. Dassault Aviation is involved in the program in the fields of pyrotechnics and telemetry (February).

CORPORATE

- Éric Trappier is appointed successor to Charles Edelstenne as Chairman and Chief Executive Officer, to take effect from January 9, 2013 (December).

* neutralization of THALES Purchase Price Allocation amortization and of the change in fair value of derivative exchange instruments which do not qualify for hedge accounting.

INNOVATION

AT THE CUTTING EDGE OF TECHNOLOGICAL DEVELOPMENT

An aircraft is a set of highly complex systems which has to meet customer needs. Our technological excellence is expressed through the engineering of these systems.

ENGINE FOR INNOVATION

The synergy of Dassault Aviation activities, across the civil and military domains, is a powerful engine for innovation.

The research and development studies that we conduct are designed to lead to the maturing of new technologies that will be applied both to current programs and to future systems. Particular attention is paid to work on reducing program cycles and costs, and on improving aircraft performance and safety. The research and study work that the Group carries out relates to both self-financed projects and contracts with the French government or with European institutions.

Dassault Aviation is a powerhouse of technological developments in a wide variety of fields, extending beyond the aerospace sector. By participating in the development of CAD (computer-aided design) tools developed by Dassault Systèmes, Dassault Aviation plays its part in providing the entire industry with advanced and high-performance IT tools.

DRIVER OF APPLIED RESEARCH

Our research work, carried out in partnership with major organizations such as ONERA, the CEA, the CNRS, the CNES, and some of the leading higher education establishments, feeds directly into the latest innovations, for the benefit of our products and, beyond that, of the industry as a whole. This research, in particular on nanotechnologies, has applications in the fields of stealth, infrared and aircraft anti-icing, for example.

We cooperate internationally with over one hundred universities, institutes and research centers on scientific work of particular relevance to our lines of activity. The Group actively participates in common European framework programs (FPx) on research and development. We support, in association with other manufacturers and the DGA, a chair of teaching and research on the engineering of complex systems.

Research partnership with ONERA
Wind-chamber testing of the nEUROn mock-up at ONERA.

Friction-stir welding
This green and silent technology enables the delicate welding – hitherto unrealizable – of high-resistance aluminum alloys.

Solar Impulse in flight
As consultant aircraft manufacturer for the solar-powered aircraft from day one of the project, we set the excellence of our engineering design departments to work on some major technological challenges.

Dassault Aviation as sole prime contractor of the nEUROn program
With six European countries, we have been testing some management and organizational innovations. The success of the maiden flight demonstrates our capacity to manage multinational cooperative ventures.

DYNAMISM

KEEPING THE ECONOMY MOVING

Throughout France and at various levels, the Group helps to boost the local economy. At the regional level, our company is a stakeholder in several French competitive clusters. It is a driving force in the Research & Technology networks and is involved in many innovative projects.

PARTNERING COMPETITIVE CLUSTERS IN FRANCE

Dassault Aviation participates actively in the following clusters:

- Astech, on the topics of the all-electric aircraft and eco-design;
- System@tic, on systems design and development tools;
- Aerospace Valley, on the materials and channels of production;
- Pegase, on test facilities.

Competitive clusters make it possible to consolidate the actions of various innovation stakeholders (research centers, SMEs, corporations, regional administrations, etc.). These kinds of thematic technological platforms benefit from an international profile as well as enhanced economic appeal.

CONTRIBUTING TO THE DYNAMISM OF EUROPEAN AEROSPACE

Thanks to our experience and that of our partners, we implement a cooperative, pragmatic and efficient approach to European aerospace in the framework of the nEUROn program. This first European stealth UCAV (unmanned combat air vehicle) successfully underwent its maiden flight on December 1st 2012, so demonstrating our unique skills in the field of strategic technologies and the mastery of multinational cooperation programs.

The nEUROn is the most advanced experimental program existing to date in the European aerospace industry. It underpins the development of technologies of prime importance, such as integration of a tail-less, stealth configuration in an independent, unmanned and secure combat system.

The Franco-British political agreements should help us, over the coming years, to build on most of the upstream defense research that is open to cooperation.

In the civil domain, Dassault Aviation is established as a major partner for a series of European initiatives, in particular Clean Sky. These partnerships constitute a key part of the Research & Technology activities of our company.

INDUSTRIAL INFLUENCE

A SHOWCASE OF FRENCH KNOW-HOW

Our military aircraft are produced in France. The same applies for the structure and assembly of our business jets. Our industrial organization concerns all the branches of the aerospace industry and involves a great many stakeholders.

TERRITORIAL INFLUENCE

With ten establishments in France and a high proportion of local suppliers, our company exerts a significant territorial influence:

- 500 SMEs and major corporations benefit from the activities of Dassault Aviation;
- The production of the Rafale accounts for 7,000 direct and indirect jobs, 30% of which involve small companies;
- The annual production of the Falcon accounts for 7,600 direct and indirect jobs;
- Over one hundred suppliers and partners are associated with the systems;
- Our sites help to keep the economy moving in the large conurbations in which they are located.

We are involved in local affairs and have seats on territorial bodies: competitive clusters, Chambers of Commerce & Industry, Territorial Economic & Social Councils, Environment Committees, etc.

AT THE CUTTING EDGE OF INDUSTRIAL KNOW-HOW

By being the first to succeed in passing directly from computer screen to runway with no paper blueprints or prototypes, we have driven forward the aerospace sector and, beyond that, industry as a whole. We are both the vanguard and the showcase of French know-how in this regard.

Our pioneer spirit is still at work today, both in the development of the digital factory and in our capacity to identify new sources of competitiveness. The application of PLM (Product Lifecycle Management) and of our production processes carries along our partners in its wake, with the consequential improvement of their own productivity and quality. PLM has also an impact on other industrial sectors.

Our investments enable us to anticipate the production of the aircraft of tomorrow, to maintain our competitive edge, and to generate pertinent technological breakthroughs.

We have expertise in cutting-edge technologies such as:

- manufacturing structures out of composite materials;
- resin transfer molding;
- hot forming, thermoplastic injection molding,
- carbon fiber placement;
- friction-stir welding;
- etc.

all testifying to the levels of quality and finishing of our products.

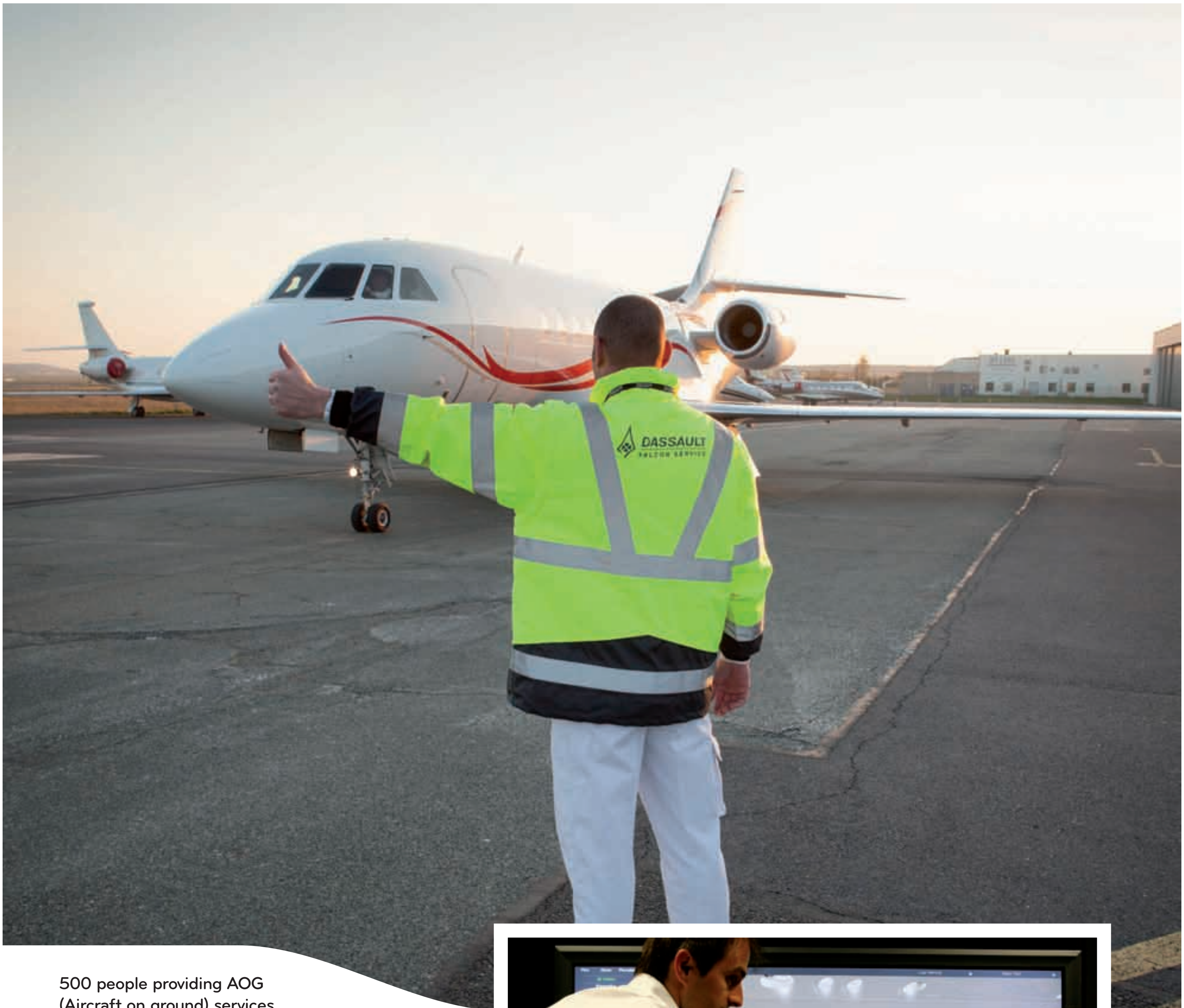
Our workshops apply high-speed machining techniques and have broken new ground in robotics. We conceive and implement the commercial development of our Falcons using product lifecycle management (PLM) digital tools.

We are also acknowledged experts in flight control, stealth and pyrotechnical technologies, from the design phase through to mass production. High technology is at work here in its most fertile field of expression.

In our factories, we deploy “Improving Responsiveness in Production” (IRP) projects with a dual objective: optimizing both working conditions and production quality. The skilled workers benefit from improved workstation ergonomics, while the company reduces its manufacturing cycles and costs.

Improving Responsiveness in Production (IRP)
IRP develops team spirit in order to ensure better working conditions and greater production quality.

Potez Group, one of our many local suppliers
From working on the first programs (Falcon 10 and 50) through to producing the passenger door for the future SMS, collaboration with the Potez Group has been a long-term affair.



500 people providing AOG (Aircraft on ground) services
Perfect traceability, work standardization, justification of technical operations: our customers appreciate our capacity to mobilize in order to guarantee exemplary availability of their aircraft.

3D fine-tunes the response to customer needs
The quality of the virtual images of the Falcon configurator allows customers to select their interior fittings on a true-to-life scale.

SHARED VALUES

In a context of economic globalization and strong international competition, we build on a strong identity and a strict set of values. Our code of ethics expresses the essential values that guide our actions.

CUSTOMER SPIRIT

Satisfying the customer is both our philosophy and our guiding principle. Listening to customers, understanding their needs, being at their disposal, keeping our word: these are the priority for everyone working at Dassault Aviation.
We offer our customers excellent technical performance, confidentiality and customized follow-up, while optimizing cost control and response times.

STRICT ETHICAL BUSINESS STANDARDS

We respect our contractual commitments (costs, deadlines, performance).
We act in accordance with the anti-corruption and export control laws. Ethics and integrity are values that we practice daily in our procedures and in our behavior.
Dassault Aviation, as a signatory to European and international commitments on loyal practices in international trade ("Common Industry Standards" and "Global Principles") is a member of the Aerospace and Defense Industries Association of Europe (ASD) business ethics committee and of the strategic committee of the International Forum on Business Ethical Conduct (IFBEC).

HUMAN QUALITIES

People are the heart of the Group.
We develop team spirit, the sharing of knowledge and know-how, creative initiative, and a sense of morality.
We promote united action at all levels, mutual respect, the quest for professional self-fulfillment, and the sense of belonging to a group that is still human in scope.

TECHNOLOGICAL EXCELLENCE AND INNOVATION

Technological excellence and innovation are the foundation stones of our philosophy, our passion and our history.
We guarantee the quality, reliability, and safety of our aircraft through a strategy of constant innovation, our project management capability, and our mastery of complex systems.
We are concerned about managing and reducing the impact of our activities and products on the environment.

ECONOMIC PERFORMANCE

We regard value creation as an essential goal in terms of ensuring our profitability, financial stability and long-term future.
In a context of intense international competition, we drive home the need to be more flexible, adaptable and responsive in dealings with our customers, suppliers and partners.

OPENNESS TO THE WORLD

In a spirit of partnership, we are engaged in sustained programs of scientific, technological, technical, and industrial cooperation in France and abroad. We are active within national and international air, space and defense organizations.
Our internal and external reporting is open and transparent.

SUPPORT FOR THE GLOBAL COMPACT INITIATIVE

Following on from the values expressed in the code of ethics, Dassault Aviation signed up in 2003 to the Global Compact established by the UN, and supports its ten principles relating to human rights, labor standards, environmental protection and anti-corruption.

FACING THE NEW CHALLENGES TOGETHER

A Group that is still human in scope, Dassault Aviation bases its labor relations policy on the quest for professional self-realization and team spirit. We promote mutual respect and diversity, key factors for creativity and harmonious labor relations.

ATTRACTIVE PAY POLICY

The Dassault Aviation Group pursues a pay policy whose objectives are to reward, motivate and inspire loyalty among its employees, while all the time adapting to the situation of the Company and its economic environment, in order to maintain its competitiveness on a highly competitive market.

The pay policy for each individual is supplemented by recompense for collective effort. The Company has implemented a profit-sharing agreement which involves distributing a significant proportion of the net income to the employees. This runs alongside an incentive scheme.

We also encourage employee savings: Locked-in Current Account (CCB - *Compte Courant Bloqué*); Enterprise Savings Plan (PEE - *Plan d'Épargne Entreprise*) with a wide range of investment possibilities; Collective Retirement Savings Plan (PERCO - *Plan d'épargne pour la retraite collectif*), with the company matching the employee's contributions.

Furthermore, 5% of the aggregate payroll is channeled, every year, into the work's committees to fund social and cultural activities, to which may be added the social overheads covered directly by the company (transportation, accommodation, catering).

ENCOURAGING DIVERSITY

To promote diversity within the company, Dassault Aviation set up a "Management and diversity" training scheme in 2012. Around 370 managers have been trained in the principles of non-discrimination.

In support of the integration of disabled people, we implement a policy for the recruitment, retention, training and career development of disabled employees. Our actions also include working with the protected sector (*i.e.*: for the employment of disabled people). In 2012, the company renewed its partnership with the HANVOL Association, created in 2010 with the support of GIFAS, the Association of French Aeronautical and Space Industries, and other aerospace companies. This association promotes the training and integration of disabled people, through work-study training.

Dassault Aviation is also committed to the employment of seniors, through the retention of employees aged 55 and over, the transmission and development of know-how and skills, and the possibility of working part-time under attractive conditions.

A new agreement on equal job opportunities, signed in 2011 by our company, confirms that diversity is considered to be a key issue and a factor underlying performance. In concrete terms, actions carried out in favor of professional equality and diversity aim to promote career development for women, prevent stereotyping and provide a better work-life balance.

IINTEGRATING AND DEVELOPING TALENT

2012 was marked by the signing of a new agreement on jobs and skills forecast management (GPEC - *Gestion Prévisionnelle des Emplois et des Compétences*). Collectively, this involves a more dynamic approach to jobs and skills forecasting management, in order to coordinate more effectively and better anticipate developments, and ensure that skills are maintained and transferred. Individually, it involves making available to all employees, throughout their time in the company, additional resources to help them to construct their career path.

We are also pursuing the implementation of several long-term mechanisms for maintaining and enhancing the skills of our employees: Skills Conservatory, Dassault Management Institute, integration & mobility initiatives, work-study training.

Team diversity, a performance factor
In 2011, we signed a new agreement on equal job opportunities.

A constant rise in the employment of women
In 2012, Dassault Aviation pursued its initiatives with regard to professional equality with a proportion of 26% female executive recruitments against an objective of 23%, and 41% of female non-executive appointments against an objective of 17%.

Passing on know-how
A young apprentice accompanied by her tutor, an experienced skilled worker, carries out a new task on an internal air intake panel of the Rafale.

Preparing for our recruitment needs
We take part in numerous forums and we organize business gatherings with a dual objective: to present the specific characteristics of our company and to help students to construct their career plan.

COOPERATION WITH THE EDUCATIONAL ESTABLISHMENT

The high degree of technicality of our products and activities require training programs upstream that turn out the kinds of profiles which are suited to the needs of the aerospace industry in general, and Dassault Aviation in particular.

DEVELOPING THE TECHNICAL CULTURE

We are particularly active in providing input, at the behest of the occupational training and higher educational establishment, for adapting academic courses to the identified needs.

This responsibility translates into the involvement of Dassault Aviation personnel within institutional organizations and governing bodies of the educational establishments that provide the grounding in our particular disciplines. Partnership agreements are systematically signed with these kinds of institutions. These agreements commit us to the joint development of year-on-year actions in the fields of research, teaching, diversity, association activities, etc.

Our employees work alongside teachers and researchers. They transmit their know-how and their technical culture to pupils and students, in particular via the supervision of practical work, the coordination of cross-functional projects or participation on examination juries.

We deploy efficient and innovative tools for interaction with students via our collaborative web platform, PISTE (Plateforme Interactive de Soutien Technique à l'Enseignement - Interactive Platform for Technical Teaching Support). Our course media and our teaching are assessed with the objective of attaining a level of professionalism equivalent to that achieved internally by our Skills Conservatory and its teaching staff.

PROMOTING THE TECHNICAL AND SCIENTIFIC PROFESSIONS

To prepare for our recruitment needs, we organize business gatherings (professional forums, exhibitions, etc.) or visits to our various sites.

We offer young trainees and apprentices the chance to gain first-hand experience at Dassault Aviation, in order to help them map out their professional future and to support their integration into the world of industry, either with us or in another company.

To develop diversity within our teams, we have a two-stage approach. We carry out upstream communication campaigns with the educational establishments in order to promote and encourage mass access to courses offering preparation in the technical and scientific trades. We then promote our own company within these particular channels.

We look to find this diversity reflected in our recruitment, and subsequently in the career development of our employees, with the support of our internal code of ethics.

ENVIRONMENT

EVER GREENER AIRCRAFT

While taking into account the growth forecasts for air traffic, the aeronautical sector plays its part in the collective effort to protect the environment. Since 2003, we have been taking concrete measures to reduce the environmental impact of our products. We are committed to enhancing our environmental credentials, as defined by the Grenelle de l'Environnement conference and sought by all the players in the French aviation sector.

ECO-DESIGN AND MODELING, SUSTAINABLE DEVELOPMENT IN ACTION

Eco-design is the challenge for the years to come. The Life Cycle Analysis (LCA) of aircraft leads us to propose new solutions: use of renewable materials, increased service life of structures, greener production. Nowadays, the performance criteria of a program take into account both ecology and economy. Using the LCA, we can model an aircraft and its entire production process.

From as early as the initial design phase of a new product, the environmental performance objectives are included in the technical specifications. Tools for assessing the potential environmental impacts are used to explore the best solutions. The use of the latest-generation supercomputers makes it possible to generate the most suitable models for reducing the noise and carbon footprints of our aircraft.

PRESERVING THE ENVIRONMENT: A CHALLENGE FOR INNOVATION

We are a partner in European R&D programs in the aeronautical sector in our capacity as both aircraft manufacturer and representative of business aviation.

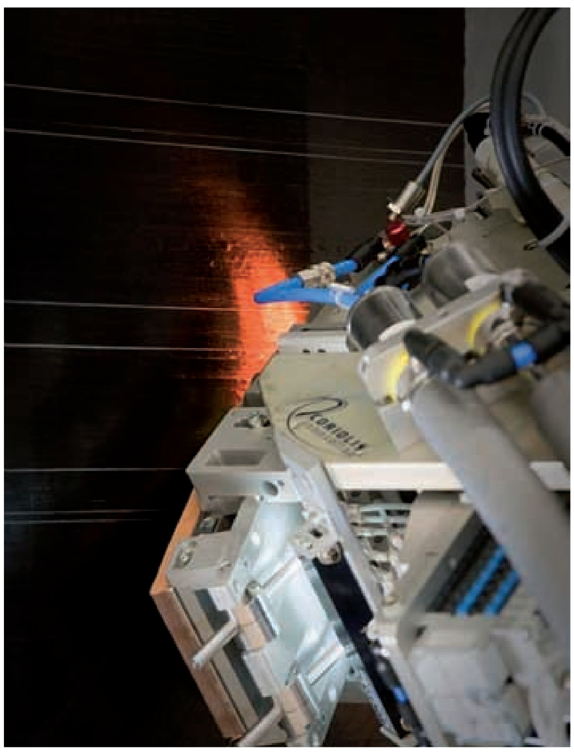
We have been involved, since 2008, in the Clean Sky research project and, more specifically, in two of the six technological platforms. The first is the Smart Fixed Wing Aircraft (SFWA) platform. Alongside Airbus, we are working on a wing of the future and on reducing the noise nuisance of engines on the ground.

We are also co-responsible for the Eco-design platform dedicated, on the one hand, to reducing the environmental impact of the aircraft manufacturing and withdrawal-from-service phases and, on the other, to “clean” onboard energy systems leading to the development of “more-electric” aircraft.

In the framework of the SESAR air traffic modernization program, we represent the European Business Aviation Association (EBAA). We support technological proposals that minimize the impact of aircraft on the environment: optimizing cruising speed in order to reduce consumption; continuous descent and specific approach procedures leading to reduced perceived noise nuisance. Here we should like to underline the steep approach capacity of the Falcon, an integral component of its performance which makes it more fuel-efficient and more agile than its competitors.

Our involvement in the Alfa-BIRD program ties in with research into alternative fuels (biofuels, synthetic fuels). A consortium of research organizations, fuel producers (Shell, SASOL), aircraft manufacturers and aircraft engine manufacturers (Snecma, Rolls-Royce) address a wide variety of topics, such as the chemical analysis of the “best” fuel, improving the formulation of biofuels, the new injection systems, and injection and combustion modeling. Our field of study primarily involves the compatibility of these new jet fuels with the aircraft fuel systems.

Falcon 7X in the skies over Dubai (United Arab Emirates)
Falcons are the most fuel-efficient aircraft in their category. The fuel savings, on a like-for-like comfort and performance basis, are in the order of 30%. This reduced consumption means less pollution.



Fiber placement robot
Capable of juxtaposing prepreg carbon strips on highly curved surfaces, it reduces offcuts by half.

DASSAULT AVIATION

PRODUCTS

Falcon 2000LXS

CIVIL PRODUCTS

FALCON FAMILY

Appreciated for their performance, their comfort and their low fuel consumption, some 2,000 Falcons are today in operation worldwide, for the benefit of companies, major economic magnates and governments.

FALCON 7X

The world's first business aircraft to be equipped with a fully digital flight control system, the **Falcon 7X** is a trijet (Pratt & Whitney Canada PW 307A engines delivering 6,400 lb of thrust) with a substantial flight range. Equipped with a new aero-elastic wing design that improves aerodynamic performance by 30%, it attains a maximum speed of Mach 0.9 and can cover a range of 5,950 nm (11,000 km) with eight passengers and three crew members. The size of its cabin, and the quality of its soundproofing and of its pressurization system, offer passengers outstanding levels of comfort. Since coming into service in 2007, the aircraft marks the arrival of a new generation of Falcons equipped with the latest technological innovations, inherited from the military domain. The Falcon 7X Fleet today accounts for almost 200,000 flying hours.

FALCON 900LX

Equipped with three Honeywell TFE731-60 engines (5,000 lb of thrust each), the **Falcon 900LX** can cover 4,750 nm (8,800 km) at Mach 0.75. It can fly from London to Miami, New York to São Paulo, and Mumbai to London. The aerodynamic optimization of its wings reduces drag by almost 7% compared to the Falcon 900EX, its predecessor. Its climbing performance has been improved by 10%, enabling it to reach the 370 flight level (37,000 ft) in only 17 minutes. The aircraft received its certification in 2010.

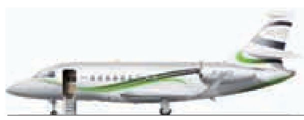
Falcon 2000LXS cabin

FALCON 2000LXS

Launched in October 2012, the **Falcon 2000LXS** will replace the 2000LX in 2014. It offers improved low-speed performance, enabling it to operate out of a greater number of airports. Its quieter cabin proposes as standard the new FalconCabin HD+ entertainment system and the EASy II flight deck. Equipped with the new version of the Pratt & Whitney Canada 308C engines, its NOx emission levels are 40% less than the legal requirement. It has a flight range of 4,000 nm (7,410 km) with six passengers, at a speed of Mach 0.8. The plane can fly from New York to Berlin, Dubai to London City airport or from Beijing to Mumbai.

FALCON 2000LX

The **Falcon 2000LX** is equipped with Pratt & Whitney Canada PW 308C engines, each delivering 7,000 pounds of thrust, and the EASy flight deck. This new version of the Falcon 2000, certified in April 2009, has winglets at the end of its wings which help optimize the wing aerodynamics and considerably improve its fuel performance. Its flight range extends to 4,000 nm (7,410 km) with eight passengers. Its performance and low operating costs make this twin-engine jet the most popular in its category.



FALCON 2000S

The **Falcon 2000S** constitutes the new entry-level business jet. The aircraft is distinguished by its competitive selling price and its low operating costs. It benefits from all the assets that have made the Falcon 2000 such a hit over the past twenty years. The size of its cabin and its performance characteristics are the best in its category. The introduction of inboard forward slats gives the aircraft unparalleled takeoff and landing capability. The 2000S is equipped with a new version of the Pratt & Whitney Canada PW 308C engines, with 20% fewer NOx emissions. It has a flight range of 3,350 nm (6,200 km) with six passengers, at a speed of Mach 0.8. It provides a direct link between Paris and Dubai, Shannon and New York, Moscow and Beijing, and Tokyo and Singapore.

Rafale in flight

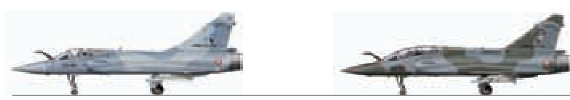
MILITARY PRODUCTS

COMBAT AIRCRAFT

As instruments of political independence, Dassault Aviation aircraft are used by more than twenty countries worldwide for their national defense.

RAFALE

Able to fulfill all the roles required of a combat aircraft on one and the same mission, the **Rafale** is the world's only existing omnirole fighter. The Rafale is the first aircraft with a "*delta-canard*" configuration, designed for aircraft carrier landing, and can also simultaneously perform air superiority, air defense, reconnaissance, land attack and anti-ship attack missions during a single flight. In France, it also performs nuclear mission duties.The first French Navy squadron was declared operational in 2004. The first French Air Force squadron was rolled out at Saint-Dizier in 2006. The Rafale was successfully deployed in Afghanistan in 2007, only eight months after being declared operational. In 2011, during operations in Libya, the Rafale carried out the opening-day attack and air superiority missions, and remained the spearhead of the coalition throughout the duration of operations. The Rafale has proven itself in combat in a wide variety of missions and has demonstrated its interoperability and connectivity capabilities with the allied forces, in particular thanks to its Link 16 equipment. By December 31, 2012, 115 Rafales had been delivered out of the 180 ordered to date by the French government.



MIRAGE 2000

In service with nine air forces worldwide, the **Mirage 2000** fleet has logged over 1.8 million flying hours.

It is in use all around the world. Deployed in the framework of many international exercises and seeing action in various theaters of operation, the Mirage 2000 serves as a global benchmark in terms of availability and maintenance.
Its interoperability with other NATO aircraft and its performance have been proven in genuine combat situations.
The 470 Mirage 2000 jets currently in service benefit from the support of Dassault Aviation. Its recent deployments in Libya and Mali, along with the retrofitting contract signed with India in 2011, demonstrate that the Mirage 2000 still has a long career ahead of it.

nEUROn and Rafale
The Rafale accompanied the maiden flight of the nEUROn on December 1st, 2012.

nEUROn

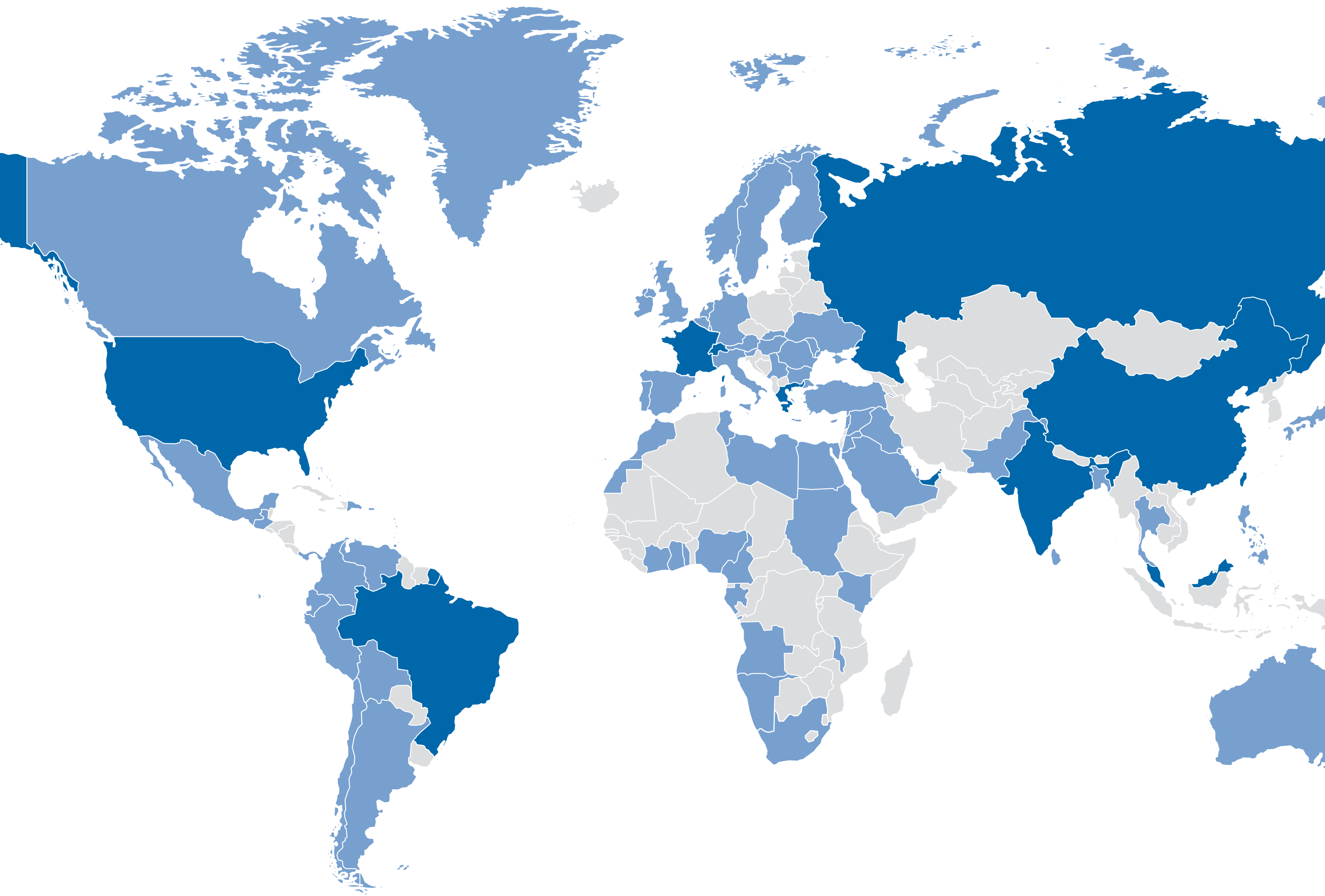
nEUROn, the European UCAV (Unmanned Combat Air Vehicle) technological demonstrator program, for which Dassault Aviation is the prime contractor, is preparing for a future based on the federation of European know-how (involving Italy, Sweden, Spain, Greece and Switzerland). Its purpose is to validate complex technologies that represent every aspect of mission systems: high-level piloting and stealth, real air-to-ground weapon firing from an internal bay, integration in a C4I environment, innovative processes in terms of industrial partnerships, etc. The maiden flight of the demonstrator took place on December 1, 2012 and will be followed by a two-year test campaign.

MALE

Looking toward the future, and taking account of its particular competences, Dassault Aviation has confirmed its interest in the development of Medium-Altitude Long-Endurance (MALE) UAV systems.

DASSAULT AVIATION

AIRCRAFT AND SITES WORLDWIDE



COUNTRIES WITH DASSAULT AVIATION AIRCRAFT
COUNTRIES WITH DASSAULT AVIATION AIRCRAFT, SITES OR OFFICES

ANGOLA
ARGENTINA
AUSTRALIA
AUSTRIA
BANGLADESH
BELGIUM
BERMUDA
BOLIVIA
BRAZIL
BULGARIA
CAMEROON
CANADA
CHILE
CHINA
COLOMBIA
CYPRUS
DENMARK
DOMINICAN REPUBLIC
ECUADOR
EGYPT
FINLAND
FRANCE
GABON
GERMANY
GHANA
GREECE
GUATEMALA
HONG KONG
HUNGARY
INDIA
IRAQ
IRELAND
ITALY
IVORY COAST
JAPAN
JORDAN
KENYA
LEBANON
LIBYA
LIECHTENSTEIN
LUXEMBOURG
MALAYSIA
MALAWI
MALTA
MONACO
MOROCCO
MEXICO
NAMIBIA
NIGERIA
NETHERLANDS
NEW ZEALAND
NORWAY
PAKISTAN
PANAMA
PAPUA NEW GUINEA
PERU
PHILIPPINES
PORTUGAL
PUERTO RICO
QATAR
REP. OF MOLDAVIA
ROMANIA
RUSSIAN FEDERATION
SAUDI ARABIA
SERBIA
SLOVAKIA
SLOVENIA
SPAIN
SOUTH AFRICA
SUDAN

SWEDEN
SWITZERLAND
SYRIA
TAIWAN
THAILAND
TOGO
TUNISIA
TURKEY
UKRAINE
UNITED KINGDOM
UNITED ARAB EMIRATES
USA
VENEZUELA

SITES IN FRANCE

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Tel.: +33 (0)1 34 11 85 85

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BP 32
74371 Pringy Cedex
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BIARRITZ
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Tel.: +33 (0)5 59 31 22 22

ISTRES
Essais en vol
13804 Istres Cedex
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Zone industrielle de Larnay
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92552 Saint-Cloud Cedex
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SECLIN
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MIDDLE EAST

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Fax: +971 2 444 39 44

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Shunyi District
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Fax: +971 4 299 37 97

DASSAULT AVIATION

SITES AND MAIN SUBSIDIARIES

DASSAULT AVIATION

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

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

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

ISTRES
Systems integration and validation; flight tests.

MARTIGNAS
Wing assembly; industrial robotics.

MÉRIGNAC
Final aircraft assembly; production aircraft tests/acceptance; Falcon interior fittings; Falcon Multirole fuselage fittings; revisions; retrofitting.

POITIERS
Canopies; pyrotechnics; aircraft parts and subassemblies.

SAINT-CLOUD
General headquarters; research; systems development; quality; space division.

SECLIN
Large machined parts.

MAIN SUBSIDIARIES

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

DASSAULT FALCON JET - WILMINGTON
Aviation maintenance and services.

DASSAULT AIRCRAFT SERVICES
(Le Bourget, Little Rock, Luton, Moscow, Nice, Reno, Roma, Saint-Louis, São Paulo, West Palm Beach, Wilmington)
Promotion of aviation maintenance and service sales.

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

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

DASSAULT PROCUREMENT SERVICES
Paramus
Procurement of aviation equipment for Falcon jets.

MIDWAY AIRCRAFT INSTRUMENTS COMPANY
Teterboro
Repair and overhaul of aircraft instruments and accessories.

SOGITEC INDUSTRIES
Suresnes, Mérignac, Bruz
Simulation, instruction and documentation systems.

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

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

FRANCE

UNITED-STATES

2012

ANNUAL FINANCIAL REPORT

Contents

Declaration of the person responsible for the report

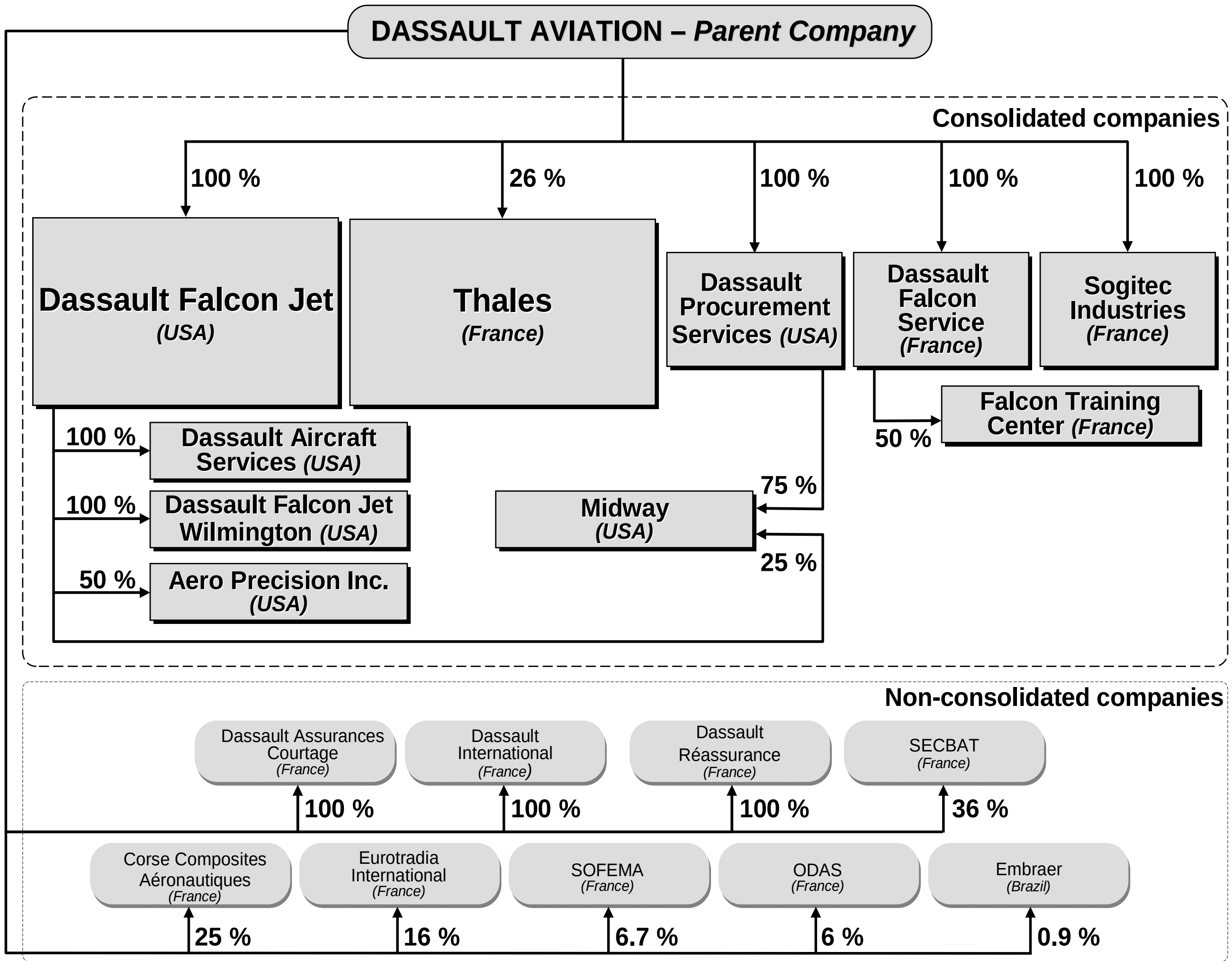
I certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the company and all the other companies included in the scope of consolidation, 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 13, 2013

Éric TRAPPIER
Chairman and Chief Executive Officer

Group structure

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



DASSAULT AVIATION SHAREHOLDERS:

50.55 % GROUPE INDUSTRIEL MARCEL DASSAULT
46.32 % EADS France
3.13 % PUBLIC

Board of Directors

Honorary Chairmen

Serge DASSAULT Charles EDELSTENNE

Chairman of the Board of Directors

Éric TRAPPIER

Directors

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

Executive Management

Chief Executive Officer	Chief Operating Officer
Éric TRAPPIER	Loïk SEGALEN

Management committee

Chairman of the Committee

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

Government Commissioner

Mr. Marc GATIN, French Armed Forces General Inspector

Statutory Auditors

Mazars S.A., represented by Mrs Manuela BAUDOIN-REVERT, partner
Deloitte & Associés S.A., represented by Mr. Dominique JUMAUCOURT, partner

Ladies and Gentlemen,

Before submitting the annual and consolidated financial statements for the year ended December 31, 2012 for your approval and deciding the proposed appropriation of net income for the year, we would like to take this opportunity to present the consolidated key figures, the activities of DASSAULT AVIATION Group, the activities and financial statements of the Parent Company, during the past year, their future prospects and other information required by law.

1. DASSAULT AVIATION Group

1.1 CONSOLIDATED KEY FIGURES

1.1.1 Orders

2012 orders amounted to EUR **3,325 million** compared to EUR 2,863 millions in 2011(*).

Export represented 78 % of the total order intake.

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

Year	Defense		Falcon	Total	% Export
	France	Export			
2008	956	241	4,625	**5,822**	81%
2009	2,276	253	- 3,851	**- 1,322**	N/A
2010	606	186	474	**1,266**	43%
2011	424	507	1,932	**2,863**	83%
2012	**634**	**159**	**2,532**	**3,325**	**78%**

(*)*From now on, the Group is in line with other listed Groups practice as it no longer posts on order intake the annual variation of the Euro/$ exchange rate on the backlog.*

FALCON programs:

New orders, net of cancellations, stood at **58 FALCON** in 2012 compared to 36 FALCON in 2011.

Commercial activity increased compared to 2011, in particular at the end of the year. Asia remained very active, as well as South America. North America market showed some encouraging signs, but wait and see policy still applies.

DEFENSE programs:

Defense orders amounted to EUR **793 million** in 2012 compared to EUR 931 million in 2011 and corresponded to support and development. They decreased by 15% compared to 2011 which included, in particular, the contract for the upgrade of the Indian Air Force's MIRAGE 2000 fleet.

1.1.2 Net sales

Consolidated 2012 net sales came to **EUR 3,941 million** compared to EUR 3,305 million in 2011, up by 19%.

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

Year	Defense		Falcon	Total	% Export
	France	Export			
2008	1,166	269	2,313	**3,748**	66%
2009	739	242	2,440	**3,421**	74%
2010	723	236	3,228	**4,187**	80%
2011	714	176	2,415	**3,305**	74%
2012	**936**	**208**	**2,797**	**3,941**	**75%**

FALCON programs:

FALCON net sales were up by 16% compared to 2011. **66 new aircraft were delivered in 2012** (compared to 63 in 2011).

DEFENSE programs:

DEFENSE net sales increased by 29% compared to 2011. **11 RAFALE** were delivered to the French Air Force and Navy in 2012, the same figure as the previous year. The rise in net sales can be explained principally by the growth in RAFALE development activity.

1.1.3 Backlog

As of December 31st, 2012 consolidated backlog amounted to EUR **7,991 million** compared to EUR 8,751 million as of December 31st, 2011, down by 9%.

1.2 COMMENTS ON THE 2012 PERFORMANCE IN ADJUSTED DATA

1.2.1 Preamble

From 2012 and on, in order to enable a better monitoring and benchmarking of its economic performance, DASSAULT AVIATION presents **an adjusted net** income. The Group consolidated net income is adjusted with :

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

DASSAULT AVIATION will therefore communicate henceforth with respect to an adjusted net income.

1.2.2 The key 2012 data as adjusted data

The following table presents the key 2011 and 2012 data by detailing the **adjusted** aggregates:

(EUR 000)	**2012**	**2011**
Net sales	3,941,234	3,305,342
Operating Income	546,986	376,501
Adjusted financial income	15,743	32,404
Adjusted share of income of equity affiliates	158,403	124,922
Adjusted income tax	-197,155	-115,223
Adjusted net income	**523,977**	**418,604**
Attributable to the owners of the Parent Company	*523,933*	*418,567*
Attributable to non controlling interests	*44*	*37*

1.2.3 Reconciliation of consolidated income with adjusted income

In 2012, the impact of the change in fair value of derivative exchange instruments adjustment and the THALES PPA amortization adjustment on income statement is detailed below:

(EUR thousands)	**2012 Consolidated data**	**THALES PPA amortization (1)**	**Change in fair value of derivative exchange instruments (2)**	**2012 Adjusted data**
Financial income	97,897		-82,154	15,743
Share of income of equity affiliates	90,436	67,967		158,403
Income tax	-225,441		28,286	-197,155
Net income	509,878	67,967	-53,868	**523,977**

(1) neutralization of THALES Purchase Price Allocation (PPA) amortization, net of income tax.

(2) neutralization of the change in fair value, net of income tax, of derivative exchange instruments which do not qualify for hedge accounting under the specific rules of IAS 39 «Financial Instruments».

In 2011, the impact of the change in fair value of derivative exchange instruments adjustment and the THALES PPA amortization adjustment on income statement is detailed below:

(EUR thousands)	**2011 Consolidated data**	**THALES PPA amortization (1)**	**Change in fair value of derivative exchange instruments (2)**	**2011 Adjusted data**
Financial income	13,979		18,425	32,404
Share of income of equity affiliates	41,064	83,858		124,922
Income tax	-108,879		-6,344	-115,223
Net income	322,665	83,858	12,081	**418,604**

(1) neutralization of THALES Purchase Price Allocation (PPA) amortization, net of income tax.

(2) neutralization of the change in fair value, net of income tax, of derivative exchange instruments which do not qualify for hedge accounting under the specific rules of IAS 39 «Financial Instruments».

Readers are reminded that only the consolidated financial statements are audited by the Group's statutory auditors. Adjusted financial data are subject to the verification procedures applicable to all of the information provided in this press release.

1.2.4 Operating Income

2012 operating income reached EUR **547 million** compared to EUR 377 million in 2011, up by 45%.

Operating margin improved to **13.9%** from 11.4% in 2011.

This improvement is due to the increase of net sales and a better currency hedging.

1.2.5 Adjusted financial income

In 2012, **adjusted financial income** amounted to EUR 16 million, compared to EUR 32 million in 2011. This fall-off results mainly from the following factors :

- the Group made a profit of EUR 12 million on the sale of some available-for-sale marketable securities compared to a profit of EUR 38 million in 2011,
- borrowing costs are EUR 2 million compared to EUR 13 million in 2011.

1.2.6 Adjusted net income

Adjusted net income stood at EUR **524 million** compared to EUR 419 million in 2011, up by 25%. **Adjusted** net margin reached **13.3%**, versus 12.7% in 2011.

THALES contribution to the Group net income, before amortization of Purchase Price Allocation amounted to EUR 158 million in 2012 compared to EUR 125 million in 2011.

2012 consolidated net income amounted to EUR 510 million compared to EUR 323 million in 2011.

1.2.7 Financial reporting

The IFRS 8 "operational sectors" standard requires the presentation of information per segment according to internal management criteria.

The entire activity of the DASSAULT AVIATION Group relates to the aviation and aerospace field. The internal reporting made to the Chairman and CEO, as used for the strategy and decision-making, includes no performance analysis, under the terms of IFRS 8, at a level subsidiary to this field.

1.3 FINANCIAL STRUCTURE

1.3.1 Cash

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

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

Consolidated available cash amounted to **EUR 3,760 million on December 31, 2012** compared to EUR 3,274 million on December 31, 2011, up by EUR 486 million.

This increase is notably due to consolidated net cash from operating activities (+ EUR 500 million) and to a decrease in working capital (+ EUR 109 million), partially offset by investments (- EUR 66 million) and distributed dividends (- EUR 86 million).

1.3.2 Balance sheet

Apart from working capital, the balance sheet structure is impacted by the repayment of the EUR 400 million loan subscribed in the framework of the acquisition of THALES shares.

1.4 FINANCIAL RISK MANAGEMENT

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

1.4.1 Cash and liquidity risks

The Group investment portfolio mainly comprises money market investments with no significant risk of impairment.
Most of the fixed-income and diversified investments (according to the AMF reference) of the Group were backed by guarantees on December 31, 2012.

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

1.4.2 Credit risks

The Group performs its cash and foreign exchange transactions with recognized financial institutions and places its investments and has bank accounts with these various institutions. The Group had no investments or accounts with financial institutions that went bankrupt in 2012.

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

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

1.4.3 Market risks

- ***Foreign exchange risks:***

- Hedging portfolio:

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

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

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

- EMBRAER shares:

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

- ***Other market risk:***

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

1.4.4 Other

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

In November 2012, the latter gave notification of a new request for arbitration based on similar grounds to the 2002 action, for a total now amounting to EUR 226 million. The parties strongly contest this request and, to date, it has not been possible to evaluate the potential financial risk. Consequently, Dassault Aviation has not recognized any reserve.

1.5 RELATED-PARTY TRANSACTIONS

The 2012 related parties are identical to those identified in 2011. Certain subsidiaries are related with the Parent Company via development and hardware supply, along with software and associated support contracts.

2012 transactions are specified under Note 27 in the appendix to the consolidated financial statements.

1.6 GROUP ACTIVITIES

1.6.1 Program developments

- ***FALCON programs:***

  Highlights of fiscal year 2012 were as follows:

  - commercial activity up compared to 2011, in particular toward the end of the year. Asia remained highly active, along with South America. The North American market showed some encouraging signs, but the wait-and-see attitude continued to prevail.
  - the delivery of 66 FALCON,
  - the launch at the NBAA of the FALCON 2000LXS, the new version of the FALCON 2000,
  - progress with the flight testing of the FALCON 2000S with, in particular, the demonstration of better "low speed" performance than expected,
  - continued development of the SMS undergoing the detailed definition phase;
  - the "steep gradients" certification of the FALCON 900LX,
  - the production and delivery of the first FALCON 7X equipped with a shower.

- ***DEFENSE programs:***

  Concerning the RAFALE, 2012 was marked by:

  - the selection of the RAFALE by India as the winner of the Medium Multi-Role Combat Aircraft (MMRCA) call for tender and entering into exclusive negotiations with the Indian Air Force; the contract remains to be finalized,
  - the delivery of 11 RAFALE to the French government, including the RAFALE C137, the first European aircraft equipped as standard with an active-antenna radar (AESA),
  - qualification of the F3-O4T standard which, along with the AESA radar, features the new optronic sensors (OSF IT) and the New-Generation Missile Warning System (DDM NG) along with upgrades to the 4th production series,

- the first separation firing from the RAFALE of the new-generation METEOR beyond-visual-range air-air missile.

Other programs included:

- maiden flight of the nEUROn Unmanned Combat Air Vehicle at Istres on December 1st, 2012; this program, under the project management of DASSAULT AVIATION, also involves five other European industrial partners,
- continued upgrading work on the Indian MIRAGE 2000,
- addition as an "operational emergency" of high-performance infrared cameras on two ATLANTIQUE 2's and finalization of the preparatory work on the renovation of the combat system for this aircraft,
- continued transformation work on two FALCON 50s into maritime surveillance aircraft and confirmation of two additional aircraft for modification,
- notification from the DGA (Direction Générale de l'Armement - French Defense Procurement Agency), in association with the British Ministry of Defence, of the preparatory study for the launch of an FCAS (Future Combat Air System) combat drone demonstrator in cooperation with BAE Systems,
- participation in the EUROPE 2012 UAV SHOW at which we exhibited the UAV MALE (Medium-Altitude Long-Endurance) systems solutions proposed by the Company. The Government policy directions with regard to MALE drones are not yet defined.

1.7 CUSTOMER SUPPORT AND SERVICES

1.7.1 Customer support and services

In 2012, the Group:

- with regard to FALCON support:
  - continued to pursue the development of the FALCONCARE program by using new assistance options in order to better meet the needs of our customers,
  - expanded its FALCON certified service center network,
  - obtained certification for the "Electronic Flight Bag" and iPad® solutions, freeing pilots of the need to take onboard with them the technical documentation manuals,
  - deployed the "Falcon Broadcast System" for the inflight transmission of maintenance information for FALCON.
- concerning military support:
  - retrofitted to F3 standard the RAFALE (CSR) simulation center at St. Dizier,
  - answered a call for tender for the training of the fighter pilots of the French Air Force,
  - submitted an outsourced maintenance bid to the United Arab Emirates for their fleet of Mirage 2000-9s,
  - restored to flight condition six aircraft in the framework of the revision contract for the Peruvian MIRAGE 2000,
  - concluded with HINDUSTAN AERONAUTICS Ltd (India) a spare parts resupply contract for the major servicing of the MIRAGE 2000 of the Indian Air Force.

1.7.2 Subsidiary activities

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

  Its subsidiaries are:

  - ***DASSAULT FALCON JET - WILMINGTON***, an aviation maintenance and service company, located in Wilmington (Delaware),
  - ***DASSAULT AIRCRAFT SERVICES***, responsible for promoting aviation maintenance and service sales in the United States, also located in Wilmington (Delaware),

- ***APRO*** (50/50 joint venture with MESSIER-SERVICES INC.), responsible for the repair and maintenance of FALCON and ATR landing gear and flight controls. The company's facility is located in Deerfield Beach (Florida).

  In 2012, DFJ created a subsidiary in Beijing, called ***DASSAULT FALCON BUSINESS SERVICES (BEIJING) Co. Ltd,*** responsible for the promotion and technical support of the FALCON in the People's Republic of China.

- ***DASSAULT FALCON SERVICE (France)*** based at Paris - Le Bourget airport, contributes to FALCON support activities in the following two areas:
  - service center dedicated to FALCON aircraft for maintenance operations,
  - leasing and management of FALCON aircraft as part of civil transport activities.

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

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

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

  In 2012, it clinched a major simulation contract for the supply of training facilities for the NH90 helicopter (and the associated support) for the French Army and Navy.

The Group is also present in India via ***DASSAULT AIRCRAFT SERVICES INDIA PRIVATE Ltd,*** the company responsible for the promotion and technical support of our products in India.

1.7.3 Affiliates

- ***THALES (France),*** operates on the aviation and aerospace, defense and security markets. Its activities are described in its reference document.

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

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

- ***BOOSTAEROSPACE (France),*** company responsible for:
  - facilitating exchanges between contracting clients and their suppliers,
  - promoting among the businesses in the Aerospace and Defense sectors collaborative services with service providers in the fields of Product Lifecycle Management (PLM), Supply Chain Management and generic collaboration.

  DASSAULT AVIATION owns 20% of the equity in this company alongside AIRBUS, EADS FRANCE, SAFRAN and THALES.

1.8 RESEARCH AND DEVELOPMENT

Upstream of the programs, our future preparatory activities focus on research into aircraft concepts, technological developments and the improvement of our production line processes.

The cross-functional plan, "Futur FALCON à Technologies Innovantes" ("FALCON Future with Innovative Technologies"), self-financed and run as part of the work that is supported by the French Civil Aviation Authority and via the European Clean Sky partnership, is continuing according to plan:

- progress with the definition of ground demonstrators that will be subject to testing carried out in the framework of Clean Sky,
- consolidation of pre-project configurations for "ecological and cost-effective" business jets,
- exploitation of horizontal-plane flight testing on the FALCON for updating the laminarity criteria.

We have prepared our response to the sixth call for tenders of the research program of the European Union, closed in November 2012, in particular through participation in four major projects.

Taking part in the campaign "Investissement d'Avenir" (Investment in the Future), the preparatory work for demonstrating a composite wing box is continuing and we are awaiting notification in the months to come of the first support agreements for the demonstration work concerning extended modular avionics and energy management.

In early 2012, the Direction General de l'Armement (DGA) notified us of the conditional tranche of an Upstream Research Plan on the consolidation of UCAV concepts and Upstream Research Plans laying the groundwork for the future operational capabilities of the RAFALE.

For these future systems, special effort is dedicated to the development of open and modular mission software in the framework of the European Common Operating System (ECOS) study. A ground demonstration of the operation of a functional chain based on ECOS components is planned for 2013.

A design resources repository for the Company has been created in order to underpin coordination of the development of these resources.

1.9 NEW TECHNIQUES OF MANUFACTURING AND INDUSTRIAL MANAGEMENT

We are pursuing the development of the use of composites by industrializing the first parts incorporating fiber placement. We are studying a composite wing box demonstrator for business jets in the framework of the CORAC (COnseil pour la Recherche Aéronautique Civile - Strategic Committee for Civil Aerospace Research) program.

In the field of metallic materials, we are developing the friction-stir welding process and continuing to automate machined panel forming.

The robotization of assemblies is being pursued both for wings and for fuselages.

We are developing and qualifying new surface treatment processes in order to satisfy the requirements of European REACh regulations.

In all our production establishments, we are deploying IRP (Improving Responsiveness in Production) projects, which aim to improve working conditions as well as quality and flexibility, while significantly reducing our work cycles and costs.

We are pursuing the generalization of the extended digital enterprise and of Product Lifecycle Management (PLM), thereby keeping us technologically ahead of the game and offering ourselves a significant competitive edge. It is in this context that we are industrializing the SMS with the new version PLM V6 from DASSAULT SYSTÈMES.

New collaborative processes enabling the coordination of all program stakeholders (both inside and outside the company) have been put in place.

To improve the efficiency of our supply chain, we are enhancing the quality and robustness of exchanges with our suppliers by extending the rollout of our supplier portal while improving our production management system.

1.10 PRODUCTION FACILITIES

The deployment of new production resources, and the permanent adaptation and operational maintenance of our industrial facilities were manifested in 2012 by:

- the commissioning:
    - of NC flat cutting facilities (digital enterprise - sheet metal workshop),

- of a multi-function robotized milling-turning cell (for flight controls),
- of the renovation of the automated layup facilities (composite parts),

- the ordering:
  - of robotized cells for the SMS (wing assembly - fuselage stitching),
  - of an NC machining center for hard metals,
  - of a second robotized skin panels assembly cell.

Furthermore, the extension work on the Seclin factory and the construction of a hangar at Le Bourget were completed.

1.11 TOTAL QUALITY

The Total Quality policy continues to be pursued, based on four major strategies:

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

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

In 2012, DASSAULT AVIATION renewed for a three-year period its EN 9100 certification, a standard specific to the aerospace sector, along with its ISO 14001 certification, a standard specific to the environment.

Since 2009, these certifications have been achieved in the framework of an Integrated Management System.

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

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

2. DASSAULT AVIATION, Parent Company

2.1 ACTIVITIES

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

2.2 KEY FIGURES

2.2.1 Orders

The **total orders booked by the parent company in 2012** amounted to **EUR 2,688 million** compared to EUR 2,324 million in 2011 (*).

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

Year	Defense		Falcon	**Total**
	France	Export		
2008	939	222	4,033	**5,194**
2009	2,271	230	- 3,524	**- 1,023**
2010	599	181	199	**979**
2011	420	502	1,402	**2,324**
2012	**473**	**152**	**2,063**	**2,688**

(*) DASSAULT AVIATION complies since 2011 with the practice of other listed groups in no longer taking account of the effect on order intake of the annual variation of the euro/dollar exchange rate in the backlog.

FALCON programs:

Orders for **new aircraft**, minus cancellations, amounted to **59 FALCON in 2012**. This compares to 36 FALCON in 2011.

Commercial activity was up compared to 2011, in particular toward the end of the year. Asia remained highly active, along with South America. The North American market showed some encouraging signs, but the wait-and-see attitude continued to prevail.

DEFENSE programs:

DEFENSE orders amounted to **EUR 625 million in 2012** compared to EUR 922 million in 2011. In 2012, these orders corresponded to support and development. They are down by 32% compared to 2011, when the retrofitting of the MIRAGE 2000 was ordered from the Indian Armed Forces.

2.2.2 Net sales

Parent company **2012 net sales** amounted to **EUR 3,342 million**, up by 15% compared to 2011.

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

Year	Defense		Falcon	**Total**
	France	Export		
2008	1,159	264	2,117	**3,540**
2009	722	219	1,807	**2,748**
2010	707	226	2,619	**3,552**
2011	707	167	2,040	**2,914**
2012	**929**	**165**	**2,248**	**3,342**

2.2.3 Net income

2012 net income amounted to **EUR 283 million**, compared to EUR 259 million in 2011, up by 9%.

Group personnel will receive a total of EUR 108 million under the profit-sharing and incentive schemes, divided up as follows:

- Profit-sharing: EUR 94 million
- Incentive: EUR 14 million

These sums represent 25.7% of the payroll in 2012, compared to the legal minimum of 5.6%.

2.2.4 Dividends (appropriation of net income)

Subject to your approval of the 2012 financial statements, we propose that the net income for the year of EUR 282,657,751.55 plus retained earnings of EUR 2,748,991,722.57, giving a total of EUR 3,031,649,474.12 , be divided up as follows:

- dividend distribution of:
  EUR 94,170,842.10
- with the remaining balance to retained earnings:
  EUR 2,937,478,632.02

If you accept this proposal, **a dividend per share of EUR 9.30** will be distributed in respect of fiscal year 2012.

For individuals taxable in France, this dividend shall be liable for a flat-rate withholding of 21% upon payment, and the following year for a progressive scale after the 40% allowance. This dividend shall also 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 distributed (in euros)	Allowances (*)
2009	8.80	40%
2010	10.70	40%
2011	8.50	40%

(*) allowance for individuals

2.2.5 Five year results summary

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

2.2.6 Tax consolidation

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

2.3 RISK MANAGEMENT

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

2.4 PURCHASES AND SUBCONTRACTING

In fiscal year 2012, purchases totaled EUR 2.1 billion, representing 63% of sales. These were distributed as follows: equipment and support (36%); semi-finished products, accessories, industrial subcontracting and special process subcontracting (42%); general purchases (22%).

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

2.5 TERMS OF PAYMENT

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

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

Due-date	2011	2012
Due as of balance sheet date	10.8	5.6
As of mid-January	68.7	70.8
As of end of January	2.7	-
As of mid-February	3.3	4.7
As of end of February	0.1	-
Other (fixed assets)	3.6	4.7
Total	**89.2**	**85.8**

2.6 SHAREHOLDER INFORMATION

2.6.1 Equity structure

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

The principal DASSAULT AVIATION shareholders as of December 31, 2012 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 %**

2.6.2 Information about Shareholders and voting rights

As of December 31, 2012, 6,395 shares (i.e.: 0.06% of the share capital) were held by a corporate investment fund, whose members consist of current and former Company employees.

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

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

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

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

2.6.3 Board of Directors

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

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

2.6.4 Agreements entered into by the Company

The Company did not enter into any major agreement that would be amended or automatically terminated in the event of a change in control of the Company.
However, in such a case, the National Defense contracts entered into with the French State would be re-examined by the French Ministry of Defense, which may require that all or some of these contracts be transferred to another French company for reasons of national interest.

There is no agreement offering compensation for:

- members of the Board of Directors or employees, should they resign or be dismissed,
- employees, should they resign or be dismissed unjustifiably and without proper cause or should their employment contract be terminated due to a takeover, over and above the provisions of the collective bargaining agreement.

2.6.5 Miscellaneous information

In 2012 the Company did not carry out any transactions in its own shares under the share buyback program.

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

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

In 2012, no operation involving the shares of the Company was declared to the AMF or to the Company by the Directors, the top managers or those close to them, in accordance with the provisions of Article L 621-18-2 of the French Monetary and Financial Code and Articles 223-22 et seq. of the General Regulations of the AMF.

2.7 OPERATION OF THE EXECUTIVE MANAGEMENT

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

2.8 OTHER OFFICES HELD AND DUTIES PERFORMED BY DASSAULT AVIATION EXECUTIVE OFFICERS DURING FISCAL YEAR 2012

2.8.1 Honorary Chairman and Director

Serge DASSAULT
Term of office beginning and end: 2009 AGM - 2015 AGM
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Chairman:
  Groupe Industriel Marcel Dassault SAS
  Groupe Figaro SAS
  Rond-Point Holding SAS
  Rond-Point Immobilier SAS
  Société du Figaro SA
- Chairman and Chief Executive Officer:
  DASSAULT MEDIAS SA
- Chairman of the Board of Directors:
  Dassault Belgique Aviation SA
  (since 09/10/2012)
- Chief Executive Officer:
  CHATEAU DASSAULT SAS
- Director:
  Dassault Systèmes SA
  Dassault Falcon Jet Corporation (USA)
  Dow Kokam LLC (USA)
- Member of the Strategy Committee:
  Dassault Développement SAS

- General Manager:
  Rond-Point Investissements SARL
  Société Civile Immobilière de Maison Rouge
  SCI des Hautes Bruyères

2.8.2 Chairman and Chief Executive Officer

Charles EDELSTENNE
Start and end of Director term: 2009 AGM - 2015 AGM / Start and end of Chairman-CEO term: 2009 AGM – 08/01/2013
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Chairman of the Board of Directors:
  DASSAULT SYSTEMES SA

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

- Director:
  THALES SA
  CARREFOUR SA
  SOGITEC INDUSTRIES SA
  SABCA (Belgium)

- Chairman:
  Dassault Falcon Jet Corporation (USA)

- President:
  Dassault International Inc. (USA)

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

2.8.3 Directors

Nicole DASSAULT
Term of office beginning and end: 2010 AGM - 2016 AGM
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

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

- Vice-Chairman and Member of the Supervisory Board:
  Immobilière Dassault SA

- Managing Director:
  Rond-Point Immobilier SAS

- Director:
  Groupe Figaro SAS
  DASSAULT MEDIAS SA
  DASSAULT SYSTEMES
  Artcurial SA

Olivier DASSAULT
Term of office beginning and end: 2009 AGM - 2015 AGM
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Vice-Chairman:
  VALMONDE & Co. SA

- Director:
  DASSAULT MEDIAS SA
  Groupe Figaro SAS
  VALMONDE & Co. SA
  RASEC INTERNATIONAL SAS

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

- Member of the Supervisory Board:
  RUBIS SA

- General Manager:
  HR Finance SAS
  SCI Rod Spontini

Alain GARCIA
Term of office beginning and end: 2010 AGM - 2016 AGM
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- General Manager:
  Novation Aero Consulting SARL

Philippe HUSTACHE
Term of office beginning and end: 2009 AGM – 19/10/2012 (resignation)
DASSAULT AVIATION shares held: 50

Other corporate offices and duties:

- Adviser to the Chairman :
  Groupe Industriel Marcel Dassault SAS

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

Denis KESSLER
Term of office beginning and end: 2009 AGM - 2015 AGM
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

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

Henri PROGLIO
Term of office beginning and end: 2008 AGM - 2014 AGM
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Chairman and Chief Executive Officer:
  EDF SA
- Chairman of the Board of Directors:
  Transalpina di Energia Spa (Italy) (*until 24/05/2012)*
  Edison SpA (Italy) *(since 20/04/2012)*
- Director:
  CNP Assurances SA
  VEOLIA Propreté SA *(until 03/05/2012)*
  VEOLIA Environnement SA *(until 22/10/2012)*
  EDF ENERGIES NOUVELLES SA
  EDF Energy Holdings Ltd (UK)
  EDF International SAS
  NATIXIS SA
  EDISON Spa (Italy)
  FCC SA (Spain)
  SOUTH STREAM TRANSPORT BV (Netherlands) *(since 13/11/2012)*
  SOUTH STREAM TRANSPORT AG (Switzerland) *(since 12/04/2012)*
- Member of the Supervisory Board:
  VEOLIA EAU - Cie Générale des Eaux SCA (*until 12/12/2012*)

Pierre de BAUSSET
Term of office beginning and end: 2010 AGM - 2016 AGM
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Director:
  EADS France SAS
  VIGEO SA

Éric TRAPPIER
Term of office beginning and end: 18/12/2012 (cooptation) - 2015 AGM
DASSAULT AVIATION shares held: 25

Other corporate offices and duties:

- Director-General Manager:
  GIE RAFALE INTERNATIONAL
- General Manager:
  DASSAULT INTERNATIONAL SARL
- Director:
  THALES SA
- Permanent representative of DASSAULT AVIATION *(until January 14, 2013)* on the Board of Directors of:
  SOFRESA SA
  ODAS SA
  SOFEMA SA
  EUROTRADIA INTERNATIONAL SA

2.9 EXECUTIVE OFFICER COMPENSATION IN 2012

2.9.1 Compensation of the Honorary Chairman

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

  Serge DASSAULT received a gross annual compensation of EUR 600,000 and directors' fees of EUR 23,333. He had the use of a company car.

- *In respect of DASSAULT AVIATION*:

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

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

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

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

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

2.9.2 Compensation of the Chairman and CEO

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

  Charles EDELSTENNE received directors' fees of EUR 23,333.

- *In respect of DASSAULT AVIATION*:

  Charles EDELSTENNE received gross annual compensation of EUR 753,840 in his capacity 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).

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

Supplementary pension:
DASSAULT AVIATION has undertaken to pay a supplementary pension to Mr. EDELSTENNE. This represents a sum of EUR 308,660 per annum. DASSAULT AVIATION has provisioned this sum in its accounts, for payment beginning in 2013.

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

Consequently, DASSAULT AVIATION, despite its commitment, must defer the payment of this pension.

Retirement allowance:
DASSAULT AVIATION must pay a retirement allowance to Mr. EDELSTENNE. This represents a sum of EUR 460,833. DASSAULT AVIATION has provisioned this sum in its accounts.

In 2009, in application of AFEP/MEDEF recommendations, the employment contract of Mr. EDELSTENNE was terminated at the initiative of DASSAULT AVIATION on account of his retirement.

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

Insofar as:
- his term of office as Chairman and Chief Executive Officer of DASSAULT AVIATION has now come to an end,

- he no longer exercises within DASSAULT AVIATION any activity giving rise to the payment of salaried compensation or considered equivalent,
- the payment of this allowance is not subject to the condition that its beneficiary effectively draw on his retirement benefits,

the Board has decided to pay, in 2013, to Mr. EDELSTENNE, his contractual retirement allowance.

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

Charles EDELSTENNE received USD 38,572 in directors' fees from the Board of Directors of DASSAULT FALCON JET and EUR 30,700 in directors' fees from the THALES Board of Directors.

2.9.3 Compensation paid to other directors

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

Olivier DASSAULT received a gross annual compensation of EUR 180,000 in his capacity as Chairman of the Supervisory Board, and a gross annual salary of EUR 146,376. He had the use of a company car and received directors' fees of EUR 23,333.

Nicole DASSAULT and Philippe HUSTACHE each received directors' fees of EUR 23,333.

- *In respect of DASSAULT AVIATION*:

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

Éric TRAPPIER, appointed Director on 18/12/2012, received a gross compensation of EUR 10,018 between December 18 and 31, 2012.
He did not receive any directors' fees from the Board of Directors in 2012.

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

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

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

Éric TRAPPIER received directors' fees of EUR 31,950 from the Board of Directors of THALES.

2.9.4 Compensation paid to the Chairman and CEO by the Company

Table 1

Summary of compensation, stock options and shares (in EUR) paid to Charles EDELSTENNE, Chairman and Chief Executive Officer		
	2011	2012
Compensation payable during the fiscal year (breakdown in table 2)	784,108	806,870
Stock options granted during the year	-	-
Performance shares granted during the year	-	-
TOTAL	**784,108**	**806,870**

Table 2

Detail of compensation (in EUR) for Charles EDELSTENNE, Chairman and Chief Executive Officer		
	For 2011	For 2012
- Fixed compensation	733,250	753,840
- Variable compensation	-	-
- Exceptional compensation	-	-
- Directors' fees	44,000	44,000
- Benefits in kind	6,858	9,030
TOTAL	**784,108**	**806,870**

2.9.5 Directors' fees allocated by the Company

Directors' fees (in EUR)		
Board members	Paid in 2011	Paid in 2012
Serge DASSAULT	22,000	22,000
Charles EDELSTENNE	44,000	44,000
Olivier DASSAULT	22,000	22,000
Nicole DASSAULT	22,000	22,000
Pierre de BAUSSET	22,000	22,000
Alain GARCIA	22,000	22,000
Philippe HUSTACHE	28,000 (1)	28,000 (1)
Denis KESSLER	28,000 (1)	28,000 (1)
Henri PROGLIO	32,000 (2)	32,000 (2)
Éric TRAPPIER	-	-
TOTAL	**242,000**	**242,000**

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

2.10 CHANGES TO THE EXECUTIVE MANAGEMENT EFFECTIVE FROM THE START OF 2013

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

Following the proposal from and agreement of Serge DASSAULT and the Board of Directors, he was replaced by Éric TRAPPIER who became, as from January 9, 2013, Chairman - Chief Executive Officer of DASSAULT AVIATION, assisted by Loïk SEGALEN, who was appointed Chief Operating Officer (non-director).

Charles EDELSTENNE remains a Director of the Company and joins the Audit Committee.

The offices and functions exercised by Éric TRAPPIER in other companies are presented under point 2.8.3 above.

Those exercised by Loïk SEGALEN are as follows:

- Director:
  THALES SA
  DASSAULT FALCON JET CORPORATION (USA),
  DASSAULT BELGIQUE AVIATION SA
  SABCA and SABCA Limburg
  MIDWAY AIRCRAFT INSTRUMENT CORPORATION (USA)
  DASSAULT PROCUREMENT SERVICES (USA)
  GIFAS

- Vice-President and Treasurer:
  DASSAULT INTERNATIONAL (USA) INC.

3. SOCIAL - ENVIRONMENTAL - CORPORATE GOVERNANCE INFORMATION

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

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

The following information relates to the DASSAULT AVIATION Group, comprising the Parent Company and its subsidiaries.

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

3.1 SOCIAL INFORMATION

3.1.1 Staff Policy

The principles governing the staff policy of the DASSAULT AVIATION Group are based on the following fundamentals:

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

3.1.2 Recruitment

On December 31, 2012, the workforce of the DASSAULT AVIATION Group totaled 11,584.

Entity	Workforce on December 31, 2012
DASSAULT AVIATION Parent Company	**8,080**
Dassault Falcon Service (DFS)	**579**
Sogitec Industries	**417**
Dassault Falcon Jet (DFJ)	**2,481**
Dassault Procurement Services (DPS)	**27**
Total:	**11,584**

This comprises 9,646 men and 1,938 women, whose breakdown per age category is as follows:

Age category	Percentage on December 31, 2012
35 and under	**24%**
36 to 50	**39%**
51 and over	**37%**

The headcount of the DASSAULT AVIATION Group is distributed in France and the USA as follows:

Geographical distribution	Percentage as of December 31, 2012
France	**78%**
USA	**22%**

On December 31, 2012, 391 employees of the DASSAULT AVIATION Group had part-time contracts.

In 2012, the DASSAULT AVIATION Group pursued its recruitment policy with the appointment of 691 new employees.

To prepare for its future recruitment needs, the Parent Company is pursuing its cooperation with educational institutions and establishments. In order to promote our company and help students to construct their career plans, company employees are officially assigned as "ambassadors" for passing on their skills and taking part in actions run at company level, or at local level by our establishments.

These upstream recruitment efforts are backed by an internship policy designed to facilitate entry into working life. In this way, in 2012, the Parent Company was able to receive 417 interns.

In 2012, the number of employees quitting the DASSAULT AVIATION Group totaled 596, of whom 16% were individual dismissals.

3.1.3 Pay policy

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

The average annual salary of Parent Company employees in 2012 amounted to EUR 63,338, including profit-sharing and incentive payments. Salary growth, excluding profit-sharing and incentive payments, is in compliance with the policy defined for 2012.

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

Furthermore, the Parent Company channeled EUR 21.1 million into the Works' Committees to fund social and cultural activities, representing 5% of the payroll.

3.1.4 Employee relations

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

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

- staff representative bodies:
  - Works' Committees,
  - Health & Safety and Working Conditions Committees,
  - Staff Delegates,
  - Specialized committees (training, employment, prevention of psychosocial risks, etc.),
  - Central Works Council,
- Union organizations:
  - union delegates and central union delegates,
  - Representative of the union sections,
- the Board of Directors:
  the Central Works Council designates four of its members to represent it on the Board of Directors.

An agreement with the Parent Company on the role, resources and career planning of the staff representatives, signed in 2010, facilitates the operation of the union organizations and of the staff representative institutions by making available to them numerous resources in addition to those stipulated by law:

- delegation time,
- budgetary allocations for the union organizations,
- material resources,
- career supervision mechanism for staff representatives.

3.1.5 Diversity

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

In order to raise the awareness of all managers about the issues of diversity, and to integrate these more efficiently into the job of management, the Parent Company organized training in 2012 on the theme: "Management and diversity", to be continued in 2013. The recruitment network of the Parent Company has also received awareness-training in the 18 criteria of non-discrimination.

In 2012, the Parent Company confirmed its policy with regard to job equality for men and women through the implementation of an agreement signed in late 2011, reinforcing the provisions of the previous agreement dating from 2007.

In this way, the Parent Company underscores its desire to develop diversity within the company, and in particular in the technical and industrial trades.

This desire to encourage the employment of women is manifested through female recruitment targets and through the deployment of communication campaigns in educational establishments in order to get women students to learn more about the technical professions. Particular attention is paid to training and career development, notably through encouraging access for women to the management training of the DASSAULT Institute. With the desire to make its employees better informed and better aware of this matter, the Parent Company has distributed to all personnel a brochure on the theme: "Living diversity" ("Vivons la mixité"). The purpose of this brochure is to remind employees of the Company's values and commitments in this area, to prevent stereotyping and to ensure better understanding of the measures put in place in order to support parenthood and ensure a good work-life balance.

Through encouraging the employment of disabled people, the Parent Company has for many years implemented a policy encouraging the recruitment, retention, training and career development of disabled employees. In the framework of a 2010 agreement relating to the employment of disabled people, the Parent Company wished to increase the awareness of staff on this topic through the establishment of local actions at the initiative of the "CAP AVENIR" ("Pointing to the Future") committees, and through the distribution of a brochure on the acknowledgment of disabled worker status. The Parent Company in this way underlines its commitment to support and help employees who wish to embark on a disability acknowledgment procedure (specific monitoring, adapting the work conditions to the constraints linked to the disability).

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

The commitments of the Parent Company with regard to the employment of disabled people have been manifested through a hiring rate greater than the legal minimum of 6%.

By the end of 2012, the DASSAULT AVIATION Group employed 633 disabled workers. To this may be added initiatives in favor of the protected sector (i.e.: for the employment of disabled people) and the induction of disabled interns.

Lastly, by way of an agreement signed in 2010, the Parent Company is committed to the employment of seniors, and in particular to retaining employees aged 55 and over, the transmission and development of know-how and skills, and the possibility of working part-time with attractive conditions.

Officers have been designated for organizing and monitoring the actions planned in the framework of these agreements.

3.1.6 Human Resources development

Actions undertaken in 2012 underpinned the maintenance and development of employee skills levels, taking into account both individual and collective aspirations, on the one hand, and the social and economic climate of the Company, on the other.
Undertaken over the long-term within the Parent Company, several mechanisms continue to bear fruit. These include:

- the integration of new recruits: so-called "ENVOL days", bringing together newly-hired executive staff to meet with managers and discuss the issues and challenges facing the company. They benefit from visits to French military air bases (Mont de Marsan, Orange, Nancy, Saint-Dizier), allowing them to discover our products in an operational context and talk with our customers,

- professional mobility, a crucial tool for assuring organizational vitality, allows the company to satisfy its human resources needs while catering to the aspirations of employees,
- the transfer of operational know-how through the Skills Conservatory (the range of training courses continues to develop) is deployed on all facilities,
- an overhaul of the DASSAULT Institute management programs is laying the groundwork for the future by developing the skills of managers and improving the performance of our organization within an ever-changing environment,
- our investments in professional training meet the operational needs of the company and its employees. This represents 206,154 hours of training for the DASSAULT AVIATION Group,
- our work-study policy continues to be developed.

2012 was also marked by the signing of an agreement enabling the establishment of a new jobs and skills forecast management approach, divided up along professional specialty and business area lines, and more suited to the needs of the company. This approach also enables each employee to take charge of their career paths through better understanding of professional skills groups, their developments and the bridges that exist between them.

3.1.7 Health and Safety at Work

Health & safety at work are strong values of the DASSAULT AVIATION Group, which continues to pursue its actions relating to the prevention of occupational risks.

Launched in 2010, the three-year health & safety in the workplace policy of the Parent Company was manifested in 2012 by:

- the establishment of action plans at site level aiming to reduce exposure to nuisance factors (these primarily being noise, chemical products and uncomfortable work postures),
- the reinforcement of our psychosocial risks prevention procedure, in particular through the development of improvement action plans based on prevention and exposure level indicators. Furthermore, the training initiatives for the management teams, initiated in 2008, continued to be pursued in 2012. In the framework of our agreement on the prevention of psychosocial risks, a joint committee is convened twice annually for monitoring the action plans,
- the deployment on all facilities of an addictive behaviors prevention campaign aimed at the management and the health & safety and working conditions committees,
- the establishment of actions targeting the substitution of chemical substances,
- the consolidation of company organization in order to increase our performance in terms of regulations monitoring and conformity.

The commitment of the Parent Company to the reduction of occupational risks is illustrated by concrete, operational actions:

- a proactive approach to reducing workplace exposure to chromates through the coordination of substitution plans for substances and the launch of a study on improving our processes and our means of protection,
- the deployment of strategies for measuring exposure to dangerous chemical agents in order to improve the efficiency of our chemical risk prevention actions,
- the integration of health & safety aspects in the Improving Responsiveness in Production (IRP) projects in order to organize workstations so as to minimize the workstation discomfort and handling risks.

For the DASSAULT AVIATION Group, absenteeism as of December 31, 2012 amounted to 86,398 days of absence, all causes combined, except for maternity and paternity leave.

The number of work-related accidents resulting in work stoppages amounted to 189 in 2012 for a total of 7,852 days of absence, corresponding to a frequency rate of 10.21 and a severity rate of 0.42.

Lastly, 23 occupational illnesses were recognized by the various competent authorities throughout the Group in 2012. For the Parent Company, this mainly involved repetitive strain injuries.

3.2 ENVIRONMENTAL INFORMATION

3.2.1 General framework

For 10 years, the DASSAULT AVIATION Group has been engaged in an environmental improvement policy backed up by a progressively-deployed management system:
- ISO 14001 certification of the Little Rock site of DASSAULT FALCON JET in the United States (DFJ) (2002),
- ISO 14001 certification of the industrial facilities of the Parent Company (2002-2006),
- global certification of the Parent Company from design through to support (2007),
- integration of Quality and Environment certifications for the Parent Company (2009).

This approach has significantly contributed at the industrial level to:
- the significant reduction of the environmental impacts of our activities (see Section 3.2.5),
- the reduction and improved management of our environmental risks (see Section 3.2.7),
- improved responsiveness to regulatory developments.

For its part, DASSAULT FALCON SERVICE has initiated work on convergence towards the ISO 14001 standard on its Le Bourget site.

3.2.2 Environmental commitment

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

The Parent Company is also one of the founder members of the IAEG (International Aerospace Environmental Group), created in 2011, whose objectives are to promote and facilitate the integration of environmental concerns in the world aerospace supply chain.

DASSAULT FALCON JET and DASSAULT PROCUREMENT SERVICES signed up to the IAEG in 2012.

3.2.3 Ambitious objectives

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

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

- 50% reduction of noise levels on the ground,
- 40% reduction of CO_2 emissions,
- reducing the environmental impact created by the production and withdrawal from service of aircraft.

In the industrial context, our objectives are to reduce significantly the environmental impact of our production facilities. Thus, over the past 10 years, we have reduced by:
- 60% our water consumption,
- 50% our VOC emissions,
- 100% our consumption of heavy fuel oil.

In 2011, a "2021 eco-approach plan" was launched along two lines: eco-design and eco-production.

3.2.4 Employee awareness

Our Environmental Management System (EMS) is based on:
- local Environment departments,
- networks of associated Environment correspondents.

Personnel are made aware of best environmental practices, in particular gestures relating to the saving of resources and the sorting of waste.

For activities that have a significant impact on the environment, there is specific training available:

REACh, chemical risks, asbestos, explosive atmospheres (ATEX).

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

3.2.5 Environmental performance

- ***Administrative regimes***

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

The Poitiers site is the only site of the DASSAULT AVIATION Group classified as "Seveso low threshold" on account of its activities involving the chemical milling of titanium, which is to be phased out in favor of an ecological mechanical process.
The Martignas and Saint-Cloud sites are subject to the "Declaration" regime, while the other establishments of the Parent Company and the DASSAULT FALCON SERVICE site at Le Bourget are subject to the "Authorization" regime.

The SOGITEC INDUSTRIES facilities are not classified.

- ***Environment dashboard***

The environmental reporting dashboard established in 2003 was revised in 2011 and extended to include the subsidiaries.

The new indicators take account of the regulatory requirements and of the recommendations of the Global Reporting Initiative (GRI) Version 3. A correspondence table between our indicators and these recommendations is included in appendix 2 of the present report.

The annual check of the dashboard is now carried out by one of the Statutory Auditors of the Parent Company.

- ***Energy consumption***

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

2012 - in Gigajoules	Parent Company	Consolidated
Energy excluding kerosene (ENE001)	612,854	895,618
Kerosene (ENE002)	234,093	498,889
Total	846,947	1,394,507

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

2012 - in Gigajoules	Parent Company	Consolidated
Electricity (ENE001-a)	343,374	512,268
Natural gas (ENE001-b)	266,397	378,218
LPG (ENE001-c)	178	178
Domestic fuel oil (ENE001-d)	2,904	4,953
Heavy fuel oil (ENE001-e)	0	0
Total (ENE001)	612,853	895,617

Energy is used for certain industrial processes (heat treatment, composites manufacturing, surface treatment, paint shop), and for the lighting, air conditioning and heating of installations.

Electricity consumption remained stable in 2012 despite the increased size of working premises. Gas consumption by the Parent Company was up, as a consequence of the cold weather in the first quarter.

Changing the old boilers made it possible to eliminate heavy fuel oil consumption in favor of gas.

A new action plan for improving energy performance was launched in 2012, including the implementation of centralized energy management and the insulation of buildings.

- ***Water consumption***

The water used on the facilities of the DASSAULT AVIATION Group comes from the public water supply and from pumped groundwater.

2012 - in cubic meters	Parent Company	Consolidated
Mains water (EAU001-a)	112,875	160,583
Groundwater (EAU001-b)	35,839	35,839
Total (EAU001)	148,714	196,422

The significant reduction in water consumption, in the order of 60% over 10 years, is the result of actions carried out on:
- supply network renovation,
- the elimination of open-circuit installations,
- changes to production processes,
- the recycling of industrial wastewater,
- restricting the watering of green spaces.

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

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

2012 - in tonnes	Parent Company	Consolidated
Aluminum (MAT001)	4,214	4,235
Titanium (MAT002)	101	101
Composites (MAT003)	106	145
Steel (MAT005)	161	ND

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

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

In 2012, actions for substituting substances of concern (substitution plans for chromates, cadmium and lead) and for reducing chemical risks were reinforced, particularly with regard to the processes using hexavalent chromium-based mixtures.

- ***Atmospheric discharges***

DASSAULT AVIATION is committed to improving the energy efficiency of its aircraft through participation in research programs initiated by the European Commission.

Emission of Volatile Organic Compounds (VOC)

2012 - in tonnes of VOC	Parent Company	Consolidated
Total quantity (AIR004)	61	151

Over the past 10 years, the VOC emissions have been reduced by approximately 50%, following:
- changes to the chemical milling process,
- the almost total elimination of trichloroethylene,
- replacement, wherever possible, with the less volatile methyl ethyl ketone.

At the same time, VOC emissions from aircraft have been reduced by 74% on the DASSAULT FALCON JET site at Little Rock.

The use of halogenated solvents has also been considerably reduced (by more than 90%) and should practically disappear for the Parent Company with the stoppage of the titanium milling process.

Greenhouse gas emissions

The inventory of our GHG (greenhouse gas) emissions has been deployed for direct emissions (scope 1) and indirect emissions linked to electricity consumption (scope 2).

2012 - in tonnes of CO_2	Parent Company	Consolidated
Scope 1 (AIR001-S1)	33.890	(*)60,016
Scope 2 (AIR001-S2)	5,722	28,045
Total 1 + 2 (AIR001)	39,612	88,061

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

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

With the prospect of the deployment of scope 3 (indirect emissions), the Parent Company has undertaken actions to reduce GHG emissions. Note in particular the setting up of platforms for the distribution of chemical products or raw materials which reduce significantly the emissions linked to road transport.

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

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

Other atmospheric discharges

The elimination of the boilers running on heavy fuel oil restricted SO_2 emissions exclusively to the discharges due to the aviation activity (kerosene).

- ***Wastewater***

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

This allows us to achieve heavy metal discharge rates lower than the value limits set by the regulations.

The DASSAULT AVIATION sites at Argenteuil, Biarritz and Mérignac and the DASSAULT FALCON SERVICE site at Le Bourget are concerned by regulatory actions for researching into and reducing water pollution from the discharge of certain dangerous substances. Currently, no site is in sustained surveillance phase.

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

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

- ***Waste***

The generated waste is divided into non-hazardous waste (paper, card, metals, etc.) and hazardous waste (soiled packaging, oils, metallic hydroxide sludge, solvents, etc.).

2012 - in tonnes	Parent Company	Consolidated
Non-hazardous (DEC001-a)	6,325	7,896
Hazardous (DEC001-b)	1,554	2,086
Total (DEC001)	7,879	9,982
Recycling % (DEC002)	80.4	NA

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

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

Significant investments have been made in each establishment for creating specific collection zones, organized so as to avoid accidental pollution.

- ***Conditions of ground use***

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

The average proportion of sealed surfaces (developed land and roads) amounted to 48% in 2012 for the Parent Company (SOL001 indicator), and was in the order of 66% for the subsidiaries.

- ***Noise and vibrations***

With regard to production activities, noisy equipment is isolated geographically or physically, and devices likely to generate vibrations are set up on anti-vibration mountings.

Noise level measurements have not revealed any significant noise pollution.

The aircraft flight and ground testing activities are carried out so as to minimize the noise nuisance for personnel and local residents, and in accordance with the regulations in force.

No local neighborhood complaints were recorded in 2012.

- ***Road and air traffic***

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

Employee travel has been minimized on account of the development of collaborative tools and videoconferencing.

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

Two of the sites (Saint-Cloud and Istres) are engaged in the drafting of a Company Travel Plan, designed in particular to reduce the number of journeys made in private vehicles that generate pollution.

Concerning the transport of goods, the setting up of a platform for the distribution of chemical products and of a raw materials distribution platform contributes to the streamlining of transport flows.

- ***Biodiversity***

Most of our facilities are situated within dedicated industrial or airport zones.

Only the DASSAULT AVIATION sites at Istres and Biarritz are close to outstanding natural areas (BIO001 indicator).

All prevention or protection measures taken on the sites help preserve local biodiversity.

3.2.6 Resources deployed to prevent adverse consequences of our activity on the environment

Every year, the DASSAULT AVIATION Group makes investments linked to the protection and preservation of the environment.
The investments plowed into studies of centralized technical energy management, energy performance contracts and studies and electric vehicles testify to our commitment to reduce the carbon footprint of our activities.

The Parent Company has also earmarked specific investments for, in particular:

- the replacement of air-conditioning units running off R22 (refrigerant fluid with high global-warming potential),
- renovating the wastewater facilities and creating an infiltration tank on the Seclin site,
- developing the holding apron on the Istres site,
- replacing the parts cleaning machines on the Argonay site,
- constructing a storage tank for the carbonated waters on the Martignas site,
- installing a baler on the Mérignac site for compacting plastic waste.

3.2.7 Environmental risk management

- ***Risk management procedure***

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

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

Furthermore, as is stipulated in the contractual environmental clauses, suppliers who may have a significant impact are subject to Environment audits.

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

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

The Biarritz site was subject to a prefectural order in 2006 calling for an impact analysis and a treatment study for past groundwater pollution (chrome and halogenated solvents). The treatment facility was installed in accordance with the management plan. Studies in response to the supplemental prefectural order of July 2012, asking us to study the improvement of our facility, were carried out.

- ***Provisions and financial guarantees***

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

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

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

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

3.3 CORPORATE GOVERNANCE INFORMATION

3.3.1 Company commitments in favor of sustainable development

- ***A policy of sustainability***

On account of the specific characteristics of its sector of activity, the DASSAULT AVIATION Group has always been committed to sustainable development, whether in its choice of partners, its purchasing policies or its desire to ensure the excellence and quality of its manufacturing.

From as early as the design phase, the aircraft need to integrate all constraints linked to their life cycle. To achieve this, the DASSAULT AVIATION Group uses innovative digital industrial processes in order to be able to respect these requirements and involving all of its suppliers.

The markets on which our Group operates are highly competitive. In order to satisfy our clients and meet the expectations with regard to high technology, performance, safety and innovation, we ensure that the definition of our aircraft, the services supplied on board and the associated ground services are permanently optimized.

Aircraft operations and maintenance are strictly governed by specific regulations, forcing the operators to remain in permanent control of the navigability of their aircraft. The reactivity required by this has led us, via our DASSAULT FALCON SERVICE (DFS) and DASSAULT FALCONJET (DFJ) subsidiaries, to develop close links with local industry.

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

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

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

- procures, purchases, manufactures and integrates all the elements making up its aircraft, then carries out the internal fittings according to the requirements of its customers. When aircraft are in service, it disassembles, repairs and reinstalls these same elements,

- handles the coordination of the supply chain, either directly or via its DASSAULT PROCUREMENT SERVICE (DPS) subsidiary for the North American suppliers,
- informs of any procurement instabilities in order to ensure long-term respect of its commitments on the production of aircraft and throughout the aircraft service cycle.

- ***Importance of purchasing***

In terms of purchasing, the commitments of the DASSAULT AVIATION Group to ensure the production of its aircraft and the associated services represent approximately EUR 2 billion per annum.

In 2012, purchases broke down as follows:
- Excluding aerostructures and services: 60% of purchases take place in Western Europe, almost 90% of which in France, and 40% in North America. French suppliers therefore contribute to over half of our purchases.
- Aerostructures purchases (structural elements of the aircraft) represent approximately EUR 350 million per year, involving over 250 suppliers (those with strategic partner status contribute three-quarters of these sales in terms of value). Over half of our aerostructures suppliers are managed locally by the establishments of the DASSAULT AVIATION Parent Company.

  The following tables give the breakdown in value and in number of aerostructure supplier panels for the Parent Company.

Value breakdown	
Strategic partners	73%
Production subcontractors managed locally	24%
Production support	3%

Number breakdown	
Strategic partners	19%
Production subcontractors managed locally	62%
Production support	19%

- The purchases made by DASSAULT FALCON JET for executing its missions (distribution of aircraft and spare parts, completion, maintenance) represent EUR 300 million.
- The purchases made by DASSAULT FALCON SERVICE for executing its services represent approximately EUR 50 million per annum. 91% of these are made in Western Europe, 92% of which in France. French suppliers are therefore responsible for 84% of these purchases.
- Purchases made by SOGITEC INDUSTRIES represent approximately EUR 30 million, and relate principally to aeronautical equipment, software, hardware components, data packages, and electrical & IT equipment.

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

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

This enables us to optimize the consumption of resources and keep stocks down.

Our corporate approach is passed on to our suppliers by way of our technical and industrial specifications, our purchasing clauses and our contractual requirements. We demand that they demonstrate the same commitment.

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

This policy also requires management of the risks of our suppliers.

For non-aerostructure purchases, over 1,200 suppliers have been subject to specific assessment leading to their certification. Of these, around 100 account for approximately 80% of our purchases, and they are subject to specific monitoring.

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

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

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

- ***Territorial influence***

The DASSAULT AVIATION Group has an extensive territorial spread:

- DASSAULT AVIATION possesses nine establishments in France and manages locally a large number of suppliers,
- DASSAULT FALCON SERVICE is situated on the airport platform at Paris-Le Bourget,
- SOGITEC INDUSTRIES is based on three sites in France,
- DASSAULT FALCON JET has six sites in the USA.

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

We also participate actively in competitive clusters and professional regional organizations, in particular Aerospace Valley (Midi-Pyrénées & Aquitaine), Pegase (Provence-Alpes-Côte d'Azur), BAAS (Bordeaux Aquitaine Aéronautique et Spatial), Sustainable Development Partners Club at Le Bourget Airport.

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

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

The high degree of technicality of our activities leads us to develop locally special relations with the world of education, thereby helping to ensure the suitability and quality of the training of our future recruits.

We provide input, at the behest of the educational organizations and establishments (schools of engineering, universes, vocational colleges, etc.), for adapting courses to the identified medium to long-term needs of the aerospace industries.

We encourage our personnel to:
- supervise technical projects,
- teach classes,
- participate on examination juries.

We take part in business gatherings (forums, company presentations, etc.) and organize visits to our establishments for pupils, students and their opinion formers (teachers, career advisors, headmasters, etc.). We also provide these various populations with the opportunity to get to know better our technologies, our professions, our values and our products through internships, VIEs and work-study periods.

In this way we put a great deal of effort into the training of the future generations of specialists within our Group. The number of apprentices that we take on is greater than the minimum required by law.

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

The DASSAULT AVIATION Group recommends to its personnel responsible behavior by way of campaigns conducted at the initiative of each entity, or locally at the initiative of establishment bosses.

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

- ***Charitable actions:***

The DASSAULT AVIATION Group is actively involved in many charities.

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

3.3.2 Loyal practices

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

This Charter sets out a code of conduct covering day-to-day activities with customers, partners and suppliers.

Conforming to strict ethical business standards, we act in compliance with the OECD Convention, the United Nations Convention and national anti-corruption laws.

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

3.3.3 Human Rights

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

DASSAULT AVIATION, which subscribed in 2003 to the UN Global Compact, adopted the latter's 10 principles including the principle dedicated to respecting human rights, as featuring in its general purchasing conditions (see also, above, the social information for details of the commitments relating to employee rights, and the website: www.dassault-aviation.com, Ethics section).

4. PROPOSED RESOLUTIONS

The resolutions presented to you for adoption are of an ordinary character and relate to the following points:

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

  You are asked to approve the annual statements of the Parent Company (resolution #1) and the consolidated statements (resolution #2) for the year ended December 31, 2012.

  These financial statements were approved by the Board of Directors on March 13, 2013 after prior examination by the Audit Committee, and were the subject of the reports of the Statutory Auditors, featuring in the 2012 Annual Financial Report.

- **Auditors' report on related party transactions and commitments:**

  The special report of the Statutory Auditors featuring in the 2012 Annual Financial Report does not report of any new related-party transactions and commitments. It mentions the transactions and commitments approved in previous years and which continued to be executed in 2012. You are asked to take note of this report (resolution #3).

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

  We propose that you discharge the Directors from any liability in the execution of their terms of office during 2012 (resolution #4).

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

  We propose to you that the net income for the year, plus retained earnings of previous years, for a total attributable of EUR 3,031,649,474.12 for the year 2012, be subject to a distribution of a dividend per share of EUR 9.30, falling due for payment on May 23, 2013, with the remaining balance to retained earnings (resolution #5).

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

  Éric TRAPPIER was coopted as new Director by the Board of Directors on December 18, 2012 to replace Philippe HUSTACHE, who resigned. You are asked to ratified this cooptation (resolution #6).

- **Powers to execute formalities:**

  This resolution (#7) is designed to determine the customary powers for the legal formalities to be carried out after the Annual General Meeting.

5. OUTLOOK FOR THE FUTURE

Business jets market remains convalescent but we hope for a recovery, especially in the United States.

Regarding military aircraft, we have to capitalize on export opportunities related to the RAFALE.

With the signature of the French-British UCAS agreement, the Group aims at preparing the future with drones.

Since the Indian authorities announced, at the end of January 2012, the RAFALE final selection in the frame of the MMRCA program in order to equip the Indian Air Force with 126 new aircraft, DASSAULT AVIATION keep mobilized into finalizing the contract.

DASSAULT AVIATION Group expects to deliver around 70 FALCON and 11 RAFALE in 2013. 2013 net sales should be higher than 2012 net sales.

6. CONCLUSION

The year 2012 started well with the RAFALE selection by India. This choice based on technical, operational and financial criteria confirms our aircraft superiority.

The technical success of the nEUROn was added to this RAFALE selection. We marked the history of aeronautics with the flight of the first European furtive aircraft. With the nEUROn, we show at the same time our technical skills and our know-how as prime contractor in a multinational partnership.

These skills and this know-how are also implemented in the manner we currently develop our SMS. Technologically and commercially very ambitious, this new business jet will be released within a few months.

In France, an important Defense budget cut is announced, due to the national debt crisis. This reduction of the military budgets, which is observed in many other countries, reinforces the aggressiveness of our competitors, especially Americans.

Concerning business jets, the uncertain evolution of the world economy and in particular of our historical markets, United States and Western Europe, encourages us to remain vigilant.

Finally, the dollar weakness remains a strong and not easily controllable constraint because of the spasms of the international financial system

In this context, our main objectives for 2013 are as follows:

- growing the sales of business jets,
- pursuing the development and industrialization of the SMS,
- finalizing the Indian RAFALE contract,
- continuing canvassing the RAFALE in other countries,
- supporting the French RAFALE, MIRAGEs and ATL2, spearhead of overseas operations conducted by the French Armed Forces,

- pursuing the retrofitting of the Indian MIRAGE 2000,
- pursuing the testing and test flights campaign planned for the nEUROn,
- pursuing, with BAE Systems, preliminary studies on the FCAS combat drones system,
- tracking the development of French choices for the MALE drones.

Finally, we need to prepare for the future by:

- making the extended digital enterprise and Product LifeCycle Management (PLM) into a shared daily reality, and continuing to think in terms of "systems integration",
- pursuing cost reductions in order to face up to the aggressive sales approach of our civil and military competitors,
- maintaining our skills levels through developments on the RAFALE the other military programs (MIRAGE 2000, ATL2, etc.), the export markets and UAVs,
- constructing a French hub of global dimensions in the field of strategic technologies, aerospace, defense and security, through our equity stake in THALES.

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

The Board of Directors

Appendix 1 to the Directors' report

Reporting methodology for indicators

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

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

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

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

Scope of consolidation

For 2012, the scope of the report comprises DASSAULT AVIATION Parent Company (including all of its facilities) and its 100% subsidiaries.

Control and consolidation

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

Taking into account the mode of data gathering and the locations of the subsidiaries, the reporting scope may very according to the indicators. Certain indicators cannot be consolidated on account of the differences in regulations between the countries.
In the framework of ISO 14001 certification, reporting procedures for environmental indicators are applied by the Parent Company.

Social and Human Resources data

The reporting mechanism for social and human resources data for 2012 has been enhanced by the introduction of new indicators. The generation of social data in this report is based on descriptive and methodological data sheets, which constitute the basis of the Grenelle 2 social data reporting repository of the DASSAULT AVIATION Group, in force in 2012. The defined indicators are in compliance with national regulations.

The following details are given for the following indicators:

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

- accident rate: for the DFS subsidiary, the number of days lost on account of a work-related accident (estimated by multiplying the number of stoppage days expressed in normal working days by 7/5) has the consequence of overestimating the severity rate,

- departures and dismissals: the number of dismissals includes the number of contractual terminations,

- pay: the average annual salary is a gross salary taking into account the last basic salary, the 13th month and the seniority bonus, excluding other bonuses, plus profit-sharing and incentive payments.

Environmental data

The environmental reporting mechanism for 2012 has been perfected and enhanced through the introduction of new indicators, linked in particular to the greenhouse gas emissions inventory.
The environmental indicators and the associated generation methods are subject to descriptive methodological procedures both for the Parent

Company and for its French and American subsidiaries.

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

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

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

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

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

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

The environmental expenditure is no longer quantified, instead there is a summary description of the main resources deployed in the year.

Corporate governance data

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

External checking

The reporting procedures have been subject to external checking by Deloitte & Associés, one of the Company's Statutory Auditors, for a selection of the indicators presented in the above correspondence table. The corporate governance information has also been checked on a qualitative basis.

Appendix 2 to the Directors' report
Table of correspondence between the Dassault Aviation indicators and the GRI

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

Themes	DASSAULT AVIATION Indicators	Link with the Global Reporting Initiative (GRI) - Indicators & protocols: Social (version 3.1)
Health & Safety	**S&S01: Conditions of health & safety in the workplace**	LA6: Percentage of the total workforce represented on formal joint management-worker health & safety committees, for monitoring and issuing statements on the health & safety in the workplace programs LA 8: Programs for risk education, training, consulting, prevention and management put in place in order to help employees, their families or the members of their local communities in the event of serious illness
	S&S02: Agreements signed with the Union Organizations or staff representatives with regard to health & safety in the workplace	LA9: Questions of health & safety covered by formal agreements with the unions
	S&S03: Work-related accidents	LA7: Rate of work-related accidents, occupational illnesses, (...) number of days lost and total number of fatal work-related accidents, per geographical zone
	S&S04: Frequency rate of work-related accidents	
	S&S05: Severity rate of work-related accidents	
	S&S06: Occupational illnesses	
Training	**FOR01: Policies implemented with regard to training**	LA11: Lifelong skills and training development programs, designed to guarantee employability
	FOR02: Total number of training hours	LA10: Average number of training hours per year, per employee and per professional category
Equality of treatment	**EGA01: Measures taken in favor of gender equality**	LA14: Basic pay ratio between men and women per professional category
	EGA02: Measures taken in favor of the employment and integration of disabled people	LA13: Composition of management bodies and distribution of employees by gender, age group, appurtenance to a minority group and other diversity indicators
	EGA03: Anti-discrimination policy	

Themes	DASSAULT AVIATION Indicators	Link with the Global Reporting Initiative (GRI) - Indicators & protocols: Social (version 3.1)
Promoting respect for the stipulations of the basic conventions of the International Labor Organization	**OIT01: Respect for freedom of association and the right to collective bargaining**	HR5: Identified activities in the course of which the right to union freedom and collective bargaining risks being threatened; measures taken to ensure this right is maintained LA4: Percentage of employees covered by a collective bargaining agreement LA5: Minimum notice period(s) regarding significant organizational changes, including whether it is specified in a collective bargaining agreement
	OIT02: Eliminating employment and professional discrimination	HR4: Total number of discrimination incidents and measures taken LA13: Composition of management bodies and distribution of employees by gender, age group, appurtenance to a minority group and other diversity indicators LA14: Basic pay ratio between men and women per professional category
	OIT03: Elimination of forced or compulsory labor	HR6: Activities identified as presenting a serious risk of incidents involving child labor; measures taken to contribute to the prohibition of this type of labor HR7: Activities identified as presenting a serious risk of incidents involving child labor; measures taken to contribute to the prohibition of this type of labor
	OIT04: Effective abolition of child labor	HR6: Activities identified as presenting a serious risk of incidents involving child labor; measures taken to contribute to the prohibition of this type of labor
Consumption of raw materials	**MAT001: aluminum consumption**	EN1: materials consumption in weight or in volume
	MAT002: titanium consumption	
	MAT002: composites consumption	EN2: percentage of consumed materials derived from recycled materials
Energy	**ENE001: energy consumption excluding kerosene and mobile sources**	EN3: direct energy consumption distributed according to primary energy source
	ENE002: kerosene consumption	EN4: indirect energy consumption distributed according to primary energy source
Water consumption	**EAU001: global water consumption (per source)**	EN8: total volume of water used per source
Biodiversity	**BIO001: number and location of out-**	EN11: location and surface area of land

Themes	DASSAULT AVIATION Indicators	Link with the Global Reporting Initiative (GRI) - Indicators & protocols: Social (version 3.1)
	standing natural areas present within a 500 m radius of the sites	owned, rented or managed in or within the vicinity of protected areas and in zones rich in biodiversity outside of these protected areas
Conditions of ground use	**SOL001: proportion of sealed surfaces**	
Atmospheric discharges	**AIR001: greenhouse gas emissions (scope 1 and scope 2)**	EN16: total (direct or indirect) greenhouse gas emissions, by weight (teq CO2)
Atmospheric discharges	**AIR002: SO2 emissions excluding combustion of kerosene and mobile sources**	EN20: NOx, SOx and other significant atmospheric emissions, per type and per weight
	AIR003: NOx emissions excluding combustion of kerosene and mobile sources	
	AIR004: emissions of Volatile Organic Compounds (VOC)	
Waste	**DEC001: global waste production**	EN22: total mass of waste, per type and per treatment mode
	DEC002: proportion of recycled waste	
Expenditure on preventing the adverse consequences of our activity on the environment	**DEP001: expenditure on environmental protection**	EN30: total expenditure and investment on environmental protection, per type

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.

1. Corporate governance:

1.1 COMPOSITION OF THE BOARD OF DIRECTORS

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

Éric TRAPPIER was coopted as new Director on December 18, 2012 to replace Philippe HUSTACHE, who resigned.

The Board of Directors therefore currently comprises Charles EDELSTENNE, Serge DASSAULT, Nicole DASSAULT, Olivier DASSAULT, Pierre de BAUSSET, Alain GARCIA, Denis KESSLER, Henri PROGLIO, and Éric TRAPPIER.

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

Concerning the presence of women on the Board, it should be noted that the Annual General Meeting of May 19, 2010 appointed Nicole DASSAULT as a member.

1.2 PREPARATION AND ORGANIZATION OF THE BOARD'S WORK

1.2.1 Director information

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

The notices of Board meetings specifying the agenda are sent to the Directors, the Statutory Auditors and the Government Commissioner at least one week in advance.

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

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

1.2.2 Board's work in 2012

In 2012, the Board of Directors met on March 21, July 25 and December 18. The average attendance rate was 78%.

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

- analyzed order entry, the order book and sales,
- reviewed the internally-financed technology budget and the capital expenditure budget,
- analyzed the current and forecast workload compared to manufacturing capacity, the progress of the civil and military programs and implementation of the staff policy.

In addition, the Board of Directors:

- approved the fiscal year 2011 company and consolidated financial statements,
- called the Shareholders' Meeting of May 24, 2012
- approved the financial statements for the half-year ended June 30, 2012,

- reviewed forecast management documents in March and July 2012,

- renewed the annual authorization conferred on the Chairman and Chief Executive Officer to grant guarantees and deposits,

- approved the Internal Regulations of the Board of Directors,

- re-elected the members of the Audit Committee,

- ruled on the professional and pay-scale equality policy,

- approved the contents of financial press releases,

- coopted Éric TRAPPIER as Director and appointed him as new Chairman - Chief Executive Officer with effect from January 9, 2013 to replace Charles EDELSTENNE,

- appointed Loïk SEGALEN as Chief Operating Officer with effect from January 9, 2013.

1.2.3 Audit Committee

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

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

This Committee was composed in 2012 of Philippe HUSTACHE, Denis KESSLER and Henri PROGLIO.

Since January 9, 2013, it has been composed of Charles EDELSTENNE, Denis KESSLER and Henri PROGLIO, appointed on account of their skills resulting from their academic training, their experience in the financial and accounting fields with listed companies and their functions in Executive Management. All three are non-executive directors.

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

The Audit Committee is responsible for monitoring:

- procedures for preparing financial information,

- the quality of the risk management and internal control systems,

- the audit of the company and consolidated financial statements by the Statutory Auditors,

- the independence of the Statutory Auditors.

It convened on March 16, 2012 for the financial statements of 2011 and on July 24, 2012 for those of the first half- year of 2012.

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

- examined the consolidated financial statements and those of the Parent Company, the main events of the year or half-year concerned, and the draft financial reports,

- took note of the management report of the Board of Directors and of the half-yearly business report,

- reviewed the Chairman's report on internal control and risk management,

- took note of the work of the risks committee,

- met the Statutory Auditors without the Executive Management being present, after examining the conclusions of their work and their declaration of independence,

- reported back on its work to the Board of Directors.

1.2.4 Internal Regulations

The Board meeting of July 25, 2012 approved the Regulations of the Board of Directors which allows Directors to take part in meetings (debate and vote) by means of telecommunications that are in compliance with the regulations in force.

1.2.5 Preventing insider dealing

In accordance with the recommendations formulated in the AMF guide of November 3, 2010, the company has put in place a "closed seasons" mechanism (periods during which dealings in the shares issued by the company are prohibited) and which begin at least 30 days prior to the publication of the annual and half-yearly financial statements, and 15 days prior to the publication of the quarterly statements (1st and 3rd quarters). Since the financial statements are in general published by the company before the opening of the stock market, the date of publication is included in the prohibited period.

The Directors are informed by letter in December of the calendar of "closed seasons" for the following year.

The financial calendar is put online on the website of the company at the start of each year.

1.3 OPERATION OF THE EXECUTIVE MANAGEMENT

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

On April 25, 2002, the Board of Directors decided that the Chairman of the Board of Directors would be responsible for the Executive Management of the Company.
This was because the Board of Directors had chosen the Executive Management option that it deemed best suited to the Company's specific features. The decision was therefore made not to separate the duties of Chairman of the Board of Directors and of the Chief Executive Officer.

Shareholders and third parties are fully informed of this decision in the director's report.

The Chairman-Chief Executive Officer has been assisted since January 9, 2013 by a Chief Operating Officer.

1.4 POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The powers of the Chairman and Chief Executive Officer are not limited by the Company's bylaws or the Board of Directors. He therefore exercises his powers with no other limits than those stipulated by the current regulations concerning the powers attributed expressly by law to the Annual General Meeting and to the Board of Directors.

1.5 POWERS OF THE CHIEF OPERATING OFFICER

The Chief Operating Officer assists the Chairman-Chief Executive Officer. Vis-à-vis third parties, he has the same powers as the Chairman-Chief Executive Officer.

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

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

Concerning the new Chairman-Chief Executive Officer and the Chief Operating Officer, their compensation and benefits in kind have been determined by the Board of Directors in accordance with the recommendations of the AFEP/MEDEF code, revised in April 2010, and the 2012 report from the AMF on corporate governance and the compensation of senior executives of listed companies.

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

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

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

1.7 ANNUAL GENERAL MEETING

1.7.1 Specific conditions governing shareholders' attendance at the AGM

1.7.1.1 Admission

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

These conditions are as follows:

- the right to attend Annual General Meetings is subject to the following:
  - for holders of registered shares, registration in the registered shareholder accounts held by the Company,
  - for holders of bearer shares, registration in the bearer shareholder accounts held by the authorized intermediary (i.e.: a bank, financial institution or investment service provider) and production of a participation certificate issued by the intermediary,
- the period during which these formalities must be completed expires three working days preceding the date of the Annual General Meeting,
- the Board of Directors retains the right to accept the participation certificate after the above deadline,
- shareholders may be represented by proxy according to the legal and regulatory conditions.

The notification of the designation and revocation of the representative agent may be made either on paper or by electronic means. In the latter case, the shareholder's signature may constitute in practice a reliable process of identification guaranteeing his/her link to the associated act, and may in particular consist of a login and password.

These conditions are reiterated in the preliminary notice and the final notice of the Annual General Meeting that are published in the BALO (French official announcements bulletin) and online at the Company's website.

1.7.1.2 Voting rights

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

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

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

Shareholders may also legally vote by correspondence.

1.7.2 Convening of Annual General Meetings

Annual General Meetings are convened by the Board of Directors according to the legal and regulatory provisions. All shareholders, however many shares they possess, may take part. The date of the Annual General Meeting is communicated on the Company website approximately 6 months in advance.

No later than 21 days before the Annual General Meeting, the documentation may be consulted on the aforementioned site (www.Dassault-aviation.com) section Finance / General Meetings.

The results of the voting for the resolutions and the minutes of the Annual General Meeting are also placed online within 15 days of the meeting taking place.

2. Internal control and risk management procedures

2.1 INTERNAL CONTROL OBJECTIVES

The Company's internal control procedures are intended to:

- ensure that operations and acts of management, along with staff conduct, fall within the framework defined by the Senior Management, the applicable laws and regulations, and the Company's internal values and rules,

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

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

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

2.2 GENERAL INTERNAL CONTROL ORGANIZATION AND ENVIRONMENT

- ***Internal control reference documents***

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

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

- the Quality Manual, which describes the Company processes,

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

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

- ***Internal control bodies:***

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

- Executive Committee

  This comprises the persons in charge of the Company's various departments (cf. annual financial report). This Committee covers all subjects concerning the running and the various aspects of the Company's operations. It meets once a week. Each Committee member is responsible for the internal control of his or her department.

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

- <u>Total Quality Management Department (TQMD):</u>

  o *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 (in the person of the Chairman-Chief Executive Officer and, as from January 9, 2013, the Chief Operating Officer also).

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

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

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

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

- <u>Program Departments through Program Management</u>

Program Management is coordinated by each Program Director, reporting back to Senior Management. The Program Directors work with the help of the Program Managers of the functional departments.

- <u>Economic and Social Affairs General Management Department (DGAES) until January 8, 2013 and then the Financial Affairs Department by way of Management Control</u>

Management control, with respect to both "structure" and "programs", involves the management of the budgetary process.

It comprises a network of financial controllers in all Company departments. Monthly and quarterly budget reviews are produced, particularly for the purpose of reporting to Senior Management.

- ***Control of subsidiaries***

The DASSAULT AVIATION strategy is to exercise majority control over its subsidiaries or significant influence as in the case of THALES.

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

The Company is also represented on the Executive Committee of DASSAULT FALCON JET.

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

- ***Internal auditing***

The Internal Auditing Department, which reports back to Senior Management, is assigned to evaluate the risk management and internal control processes.

The Internal Audit Director reports to Senior Management on the results of the audits and the recommendations implemented. He or she also submits for approval from Senior Management the internal audit plan prior to its implementation.

The Audit Committee meets with the Internal Audit Director and takes note of the audit plan and of the conclusions of the audits.

- ***External control factors***

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

- the calculation of our cost factors (i.e.: hourly rates, procurement and non-production expenses) and the costs of activities relating to French government markets are controlled by the French Defense Procurement Agency (DGA),

- the DGA monitors our products and grants us our design organization approval in the military aviation field,

- the Company, in the field of civil aviation, possesses design, production and maintenance certifications. These certifications are subject to permanent monitoring by the airworthiness authorities that have issued them:
  - Direction Générale de l'Aviation Civile (DGAC),
  - European Aviation Safety Agency (EASA),
  - Federal Aviation Administration (FAA).

In the framework of our proactive approach, the Company is certified EN 9100, ISO 9001 and ISO 14001. Its Quality Management System (QMS) and its Environment Management System (EMS) were subject in March 2012 to a joint audit of renewal by an outside body (Bureau Veritas Certification). This audit confirmed that our QMS and our EMS were compliant with the requirements of the standards.

2.3 RISK MANAGEMENT PROCEDURES

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

The risks identified in this mapping, whatever their nature, have been assessed according to their seriousness and their frequency of occurrence. The procedures for treating major risks are also recorded in this mapping.
More particularly, risk management at DASSAULT AVIATION is based on the following approach:

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

Risks are primarily identified through regular critical risk reviews held in conjunction with program management, operational management and site management.

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

Risks are monitored at the various stages in a product's life cycle based on various reviews, as follows:
- program launch review,
- bid review,
- contract review.

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

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

Environmental risk management:

- covers compliance and control of the environmental impact of the sites and products,

- is performed based on the Group's Environmental Management System (cf. management report).

Financial risks management is also specified in the management report.

The mission of the Risks Committee, based on the risks mapping and any other necessary elements, is to:

- validate the identified risks, their prioritization and the risk-reduction actions carried out,

- ensure that the new risks are identified, taken into account and their financial impacts measured.

To this end, the Committee conducts interviews with the managers of the Company processes, responsible for updating the risks map.

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

It reports back to Senior Management.

2.4 INTERNAL CONTROL PROCEDURES FOR FINANCIAL AND ACCOUNTING PURPOSES

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

This function, described in the Quality Manual, is managed by the DGAES until January 8, 2013, and subsequently by the Financial Department, for both the Parent Company and Group consolidation. This function consists in:

- approving and controlling the Company's centralized financial and accounting information system, implemented by the Information Systems Management Department,

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

- ***General references:***

The financial statements are prepared in accordance with:

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

- international valuation and presentation standards for IFRS financial reporting in force as of December 31, 2012, as adopted by the European Union and mandatorily applicable for fiscal years open as from January 1st, 2012, for the consolidated accounts,

- 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:***

In 2012, within the DGAES, the Economic Affairs Department centralized the accounting data and produced the financial statements for the Parent Company and the Group.

It distributed a schedule with the tasks and controls to be performed at each period-end to the relevant persons in the Parent Company and subsidiaries. This schedule indicated the start date for the Statutory Auditors' certification procedures at approximately four weeks prior to the Board meeting to be held to approve the financial statements.

Since January 9, 2013, this process has been handled by the Financial Department.

In parallel, the financial reports and statements are reviewed by a review committee independent of the teams participating in the drafting of these documents.

2.5 ACTIONS 2012

The Internal Auditing Department and the Total Quality Management Department continued to monitor the internal control procedures for all relevant persons by using the risk mapping updated during the year.

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

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

2.6 2013 ACTION PLAN

For 2013, I have entrusted the Internal Auditing Department and the Total Quality Management Department with the task of conducting audits in order to monitor the internal control and risks management mechanism and verify the proper application of the procedures.

3. Information mentioned in Article L. 225-100-3 of the French Commercial Code

The information set forth in this Article is mentioned in the accompanying directors' report, which is appended to this report, bearing in mind that both these reports are included in the 2012 Annual Financial Report that will be transmitted electronically and filed with the AMF by our distributor, HUGIN, and published online at our Company website in the section: Finances/Publications.

Chairman of the Board of Directors

DASSAULT AVIATION

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

ASSETS

(EUR 000)	NOTE	31.12.2012	31.12.2011
Goodwill	3	14,366	14,366
Intangible assets	4	38,612	44,181
Property, plant and equipment	4	405,563	426,105
Equity affiliates	5	1,641,590	1,680,039
Available-for-sale securities	5	3,262,814	3,185,517
Other financial assets	5	34,359	32,325
Deferred tax assets	20	197,896	203,345
TOTAL NON-CURRENT ASSETS		**5,595,200**	**5,585,878**
Inventories and work-in-progress	6	2,916,905	2,799,090
Trade and other receivables	7	489,955	535,800
Advances and progress payments to suppliers		184,868	154,447
Hedging instruments	23	247,894	179,129
Cash and cash equivalents	8	950,416	921,808
TOTAL CURRENT ASSETS		**4,790,038**	**4,590,274**
TOTAL ASSETS		**10,385,238**	**10,176,152**

LIABILITIES AND EQUITY

(EUR 000)	NOTE	31.12.2012	31.12.2011
Share capital	9	81,007	81,007
Reserves		3,756,951	3,519,164
Foreign exchange differences		-48,107	-38,475
Other income and expense recognized directly through equity		441,411	577,403
Income for the year attributable to the owners of the Parent Company		509,834	322,628
TOTAL ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		**4,741,096**	**4,461,727**
Minority interests		308	264
TOTAL EQUITY		**4,741,404**	**4,461,991**
Long-term borrowings	11	263,539	276,915
Deferred tax liabilities	20	0	0
TOTAL NON-CURRENT LIABILITIES		**263,539**	**276,915**
Trade and other payables	13	768,168	729,061
Tax and employee-related liabilities	13	242,492	208,937
Customer advances and progress payments on work-in-progress	14	3,043,088	2,897,612
Short-term borrowings	11	58,240	437,094
Current provisions	12	1,268,307	1,164,542
TOTAL CURRENT LIABILITIES		**5,380,295**	**5,437,246**
TOTAL EQUITY AND LIABILITIES		**10,385,238**	**10,176,152**

INCOME STATEMENT

(EUR 000)	NOTE	2012	2011
NET SALES	**15**	**3,941,234**	**3,305,342**
Other revenue	**16**	43,470	60,916
Changes in inventories of finished goods and work-in-progress		-30,101	55,385
External purchases		-2,221,606	-1,935,458
Payroll and related charges (1)		-1,077,350	-994,336
Taxes and social security contributions		-65,059	-61,240
Depreciation and amortization	**4**	-72,250	-82,222
Charges to provisions	**12**	-726,489	-692,251
Reversals of provisions	**12**	749,681	730,546
Other operating income and expenses	**17**	5,456	-10,181
OPERATING INCOME		**546,986**	**376,501**
Income from cash and cash equivalents		8,690	7,389
Cost of gross financial debt		-12,437	-23,728
Financial income and expenses		101,644	30,318
NET FINANCIAL INCOME/(EXPENSE)	19	**97,897**	**13,979**
Share of income/loss of equity affiliates	5	90,436	41,064
Income tax	20	-225,441	-108,879
NET INCOME		**509,878**	**322,665**
Attributable to the owners of the Parent Company		*509,834*	*322,628*
Attributable to non-controlling interests		*44*	*37*
Basic earnings per share (in EUR)	21	**50.3**	**31.9**
Diluted earnings per share (in EUR)	21	**50.3**	**31.9**

(1) Employee costs include incentive schemes and profit-sharing (EUR 112,330 thousand in 2012 and EUR 102,499 thousand in 2011) along with the contributions paid into state plans, comparable to the defined contribution plans (EUR 77,953 thousand in 2012 and EUR 76,106 thousand in 2011).

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(EUR 000)	NOTE	2012	2011
NET INCOME		**509,878**	**322,665**
Net change in fair value measurement of financial instruments:			
✓ Available-for-sale financial assets	5	27,135	-5,848
✓ Hedging instruments (1)	23	-13,253	-87,561
Actuarial adjustments on defined benefit obligations	12	-69,137	-31,643
Deferred taxes	20	9,903	21,725
Foreign exchange differences		-11,133	15,260
Fully consolidated companies		**-56,485**	**-88,067**
Equity affiliates	5	**-89,139**	**-78,095**
INCOME AND EXPENSE RECOGNIZED DIRECTLY THROUGH EQUITY		**-145,624**	**-166,162**
TOTALLY RECOGNIZED INCOME AND EXPENSE		**364,254**	**156,503**
Attributable to the owners of the Parent Company		*364,210*	*156,466*
Attributable to non-controlling interests		*44*	*37*

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

STATEMENT OF CHANGES IN EQUITY

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

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

(EUR 000)	Share capital	Reserves and consolidated retained earnings (1)	Foreign exchange differences	Other income and expense recognized directly through equity	Total attributable to the owners of the Parent Company	Non-controlling interests	Total
As of 31.12.2010	**81,007**	**3,624,301**	**-61,927**	**767,017**	**4,410,398**	**227**	**4,410,625**
Net income for the year		*322,628*			*322,628*	*37*	*322,665*
Total income and expense recognized directly through equity			*23,452*	*-189,614*	*-166,162*		*-166,162*
Total recognized income and expense		322,628	23,452	-189,614	156,466	37	156,503
Dividends paid		-108,347			-108,347		-108,347
Other movements (2)		3,210			3,210		3,210
As of 31.12.2011	**81,007**	**3,841,792**	**-38,475**	**577,403**	**4,461,727**	**264**	**4,461,991**
Net income for the year		*509,834*			*509,834*	*44*	*509,878*
Total income and expense recognized directly through equity			*-9,632*	*-135,992*	*-145,624*		*-145,624*
Total recognized income and expense		509,834	-9,632	-135,992	364,210	44	364,254
Dividends paid		-86,070			-86,070		-86,070
Other movements (2)		1,229			1,229		1,229
As of 31.12.2012	**81,007**	**4,266,785**	**-48,107**	**441,411**	**4,741,096**	**308**	**4,741,404**

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

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

CASH FLOW STATEMENT

(EUR 000)	NOTE	2012	2011
I - NET CASH FROM OPERATING ACTIVITIES			
NET INCOME		509,878	322,665
Elimination of net income of equity affiliates, net of dividends received	5.1	-49,461	-2,161
Elimination of gains and losses from disposals of non-current assets		190	116
Changes in the fair value of hedging instruments	23.3	-82,018	18,428
Income tax (including deferred taxes)	20	225,441	108,879
Net charges to and reversals of depreciation, amortization and provisions (excluding those relating to working capital)	4, 12.1	100,287	45,488
Net cash from operating activities before working capital changes and taxes		**704,317**	**493,415**
Income taxes paid	20.1	**-204,501**	**-152,530**
Change in inventories and work-in-progress (net)	6	-117,815	-6,976
Change in advances and progress payments to suppliers		-30,421	-2,126
Change in trade and other receivables (net)	7	45,845	-16,021
Change in customer advances and progress payments on work-in-progress	14	145,476	121,524
Change in trade and other payables	13	39,107	-22,654
Change in tax and employee-related liabilities	13	33,555	-26,059
Consolidation reclassifications and restatements		-6,849	2,172
Increase (-) or decrease (+) in working capital		**108,898**	**49,860**
Total I		**608,714**	**390,745**
II - NET CASH FROM INVESTING ACTIVITIES			
Purchases of intangible assets and property, plant and equipment	4	-60,462	-51,343
Purchases of investments	5	-5,892	-752
Disposals of or reductions in fixed assets		20,692	2,883
Net cash from acquisitions and sales of subsidiaries	5.1	0	-25,770
Total II		**-45,662**	**-74,982**
III - NET CASH FLOW USED IN FINANCING ACTIVITIES			
Net change in available-for-sale marketable securities (at cost)	5.2	-45,653	754,424
Capital increase		0	0
Change in equity items		0	0
Increase in borrowings	11	94,846	515,971
Repayments of borrowings	11	-487,076	-1,450,478
Dividends paid	22	-86,070	-108,347
Total III		**-523,953**	**-288,430**
IV - Exchange rate fluctuations **Total IV**		-10,491	7,803
CHANGE IN NET CASH AND CASH EQUIVALENTS (I+II+III+IV)		**28,608**	**35,136**
Opening net cash and cash equivalents	8	**921,808**	**886,672**
Closing net cash and cash equivalents	8	**950,416**	**921,808**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Accounting policies

A/ GENERAL PRINCIPLES

On March 13, 2013, the Board of Directors approved and authorized the consolidated financial statements of DASSAULT AVIATION as of December 31, 2012. These consolidated financial statements shall be submitted for approval from the shareholders at the Annual General Meeting on May 15, 2013.

• A1 Reference standards

A1-1 Basis for the preparation of the financial reporting

The consolidated financial statements of the DASSAULT AVIATION Group are prepared in accordance with the international (IAS/IFRS) standards and interpretations as adopted by the European Union and applicable as of the balance sheet date.

A1-2 Developments in 2012 to the accounting standards applicable to Dassault Aviation

Standards, amendments and interpretations for mandatory application in 2012

The amendment of the IFRS 7 standard relating to information to be communicated when transferring financial assets had no impact on the financial statements of the Group.

Standards, amendments and interpretations for mandatory application post-2012

The standards, amendments and interpretations that were not mandatory on January 1st, 2012 are not applied in advance by the Group.

The texts applicable to DASSAULT AVIATION as from January 1st, 2013:

- the amendments to IAS 1 on the presentation of income and expense recognized directly through equity,
- the amendments to IAS 19 on employee benefits,
- the IFRS 13 standard relating to fair value measurement.

The Group does not anticipate any significant impact of these texts on the consolidated financial statements.

The texts applicable to DASSAULT AVIATION as from January 1st, 2014:

- IFRS 10 standard "Consolidated financial statements",
- IFRS 11 standard "Partnerships",
- IFRS 12 standard "Disclosure of interests in other entities",
- revised IFRS 27 standard "Individual financial statements",
- revised IAS 28 standard "Investment in associates and joint ventures"

The Group does not anticipate any significant impact of these texts on the consolidated financial statements.

The standards, amendments or interpretations published by the IASB and not yet adopted by the European Union have not been applied in advance by the Group for the preparation of its consolidated financial statements when this possibility was available. These texts mainly concern IFRS 9 standard "Financial instruments".

The impacts of this standard on the financial situation of the Group are currently being assessed.

• A2 Accounting choices and management estimates

To prepare the Group financial statements, the Management is required to make estimates and issue assumptions that are likely to have an impact on the amounts entered in the balance sheet and the income statement.

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

These estimates are calculated by taking into account past experience, elements known at the balance sheet date and reasonable change assumptions.

Subsequent results may therefore differ from such estimates.

• A3 Presentation of the consolidated financial statements

Consolidated balance sheet items are presented as Current/Non-current. 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.

• A4 Segment reporting

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

B/ CONSOLIDATION POLICIES

• B1 Consolidation scope and methods

B1-1 Investments in subsidiaries

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

B1-2 Investments in equity affiliates

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

B1-3 Investments in joint ventures

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

In 2011 and 2012, the Group did not have any material investments of this kind.

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

To apply the concept of relative importance, 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 Closure dates

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

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

The currency used in the preparation of the consolidated financial statements is the euro.

The financial statements of non-euro zone subsidiaries are translated as follows:
- balance sheet items are translated in euros at the year-end rate,
- income statement items are translated at the average rate.

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

C/ MEASUREMENT METHODS

• C1 Goodwill and business combinations

C1-1 Business combinations since January 1st, 2010

There have been no business combinations since January 1st, 2010.

C1-2 Business combinations prior to January 1st, 2010

Business combinations prior to January 1st, 2010 are recognized according to the acquisition method as defined in standard IFRS 3.

The identified assets and liabilities are recognized at their fair value on the date of acquisition.

The difference between the acquisition cost of the shares and the Group's share in the restated net assets constitutes the goodwill.

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

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

In accordance with IFRS 3 standard, goodwill is no longer amortized. It is subject to an impairment test at each year-end, or if an indication of impairment has been detected (see *C3 Loss in value and recoverable value).*

C1-3 Reminder of first adoption rules for IFRS

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

• C2 Intangible assets and property, plant and equipment

C2-1 Principles for recognition and appreciation or amortization

Intangible assets and property, plant and equipment are recognized at acquisition or production cost, less any accumulated depreciation or amortization and any accumulated impairment losses.

Each identified component of an intangible asset or item of property, plant and equipment is recognized and depreciated or amortized separately.

Depreciation and amortization are calculated using the straight-line method. No residual value is taken into account, except for aircraft.

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

The initial useful life of an asset is extended or reduced depending on the conditions in which the asset is used.

In accordance with IAS 38 "Intangible assets" concerning development costs, the Group determines the development phase of its programs that satisfies the criteria for capitalization. Development costs are capitalized to the extent that they satisfy the following three decisive criteria:
- The technical criterion is satisfied when the period for the validation of results after the maiden flight has elapsed without the project being called into question.
- The economic and commercial criterion is validated by the orders or options obtained on the date when the technical criterion is deemed to be satisfied
- The financial information reliability criterion is satisfied for significant programs as the information system is designed to differentiate between research and development phases. If such a distinction cannot be made, as may be the case for minor developments (e.g.: modification, improvement, etc.), the expenditure is not capitalized.

The asset should be likely to generate clearly identifiable future economic benefits attributable to a specific product.

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

C2-2 Useful lives

Useful lives are as follows:

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

C2-3 Derecognition

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

• C3 Loss in value and recoverable value of intangible assets, plant, property and equipment, and goodwill

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

Indications of impairment derive from significant adverse changes of a permanent nature, affecting the economic environment or the assumptions or objectives adopted by the Group.

The impairment tests consist in ensuring that the recoverable values of the tangible assets, intangible assets and cash-generating units to which the goodwill is assigned are at least equal to their net book value. Otherwise, impairment is recognized in net income and the net book value of the asset is written down to its recoverable value.

The recoverable value of a tangible or intangible asset is the highest value between its fair value, less the costs of disposal, and its value in use.

The recoverable amount of a cash-generating unit corresponds to its value in use. Each consolidated company represents a cash-generating unit, i.e.: the smallest identifiable group of assets that generates cash inflows and outflows.

The value in use is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.7% (compared to 8% as of 31.12.2011) and a 2% growth rate (same as of 31.12.2011).

The discount rate includes the rates prevailing in the aviation industry and was calculated using the same method as in 2011. Post-tax cash flows are projected over a period not exceeding 5 years and the method takes into account a terminal value. These future cash flows result from the economic assumptions and forecast operating conditions adopted by the Group's Executive Management. As far as the interest of DASSAULT AVIATION in THALES is concerned, these cash flows are consistent with the forecast data as provided by the THALES Management.

When a cash-generating unit needs to be impaired, the impairment is first of all applied to the goodwill then, if appropriate, to the other assets of the cash-generating unit proportionate to their net book value. Impairments may be reversed except those relating to goodwill.

• C4 Securities and other non-current financial assets

These fall into three categories.

C4-1 Investments in equity affiliates

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

Impairment is recognized if the recoverable value is lower than the carrying amount, with the recoverable value being equivalent to the value in use or the fair value net of transaction costs, whichever is the higher.

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

C4-2 Available-for-sale securities

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

They are recognized at their fair value.

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

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

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

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

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

C4-3 Other financial assets

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

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

• C5 Inventories and work-in-progress

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

Inventories and work-in-progress are impaired when their net realizable value is lower than their carrying amount.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

• C6 Receivables

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

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

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

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

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

• C7 Cash and cash equivalents

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

The cash equivalents satisfy the criteria set forth in IAS 7 "Statement of cash flows": short-term, highly liquid investments that are readily convertible to known amounts of cash and which are not subject to a material risk of changes in value.

They are initially recognized at acquisition cost, and subsequently at fair value, corresponding, for these listed securities, to the market rate prevailing at the year-end.

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

• C8 Provisions for contingencies and losses

C8-1 Retirement severance payments

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

The Group recognizes all actuarial adjustments as other income and expense recognized directly through equity.

C8-2 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.

• C9 Borrowings and payables

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

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

• C10 Discounting of receivables, payables and provisions

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 "Employee benefits".

Other provisions are stated at present value.

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

• C11 Derivative financial instruments

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

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

On initial recognition, derivatives are carried at acquisition cost in the balance sheet under "Hedging instruments".

They are subsequently stated at fair value based on the market price disclosed by the relevant financial institutions.

The Group applies hedge accounting for the operations concerned in accordance with the criteria set forth in IAS 39 "Financial instruments":

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

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

• C12 Net sales and income

C12-1 Recognition of revenue and operating income or loss

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

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

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

C12-2 Research-based tax credits

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

C12-3 Net financial income or expense

Net financial income or expense mainly comprises:

- unrealized capital gains or losses on cash equivalents,
- gains on disposal of marketable securities,
- dividends from non-consolidated companies recognized when the Group – as shareholder - is entitled to receive payment,
- financial expense, which largely relates to contracted borrowings and employee profit sharing current accounts,
- variations in value of hedging instruments not satisfying the conditions required by the standard for hedge accounting.

• C13 Deferred taxation

Deferred taxes linked to temporary differences are calculated per company.

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

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

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

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

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

Note 2 - Scope of consolidation

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

Name	Country	% equity interest (1)	
		31.12.2012	31.12.2011
Fully consolidated companies			
DASSAULT AVIATION (2)	**France**	**Parent company**	**Parent company**
DASSAULT FALCON JET	USA	100	100
DASSAULT FALCON SERVICE	France	100	100
DASSAULT PROCUREMENT SERVICES	USA	100	100
SOGITEC INDUSTRIES	France	100	100
Equity affiliates			
DASSAULT INTERNATIONAL INC.	USA	100	100
THALES	France	26	26

(1) The equity interest percentages are identical to the percentages of effective control for all Group companies except for THALES, for which the Group holds a 25.96% equity interest, 26.33% of the interest entitlements and 29.50% of the voting rights as of December 31, 2012.

In 2012, the Group benefited from the provision allocating a double voting right for all shares that have been held on a registered basis for at least 2 years. The Group therefore held 29.50% of the voting rights on December 31, 2012 (compared to 20.40% on December 31, 2011). This has no impact on the chosen consolidation method.

(2) Identity of the parent company:

Société Anonyme (French Limited Liability Company) with share capital of EUR 81,007,176, listed and registered in France with the Paris Trade Registry under the number 712 042 456,
9, Rond-point des Champs-Élysées-Marcel Dassault - 75008 PARIS

Note 3 - Goodwill

(EUR 000)	31.12.2011	Acquisitions	Disposals	Other	31.12.2012
DASSAULT FALCON SERVICE	3,702	0	0	0	3,702
DASSAULT PROCUREMENT SERVICES	5,887	0	0	0	5,887
SOGITEC INDUSTRIES	4,777	0	0	0	4,777
TOTAL	**14,366**	**0**	**0**	**0**	**14,366**

As the tests performed in accordance with IAS 36 "Impairment of assets" did not indicate any impairment loss, no provision for goodwill impairment was recognized. A 10% variation of the discount rate and of the long-term growth rate does not affect the absence of goodwill impairment.

Pursuant to the IFRS standards, the goodwill for THALES, which is consolidated under the equity method, is included under "Equity affiliates" (see Note 5).

Note 4 - Intangible assets and property, plant and equipment

4.1 Geographical breakdown

(EUR 000)	31.12.2012	31.12.2011
Net value		
France	306,929	313,470
USA	137,246	156,816
TOTAL	**444,175**	**470,286**
Intangible assets	38,612	44,181
Property, plant and equipment	405,563	426,105

4.2 Intangible assets

(EUR 000)	31.12.2011	Additions / Charges	Disposals / Reversals	Other	31.12.2012
Gross value					
Development costs (1)	139,030	4,220	0	0	143,250
Software, patents, licenses and similar assets	100,591	2,373	-1,339	702	102,327
Construction in progress; advances and progress payments	834	1,492	0	-702	1,624
	240,455	**8,085**	**-1,339**	**0**	**247,201**
Depreciation					
Development costs (1)	-109,830	-6,420	0	0	-116,250
Software, patents, licenses and similar assets	-86,444	-7,289	1,339	55	-92,339
	-196,274	**-13,709**	**1,339**	**55**	**-208,589**
Net value					
Development costs (1)	29,200				27,000
Software, patents, licenses and similar assets	14,147				9,988
Construction in progress; advances and progress payments	834				1,624
TOTAL	**44,181**	**-5,624**	**0**	**55**	**38,612**

(1) cf. paragraph C2-1 of the accounting policies.

4.3 Property, plant and equipment

(EUR 000)	31.12.2011	Additions / Charges	Disposals / Reversals	Other (1)	31.12.2012
Gross value					
Land	26,948	79	-11	65	27,081
Buildings	414,607	16,669	-1,950	2,338	431,664
Plant, equipment and machinery	533,105	19,008	-19,059	2,058	535,112
Other property, plant and equipment	301,557	7,515	-33,230	-750	275,092
Construction in progress; advances and progress payments	11,059	9,106	-2,081	-8,555	9,529
	1,287,276	**52,377**	**-56,331**	**-4,844**	**1,278,478**
Depreciation					
Land	-5,113	-454	11	0	-5,556
Buildings	-219,895	-16,918	1,433	826	-234,554
Plant, equipment and machinery	-448,100	-27,335	18,607	496	-456,332
Other property, plant and equipment	-177,991	-13,834	15,958	905	-174,962
	-851,099	**-58,541**	**36,009**	**2,227**	**-871,404**
Impairment (2)					
Other property, plant and equipment	-10,072	-1,511	10,098	-26	-1,511
	-10,072	**-1,511**	**10,098**	**-26**	**-1,511**
Net value					
Land	21,835				21,525
Buildings	194,712				197,110
Plant, equipment and machinery	85,005				78,780
Other property, plant and equipment	113,494				98,619
Construction in progress; advances and progress payments	11,059				9,529
TOTAL	**426,105**	**-7,675**	**-10,224**	**-2,643**	**405,563**

(1) This involves essentially foreign exchange differences.

(2) Impairment tests of property, plant and equipment (see Note C3 Accounting policies):

- The impairment tests carried out for cash-generating units did not highlight any other impairment to be recognized as of 31.12.2012.

- The provision for depreciation of capitalized used business jets was revised to EUR 1,511 thousand on December 31, 2012, compared to EUR 10,072 thousand on December 31, 2011. This provision is equal to the difference between the net carrying amount of the capitalized aircraft and their recoverable value. The recoverable value of a capitalized aircraft is the higher of its fair value (less costs to sell) and its value in use. The value in use of all capitalized aircraft is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.7% and a 2% growth rate, a cash flow forecast period equal to the term of the aircraft's lease and a value at which the aircraft will be resold after the lease term has elapsed.

Note 5 - Non-current financial assets

5.1 Equity affiliates

This concerns, on the one hand, the THALES participation for which, as of December 31, 2012, DASSAULT AVIATION possesses 29.50% of the voting rights and 26.33% of the interest entitlements. Consequently, DASSAULT AVIATION has a significant influence over THALES, which as such is consolidated under the equity method in the Group financial statements.

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

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

(EUR 000)	% equity interest at year end (1)		Net assets at year end (2)		Net income (2)	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	2012	2011
DASSAULT INTERNATIONAL INC.	100	100	5,042	5,082	60	54
THALES (3)	26.3	26.4	1,636,548	1,674,957	90,376	41,010
TOTAL			**1,641,590**	**1,680,039**	**90,436**	**41,064**

(1) % interest entitlements.

(2) Group share after consolidation adjustments.

(3) The share value includes goodwill amounting to EUR 1,101,297 thousand. The Group share of the THALES income after consolidation adjustments is detailed in Note 5.1.3.

5.1.2 Change in value of investments in equity affiliates

(EUR 000)	2012	2011
On January 1	**1,680,039**	**1,726,993**
Acquisition of THALES shares (1)	0	25,770
Group share of net income (after consolidation adjustments)	90,436	41,064
Elimination of dividends paid by THALES (1)	-40,975	-38,903
Total income and expense recognized directly through equity		
- Net change in fair value measurement of available-for-sale financial assets	132	79
- Net change in fair value measurement of hedging instruments (2)	20,379	-10,625
- Actuarial adjustments on defined benefit obligations	-103,372	-79,581
- Corresponding deferred taxes	-7,779	3,840
- Foreign exchange differences	1,501	8,192
Share of other income and expense recognized directly through equity relating to equity affiliates	-89,139	-78,095
Other movements (3)	1,229	3,210
As of December 31	**1,641,590**	**1,680,039**

(1) In 2012, the Group received EUR 27,842 thousand in THALES dividends for 2011 and EUR 13,133 thousand in interim dividends for 2012. In 2011, the Group received EUR 38,903 thousand, of which EUR 25,770 thousand for 2010, paid in shares, and EUR 13,133 thousand in interim dividends for 2011, paid in cash in the 2nd half-year of 2011.

(2) The totals stated represent the change in the portfolio's market value during the year. They are not representative of the actual gain/loss when the hedges are exercised.

(3) This largely consists of changes in treasury shares and THALES stock options.

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

(EUR 000)	2012	2011
Total assets	21,332,400	21,075,500
Equity attributable to the owners of the Parent Company	4,576,200	4,120,200
Net sales	14,158,100	13,028,400
Net income attributable to the owners of Parent Company (1)	535,700	511,800

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

(EUR 000)	2012	2011
THALES net income (100%)	**535,700**	**511,800**
THALES net income - DASSAULT AVIATION share (A)	**141,050**	**135,269**
Post-tax amortization of the purchase price allocation (1)	-67,967	-83,858
Other consolidation adjustments		
• run-off of the hedging instruments included in THALES equity on the acquisition date	-2,370	-19,558
• adjustment of pension liabilities (2)	21,064	2,907
• corresponding deferred tax	856	6,694
• dilution impact	-2,257	-444
Sub-total consolidation adjustments (B)	**-50,674**	**-94,259**
Value applied by DASSAULT AVIATION (A+B)	**90,376**	**41,010**

(1) depreciation of identified assets for which the modes and periods of depreciation are identical to those used for the year ended December 31, 2011

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

5.1.4 Market price of THALES shares and impairment test

Based on the market price of THALES shares at December 31, 2012 of EUR 26.24 per share, DASSAULT AVIATION's investment in THALES is valued at EUR 1,378 million.

The THALES investments have been subject to an impairment test. The value in use was estimated by forecasting future post-tax cash flows over a four year period. These cash flows were then discounted at a post-tax rate of 8.5% (being the discount rate applied by THALES on 31.12.2012, identical to that on 31.12.2011). The final value was calculated based on medium-term earnings assumptions in line with the THALES forecast data and taking into account a long-term growth rate of 2%.

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

A variation of 10% of the main assumptions adopted (discount rate, long-term growth rate, cash flow) does not affect the absence of impairment of Group participation in THALES.

5.2 Available-for-sale securities

Available-for-sale securities are recognized at their fair value. They comprise in particular short-term Group investments in the form of marketable securities. It should be noted that other marketable securities are classified under "cash equivalents" (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.

(EUR 000)	31.12.2011	Acquisitions	Disposals	Fair value variation	Other	31.12.2012
Shares (EMBRAER)	32,475	0	0	3,181	0	35,656
Marketable securities (listed) (1)(2)	3,066,435	45,653	0	19,564	0	3,131,652
Unlisted securities	86,607	3,300	0	4,390	1,209	95,506
Available-for-sale securities	**3,185,517**	**48,953**	**0**	**27,135**	**1,209**	**3,262,814**

(1) The sum of EUR 45,653 thousand corresponds to the net change in available-for-sale marketable securities (at cost).

(2) The variation of EUR 19,564 thousand corresponds to the increase in fair value of the listed marketable securities amounting to EUR 31,980 thousand offset by a loss on sale amounting to EUR -12,416 thousand (included in the net financial income).

(EUR 000)	31.12.2012			31.12.2011		
	Historical cost	Capital gain / loss (1)	Consolidated value	Historical cost	Capital gain / loss (1)	Consolidated value
Shares (EMBRAER)	32,120	3,536	35,656	32,120	355	32,475
Marketable securities (listed)	2,152,470	979,182	3,131,652	2,106,817	959,618	3,066,435
Unlisted securities	70,228	25,278	95,506	65,719	20,888	86,607
Available-for-sale securities	**2,254,818**	**1,007,996**	**3,262,814**	**2,204,656**	**980,861**	**3,185,517**

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

5.3 Other financial assets

(EUR 000)	31.12.2011	Additions / Charges	Disposals / Reversals	Other	31.12.2012
Gross value					
Advance lease payments	30,020	2,216	-48	0	32,188
Housing loans and other	2,614	376	-510	-3	2,477
TOTAL (1)	**32,634**	**2,592**	**-558**	**-3**	**34,665**
Provision	**-309**	**0**	**0**	**3**	**-306**
NET VALUE	**32,325**	**2,592**	**-558**	**0**	**34,359**

(1) maturing within more than one year: EUR 33,898 thousand as of 31.12.2012 and EUR 31,708 thousand as of 31.12.2011

Note 6 - Inventories and work-in-progress

(EUR 000)	31.12.2012			31.12.2011
	Gross	Provision	Net	Net
Raw materials	183,362	-74,236	109,126	105,983
Work-in-progress	2,251,958	-23,576	2,228,382	2,213,551
Semi-finished and finished goods	867,797	-288,400	579,397	479,556
TOTAL	**3,303,117**	**-386,212**	**2,916,905**	**2,799,090**

Note 7 - Trade and other receivables

7.1 Details

(EUR 000)	31.12.2012			31.12.2011
	Gross	Provision	Net	Net
Trade receivables	457,200	-89,687	367,513	338,825
Corporate income tax receivables	26,355	0	26,355	63,392
Other receivables	84,193	0	84,193	123,763
Prepayments and accrued income	11,894	0	11,894	9,820
TOTAL	**579,642**	**-89,687**	**489,955**	**535,800**

7.2 Maturity of trade and other receivables - gross value

(EUR 000)	31.12.2012			31.12.2011		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables	457,200	314,901	142,299	446,855	270,619	176,236
Corporate income tax receivables	26,355	26,355	0	63,392	63,392	0
Other receivables	84,193	84,193	0	123,763	123,763	0
Prepayments and accrued income	11,894	11,894	0	9,820	9,820	0
TOTAL	**579,642**	**437,343**	**142,299**	**643,830**	**467,594**	**176,236**

Note 8 - Cash and cash equivalents

8.1 Net cash

(EUR 000)	31.12.2012			31.12.2011
	Gross	Provision	Net	Net
Cash equivalents (1)	725,840	0	725,840	546,686
Cash at bank and in hand	224,576	0	224,576	375,122
Cash and cash equivalents in the balance sheet	**950,416**	**0**	**950,416**	**921,808**
Bank loans and credit balance bank accounts	0	0	0	0
Net cash in the cash flow statement	**950,416**	**0**	**950,416**	**921,808**

(1) mainly demand deposits and cash equivalent marketable securities; the corresponding risk analysis is described in Note 24 to the consolidated financial statements

8.2 Available cash

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

(EUR 000)	31.12.2012	31.12.2011
Available-for-sale marketable securities (market value) (1)	3,131,652	3,066,435
Cash equivalents (market value)	950,416	921,808
Sub-total	**4,082,068**	**3,988,243**
Borrowings (2)	-321,779	-714,009
Available cash	**3,760,289**	**3,274,234**

(1) See Note 5. At the Group's initiative, the available-for-sale marketable securities may be sold in the very near future, given their liquidity.

(2) See Note 11.

Note 9 - Share capital and capital management

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

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

Furthermore, the Group regularly distributes dividends.

Note 10 - Identity of the consolidating Parent Company

	% control (1)
GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD) 9, Rond-Point des Champs-Élysées - Marcel Dassault, 75008 Paris	50.55%

(1) identical to the consolidation percentage

Note 11 - Borrowings

(EUR 000)	Total on 31.12.2012	Amount due within 1 year	Amount due in more than 1 year		
			Total due within more than 1 year	Of which > than 1 year and < than 5 years	More than 5 years
Bank borrowings (1)	**56**	17	39	39	0
Other borrowings (2)	**321,723**	58,223	263,500	262,773	727
TOTAL	**321,779**	58,240	263,539	262,812	727

(EUR 000)	Total on 31.12.2011	Amount due within 1 year	Amount due in more than 1 year		
			Total due within more than 1 year	Of which: > than 1 year and < than 5 years	More than 5 years
Bank borrowings (1)	**400,957**	400,901	56	51	5
Other borrowings (2)	**313,052**	36,193	276,859	276,320	539
TOTAL	**714,009**	437,094	276,915	276,371	544

(1) In 2012, the Group repaid loans of EUR 400 million taken out with a credit establishment.

No short-term bank credit on 31.12.2012 and on 31.12.2011.

(2) On 31.12.2012 and on 31.12.2011, the other borrowings mainly include locked-in employee profit-sharing funds.

Note 12 - Provisions

12.1 Provisions for contingencies and losses and for impairment

(EUR 000)	31.12.2011	Increases / Charges	Decreases / Reversals	Other (1)	31.12.2012
Provisions for contingencies and losses					
Operational	1,164,542	246,078	-209,454	67,141	1,268,307
Financial	0	0	0	0	0
	1,164,542	**246,078**	**-209,454**	**67,141**	**1,268,307**
Provisions for impairment and write-down					
Financial	309	0	0	-3	306
Property, plant and equipment	10,072	1,511	-10,098	26	1,511
Inventories and work-in-progress	421,034	389,222	-422,124	-1,920	386,212
Trade receivables	108,030	89,678	-108,005	-16	89,687
	539,445	**480,411**	**-540,227**	**-1,913**	**477,716**
TOTAL	**1,703,987**	**726,489**	**-749,681**	**65,228**	**1,746,023**

(1) Including Foreign exchange differences and actuarial adjustments posted to other income and expense recognized directly through equity. In 2012, the actuarial adjustments contributed to the increase in current operating provisions for contingencies and losses amounting to EUR 69,137 thousand.

12.2 Provisions for contingencies and losses

(EUR 000)	31.12.2011	Increases / Charges	Decreases / Reversals	Other (1)	31.12.2012
Warranties (2)	631,608	120,528	-92,697	-651	658,788
Services and work to be performed	195,352	87,045	-86,417	-802	195,178
Retirement severance payments	329,809	36,854	-28,269	68,664	407,058
French companies	*318,698*	*28,179*	*-10,128*	*49,850*	*386,599*
US companies	*11,111*	*8,675*	*-18,141*	*18,814*	*20,459*
Miscellaneous (3)	7,773	1,651	-2,071	-70	7,283
Operating – current	**1,164,542**	**246,078**	**-209,454**	**67,141**	**1,268,307**
Financial	**0**	**0**	**0**	**0**	**0**
TOTAL	**1,164,542**	**246,078**	**-209,454**	**67,141**	**1,268,307**

(1) Including Foreign exchange differences and actuarial adjustments posted to other income and expense recognized directly through equity. These actuarial adjustments are relative to the retirement severance payments and are broken down, excluding Foreign exchange differences, as follows (EUR thousands):

French companies	*49,850*
US companies	*19,287*
Total actuarial adjustments	*69,137*

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

(3) The other long-term benefits relating to long-service awards amounted to EUR 2,699 thousand on December 31, 2012, compared to EUR 2,474 thousand at the end of 2011.

12.3 Provisions for retirement severance payments

12.3.1 Calculation methods (defined benefit plans)

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

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

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

12.3.2 Assumptions used

	French companies		US companies	
	2012	2011	2012	2011
Inflation rate	2.00%	2.00%	3.00%	3.00%
Discount rate	2.30%	3.60%	4.45%	4.95%
Weighted average salary increase rate	3.90%	3.90%	4.18%	4.22%
Expected return on plan assets			5.25%	5.25%

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

12.3.3 History of commitments

(EUR 000)	2012	2011	2010	2009	2008
Total commitment	579,783	485,241	419,381	382,715	373,016
Plan assets	172,725	155,432	138,786	116,075	108,579
Unfunded status (1)	**407,058**	**329,809**	**280,595**	**266,640**	**264,437**

(1) fully provisioned in the Group accounts

12.3.4 French companies

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

(EUR 000)	2012	2011
As of January 1	**318,698**	**277,937**
Current service cost	15,630	14,032
Interest cost	12,549	11,805
Benefits paid	-10,128	-7,837
Actuarial adjustments	49,850	22,761
As of December 31	**386,599**	**318,698**

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

(EUR 000)	2012	2011
Current service cost	15,630	14,032
Interest cost	12,549	11,805
Periodic cost for defined benefit obligations	**28,179**	**25,837**

12.3.5 US companies

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

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

(EUR 000)	2012	2011
As of January 1	**166,543**	**141,444**
Current service cost	8,424	7,430
Interest cost	8,349	7,504
Benefits paid	-4,737	-4,114
Actuarial adjustments	18,629	8,212
Foreign exchange differences	-4,024	6,067
As of December 31	**193,184**	**166,543**

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

(EUR 000)	2012	2011
Fair value of the plan as of January 1	**155,432**	**138,786**
Expected return on plan assets	8,098	7,055
Actuarial adjustments	-658	-670
Employer contributions	18,141	8,984
Benefits paid	-4,737	-4,114
Foreign exchange differences	-3,551	5,391
Fair value of the plan as of December 31	**172,725**	**155,432**

The value of the fund amounted to USD 228 million as of 31.12.2012, compared to USD 201 million as of 31.12.2011. The fund invests largely in bonds with a minimum guaranteed annual yield.

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

(EUR 000)	2012	2011
Current service cost	8,424	7,430
Interest cost	8,349	7,504
Expected return on plan assets	-8,098	-7,055
Periodic cost for defined benefit obligations	**8,675**	**7,879**

Note 13 - Operating payables

(EUR 000)	31.12.2012			31.12.2011		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade payables	536,606	536,606	0	505,524	505,524	0
Other miscellaneous payables	118,974	118,974	0	106,740	106,740	0
Prepayments and accrued income	112,588	73,713	38,875	116,797	61,154	55,643
Trade and other payables	**768,168**	**729,293**	**38,875**	**729,061**	**673,418**	**55,643**
Current corporate income tax payables	5,472	5,472	0	5,365	5,365	0
Other tax and social security payables	237,020	237,020	0	203,572	203,572	0
Tax and employee-related liabilities	**242,492**	**242,492**	**0**	**208,937**	**208,937**	**0**

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

(EUR 000)	31.12.2012			31.12.2011		
	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	3,043,088	2,244,170	798,918	2,897,612	1,692,426	1,205,186
TOTAL	**3,043,088**	**2,244,170**	**798,918**	**2,897,612**	**1,692,426**	**1,205,186**

Note 15 – Net sales

(EUR 000)	2012	2011
France (1)	997,341	856,382
Export	2,943,893	2,448,960
TOTAL	**3,941,234**	**3,305,342**

(1) principally the French government

One single customer, the French government, accounts for over 10% of the net sales of the Group in 2011 and 2012.

(EUR 000)	2012	2011
First quarter	950,103	645,831
Second quarter	978,988	670,970
Third quarter	591,913	748,871
Fourth quarter	1,420,230	1,239,670
TOTAL	**3,941,234**	**3,305,342**

The net sales break down as follows:

(EUR 000)	2012	2011
Sales of goods	3,180,800	2,780,745
Sales of services	760,434	524,597
TOTAL	**3,941,234**	**3,305,342**

Note 15 - Net sales (cont'd)

By origin, net sales break down as follows:

(EUR 000)	2012	2011
France (1)	2,562,426	2,466,851
United States (2)	1,378,808	838,491
TOTAL	3,941,234	3,305,342

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

(2) DASSAULT FALCON JET and DASSAULT PROCUREMENT SERVICES

Note 16 - Other revenue

(EUR 000)	2012	2011
Research-based tax credits	32,552	31,535
Financial revenue from operations (1)	796	1,775
Capitalized production (2)	4,257	1,550
Other operating grants	243	56
Other operating income	5,622	26,000
TOTAL	43,470	60,916

(1) interest in arrears

(2) including capitalized development costs: EUR 4,220 thousand in 2012 and EUR 1,550 thousand in 2011

Note 17 - Other operating income and expenses

(EUR 000)	2012	2011
Losses from disposals of non-current assets	-190	-116
Foreign exchange gains or losses from business transactions (1)	8,206	-10,858
Income/(loss) from non-capital transactions	-127	-98
Other operating expenses	-3,987	-611
Share of income of joint ventures	1,554	1,502
TOTAL	5,456	-10,181

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

Note 18 - Research and development costs

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

(EUR 000)	2012	2011
Research and development costs	-387,457	-303,413

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

Note 19 - Net financial income / (expense)

(EUR 000)	2012	2011
Interest generated by cash and cash equivalents	8,081	5,732
Disposal gains and change in fair value of cash equivalents	609	1,657
Income from cash and cash equivalents	**8,690**	**7,389**
Interest charges on financing operations	-12,437	-23,728
Cost of gross financial debt	**-12,437**	**-23,728**
COST OF NET FINANCIAL DEBT	**-3,747**	**-16,339**
Dividends and other investment income	2,856	3,800
Interest income and gains/losses on disposal of other financial assets (excluding cash and cash equivalents)	15,470	40,583
Foreign exchange gain/loss (1)	83,318	-14,065
Other financial expenses	0	0
Financial income and expenses	**101,644**	**30,318**
NET FINANCIAL INCOME / (EXPENSE)	**97,897**	**13,979**

(1) The stated totals correspond mainly to the variation in the value of hedging instruments that are not eligible for hedge accounting under the terms of IAS 39 "Financial instruments". They are not representative of the actual gain/loss when the hedges are exercised.

Note 20 - Tax position

20.1 Net effect of taxes on net income

(EUR 000)	2012	2011
Current tax expense	-204,501	-152,530
Deferred tax gain / expense	-20,940	43,651
Tax gain / expense on net income	**-225,441**	**-108,879**

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

(EUR 000)	2012	2011
Hedging instruments	4,566	30,145
Available-for-sale securities	-8,420	-14,949
Actuarial adjustments	13,757	6,529
Tax charge recognized directly through equity	**9,903**	**21,725**

Note 20 - Tax position (cont'd)

20.3 Reconciliation of the theoretical and actual tax charge

(EUR 000)	2012	2011
Net income	509,878	322,665
Cancellation of the tax charge	225,441	108,879
Cancellation of the Group share of net income of equity affiliates	-90,436	-41,064
Income before tax	644,883	390,480
Theoretical tax expenses calculated at the current standard tax rate (1)	**-232,803**	**-140,963**
Effect of foreign tax rates and deferred tax	-1,685	790
Changes resulting from non-taxable income and non-deductible expenses	9,047	31,294
Accounting Tax Charge	**-225,441**	**-108,879**

(1) Pursuant to the 2012 amendments to the Finance Act, a rate of 36.10% applies for years 2012, 2013 and 2014 for the Parent Company of the Group.

20.4 Deferred tax sources

(EUR 000)	Consolidated balance sheet		Consolidated income statement	
	31.12.2012	**31.12.2011**	**2012**	**2011**
Temporary differences on provisions (profit-sharing, retirement, etc.)	219,717	206,681	72	5,710
Available-for-sale securities and cash equivalents	-10,603	-9,615	583	9,670
Hedging instruments	-85,349	-61,631	-28,284	6,363
Other temporary differences	74,131	67,910	6,689	21,908
Deferred tax gain / expense			**-20,940**	**43,651**
Net deferred tax (1)	**197,896**	**203,345**		
Deferred tax assets	*197,896*	*203,345*		
Deferred tax liabilities	*0*	*0*		

(1) The schedule for the payment of deferred taxes was not determined as certain deferred tax bases may not be accurately broken down by year. The deferred tax bases for which a reversal is expected with certainty in 2013 and 2014 have been subject to tax at 36.10%. The other bases are subject to tax at 34.43%.

20.5 Tax losses carried forward

(EUR 000)	31.12.2012	31.12.2011
Deferred tax assets not recognized in the balance sheet	84,975	70,161

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

Note 21 - Earnings per share

BASIC EARNINGS PER SHARE	2012	2011
Net income attributable to shareholders (EUR 000) (1)	509,834	322,628
Weighted average number of outstanding ordinary shares	10,125,897	10,125,897
Basic earnings per share (in EUR)	50.3	31.9

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

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

Note 22 - Dividends paid and proposed

DIVIDENDS ON ORDINARY SHARES	2012	2011
Decided and paid during the year (in EUR 000)	86,070	108,347
Per share (EUR)	*8.50*	*10.70*
Submitted to the AGM for approval, not recognized as a liability as of December 31 (in EUR 000)	94,171	
Per share (EUR)	*9.30*	

Note 23 - Financial instruments

23.1 Financial instruments assets

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

(EUR 000)	Balance sheet value as of 31.12.2012			
	Cost or cost less repayments (1)	Fair value (2)		Total
		Impact on net income	Impact on equity	
Non-current assets				
Listed investments			35,656	35,656
Non-listed investments			95,506	95,506
Available-for-sale marketable securities			3,131,652	3,131,652
Other financial assets	34,359			34,359
Current assets				
Trade and other receivables	489,955			489,955
Hedging instruments		68,604	179,290	247,894
Cash equivalents		725,840		725,840
Total financial instruments assets	**524,314**	**794,444**	**3,442,104**	**4,760,862**

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

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

(EUR 000)	Fair value		Total
	Impact on net income	Impact on equity	
Quoted prices in active markets (level 1) (3)	725,840	3,167,308	3,893,148
Valuation techniques based on observable market data (level 2)	68,604	179,290	247,894
Valuation techniques based on non-observable market data (level 3)	0	95,506	95,506
Total of financial instruments assets recognized at their fair value	**794,444**	**3,442,104**	**4,236,548**

(3) including demand deposits as of 31.12.2012: EUR 469,471 thousand

On December 31, 2011, the data were as follows:

(EUR 000)	Balance sheet value as of 31.12.2011			
	Cost or cost less repayments (1)	Fair value (2)		Total
		Impact on net income	Impact on equity	
Non-current assets				
Listed investments			32,475	32,475
Non-listed investments			86,607	86,607
Available-for-sale marketable securities			3,066,435	3,066,435
Other financial assets	32,325			32,325
Current assets				
Trade and other receivables	535,800			535,800
Hedging instruments		-13,414	192,543	179,129
Cash equivalents		546,686		546,686
Total financial instruments (assets)	**568,125**	**533,272**	**3,378,060**	**4,479,457**

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

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

(EUR 000)	Fair value		Total
	Impact on net income	Impact on equity	
Quoted prices in active markets (level 1) (3)	546,686	3,098,910	3,645,596
Valuation techniques based on observable market data (level 2)	-13,414	192,543	179,129
Valuation techniques based on non-observable market data (level 3)		86,607	86,607
Total of financial instruments assets recognized at their fair value	**533,272**	**3,378,060**	**3,911,332**

(3) including demand deposits as of 31.12.2011: EUR 228,924 thousand

23.2 Financial instruments (liabilities)

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

(EUR 000)	Balance sheet value as of 31.12.2012			
	Cost or cost less repayments (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	39			39
Other borrowings (2)	263,500			263,500
Current liabilities				
Bank borrowings	17			17
Other borrowings (2)	58,223			58,223
Trade and other payables	768,168			768,168
Total financial instruments liabilities	**1,089,947**	**0**	**0**	**1,089,947**

On December 31, 2011, the data were as follows:

(EUR 000)	Balance sheet value as of 31.12.2011			
	Cost or cost less repayments (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	56			56
Other borrowings (2)	276,859			276,859
Current liabilities				
Bank borrowings	400,901			400,901
Other borrowings (2)	36,193			36,193
Trade and other payables	729,061			729,061
Total financial instruments liabilities	**1,443,070**	**0**	**0**	**1,443,070**

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

(2) mainly include locked-in employee profit-sharing funds (cf. Note 11)

23.3 Financial instruments (derivates)

The different types of financial instrument derivatives used by the Group (foreign currency and interest rate hedges) along with their recognition under hedge accounting as defined by IAS 39 "Financial instruments" are defined in section C11 of the accounting policy note to the consolidated financial statements.

The recognition of financial instrument derivatives is as follows:

(EUR 000)	Market value as of 31.12.2012	Market value as of 31.12.2011
Foreign exchange options	44,977	-15,570
Futures	202,917	194,443
Foreign exchange hedging	**247,894**	**178,873**
Interest rate hedges	**0**	**256**
Instruments recognized in assets	**247,894**	**179,129**
including premiums and accrued interest on financial instruments	*0*	*131*
Net capital gains on financial instruments	**247,894**	**178,998**

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

(EUR 000)	In equity (1)	Impact on net income		Total
		In operating income	In financial income (2)	
Net capital gains on financial instruments	-13,253	-5	82,154	**68,896**

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

(2) changes in fair value of Foreign exchange hedging instruments not eligible for recognition under hedge accounting under the terms of IAS 39 "Financial instruments" (cf. Note 24.5 for the sensitivity study)

Note 24 - Financial risk management

24.1 Interest rate risk

In 2012, the Group repaid loans of EUR 400 million taken out in 2011 with a credit establishment and is consequently no longer subject to the interest rate risk.

24.2 Shares risk

On December 31, 2012, the Group owned EMBRAER shares for a value of EUR 35,656 thousand (cf. Note 5.2). This equity share is classified as available-for-sale securities. On the basis of the share price on December 31, 2012, a 10% rise or fall in the share price would have no significant impact on the equity and income of the Group. The unrealized capital gains recorded on December 31, 2012 amounted to EUR 3,536 thousand.

24.3 Cash and liquidity risks

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

(EUR 000)	31.12.2012			
	Historical cost	Capital gain	Consolidated value	In %
Cash at bank and in hand, money market investments, demand deposits	2,241,448	333,129	2,574,577	63%
Bonds (1)	306,967	205,160	512,127	13%
Diversified investments (1)	551,447	443,917	995,364	24%
Total	**3,099,862**	**982,206**	**4,082,068**	**100%**

(1) Investments in bonds and diversified investments are in most cases collateralized, which limits the risk of impairment.

The Group can therefore meet its commitments without any liquidity risk due to its cash resources and its portfolio of available-for-sale marketable securities. The Group is not faced with restrictions with regard to the availability of its cash and of its marketable securities portfolio.

24.4 Credit and counterparty risks

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

The Group had no investments or accounts with financial institutions that went bankrupt in 2011 or 2012.

The Group limits counterparty risk by performing most of its sales in cash and ensuring that the granted loans are secured by export insurance guarantees (COFACE) or collateral. The amounts of export insurance guarantees and collateral obtained and not exercised at the year-end are recorded in off-balance sheet commitments (see Note 25).

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

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

24.5 Foreign exchange risks

24.5.1 Hedging portfolio

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

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

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

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

Portfolio market value (EUR 000)	**31.12.2012**		**31.12.2011**	
Net balance sheet position	247,894		178,873	
Closing US dollar/euro exchange rate	1 EUR = 1.3194 USD		1 EUR = 1.2939 USD	
Closing dollar/euro exchange rate +/- 10 cents	1.4194 USD	1.2194 USD	1.3939 USD	1.1939 USD
Change in net balance sheet position (1)	+ 172,046	-226,561	+ 225,197	-282,309
Impact on net income	*+24,933*	*-55,319*	*+ 24,954*	*-48,521*
Impact on equity	*+147,113*	*-171,242*	*+ 200,243*	*-233,788*

(1) Data calculated based on existing market conditions on the balance sheet dates. The data are not representative of the actual gain/loss when the hedges are exercised.

24.5.2 EMBRAER shares

The Group owns EMBRAER shares for a value of EUR 35,656 thousand. EMBRAER is listed on the Brazilian stock market. It is stated in the Group's financial statements, based on market value at the balance sheet closing date, in Brazilian reals converted into euros. The value of the shares may therefore fluctuate according to the exchange rate of these two currencies. On the basis of the price of the real on December 31, 2012, a 10% rise or fall in the share price would have no significant impact on the equity and income of the Group.

Note 25 - Off-balance sheet commitments

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

(EUR 000)

COMMITMENTS GIVEN	31.12.2012	31.12.2011
Future payments to subcontractors or suppliers	2,093,642	2,108,357
Fixed asset orders	18,000	23,000
Guarantees and deposits	16,054	50,646
TOTAL	2,127,696	2,182,003

COMMITMENTS RECEIVED	31.12.2012	31.12.2011
Future billings to customers	7,991,200	8,751,200
Export insurance guarantees	59,449	89,965
Collateral	51,309	68,740
TOTAL	8,101,958	8,909,905

SECURED PAYABLES AND RECEIVABLES	31.12.2012	31.12.2011
Customer advances and progress payments on work-in-progress	456,988	487,379
Advances and progress payments to suppliers	5,070	2,886
TOTAL	462,058	490,265

OPERATING LEASES	TOTAL	Within 1 year	More than 1 year
Minimum future non-cancelable lease payments (not discounted)	307,776	36,455	271,321

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

Note 26 – Contingent liabilities

In late 2002, a group of French manufacturers, including Dassault Aviation, was collectively issued with a request for arbitration from a common client claiming a sum which, according to the plaintiff, would amount to no less than USD 260 million, and for which the group of manufacturers may have joint obligation with regard to the plaintiff. This request related to the execution of old contracts implemented by these manufacturers. In the framework of an agreement signed between the parties in June 2003, the plaintiff withdrew its action. In November 2012, the latter gave notification of a new request for arbitration based on similar grounds to to the 2002 action, for a total now amounting to EUR 226 million. The parties strongly contest this request and, to date, it has not been possible to evaluate the potential financial risk. Consequently, Dassault Aviation has recognized any reserve.

Note 27 - Related-party transactions

The Group's related parties are:

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

Terms and conditions of related-party transactions

Sales and purchases are made at market price. Balances outstanding at the year-end are not guaranteed and payments are made in cash. No guarantees were provided or received for related-party receivables. For 2012, the Group did not recognize any provisions for bad debts relating to amounts receivable from related parties. The need for provisions is assessed each year by examining the financial position of the related parties and the market in which they operate.

27.1 Details of transactions

(EUR 000)	2012	2011
Sales	10,171	5,414
Purchases	126,421	129,837
Trade receivables	31,908	28,918
Advances and deposits received	32,353	5,242
Trade payables	47,724	52,653
Advances and deposits paid	26,377	13,791

27.2 Compensation of senior executives and benefits in kind

Directors' loans	2012 fiscal year	None	2011 fiscal year	None
Other directors' interests	2012 fiscal year	None	2011 fiscal year	None
Remuneration and other commitments	Total remuneration received by corporate officers in respect of 2012, broken down in the directors' report, amounted in 2012 to EUR 1,024,036 for the parent company, USD 77,144 for the subsidiaries, EUR 1,043,041 for GIMD and EUR 62,650 for THALES.			

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

Supplementary pension:
DASSAULT AVIATION has undertaken to pay a supplementary pension to Mr. EDELSTENNE. This represents a sum of EUR 308,660 per annum. DASSAULT AVIATION has provisioned this sum in its accounts, for payment beginning in 2013.

At the end of his term of office as Chairman and Chief Executive Officer of DASSAULT AVIATION, Mr. EDELSTENNE has not ceased his professional activity on account of his terms of office with DASSAULT SYSTÈMES and GIMD. He cannot therefore draw on his statutory pension. Consequently, DASSAULT AVIATION, despite its commitment, must defer the payment of this pension.

Retirement allowance:
DASSAULT AVIATION must pay a retirement allowance to Mr. EDELSTENNE. This represents a sum of EUR 460,833. DASSAULT AVIATION has provisioned this sum in its accounts.

In 2009, in application of AFEP/MEDEF recommendations, the employment contract of Mr. EDELSTENNE was terminated at the initiative of DASSAULT AVIATION on account of his retirement.

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

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

NOW, THEREFORE, the Board has decided to pay, in 2013, to Mr. EDELSTENNE, his contractual retirement allowance.

Note 28 - Average number of employees

	2012	2011
Engineers and management and executive grades	5,245	5,128
Supervisory and technical grades	2,337	2,344
Administrative employees	1,228	1,217
Production employees	2,742	2,758
TOTAL	**11,552**	**11,447**

Note 29 - Environmental information

DASSAULT AVIATION Group recorded environmental capital expenditure amounting to EUR 1,902 thousand and income statement expense of around EUR 1,158 thousand in 2012 relating to risk, impact and regulatory compliance analyses.

Note 30 - Statutory auditors' fees

The statutory auditors' fees posted to expenses for 2012 and 2011 are as follows:

EUR 000	DELOITTE & ASSOCIES		MAZARS	
	2012	2011	2012	2011
Statutory audit, certification, review of individual and consolidated financial statements (1)				
DASSAULT AVIATION	210	200	210	200
Fully consolidated subsidiaries	0	0	349	334
Other statutory audit engagements (2)				
DASSAULT AVIATION	44	83	29	64
Fully consolidated subsidiaries	0	0	26	0
TOTAL	**254**	**283**	**614**	**598**

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

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

In addition, the fees paid by fully consolidated subsidiaries to statutory auditors other than DELOITTE & ASSOCIÉS and MAZARS should be added to the above amounts: EUR 46,000 in 2012 and EUR 45,000 in 2011.

Note 31 - Subsequent events

No events likely to have a material impact on the financial statements occurred between December 31, 2012 and the date of the financial statements being approved by the Board of Directors.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012

Dear Shareholders,

In accordance with our appointment as auditors by your Annual General Meeting, we hereby report to you for the year ended December 31, 2012 on:

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

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

In our opinion, the year's consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as of December 31, 2012 and the results of its operations for the year then ended in accordance with IFRS as adopted in the European Union.

JUSTIFICATION OF ASSESSMENTS

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

THALES impairment test

Notes 1-C3 and 5.1.4 describe the estimations and assumptions of your company concerning the valuation of the acquisition of THALES and the methods of implementing the impairment test. We have checked the appropriate character of the accounting methods involved in the above, and examined the data and hypotheses on which this test and these implementation methods are based.

Provisions for contingencies and losses

Our work consisted in particular in assessing the data and assumptions used to determine the estimated provisions for contingencies and losses, as described in Note 1-C8 and in Notes 12-1 and 12-2 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.

Multi-annual agreements

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

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

SPECIFIC PROCEDURES

In accordance with professional standards applicable in France, we have also performed the other specific testing, required by law, of the information on the Group given in the Directors' Report.

We have no comment to make as to the fair presentation of this information or its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, March 13, 2013

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Dominique Jumaucourt

DASSAULT AVIATION

PARENT COMPANY ANNUAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

ASSETS

(EUR 000)	NOTE	31.12.2012			31.12.2011
		Gross	Depreciation, amortization and provisions	Net	**Net**
Intangible assets	2	91,845	-80,984	10,861	14,356
Property, plant and equipment	2	968,724	-719,627	249,097	254,825
Long-term investments	3	2,218,329	-154	2,218,175	2,210,885
TOTAL NON-CURRENT ASSETS		**3,278,898**	**-800,765**	**2,478,133**	**2,480,066**
Inventories and work-in-progress	4	2,809,844	-263,452	2,546,392	2,491,478
Advances and progress payments to suppliers		196,499	0	196,499	198,972
Trade receivables	6	463,095	-78,013	385,082	363,942
Other receivables, prepayments and accrued income	6	461,478	0	461,478	532,926
Marketable securities and cash instruments	9	2,313,074	0	2,313,074	2,206,795
Cash at bank and in hand		214,374	0	214,374	255,736
TOTAL CURRENT ASSETS		**6,458,364**	**-341,465**	**6,116,899**	**6,049,849**
TOTAL ASSETS		**9,737,262**	**-1,142,230**	**8,595,032**	**8,529,915**

LIABILITIES AND EQUITY

(EUR 000)	NOTE	31.12.2012	31.12.2011
Share capital	10	81,007	81,007
Additional paid-in capital		19,579	19,579
Reserves	12	2,832,730	2,659,521
Net income for the year		282,658	259,279
Tax provisions	14	276,449	303,390
TOTAL EQUITY	**13**	**3,492,423**	**3,322,776**
PROVISIONS FOR CONTINGENCIES AND LOSSES	**14**	**1,140,644**	**1,058,920**
Borrowings (1)	15	319,710	711,788
Customer advances and progress payments on work-in-progress		2,799,193	2,626,278
Trade payables	16	457,306	449,171
Other payables, accruals and deferred income	17	385,756	360,982
TOTAL LIABILITIES		**3,961,965**	**4,148,219**
TOTAL EQUITY AND LIABILITIES		**8,595,032**	**8,529,915**
(1) of which short-term banking facilities :		0	0

INCOME STATEMENT

(EUR 000)	NOTES	2012	2011
NET SALES	20	**3,341,778**	**2,914,346**
Capitalized production		37	0
Change in work-in-progress		-59,548	52,718
Reversals of provisions and depreciation and amortization, expense reclassifications		458,308	507,515
Other revenue		5,835	28,230
OPERATING REVENUES		**3,746,410**	**3,502,809**
External purchases		-1,671,745	-1,554,096
Payroll and related charges		-676,480	-640,178
Other operating expenses		-298,880	-299,105
Taxes and social security contributions		-57,022	-54,985
Depreciation and amortization	2	-49,899	-57,485
Net charges to provisions	14	-549,100	-475,837
OPERATING EXPENSES		**-3,303,126**	**-3,081,686**
NET OPERATING INCOME BEFORE FINANCIAL ITEMS		**443,284**	**421,123**
NET FINANCIAL INCOME / (EXPENSE)	22	**61,854**	**44,284**
NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX		**505,138**	**465,407**
Non-recurring items	23	27,225	-936
Employee profit-sharing		-108,219	-100,426
Corporate income tax	24	-141,486	-104,766
NET INCOME FOR THE YEAR		**282,658**	**259,279**

CASH FLOW STATEMENT

(EUR 000)	2012	2011
I - NET CASH FROM OPERATING ACTIVITIES		
NET INCOME FOR THE YEAR	282,658	259,279
Elimination of gains and losses from disposals of non-current assets	-308	-44
Elimination of investment grants added to net income	0	0
Net charges to and reversals of depreciation, amortization and provisions (excluding those relating to working capital)	100,912	72,033
Net cash from operating activities before working capital changes	**383,262**	**331,268**
Change in inventories and work-in-progress (net)	-54,914	-19,737
Change in advances and progress payments to suppliers	2,473	-18,540
Change in trade and other receivables (net)	-21,140	20,249
Change in other receivables, prepayments and accrued income	71,448	-65,307
Change in customer advances and progress payments on work-in-progress	172,915	110,702
Change in trade payables	8,135	46,227
Change in other payables, accruals and deferred income	24,774	-23,455
Increase (-) or decrease (+) in working capital	**203,691**	**50,139**
Total I	**586,953**	**381,407**
II - NET CASH FROM INVESTING ACTIVITIES		
Purchases of intangible assets and property, plant and equipment	-44,966	-36,395
Purchases of investments	-5,848	-26,484
Disposals of or reductions in fixed assets	6,926	2,533
Total II	**-43,888**	**-60,346**
III - NET CASH FLOW USED IN FINANCING ACTIVITIES		
Capital increase	0	0
Increase in equity items	0	0
Decrease in equity items	0	0
Increase in borrowings (1)	94,564	514,207
Repayments of borrowings (1)	-486,642	-1,449,481
Dividends paid	-86,070	-108,347
Total III	**-478,148**	**-1,043,621**
CHANGE IN NET CASH AND CASH EQUIVALENTS (I + II +III)	**64,917**	**-722,560**
Opening net cash and cash equivalents (2)	**2,462,531**	**3,185,091**
Closing net cash and cash equivalents (2)	**2,527,448**	**2,462,531**

(1) In 2012, the Company repaid the loan taken out in 2011 with a credit establishment (cf. Note 15).

(2) Cash and cash equivalents comprise the following balance sheet headings:
[cash at bank and in hand] + [marketable securities and cash instruments] - [bank facilities and bank balances in credit]

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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

Société Anonyme (French limited liability company) with share capital of EUR 81,007,176, listed and registered in France
Registered with the Paris Trade Registry under the number 712 042 456

Note 1 - Accounting policies

A/ GENERAL PRINCIPLES

The financial statements of the Parent Company as of December 31, 2012 were approved at the meeting of the Board of Directors held on March 13, 2013, and will be submitted for approval to the Annual General Meeting that will take place on May 15, 2013.

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

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

The general accounting conventions have been applied, in compliance with the principle of prudence, and in line with the basic assumptions of:

- continuity of operations,
- permanence of the accounting methods from one year to the next,
- independence between years,

and in line with the general rules for the establishment and presentation of financial statements.

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

B/ MEASUREMENT METHODS

• B1 Intangible assets and property, plant and equipment

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

Depreciation and amortization are calculated using the straight-line method. No residual value is taken into account, except for aircraft.

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

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

Useful lives are as follows:

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

• B2 Impairment of assets

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

Indications of impairment derive from significant adverse changes of a permanent nature, affecting the economic environment or the assumptions or objectives adopted by the Company.

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

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

The value in use of an asset is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.7% (compared to 8% as of 31.12.11) and a 2% growth rate (same as of 31.12.11). The discount rate includes the rates prevailing in the aviation industry and was calculated using the same method as in 2011. Post-tax cash flows are projected over a period not exceeding 5 years and the method takes into account a terminal value. These future cash flows result from the forecast operating conditions determined by the Group's Executive Management. As far as the interest of DASSAULT AVIATION in THALES is concerned, these cash flows are consistent with the forecast data as provided by the THALES Management.

• B3 Equity investments, other investments and marketable securities

The gross value of such assets is their purchase price excluding incidental costs, except in the case of assets subject to the 1976 legal revaluation. A provision for impairment is recorded when the book value is lower than the gross value. The book value is the higher of its market value and its value in use.

• B4 Inventories and work-in-progress

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

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

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

B5 Receivables

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

• B6 Borrowings

Borrowings are recorded at the amount received. Transaction costs are posted to expenses for the year.

• B7 Statutory provisions

These include:

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

• B8 Provisions for contingencies and losses

B8-1 Retirement severance payments and related benefits

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

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

B8-2 Other provisions for contingencies and losses

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

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

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

• B9 Foreign exchange hedging

The Company uses derivative financial instruments to hedge against foreign exchange risks relating to its operations.

These risks mainly arise from US dollar denominated sales. The corresponding future cash flows are partially hedged 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 these options, with the exception of those relating to "zero premium" hedging strategies, which are recognized immediately in the income statement to avoid temporary timing differences.

• B10 Operations in foreign currencies

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

Receivables and payables outstanding at the year-end are translated into euros at the closing rate of exchange. Differences arising on the translation of opening balances at closing exchange rates are taken to balance sheet suspense accounts as follows:

- unrealized translation losses to assets,
- unrealized translation gains to liabilities. A provision is recorded in respect of unrealized losses.

Translation gains and losses arising on cash at bank and in hand as of December 31 are taken to the income statement.

• B11 Net sales and income

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

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

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

• B12 Unrealized capital gains on marketable 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.

C/ TAX CONSOLIDATION

With effect from January 1, 1999, DASSAULT AVIATION 9 Rond-Point des Champs-Élysées Marcel Dassault 75008 PARIS, formed a tax consolidation group pursuant to Article 223A et seq. of the French General Tax Code.

This tax consolidation arrangement is tacitly renewable by periods of five fiscal years.

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

Note 2 - Intangible assets and property, plant and equipment

2.1 Intangible assets

(EUR 000)	31.12.2011	Additions Charges	Disposals Reversals	Other	31.12.2012
Gross value					
Software, patents, licenses and similar assets	88,872	1,951	-1,297	700	90,226
Construction in progress; advances and progress payments	827	1,492	0	-700	1,619
	89,699	**3,443**	**-1,297**	**0**	**91,845**
Amortization					
Software, patents, licenses and similar assets	-75,343	-6,936	1,295	0	-80,984
	-75,343	**-6,936**	**1,295**	**0**	**-80,984**
Net value					
Software, patents, licenses and similar assets	13,529				9,242
Construction in progress; advances and progress payments	827				1,619
TOTAL	**14,356**	**-3,493**	**-2**	**0**	**10,861**

2.2 Property, plant and equipment

(EUR 000)	31.12.2011	Additions Charges	Disposals Reversals	Other	31.12.2012
Gross value					
Land	26,688	79	-11	65	26,821
Buildings	264,678	14,911	-1,281	4,476	282,784
Plant, equipment and machinery	480,135	15,865	-12,051	2,304	486,253
Other property, plant and equipment	178,529	3,953	-16,747	378	166,113
Construction in progress; advances and progress payments	9,342	6,715	-2,081	-7,223	6,753
	959,372	**41,523**	**-32,171**	**0**	**968,724**
Amortization					
Land	-5,113	-454	11	0	-5,556
Buildings	-163,575	-11,050	1,187	0	-173,438
Plant, equipment and machinery	-408,253	-23,165	11,909	0	-419,509
Other property, plant and equipment	-125,836	-8,294	13,006	0	-121,124
	-702,777	**-42,963**	**26,113**	**0**	**-719,627**
Impairment (1)					
Other property, plant and equipment	-1,770	0	1,770	0	0
	-1,770	**0**	**1,770**	**0**	**0**
Net value					
Land	21,575				21,265
Buildings	101,103				109,346
Plant, equipment and machinery	71,882				66,744
Other property, plant and equipment	50,923				44,989
Construction in progress; advances and progress payments	9,342				6,753
TOTAL	**254,825**	**-1,440**	**-4,288**	**0**	**249,097**

(1) Impairment tests of property, plant and equipment (cf. paragraph B2 of the Accounting policies):

- A provision of EUR 1,770 thousand was recognized in 2011 for capitalized aircraft. This provision was written back on 31.12.2012.

- The impairment tests carried out on other property, plant and equipment did not highlight any other impairment to be recognized as of 31.12.2012.

Note 3 - Long-term investments

(EUR 000)	31.12.2011	Additions Charges	Disposals Reversals	Other	31.12.2012
Equity investments (1)	2,175,797	3,300	0	0	2,179,097
Other investment securities	5,894	0	0	0	5,894
Loans	2,459	376	-510	0	2,325
Other long-term investments	28,889	2,172	-48	0	31,013
TOTAL	**2,213,039**	**5,848**	**-558**	**0**	**2,218,329**
Provisions	-2,154	0	2,000	0	-154
NET VALUE	**2,210,885**	**5,848**	**1,442**	**0**	**2,218,175**

(1) **Market price of THALES shares and impairment test:**

Based on the market price of THALES shares at December 31, 2012 of EUR 26.24 per share, DASSAULT AVIATION's investment in THALES is valued at EUR 1,378 million.

The THALES investments have been subject to an impairment test. The value in use was estimated by forecasting future post-tax cash flows over a four year period. These cash flows were then discounted at a post-tax rate of 8.5% (being the discount rate applied by THALES on 31.12.2012, identical to that on 31.12.2011). The final value was calculated based on medium-term earnings assumptions in line with the THALES forecast data and taking into account a long-term growth rate of 2%.

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

A 10% variable in the main assumptions adopted (discount rate, long-term growth rate, cash flow) does not affect the absence of impairment of the Company's interest in THALES.

Maturity of long-term investments

(EUR 000)	Total	Within 1 year	More than 1 year
Loans	2,325	296	2,029
Other long-term investments	31,013	0	31,013
TOTAL	**33,338**	**296**	**33,042**

Note 3 - Long-term investments (cont'd)

A. List of subsidiaries and affiliates whose gross value exceeds 1 % of the Company's share capital and in which the Company holds at least 10 % of shares

Companies or groups of companies (in EUR 000)	Share capital	Equity other than share capital	% shareholding	Carrying amount of shares held		Outstanding loans and advances granted by the company	Guarantees given by the Company	Net sales of the most recent fiscal year	Net income (+)/ loss (-) of the most recent fiscal year	Dividends received by the Company during the fiscal year
				Gross	Net					
1. SUBSIDIARIES (more than 50 % shareholding)										
a. French subsidiaries										
DASSAULT FALCON SERVICE	3,680	64,047	*99.99*	59,453	59,453	0	0	150,109	3,641	0
DASSAULT INTERNATIONAL	1,529	18,744	*99.63*	19,236	19,236	0	0	4,197	163	0
DASSAULT-REASSURANCE	10,459	7,872	*99.99*	10,133	10,133	179	0	2,415	116	0
DASSAULT AVIATION PARTICIPATION	3,337	-28	*100.00*	3,337	3,337	0	0	0	-22	0
SOGITEC INDUSTRIES	4,578	109,508	*99.74*	25,355	25,355	0	0	103,694	14,014	0
Total				**117,514**	**117,514**	**179**	**0**			**0**
b. Foreign subsidiaries										
DASSAULT FALCON JET (1)	10,650	500,206	*87.47*	7,767	7,767	0	16,054	1,552,106	53,436	0
DASSAULT INTERNATIONAL INC (USA)	3,827	40,560	*100.00*	3,727	3,727	0	0	1,216	60	0
DASSAULT PROCUREMENT SERVICES INC (USA)	76	44,087	*100.00*	28,965	28,965	0	0	310,461	2,982	0
Total				**40,459**	**40,459**	**0**	**16,054**			**0**
Total SUBSIDIARIES				**157,973**	**157,973**	**179**	**16,054**			**0**
2. AFFILIATES (between 10 and 50 % shareholding)										
a. French affiliates										
CORSE COMPOSITES AERONAUTIQUES	1,707	4,165	*24.81*	996	996	0	0	36,763	511	0
EUROTRADIA INTERNATIONAL (2)	3,000	31,627	*16.20*	3,099	3,099	0	0	59,264	1,554	248
THALES (3)	607,000	4,529,100	*25.96*	1,984,272	1,984,272	0	0	174,900	306,800	40,975
Total				**1,988,367**	**1,988,367**	**0**	**0**			**41,223**
b. Foreign affiliates										
Total				0	0	0	0			0
Total AFFILIATES				**1,988,367**	**1,988,367**	**0**	**0**			**41,223**

(1) This is a direct holding; the remaining 12.53% of the shares are held by Dassault International Inc. (United States), which in turn is a wholly-owned subsidiary of DASSAULT AVIATION.

(2) 2011 fiscal year information

(3) parent company financial statements

Note 3 - Long-term investments (cont'd)

B. Other subsidiaries and affiliates

General information (EUR 000)	Carrying amount of shares held		Outstanding loans and advances granted by the company	Guarantees given by the Company	Dividends received by the Company during the fiscal year
	Gross	Net			
1. SUBSIDIARIES					
a. French subsidiaries	567	567	0	0	0
b. Foreign subsidiaries	0	0	0	0	0
Total	**567**	**567**	**0**	**0**	**0**
2. AFFILIATES					
a. French affiliates	5,913	5,913	0	0	555
b. Foreign affiliates	32,171	32,171	0	0	355
Total	**38,084**	**38,084**	**0**	**0**	**910**

C. General information on securities (A+B)

General information (EUR 000)	Carrying amount of shares held		Outstanding loans and advances granted by the company	Guarantees given by the Company	Dividends received by the Company during the fiscal year
	Gross	Net			
1. SUBSIDIARIES					
a. French subsidiaries	118,081	118,081	179	0	0
b. Foreign subsidiaries	40,459	40,459	0	16,054	0
Total	**158,540**	**158,540**	**179**	**16,054**	**0**
2. AFFILIATES					
a. French affiliates	1,994,280	1,994,280	0	0	41,778
b. Foreign affiliates	32,171	32,171	0	0	355
Total	**2,026,451**	**2,026,451**	**0**	**0**	**42,133**
GRAND TOTAL	**2,184,991**	**2,184,991**	**179**	**16,054**	**42,133**

Note 4 - Inventories and work-in-progress

(EUR 000)	31.12.2012			31.12.2011
	Gross	Provision	Net	Net
Raw materials	177,725	-71,923	105,802	102,158
Work-in-progress	2,010,849	0	2,010,849	2,070,397
Semi-finished and finished goods	621,270	-191,529	429,741	318,923
TOTAL	**2,809,844**	**-263,452**	**2,546,392**	**2,491,478**

Note 5 - Interest on current assets

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

Note 6 - Trade and other receivables

6.1 Details

(EUR 000)	31.12.2012			31.12.2011
	Gross	Provision	Net	Net
Trade receivables				
Trade receivables	463,095	-78,013	385,082	363,942
	463,095	**-78,013**	**385,082**	**363,942**
Other receivables, prepayments and accrued income				
Other receivables	101,632	0	101,632	166,628
Prepaid expenses	353,819	0	353,819	346,630
Prepayments and accrued income	6,027	0	6,027	19,668
	461,478	**0**	**461,478**	**532,926**
TOTAL	**924,573**	**-78,013**	**846,560**	**896,868**

6.2 Maturity of trade and other receivables - gross value

(EUR 000)	31.12.2012			31.12.2011		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables (1)	463,095	330,804	132,291	454,588	279,288	175,300
Other receivables	101,632	101,632	0	166,628	166,628	0
Prepaid expenses	353,819	353,819	0	346,630	346,630	0
Prepayments and accrued income	6,027	6,027	0	19,668	19,668	0
TOTAL	**924,573**	**792,282**	**132,291**	**987,514**	**812,214**	**175,300**

(1) of which receivables and payables represented by commercial paper: EUR 78,635 thousand as of 31.12.2012 and EUR 117,062 thousand as of 31.12.2011

Note 7 - Accrued income

Accrued income is included in the following balance sheet accounts (EUR 000)	31.12.2012	31.12.2011
Trade receivables	151,187	177,876
Other receivables, prepayments and accrued income	0	175
Marketable securities	345	0
Cash at bank and in hand	250	275
TOTAL	151,782	178,326

Note 8 - Prepaid expenses and deferred income

(EUR 000)	31.12.2012	31.12.2011
Operating income	70,315	74,815
Operating expenses (1)	353,819	346,630
(1) income tax on unrealized capital gains	346,351	339,502

Note 9 - Difference in measurement of marketable securities

MARKETABLE SECURITIES AND CASH INSTRUMENTS		
(EUR 000)	31.12.2012	31.12.2011
Book value	2,313,074	2,206,795
Market value	3,292,255	3,166,412

Note 10 - Breakdown of share capital

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

Note 11 - Identity of the consolidating parent company

	% consolidation
GROUPE INDUSTRIEL MARCEL DASSAULT (G.I.M.D) 9, Rond Point des Champs Élysées - Marcel Dassault 75008 PARIS	50.55 %

Note 12 - Reserves

12.1 Reserves

(EUR 000)	31.12.2012	31.12.2011
Revaluation difference	4,305	4,305
Legal reserve	8,101	8,101
Other reserves	71,332	71,332
Retained earnings	2,748,992	2,575,783
TOTAL	**2,832,730**	**2,659,521**

12.2 Revaluation reserves

(EUR 000)	Movements in the revaluation reserve			
		2012 movements		
	31.12.2011	Decreases due to disposals	Other changes	31.12.2012
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**

Note 13 - Statement of changes in equity

1/ INCOME FOR THE YEAR

	2012		2011
ACCOUNTING INCOME			
EUR 000	282,658		259,279
In EUR per share	27.91		25.61
CHANGE IN EQUITY EXCLUDING NET INCOME FOR THE YEAR			
EUR 000	-26,941		890
In EUR per share	-2.66		0.09
DIVIDENDS			
EUR 000	94,171	(1)	86,070
In EUR per share	9.30	(1)	8.50

(1) proposed at the Annual General Meeting

2/ STATEMENT OF CHANGES IN EQUITY EXCLUDING INCOME FOR THE YEAR (EUR 000)

	Prior to appropriation of 2011 net income as of 31.12.2012		After appropriation of 2011 net income as of 31.12.2012
A -			
1. 2011 closing equity excluding net income for the year	3,063,497		3,063,497
2. 2011 net income prior to appropriation	259,279		
3. Appropriation of 2011 net income to net equity by the AGM			173,209
4. 2012 opening equity	3,322,776		3,236,706
B - Additional paid-in capital with retroactive effect to 2012 opening equity			**0**
1. Change in share capital		0	
2. Change in other items		0	
C - (= A4 + B) 2012 opening equity			**3,236,706**
D - Changes during the year excluding 2012 net income			**-26,941**
1. Change in share capital		0	
2. Change in additional paid-in capital, reserves		0	
3. Change in equity provisions		0	
4. Revaluation offsetting entries - Reserve		0	
5. Change in tax provisions and equipment grants		-26,941	
6. Other changes		0	
E - 2012 CLOSING EQUITY EXCLUDING 2012 NET INCOME PRIOR TO THE AGM (= C + D)			**3,209,765**
F - TOTAL 2012 CHANGE IN EQUITY EXCLUDING 2012 NET INCOME (= E - C)			**-26,941**

3/ FUTURE TAX PAYABLE (EUR 000)

Statutory provisions excluding provisions for investments: 132,789 x 36.1 % = 47,937

Note 14 - Provisions

14.1 Provisions

(EUR 000)	31.12.2011	Increases / Charges		Decreases / Reversals		Other	31.12.2012
Tax provisions							
Investments	166,359	0	(3)	-22,699	(3)	0	143,660
Price increases	52,722	11,434	(3)	-7,999	(3)	0	56,157
Accelerated tax depreciation	78,493	11,732	(3)	-17,788	(3)	0	72,437
Medium-term export credit	5,798	0	(3)	-1,621	(3)	0	4,177
Capital gains rolled over	18	0	(3)	0	(3)	0	18
	303,390	**23,166**		**-50,107**		**0**	**276,449**
Provisions for contingencies and losses							
Operating	1,039,252	207,635	(1)	-112,270	(1)	0	1,134,617
Financial	19,668	6,027	(2)	-19,668	(2)	0	6,027
Non-recurring	0	0	(3)	0	(3)	0	0
	1,058,920	**213,662**		**-131,938**		**0**	**1,140,644**
Provisions for impairment and write-down							
Intangible assets	0	0	(1)	0	(1)	0	0
Property, plant and equipment	1,770	0	(1)	-1,770	(1)	0	0
Financial	2,154	0	(2)	-2,000	(2)	0	154
Inventories and work-in-progress	253,622	263,452	(1)	-253,622	(1)	0	263,452
Trade receivables	90,646	78,013	(1)	-90,646	(1)	0	78,013
	348,192	**341,465**		**-348,038**		**0**	**341,619**
TOTAL	**1,710,502**	**578,293**		**-530,083**		**0**	**1,758,712**

Provision increases and reversals and expense reclassifications	{ - Operating	549,100	(1)	-458,308	(1)
	{ - Financial	6,027	(2)	-21,668	(2)
	{ - Non-recurring	23,166	(3)	-50,107	(3)
		578,293		**-530,083**	

14.2 Provisions for contingencies and losses

(EUR 000)	31.12.2011	Increases / Charges	Decreases / Reversals	Other	31.12.2012
Operating					
Retirement severance payments and long-service awards (1)	307,000	78,500	-14,000	0	371,500
Warranties (2)	591,433	93,800	-70,833	0	614,400
Services and work to be performed	140,819	35,335	-27,437	0	148,717
	1,039,252	**207,635**	**-112,270**	**0**	**1,134,617**
Financial					
Foreign exchange losses	19,668	6,027	-19,668	0	6,027
	19,668	**6,027**	**-19,668**	**0**	**6,027**
Non-recurring					
Other	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES	**1,058,920**	**213,662**	**-131,938**	**0**	**1,140,644**

(1) Provisions for retirement severance payments and long-service awards:

Retirement severance payment and long service award commitments are calculated for all employees using the projected unit credit method and are accrued in full.

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

The calculation factors take into account a wage increase assumption of 3.9% per annum, a discount rate of 2.3% and an annual inflation rate of 2%.

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

Note 15 - Borrowings

(EUR 000)	31.12.2012	31.12.2011
Bank borrowings (1)	56	400,957
Other borrowings (2)	319,654	310,831
TOTAL	**319,710**	**711,788**

(1) Of which short-term bank credit: zero as of 31.12.2012 and as of 31.12.2011.
In 2012, the Company repaid loans of EUR 400 million taken out in 2011 with a credit establishment.

(2) On 31.12.2012 and on 31.12.2011, the other borrowings mainly include locked-in employee profit-sharing funds.

There are no participating loans.

Note 16 - Maturity of borrowings

(EUR 000)	Total	Within 1 year	Between 1 and 5 years	After 5 years
Bank borrowings (1)	56	17	33	6
Other borrowings (2)	319,654	58,223	261,431	0
Trade payables (3)	457,306	457,306	0	0
Tax and employee-related liabilities	194,178	194,178	0	0
Amounts payable in respect of PP&E and related accounts	4,673	4,673	0	0
Other payables	111,216	111,216	0	0
TOTAL	**1,087,083**	**825,613**	**261,464**	**6**

(1) see Note 15

(2) see Note 15

(3) of which payables represented by commercial paper: EUR 47,499 thousand

Note 17 - Other payables, accruals and deferred income

(EUR 000)	31.12.2012	31.12.2011
Tax and employee-related liabilities	194,178	167,529
Amounts payable in respect of PP&E and related accounts	4,673	3,630
Other payables	111,216	104,283
Deferred income	70,315	74,815
Accruals and deferred income	5,374	10,725
TOTAL	**385,756**	**360,982**

Note 18 - Accrued expenses

Accrued expenses are included in the following balance sheet accounts (EUR 000)	31.12.2012	31.12.2011
Borrowings (1)	6,448	7,955
Trade payables	376,153	363,554
Other payables, accruals and deferred income	234,260	214,494
TOTAL	**616,861**	**586,003**

(1) of which bank borrowings: zero as of 31.12.2012 and EUR 884 thousand as of 31.12.2011

Note 19 - Notes on related companies and affiliates

(EUR 000)	Notes on	
	Related undertakings	Companies in which the Company holds an investment
Investments	158,540	2,020,557
Loans and other long-term investments	30,234	0
Advances and progress payments to suppliers	25,541	25,761
Trade receivables	67,219	1,557
Miscellaneous receivables	180	0
Customer advances and progress payments on work-in-progress	356,043	15,294
Trade payables	80,787	33,280
Other miscellaneous payables	0	0
Financial expenses	0	0

Note 20 – Net sales

(EUR 000)	2012	2011
A) ANALYSIS BY CLASS OF GOODS OR SERVICES:		
Finished goods	2,644,563	2,454,760
Services	697,215	459,586
TOTAL	**3,341,778**	**2,914,346**
B) ANALYSIS BY GEOGRAPHICAL AREA:		
France	989,033	844,162
Export	2,352,745	2,070,184
TOTAL	**3,341,778**	**2,914,346**
C) ANALYSIS BY QUARTER:		
First quarter	881,388	578,095
Second quarter	750,706	643,095
Third quarter	502,646	632,063
Fourth quarter	1,207,038	1,061,093
TOTAL	**3,341,778**	**2,914,346**

Note 21 - Research and development costs

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

(EUR 000)	2012	2011
Research and development costs	-359,756	-277,734

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

Note 22 - Net financial income / (expense)

(EUR 000)	2012	2011
Investment income (1)	41,578	40,453
Income from other long-term loans and assets	611	574
Other interest and similar income	4,082	3,950
Reversals of provisions for Foreign exchange losses	19,668	0
Reversals of provisions for equity investments	2,000	2,600
Foreign exchange gains	0	0
Net gains on sale of marketable securities	12,416	42,666
FINANCIAL INCOME	**80,355**	**90,243**
Net charges to provisions for Foreign exchange losses	-6,027	-19,668
Net charges to provisions for equity investments	0	-2,000
Net charges to provisions for loans	0	0
Interest and similar expenses	-12,425	-23,776
Foreign exchange losses	-49	-515
Net losses on sale of marketable securities	0	0
TOTAL FINANCIAL EXPENSE	**-18,501**	**-45,959**
NET FINANCIAL INCOME / (EXPENSE)	**61,854**	**44,284**

(1) of which THALES dividends: EUR 40,975 thousand in 2012 and EUR 38,903 thousand in 2011

Note 23 – Non-recurring items

(EUR 000)	2012	2011
Gains on sales of assets		
- Property, plant and equipment	4,287	620
- Long-term investments	0	0
	4,287	**620**
Other non-recurring income	**19**	**179**
Reversals of provisions		
- Investments	22,699	30,297
- Price increases	7,999	5,419
- Medium-term export credit	1,621	1,223
- Accelerated tax depreciation	17,788	17,858
- Capital gains rolled over	0	0
	50,107	**54,797**
NON-RECURRING INCOME	**54,413**	**55,596**
Non-recurring expenses on operating activities	**0**	**-6**
Carrying amount of assets disposed:		
- Intangible assets	0	0
- Property, plant and equipment	-3,979	-576
- Long-term investments	0	0
	-3,979	**-576**
Other non-recurring expenses	**-43**	**-263**
Charges to tax provisions		
- Investments	0	-37,693
- Price increases	-11,434	-6,564
- Medium-term export credit	0	0
- Accelerated tax depreciation	-11,732	-11,430
	-23,166	**-55,687**
Other non-recurring provisions	**0**	**0**
NON-RECURRING EXPENSES	**-27,188**	**-56,532**
NON-RECURRING ITEMS	**27,225**	**-936**

Note 24 - Analysis of corporate income tax

(EUR 000)	Income before tax	Corporate income tax	Long-term capital gains tax	Income after tax
Net recurring income before tax	505,138	-176,102	0	329,036
Non-recurring items (including profit-sharing and incentive schemes)	-80,994	34,616	0	-46,378
Accounting income	424,144	-141,486	0	282,658
		-141,486		

Note 25 - Off-balance sheet financial commitments

COMMITMENTS GIVEN (EUR 000)	31.12.2012	31.12.2011
Future payments to subcontractors or suppliers	1,979,886	1,987,374
Fixed asset orders	12,483	18,490
Guarantees given in respect of:		
- subsidiaries	16,054	50,646
- equity investments	0	0
- other	0	0
TOTAL	**2,008,423**	**2,056,510**

COMMITMENTS RECEIVED (EUR 000)	31.12.2012	31.12.2011
Future billings to customers	7,219,300	8,045,200
Export insurance guarantees	59,449	89,965
Collateral (e.g. mortgages, pledges)	51,309	68,740
TOTAL	**7,330,058**	**8,203,905**

Note 26 - Payables and receivables secured by bank guarantees

(EUR 000)	31.12.2012	31.12.2011
Customer advances and progress payments on work-in-progress	456,988	487,379
Advances and progress payments to suppliers	5,070	2,886
TOTAL	**462,058**	**490,265**

Note 27 - Contingent liabilities

In late 2002, a group of French manufacturers, including Dassault Aviation, was collectively issued with a request for arbitration from a common client claiming a sum which, according to the plaintiff, would amount to no less than USD 260 million, and for which the group of manufacturers may have joint obligation with regard to the plaintiff. This request related to the execution of old contracts implemented by these manufacturers. In the framework of an agreement signed between the parties in June 2003, the plaintiff withdrew its action. In November 2012, the latter gave notification of a new request for arbitration based on similar grounds to to the 2002 action, for a total now amounting to EUR 226 million. The parties strongly contest this request and, to date, it has not been possible to evaluate the possible financial risk. Consequently, Dassault Aviation has not established a reserve.

Note 28 - Financial instruments: US dollar foreign exchange transaction portfolio

DASSAULT AVIATION is exposed to a foreign exchange risk through FALCON sales that are virtually all denominated in US dollars. The Company only incurs a portion of its expenditure in the same currency (mainly purchases). DASSAULT AVIATION is therefore exposed to foreign exchange risk that it partially hedges using forward sales contracts and, where necessary, foreign exchange options.

The financial instruments held by DASSAULT AVIATION are stated below at market value.

Market values represent the equivalent in euros translated at closing dollar exchange rates of amounts payable or receivable in the event of liquidation of the entire portfolio. They do not reflect actual results realizable on maturity, as they do not take account of future price fluctuations.

The portfolio market value is therefore provided for illustration only.

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

	31.12.2012		31.12.2011	
MARKET VALUE	USD 000	EUR 000	USD 000	EUR 000
Foreign exchange options	59,634	45,198	-20,340	-15,720
Futures	267,722	202,912	251,028	194,009
TOTAL	**327,356**	**248,110**	**230,688**	**178,289**

Note 29 - Impact of accelerated tax valuations

(EUR 000)	31.12.2012	31.12.2011
Net income for the year	282,658	259,279
Corporate income tax charge	141,486	104,766
NET INCOME BEFORE TAX	**424,144**	**364,045**
Accelerated tax depreciation	-6,056	-6,428
Provision for price increases	3,435	1,145
Provision for capital gains rolled over	0	0
Provision for medium-term export credit	-1,621	-1,223
INCREASE IN TAX PROVISIONS	**-4,242**	**-6,506**
NET INCOME EXCLUDING TAX VALUATIONS ACCELERATED DEPRECIATION (BEFORE TAX)	**419,902**	**357,539**

Note 30 - Increases and reductions in future tax charges

(EUR 000)	31.12.2012	31.12.2011
Tax provisions:		
- Price increases	56,157	52,722
- Medium-term export credit	4,177	5,798
- Accelerated tax depreciation	72,437	78,493
TOTAL	**132,771**	**137,013**
INCREASES IN FUTURE TAX CHARGES	***47,930***	***49,462***
Items not deductible in the current year:		
- Employee profit-sharing	94,219	86,426
- Retirement severance payments and long-service awards	371,500	307,000
Other partly non-deductible items (trade receivables, inventories, warranties, other)	491,001	443,054
TOTAL	**956,720**	**836,480**
REDUCTIONS IN FUTURE TAX CHARGES	***345,376***	***301,969***
Long-term capital losses	0	0

Note 31 - Compensation of corporate officers

Total compensation received by corporate officers, as broken down in the directors' report, amounted to EUR 1,024,036 for 2012.

Note 32 - Average number of employees

	Company employees	Seconded to the Company
Engineers and management and executive grades	4,401	
Supervisory and technical grades	2,023	
Administrative employees	491	41
Production employees	1,182	153
TOTAL 2012	**8,097**	**194**
TOTAL 2011	8,059	131

Note 33 - Environmental information

DASSAULT AVIATION recognized environmental capital expenditure amounting to EUR 1,902 thousand and posted around EUR 851 thousand to 2012 expenses relating to risk, impact and regulatory compliance analyses.

The Company did not need to recognize any environmental liabilities.

Note 34 - Five-year summary

Nature of indications (EUR 000 except per share data in point 3 stated in EUR/share)	2008	2009	2010	2011	2012
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	3,540,455	2,748,219	3,551,695	2,914,346	3,341,778
b. Income before tax, depreciation, amortization and provisions	857,547	473,545	769,467	409,810	522,253
c. Corporate income tax	184,009	63,335	167,441	104,766	141,486
d. Income after tax, depreciation, amortization and provisions	352,508	265,969	325,815	259,279	282,658
e. Dividends paid	58,730	89,108	108,347	86,070	94,171 (1)
3 / PER SHARE DATA (EUR)					
a. Income after tax, but before depreciation, amortization and provisions	66.5	40.5	59.5	30.1	37.6
b. Income after tax, depreciation, amortization and provisions	34.8	26.3	32.2	25.6	27.9
c. Dividends paid	5.8	8.8	10.7	8.5	9.3 (1)
4 / PERSONNEL					
a. Average number of employees during the year	8,349	8,362	8,138	8,059	8,097
b. Total payroll charges excluding taxes	422,353	415,659	414,240	417,578	430,604
c. Total payroll taxes and social security charges	214,547	208,945	221,369	222,600	245,876
5 / EMPLOYEE PROFIT-SHARING	**122,203**	**86,712**	**106,451**	**86,426**	**94,219**
6 / INCENTIVE PAYMENTS	**14,000**	**14,000**	**14,000**	**14,000**	**14,000**

(1) proposed to the Annual General Meeting

AUDITORS' REPORT ON THE COMPANY FINANCIAL STATEMENTS

Year ended December 31, 2012

Dear Shareholders,

In accordance with our appointment as auditors by your Annual General Meeting, we hereby report to you for the year ended December 31, 2012 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. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2012 and of the results of its operations for the year then ended in accordance with French accounting regulations.

JUSTIFICATION OF ASSESSMENTS

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

Equity investments

Note 1-B3 to the financial statements describes the evaluation principles chosen for equity investments, and Notes 1-B2 and 3 describe the estimations and assumptions that your company is led to make concerning the valuation of the equity investment in THALES and the methods of implementing the impairment test.

Our work consisted in assessing the data serving as the basis of determining the value in use of equity investments and in examining the data and assumptions on which the THALES investment impairment test, along with the methods of its implementation, is based.

Provisions for contingencies and losses

Our work consisted in particular in assessing the data and assumptions used to determine the estimated provisions for contingencies and losses, as described in Note 1-B8 and in Note 14 to the annual 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.

Multi-annual agreements

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

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

SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed the other specific procedures required by law, in accordance with professional standards applicable in France.

We have no comment to make as to the fair presentation and consistency with the financial statements of the information given in the Directors' Report and in the documents addressed to shareholders with respect to the financial position and the financial statements.

As regards the information provided, pursuant to Article L.225-102-1 of the French Commercial Code, regarding the compensation and benefits paid to corporate officers and any commitments undertaken in their favor, we have verified the consistency of this information with the financial statements and with the data used in drawing up the financial statements and, where applicable, the data obtained by the Company from the companies controlling the Company or which the Company controls. On the basis of this work, we hereby certify the accuracy and fairness of this information.

Pursuant to the law, we have verified that the Directors' Report contains the appropriate disclosures relating to the identity of shareholders and holders of voting rights.

Courbevoie and Neuilly-sur-Seine, Wednesday, March 13, 2013

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Dominique Jumaucourt

AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Year ended December 31, 2012

Dear Shareholders,

In our capacity as auditors of Dassault Aviation, and in accordance with Article L.225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2012.

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

It is our responsibility to:

- communicate to you our observations on the information contained in the Chairman's report concerning the internal control and risk management procedures for the preparation and processing of financial and accounting information, and
- to certify that the report contains the other information required by Article L. 225-37 of the French Commercial Code, while specifying that it is not incumbent upon us to check the sincerity of this other information.

We have carried out this work in accordance with professional standards applicable in France.

Information concerning internal control and risk management procedures relating to the preparation and processing of financial and accounting information

Professional standards require that we implement procedures in order to obtain reasonable assurance that information concerning the internal control and risk management procedures for the preparation and processing of financial and accounting information, as set out in the report of the Chairman, is free of material misstatement. These procedures consist in particular in:

- taking note of the internal control and risk management procedures for the preparation and processing of financial and accounting information underlying the information presented in the Chairman's report, and of the existing documentation;
- taking note of the work involved in preparing this information and the existing documentation;
- determining whether the major internal control deficiencies relating to the preparation and processing of financial and accounting information that we identified during our assignment are appropriately disclosed in the Chairman's report.

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

Other information

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

Courbevoie and Neuilly-sur-Seine, March 13, 2013

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Dominique Jumaucourt

AUDITORS' REPORT ON RELATED PARTY TRANSACTIONS AND COMMITMENTS

Year ended December 31, 2012

Dear Shareholders,

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

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those transactions and commitments brought to our attention, or which have come to our attention in the course of our work, without having to express an opinion on their usefulness and appropriateness, or to seek the existence of other transactions and commitments. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these transactions and commitments for the purpose of approving them.

Furthermore, it is our responsibility, where appropriate, to communicate to you the information laid down in Article R.225-31 of the French Commercial Code relating to the execution, over the course of the past fiscal year, of the transactions and commitments already approved by the AGM.

We conducted our procedures in accordance with professional standards recommended by the National Accountants Order and applicable in France. Those standards require that we check the concordance of the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE AGM

Transactions and commitments authorized over the past fiscal year

We can inform you that we have received no information of any transaction or commitment authorized in the course of the past fiscal year to be submitted to the AGM in application of the provisions of Article L.225-38 of the French Commercial Code.

TRANSACTIONS AND COMMITMENTS ALREADY APPROVED BY THE AGM

Transactions and commitments approved in previous years with continuing effect over the past fiscal year

In application of Article R.225-30 of the French Commercial Code, we have been informed that the following transactions and commitments, already approved by the AGM in previous years, have had continuing effect during the past fiscal year.

WITH THE COMPANY GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD), MAJORITY SHAREHOLDER OF DASSAULT AVIATION

DASSAULT AVIATION has continued to rent from GIMD a number of premises, plots of land and industrial installations under leases that replaced, with effect from January 1st, 2009, those signed in 2008.

Rent paid to GIMD during fiscal year 2012 totaled EUR 33,449,330.11 excluding VAT. A supplemental guarantee deposit of EUR 1,936,192.55 was also paid to GIMD in fiscal year 2012.

The director concerned is: Serge DASSAULT, who is also Chairman of GIMD.

WITH THE COMPANY DASSAULT FALCON JET (USA), 100% SUBSIDIARY OF DASSAULT AVIATION

At the request of DASSAULT FALCON JET, DASSAULT AVIATION undertook to refund amounts paid on account by DASSAULT FALCON JET customers, should DASSAULT FALCON JET fail to meet its contractual obligations. These guarantees remain in force until delivery of the aircraft ordered.

As of December 31, 2012, the guarantees amounted to EUR 16,053,509.17.

The directors concerned are: Serge DASSAULT and Charles EDELSTENNE, who are also directors of DASSAULT FALCON JET.

WITH ALL THE DIRECTORS AND CORPORATE OFFICERS OF THE COMPANY AND ITS SUBSIDIARIES:

A "Directors and Corporate Officers Liability" insurance policy was taken out with AXA GLOBAL RISKS, now called AXA CORPORATE SOLUTIONS, with effect from July 1st, 1999.

This policy, renewed on January 1st, 2012, covers all directors and corporate officers of the company and its subsidiaries up to an annual limit of indemnity of EUR 25 million.

The annual insurance premium amounted to EUR 102,203.30 incl. VAT in 2012.

Courbevoie and Neuilly-sur-Seine, March 13, 2013

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Dominique Jumaucourt

ORDINARY ANNUAL GENERAL MEETING,
MAY 15, 2013

DASSAULT AVIATION

ORDINARY ANNUAL GENERAL MEETING OF MAY 15, 2013 - DRAFT RESOLUTIONS

First resolution

Approval of the 2012 annual financial statements

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having taken due note of the report of the Board of Directors, of the Chairman's report governed by section 6 of Article L. 225-37 of the French Commercial Code, the Auditors' Report and their own report, as governed by section 5 of Article L. 225-235 of the French Commercial Code hereby approve, in full and without reservation, the financial statements for the year ended December 31, 2012 as presented and showing a net income of EUR 282,657,751.55, together with all transactions presented therein or summarized in these reports.

Second resolution

Approval of the 2012 consolidated financial statements

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having taken due note that the report on Group activities is included in the Directors' Report and having read the Auditors' Report on the consolidated financial statements, hereby approve, in full and without reservation, the consolidated financial statements for the year ended December 31, 2012 as presented and showing consolidated net income before minority interests of EUR 509,878 thousand (including EUR 509,834 thousand attributable to the owners of the Parent Company), together with all transactions presented therein or summarized in these reports.

Third resolution

Auditors' Report on related-party transactions

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, and 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, acknowledge this report.

Fourth resolution

Discharge of Directors from liability

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, hereby discharge the Directors, fully and finally, from any liability arising from their management of the Company during the year ended December 31, 2012.

Fifth resolution

Appropriation and distribution of the net income of the Parent Company

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, hereby decide, in accordance with the proposal of the Board of Directors, that 2012 net income for the year of EUR 282,657,751.55 plus retained earnings of EUR 2,748,991,722.57, for a total of EUR 3,031,649,474.12 be appropriated as follows:

- dividend distribution of:
  EUR 94,170,842.10,

- with the remaining balance to retained earnings:
  EUR 2,937,478,632.02

As a result of the above appropriation, a **dividend per share of EUR 9.30** shall be distributed.

For individuals taxable in France, this dividend shall be liable for a flat-rate withholding of 21% upon payment, and the following year for a progressive scale after the 40% allowance. This dividend shall also give rise to social security contributions deducted at source.

The dividend shall fall due for payment in euros on May 23, 2013, and be paid directly for registered shares, and via authorized intermediaries for administrated or bearer shares.

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

Fiscal year	Net dividend distributed (in euros)	Tax allowance (1)
2009	8.80	40%
2010	10.70	40%
2011	8.50	40%

(1) allowance for individuals

Sixth resolution

Ratification of the appointment of a new Director

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, ratifies the cooptation of Éric TRAPPIER as Director, to replace Philippe HUSTACHE, that is until the end of the Annual General Meeting held to adopt the financial statements for the year ended December 31, 2014.

Seventh resolution

Powers to execute formalities

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, hereby confer full powers on the bearer of copies of or extracts from the minutes of this meeting in order to comply with all legal, publication or other formalities.

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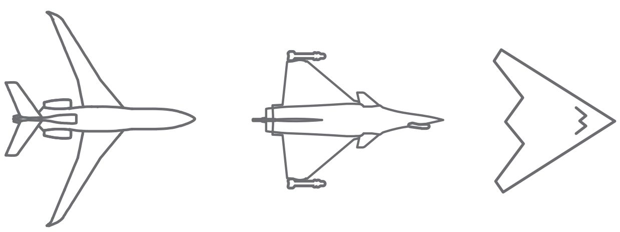

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