DASSAULT AVIATION

HIGHER TOGETHER

2011 ANNUAL REPORT

DASSAULT AVIATION

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DASSAULT AVIATION

VISION

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

With each of its aircraft, Dassault Aviation demonstrates its mastery of advanced technology in the service of its customers. In so doing, it helps these same customers to maintain their independence and manage their own time, their own space, their decisions and their actions, worldwide.

Our strategy and our long-term viability are built upon bold yet realistic technical and industrial choices, in compliance with the economic and political imperatives.

As a pivotal component of a high value-added strategic industry, we play our part in the development of the activity of a wide range of high-flying companies, laboratories and teaching establishments. Thanks to the technical and relational skills of our teams, we are able to develop unique know-how that we share with our partners and with the aerospace industry as a whole.

MESSAGE FROM THE CHAIRMAN

A LONG-TERM STRATEGY

2011 was marked by the air campaign over Libya, in which many Dassault aircraft were involved. In the hands of French, Emirati and Qatari crews, our aircraft played a major part in the success of Operation *Harmattan*. The feedback concerning our equipment was all very positive, both in terms of operational efficiency and availability. The recent decision of India to choose the Rafale, for a contract of 126 jets, underpins the merits of its technical/operational and economic market positioning. Last year also saw the signing of a fleet upgrade contract for the Indian Mirage 2000s.

As far as the Falcons are concerned, the situation is gradually improving. Sales activity grew compared to 2010, even if it remains highly contrasted between the strongly developing economic regions such as China, which, since the start of last year, represents our biggest market, and North America, where the upturn is yet to kick in.

In this context, Dassault Aviation's 2011 consolidated figures were as follows:

- orders: €2.86 billion, of which 67% for Falcons;
- consolidated net sales: €3.31 billion, of which 73% for Falcons and 74% for export;
- operational income: €377 million, for an operational margin of 11.4%;
- net income: €407 million (€282 million, excluding Thales).

It is important to underline that these results were obtained in an exchange-rate context that remained unfavorable. Despite the strengthening of the dollar in recent months, the euro/dollar parity remains highly imbalanced, and handicaps the French element of our production costs to the tune of around 30%.

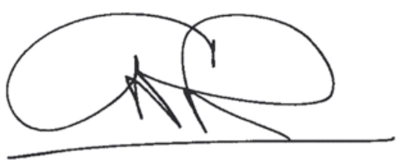
For the Falcons, in 2012, we do not anticipate any major acceleration of sales activity.
On the other hand, the development activities are intensifying, with the ramping up of the detailed definition phase of the future Falcon SMS. This program, along with many other R&D programs, lays the groundwork for the future and justifies the fact that our R&D budget – which is entirely self-financed – is up.

Our Defense agenda is also very full, with the finalization of the Indian Rafale contract, continued export discussions, the notification of contracts and studies for the MALE and UCAS UAVs, along with the maiden flight of the nEUROn combat drone demonstrator towards mid-year.

Beyond these short-term objectives, our long-term strategy is built on four pillars:

- Continuing to make the extended digital enterprise and PLM a shared, daily reality;
- Pursuing cost-cutting measures;
- Consolidating our position on the business jets market;
- Maintaining our skills level in the field of combat aircraft.

In a world that lurches from crisis to crisis, where the long-term is scarcely contemplated, you need to be able to adapt very quickly while remaining true to your values. In the eye of the hurricane of change there persists with us a steadfast spirit that knows where it is coming from and where it is going. The Dassault adventure has lasted for almost 100 years, and this is just the beginning.



Charles Edelstenne
Chairman and Chief Executive Officer

MANAGEMENT COMMITTEE

Jean Sass
Executive Vice-President, Information Systems

Loïk Segalen
Executive Vice-President, Economic and Social Affairs

Charles Edelstenne
Chairman and Chief Executive Officer

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

Éric Trappier
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 AND COMMUNICATION

Jean-Jacques Cara
Senior Vice-President, Human Resources

Stéphane Fort
Senior Vice-President, External Relations & Corporate Communication

PROFILE

STRATEGIC AND 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.

International group that remains human in scope on the scale of the global aerospace industry.

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

Trademarks: Rafale, Falcon, nEUROn, Mirage.

Dassault Aviation contributes to the growth of the national economy.

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

2011 Sales: 73% business jets, 74% for export.

Over the past 10 years, exports have accounted on average for 73% of sales.

Over the past 10 years, Falcon business jets have accounted on average for 63% of sales.

Some
11,500
employees, 8,000 of whom are based in France

More than
8,000
aircraft delivered

A presence in
77
countries worldwide

Over
25 million
hours of flight time

STRATEGY

HIGHER TOGETHER

A key player in French industry, Dassault Aviation has many assets to draw upon, and positions its strategy along major lines of development in order to prepare for the future.

Our ambition is to contribute to the dynamism of the French economy and construct a **French hub of global dimensions in the field of strategic technologies, aerospace, defense and security**. **This was the logic underlying the acquisition of our stake in Thales**, which led to consolidation of the latter company and the decision to increase its stake in DCNS from 25% to 35%.

Customer satisfaction is at the core of our strategy. 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 continue to lay the groundwork for our future thanks to our self-financing capacity and the launch of **new programs** such as:

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

We ensure that the Rafale remains efficient in the face of with the challenge of future operational environments.

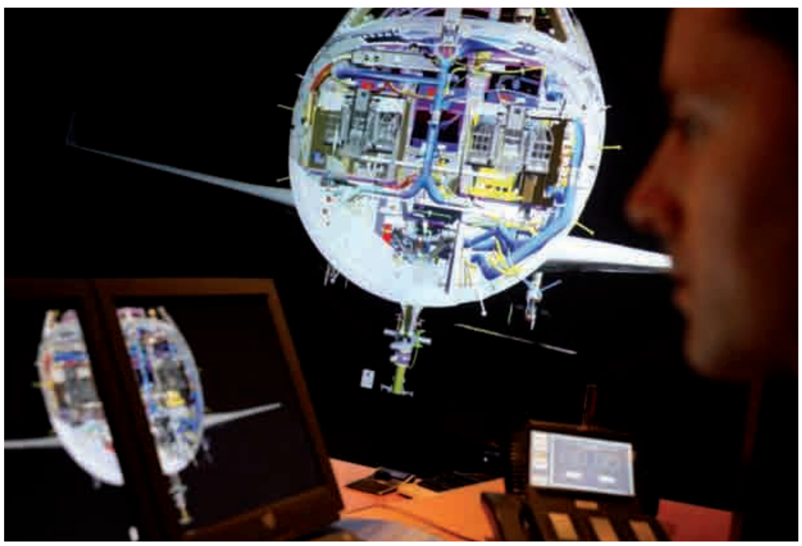
We are bringing to maturity our unmanned combat aircraft concepts through expanding our work on the nEUROn.

As an architect of complex airborne systems, Dassault Aviation designers and engineers are renowned for their mastery of the most strategic sovereignty technologies. Thanks to our rare levels of experience, we develop **pragmatic and innovative cooperation paradigms** that are applicable to the entire aerospace industry.

What is more, we are recognized as a **benchmark digital enterprise**. The progressive rollout of the sixth version of the product lifecycle management process (PLM V6) and of its “Systems” component has generated new collaborative tools and methods. PLM V6 offers unparalleled collaboration perspectives through the coordination of participants (either in-house or external to the company), projects and technologies (whatever the location), employees, programs and products. Configured to match production to the market cycles, we are able to draw on the versatility of our business lines and our **flexible and reactive industrial facilities**.

The **protection of the environment** constitutes a global challenge, both for future generations and for ourselves, and one which requires a collective effort. We are convinced that the major developments in the field of aerospace will be measured against the yardstick of the initiatives launched in this domain. This is why we are keen to pursue and develop initiatives to this end, in particular via the European Clean Sky and French *Iroqua* research projects. In this way, our activities and our products play their part in the objective of preserving our planet's resources.

"Some wings for economy take off": manufacturing Falcon 7X wings at Martignas (south-west France)
With 74% of its net sales coming from exports, Dassault Aviation makes a significant contribution to the vitality of the French economy. Falcon business jets represent 73% of our business and are sold on every continent.



Virtual reality center at Saint-Cloud (Paris region)
By being the first to go directly from computer screen to runway, with no paper blueprints or prototypes, we have driven forward the aerospace sector. This pioneering spirit has enabled us today to develop the digital factory and provide our industry with brand-new sources of competitiveness.

The new Falcon 2000S
With its unveiling at the Ebace-Geneva Air Show in 2011, Dassault Aviation signals its return to the medium/long-haul business jets segment. The aircraft can cover 3,350 nm (6,200 km) with 6 passengers at Mach 0.80, and is able to fly from New York to London or Los Angeles, Paris to Dubai or Singapore to Mumbai.

A Navy Rafale on the catapult deck of the *Charles-de-Gaulle* aircraft carrier during Operation *Harmattan* in Libya
The first aircraft to engage in combat before the enemy air defenses had been neutralized, the Rafale continued to be used throughout the campaign, with irreproachable availability rates.

2011

HIGHLIGHTS

Orders (in units)	36 Falcons
Deliveries (in units)	63 Falcons 11 Rafales
Operating margin	11.4%
Net income	€407 million (€282 million, excluding Thales)

FALCON

- First precision approaches carried out in Europe using the new EGNOS (European Geostationary Navigation Overlay Service) system by a Falcon 900LX equipped with the new EASy II flight deck.
- Maiden flight of the Falcon 2000S (February).
- Commercial launch of the Falcon 2000S, the new Falcon entry-level business jet, at the Ebace - Geneva air show (May).
- The Falcon fleet crossed the threshold of 15 million flight hours: the equivalent, in distance terms, of 300,000 circumnavigations of the globe (October).
- Implementation of the Falcon SMS virtual platform.
- CAT III landing certification for the Falcon 900LX.
- EASA and FAA certification for EASy II on the Falcon 900LX (June).
- Start of EASy III definition work, for the implementation of a new generation flight management system and a new radar (October).
- Opening of three new approved maintenance centers in Austria, Hong Kong and India.

RAFALE AND MIRAGE 2000

- Canvassing and negotiation for export.
- Participation of Air Force and Navy Rafales in several operations (*Agapanthe, Harmattan*).
- 11F fighter squadron of French Naval Aviation switches from the Super Etendard to the Rafale (September).
- Notification of tranche 1 of the Meteor missile integration contract for the Rafale.
- Retrofitting contract for 51 Mirage 2000s for the Indian Air Force in co-contracting with Thales (July).

UNMANNED AERIAL VEHICLES (UAV)

- Final assembly at Istres of the vehicle and continued integration testing of the software for the nEUROn (UCAV) (Unmanned Combat Air Vehicle) demonstrator, ahead of its maiden flight in 2012.
- Signing of a memorandum of understanding, with BAE Systems, defining their exclusive cooperation on the preparation and submission of a common proposal for the MALE (Medium-Altitude Long-Endurance) UAV system to the French and British Ministries of Defense (March).
- Signing with BAE Systems of a cooperative agreement for preparing a common proposal for the MALE UAV, designated TELEMOS, for submission to the French and British Ministries of Defense (June).
- Decision, by the Ministerial Investment Committee, to enter into negotiations with Dassault Aviation and Israel Aerospace Industries for supplying a new MALE UAV system to the French armed forces, based on the Heron TP (July).
- Notification, from the French Defense Procurement Agency (DGA), of three upstream research plans on the consolidation of UCAV concepts, 3D passive localization and the second phase of the European Common Operating System (ECOS) study, relating to the development of open and modular mission software.

ESPACE

- The ground telemetry systems, developed and then modified by the Company, play their part in every mission of the European Ariane and Russian Soyuz launchers, as well as those of the future Vega launcher, out of the French Guiana Space Center.
- Pursuing the final development and implementation phase of the reentry demonstrator, Intermediate Experimental Vehicle (IXV), of the European Space Agency, in conjunction with Thales Alenia Space.

INNOVATION

AT THE CUTTING EDGE OF TECHNOLOGICAL DEVELOPMENT

An aircraft is a set of highly complex systems designed with the service of people in mind. Our technological excellence is built around the engineering of these systems.

ENGINE FOR INNOVATION

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

The research and development studies that we conduct enable 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

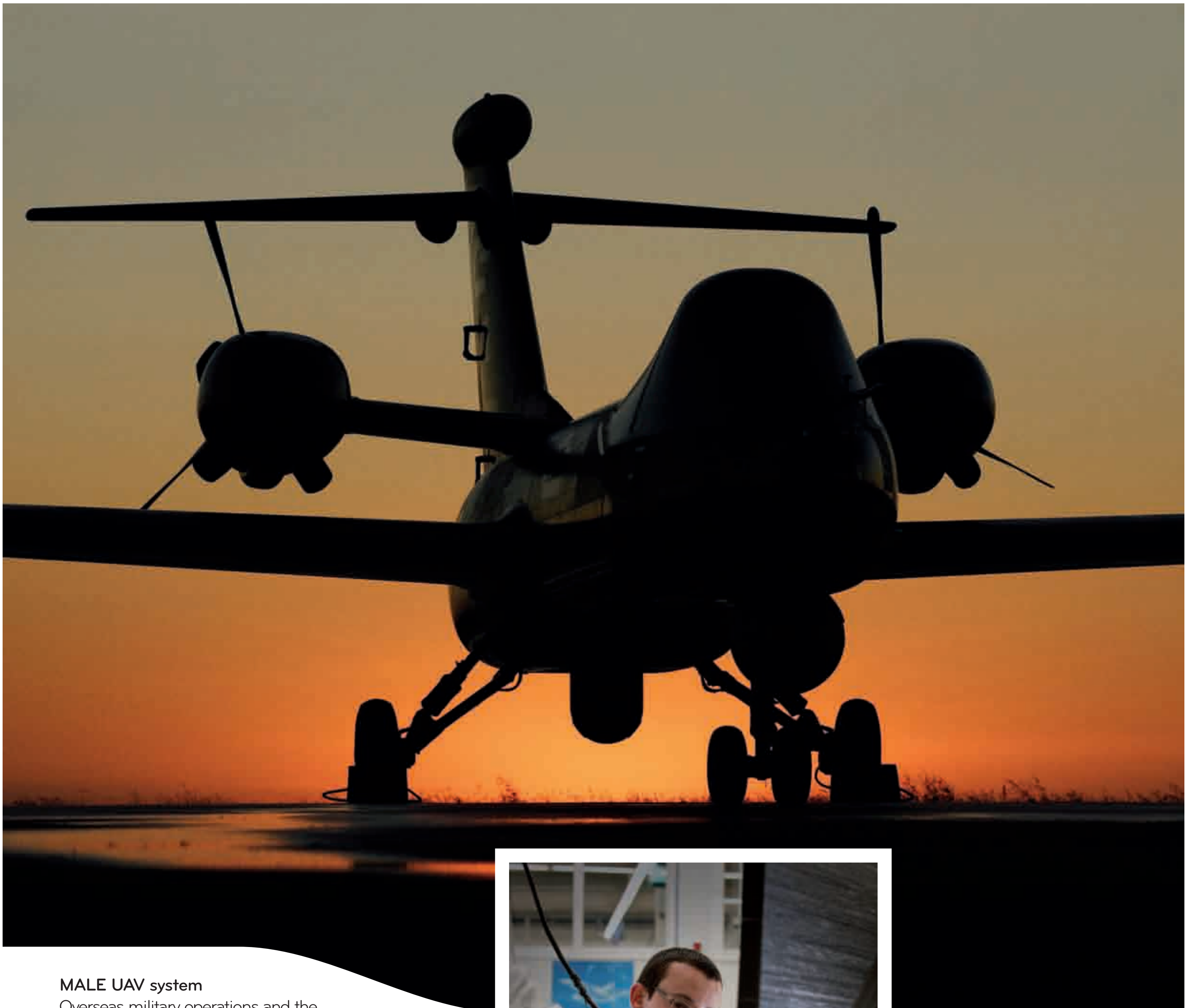
Our research work, in partnership with major centers such as the CEA, the CNES, the CNRS, ONERA, and some of the leading higher education establishments, feeds directly into the latest innovations, for the benefit of our aircraft and, beyond that, of the industry as a whole. The research carried out in this way, in particular on nanotechnologies, may have applications in the fields of stealth, infrared or aircraft anti-icing. Many of the labs cross-fertilize other domains, such as the medical sector, with the signal technologies and sensors developed for the requirements of the company's aircraft.

Dassault Aviation cooperates internationally with over 100 universities, institutes and research centers on scientific work of particular relevance to our fields of activity. The Group actively participates in common European framework programs (FPx) on research and development.

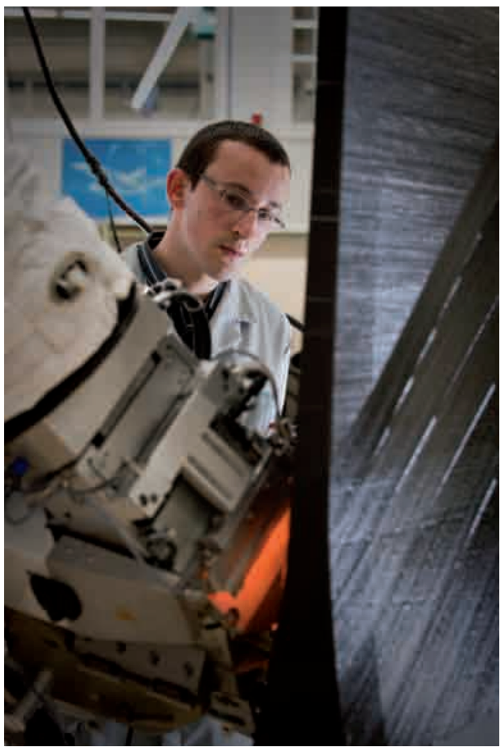
We also work on educating the general public and popularizing our activities. For example, a scientific film on applications in the field of aerodynamics was produced for the *Observatoire des innovations*, Paris, which screens it as part of its exhibition on supercomputers at the *cité des Sciences et de l'Industrie*.

Immersive reality center at Saint-Cloud (Paris region)
Thanks to this new tool, it is now possible to immerse oneself, in three dimensions and at full-scale, in the actual digital mockup and explore more rapidly a full set of solution combinations.

Mockup of the Falcon 2000S in a wind tunnel
The development of the Falcon 2000S has involved intensive aerodynamic wind tunnel testing. Dassault Aviation cooperates internationally with over 100 universities, institutes and research centers on scientific work of particular relevance to its fields of activity.



MALE UAV system
Overseas military operations and the continuous evolution of theaters of conflict worldwide have demonstrated the decisive role of drones, the unmanned aerial vehicle (UAV) that will play such an important role in future aerial systems. In order to address the Franco-British requirements expressed in the cooperation treaty signed by both countries in 2010, Dassault Aviation has carried out, in conjunction with BAE Systems, a preliminary study of the MALE UAV system.



Aerospace Valley **business cluster**
The Biarritz site takes part in projects relating to new composite materials manufacturing processes, such as those involving fiber placement.

DYNAMISM

KEEPING THE ECONOMY MOVING

Throughout France and at various levels, Dassault Aviation helps to boost the local economy. At the regional level, the company is a stakeholder in several French competitive clusters, and contributes thereby to the advancement of the R&T networks and numerous 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.). The topic-based technological platforms created in this way benefit from an international profile as well as enhanced economic appeal.

HELPING TO PROMOTE EUROPEAN AEROSPACE

Thanks to our experience and that of our partners, we are able to bring a cooperative, pragmatic and well-managed approach to European aerospace in the framework of the nEUROn program.

The nEUROn unmanned combat aircraft demonstrator is enabling the development, integration and validation of the most advanced experimental program that exists today 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 technological demonstrator, whose maiden flight is scheduled for 2012, is the fruit of this European cooperation.

The Franco-British political agreements should help us to increase over the coming years the proportion of upstream research in the field of Defense 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 and technology activities of Dassault Aviation.

INDUSTRIAL INFLUENCE

A SHOWCASE OF FRENCH KNOW-HOW

Practically all the manufacturing of our airframes takes place in France. The industrial organization surrounding our products concerns a large number of different stakeholders.

TERRITORIAL INFLUENCE

With ten sites in France and a high proportion of local suppliers associated with these sites, our company has a significant territorial influence:

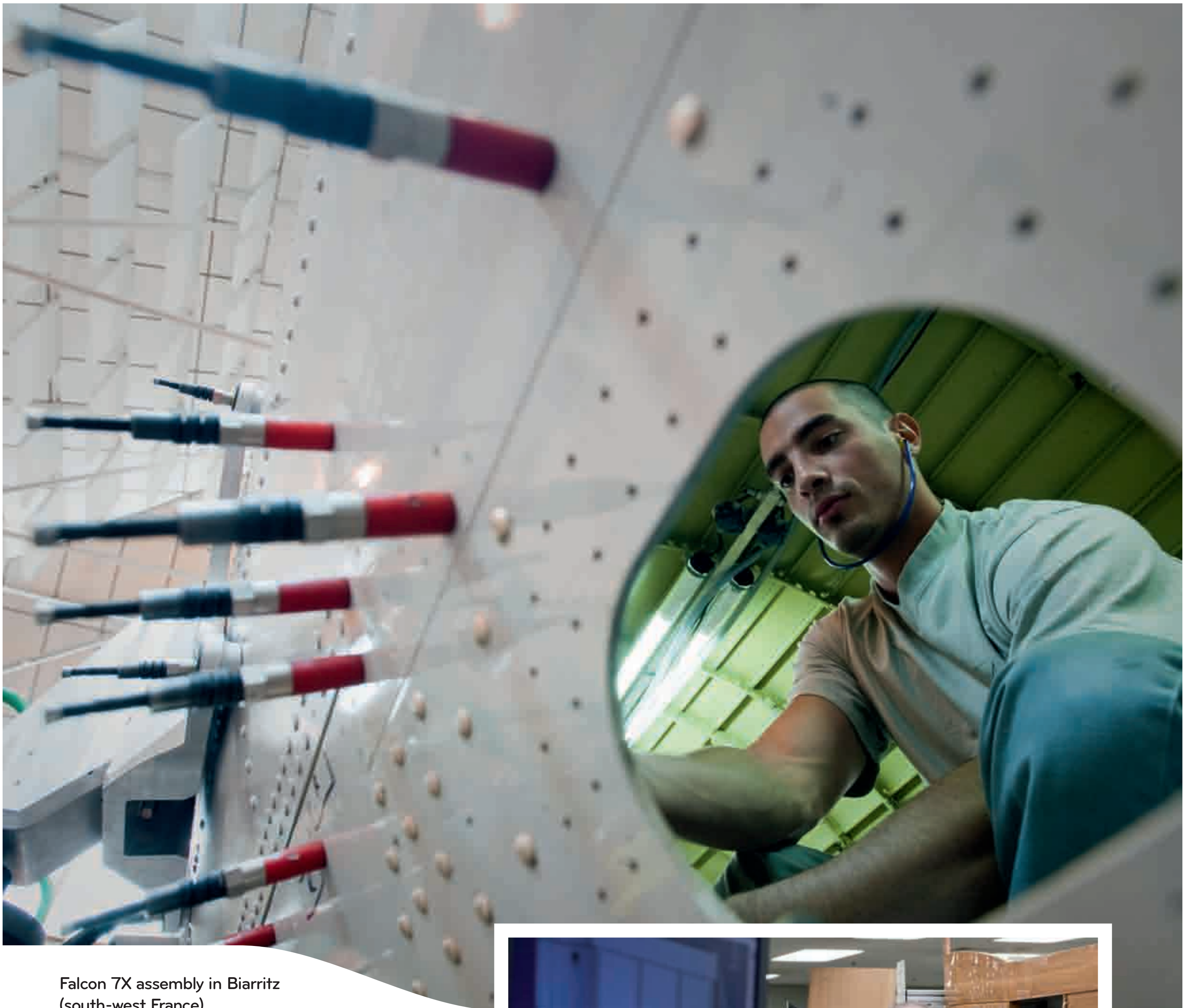
- Some 500 SMEs and major corporations benefit from the activities of Dassault Aviation;
- A Rafale accounts for 6,200 direct and indirect jobs, 30% of which concern small companies;
- The annual production of the Falcon accounts for 7,600 direct and indirect jobs;
- For the systems alone, over 100 suppliers and partners are concerned;
- Non-industrial jobs are maintained by the presence of our sites in major conurbations.

Our presence is assured on the territorial bodies (Chambers of Commerce & Industry, Territorial Economic & Social Councils, Environment Committees, etc.).

AT THE CUTTING EDGE OF INDUSTRIAL KNOW-HOW

Dassault Aviation also has expertise in cutting-edge technologies such as the manufacturing of airframes out of composite materials, resin transfer molding (RTM), hot forming, thermoplastic direct manufacturing and carbon fiber placement, etc., which are the signature of the quality and finishing of our products. Our workshops manage high-speed machining techniques and have broken new ground in robotics. We conceive and implement the commercial completion of our Falcons using product lifecycle management (PLM) IT tools. We are also 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 application.

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. This pioneering spirit has enabled us today to develop the digital factory and leverage whole new sources of competitiveness. The application of PLM and of the channels of production has allowed our partners to follow in our wake, with the consequent benefit for them of enhanced productivity and quality. PLM has had an impact on many other industrial sectors. Dassault Aviation is the precursor as well as the showcase of French know-how in this regard.



Falcon 7X assembly in Biarritz (south-west France)
Spread throughout France, the ten sites of Dassault Aviation provide work for a dense network of SMEs in their respective regions, and in this way contribute to the development and maintenance of industrial skills that are essential for the French economy.

Assembly workshop for Falcon interior fittings at Little Rock, Arkansas
The 3D data from the digital mockup developed in France are used for the installation and inspection of the Falcon cabin systems and fittings. Dassault Falcon Jet now has the capacity to produce interior fittings more rapidly, by associating the precision of the fuselages with that of the fittings, for manufacturing with no need for adjustment and with direct assembly.

The nEUROn European team at Istres (south France)
The final assembly of the nEUROn demonstrator marks the culmination of the work carried out in cooperation with all the industrial partners involved in the study and manufacture of the aircraft components, under the leadership of Dassault Aviation, the prime contractor. The innovative nEUROn program encourages synergy and the development of the know-how of each cooperating party.

Wing assembly at Martignas
The desire to develop diversity within our teams has led the company to develop communication initiatives well upstream with teaching establishments, in order, for example, to encourage female pupils and students to think more along the lines of taking a technical or scientific career path.

VALUES

SHARED VALUES

In order to achieve its objectives in a highly competitive and increasingly global economy, we build on strong values, a firm identity and strict ethical standards.

SUPPORT FOR THE GLOBAL COMPACT INITIATIVE

As a socially responsible company, Dassault Aviation takes account of the social, human, economic and environmental dimensions of its activity in its relations with its partners and employees. The Group's actions are permanently driven by the desire to ensure the progress and sustainability of its activity.

As a logical extension of this undertaking, it signed up in 2003 to the Global Compact, established by the United Nations. Dassault Aviation supports the ten principles relating to human rights, labor standards, environmental protection and the fight against corruption. Through this commitment, the Group integrates the principles of the Global Compact in its strategy, its culture and its daily operations.
www.unglobalcompact.org

CUSTOMER SPIRIT

Satisfying the customer is both the philosophy and the guiding principle of Dassault Aviation: being a good listener, understanding his/her needs, acting in a manner which efficiently serves him/her; keeping our word; offering excellent technical performance, confidentiality when needed and customized follow-up while optimizing the control of business expenses and response times.

STRICT ETHICAL BUSINESS STANDARDS

We respect our contractual commitments (costs, deadlines and performance) and the international conventions on the fight against corruption (particularly that of the OECD).

HUMAN QUALITIES

People are the heart of the Group.

We promote team spirit, the sharing of knowledge and know-how, creative initiative, and respect for ethics.

We favor united action at all levels, mutual respect, the search for professional self-realization, and, from a human perspective, the feeling of being part of a successful, innovative business enterprise.

TECHNOLOGICAL EXCELLENCE AND INNOVATION

Technological excellence and innovation are the bywords of Dassault Aviation. They are the foundation stones of its philosophy, its passion and its history.

We ensure the quality, reliability, and safety of our aircraft through a dynamic of constant innovation combined with our project management capability and our mastery of complex systems. We take constant care of controlling and reducing the environmental signature of our activities and products.

ECONOMIC PERFORMANCE

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

In a context of intense international competition, we must be flexible, adaptable, and responsive in dealings with our customers, our suppliers, and our partners.

OPENNESS TO THE WORLD

To reach these goals, we are engaged in sustained programs of scientific, technological, technical, and industrial cooperation in France, the U.S. and abroad, in a spirit of partnership.

We are active in national and international aviation and defense organizations.

Our internal and external communication is open and transparent.

LABOR RELATIONS

COMMITMENTS FOR THE BENEFIT OF PEOPLE

Dassault Aviation bases its labor relations policy on the quest for professional self-realization and the sense of belonging to a Group that is still human in scope. We favor mutual respect and equality of opportunity, as key factors for harmonious labor relations.

A THIRD OF THE PROFITS EARMARKED FOR THE WORKFORCE

Dassault Aviation implements an attractive remuneration policy.

In order to reward hard work and collective effort, the Company has had in place for over 40 years a profit-sharing agreement which involves distributing a third of the net income to the employees. This runs alongside a major incentive scheme.

We also encourage employee savings. Employees can use the Enterprise Savings Plan (*PEE - Plan d'Epargne Entreprise*), with a wide range of investment possibilities, including socially-responsible funds, along with the Collective Retirement Savings Plan (*PERCO - Plan d'Epargne pour la Retraite COllectif*), with the company matching the employee's contributions, and the Locked-in Current Account (*CCB - Compte Courant Bloqué*).

Furthermore, 5% of the aggregate employee earnings are channeled into the establishment committees to fund social activities, to which may be added the social overheads covered directly by the company (transportation, accommodation, catering).

ENCOURAGING AND FAVORING DIVERSITY

In support of the integration of disabled people, we have for many years implemented a policy encouraging the recruitment, retention, training and career development of disabled employees. Our actions also include working with the protected sector (for the employment of disabled people) and taking in disabled interns and temporary staff. In 2010, with the support of Gifas and other aerospace companies, Dassault Aviation created the HANVOL Association, the objective of which is to encourage the training and integration of disabled people through implementation of sandwich-training mechanisms.

Dassault Aviation is, moreover, committed to the employment of seniors, and in particular in 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. A "seniors" correspondent has been appointed to oversee the actions provided for in the 2010/2012 triennial agreement.

Convinced that diversity is of major importance and a factor that underlies corporate performance, the Company confirmed its policy with regard to professional equality, in 2011, through the signing of a new agreement. By taking concrete measures, Dassault Aviation thus intends to pursue its initiatives in matters of equality and diversity in the workplace.

SOLIDARITY ACTIONS

Our company is an active contributor to a certain number of charitable causes. For example, we support the *Course du Cœur* ("Race for the Heart") initiative for promoting and encouraging organ and tissue donation; *Rêves de Gosse* ("A Child's Dream"), an initiative 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.

Sponsorship of a hearing-impaired employee at Argonay (French Alps)
Initiatives continue to be pursued in order to facilitate the improved integration of our disabled workers over the long-term in every aspect of their career development. For example, hourly quotas have been established for tutors, sponsors and apprenticeship managers.

Running the "Course du Cœur" ("Race for the Heart")
Dassault Aviation is a supporter of organ donation and undertakes, in association with the Dassault Group, to support the "Course du Cœur", by raising the awareness of its personnel to organ and tissue donation. Cohesion, solidarity and sharing are the keys to the success of the various teams that have taken part, since 2001, in this partnership.

Dassault Aviation stand at the Gifas forum during the Paris Air Show
To prepare for its future recruitment needs, Dassault Aviation is rationalizing its cooperation with teaching institutions and establishments. "Ambassadors" from the company are involved in actions carried out to company level or else locally by our establishments. The company employees are officially assigned with the task of passing on their skills, publicizing our Company and helping students to construct their career path.

Assembling a Rafale leading edge slat at Martignas
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.

PASSING ON KNOW-HOW

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 that are suited to the needs of the aerospace industry in general and Dassault Aviation in particular.

For this reason, we are particularly active in providing input, at the request of the occupational training and higher educational establishment, for adapting academic courses to the identified needs.

DEVELOPING THE TECHNICAL CULTURE

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. In parallel, our people invest their efforts in education, in cooperation with teachers and scientists, and in transmitting their know-how and technical culture to schoolchildren and students, in particular through the supervision of practical work, the coordination of cross-disciplinary projects or participation on examination juries.

An essential tool in safeguarding our technical legacy since 1991, the *Conservatoire Dassault* is at the disposal of the company and its professionals. It helps to promote the tried-and-tested rules of the art, acquired through practice over long years of experience. It encourages the in-house development of technical skills and the pursuit of rewarding professional career paths. Certain course elements are used by our teachers in schools.

PROMOTING THE TECHNICAL AND SCIENTIFIC PROFESSIONS

Over and above this institutional involvement, in order to prepare for our future recruitment needs we pursue initiatives at Company level or locally at site level in the form of “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, whether at Dassault Aviation or with another company.

The desire to develop diversity within our teams has led the company to develop communication initiatives well upstream with teaching establishments, in order, for example, to encourage female pupils and students to think more along the lines of taking a technical or scientific career path. Special attention is paid to the recruitment, training and career development of people following this path, thereby encouraging the development of diversity to reflect the world in which we live.

ENVIRONMENT

HIGH-PERFORMANCE AND GREENER AIRCRAFT

The protection of the environment is a global issue requiring a collective effort. This is why Dassault Aviation is pursuing its development of concrete initiatives designed to reduce the environmental impact of its 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.

THE ENVIRONMENT: A SOURCE OF INNOVATION

Eco-design will be a decisive factor in the coming years. The environmental analysis of the lifecycle of aircraft should therefore culminate in proposals for innovative solutions.

Representing business aviation on the European Clean Sky research project, we are involved in research into technological developments, lifecycles and use of aircraft, including the next generation of Falcons. The work carried out in cooperation with our European partners will make it possible, with the aid of technological demonstrators, to validate innovations in the field of onboard power management, advanced aircraft control, drag reduction, the choice of materials and the green credentials of the manufacturing processes.

In the Clean Sky project, Dassault Aviation coordinates the Eco-Design for Systems component, which is designed to identify the most promising architectures and technologies for onboard power management systems. The various contributors, including the Fraunhofer Institute, Alenia, Safran, Thales and Liebherr, are all involved in the validation testing carried out on the integration test facility.
This makes it possible to demonstrate the correct operation of the integrated components of an all-electric architecture. The Company is also interested in alternative energy sources and, in particular, the fuel cell which has the potential to cover a wide power range and has an irreproachable carbon balance, since the reaction produces nothing but electrical power, heat and water.

To lay the groundwork for the green manufacturing channels of tomorrow, we are also coordinating the Eco-Design for Airframe platform. By way of example, work is being carried out in the framework of the plan for metallic materials protection and the elimination of chromates (for aluminum) and cadmium (for steel). Chemical milling is being progressively scaled-down, with a refocusing on the cleanest possible modes of manufacture. Likewise, many volatile solvents have already been eliminated from the manufacturing process, notably in the finishing paints.

The use of certain resources such as the latest generation supercomputers provide access to modeling capacities that help make aircraft even more efficient. These resources make it possible to find, within a given timeframe, solutions that are as close as possible to the optimal and make more targeted use of wind tunnel testing. They also help with aircraft drag reduction and the minimization of an aircraft's carbon and noise footprints.

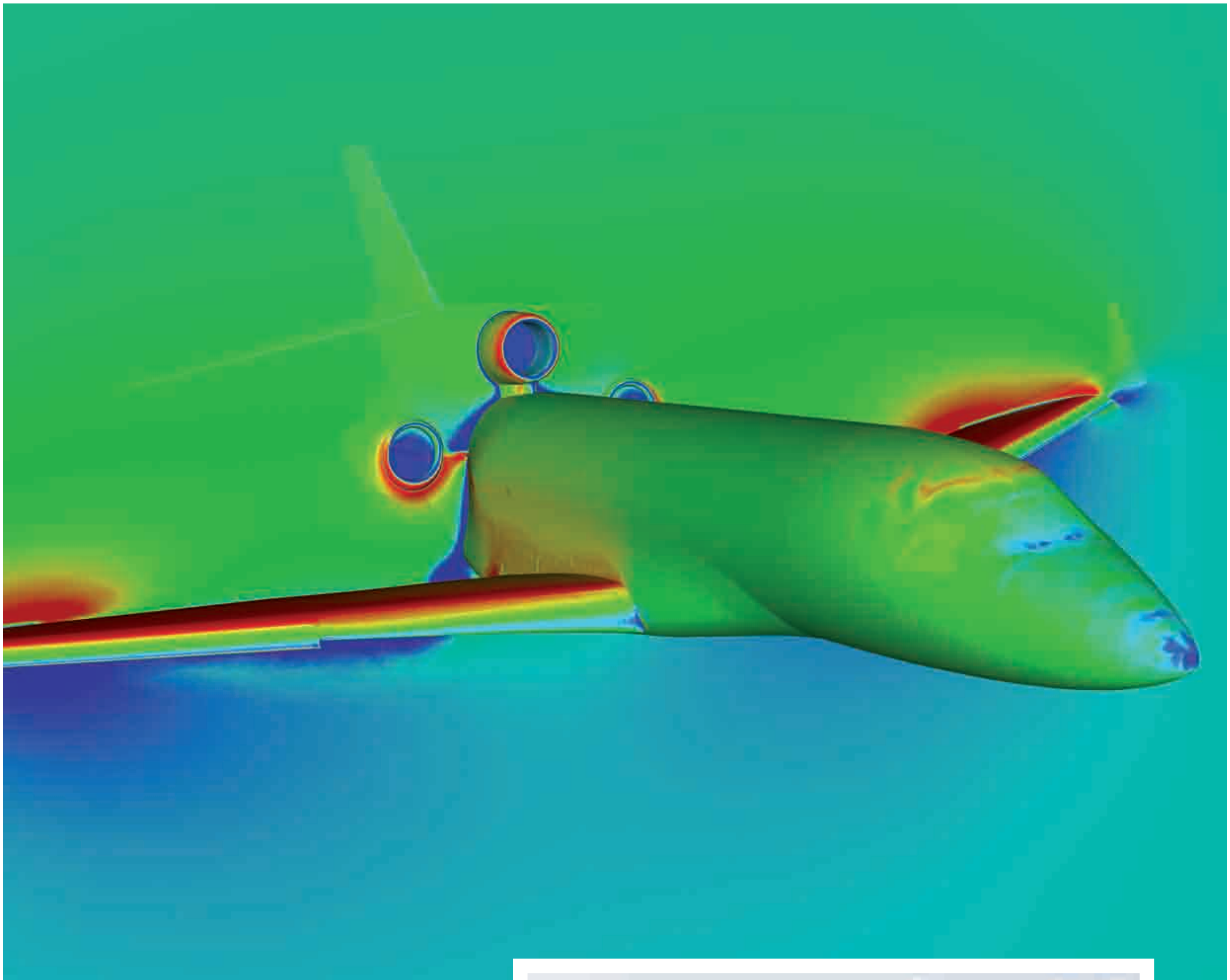
By way of example, on account of the inherent constraints of London City airport, located as it is in the heart of the city, and the need to reduce the perceived noise on the ground, the Company's engineers have developed takeoff and landing procedures thanks to which the Falcon 7X has become one of the few aircraft in its category capable of landing at this particular airport.

LOWER CONSUMPTION, FRIENDLIER TO THE ENVIRONMENT

Dassault Aviation pays particular attention to reducing the fuel consumption of its aircraft, particularly in the civil domain.

Thanks to the lessons learned by Dassault Aviation in designing and manufacturing its combat aircraft, the Falcon business jets are able to boast optimized aerodynamic qualities. Lighter and more compact than their competitors while offering greater power output, they are the most fuel-efficient aircraft in their range. This low fuel consumption also means reduced exhaust emissions (CO_2 and NOx). Our clients are increasingly sensitive to these considerations.

The work carried out by Dassault Aviation in the field of the “more-electric” aircraft also aims at improving the technical performance of aircraft and their economic efficiency, as well as making them greener. Thanks to improved power management, the more-electric aircraft will help to keep CO_2 emissions to a minimum.



Aerodynamic flow study on a Falcon 7X
The use of resources such as the latest generation supercomputers provides access to modeling capacities that help make aircraft even more efficient. These resources make it possible to find solutions that are as close as possible to the optimal and make more targeted use of wind tunnel testing. They help with aircraft drag reduction and the minimization of an aircraft's carbon and noise footprints.

R&D for a future business jet
Representing business aviation on the European Clean Sky research project, Dassault Aviation is involved in research into technological developments, lifecycles and use of aircraft, including the next generation of Falcons.

DASSAULT AVIATION

PRODUCTS

Falcon 2000S

CIVIL PRODUCTS

FALCON FAMILY

Appreciated for their performance, their comfort and their low fuel consumption, over 2,000 Falcons are today in operation worldwide, for the benefit of companies, major economic players 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 pounds of thrust) with a substantial flight range. Equipped with a new aero-elastic wing design that improves aerodynamic performance by 30%, the aircraft can reach a maximum speed of Mach 0.90 and cover a range of 5,950 nm (11,000 km). 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.

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 offers almost 7% more drag reduction compared to the Falcon 900EX, its predecessor. Its climbing performance has 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.

Cockpit for the Falcon 2000S

FALCON 2000LX

The **Falcon 2000LX** is equipped with two 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. The aircraft can cover 4,000 nm (7,410 km) with 8 passengers. The performance and low operating costs of the 2000LX make this twin-engine jet the most popular in its category and the most represented in multi-ownership programs.

FALCON 2000S

With the launch of the **Falcon 2000S**, at the Ebace - Geneva air show in 2011, Dassault Aviation marks its return to the medium/long-haul aircraft segment to produce an extremely competitive offering, both in terms of the purchase price and the aircraft running costs. The jet benefits from all the assets that have made the Falcon 2000 such a success over the past 20 years. It has the most spacious cabin on the market and exceptional performance levels in terms of agility and flexibility of use. The introduction of inboard forward slats gives the aircraft unparalleled takeoff and landing capability for a jet in this category. The Falcon 2000S is equipped with a new version of the Pratt & Whitney Canada PW 308C engines, whose emissions have been reduced by more than 20%. It can cover 3,350 nm (6,200 km) with 6 passengers at Mach 0.80, and is able to fly from New York to London or Los Angeles, Paris to Dubai or Singapore to Mumbai.

Rafale

MILITARY PRODUCTS

COMBAT AIRCRAFT

For many years, combat aircraft have been the mainstay of Dassault Aviation's activity. These instruments of political independence are used for defense by over twenty countries worldwide.


RAFALE

Able to fulfill all the roles required of a combat aircraft in the course of a single mission, the Rafale is the only existing all-purpose fighter aircraft in the world.The Rafale is the first aircraft with a "delta-canard" configuration, designed for aircraft carrier landing, and can also simultaneously perform air superiority, defense, reconnaissance and surface attack missions during a single flight. The first French Navy squadron was declared operational in 2004, and the first Rafale squadron for the French Air Force was rolled out at Saint-Dizier in 2006. Brought into operational service in 2010, the F3 standard gives the Rafale nuclear deterrence, reconnaissance and anti-ship capabilities.
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 first attack and air superiority missions, and remained the spearhead of the coalition throughout the duration of operations.
The Rafale has therefore proven itself in combat in all types of mission and has demonstrated its interoperability and connectivity capabilities with the allied forces, in particular thanks to its Link 16 equipment.


MIRAGE 2000

In service with nine air forces worldwide, the Mirage 2000 fleet has logged over 1.54 million flying hours.

Operated in a wide variety of environments ranging from deserts to tropical forests, and taking in polar and high-altitude regions, deployed in many international training exercises and engaged in various theaters of operation, the Mirage 2000 has become a global benchmark in terms of availability and maintenance. Its interoperability with other NATO aircraft and its performance have been proven in combat situations.

The 470 Mirage 2000 jets currently in service benefit from the reliable support of Dassault Aviation.

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, insertion in a C4I environment, innovative processes in terms of industrial partnerships, etc. The first flight of the demonstrator is scheduled for 2012.

TELEMOS

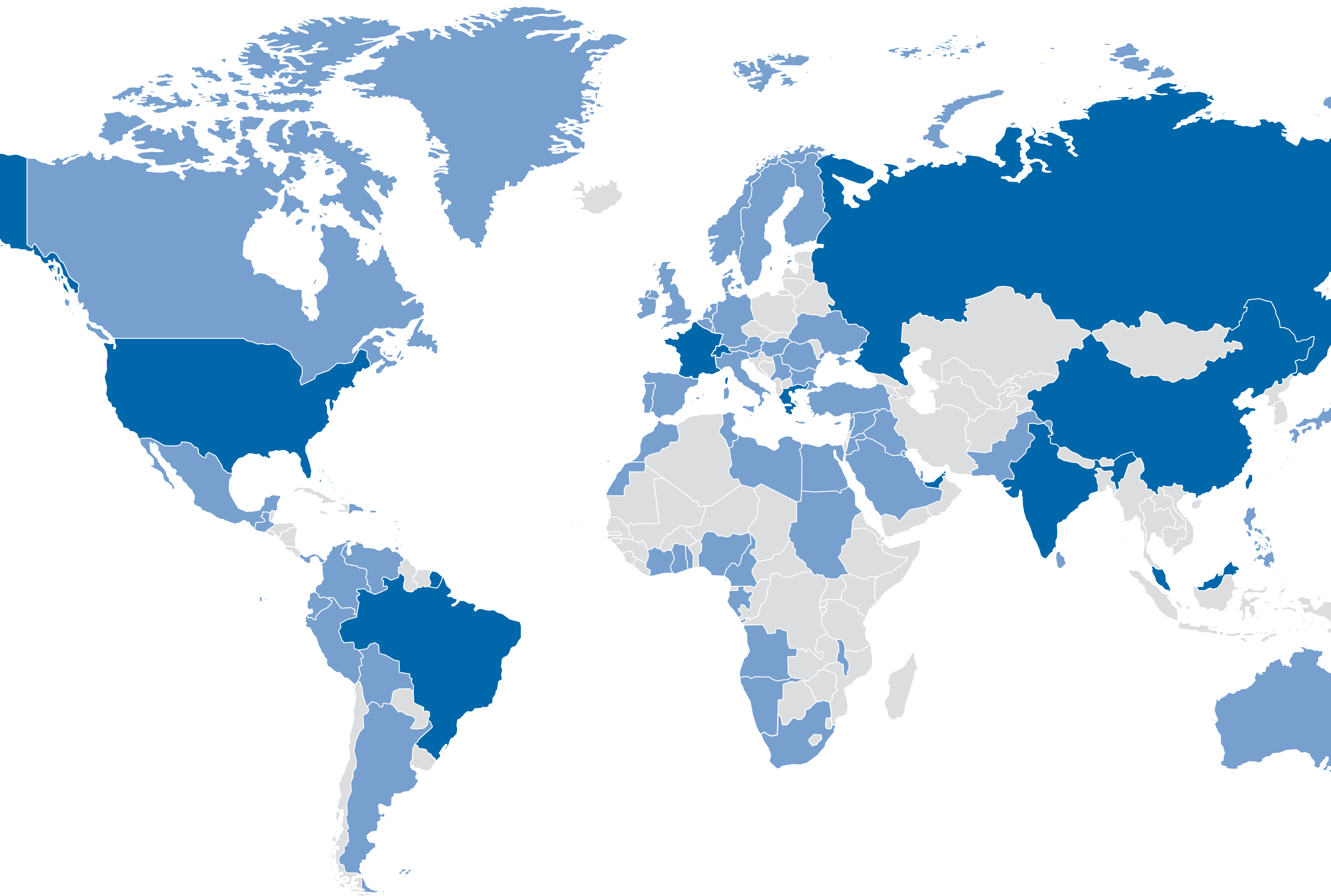
Looking toward the future, and taking account of its particular competences, Dassault Aviation has confirmed its interest in the development of Medium-Altitude Long-Endurance (MALE) UAV systems. In order to address the Franco-British requirements expressed in the cooperation treaty signed by both countries on November 2, 2010, the company has carried out, in conjunction with BAE Systems, a preliminary study of the MALE UAV system. The two manufacturers signed an exclusive cooperation agreement in March 2011 and are in discussion with the official authorities of both countries with a view to cooperatively developing and supplying such a system on a 50-50 workshare basis between the United Kingdom and France.

F-HERON^{TP}

On July 21, 2011, the French Ministry of Defense decided to enter into negotiation with Dassault Aviation with a view to supplying the French armed forces with the MALE UAV in 2014, in order to fill the capacity gap pending the commissioning of a Franco-British system. This system is based on the Heron TP, originally commissioned by the Israeli government from Israel Aerospace Industries (IAI) for its own purposes. It builds on the preliminary studies carried out with IAI for EUROMALE and for SDM.
This program will make it possible to structure, in association with the French partner companies to the program, an industrial channel in preparation for the future Franco-British MALE system.

DASSAULT AVIATION

AIRCRAFT AND SITES WORLDWIDE



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

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

SITES IN FRANCE

ARGENTEUIL
1 avenue du Parc
Z.A. des bords de Seine
BP 40050
95101 Argenteuil Cedex 100
Tel.: +33 (0)1 34 11 85 85

ARGONAY
2105 avenue Marcel Dassault
BP 32
74371 Pringy Cedex
Tel.: +33 (0)4 50 09 10 00

BIARRITZ
BP 208
64205 Biarritz Cedex
Tel.: +33 (0)5 59 31 22 22

CAZAUX
B.A. 120
BP 90424
Cazaux
33164 La Teste Cedex
Tel.: +33 (0)5 56 22 44 00

ISTRES
Essais en vol
13804 Istres Cedex
Tel.: +33 (0)4 42 56 77 77

MARTIGNAS
Avenue des
Martyrs-de-la-Résistance
BP 38
33127 Martignas-sur-Jalle
Tel.: +33 (0)5 57 97 85 00

MÉRIGNAC
BP 24
54 avenue Marcel Dassault
33701 Mérignac Cedex
Tel.: +33 (0)5 56 13 90 00

POITIERS
24 avenue Marcel Dassault
Zone industrielle de Larnay
86580 Biard
Tel.: +33 (0)5 49 37 62 00

SAINT-CLOUD
78 quai Marcel Dassault
Cedex 300
92552 Saint-Cloud Cedex
Tel.: +33 (0)1 47 11 40 00

SECLIN
Zone industrielle
Rue Marcel Dassault
BP 289
59472 Seclin Cedex
Tel.: +33 (0)3 20 16 12 00

INTERNATIONAL OFFICES

EUROPE

GREECE
Bureau Rafale International
80-88 Syngrou Ave
11741 Athens
Tel.: + 30 210 92 22 660
Fax: + 30 210 92 22 669

SWITZERLAND
Bureau Rafale International
Schwanengasse 9
CH - 3011 Bern
Tel.: +41 31 312 16 30
Fax: +41 31 312 16 31

ASIA

INDIA
Dassault House
34 Jor Bagh
New Delhi 110003
Tel.: +91 112 465 24 65
Fax: +91 112 465 24 64

TAIWAN
Dassault Aviation
12F-E Hung Kuo Building
167 Tun Hua North Road
Taipei
Tel.: +886 2 2718 54 37
Fax: +886 2 2712 37 74

SOUTH AMERICA

BRAZIL
Dassault International
do Brasil Ltda
Setor Commercial
Quadra 1 N°30 - Bloco H
Edificio Morro Vermelho 16° Andar
CEP 70397-900
Brasilia - Distrito Federal
Tel.: +55 61 33 21 94 37
+55 61 32 23 71 80
Fax: +55 61 33 21 54 45
E-mail: dibr@superig.com.br

MIDDLE EAST

UNITED ARAB EMIRATES
Dassault Aviation
PO Box 70356
Abu Dhabi
Tel.: +971 2 444 42 10
Fax: +971 2 444 39 44

MAIN SUBSIDIARIES

DASSAULT FALCON JET
Teterboro Airport, Box 2000
South Hackensack, NJ 07606
USA
Tel.: + 1 201 440 6700
Fax: + 1 201 541 4700
www.dassaultfalcon.com

DASSAULT FALCON JET
Adams Field
PO Box 967
Little Rock, AR 72203
USA
Toll Free: + 1 800 643 9511
Tel.: + 1 501 372 5254
Fax: + 1 501 372 5850

DASSAULT FALCON JET WILMINGTON CORP.
PO Box 10367
Wilmington, DE 19850-0367
USA
Toll Free: + 1 800 441 9390
Tel.: + 1 302 322 7000
Fax: + 1 302 322 7283

MIDWAY AIRCRAFT INSTRUMENTS COMPANY
Teterboro Airport
100 Riser Road
Little Ferry, NJ 07643
USA
Tel.: +1 201 440 4800
Fax: +1 201 440 9371
www.midwayaircraft.com

AERO PRECISION REPAIR & OVERHAUL CO., INC.
580 South Military Trail
Deerfield Beach, FL 33442
USA
Tel.: +1 954 428 9500
Fax: +1 954 428 2502
www.aero-precision.com

DASSAULT PROCUREMENT SERVICES INC.
53 W. Century Road - Suite 100
Paramus, NJ 07652
USA
Tel.: +1 201 261 4130
Fax: +1 201 261 3138

SOGITEC INDUSTRIES
4 rue Marcel Monge
Immeuble Nobel
92158 Suresnes Cedex
FRANCE
Tel.: +33 (0)1 41 18 57 00
Fax: +33 (0)1 41 18 59 09
www.sogitec.com

FALCON OFFICES

EUROPE

RUSSIA
Radisson Slavyanskaya
Business Center - Office 424
Europe square 2
121059 Moscow
Mob.: +7 495 76 10 414

ASIA

CHINA
Dassault Falcon-China
Room 1802 B, Tower A,
Sanlitun Soho,
Chaoyang District,
Beijing 100020
Tel.: + 86 (10) 5905 5706

MALAYSIA
Dassault Falcon Jet
Regional Office
UBN Tower, 17th Floor
10 Jalan P. Ramlee
50250 Kuala Lumpur
Tel.: + 60 3 2031 8252

MIDDLE EAST

UNITED ARAB EMIRATES
Dassault Falcon Middle East
Dubai Airport Free Zone (DAFZ)
Building 5W - Block A - Office 315
PO Box 293884
Dubai
Tel.: + 971 4 299 39 50
Fax: + 971 4 299 37 97

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

DASSAULT AVIATION

SITES AND MAIN SUBSIDIARIES

DASSAULT AVIATION

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

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

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

CAZAUX
Payload separation tests and test firing of the firing control systems, carried out as test campaigns by the teams from Istres.

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; Falcon 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 Falcon jets: interior fittings and painting.

DASSAULT FALCON JET - WILMINGTON
Aviation maintenance and services.

DASSAULT AIRCRAFT SERVICES
Le Bourget, Little Rock, Luton, Moscou, Nice, Reno, Rome, 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.

FRANCE

UNITED-STATES

2011

ANNUAL FINANCIAL REPORT

DASSAULT
AVIATION

Contents

Declaration of the person responsible for the report

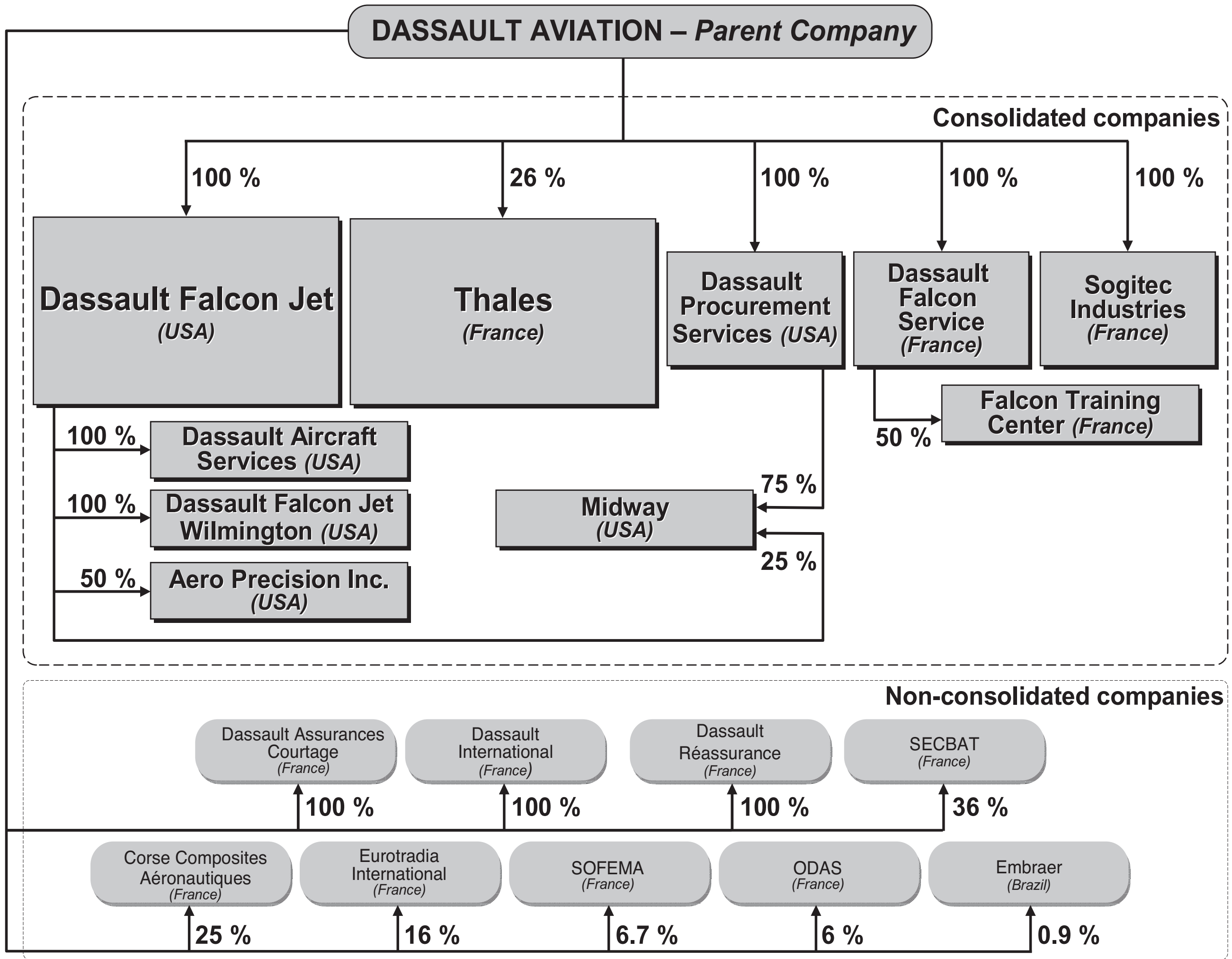
I certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the company and all the other companies included in the scope of consolidation, 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 21, 2012

Charles EDELSTENNE
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 %	PRIVATE INVESTORS

Board of Directors

Honorary Chairman
Serge DASSAULT

Chairman and Chief Executive Officer
Charles EDELSTENNE

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

Management Committee

Chairman

Charles EDELSTENNE	Chairman and Chief Executive 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
Didier GONDOIN	Executive Vice-President, Engineering
Gérald MARIA	Executive Vice-President, Total Quality
Jean SASS	Executive Vice President, Information Systems
Loïk SEGALEN	Executive Vice-President, Economic and Social Affairs
Eric TRAPPIER	Executive Vice-President, International
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, 2011 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 its parent company, DASSAULT AVIATION, 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

2011 consolidated orders amounted to EUR 2,863 million compared to EUR 1,266 million in 2010 (*).

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

Year	Defense		Falcon	**Total**	% Export
	France	Export			
2007	644	239	5,382	**6,265**	89%
2008	956	241	4,625	**5,822**	81%
2009	2,276	253	- 3,851	**- 1,322**	NS
2010	606	186	474	**1,266**	43%
2011	**424**	**507**	**1,932**	**2,863**	**83%**

(*) *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 €/$ exchange rate on the backlog.*

FALCON programs:

New orders, net of cancellations, stood at **36 FALCON** in 2011. They were negative by -9 FALCON in 2010.

Commercial activity significantly improved compared to 2010. However, it remained contrasted, China being the most dynamic market while a recovery is still expected in North America. Europe shows encouraging signs, especially on pre-owned business jets market, but as a whole, wait-and-see policy still applies.

DEFENSE programs:

DEFENSE orders rose to **EUR 931 million** in 2011 compared to EUR 792 million in 2010. They include, in particular, the Indian Air Force's MIRAGE 2000 fleet upgrade contract signed by DASSAULT AVIATION and THALES in July.

1.1.2 Net sales

Consolidated net sales amounted to **EUR 3,305 million** in 2011 compared to EUR 4,187 million in 2010, down by 21%.

Export net sales represent 74% of the total net sales.

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

Year	Defense		Falcon	**Total**	% Export
	France	Export			
2007	883	855	2,347	**4,085**	77%
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%**

FALCON programs:

FALCON net sales decreased by 25% between the two periods. **63 brand new aircraft were delivered in 2011**, compared to 95 in 2010.

DEFENSE programs:

DEFENSE net sales decreased by 7% compared to 2010. **11 RAFALE** were delivered to the French Air Force and Navy in 2011, unchanged from 2010.

1.1.3 Backlog

As of December 31, 2011, consolidated backlog amounted to **EUR 8,751 million** compared to EUR 9,401 million as of December 31, 2010, down by 7%.

1.1.4 Operating Income

2011 consolidated operating income amounted to **EUR 377 million** compared to EUR 591 million in 2010, down by 36%.

Operating margin stood at **11.4%**, compared to 14.1% in 2010, mainly explained by a net sales decrease and an increase of Research and Development expenses reaching EUR 303 million in 2011, compared to EUR 233 million in 2010.

1.1.5 Net income

Excluding THALES, 2011 net income was **EUR 282 million** compared to EUR 395 million in 2010, down by 29%. Net margin excluding THALES was **8.5 %,** compared to 9.4% in 2010.

2011 profit included a financial income of EUR 14 million, compared to a financial loss of EUR 27 million. This growth resulted mainly from the following factors:

- In 2011, the Group made a profit of EUR 38 million on the sale of available-for-sale marketable securities, in particular as part of a loan reimbursement operation carried out in the first half of the year.
- Borrowing costs amounted to EUR 13 million in 2011 compared to EUR 29 million in 2010.

Including THALES, 2011 net income amounted to **EUR 407 million** compared to EUR 371 million in 2010 (*), an increase of 10%. Net margin stood at **12.3%,** compared to 8.9% in 2010.

(*) net income before amortization of Purchase Price Allocation; after amortization of PPA, 2011 net income amounted to EUR 323 million compared to EUR 267 million in 2010.

THALES contribution to the Group net income, before amortization of Purchase Price Allocation, was EUR 125 million in 2011, compared to a contribution of EUR -24 million in 2010.

1.1.6 Financial reporting

IFRS 8 "operational sectors" 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 more detailed level.

1.2 FINANCIAL STRUCTURE

1.2.1 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 3,274 million on December 31, 2011** compared to EUR 3,064 million on December 31, 2010, an increase of EUR 210 million.
This increase is notably due to consolidated net cash from operating activities (+ EUR 341 million) and to a decrease in working capital (+ EUR 50 million), partially offset by investments (- EUR 75 million) and distributed dividends (- EUR 108 million).

1.2.2 Balance sheet

Apart from working capital, the balance sheet structure is affected by the repayment of loans subscribed to in the framework of the acquisition of THALES shares.

1.3 FINANCIAL RISK MANAGEMENT

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

1.3.1 Cash and liquidity risks

The Group is not exposed to any significant market risk with regard to its borrowings and investments (available-for-sale or cash equivalents). The investment portfolio of the Group mainly comprises money market investments.

Most of the fixed-income and diversified investments (according to the AMF reference) of the Group were guaranteed as of December 31, 2011.

The loan contracted by the Group includes the customary clauses concerning default and limits covering collateral and merger or asset sale transactions. It does not contain any early repayment clauses based on credit ratings or financial ratios. One of the clauses for this euro-denominated loan stipulates that early repayment will be due should GIMD hold less than 50% of the share capital of DASSAULT AVIATION.

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

1.3.2 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 2011.

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.

Considering the trade receivables write-down method used to prepare the financial statements, the percentage of outstanding receivables not written-down at the year-end is not at risk.

1.3.3 Market risks

- ***Foreign exchange risks:***

- Hedging portfolio:

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

The parent company partially hedges this risk by using foreign exchange forward contracts and foreign exchange options.

DASSAULT AVIATION 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 amount of the hedge may be adjusted according to the variability in the timing of expected net cash flows.

- EMBRAER shares:

The Group’s parent company owns EMBRAER shares, which are listed on the Brazilian stock market. EMBRAER is stated in euros 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.

- ***Interest rate risks:***

At December 31, 2011, DASSAULT AVIATION had EUR 400 million of fixed-rate borrowings after taking out swaps.

- ***Other risks:***

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

1.4 RELATED-PARTY TRANSACTIONS

Related parties in 2011 were the same as those identified in 2010. Certain subsidiaries are linked to DASSAULT AVIATION via development and equipment supply contracts as well as contracts for software and related support.

2011 transactions are specified under Note 25 in the notes to the consolidated financial statements.

1.5 GROUP ACTIVITIES

1.5.1 Program developments

- ***FALCON programs:***

  Highlights of fiscal year 2011 were:

  - a growth in commercial activity compared to 2010, yet marked by contrasts, with China being the most dynamic market while a recovery is still expected in North America,
  - the delivery of 63 FALCON,
  - the launch at the EBACE-Geneva Air Show of a new FALCON 2000 version, the FALCON 2000S,
  - prompt resolution of a pitch trim issue which grounded the FALCON 7X fleet for a few weeks,
  - EASA and FAA certification of the FALCON 900LX EASy II cockpit,
  - certification of the FALCON 7X Enhanced Flight Vision System (EFVS),
  - launching of the EASy III cockpit development and of the development of a new-generation Head Up Display (HUD) and (EFVS).

- ***DEFENSE programs:***

  In 2011, many DASSAULT aircraft participated successfully in Operation Harmattan in Libya: RAFALE, MIRAGE 2000, ATL2 and Super Etendard of the French forces, along with Emirati and Qatari MIRAGE 2000. From their very first mission, the RAFALE were able to demonstrate their "omnirole" aptitude and their efficiency.

Concerning the RAFALE, 2011 was also marked by:

- the delivery of 11 RAFALE to the French Air Force and Navy,
- notification of tranche 1 of the METEOR missile integration contract,
- preselection of the RAFALE in India and pursuing negotiations for the export sale of this aircraft.

Other programs included:

- the concluding of the Indian Air Force's MIRAGE 2000 fleet upgrade contract signed by DASSAULT AVIATION and THALES,
- ground tests began in Istres (France) and system integration tests are in progress for the nEUROn program, the unmanned combat aircraft vehicle demonstrator with the goal to achieve the maiden flight in 2012; nEUROn program, with DASSAULT AVIATION as prime contractor, involves five European industrial partners,
- the signing with BAE Systems of a cooperation agreement and submission of a common definition proposal for a MALE (Medium Altitude Long Endurance) Unmanned Aircraft Vehicle, dubbed TELEMOS, to the French and UK Ministries of Defense; BAE Systems will be prime contractor and DASSAULT AVIATION will be responsible for the mission systems,
- the submission of an offer to the French Ministry of Defense for the supply in 2014 of a new MALE drone system based on a French version of the HERON^{TP} made by IAI,
- MIDS-L16 data link qualification and integration on the French MIRAGE 2000-5,
- preliminary work carried out on the mission system overhaul of the ATLANTIQUE 2.

1.5.2 Customer support and services

In 2011, the Group:

- extended its FALCON maintenance center network with three new certified centers in Vienna, Mumbai and Hong Kong,
- provided support for its military aircraft sold in France and abroad, and restored to flight capability the first Peruvian MIRAGE 2000s.

1.5.3 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 aircraft 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.
- ***DASSAULT FALCON SERVICE (France),*** based at Le Bourget airport, contributes to FALCON support activities in the following two areas:
  - maintenance center dedicated to FALCON aircraft for maintenance operations,
  - leasing and management of FALCON aircraft as part of civil transport activities.
- ***DASSAULT PROCUREMENT SERVICES (United States)*** is the central purchasing hub in the United States for FALCON aviation equipment.
- ***MIDWAY (United States)*** ensures the overhaul and repair of civil aviation equipment for French OEMs, suppliers of FALCON or of other aircraft.
- ***SOGITEC INDUSTRIES (France)*** operates in the simulation and documentation sectors.

1.5.4 Equity investments

- ***THALES (France):*** THALES Group operates on the aviation and aerospace, defense and security markets. Its activities are described in its reference document.
- ***CORSE COMPOSITES AÉRONAUTIQUES (France):*** 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):*** created in November 2011 in order to:
  - facilitate exchanges between contracting clients and their suppliers,
  - promote 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.

1.6 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.

Several stages in the overall Group plans preparing for the next generation of FALCON aircraft with innovative technologies have been embarked upon, including:

- the definition and assessment of new operational approach procedures, applicable to the FALCON 7X,
- testing on the FALCON 7X of the new ground control laws,
- the identification of major cockpit noise sources,
- laminarity measurements on a FALCON 7X tail unit and recalibration of the associated modeling.

Furthermore, the pre-project configurations for an "ecological and cost-effective" business jet were consolidated.

These cross-functional Group plans are self-financed and run as part of the work that is supported by the French Civil Aviation Authority (DGAC) and in the framework of the Clean Sky European partnership initiative.

We prepared our participation in the projects that were proposed in early December 2011 for the fifth tender bid for the 7th Research and Development Framework Program of the European Union.

We received notification of the initial agreement of support for our work in the framework of the Investment for the Future initiative, concerning the demonstration of a composite wing box. The supporting file for the demonstration of a new modular avionics concept has been submitted. Several other files presenting demonstration plans are currently being examined by the Official Services.

The French Defense Procurement Agency (DGA) notified us in 2011 of three Upstream Research Plans on the consolidation of UCAV concepts, 3D passive localization and the second phase of the European Common Operating System (ECOS) study, relating to the development of open and modular mission software.

The Franco-British political agreements will help us to increase over the coming years the proportion of upstream research that is open to cooperation.

With regard to production line processes, we are beginning to apply to industrial examples methods of checking codes that enable properties of robustness to be demonstrated.

Lastly, the Group has underpinned its relations with the teaching and academic research establishment by supporting a "Chair of complex systems engineering" with three schools of ParisTech (École Polytechnique, ENSTA, Telecom).

1.7 NEW TECHNIQUES OF MANUFACTURING AND INDUSTRIAL MANAGEMENT

We are continuing to develop the use of composites and the study of "fiber placement" processes, along with the development of a wing in the framework of the Strategic Committee for Civil Aerospace Research (CORAC - Comité stratégique pour la Recherche Aéronautique Civile).

In the field of metallic materials, we are studying the new high-resistance, low-density aluminum alloys and the friction welding process. We are continuing to improve our wing panel forming processes for the FALCON (multi-press and shot-blasting).

Work to ensure compliance with European REACh regulations is underway, and we are producing compliance certificates for our new aircraft, our spare parts and our repairs.

In the framework of reducing the environmental impact of our processes, we are introducing into our production paint ranges with low levels of solvent pollutants. We have initiated a study of possible replacements for chromium VI and cadmium for surface protections.

We are reinforcing the use of digital technologies through extending automation into the fitting of subassemblies and implementing workshop simulation pilot schemes in collaboration with DASSAULT SYSTEMES. We are continuing to develop PLM in production and are starting to use "RFID" ID chips.

Furthermore, in the framework of our policy to study new concepts, we seek to leverage all the enhancements that the new digital communication technologies have to offer. We continue to study the possibility of replacing the chemical milling of aluminum and titanium with mechanical milling.

The improvement of our manufacturing techniques also involves the generalization of workflow optimization on our production sites. Each site is proceeding with pilot schemes.

We are also 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. The rollout of the sixth version of the product lifecycle management process (PLM V6) and of its Systems component has generated new collaborative processes. This makes it possible to coordinate those involved (both inside and outside the company), the projects, the processes (wherever they take place), the employees, the program and the product.

1.8 PRODUCTION FACILITIES

The deployment of the digital enterprise and the adaptation and operational maintenance of DASSAULT AVIATION's production facilities in 2011 featured:

- the commissioning:
  - of a robotic fiber-placement cell for prepregs (composite materials) in Biarritz,
  - of an assembly line for FALCON subassemblies according to the "moving line" concept,
  - of an automated feed system for the first robotic skin panel riveting cell at Argenteuil,
- the ordering:
  - of automated facilities at Martignas (robotic cell for the wing assembly of the future FALCON) and at Argenteuil (second robotic skin panel riveting cell),
  - of a set of test benches for tubing at Argenteuil,
  - of a robotic friction-stir welding (FSW) installation for the assembly of fuselage panels at Argenteuil.

Furthermore, extension work has begun at the Seclin plant, along with the construction of a new hangar at Le Bourget.

1.9 TOTAL QUALITY

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

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

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

DASSAULT AVIATION is certified according to EN 9100, the specific standard for the aviation industry, as well as ISO 14001, the standard specific to the environment.

Since 2009, the Group has obtained these quality certifications as part of an Integrated Management System (IMS) simultaneously covering product quality and environmental requirements.

We also monitor our certifications for the design, production and maintenance of civil aircraft, along with the official acknowledgement of our capability to design military aircraft.
Lastly, we continue to implement our program, product, process and environment risk management measures in all Group entities, departments and sites.

1.10 ETHICS

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

This Charter also includes the principles underlying the UN "Global Compact" initiative, adopted by the Group.

1.11 HUMAN RESOURCES

The Group had a total headcount of 11,472 as of December 31, 2011.

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 RESULTS

2.2.1 Orders

The **total orders booked by the parent company in 2011 amounted to EUR 2,324 million** compared to EUR 979 million in 2010 (*).

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

Year	Defense		Falcon	**Total**
	France	Export		
2007	638	233	4,664	**5,535**
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**

(*)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 €/$ exchange rate on the backlog.

FALCON programs:

New orders, net of cancellations, amounted to **36 FALCON** in 2011. Orders in 2010 were negative by - 9 FALCON.

Commercial activity significantly improved compared to 2010. However, it remained contrasted, China being the most dynamic market while a recovery is still expected in North America. Europe shows encouraging signs, especially on pre-owned business jets market, but as a whole, wait-and-see policy still applies.

DEFENSE programs:

DEFENSE orders amounted to **EUR 922 million** in 2011 compared to EUR 780 million in 2010. They include, in particular, the Indian Air Force's MIRAGE 2000 fleet upgrade contract signed by DASSAULT AVIATION and THALES in July.

2.2.2 Net sales

Parent company **2011 net sales** amounted to **EUR 2,914 million**, down 18% compared to 2010.

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

Year	Defense		Falcon	**Total**
	France	Export		
2007	878	844	1,883	**3,605**
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**

2.2.3 Net income

2011 net income amounted to **EUR 259 million**, compared to EUR 326 million in 2010, down by 21%.

Company employees will receive a total of EUR 100 million under the profit-sharing and incentive plans, divided up as follows:

- Profit-sharing: EUR 86 million
- Incentive: EUR 14 million

This represents 24.0% of salaries paid in 2011, compared to the legal minimum of 4.7%.

2.2.4 Dividends (appropriation of net income)

Subject to your approval of the 2011 financial statements, we propose that the net income for the year of EUR 259,278,832.79 plus retained earnings of EUR 2,575,783,014.28, giving a total of EUR 2,835,061,847.07, be divided up as follows:

- dividend distribution of:
  EUR 86,070,124.50
- with the remaining balance to retained earnings:
  EUR 2,748,991,722.57

If you accept this proposal, **a dividend per share of EUR 8.50** will be distributed in respect of fiscal year 2011.

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

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

Fiscal year	Net dividend (EUR)	Allowances (*)
2008	5.80	40%
2009	8.80	40%
2010	10.70	40%

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

2.2.5 Five year results summary

The DASSAULT AVIATION five-year summary is shown in Note 33 to the financial statements.

2.2.6 Tax consolidation

The Company elected for tax consolidation with effect from January 1, 1999, forming a tax group with those French subsidiaries in which it holds an interest of over 95%. A tax consolidation agreement, tacitly renewable for 5-year periods, was signed with each of these subsidiaries.

2.3 RISK MANAGEMENT

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

2.4 PURCHASES AND SUBCONTRACTING

In fiscal year 2011, DASSAULT AVIATION purchases totaled EUR 1.8 billion, representing 62% of sales. Purchases break down into three categories as follows: equipment and support (35%); semi-finished products, accessories, industrial subcontracting and special process subcontracting (40%); general purchases (25%).

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, 2011 is as follows (in EUR millions):

Due-date	**2010**	**2011**
Due as of balance sheet date	15.6	10.8
As of mid-January	35.5	68.7
As of end of January	6.9	2.7
As of mid-February	2.9	3.3
As of end of February	0.3	0.1
Other (fixed assets)	4.9	3.6
Total	**66.1**	**89.2**

2.6 EMPLOYEE MATTERS

2.6.1 Employment

The Company had a total headcount of 8,068 as of December 31, 2011.
254 members of staff were hired and 243 left in 2011.

The 254 new recruits in 2011 involved all professional categories and all age groups.

To prepare for our future hiring needs, DASSAULT AVIATION pursued its initiative in 2011 of dispatching engineers and executives as "ambassadors" into teaching institutions and establishments. These company employees are assigned with the task of passing on their skills, publicizing our company and helping students to construct their career path.

These early recruitment efforts are backed by a dynamic internship and sandwich-course policy. In 2011, we received 510 interns and 117 day-release students.

2.6.2 Wages policy

The Company implements a pay policy in line with its desire to hire and retain highly qualified personnel. The average annual salary for the workforce as a whole on December 31, 2011 was EUR 49,464.

The guaranteed minimum annual wage in 2011 was EUR 21,960.

In order to reward hard work and collective effort, DASSAULT AVIATION has had in place for many years a profit-sharing agreement which involves distributing a third of the net income to the employees, equaling on average for fiscal year 2011 to EUR 10,588. In addition to this, there is an incentive scheme for which the average amount per employee amounted to EUR 1,715 in 2011. DASSAULT AVIATION also encourages employee savings. Employees can use the Enterprise Savings Plan (PEE - Plan d'Epargne Entreprise), with a wide range of investment possibilities, including socially-responsible funds, along with the Collective Retirement Savings Plan (PERCO - Plan d'Epargne pour la Retraite COllectif), with the company matching the employee's contributions, and the Locked-in Current Account (CCB - Compte Courant Bloqué).

In addition, a total of EUR 27.8 million was paid to the Works' Councils in respect of employee activities (5% of the total payroll) or for various employee-related expenses (transport, housing, catering, etc.).

2.6.3 Equal opportunities

In 2011, the Company reinforced its policy for combating discrimination with, in particular, the signing of a new agreement on professional equality between women and men, which consolidates and improves the provisions of the 2007 agreement.

This desire to develop diversity within teams has led the Company to implement communication initiatives in educational establishments, encouraging female pupils and students to think more about pursuing technical and scientific career paths. Particular attention has been paid to recruitment, training and career development. Training sessions for managers include an awareness-raising component on the topic of professional gender equality.

To encourage a healthy work-life/home-life balance, DASSAULT AVIATION signed a part-time working agreement in December 2010. By December 31, 2011, 314 employees had opted to go part time. As such, and in order to preserve their full retirement entitlements, the employees may contribute on the basis of a full-time activity, with the Company paying the employer contributions in full.

The Company continues to pursue its policy to favor the recruitment, retention and career development of disabled employees. DASSAULT AVIATION signed an agreement in 2010 for the years 2011 to 2013.

DASSAULT AVIATION also works upstream to help and train disabled people in the aerospace trades. In 2010, with the support of GIFAS and of other aerospace companies, we created the HANVOL Association, the objective of which is to encourage the training and integration of disabled people through implementation of sandwich-training mechanisms.

By the end of 2011, DASSAULT AVIATION employed 425 disabled workers. In parallel, initiatives in favor of the protected sector (for the employment of disabled people) and the induction of disabled interns and temporary staff characterize our desire to perpetuate our actions in this area at a level well beyond the legal minimum.

In the framework of the agreement signed in 2010 on the roles, resources and careers of staff representatives, DASSAULT AVIATION implemented a specific system for the Validation of Skills Acquisition through Experience. This system encourages recognition of the skills acquired through the exercise of a term of office. The Company has also put in place a mechanism to ensure the professional and pay-scale development of staff representatives.

DASSAULT AVIATION is, moreover, committed to employing seniors, in particular by retaining staff aged 55 and over, and to the development of know-how and skills, the conducting of systematic annual medical examinations and the possibility of working part-time on attractive terms. A "seniors" correspondent has been appointed to oversee the actions provided for in the 2010/2012 triennial agreement.

2.6.4 Employee relations

The Company strives to foster employee relations that make it possible to define and implement, in concerted fashion, the appropriate measures to accompany the development of the company, and which are enshrined in the signing of various collective agreements.

The agreements signed in 2011 include the following:

- the agreement on the equality of job opportunities for men and women,
- the agreement relating to the training of staff representatives,
- the amendment relating to employment protection insurance for non-executive employees,
- the agreements on wages and working time organization,
- the amendment relating to the Collective Retirement Savings Plan (PERCO).

2.6.5 Development of human resources

Actions undertaken in 2011 helped to maintain and develop the level of skills among employees, taking into account both, on the one hand, individual and collective aspirations and, on the other, the social and economic climate of the Company.

Over the long-term, several projects are being pursued:

- The integration of newly hired staff: "ENVOL days", bringing together newly hired executive staff to meet with managers and discuss the issues and challenges affecting the company. They benefit from visits to French military Air Force bases (Mont de Marsan, Orange, Nancy, Saint-Dizier), allowing them to discover our products in an operational context.
- Professional mobility: this crucial tool for assuring organizational vitality allows the company to satisfy its human resources needs while catering to the aspirations of employees.
- The maintenance and transfer of operational know-how: this operates through the DASSAULT Skills Conservatory (for which the range of training courses is being continuously developed) and is deployed on all sites.
- Overhaul of the DASSAULT Institute management programs: these prepare for the future by developing the skills of managers and improving the performance of our organization.

147,907 hours of Continuing Professional Education were dispensed in 2011. Extra effort went into specialist training relating to the digital enterprise and to management.

A new jobs and skills forecast management approach was implemented, divided up along professional specialty and business area lines.

2.6.6 Health and safety at work

Aware of the importance of health and safety at work, in 2011 the Company:

- reinforced the health and safety teams on Company sites,
- pursued the development of its Health and Safety Management System,
- implemented actions to prevent and reduce workplace risks,

- deployed prevention and evaluation indicators of the level of exposure to psychosocial risks, and put in place monitoring committees on all sites,
- initialized a prevention campaign of addictive behavior on a pilot site with a view to extending it in 2012,
- took into account the new regulatory requirements (REACh for example),
- pursued training initiatives in occupational health and safety (4,734 individuals trained in 2011).

The Company occupational health and safety approach is reinforced on each site by significant investment in:

- reducing workplace risks by installing or modifying collective or individual protective equipment,
- improving working conditions by organizing workstations, replacing facilities and working on infrastructures.

Concerning accidents in the workplace, the number of accidents resulting in work stoppages was 200 in 2011, with a total number of 6,836 days of stoppage. This corresponds to a frequency rate (1) of 16.82 and a severity rate (2) of 0.57.

(1) $\frac{\text{No. of work-related accidents with stoppages}}{\text{No. of hours worked}} \times 1{,}000{,}000$

(2) $\frac{\text{No. of days lost due to temporary disability}}{\text{No. of days worked}} \times 1{,}000$

31 occupational illnesses were recognized by the Social Security in 2011. These related mainly to repetitive strain injuries, further justifying our program to improve working conditions and workstation ergonomics.

2.7 ENVIRONMENT

2.7.1 Context

DASSAULT AVIATION is committed to the permanent improvement of its Environmental Management System (EMS), characterized by:

- ISO 14001 certification of its industrial sites (first site certified in 2002, last site in 2006),
- global Company certification of the support concept (since 2007),
- integration of Quality and Environment certifications (since 2009).

This approach has significantly contributed to:

- reducing the environmental impact of our activities,
- reducing and improving the management of our environmental risks,
- improving our reactivity to regulatory developments.

Our industrial environmental approach is complemented by:

- the development and deployment of an environmental impact analysis of our operational processes,
- the definition and launch of an eco-design plan for 2021 aimed at reducing the environmental impact of our future products.

DASSAULT AVIATION is 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.

2.7.2 Company environmental organization

2.7.2.1 Environmental Management System (EMS)

The DASSAULT AVIATION EMS, based on the ISO 14001 standard, is integrated within the Company quality management system. It is driven by the Total Quality Management Department, which proposes the policies, coordinates the improvement actions and oversees the system by way of a triennial audit plan.

This environmental management system, which is applied at every one of the Company sites, draws on local environment job functions and the associated networks of environmental correspondents.

2.7.2.2 Regulations monitoring and conformity

A centralized regulations monitoring mechanism is used to identify regulations that are applicable to the Company, and interpret them in terms of operational and material requirements.

Conformity reviews are conducted and analyzed periodically in Site or Company Management reviews.

The integration of the European REACh regulations has been formalized by the implementation:

- of dedicated organization and tools,
- of reinforced monitoring of the chemical substances used on the sites,
- of substitution plans for critical substances, such as chromates.

The environmental reporting mechanism has been modernized and enhanced through the introduction of the inventory of greenhouse gas (GHG) emissions, in compliance with the requirements of the Grenelle 2 environmental initiative.

DASSAULT AVIATION has issued its first GHG emissions declaration (ETS - Emission Trading Scheme) for its aviation activity.

2.7.2.3 Processes and environment

The environmental analysis approach to processes has made it possible to reinforce the identification of activities that have:

- a significant direct impact on the environmental performance of the Company (consumption of resources, emissions, etc.),
- an impact on the environmental performance of our products and services (aircraft consumption, waste products from support activities, etc.).

The action plans have generated the following significant improvements:

- the development of a Life Cycle Analysis (LCA) approach,
- the implementation of an environmental approach for evaluating suppliers in the relevant purchasing segments,
- the integration of environmental criteria in the drafting of investment plans.

2.7.2.4 Administrative regimes

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

The Martignas and Saint-Cloud sites are subject to the "Declaration" regime, while the seven other establishments are subject to the "Authorizations" regime.

The Poitiers site is classified as "Seveso low threshold" on account of its activities involving the chemical milling of titanium.

2.7.2.5 Environmental risk management

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

- exhaustive risks analysis with modeling,
- plan to reduce risks "at source",
- implementation of preventive and protective measures,

- drafting of emergency response plans,
- organization of periodic accident simulation exercises.

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

2.7.2.6 Employee awareness

Employees are made aware of environmental best practices, including gestures designed to save resources, the sorting of waste, and the regulatory requirements (REACh, Classification – Labelling – Packaging).

For activities that have a significant impact on the environment, specific training mechanisms are available.

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

2.7.3 Environmental performance

2.7.3.1 Environmental reporting

The environmental reporting established in 2003 was revised in 2011.

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

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

The indicators are periodically examined in Site or Company Management reviews.

2.7.3.2 Energy consumption

Aside from the kerosene consumed by our aircraft, the energy used by DASSAULT AVIATION today comes mainly from electricity and gas.

In terajoules	2010	2011
Energy excluding kerosene	653.2	567.4
Kerosene	202.7	175.9
Total	**855.9**	**743.3**

In terajoules	2010	2011
Electricity	333.0	337.6
Natural gas	316.0	228.4
LPG	0.2	0.3
Domestic fuel oil	4.0	1.1
Heavy fuel oil	0	0
Total	**653.2**	**567.4**

Electricity is used for lighting on the sites and the air-conditioning of enclosed premises, as well as for certain processes (thermal treatments, composites manufacturing, etc.).

Gas provides the energy required for the heating of premises, as well as for certain processes (surface treatment and paint workshops).

The energy monitoring initiatives carried out since 2002, and the progressive implementation of the EMS, have led to a significant reduction in fuel oil consumption (98 terajoules in 1998).

As far as the consumption of electricity and natural gas is concerned, their proportions remain globally stable despite a significant increase in the volume of our operating infrastructure.

The various energy-saving programs initiated by our sites (calibration/replacement of boilers, building insulation, etc.) have contributed in no small part to this positive evaluation.

2.7.3.3 Water consumption

The water used on our production sites comes from the public water supply and, on a smaller scale, is pumped from the groundwater and recovered from rainfall.

Thousands of m^3	2010	2011
Mains water	125	119
Groundwater	35	41
Rainwater	2	2
Total	**162**	**162**

The significant reduction in water consumption obtained over the last 10 years (compared with 734,000 m^3 in 1998) is a direct consequence of our actions:

- rationalization of consumption (implementation of Centralized Technical Management, detecting leaks, etc.),
- changing the production processes,
- installing closed circuits,
- restricting the watering of green spaces.

2.7.3.4 Chemical products

Major efforts have been made in recent years to reduce the consumption of chemical products used in the processes, in particular through the upgrading of the machine pool and process changes. Progress has been made with the consumption of solvents and other cleaning products (cleaning of parts), cutting fluids, etc.

2.7.3.5 Atmospheric discharges

The emissions of volatile organic compounds (VOC) are taken from the Solvent Management Plans (SMP) of the sites, which distinguish between channeled emissions and diffuse emissions.

Tones of VOC	2010	2011
Channeled emissions	46	45
Diffuse emissions	19	21
Total	**65**	**66**

In 10 years, VOC emissions have been halved, thanks in particular to:

- changes to the chemical machining process,
- the elimination of trichloroethylene,
- replacing methyl-ethyl-ketone with the less volatile diestone.

The consumption of halogenated solvents, which are particularly harmful to the environment, has been reduced by approximately 90% since 2001 (reduced photochemical pollution).

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

CO_2 tons equivalent	2010	2011
Combustion installations	17,177	13,151
Industrial processes	534	748
Mobile sources	20,172	19,632
Total scope 1	**37,883**	**33,531**
Scope 2	7,818	7,906
Total	**45,701**	**41,437**

GHG emissions derive essentially from combustion installations (boilers and backup generators) and tests carried out on aircraft.

The combustion installations also generate sulfur dioxide (SO_2) and nitrous oxide (NO_x) discharges.

Tones (excluding kerosene)	2010	2011
SO2 emissions	0.29	0.18
NOx emissions	22	15

The progress made, particularly with regard to SO_2, results from the elimination of boilers powered by heavy fuel oil.

2.7.3.6 Water discharges

The principal wastewater discharges are the result of surface treatment activities or chemical milling.

In order to avoid the discharge of heavy metals into the natural environment, the production sites concerned are equipped with detoxification facilities.

The Argonay site is, for its part, equipped with a water treatment installation with zero liquid discharge.
The regulatory analyses carried out by the sites demonstrate that the heavy metal content in the waste discharges is below the regulatory value limits. These results are subject to periodic reports submitted to the administrative authorities.

The Argenteuil, Biarritz and Mérignac sites are also concerned by regulatory actions for researching into and reducing water pollution from the discharge of certain dangerous substances.

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

Sites situated over water tables have instituted monitoring of the water quality (piezometer) when their activities so require. The analyses are transmitted periodically to the administrative authorities.

2.7.3.7 Waste

Waste management is carried out with the aid of specialized software that can be used to monitor the quantities of waste produced and the disposal channels concerned.

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

Tonnes	2010*	2011
Non-hazardous	4,583	6,126
Hazardous	1,372	1,633
Total	5,955	7,759
Recycling %	65.8%	74.7%

** New waste monitoring reference base*

Three main channels are used for waste processing:

- 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.

2.7.3.8 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.

Following the isolation measures that have been implemented, all our sites are compliant.

The 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.

For example, at Mérignac:

- the RAFALE ground tests are carried out in a specific building,
- the FALCON holding apron has been designed so as to minimize noise nuisance for personnel and for the area surrounding the airport.

2.7.3.9 Traffic

Industrial rationalization measures in recent years have taken into account the economic and environmental optimization of transportation between sites.

The transportation of chemical products and hazardous industrial waste represents a small proportion of the HGV traffic generated by our activity. The installation of a distribution platform for chemical products with subcontractors also makes it possible to rationalize the transport flows.

Lastly, two of our sites (Saint-Cloud and Istres) are engaged in the drafting of a Company Travel Plan, designed to reduce the number of journeys made in private vehicles. These plans complement the existing arrangements for ferrying personnel by bus.

Inter-site travel of employees has also been minimized following the development of collaborative tools and videoconferencing.

2.7.3.10 Odors

Our activity does not give rise to any olfactory nuisance for the neighboring communities.

2.7.4 Environmental costs

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

(EUR 000)	2010	2011
Investments	1,107	1,422
Operation	805	845

The industrial investments associated with environmental protection and the operating costs each represent a total in the order of EUR 1 million.

2.7.4.2 Damage caused to the environment

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

The 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 Company therefore assessed the potential sanitary risks relating to past pollution.

Following this analysis, a treatment facility was set up in accordance with the management plan, as per the prefectural order of June 2007.

The groundwater treatment facility proved its efficiency in groundwater cleanup.

2.7.4.3 Provisions and financial guarantees

DASSAULT AVIATION has not accounted for any environmental provisions and is not legally obliged to provide financial guarantees in accordance with current operating authorization decrees.

It should be added that, in addition to its General Operations Civil Liability insurance policy (EUR 1.5 million for environmental damage risks), the Company has subscribed to Environmental Impairment Liability insurance for EUR 11 million, EUR 3 million of which cover natural protected species and habitats.

As of January 1, 2012, this environmental damage guarantee would be extended to damage caused to animals of no particular category and would add a definition of ecological damage.

In the framework of the said insurance contract, the insurers carry out a risk audit on all sites every two years.

Subsequent to these audits, risk prevention engineers draft an analysis report enabling identification of exposure to the various risks and determination of the risk management level. This report is accompanied by a list of recommendations which states the possible lines of improvement for each of the audited sites.

2.8 SHAREHOLDER INFORMATION

2.8.1 Equity structure

The share capital of the Company totaling EUR 81,007,176 is made up of 10,125,897 shares, each with a par value of EUR 8. The shares are listed on the 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, 2011 are as follows:

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

2.8.2 Information about Shareholders and voting rights

As of December 31, 2011, 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.

2.8.3 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. It is not authorized to issue new shares or buy back Company shares.

2.8.4 Agreements entered into by the Company

Aside from short-term borrowing mentioned under "Cash and Liquidity Risks", the Company has not entered into any major agreement that would be modified or terminated automatically in the event of a change of 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.

2.8.5 Miscellaneous information

In 2011 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 2011, 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 ff. of the General Regulations of the AMF.

2.9 OPERATION OF THE EXECUTIVE MANAGEMENT

The Ordinary and Extraordinary 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, Mr. Charles Edelstenne, would be responsible for the Company's Executive Management.

2.10 OTHER OFFICES HELD AND DUTIES PERFORMED BY DASSAULT AVIATION EXECUTIVE OFFICERS DURING FISCAL YEAR 2011

2.10.1 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

- Chairman and Chief Executive Officer:
  DASSAULT MEDIAS SA

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

- Chief Executive Officer:
  CHATEAU DASSAULT SAS

- Director:
  Dassault Falcon Jet Corporation (USA)
  Dassault International Inc. (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

2.10.2 Chairman and Chief Executive Officer

Charles EDELSTENNE
Term of office beginning and end: 2009 AGM - 2015 AGM
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)

- Chairman:
  Dassault International Inc. (USA)

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

2.10.3 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 - 2015 AGM
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)

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:
  VEOLIA Propreté SA *(until 29/03/2011)*
  VEOLIA Transport SA *(until 24/03/2011)*
  Transalpina di Energia Spa (Italy)

- Director:
  CNP Assurances SA
  VEOLIA Propreté SA
  VEOLIA Environnement SA
  EDF ENERGIES NOUVELLES SA
  EDF Energy Holdings Ltd (UK)
  EDF International SAS
  NATIXIS SA
  EDISON Spa (Italy)
  FCC SA (Spain)

- Member of the Supervisory Board:
  VEOLIA EAU - Compagnie Générale des Eaux SCA

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

2.11 EXECUTIVE OFFICER COMPENSATION IN 2011

2.11.1 Compensation of the Honorary Chairman

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

  Serge DASSAULT received a gross annual compensation of EUR 400,000 and directors' fees of EUR 20,740. 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.

2.11.2 Compensation of the Chairman and CEO

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

  Charles EDELSTENNE received directors' fees of EUR 20,740.

- *In respect of DASSAULT AVIATION*:

  Charles EDELSTENNE received gross annual compensation of EUR 733,250 in respect of his duties as Chairman and Chief Executive Officer.

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

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

  In line with the AFEP/MEDEF recommendations on the compensation of directors:

  - Charles EDELSTENNE was retired in May 2009. The rules of the Company regarding retirement will apply, but in accordance with the ruling of the Caisse Nationale d'Assurance Vieillesse, he will not be entitled to his pension before the end of his last term of office as a Company officer. His pension and retirement benefits will therefore not be paid until that date.

  - On retirement he will not receive any pay other than that referred to above.

  However, in the light of:

  - the special services performed for the Company by Charles EDELSTENNE and his contribution to its development, its success and safeguarding its national and international reputation,

  - the extremely reasonable level of his gross annual income compared to that of Executive Managers in comparable companies,

  the Board of Directors has decided to maintain the additional annual retirement benefit awarded on September 15, 2004 equal to 3% of his gross annual remuneration on the date of his retirement multiplied by the number of years during which he was Chairman and CEO and capped so that his total benefits do not exceed 60% of his last gross annual remuneration.

  This compensation will be paid at the same time as his other pension rights (i.e.: at the end of his last term of office), under the same conditions as executive pensions (increases based on the AGIRC index and survivor's benefit).

- *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 46,950 in directors' fees from the THALES Board of Directors.

2.11.3 Compensation paid to other directors

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

  Olivier DASSAULT received a gross annual compensation of EUR 9,000 and directors' fees of EUR 20,740.

  Nicole DASSAULT and Philippe HUSTACHE each received directors' fees of EUR 20,740.

- *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.

  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 the said Committee).

- *In respect of French and foreign companies controlled by DASSAULT AVIATION*:

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

2.11.4 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		
	2010	2011
Compensation payable during the fiscal year (breakdown in table 2)	759,288	784,108
Stock options granted during the year	-	-
Performance shares granted during the year	-	-
TOTAL	**759,288**	**784,108**

Table 2

Detail of compensation (in EUR) for Charles EDELSTENNE, Chairman and Chief Executive Officer		
	For 2010	For 2011
- Fixed compensation	708,430	733,250
- Variable compensation	-	-
- Exceptional compensation	-	-
- Directors' fees	44,000	44,000
- Benefits in kind	6,858	6,858
TOTAL	**759,288**	**784,108**

2.11.5 Directors' fees allocated by the Company

Directors fee (in EUR)		
Board members	Paid in 2010	Paid in 2011
Serge DASSAULT	22,000	22,000
Charles EDELSTENNE	44,000	44,000
Olivier DASSAULT	22,000	22,000
Nicole DASSAULT	8,039	22,000
Pierre de BAUSSET	8,039	22,000
Alain GARCIA	22,000	22,000
Philippe HUSTACHE	26,500	28,000 (1)
Denis KESSLER	26,500	28,000 (1)
Henri PROGLIO	29,500	32,000 (2)
Pierre-Henri RICAUD	13,962	-
TOTAL	**222,540**	**242,000**

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

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

2.12 PROPOSED RESOLUTIONS

The ordinary resolutions presented to you for adoption concern:

- approval of the annual and consolidated financial statements,
- approval of the regulated agreements,
- discharge of Directors from any liability arising from their management of the Company,
- appropriation of net income.

The extraordinary resolution is in response to the provisions of article L. 225-129-6 paragraph 2 of the French Commercial Code. These stipulate that when the management report at the Ordinary AGM states that the shares held by the employees of the Company or of companies linked to it as defined by article L. 225-180 of the French Commercial Code represent less than 3% of the share capital, an Extraordinary General Meeting must be convened every three years to pronounce on a draft resolution aimed at increasing the capital reserved for the subscribers to the Enterprise or Group Savings Plan.

DASSAULT AVIATION employee shareholdings being below 3%, and having been obliged to convene such an Extraordinary General Meeting on May 13, 2009, we must therefore, in order to comply with these provisions, ask you to pronounce once again on a draft resolution concerning an increase of the capital reserved for employees who are subscribers to the Enterprise Savings Plan, with the list of beneficiaries having been drawn up by the Board of Directors upon delegation from the AGM.

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

Hence, this resolution is presented to you in order to satisfy the aforementioned legal provisions, yet the Board invites you purely and simply to reject this resolution.

We inform you however, in application of articles R 225-113 and R 225-114 of the French Commercial Code, that:

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

3. Outlook for the future

Business jets market recovery is initiated but its evolution still remains uncertain for the year 2012.

Regarding military aircraft, decisive opportunities exist for both RAFALE export sales and drone.

On January 31, 2012, Indian Government announced the final selection of the RAFALE 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.

The Group expects to deliver around 65 FALCON and 11 RAFALE in 2012. Net sales should consequently remain even.

4. Conclusion

The public debt crisis followed on in rapid succession from the financial "subprimes" crisis. Although their causes were different, the consequences of these economic upheavals are comparable, and their cumulative impact has shaken to the core the framework in which we have been used to operating until now. Economic growth worldwide has fallen to around 2% per annum, compared to around 5% prior to 2008. Budgetary austerity is weighing ever heavier on investments in military projects and on the dollar which, despite strengthening somewhat recently, is still too weak compared to the euro, and the effect that this has is to handicap the French component of our production costs by around 30%.

Despite these uncertainties, we need to prepare for the future by:

- continuing to make the extended digital enterprise and Product Lifecycle Management (PLM) a shared, daily reality, in order to maintain our technological edge and competitiveness,
- pursuing cost-cutting measures, the principle underlying the "Improving Responsiveness in Production" plan currently being deployed on our sites,
- maintaining our skills through the development of the RAFALE, the military export markets and UAVs (MALE and UCAV), while awaiting the launch, many years down the line, of a new combat aircraft program,
- participating in the construction of a French hub of global dimensions in the field of strategic technologies, aerospace, defense and security. It was for this reason that we acquired our stake in THALES, which led to consolidation of the latter company and the decision to increase its stake in DCNS from 25% to 35%.

Our main objectives for 2012 are as follows:

- increasing our FALCON sales,
- certification of the FALCON 2000S and of the EASy II cockpit for the FALCON 2000LX, 2000S and 7X,
- moving ahead with the definition of the EASy III cockpit that will ultimately equip all the FALCON in service and the SMS,
- developing the new generation "Head Up Display" (HUD) and "Enhanced Flight Vision System" (EFVS),
- pursuing our efforts to export the RAFALE and, in particular, cementing the sale of the RAFALE in India,
- succeeding with the maiden flight of the nEUROn,
- carrying out successful negotiations on the Heron TP with a view to a contract notification from the DGA,
- negotiating with the French and British governments, in partnership with BAE Systems, the initial R&D contracts for the future MALE TELEMOS UAV,
- finalizing with BAE and the two aforementioned governments a pre-project planning contract in anticipation of a combat drone program for 2020/2030.

Lastly, we need to prepare for the future through our research into aircraft concepts, technological developments and the improvement of production processes.

Our Company needs to stand out through the excellence of its engineering and demonstrate its inventiveness, responsiveness and agility. It also needs to preserve its culture, its employee relations model and its financial well-being. Through well-balanced management we have succeeded in overcoming all difficulties that have come our way for 60 years, without being forced into making redundancies, unlike our competitors.

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

Ladies and Gentlemen,

I will report 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.

1. Composition of the Board of Directors

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

The Board of Directors therefore comprises Messrs. Charles EDELSTENNE, Serge DASSAULT, Mrs. Nicole DASSAULT, Messrs. Olivier DASSAULT, Pierre de BAUSSET, Alain GARCIA, Philippe HUSTACHE, Denis KESSLER and Henri PROGLIO.

Three Directors, Messrs. 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.

2. Preparation and organization of the board's work

2.1 DIRECTOR INFORMATION

To ensure the attendance of all 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 at least a week in advance.

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

2.2 BOARD'S WORK IN 2011

In 2011, the Board of Directors held meetings on March 16 and July 27. The average attendance rate was 78 %.

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

- analyzed order entry, the backlog and net sales,
- reviewed the self-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 2010 company and consolidated financial statements,
- called the Shareholders' Meeting of May 18, 2011
- approved the financial statements for the 1st half-year ended June 30, 2011,
- reviewed the forecast management documents in March and July 2011,
- renewed the annual authorization conferred on the Chairman and Chief Executive Officer to grant guarantees and deposits,
- approved a regulated agreement,
- decided on the equal professional and salary treatment policy,
- and approved the contents of the financial press releases.

2.3 AUDIT COMMITTEE

Pursuant to the December 8, 2008 decree, which transposed EEC Directive 2006/43 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.

In accordance with the recommendations of the AMF (French Financial Markets Authority) dated July 22, 2010, DASSAULT AVIATION draws upon the Audit Committee Working Group report of June 14, 2010.

This Committee is composed of Messrs. Philippe HUSTACHE, 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 General 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 meet 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 was held on March 11, 2011 for the accounts of fiscal year 2010 and on July 27, 2011 for those of the first half-year of 2011.

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

- reviewed the consolidated accounts and those of the parent company, the main events of the respective fiscal year or half year, changes in accounting rules, methods and disclosure, as well as draft financial releases,
- took note of the management report of the Board of Directors and of the half-yearly activity report,
- reviewed the Chairman’s report on internal auditing and risk management,
- took note of the Internal Audit Plan and of the results of these audits concerning internal control procedures and the monitoring of risks,
- met the Statutory Auditors without the General Management being present, after reviewing the conclusions of their work and their declaration of independence,
- made reports of its work available to the Board of Directors.

2.4 POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

3. Internal control and risk management procedures

3.1 INTERNAL CONTROL OBJECTIVES

The Company's internal control procedures are intended to:

- ensure that operations and management acts as well as staff conduct fall within the framework defined by Senior Management, applicable laws and regulations, and the Company's internal values and rules,
- verify that the information provided and communications addressed to the Board of Directors and to the Shareholders' General Meetings are reliable and give a true and fair view of the Company's activity.

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

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

3.2 GENERAL INTERNAL CONTROL ORGANIZATION AND ENVIRONMENT

Internal control reference documents

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

- the Ethics Charter, which defines our values and code of conduct,
- the Quality Manual, which describes the Company processes,
- the Organization Manual, which describes the assignments and organization of each department,
- and for financial or accounting activities, the economic and financial data management procedure defined in the Quality Manual.

Internal control bodies:

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

- Management Committee:

  The Management Committee comprises the persons in charge of the Company's various departments (see first pages of the 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.

- Total Quality Management Department (TQMD):

  ✓ *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 Senior Management.

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

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

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

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

- Program Departments based on Program Management:

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

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

  Management control, both of "structure" and "programs," is conducted by the Economic and Financial Affairs Department and is primarily concerned with the budgetary process.
  It comprises a network of financial controllers in all Company departments. The Economic and Financial Affairs Department organizes quarterly budgetary reviews, particularly for the purpose of reporting to the Chairman and Chief Executive Officer.

Control of subsidiaries

The DASSAULT AVIATION strategy is, but for a few exceptions, to exercise majority control over its subsidiaries 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.

Our company is additionally 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 is assigned to evaluate the risk management and internal control processes. It reports to me.

The Internal Audit Director reports to the Chairman and CEO on the results of the audits and the recommendations carried out. He also submits for the latter's approval the internal audit plan prior to its implementation.

The Audit Committee meets the Internal Audit Director and reads the audit plan and the audit conclusions.

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 general and administrative expenses) and the costs of activities relating to French government markets are controlled by the French Defence Procurement Agency (DGA),

- product monitoring, in the military aviation activity, is performed by the DGA,

- the Company, in the area of civil aviation, holds designing, production and maintenance licenses and authorization, which are subjected to ongoing review by the General Civil Aviation Department.

As part of its proactive approach to quality policy, the Company is certified EN 9100 and ISO 14001. Its Quality Management System (QMS) and its Environmental Management System (EMS) undergo a joint audit every year by an outside organization (Bureau Veritas Certification).

3.3 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 identified primarily through regular critical risk reviews with program managements, operational departments and sites.

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 lifecycle 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. director's report).

Financial risks management is also specified in the director's report.

I have decided to set up a Risk Committee in 2011. It is coordinated by the Executive Vice-President for Economic and Financial Affairs and the Executive Vice-President for Total Quality.

Its mission, based on the risks mapping and any other necessary elements, is to:

- validate the identified risks, their prioritization and the reduction actions carried out,
- ensure that the new risks are identified, taken into account and their financial impacts measured.

To this end, the Committee will conduct periodic interviews with the managers of Company processes, who are responsible for updating the risks map.

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

It reports to the Chairman and CEO.

3.4 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 Economic and Financial Affairs Department for both the Parent Company and Group consolidation. The Economic and Financial Affairs Department is responsible for:

- approving and controlling the Company's centralized financial and accounting information system, implemented by the Information Systems Management Department,
- updating the settings of the consolidation software used by the parent company, its subsidiaries or subsidiary sub-groups.

General references:

The financial statements are prepared in accordance with:

- accounting standards applicable to French companies:
  - ✓ the decree of June 22, 1999 approving French Accounting Standards Committee Regulations 99-03 of April 29, 1999, and subsequent applicable regulations,
  - ✓ subsequent notices and recommendations of the French National Accounting Board (CNC).
- international financial information assessment and disclosure IFRS standards applicable on December 31, 2011, such as adopted by the European Union and of mandatory application for fiscal years open as from January 1, 2011, for consolidated financial statements,

- 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 auditors in connection with their annual statutory audit of the financial statements.

Financial and accounting information process:

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

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

At the same time, the Executive Vice-President for Economic and Social Affairs has set up a committee to review the financial reports and statements, which is independent of the staff who prepared these documents.

3.5 2011 ACTIONS

The Internal Auditing Department and the Total Quality Management Department continued to supervise the internal control procedures for all relevant persons, using the risk map which is updated during the fiscal 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.

3.6 2012 ACTION PLAN

For 2012, I have entrusted the Internal Auditing Department and the Total Quality Management Department with the task of continuing their audits in order to monitor the internal control and risk management mechanism and to verify the proper application of the procedures.

4. Corporate Governance

The Board of Directors has chosen the Senior Management option that it deems 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.

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 director's report under the heading "Compensation of the Chairman and Chief Executive Officer".

5. Specific conditions governing shareholder attendance at shareholder meetings

5.1 ADMISSION

The conditions governing shareholders’ attendance at shareholders’ meetings are set forth in Articles 29 and 31 of the bylaws.

These conditions are as follows:

- the right to attend shareholders’ meetings is subject to:
  - for holders of registered shares, registration in the registered 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 shareholders' meeting,
- the Board of Directors retains the right to accept the participation certificate after the above deadline,
- shareholders can be represented at shareholders' meetings subject to legal and regulatory provisions.

The designation and revocation of representative agents may be notified either on paper or electronically. In the latter case, the shareholder's signature may in practice consist of a reliable process of identification guaranteeing his/her link with 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 shareholders' meeting that are published in the BALO *(French official newsletter)* and online on the Company's website.

5.2 VOTING RIGHTS

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

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

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

Shareholders may also legally vote by correspondence.

6. Principles and rules to determine compensation and benefits in kind granted to corporate officers

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

The Board of Directors distributed this overall amount equally among the directors, 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.

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

The information set forth in this Article is mentioned in the director's report to which this report is appended.

Both these reports are included in the 2011 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 Finances/publications section.

Chairman of the Board of Director

Chairman's report

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

ASSETS

(EUR 000)	NOTE	31.12.2011	31.12.2010
Goodwill	3	14,366	14,366
Intangible assets	4	44,181	51,039
Property, plant and equipment	4	426,105	437,840
Equity affiliates	5	1,680,039	1,726,993
Available-for-sale securities	5	3,185,517	3,943,235
Other financial assets	5	32,325	31,934
Deferred tax assets	20	203,345	136,964
TOTAL NON-CURRENT ASSETS		**5,585,878**	**6,342,371**
Inventories and work-in-progress	6	2,799,090	2,792,114
Trade and other receivables	7	535,800	519,779
Advances and progress payments to suppliers		154,447	152,321
Hedging instruments	23	179,129	285,118
Cash and cash equivalents	8	921,808	886,672
TOTAL CURRENT ASSETS		**4,590,274**	**4,636,004**
TOTAL ASSETS		**10,176,152**	**10,978,375**

LIABILITIES AND EQUITY

(EUR 000)	NOTE	**31.12.2011**	**31.12.2010**
Share capital	9	81,007	81,007
Reserves		3,519,164	3,356,854
Foreign exchange differences		-38,475	-61,927
Other income and expense recognized directly through equity		577,403	767,017
Income for the year attributable to the owners of the Parent Company		322,628	267,447
ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		**4,461,727**	**4,410,398**
Non-controlling interests		264	227
TOTAL EQUITY		**4,461,991**	**4,410,625**
Long-term borrowings	11	276,915	258,290
Deferred tax liabilities	20	0	0
TOTAL NON-CURRENT LIABILITIES		**276,915**	**258,290**
Trade and other payables	13	729,061	751,715
Tax and employee-related liabilities	13	208,937	234,996
Customer advances and progress payments on work-in-progress	14	2,897,612	2,776,088
Short-term borrowings	11	437,094	1,390,226
Current provisions	12	1,164,542	1,156,435
TOTAL CURRENT LIABILITIES		**5,437,246**	**6,309,460**
TOTAL EQUITY AND LIABILITIES		**10,176,152**	**10,978,375**

INCOME STATEMENT

(EUR 000)	NOTE	2011	2010
NET SALES	15	**3,305,342**	**4,187,105**
Other revenue	16	60,916	39,957
Changes in inventories of finished goods and work-in- progress		55,385	-622,442
External purchases		-1,935,458	-1,630,540
Payroll and related charges (1)		-994,336	-1,001,657
Taxes and social security contributions		-61,240	-62,610
Depreciation and amortization	4	-82,222	-91,890
Charges to provisions	12	-692,251	-900,668
Reversals of provisions	12	730,546	664,032
Other operating income and expenses	17	-10,181	9,980
OPERATING INCOME		**376,501**	**591,267**
Income from cash and cash equivalents		7,389	6,832
Cost of gross financial debt		-23,728	-39,340
Financial income and expenses		30,318	5,856
NET FINANCIAL INCOME/(EXPENSE)	19	**13,979**	**-26,652**
Share of income/loss of equity affiliates	5	41,064	-127,913
Income tax	20	-108,879	-169,210
NET INCOME		**322,665**	**267,492**
Attributable to the owners of the Parent Company		*322,628*	*267,447*
Attributable to non-controlling interests		*37*	*45*
Basic earnings per share (in EUR)	21	**31.9**	**26.4**
Diluted earnings per share (in EUR)	21	**31.9**	**26.4**

NET INCOME excluding THALES		**281,655**	**395,447**
NET INCOME including THALES, before amortization of purchase price allocation		**406,523**	**370,930**

(1) employee costs include incentive schemes and profit-sharing (EUR 102,499 thousand in 2011 and EUR 124,734 thousand in 2010) along with the contributions paid into state plans, comparable to the defined contribution plans (EUR 76,106 thousand in 2011 and EUR 74,034 thousand in 2010).

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(EUR 000)	NOTE	2011	2010
NET INCOME		**322,665**	**267,492**
Net change in fair value measurement of financial instruments:			
✓ Available-for-sale financial assets	5	-5,848	38,392
✓ Hedging instruments (1)	23	-87,561	-364,973
Actuarial adjustments on defined benefit obligations	12	-31,643	-2,686
Deferred taxes	20	21,725	117,091
Foreign exchange differences		15,260	33,234
Fully consolidated companies		**-88,067**	**-178,942**
Equity affiliates	5	**-78,095**	**11,695**
INCOME AND EXPENSE RECOGNIZED DIRECTLY THROUGH EQUITY		**-166,162**	**-167,247**
TOTAL RECOGNIZED INCOME AND EXPENSE		**156,503**	**100,245**
Attributable to the owners of the Parent Company		*156,466*	*100,200*
Attributable to non-controlling interests		*37*	*45*

(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 31.12.2009	**81,007**	**3,437,599**	**-133,500**	**1,005,837**	**4,390,943**	**182**	**4,391,125**
Net income for the year		*267,447*			*267,447*	*45*	*267,492*
Total income and expense recognized directly through equity			*71,573*	*-238,820*	*-167,247*		*-167,247*
Total recognized income and expense		267,447	71,573	-238,820	100,200	45	100,245
Dividends paid		-89,108			-89,108		-89,108
Other movements (2)		8,363			8,363		8,363
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 31.12.2010	**81,007**	**3,841,792**	**-38,475**	**577,403**	**4,461,727**	**264**	**4,461,991**

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

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

CASH FLOW STATEMENT

(EUR 000)	2011	2010
I - NET CASH FROM OPERATING ACTIVITIES		
NET INCOME	322,665	267,492
Elimination of net income of equity affiliates, net of dividends received (1)	-2,161	153,683
Elimination of gains and losses from disposals of non-current assets	116	808
Changes in the fair value of hedging instruments	18,428	-541
Income tax (including deferred taxes)	108,879	169,210
Net charges to and reversals of depreciation, amortization and provisions (excluding those relating to working capital)	45,488	293,990
Net cash from operating activities before working capital changes and taxes	**493,415**	**884,642**
Income taxes paid	**-152,530**	**-232,866**
Change in inventories and work-in-progress (net)	-6,976	607,300
Change in advances and progress payments to suppliers	-2,126	25,871
Change in trade and other receivables (net)	-16,021	-42,468
Change in customer advances and progress payments on work-in-progress	121,524	-182,138
Change in trade and other payables	-22,654	103,889
Change in tax and employee-related liabilities	-26,059	19,159
Consolidation reclassifications and restatements	2,172	-5,679
Increase (-) or decrease (+) in working capital	**49,860**	**525,934**
Total I	**390,745**	**1,177,710**
II - NET CASH FROM INVESTING ACTIVITIES		
Purchases of intangible assets and property, plant and equipment	-51,343	-58,280
Purchases of investments	-752	-517
Disposals of or reductions in fixed assets	2,883	15,684
Net cash from acquisitions and sales of subsidiaries (1)	-25,770	0
Total II	**-74,982**	**-43,113**
III - NET CASH FROM FINANCING ACTIVITIES		
Change in available-for-sale marketable securities (at cost)	754,424	-684,166
Capital increase	0	0
Change in equity items	0	0
Increase in borrowings (2)	515,971	1,349,496
Repayments of borrowings (2)	-1,450,478	-1,453,292
Dividends paid	-108,347	-89,108
Total III	**-288,430**	**-877,070**
IV -Exchange rate fluctuations **Total IV**	7,803	22,346
CHANGE IN NET CASH AND CASH EQUIVALENTS (I+II+III+IV)	**35,136**	**279,873**

Opening net cash and cash equivalents (3)	**886,672**	**606,799**
Closing net cash and cash equivalents (3)	**921,808**	**886,672**

(1) the Group received EUR 38,903 thousand in THALES dividends in 2011. This amount corresponds to the 2010 dividends of EUR 25,770 thousand, paid in shares, and 2011 interim dividends of EUR 13,133 thousand.

(2) in 2011, the Group repaid the short-term loans taken out with banks and the GROUPE INDUSTRIEL MARCEL DASSAULT and, in order to maintain its financial flexibility, took out a new short-term loan (characteristics described in Notes 11 and 23).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Accounting policies

A/ GENERAL PRINCIPLES

The consolidated financial statements of DASSAULT AVIATION as of December 31, 2011 were approved at the meeting of the Board of Directors held on March 21, 2012, and will be submitted for approval from the shareholders at the Annual General Meeting to take place on May 24, 2012.

• A1 Reference documentation

A1-1 Basis for the preparation of the financial reporting

The consolidated financial statements of the DASSAULT AVIATION Group are prepared in accordance with IFRS (International Financial Reporting Standards), applicable as of December 31, 2011, and as adopted by the European Union (EU).

A1-2 New standards, amendments and interpretations

Texts adopted by the EU for mandatory application as from January 1, 2011

The standards, amendments and interpretations applicable to fiscal years beginning on or after January 1, 2011 have no impact on the consolidated financial statements of the Group. These texts are as follows:

- IAS 24 revision "Related party disclosures",
- IAS 32 amendment relating to classification of rights issues,
- IFRIC 14 amendment relating to early payment of minimum funding requirements,
- IFRIC 19 interpretation "Extinguishing financial liabilities with equity instruments",
- annual improvements of the IFRS published by the IASB (International Accounting Standards Board) in May 2010.

Texts adopted by the EU for non-mandatory application as from January 1, 2011

The Group is not implementing early application of the IFRS 7 amendments on the information to be provided when transferring financial assets. The Group financial statements would not be affected by the application of these texts.

Texts published by the IASB and not yet adopted by the EU

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 are as follows:

- IFRS 9 standard "Financial instruments",
- IFRS 10 standard "Consolidated financial statements",
- IFRS 11 standard "Joint arrangements",
- IFRS 12 standard "Disclosure of interests in other entities",
- IFRS 13 standard "Fair value measurement",
- amendment to IAS 1 on the presentation of other items of the comprehensive income,
- amendments to IAS 19 "Employee benefits",
- amendments to IAS 12 relating to the recovery of underlying assets,
- amendments to IAS 27 "Consolidated and separate financial statements",
- amendments to IAS 28 "Investment in associates and joint ventures".

The impact on the financial situation of the Group generated by the new texts published by the IASB and not yet adopted by the EU is currently being assessed.

• A2 Accounting choices and management estimates

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

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

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

Subsequent results may therefore differ from such estimates.

• A3 Presentation of the consolidated financial statements

Consolidated balance sheet items are presented as Current/Non-current. 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 aviation and aerospace field. The internal reporting made to the Chairman and CEO, as used for the strategy and decision-making, presents no performance analysis, under the terms of IFRS 8, at a more detailed level.

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 2010 and 2011, the Group did not have any material investments of this type.

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

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

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

B1-5 Elimination of inter-company transactions

All material inter-company transactions, and unrealized internal gains and losses included in non-current assets, in the inventories and work-in-progress of consolidated companies are eliminated.

• B2 Closing 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 1, 2010

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

C1-2 Business combinations prior to January 1, 2010

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

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

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

Accounting for goodwill:

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

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

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

C1-3 Reminder of first adoption rules for IFRS

DASSAULT AVIATION has elected not to restate goodwill recognized prior to January 1, 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 years
Second-hand goods	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% (compared to 8.2% as of 31.12.2010) and a 2% growth rate (same as of 31.12.2010).

The discount rate includes the rates prevailing in the aviation industry and was calculated using the same method as in 2010. 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, 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 Financial instruments derivatives

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

Foreign exchange risks mainly arise from US dollar denominated sales. The corresponding future cash flows are partially hedged by firm or optional forward transactions.

Interest rate risks arise on the Group's variable rate loan, for which the Group has taken out an interest rate swap to cover such risks.

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 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 Revenue recognition 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.

• C13 Deferred taxation

Deferred taxes due 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)	
		31.12.2011	31.12.2010
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, acquired in May 2009, for which the Group holds a 26.0% equity interest, 26.4% of the interest entitlements and 20.4% of the voting rights as of December 31, 2011.

(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)	31.12.2010	Acquisitions	Disposals	Other	31.12.2011
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)	31.12.2011	31.12.2010
Net value		
France	313,470	337,947
USA	156,816	150,932
TOTAL	**470,286**	**488,879**
Intangible assets	44,181	51,039
Property, plant and equipment	426,105	437,840

4.2 Intangible assets

(EUR 000)	31.12.2010	Additions / Charges	Disposals / Reversals	Other	31.12.2011
Gross value					
Development costs (1)	137,480	1,550	0	0	139,030
Software, patents, licenses and similar assets	94,609	5,715	-1,084	1,351	100,591
Construction in progress; advances and progress payments	1,703	376	0	-1,245	834
	233,792	**7,641**	**-1,084**	**106**	**240,455**
Depreciation					
Development costs (1)	-102,880	-6,950	0	0	-109,830
Software, patents, licenses and similar assets	-79,873	-7,549	1,068	-90	-86,444
	-182,753	**-14,499**	**1,068**	**-90**	**-196,274**
Net value					
Development costs (1)	34,600				29,200
Software, patents, licenses and similar assets	14,736				14,147
Construction in progress; advances and progress payments	1,703				834
TOTAL	**51,039**	**-6,858**	**-16**	**16**	**44,181**

(1) cf. paragraph C2-1 of the accounting policies.

4.3 Property, plant and equipment

(EUR 000)	31.12.2010	Additions / Charges	Disposals / Reversals	Other (1)	31.12.2011
Gross value					
Land	26,787	303	-103	-39	26,948
Buildings	405,668	6,862	-1,605	3,682	414,607
Plant, equipment and machinery	516,474	17,661	-11,552	10,522	533,105
Other property, plant and equipment	294,590	9,501	-3,484	950	301,557
Construction in progress; advances and progress payments	9,474	9,375	-1,583	-6,207	11,059
	1,252,993	**43,702**	**-18,327**	**8,908**	**1,287,276**
Depreciation					
Land	-4,795	-455	97	40	-5,113
Buildings	-204,005	-16,386	1,291	-795	-219,895
Plant, equipment and machinery	-425,703	-28,211	11,332	-5,518	-448,100
Other property, plant and equipment	-160,496	-22,671	2,965	2,211	-177,991
	-794,999	**-67,723**	**15,685**	**-4,062**	**-851,099**
Impairment (2)					
Other property, plant and equipment	-20,154	-9,821	19,763	140	-10,072
	-20,154	**-9,821**	**19,763**	**140**	**-10,072**
Net value					
Land	21,992				21,835
Buildings	201,663				194,712
Plant, equipment and machinery	90,771				85,005
Other property, plant and equipment	113,940				113,494
Construction in progress; advances and progress payments	9,474				11,059
TOTAL	**437,840**	**-33,842**	**17,121**	**4,986**	**426,105**

(1) This involves essentially foreign exchange differences.

(2) Impairment tests of property, plant and equipment (see Note C3 of the accounting policies):

- The impairment tests carried out for cash-generating units did not highlight any other impairment to be recognized as of 31.12.2011.

- To take into account the impact of the crisis on the pre-owned business jet market, a provision for impairment has been recognized on capitalized aircraft. This amount was adjusted to EUR 10,072 thousand as of 31.12.2011. This amount was EUR 20,154 thousand on 31.12.2010.

  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 selling costs) 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% 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, since December 31, 2011, DASSAULT AVIATION holds 20.4% of the voting rights and 26.4% 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)	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	2011	2010
DASSAULT INTERNATIONAL INC.	100	100	5,082	4,866	54	42
THALES (3)	26.4	26.4	1,674,957	1,722,127	41,010	-127,955
TOTAL			**1,680,039**	**1,726,993**	**41,064**	**-127,913**

(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)	2011	2010
As of January 1	**1,726,993**	**1,860,618**
Acquisition of THALES shares (1)	25,770	N/A
Group share of net income (after consolidation adjustments)	41,064	-127,913
Elimination of dividends paid by THALES (1)	-38,903	-25,770
Income and expense recognized directly through equity		
- Net change in fair value measurement of available-for-sale financial assets	79	-1,240
- Net change in fair value measurement of hedging instruments (2)	-10,625	-9,866
- Actuarial adjustments on defined benefit obligations	-79,581	-19,257
- Corresponding deferred taxes	3,840	3,719
- Foreign exchange differences	8,192	38,339
Share of other income and expense recognized directly through equity relating to equity affiliates	-78,095	11,695
Other movements (3)	3,210	8,363
As of December 31	**1,680,039**	**1,726,993**

(1) the Group received EUR 38,903 thousand in THALES dividends in 2011. This amount corresponds to the 2010 dividends of EUR 25,770 thousand, paid in shares, and 2011 interim dividends of EUR 13,133 thousand.

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

(EUR 000)	2011	2010
Total assets	21,075,500	19,020,400
Equity attributable to the owners of the Parent Company	4,120,200	3,671,800
Net sales	13,028,400	13,124,800
Net income attributable to the owners of Parent Company (1)	511,800	-107,600

(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)	2011	2010
THALES net income (100%)	**511,800**	**-107,600**
THALES net income - DASSAULT AVIATION share (A)	**135,269**	**-28,385**
Post-tax amortization of the purchase price allocation (1)	-83,858	-103,438
Other consolidation adjustments		
• run-off of the hedging instruments included in THALES equity on the acquisition date	-19,558	-13,190
• adjustment of pension liabilities (2)	2,907	10,868
• correction of net gain/loss on transfer of securities	N/A	1,372
• corresponding deferred tax	6,694	4,541
• accretion / dilution impact	-444	277
Sub-total consolidation adjustments (B)	**-94,259**	**-99,570**
Value applied by DASSAULT AVIATION (A+B)	**41,010**	**-127,955**

(1) depreciation of identified assets for which the modes and periods of depreciation are identical to those used for the year ended December 31, 2010.

(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, 2011 of EUR 24.40 per share, DASSAULT AVIATION's investment in THALES is valued at EUR 1,282 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 31.12.2011, compared to 8% on 31.12.2010). 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 23 to the consolidated financial statements.

(EUR 000)	31.12.2010	Acquisitions	Disposals (1)	Fair value variation	Other	31.12.2011
EMBRAER shares	35,497	0	0	-3,022	0	32,475
Marketable securities (listed) (2)	3,825,485	0	-754,424	-4,626	0	3,066,435
Unlisted securities	82,253	20	0	1,800	2,534	86,607
Available-for-sale securities	**3,943,235**	**20**	**-754,424**	**-5,848**	**2,534**	**3,185,517**

(1) disposals stated at cost.

(2) the variation of EUR -4,626 thousand corresponds to the increase in fair value of the listed marketable securities amounting to EUR 32,938 thousand offset by a gain on sale amounting to EUR 37,564 thousand (included in the net financial income).

(EUR 000)	31.12.2011			31.12.2010		
	Historical cost	Capital gain / loss (1)	Consolidated value	Historical cost	Capital gain / loss (1)	Consolidate d value
EMBRAER shares	32,120	355	32,475	32,120	3,377	35,497
Marketable securities (listed)	2,106,817	959,618	3,066,435	2,861,241	964,244	3,825,485
Unlisted securities	65,719	20,888	86,607	63,165	19,088	82,253
Available-for-sale securities	**2,204,656**	**980,861**	**3,185,517**	**2,956,526**	**986,709**	**3,943,235**

(1) The observed capital gain is posted to "Other income and expense recognized directly through equity.

5.3 Other financial assets

(EUR 000)	31.12.2010	Additions / Charges	Disposals / Reversals	Other	31.12.2011
Gross value					
Advance lease payments	29,610	427	-17	0	30,020
Housing loans and other	2,628	305	-324	5	2,614
TOTAL (1)	**32,238**	**732**	**-341**	**5**	**32,634**
Provision	**-304**	**0**	**0**	**-5**	**-309**
NET VALUE	**31,934**	**732**	**-341**	**0**	**32,325**

(1) maturing within more than one year: EUR 31,708 thousand as of 31.12.2011 and EUR 31,555 thousand as of 31.12.2010.

Note 6 - Inventories and work-in-progress

(EUR 000)	31.12.2011			31.12.2010
	Gross	Provision	Net	Net
Raw materials	185,614	-79,631	105,983	108,610
Work-in-progress	2,247,933	-34,382	2,213,551	2,145,313
Semi-finished and finished goods	786,577	-307,021	479,556	538,191
TOTAL	3,220,124	-421,034	2,799,090	2,792,114

Note 7 - Trade and other receivables

7.1 Details

(EUR 000)	31.12.2011			31.12.2010
	Gross	Provision	Net	Net
Trade receivables	446,855	-108,030	338,825	379,796
Corporate income tax receivables	63,392	0	63,392	24,102
Other receivables	123,763	0	123,763	106,811
Prepayments and accrued income	9,820	0	9,820	9,070
TOTAL	643,830	-108,030	535,800	519,779

7.2 Maturity - gross value

(EUR 000)	31.12.2011			31.12.2010		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables	446,855	270,619	176,236	495,553	306,629	188,924
Corporate income tax receivables	63,392	63,392	0	24,102	24,102	0
Other receivables	123,763	123,763	0	106,811	106,811	0
Prepayments and accrued income	9,820	9,820	0	9,070	9,070	0
TOTAL	643,830	467,594	176,236	635,536	446,612	188,924

Note 8 - Cash and cash equivalents

8.1 Net cash

(EUR 000)	31.12.2011			31.12.2010
	Gross	Provision	Net	Net
Cash equivalents (1)	546,686	0	546,686	453,064
Cash at bank and in hand	375,122	0	375,122	433,608
Cash and cash equivalents in the balance sheet	**921,808**	**0**	**921,808**	**886,672**
Bank loans and credit balance bank accounts	0	0	0	0
Net cash in the cash flow statement	**921,808**	**0**	**921,808**	**886,672**

(1) mainly demand deposits and cash equivalent marketable securities. The corresponding risk analysis is described in Note 23 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)	31.12.2011	31.12.2010
Available-for-sale marketable securities (market value) (1)	3,066,435	3,825,485
Cash equivalents (market value)	546,686	453,064
Sub-total	**3,613,121**	**4,278,549**
+ Cash at bank and in hand	375,122	433,608
- Borrowings (2)	-714,009	-1,648,516
Available cash	**3,274,234**	**3,063,641**

(1) cf. Note 5. At the Group's initiative, the available-for-sale marketable securities may be sold on a very short-term basis, 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.

The Group has no contractual commitments to comply with debt ratios on bank borrowings.

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 31.12.2011	Amount due within 1 year	Amount due in more than 1 year		
			Total	1 to 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

(EUR 000)	Total on 31.12.2010	Amount due within 1 year	Amount due in more than 1 year		
			Total	1 to 5 years	More than 5 years
Bank borrowings (1)	**1,252,327**	1,252,260	67	62	5
Other borrowings (2)	**396,189**	137,966	258,223	257,910	313
TOTAL	**1,648,516**	1,390,226	258,290	257,972	318

(1) the Group repaid in 2011 the borrowings contracted in 2010 (EUR 1,250 million) and, in order to retain its financial flexibility, took out a new loan to the value of EUR 400 million.
No short-term bank credit on 31.12.2011 and on 31.12.2010.

(2) on 31.12.2011, the other borrowings mainly include locked-in employee profit-sharing funds. On 31.12.2010, the other borrowings comprised EUR 98 million relating to the balance of the payment by installments for THALES shares to GIMD and EUR 298 million corresponding essentially to locked-in employment employee profit-sharing funds.

Note 12 - Provisions

12.1 Provisions for contingencies and losses and for impairment

(EUR 000)	31.12.2010	Increases / Charges	Decreases / Reversals	Other (1)	31.12.2011
Provisions for contingencies and losses					
Operating – current	1,156,435	164,303	-191,095	34,899	1,164,542
Financial	0	0	0	0	0
	1,156,435	**164,303**	**-191,095**	**34,899**	**1,164,542**
Provisions for impairment and write-down					
Financial assets	304	0	0	5	309
Property, plant and equipment	20,154	9,821	-19,763	-140	10,072
Inventories and work-in-progress	409,058	410,193	-403,973	5,756	421,034
Trade receivables	115,757	107,934	-115,715	54	108,030
	545,273	**527,948**	**-539,451**	**5,675**	**539,445**
TOTAL	**1,701,708**	**692,251**	**-730,546**	**40,574**	**1,703,987**

(1) including foreign exchange differences and actuarial adjustments posted to other income and expense recognized directly through equity. In 2011, the actuarial adjustments contributed to the increase in current operating provisions for contingencies and losses amounting to EUR 31,643 thousand.

12.2 Provisions for contingencies and losses

(EUR 000)	31.12.2010	Increases / Charges	Decreases / Reversals	Other (1)	31.12.2011
Warranties (2)	662 047	66 795	-98 111	877	631 608
Services and work to be performed	204,821	62,289	-73,303	1,545	195,352
Retirement severance payments	280,595	33,716	-16,821	32,319	329,809
French companies	*277,937*	*25,837*	*-7,837*	*22,761*	*318,698*
US companies	*2,658*	*7,879*	*-8,984*	*9,558*	*11,111*
Miscellaneous (3)	8,972	1,503	-2,860	158	7,773
Operating – current	**1,156,435**	**164,303**	**-191,095**	**34,899**	**1,164,542**
Financial	**0**	**0**	**0**	**0**	**0**
TOTAL	**1,156,435**	**164,303**	**-191,095**	**34,899**	**1,164,542**

(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	*22 761*
US companies	*8 882*
Total actuarial adjustments	*31 643*

(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 amount to EUR 2,474 thousand on December 31, 2011, compared to EUR 2,353 thousand at the end of 2010.

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	
	2011	2010	2011	2010
Inflation rate	2.00%	2.00%	3.00%	3.00%
Discount rate	3.60%	4.00%	4.95%	5.60%
Weighted average salary increase rate	3.90%	3.90%	4.22%	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)	2011	2010	2009	2008	2007
Total commitment	485,241	419,381	382,715	373,016	340,787
Plan assets	155,432	138,786	116,075	108,579	99,719
Unfunded status (1)	**329,809**	**280,595**	**266,640**	**264,437**	**241,068**

(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)	2011	2010
As of January 1	**277,937**	**259,727**
Current service cost	14,032	12,932
Interest cost	11,805	11,490
Benefits paid	-7,837	-10,658
Actuarial adjustments	22,761	4,446
As of December 31	**318,698**	**277,937**

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

(EUR 000)	2011	2010
Current service cost	14,032	12,932
Interest cost	11,805	11,490
Periodic cost for defined benefit obligations	**25,837**	**24,422**

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)	2011	2010
As of January 1	**141,444**	**122,988**
Current service cost	7,430	7,682
Interest cost	7,504	7,524
Benefits paid	-4,114	-4,066
Actuarial adjustments	8,212	-2,223
Foreign exchange differences	6,067	9,539
As of December 31	**166,543**	**141,444**

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

(EUR 000)	2011	2010
Fair value of the plan as of January 1	**138,786**	**116,075**
Expected return on plan assets	7,055	6,520
Actuarial adjustments	-670	-463
Employer contributions	8,984	11,759
Benefits paid	-4,114	-4,066
Foreign exchange differences	5,391	8,961
Fair value of the plan as of December 31	**155,432**	**138,786**

The value of the fund amounted to USD 201 million as of 31.12.2011, compared to USD 185 million as of 31.12.2010. 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)	2011	2010
Current service cost	7,430	7,682
Interest cost	7,504	7,524
Expected return on plan assets	-7,055	-6,520
Periodic cost for defined benefit obligations	**7,879**	**8,686**

Note 13 - Operating payables

(EUR 000)	31.12.2011			31.12.2010		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade payables	505,524	505,524	0	507,228	507,228	0
Other miscellaneous payables	106,740	106,740	0	128,683	128,683	0
Prepayments and accrued income	116,797	61,154	55,643	115,804	72,742	43,062
Trade and other payables	**729,061**	**673,418**	**55,643**	**751,715**	**708,653**	**43,062**
Current corporate income tax payables	5,365	5,365	0	14,420	14,420	0
Other tax and social security payables	203,572	203,572	0	220,576	220,576	0
Tax and employee-related liabilities	**208,937**	**208,937**	**0**	**234,996**	**234,996**	**0**

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

(EUR 000)	31.12.2011			31.12.2010		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Customer advances and progress payments on work-in-progress	2,897,612	1,692,426	1,205,186	2,776,088	1,480,307	1,295,781
TOTAL	**2,897,612**	**1,692,426**	**1,205,186**	**2,776,088**	**1,480,307**	**1,295,781**

Note 15 - Net sales

(EUR 000)	2011	2010
France (1)	856,382	828,095
Export	2,448,960	3,359,010
TOTAL	**3,305,342**	**4,187,105**

(1) principally the French government.

One single customer, the French government, accounts for over 10% of the net sales of the Group in 2010 and 2011.

(EUR 000)	2011	2010
First quarter	645,831	821,449
Second quarter	670,970	1,168,926
Third quarter	748,871	907,682
Fourth quarter	1,239,670	1,289,048
TOTAL	**3,305,342**	**4,187,105**

The net sales break down as follows:

(EUR 000)	2011	2010
Sales of goods	2,780,745	3,649,726
Sales of services	524,597	537,379
TOTAL	**3,305,342**	**4,187,105**

Note 15 - Net sales (cont'd)

By origin, net sales break down as follows:

(EUR 000)	2011	2010
France (1)	2,466,851	2,780,330
United States (2)	838,491	1,406,775
TOTAL	**3,305,342**	**4,187,105**

(1) DASSAULT AVIATION, DASSAULT FALCON SERVICE and SOGITEC INDUSTRIES.

(2) DASSAULT FALCON JET and DASSAULT PROCUREMENT SERVICES.

Note 16 - Other revenue

(EUR 000)	2011	2010
Research-based tax credits	31,535	33,140
Financial revenue from operations (1)	1,775	2,573
Capitalized production (2)	1,550	109
Other operating grants	56	140
Other operating income	26,000	3,995
TOTAL	**60,916**	**39,957**

(1) interest in arrears.

(2) including capitalized development costs: EUR 1,550 thousand in 2011 and EUR 0 thousand in 2010.

Note 17 - Other operating income and expenses

(EUR 000)	2011	2010
Losses from disposals of non-current assets	-116	-808
Foreign exchange gains or losses from business transactions (1)	-10,858	11,109
Income/(loss) from non-capital transactions	-98	118
Other operating expenses	-611	-1,205
Share of income of joint ventures	1,502	766
TOTAL	**-10,181**	**9,980**

(1) particularly foreign exchange gains and losses on trade receivables and payables; those 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)	2011	2010
Research and development costs	-303 413	-232 846

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

Note 19 - Net financial income / (expense)

(EUR 000)	2011	2010
Interest generated by cash and cash equivalents	5,732	6,011
Disposal gains and change in fair value of cash equivalents	1,657	821
Income from cash and cash equivalents	**7,389**	**6,832**
Interest charges on financing operations	-23,728	-39,340
Cost of gross financial debt	**-23,728**	**-39,340**
COST OF NET FINANCIAL DEBT	**-16,339**	**-32,508**
Dividends and other investment income	3,800	4,007
Interest income and gains/losses on disposal of other financial assets (excluding cash and cash equivalents)	40,583	63
Foreign exchange gain/loss (1)	-14,065	1,786
Other financial expenses	0	0
Financial income and expenses	**30,318**	**5,856**
NET FINANCIAL INCOME/(EXPENSE)	**13,979**	**-26,652**

(1) this mainly concerns, in 2011, the variation in the fair value of hedging instruments that are not eligible for hedge accounting under the terms of IAS 39 "Financial instruments".

Note 20 - Tax position

20.1 Net effect of taxes on net income

(EUR 000)	2011	2010
Current tax expense	-152,530	-232,866
Deferred tax gain / expense	43,651	63,656
Tax gain / expense on net income	**-108,879**	**-169,210**

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

(EUR 000)	2011	2010
Hedging instruments	30,145	125,660
Available-for-sale securities	-14,949	-8,781
Actuarial adjustments	6,529	212
Tax charge recognized directly through equity	**21,725**	**117,091**

Note 20 - Tax position (cont'd)

20.3 Reconciliation of the theoretical and actual tax charge

(EUR 000)	2011	2010
Net income	322,665	267,492
less tax charges	108,879	169,210
less Group share of net income of equity affiliates	-41,064	127,913
Income before tax	390,480	564,615
Theoretical tax expenses calculated at the current standard tax rate (1)	**-140,963**	**-194,397**
Effect of foreign tax rates and deferred tax	790	65
Changes resulting from non-taxable income and non-deductible expenses	31,294	25,122
Accounting Tax Charge	**-108,879**	**-169,210**

(1) pursuant to the 2011 amendments to the finance act, a rate of 36.10% applies for years 2011 and 2012 for the French companies of the Group. The applicable rate in 2010 was 34.43%.

20.4 Deferred tax sources

(EUR 000)	Consolidated balance sheet		Consolidated income statement	
	31.12.2011	**31.12.2010**	**2011**	**2010**
Temporary differences on provisions (profit-sharing, retirement, etc.)	206,681	192,262	5,710	70,536
Available-for-sale securities and cash equivalents	-9,615	-2,164	9,670	1,150
Hedging instruments	-61,631	-98,139	6,363	-48
Other temporary differences	67,910	45,005	21,908	-7,982
Deferred tax gain /expense			**43,651**	**63,656**
Net deferred tax (1)	**203,345**	**136,964**		
Deferred tax assets	*203,345*	*136,964*		
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 2012 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)	31.12.2011	31.12.2010
Deferred tax assets not recognized in the balance sheet	70,161	62,213

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

Note 21 – Earnings per share

BASIC EARNINGS PER SHARE	2011	2010
Net income attributable to shareholders (EUR 000) (1)	322,628	267,447
Weighted average number of outstanding ordinary shares	10,125,897	10,125,897
Basic earnings per share (in EUR)	*31.9*	*26.4*

(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	2011	2010
Decided and paid during the year (in EUR 000)	108,347	89,108
Per share (EUR)	*10.70*	*8.80*
Submitted to the Annual General Meeting for approval, not recognized as a liability as of December 31 (in EUR 000)	86,070	
Per share (EUR)	*8.50*	

Note 23 – Financial risk management

23.1 Types, scope and management of risks

23.1.1 Cash and liquidity risks

- **Borrowings**

The Group is not exposed to any significant market risk with regard to its borrowings. The loan contracted by the Group includes the customary clauses concerning default and limits covering collateral and merger or asset sale transactions. It does not contain any early repayment clauses based on credit ratings or financial ratios. One of the clauses for this euro-denominated loan stipulates that early repayment would be due should GIMD hold less than 50% of the equity of DASSAULT AVIATION prior to the maturity date of the loan. The contractual maturities of this loan are given under Note 11 to these financial statements.

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

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

(EUR 000)	31.12.2011			
	Historical cost	Capital gain	Consolidated value	In %
Cash at bank and in hand, money market investments, demand deposits	2,167,263	333,188	2,500,451	63%
Bonds (1)	372,028	253,493	625,521	15%
Diversified investments (1)	486,386	375,885	862,271	22%
Total	**3,025,677**	**962,566**	**3,988,243**	**100%**

(1) investments in bonds and diversified investments are in most cases guaranteed, 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.

23.1.2 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 2010 or 2011.

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 24).

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 described in section C6 of the accounting policies, the percentage of outstanding receivables not written-down at the year-end is immaterial and not at risk.

23.1.3 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.

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 amount of the hedge may be adjusted according to the variability in the timing of expected net cash flows.

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

Portfolio market value (EUR 000)	**31.12.2011**		**31.12.2010**	
Net balance sheet position	178,873		284,848	
Closing US dollar/euro exchange rate	1 EUR = 1.2939 USD		1 EUR = 1.3362 USD	
Closing dollar /euro exchange rate +/- 10 cents	1.3939 USD	1.1939 USD	1.4362 USD	1.2362 USD
Change in net balance sheet position	+225,197	-282,309	+218,591	-253,848
Impact on net income	*+24,954*	*-48,521*	*+30*	*+72*
Impact on equity	*+200,243*	*-233,788*	*+218,561*	*-253,920*

✓ EMBRAER shares

The Group's parent company owns EMBRAER shares, which are listed on the Brazilian market. EMBRAER is stated in euros 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.

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

Market value of EMBRAER shares (EUR 000)	**31.12.2011**		**31.12.2010**	
Net balance sheet position	32,475		35,497	
Closing Brazilian real/euro exchange rate	1 EUR = 2.4159 BRL		1 EUR = 2.2177 BRL	
Closing real /euro exchange rate +/- 10 cents	2.5159 BRL	2.3159 BRL	2.3177 BRL	2.1177 BRL
Change in net balance sheet position	-1,291	+1,402	-1,532	+1,676

23.1.3 Market risks (cont'd)

- **Pricing risks**

The Group is exposed to a pricing risk relating to the price fluctuations of the EMBRAER shares. A sensitivity analysis was performed in order to determine the impact of a 10% increase or decrease in EMBRAER shares.

Market value of EMBRAER shares (EUR 000)	**31.12.2011**		**31.12.2010**	
Net balance sheet position	32,475		35,497	
Embraer share price in reals	11.76 BRL		11.80 BRL	
Change in EMBRAER share price	+ 10%	- 10%	+ 10%	- 10%
Change in net balance sheet position	+3,247	-3,247	+3,550	-3,550

- **Interest rate risks**

In 2011, the Group repaid the borrowings subscribed to in 2010 with financial institutions. To maintain its financial flexibility, the Group subscribed to a new loan to the value of EUR 400 million. This loan is denominated in euros. Initially at a variable rate, it was swapped for a fixed rate.

23.2 Value of financial instruments

23.2.1 Summary tables

- **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 31.12.2011			
	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.

- **Financial instruments assets (cont'd)**

On December 31, 2010, the data were as follows:

(EUR 000)	Balance sheet value as of 31.12.2010			
	Cost or cost less repayments (1)	Fair value (2)		Total
		Impact on net income	Impact on equity	
Non-current assets				
Listed investments			35,497	35,497
Non-listed investments			82,253	82,253
Available-for-sale marketable securities			3,825,485	3,825,485
Other financial assets	31,934			31,934
Current assets				
Trade and other receivables	519,779			519,779
Hedging instruments		5,014	280,104	285,118
Cash equivalents		453,064		453,064
Total financial instruments assets	**551,713**	**458,078**	**4,223,339**	**5,233,130**

(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)	453,064	3,860,982	4,314,046
Valuation techniques based on observable market data (level 2)	5,014	280,104	285,118
Valuation techniques based on non-observable market data (level 3)		82,253	82,253
Total of financial instruments assets recognized at their fair value	**458,078**	**4,223,339**	**4,681,417**

(3) including demand deposits as of 31.12.2010: EUR 139,014 thousand.

23.2.1 Summary tables (cont'd)

- **Financial assets 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 31.12.2011			
	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**

On December 31, 2010, the data were as follows:

(EUR 000)	Balance sheet value as of 31.12.2010			
	Cost or cost less repayments (1)	Fair value		Total
		Impact on net income	Impact on equity	
Non-current liabilities				
Bank borrowings	67			67
Other borrowings (2)	258,223			258,223
Current liabilities				
Bank borrowings	1,252,260			1,252,260
Other borrowings (2)	137,966			137,966
Trade and other payables	751,715			751,715
Total financial instruments liabilities	**2,400,231**	**0**	**0**	**2,400,231**

(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 locked-in employee profit-sharing funds (cf. Note 11) and remaining payable balance on THALES shares.

23.2.2 Financial instruments derivatives

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 and their impact on net income and equity are as follows:

(EUR 000)	Market value as of 31.12.2011	Market value as of 31.12.2010	Recognition of changes in fair value		
			In equity (1)	On the income statement	
				In operating income	In financial income (2)
Instruments recognized in assets					
- Forex hedges (3)	178,873	284,848			
- interest rate hedges	256	270			
Total	179,129	285,118			
including premiums and accrued interest on financial instruments	131	79			
Net capital gains on financial instruments	**178,998**	**285,039**	**-87,561**	**-55**	**-18,425**

(1) posted to the heading "Other income and expense recognized directly through equity, fully consolidated companies".

(2) changes in fair value of Forex hedging instruments not eligible for recognition under hedge accounting under the terms of IAS 39 "Financial instruments". Cf. Note 23.1.3 for the sensitivity study.

(3) details of portfolio of foreign exchange hedging instruments:

Market value	31.12.2011		31.12.2010	
	USD 000	EUR 000	USD 000	EUR 000
Foreign exchange options	-20,146	-15,570	418	313
Futures	251,590	194,443	380,196	284,535
TOTAL	**231,444**	**178,873**	**380,614**	**284,848**

Note 24 - 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	31.12.2011	31.12.2010
Future payments to subcontractors or suppliers	2,108,357	1,976,016
Fixed asset orders	23,000	14,000
Guarantees and deposits	50,646	38,405
TOTAL	2,182,003	2,028,421

COMMITMENTS RECEIVED	31.12.2011	31.12.2010
Future billings to customers	8,751,200	9,401,000
Export insurance guarantees	89,965	105,450
Collateral	68,740	53,642
TOTAL	8,909,905	9,560,092

SECURED PAYABLES AND RECEIVABLES	31.12.2011	31.12.2010
Customer advances and progress payments on work-in-progress	487,379	488,726
Advances and progress payments to suppliers	2,886	2,710
TOTAL	490,265	491,436

OPERATING LEASES	TOTAL	Within 1 year	More than 1 year
Minimum future non-cancelable lease payments (not discounted)	297,919	34,376	263,543

The Group’s main operating leases concern industrial office buildings.

Note 25 - 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.

(EUR 000)	2011	2010
Related companies		
Sales	5,414	6,959
Purchases	129,837	113,909
Receivables	23,676	22,077
Payables	38,862	108,101

Key Group employees

Directors' loans	2011 fiscal year	None	2010 fiscal year	None
Other directors' interests	2011 fiscal year	None	2010 fiscal year	None

Remuneration and other commitments

Total remuneration received by corporate officers in respect of 2011, broken down in the directors' report, amounted to EUR 991,256 for the parent company, USD 77,144 for the subsidiaries, EUR 512,700 for GIMD and EUR 46,950 for THALES.

Other commitments:

In line with the AFEP/MEDEF recommendations on the compensation of directors:

- Charles EDELSTENNE was retired in May 2009. The rules of the Company regarding retirement will apply, but in accordance with the ruling of the Caisse Nationale d'Assurance Vieillesse, he will not be entitled to his pension before the end of his last term of office as a Company officer. His pension and retirement benefits will therefore not be paid until that date.
- On retirement he will not receive any pay other than that referred to above.

The Board of Directors has decided to maintain the additional annual retirement benefit awarded on September 15, 2004 equal to 3% of his gross annual remuneration on the date of his retirement multiplied by the number of years during which he was Chairman and CEO, and capped so that his total benefits do not exceed 60% of his last gross annual remuneration.

This compensation will be paid at the same time as his other pension rights (i.e.: at the end of his last term of office), under the same conditions as executive pensions (increase based on the AGIRC index and survivor's benefit).

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 2011, 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.

Note 26 - Average number of employees

	2011	2010
Engineers and management and executive grades	5,128	5,078
Supervisory and technical grades	2,344	2,377
Administrative employees	1,217	1,251
Production employees	2,758	2,845
TOTAL	**11,447**	**11,551**

Note 27 - Environmental information

DASSAULT AVIATION Group recorded environmental capital expenditure amounting to EUR 1,420 thousand and income statement expense of around EUR 1,040 thousand in 2011 relating to risk, impact and regulatory compliance analyses.

Note 28 - Statutory auditors' fees

The statutory auditors' fees posted to expenses for 2011 and 2010 are as follows:

EUR 000	DELOITTE & ASSOCIES		MAZARS	
	2011	2010	2011	2010
Statutory audit, certification, review of individual and consolidated financial statements (1)				
DASSAULT AVIATION	200	202	200	202
Fully consolidated subsidiaries	0	0	334	392
Other statutory audit engagements (2)				
DASSAULT AVIATION	83	0	64	73
Fully consolidated subsidiaries	0	0	0	0
TOTAL	**283**	**202**	**598**	**667**

(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 45,000 in 2011 and EUR 45,000 in 2010.

Note 29 - Subsequent events

No events likely to have a material impact on the financial statements occurred between December 31, 2011 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, 2011

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, 2011 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. Those 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 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, 2011 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.

Provisions for contingencies and losses

Our work mainly consisted in assessing the data and assumptions used to determine the estimated provisions for contingencies and losses, as described in Note 1 - C8 to the consolidated financial statements, reviewing the calculations performed by the Company, comparing the accounting estimates of previous years 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 contracts

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.

THALES impairment test

Note 5.1.4 - "Non-current financial assets - Market price of THALES shares and impairment test" describes the estimations and assumptions that your company is led to make concerning the valuation of the acquisition of THALES and the methods of implementing the impairment test. We have examined the data and the assumptions on which this test is based, along with the methods of its implementation as described in this Note.

These assessments were made as part of our audit approach for the consolidated financial statements taken as a whole and contributed to our opinion 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 21, 2012

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Dominique Jumaucourt

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2011

ASSETS

(EUR 000)	NOTE	31.12.2011			31.12.2010
		Gross	Depreciation, amortization and provisions	Net	**Net**
Intangible assets	2	89,699	-75,343	14,356	15,982
Property, plant and equipment	2	959,372	-704,547	254,825	274,075
Long-term investments	3	2,213,039	-2,154	2,210,885	2,184,131
TOTAL NON-CURRENT ASSETS		**3,262,110**	**-782,044**	**2,480,066**	**2,474,188**
Inventories and work-in-progress	4	2,745,100	-253,622	2,491,478	2,471,741
Advances and progress payments to suppliers		198,972	0	198,972	180,432
Trade receivables	6	454,588	-90,646	363,942	384,191
Other receivables, prepayments and accrued income	6	532,926	0	532,926	467,619
Marketable securities and cash instruments	9	2,206,795	0	2,206,795	2,961,219
Cash at bank and in hand		255,736	0	255,736	223,872
TOTAL CURRENT ASSETS		**6,394,117**	**-344,268**	**6,049,849**	**6,689,074**
TOTAL ASSETS		**9,656,227**	**-1,126,312**	**8,529,915**	**9,163,262**

LIABILITIES AND EQUITY

(EUR 000)	NOTE	31.12.2011	31.12.2010
Share capital	10	81,007	81,007
Additional paid-in capital		19,579	19,579
Reserves	12	2,659,521	2,442,053
Net income for the year		259,279	325,815
Tax provisions	14	303,390	302,500
TOTAL EQUITY	**13**	**3,322,776**	**3,170,954**
PROVISIONS FOR CONTINGENCIES AND LOSSES	**14**	**1,058,920**	**1,042,290**
Borrowings (1)	15	711,788	1,647,061
Customer advances and progress payments on work-in-progress		2,626,278	2,515,576
Trade payables	16	449,171	402,944
Other payables, accruals and deferred income	17	360,982	384,437
TOTAL LIABILITIES		**4,148,219**	**4,950,018**
TOTAL EQUITY AND LIABILITIES		**8,529,915**	**9,163,262**
(1) including bank balances in credit of:		0	0

INCOME STATEMENT

(EUR 000)	NOTE	2011	2010
NET SALES	20	**2,914,346**	**3,551,695**
Capitalized production		0	109
Change in work-in-progress		52,718	-408,543
Reversals of provisions and depreciation and amortization, expense reclassifications		507,515	433,268
Other revenue		28,230	4,834
OPERATING REVENUES		**3,502,809**	**3,581,363**
External purchases		-1,554,096	-1,291,566
Payroll and related charges		-640,178	-635,609
Other operating expenses		-299,105	-274,058
Taxes and social security contributions		-54,985	-56,714
Depreciation and amortization	2	-57,485	-59,462
Net charges to provisions	14	-475,837	-655,960
OPERATING EXPENSES		**-3,081,686**	**-2,973,369**
NET OPERATING INCOME BEFORE FINANCIAL ITEMS		**421,123**	**607,994**
NET FINANCIAL INCOME/(EXPENSE)	22	**44,284**	**14,716**
NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX		**465,407**	**622,710**
Non-recurring items	23	-936	-9,003
Employee profit-sharing		-100,426	-120,451
Corporate income tax	24	-104,766	-167,441
NET INCOME FOR THE YEAR		**259,279**	**325,815**

CASH FLOW STATEMENT

(EUR 000)	2011	2010
I - NET CASH FROM OPERATING ACTIVITIES		
NET INCOME	259,279	325,815
Elimination of gains and losses from disposals of non-current assets	-44	-52
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)	72,033	257,465
Net cash from operating activities before working capital changes	**331,268**	**583,228**
Change in inventories and work-in-progress (net)	-19,737	428,375
Change in advances and progress payments to suppliers	-18,540	25,215
Change in trade and other receivables (net)	20,249	41,193
Change in other receivables, prepayments and accrued income	-65,307	38,886
Change in customer advances and progress payments on work-in-progress	110,702	-151,753
Change in trade payables	46,227	-10,172
Change in other payables, accruals and deferred income	-23,455	57,398
Increase (-) or decrease (+) in working capital	**50,139**	**429,142**
Total I	**381,407**	**1,012,370**
II - NET CASH FROM INVESTING ACTIVITIES		
Purchases of intangible assets and property, plant and equipment	-36,395	-36,311
Purchases of investments (1)	-26,484	-511
Disposals of or reductions in fixed assets	2,533	15,513
Total II	**-60,346**	**-21,309**
III - NET CASH FROM FINANCING ACTIVITIES		
Capital increase	0	0
Increase in equity items	0	0
Decrease in equity items	0	0
Increase in borrowings (2)	514,207	1,348,914
Repayments of borrowings (2)	-1,449,481	-1,453,634
Dividends paid	-108,347	-89,108
Total III	**-1,043,621**	**-193,828**
CHANGE IN NET CASH AND CASH EQUIVALENTS (I + II +III)	**-722,560**	**797,233**
Opening net cash and cash equivalents (3)	**3,185,091**	**2,387,858**
Closing net cash and cash equivalents (3)	**2,462,531**	**3,185,091**

(1) the Company received EUR 38,903 thousand in THALES dividends in 2011. This total corresponds to the 2010 dividends of EUR 25,770 thousand, paid in shares, and 2011 interim dividends of EUR 13,133 thousand.

(2) in 2011, the Company repaid the short-term loans taken out with banks and the GROUPE INDUSTRIEL MARCEL DASSAULT and, in order to maintain its financial flexibility, took out a new short-term loan (cf. characteristics described in Note 15).

(3) 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, 2011 were approved at the meeting of the Board of Directors held on March 21 2012, and will be submitted for approval to the Annual General Meeting to take place on May 24, 2012.

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

• B2 Impairment of assets

At each period-end, the Company assesses whether there is an indication of impairment and carries out an impairment test if an indication of impairment has been detected. At each 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 selling costs) 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% (compared to 8.2% as of 31.12.10) and a 2% growth rate (same as of 31.12.10). The discount rate includes the rates prevailing in the aviation industry and was calculated using the same method as in 2010. 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 values of such assets are 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 fair value of such assets is lower than their gross value. The fair value is the higher of its market value and its value in use.

• B4 Inventories and work-in-progress

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

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

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

B5 Receivables

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

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 financial instruments derivatives to hedge against foreign exchange risks relating to its operations.

Foreign exchange risks mainly arise from US dollar denominated sales. The corresponding future cash flows are partially hedged by firm or optional forward transactions.

Premiums paid or received on the purchase or sale of put options are recognized in the income statement on maturity of the option, with the exception of those relating to "zero premium" hedging strategies, which are recognized immediately in the income statement to avoid 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-Elysées Marcel Dassault 75008 Paris, formed a tax consolidation group pursuant to Article 223A et seq. of the French General Tax Code.

This tax consolidation arrangement is tacitly renewable by periods of five fiscal years.

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

Note 2 - Intangible assets and property, plant and equipment

2.1 Intangible assets

(EUR 000)	31.12.2010	Additions / Charges	Disposals / Reversals	Other	31.12.2011
Gross value					
Software, patents, licenses and similar assets	83,022	5,251	-644	1,243	88,872
Construction in progress; advances and progress payments	1,694	376	0	-1,243	827
	84,716	**5,627**	**-644**	**0**	**89,699**
Depreciation					
Software, patents, licenses and similar assets	-68,734	-7,237	628	0	-75,343
	-68,734	**-7,237**	**628**	**0**	**-75,343**
Net value					
Software, patents, licenses and similar assets	14,288				13,529
Construction in progress; advances and progress payments	1,694				827
TOTAL	**15,982**	**-1,610**	**-16**	**0**	**14,356**

2.2 Property, plant and equipment

(EUR 000)	31.12.2010	Additions / Charges	Disposals / Reversals	Other	31.12.2011
Gross value					
Land	26,527	303	-103	-39	26,688
Buildings	261,576	4,585	-1,227	-256	264,678
Plant, equipment and machinery	468,264	14,147	-11,239	8,963	480,135
Other property, plant and equipment	179,923	4,391	-2,097	-3,688	178,529
Construction in progress; advances and progress payments	8,563	7,342	-1,583	-4,980	9,342
	944,853	**30,768**	**-16,249**	**0**	**959,372**
Depreciation					
Land	-4,795	-455	98	39	-5,113
Buildings	-154,377	-10,861	1,122	541	-163,575
Plant, equipment and machinery	-390,208	-24,607	11,020	-4,458	-408,253
Other property, plant and equipment	-117,256	-14,325	1,867	3,878	-125,836
	-666,636	**-50,248**	**14,107**	**0**	**-702,777**
Impairment (1)					
Other property, plant and equipment	-4,142	-1,770	4,142	0	-1,770
	-4,142	**-1,770**	**4,142**	**0**	**-1,770**
Net value					
Land	21,732				21,575
Buildings	107,199				101,103
Plant, equipment and machinery	78,056				71,882
Other property, plant and equipment	58,525				50,923
Construction in progress; advances and progress payments	8,563				9,342
TOTAL	**274,075**	**-21,250**	**2,000**	**0**	**254,825**

(1) Impairment tests of property, plant and equipment (cf. paragraph B2 of the Accounting policies):

- The impairment tests carried out on other property, plant and equipment did not highlight any other impairment to be recognized as of 31.12.2011.

- In 2010, a provision of EUR 4,142 thousand was recognized in net income for capitalized aircraft in order to take into account the impact of the crisis on the pre-owned business jet market. This amount was adjusted to EUR 1,770 thousand as of 31.12.2011.

  This provision is equal to the difference between the net carrying amount of the capitalized aircraft and their present value. The present value of a capitalized aircraft is the higher of its fair value (less selling costs) and its value in use. The value in use of a capitalized aircraft is calculated using the discounted future cash flow method, with a post-tax discount rate of 8%, 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 3 - Long-term investments

(EUR 000)	31.12.2010	Additions / Charges	Disposals / Reversals	Other	31.12.2011
Equity investments (1)	2,150,006	25,791	0	0	2,175,797
Other investment securities	5,894	0	0	0	5,894
Loans	2,478	305	-324	0	2,459
Other long-term investments	28,507	388	-6	0	28,889
TOTAL	**2,186,885**	**26,484**	**-330**	**0**	**2,213,039**
Provisions	-2,754	-2,000	2,600	0	-2,154
NET VALUE	**2,184,131**	**24,484**	**2,270**	**0**	**2,210,885**

(1) Market price of THALES shares and impairment test:

Based on the market price of THALES shares at December 31, 2011 of EUR 24.40 per share, DASSAULT AVIATION's investment in THALES is valued at EUR 1,282 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 31.12.2011, compared to 8% on 31.12.2010). 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 the Company's interest in THALES.

Maturity of long-term investments

(EUR 000)	Total	Within 1 year	More than 1 year
Loans	2,459	452	2,007
Other long-term investments	28,889	0	28,889
TOTAL	**31,348**	**452**	**30,896**

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	% share-holding	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	60,113	*99.99*	59,453	59,453	967	0	131,610	233	0
DASSAULT INTERNATIONAL	1,529	18,582	*99.63*	19,236	19,236	0	0	3,894	881	0
DASSAULT-REASSURANCE	10,459	7,756	*99.99*	10,133	10,133	0	0	2,503	30	0
SOGITEC INDUSTRIES	4,578	95,603	*99.74*	25,355	25,355	1,794	0	63,023	12,665	0
Total				**114,177**	**114,177**	**2,761**	**0**			**0**
b. Foreign subsidiaries										
DASSAULT FALCON JET (1)	10,860	467,444	*87.47*	7,767	7,767	0	50,646	962,205	24,378	0
DASSAULT INTERNATIONAL INC (USA)	3,903	41,300	*100.00*	3,727	3,727	0	0	1,114	2,065	0
DASSAULT PROCUREMENT SERVICES INC (USA)	77	41,995	*100.00*	28,965	28,965	0	0	236,349	1,897	0
Total				**40,459**	**40,459**	**0**	**50,646**			**0**
Total SUBSIDIARIES				**154,636**	**154,636**	**2,761**	**50,646**			**0**
2. AFFILIATES (between 10 and 50% shareholding)										
a. French affiliates										
CORSE COMPOSITES AERONAUTIQUES	1,707	3,691	*24.81*	996	996	0	0	33,590	443	0
EUROTRADIA INTERNATIONAL (2)	3,000	32,936	*16.20*	3,099	3,099	0	0	58,357	2,655	439
THALES (3)	607,000	4,377,400	*25.96*	1,984,272	1,984,272	0	0	143,900	175,400	38,903
Total				**1,988,367**	**1,988,367**	**0**	**0**			**39,342**
b. Foreign affiliates										
Total				0	0	0	0			0
Total AFFILIATES				**1,988,367**	**1,988,367**	**0**	**0**			**39,342**

(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) 2010 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	604	604	0	0	0
b. Foreign subsidiaries	0	0	0	0	0
Total	**604**	**604**	**0**	**0**	**0**
2. AFFILIATES					
a. French affiliates	5,913	3,913	0	0	516
b. Foreign affiliates	32,171	32,171	0	0	1,111
Total	**38,084**	**36,084**	**0**	**0**	**1,627**

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	114,781	114,781	2,761	0	0
b. Foreign subsidiaries	40,459	40,459	0	50,646	0
Total	**155,240**	**155,240**	**2,761**	**50,646**	**0**
2. AFFILIATES					
a. French affiliates	1,994,280	1,992,280	0	0	39,858
b. Foreign affiliates	32,171	32,171	0	0	1,111
Total	**2,026,451**	**2,024,451**	**0**	**0**	**40,969**
GRAND TOTAL	**2,181,691**	**2,179,691**	**2,761**	**50,646**	**40,969**

Note 4 - Inventories and work-in-progress

(EUR 000)	31.12.2011			31.12.2010
	Gross	Provision	Net	Net
Raw materials	179,422	-77,264	102,158	105,771
Work-in-progress	2,070,397	0	2,070,397	2,017,679
Semi-finished and finished goods	495,281	-176,358	318,923	348,291
TOTAL	**2,745,100**	**-253,622**	**2,491,478**	**2,471,741**

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)	31.12.2011			31.12.2010
	Gross	Provision	Net	Net
Trade receivables				
Trade receivables	454,588	-90,646	363,942	384,191
	454,588	**-90,646**	**363,942**	**384,191**
Other receivables, prepayments and accrued income				
Other receivables	166,628	0	166,628	120,091
Prepaid expenses	346,630	0	346,630	347,528
Prepayments and accrued income	19,668	0	19,668	0
	532,926	**0**	**532,926**	**467,619**
TOTAL	**987,514**	**-90,646**	**896,868**	**851,810**

6.2 Maturity of trade and other receivables - gross value

(EUR 000)	31.12.2011			31.12.2010		
	Total	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year
Trade receivables	454,588	279,288	175,300	481,632	292,708	188,924
Other receivables	166,628	166,628	0	120,091	120,091	0
Prepaid expenses	346,630	346,630	0	347,528	347,528	0
Prepayments and accrued income	19,668	19,668	0	0	0	0
TOTAL	**987,514**	**812,214**	**175,300**	**949,251**	**760,327**	**188,924**

Note 7 - Accrued income

Accrued income is included in the following balance sheet accounts (EUR 000)	31.12.2011	31.12.2010
Trade receivables	177,876	206,556
Other receivables, prepayments and accrued income	175	79
Marketable securities	0	0
Cash at bank and in hand	275	405
TOTAL	**178,326**	**207,040**

Note 8 - Prepaid expenses and deferred income

(EUR 000)	31.12.2011	31.12.2010
Operating income	74,815	66,624
Operating expenses (1)	346,630	347,528
(1) income tax on unrealized capital gains	339,502	341,674

Note 9 – Difference in measurement of marketable securities

MARKETABLE SECURITIES AND CASH INSTRUMENTS		
(EUR 000)	31.12.2011	31.12.2010
Book value	2,206,795	2,961,219
Market value	3,166,412	3,930,119

Note 10 - Breakdown of share capital

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

Note 11 - Identity of the consolidating parent company

	% consolidation
GROUPE INDUSTRIEL MARCEL DASSAULT (G.I.M.D) 9, Rond Point des Champs Élysées - Marcel Dassault 75008 PARIS	50.55 %

Note 12 - Reserves

12.1 Reserves

(EUR 000)	31.12.2011	31.12.2010
Revaluation difference	4,305	4,305
Legal reserve	8,101	8,101
Other reserves	71,332	71,332
Retained earnings	2,575,783	2,358,315
TOTAL	**2,659,521**	**2,442,053**

12.2 Revaluation reserves

(EUR 000)	Movements in the revaluation reserve			
		2011 movements		
	31.12.2010	Decreases due to disposals	Other changes	31.12.2011
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

	2011		2010
ACCOUNTING INCOME			
In EUR 000	259,279		325,815
In EUR per share	25.61		32.18
CHANGE IN EQUITY EXCLUDING NET INCOME FOR THE YEAR			
In EUR 000	890		9,172
In EUR per share	0.09		0.91
DIVIDENDS			
In EUR 000	86,070	(1)	108,347
In EUR per share	8.50	(1)	10.70

(1) proposed to the Annual General Meeting.

2/ STATEMENT OF CHANGES IN EQUITY EXCLUDING INCOME FOR THE YEAR (EUR 000)

	Prior to appropriation of 2010 net income as of 31.12.2011		After appropriation of 2010 net income as of 31.12.2011
A -			
1. 2010 closing equity excluding net income for the year	2 845 139		2 845 139
2. 2010 net income prior to appropriation	325 815		
3. Appropriation of 2010 net income to net equity by the AGM			217 468
4. 2011 opening equity	3 170 954		3 062 607
B - Additional paid-in capital with retroactive effect to 2011 opening equity			**0**
1. Change in share capital		0	
2. Change in other items		0	
C - (= A4 + B) 2011 opening equity			**3,062,607**
D - Changes during the year excluding 2011 net income			**890**
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		890	
6. Other changes		0	
E - 2011 CLOSING EQUITY EXCLUDING 2011 NET INCOME PRIOR TO THE ANNUAL GENERAL MEETING (= C + D)			**3,063,497**
F - TOTAL 2011 CHANGE IN EQUITY EXCLUDING 2011 NET INCOME (= E - C)			**890**

3/ FUTURE TAX PAYABLE (EUR 000)

Statutory provisions excluding provisions for investments:	137,030	x	36.1 %=	49,468

Note 14 - Provisions

14.1 Provisions

(EUR 000)	31.12.2010	Increases / Charges		Decreases / Reversals		Other	31.12.2011
Tax provisions							
Investments	158,964	37,693	(3)	-30,297	(3)	0	166,360
Price increases	51,577	6,564	(3)	-5,419	(3)	0	52,722
Accelerated tax depreciation	84,921	11,430	(3)	-17,858	(3)	0	78,493
Medium-term export credit	7,021	0	(3)	-1,223	(3)	0	5,798
Capital gains rolled over	17	0	(3)	0	(3)	0	17
	302,500	**55,687**		**-54,797**		**0**	**303,390**
Provisions for contingencies and losses							
Operating	1,042,290	129,799	(1)	-132,837	(1)	0	1,039,252
Financial	0	19,668	(2)	0	(2)	0	19,668
Non-recurring	0	0	(3)	0	(3)	0	0
	1,042,290	**149,467**		**-132,837**		**0**	**1,058,920**
Provisions for impairment and write-down							
Intangible assets	0	0	(1)	0	(1)	0	0
Property, plant and equipment	4,142	1,770	(1)	-4,142	(1)	0	1,770
Financial	2,754	2,000	(2)	-2,600	(2)	0	2,154
Inventories and work-in-progress	273,095	253,622	(1)	-273,095	(1)	0	253,622
Trade receivables	97,441	90,646	(1)	-97,441	(1)	0	90,646
	377,432	**348,038**		**-377,278**		**0**	**348,192**
TOTAL	**1,722,222**	**553,192**		**-564,912**		**0**	**1,710,502**

Provision increases and reversals and expense reclassifications	{ - Operating	475,837	(1)	-507 515	(1)
	{ - Financial	21,668	(2)	-2 600	(2)
	{ - Non-recurring	55,687	(3)	-54 797	(3)
		553 192		**-564,912**	

14.2 Provisions for contingencies and losses

(EUR 000)	31.12.2010	Increases / Charges	Decreases / Reversals	Other	31.12.2011
Operating					
Retirement severance payments and long-service awards (1)	269,000	46,000	-8,000	0	307,000
Warranties (2)	625,533	47,355	-81,455	0	591,433
Services and work to be performed	147,757	36,444	-43,382	0	140,819
	1,042,290	**129,799**	**-132,837**	**0**	**1,039,252**
Financial					
Forex losses	0	19,668	0	0	19,668
	0	**19,668**	**0**	**0**	**19,668**
Non-recurring					
Other	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES	**1,042,290**	**149,467**	**-132,837**	**0**	**1,058,920**

(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 4% per annum, a discount rate of 3.6% and an annual inflation rate of 2%.

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

Note 15 - Borrowings

(EUR 000)	31.12.2011	31.12.2010
Bank borrowings (1)	400,957	1,252,609
Other borrowings (2)	310,831	394,452
TOTAL	**711,788**	**1,647,061**

(1) of which short-term banking facilities: zero on 31.12.2011 and on 31.12.2010,
of which bank loans due in less than one year: EUR 400,901 thousand as of 31.12.2011 and EUR 1,252,542 thousand as of 31.12.2010.

The Company's loan agreement for EUR 400 million includes customary clauses concerning default and limits covering collateral and merger or asset sale transactions. It does not contain any early repayment clauses based on credit ratings or financial ratios. One of the clauses for this euro-denominated loan stipulates that early repayment would be due should GIMD hold less than 50% of the equity of DASSAULT AVIATION prior to the maturity date of the loan.

(2) on 31.12.2011, the other borrowings mainly include locked-in employee profit-sharing funds. On 31.12.2010, the other borrowings comprised EUR 98 million relating to the balance of the payment by installments for THALES shares to GIMD and EUR 298 million corresponding essentially to 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)	400 957	400 901	51	5
Other borrowings (2)	310,831	36,193	274,638	0
Trade payables	449,171	449,171	0	0
Tax and employee-related liabilities	167,529	167,529	0	0
Amounts payable in respect of PP&E and related accounts	3,630	3,630	0	0
Other payables	104,283	104,283	0	0
TOTAL	**1,436,401**	**1,161,707**	**274,689**	**5**

(1) see Note 15.

(2) see Note 15.

Note 17 - Other payables, accruals and deferred income

(EUR 000)	31.12.2011	31.12.2010
Tax and employee-related liabilities	167,529	188,874
Amounts payable in respect of PP&E and related accounts	3,630	4,930
Other payables	104,283	122,054
Deferred income	74,815	66,624
Accruals and deferred income	10,725	1,955
TOTAL	**360,982**	**384,437**

Note 18 - Accrued expenses

Accrued expenses are included in the following balance sheet accounts (EUR 000)	31.12.2011	31.12.2010
Borrowings (1)	7,955	9,870
Trade payables	363,554	341,767
Other payables, accruals and deferred income	214,494	234,465
TOTAL	**586,003**	**586,102**

(1) of which bank borrowings: EUR 884 thousand.

Note 19 - Notes on several balance sheet headings

(EUR 000)	Notes on		Receivables and payables represented by commercial paper
	Related undertakings	Companies in which the Company holds an investment	
Equity investments	155,240	2,020,557	0
Loans and other long-term investments	28,298	0	0
Advances and progress payments to suppliers	51,451	13,741	0
Trade receivables	57,571	289	9
Miscellaneous receivables	0	0	0
Customer advances and progress payments on work-in-progress	345,222	4,679	0
Trade payables	75,172	44,059	45,099
Other miscellaneous payables	2,245	0	0
Financial expenses	970	0	0

Note 20 – Sales analysis

(EUR 000)	2011	2010
A) ANALYSIS BY CLASS OF GOODS OR SERVICES:		
Finished goods	2,454,760	3,067,196
Services	459,586	484,499
TOTAL	**2,914,346**	**3,551,695**
B) ANALYSIS BY GEOGRAPHICAL AREA:		
France	844,162	798,424
Export	2,070,184	2,753,271
TOTAL	**2,914,346**	**3,551,695**
C) ANALYSIS BY QUARTER:		
First quarter	578,095	718,423
Second quarter	643,095	1,067,061
Third quarter	632,063	704,379
Fourth quarter	1,061,093	1,061,832
TOTAL	**2,914,346**	**3,551,695**

Note 21 - Research and development costs

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

(EUR 000)	2011	2010
Research and development costs	-277,734	-200,281

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

Note 22 - Net financial income/(expense)

(EUR 000)	2011	2010
Investment income (1)	40,453	27,414
Income from other long-term loans and assets	574	892
Other interest and similar income	3,950	4,174
Reversals of provisions for foreign exchange losses	0	8,859
Reversals of provisions for equity investments	2,600	8,856
Foreign exchange gains	0	1,708
Net gains on sale of marketable securities	42,666	3,070
FINANCIAL INCOME	**90,243**	**54,973**
Net charges to provisions for foreign exchange losses	-19,668	0
Net charges to provisions for equity investments	-2,000	-2,600
Net charges to provisions for loans	0	0
Interest and similar expenses	-23,776	-37,657
Foreign exchange losses	-515	0
Net losses on sale of marketable securities	0	0
TOTAL FINANCIAL EXPENSE	**-45,959**	**-40,257**
NET FINANCIAL INCOME/(EXPENSE)	**44,284**	**14,716**

(1) of which THALES dividends: EUR 38,903 in 2011 and EUR 25,770 in 2010.

Note 23 – Non-recurring items

(EUR 000)	2011	2010
Gains on sales of assets		
- Property, plant and equipment	620	12,151
- Long-term investments	0	0
	620	**12,151**
Other non-recurring income	**179**	**231**
Reversals of provisions		
- Investments	30,297	26,294
- Price increases	5,419	7,245
- Medium-term export credit	1,223	1,780
- Accelerated tax depreciation	17,858	21,858
- Capital gains rolled over	0	0
	54,797	**57,177**
NON-RECURRING INCOME	**55,596**	**69,559**
Non-recurring expenses on operating activities	**-6**	**0**
Carrying amount of assets disposed:		
- Intangible assets	0	0
- Property, plant and equipment	-576	-12,099
- Long-term investments	0	0
	-576	**-12,099**
Other non-recurring expenses	**-263**	**-114**
Charges to tax provisions		
- Investments	-37,693	-36,281
- Price increases	-6,564	-8,335
- Medium-term export credit	0	-4,905
- Accelerated tax depreciation	-11,430	-16,828
	-55,687	**-66,349**
Other non-recurring provisions	**0**	**0**
NON-RECURRING EXPENSES	**-56,532**	**-78,562**
NON-RECURRING ITEMS	**-936**	**-9,003**

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	465,407	-158,968	0	306 439
Non-recurring items (including profit-sharing and incentive schemes)	-101,362	54,202	0	-47 160
Accounting income	364,045	-104,766	0	259 279
		-104,766		

Note 25 - Off-balance sheet financial commitments

COMMITMENTS GIVEN (EUR 000)	**31.12.2011**	**31.12.2010**
Future payments to subcontractors or suppliers	1,987,374	1,841,998
Fixed asset orders	18,490	10,864
Guarantees given in respect of:		
- subsidiaries	50,646	38,405
- equity investments	0	0
- other	0	0
TOTAL	**2,056,510**	**1,891,267**

COMMITMENTS RECEIVED (EUR 000)	**31.12.2011**	**31.12.2010**
Future billings to customers	8,045,200	8,821,900
Export insurance guarantees	89,965	105,450
Collateral (e.g. mortgages, pledges)	68,740	53,642
TOTAL	**8,203,905**	**8,980,992**

Note 26 - Payables and receivables secured by bank guarantees

(EUR 000)	**31.12.2011**	**31.12.2010**
Customer advances and progress payments on work-in-progress	487,379	488,726
Advances and progress payments to suppliers	2,886	2,710
TOTAL	**490,265**	**491,436**

Note 27 - Financial instruments: US dollar foreign exchange transaction portfolio

DASSAULT AVIATION is exposed to a foreign exchange risk with regard to FALCON sales which 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 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.

	31.12.2011		31.12.2010	
MARKET VALUE	USD 000	EUR 000	USD 000	EUR 000
Foreign exchange options	-20,340	-15,720	0	0
Futures	251,028	194,009	379,116	283,727
TOTAL	**230,688**	**178,289**	**379,116**	**283,727**

Note 28 - Impact of accelerated tax valuations

(EUR 000)	31.12.2011	31.12.2010
Net income for the year	259,279	325,815
Corporate income tax charge	104,766	167,441
NET INCOME BEFORE TAX	**364,045**	**493,256**
Accelerated tax depreciation	-6,428	-5,030
Provision for price increases	1,145	1,090
Provision for capital gains rolled over	0	0
Provision for medium-term export credit	-1,223	3,125
INCREASE IN TAX PROVISIONS	**-6,506**	**-815**
NET INCOME EXCLUDING TAX VALUATIONS ACCELERATED DEPRECIATION (BEFORE TAX)	**357,539**	**492,441**

Note 29 - Increases and reductions in future tax charges

(EUR 000)	31.12.2011	31.12.2010
Tax provisions:		
- Price increases	52,722	51,577
- Medium-term export credit	5,798	7,021
- Accelerated tax depreciation	78,493	84,921
TOTAL	**137,013**	**143,519**
INCREASES IN FUTURE TAX CHARGES	***49,462***	***49,414***
Items not deductible in the current year:		
- Employee profit-sharing	86,426	106,451
- Retirement severance payments and long-service awards	307,000	269,000
Other partly non-deductible items (trade receivables, inventories, warranties, other)	443,054	390,983
TOTAL	**836,480**	**766,434**
REDUCTIONS IN FUTURE TAX CHARGES	***301,969***	***263,883***
Long-term capital losses	0	0

Note 30 - Compensation of corporate officers

Total compensation received by corporate officers in respect of 2011, as broken down in the directors' report, amounted to EUR 991,256 for the parent company.

Note 31 - Average number of employees

	Company employees	Seconded to the Company
Engineers and management and executive grades	4,294	
Supervisory and technical grades	2,033	
Administrative employees	510	26
Production employees	1,222	105
TOTAL 2011	**8,059**	**131**
TOTAL 2010	8,138	34

Note 32 - Environmental information

DASSAULT AVIATION recognized environmental capital expenditure amounting to EUR 1,422 thousand and posted around EUR 845 thousand to 2011 expenses relating to risk, impact and regulatory compliance analyses.

The Company did not need to recognize any environmental liabilities.

Note 33 – Five-year summary

Nature of indications (EUR 000 except per share data in point 3 stated in EUR/share)	2007	2008	2009	2010	2011
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	3,605,350	3,540,455	2,748,219	3,551,695	2,914,346
b. Income before tax, depreciation, amortization and provisions	690,062	857,547	473,545	769,467	409,810
c. Corporate income tax	185,786	184,009	63,335	167,441	104,766
d. Income after tax, depreciation, amortization and provisions	323,496	352,508	265,969	325,815	259,279
e. Dividends paid	107,335	58,730	89,108	108,347	86,070 (1)
3/ PER SHARE DATA (EUR)					
a. Income after tax, but before depreciation, amortization and provisions	49.8	66.5	40.5	59.5	30.1
b. Income after tax, depreciation, amortization and provisions	31.9	34.8	26.3	32.2	25.6
c. Dividends paid	10.6	5.8	8.8	10.7	8.5 (1)
4/ PERSONNEL					
a. Average number of employees during the year	8,430	8,349	8,362	8,138	8,059
b. Total payroll charges excluding taxes	418,125	422,353	415,659	414,240	417,578
c. Total payroll taxes and social security charges	209,222	214,547	208,945	221,369	222,600
5/ EMPLOYEE PROFIT-SHARING	**100,747**	**122,203**	**86,712**	**106,451**	**86,426**
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, 2011

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, 2011 on:

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

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

OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2011 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

Equity investments, recorded in the balance sheet at EUR 2,176 million (Note 3 "Long-term investments") have been valued at cost and impaired, where necessary, on the basis of their value in use.

Note 3 - "Long-term investments" describes the estimations and assumptions that your company is led to make concerning the valuation of the acquisition of THALES and the methods of implementing the impairment test

Our work consisted in assessing the data on which equity investment has been retained or, where applicable, provisions for impairment have been set aside.

Furthermore, we have examined the data and the assumptions on which the THALES investment impairment is based, along with the methods of its implementation as described in this Note.

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 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 contracts

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 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 shareholdings and control and the identity of shareholders and holders of voting rights.

Courbevoie and Neuilly-sur-Seine, March 21, 2012

The Auditors

Mazars

Manuela Baudoin-Revert

Deloitte & Associés

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, 2011

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, 2011.

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:

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

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

We have carried out our work based on professional standards applicable in France.

Information concerning internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional practice standards require that we assess the fairness of the information set out in the Chairman's report concerning internal control and risk management procedures for the preparation and processing of financial and accounting information. Specifically, these procedures consist in:

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

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

- determining whether the major internal control deficiencies relating to the preparation and processing of financial and accounting information that we identified during our 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 by Article L. 225-37 of the French Commercial Code.

Courbevoie and Neuilly-sur-Seine, March 21, 2012

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Dominique Jumaucourt

AUDITORS' REPORT ON RELATED PARTY TRANSACTIONS AND COMMITMENTS

Year ended December 31, 2011

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 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 Annual General Meeting.

We conducted our procedures in accordance with professional standards recommended by the National Accountants Order and applicable in France. Those standards require that we check the concordance of the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE AGM

Transactions and commitments authorized over the past fiscal year

Pursuant to Article L. 225-40 of the French Commercial Code, an agreement between DASSAULT AVIATION and THALES was brought to our attention, which was previously authorized by your Board of Directors on March 16, 2011, and under the terms of which your company undertook, with respect to THALES:

- to vote in favor of the resolution proposed by the THALES Board of Directors at the THALES Annual General Meeting, whereby the latter's shareholders were offered an option between payment of the 2010 dividend in cash or in shares,
- to exercise, in the event of approval of this resolution by the Annual General Meeting, the option in favor of payment of the aforementioned dividend in shares amounting to the whole of DASSAULT AVIATION rights to this dividend in shares.

Following approval of the resolution by the THALES Annual General Meeting, DASSAULT AVIATION opted for the payment of the 2010 dividend in shares and obtained an extra 991,907 THALES shares, bringing its total interest in THALES to 52,531,431 shares.

The director concerned is: Charles EDELSTENNE, who is also a director of THALES.

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 GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD):

a) 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 1, 2009, those signed in 2008.
Rent paid to GIMD during fiscal year 2011 totaled EUR 31,307,995.52 excluding VAT.

A supplemental guarantee deposit of EUR 334,622.45 was also paid in fiscal 2011.

The director concerned is: Serge DASSAULT, who is also Chairman of GIMD.

b) The contract for the acquisition by DASSAULT AVIATION of THALES shares previously held by GIMD, signed on March 3, 2009 and amended on June 25, 2009, stipulated the payment of a total acquisition price of EUR 390,527,634 divided up as follows:

- 50% of the price payable immediately on completion of the acquisition,
- 25% of the price payable on the first anniversary date of completion of the acquisition,
- 25% of the price payable on the second anniversary date of completion of the acquisition,

It being understood that:

- The two fractions of the price payable in installments shall bear interest at the EURIBOR 6 month rate plus a margin of 1% at one year and 1.3% at two years.
- Interest shall be calculated and invoiced half-yearly in arrears on the basis of a 360 day year.

In application of the aforementioned provisions, DASSAULT AVIATION paid 25% of the price, i.e.: EUR 97,631,908.50, on May 21, 2011.

Interest paid in 2011 to GIMD for the half year from November 20, 2010 to May 19, 2011 amounted to EUR 1,262,521.60.

The director concerned is: Serge DASSAULT, who is also Chairman of GIMD.

WITH DASSAULT FALCON JET (USA):

At the request of DASSAULT FALCON JET, DASSAULT AVIATION undertook to refund amounts paid on account by DASSAULT FALCON JET customers, should DASSAULT FALCON JET fail to meet its contractual obligations. These guarantees remain in force until delivery of the aircraft ordered.

As of December 31, 2011, the guarantees amounted to EUR 50,645,992.74.

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 GROUP 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 1, 1999. It covers all directors and corporate officers of the company and its subsidiaries up to an annual limit of indemnity of EUR 25 million.

Courbevoie and Neuilly-sur-Seine, March 21, 2012

The Auditors

Mazars	Deloitte & Associés
Manuela Baudoin-Revert	Dominique Jumaucourt

COMBINED ANNUAL ORDINARY AND EXTRAORDINARY

GENERAL MEETING OF SHAREHOLDERS

MAY 24, 2012

DASSAULT
AVIATION

COMBINED ANNUAL ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 24, 2012 / DRAFT RESOLUTIONS

RESOLUTIONS FALLING WITHIN THE COMPETENCE OF THE ORDINARY AGM

First resolution

The shareholders, acting in accordance with the rules as to quorum and majority applicable to ordinary general meetings, having taken due note of the Directors' Report, the Chairman's report governed by section 6 of Article L 225-37 of the French Commercial Code, the Auditors' Report 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, 2011** as presented and showing a net income of EUR 259,278,832.79, together with all transactions presented therein or summarized in these reports.

Second resolution

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, 2011** as presented and showing consolidated net income before minority interests of EUR 322,665 thousand (including EUR 322,628 thousand attributable to the owners of the Parent Company), together with all transactions presented therein or summarized in these reports.

Third resolution

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, approve the agreement authorized by the Board of Directors on March 16, 2011 and concluded with THALES.

Fourth resolution

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, 2011.

Fifth resolution

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 2011 net income for the year of EUR 259,278,832.79 plus retained earnings of EUR 2,575,783,014.28, for a total of EUR 2,835,061,847.07 be appropriated as follows:

- dividend distribution of:
  EUR 86,070,124.50
- with the remaining balance to retained earnings:
  EUR 2,748,991,722.57

As a result of the above appropriation, **a dividend per share of EUR 8.50** shall be distributed.

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

The dividend shall fall due for payment in euros on June 1, 2012, 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 EUR)	Tax allowance (1)
2008	5.80	40 %
2009	8.80	40 %
2010	10.70	40 %

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

RESOLUTION FALLING WITHIN THE COMPETENCE OF THE EXTRAORDINARY AGM

Sixth resolution

The shareholders, deliberating in accordance with the rules of quorum and majority applicable to extraordinary general meetings, having taken due note of the report of the Board of Directors and of the special Auditors' Report, hereby decide in the framework of articles L. 225-129-1, L. 225-129-6 paragraph 2, and L. 225-138-1 of the French Commercial Code and articles L. 3332-18 et seq. of the French Labor Code, **to increase the share capital** of the Company by a sum not exceeding EUR 800,000 **through the issuing of shares reserved for employees** subscribing to the Company's Enterprise Savings Plan.

The shareholders hereby decide to cancel preferential subscription rights to shareholders in favor of subscribers to the Company's Enterprise Savings Plan.

The shareholders delegate all authority to the Board of Directors, with the facility of sub-delegation to the CEO under the conditions laid out in Article L. 225-129-4 of the French Commercial Code for the implementation of this decision, within the limits and subject to the conditions detailed heretofore, with the effect in particular of:

- proceeding with this increase in one or several stages,
- setting the conditions of length of service that the employees who subscribe to the Enterprise Savings Plan must fulfill in order to benefit from any new shares and, within the legal limits, the timeframe available to subscribers in order to pay up these shares,
- determining if subscriptions should take place via a corporate investment fund or else directly,
- determining the number and characteristics of the shares to be issued, the subscription price under the conditions defined in article L. 3332-19 of the French Labor Code, the duration of the subscription period, the date from which the new shares will rank for dividend and, more generally, the issuing procedures as a whole,
- noting the completion of each capital increase equivalent to the number of shares that are effectively subscribed to,
- proceeding with the subsequent formalities and making the consequential amendments to the statutes,
- being solely responsible for making the decision, following each increase, to charge the costs of the capital increase against the amount of the relevant premiums and deduct from this amount the necessary amounts so that the legal reserve is equal to 1/10 of the new share capital,
- carrying out all actions and formalities in order to verify the share capital increases implemented in the execution of the present delegation equal to the sum of the shares effectively issued, modifying the statutes consequentially and, more generally, taking all necessary steps.

The present delegation is valid for a period of 3 years as from the present AGM.

RESOLUTION FALLING WITHIN THE COMPETENCE OF THE ORDINARY AGM

Seventh resolution

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

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Headquarters: 9, rond-point des Champs-Élysées-Marcel Dassault - 75008 Paris - France
Tel.: +33 (0)1 53 76 93 00 - Fax: +33 (0)1 53 76 93 20 - Paris Trade Registry Number: 712 042 456

www.dassault-aviation.com