

2015

***ANNUAL
FINANCIAL REPORT***



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

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Declaration of the person responsible for the report

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

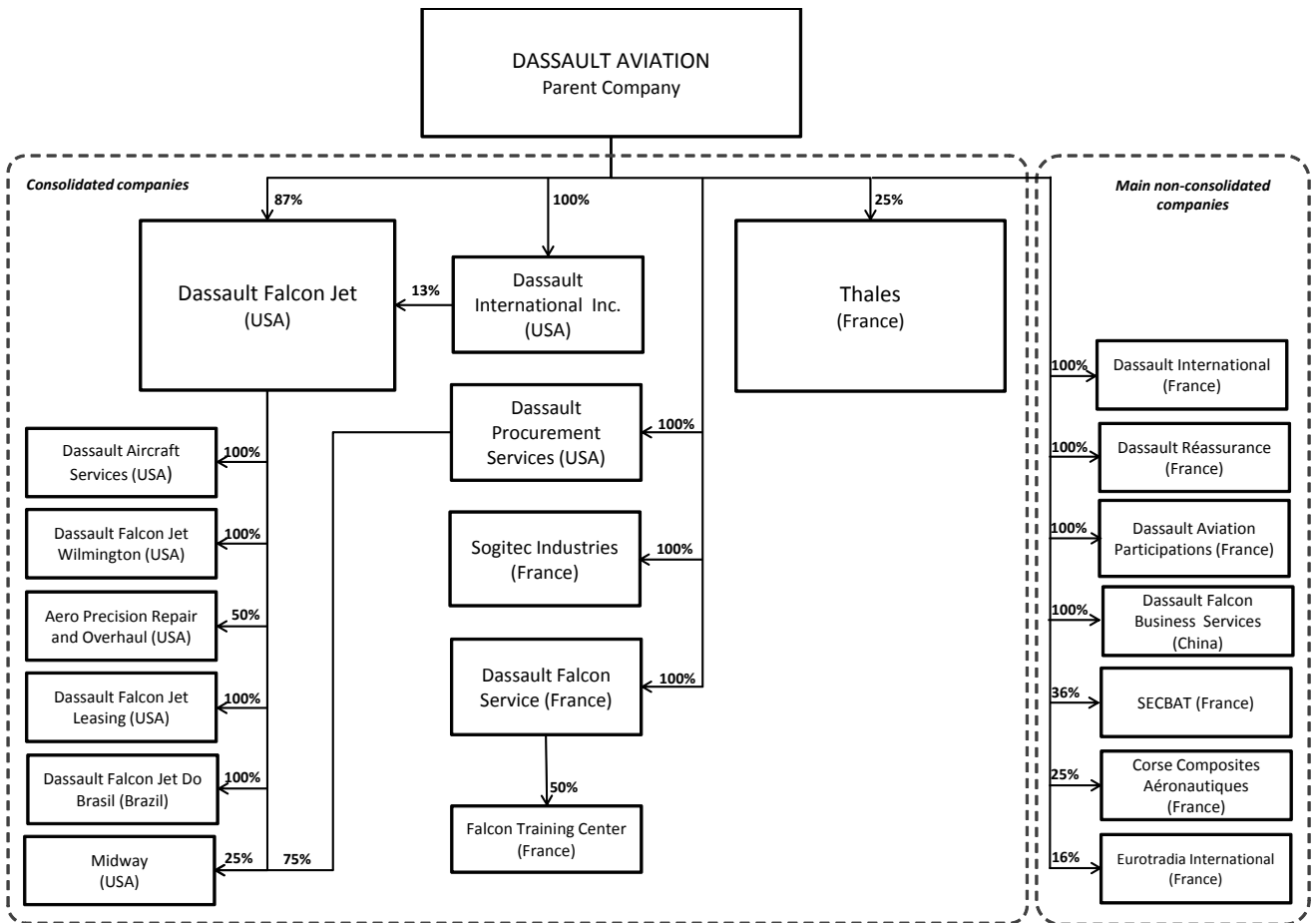
presents a fair view of the development of the business, performance and financial situation of the company and of all the other companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Paris, March 9, 2016

Éric Trappier
Chairman and Chief Executive Officer

Group structure as at December 31, 2015

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



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

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

Board of Directors as at December 31, 2015

Honorary Chairmen

Serge DASSAULT

Charles EDELSTENNE

Chairman of the Board of Directors

Éric TRAPPIER

Directors

Nicole DASSAULT

Olivier DASSAULT

Serge DASSAULT

Charles EDELSTENNE

Alain GARCIA

Marie-Hélène HABERT-DASSAULT

Henri PROGLIO

Lucia SINAPI-THOMAS

Richard BEDERE (director representing employees)

Executive Management

Chief Executive Officer

Éric TRAPPIER

Chief Operating Officer

Loïk SEGALEN

Executive Committee as at December 31, 2015

Chairman of the Committee

Éric TRAPPIER

Chief Executive Officer

Loïk SEGALEN

Chief Operating Officer

Benoit BERGER

Executive Vice-President, Industrial Operations, Procurement and Purchasing

Bruno CHEVALIER

Executive Vice-President, Military Customer Support

Claude DEFAWE

Vice-President, Sales & Marketing

Benoît DUSSAUGEY

Executive Vice-President, International

Didier GONDOIN

Executive Vice-President, Engineering

Gérald MARIA

Executive Vice-President, Total Quality

Jean SASS

Executive Vice-President, Information Systems

Olivier VILLA

Senior Vice-President, Civil Aircraft

Government Commissioner

Mr. Paul FOUILLAND, French Armed Forces General Inspector

Auditors

Mazars S.A., represented by Mrs. Manuela BAUDOIN-REVERT, partner

Deloitte & Associés S.A., represented by Mr. Jean-François VIAT, partner



Directors' Report

Dear Shareholders,

Before submitting the annual and consolidated financial statements for the year ended December 31, 2015, we would like to take this opportunity to present the consolidated key figures, the activities of the Group and of the Parent Company during the past year, their future prospects and the other information required by law.

1. DASSAULT AVIATION Group

1.1 CONSOLIDATED KEY FIGURES

1.1.1 Order intake

2015 **consolidated order intake** was **EUR 9,884 million**, compared to EUR 4,639 million in 2014. **Export** represented **96%**.

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

| Year | Defense | | FALCON | Total | % Export |
|-------------|------------|--------------|--------------|--------------|------------|
| | France | Export | | | |
| 2011 | 424 | 507 | 1,932 | 2,863 | 83% |
| 2012 | 634 | 159 | 2,532 | 3,325 | 78% |
| 2013 | 1,043 | 213 | 2,909 | 4,165 | 71% |
| 2014 | 441 | 252 | 3,946 | 4,639 | 89% |
| 2015 | 391 | 7,891 | 1,602 | 9,884 | 96% |

The order intake consists exclusively of firm orders.

FALCON programs:

45 FALCON were ordered (compared to 90 FALCON ordered in 2014) and **20 FALCON NetJets were canceled**. Accordingly, **consolidated FALCON order intake** represented **EUR 1,602 million**, compared to EUR 3,946 million in 2014.

The decline in order intake was due to a difficult economic environment. After a growth in FALCON activity in 2014, the economic situation, especially in emerging countries, weighed heavily on our prospects and customers and therefore on the level of 2015 order intake.

DEFENSE programs:

DEFENSE order intake was **EUR 8,282 million** in 2015, compared to EUR 693 million in 2014. This large increase is due to the coming into force in 2015 of the contracts for Egypt (24 RAFALE) and Qatar (24 RAFALE).

DASSAULT AVIATION recognizes the RAFALE Export contracts in their entirety (i.e. including the THALES and SNECMA parts), whereas for France, only the DASSAULT AVIATION part is recognized.

1.1.2 Net sales

2015 consolidated net sales amounted to **EUR 4,176 million**, compared to EUR 3,680 million in 2014. **Export** represented **83%**.

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

| Year | Defense | | FALCON | Total | % Export |
|-------------|------------|--------------|--------------|--------------|------------|
| | France | Export | | | |
| 2011 | 714 | 176 | 2,415 | 3,305 | 74% |
| 2012 | 936 | 208 | 2,797 | 3,941 | 75% |
| 2013 | 1,225 | 179 | 3,189 | 4,593 | 71% |
| 2014 | 770 | 225 | 2,685 | 3,680 | 77% |
| 2015 | 632 | 1,037 | 2,507 | 4,176 | 83% |

FALCON programs:

2015 **FALCON net sales** amounted to **EUR 2,507 million** compared to EUR 2,685 million in 2014.

55 new aircraft were delivered in 2015, compared to 66 in 2014. This decrease in deliveries is due to the low number of 2015 orders. This explains why we did not achieve our forecast of 65 deliveries in 2015.

DEFENSE programs:

2015 **DEFENSE net sales** amounted to **EUR 1,669 million** compared to EUR 995 million in 2014.

Directors' Report

5 RAFALE were delivered to France and **3 RAFALE** to Egypt during 2015. DEFENSE net sales also included the delivery of works performed for the Indian MIRAGE 2000 upgraded to the I/TI standard and the RAFALE Marine retrofitted to the F3 standard.

The "book to bill" (order intake / net sales ratio) stood at 2.4 in 2015; this was due particularly to the RAFALE Export contracts whose net sales are recognized over several years.

1.1.3 Backlog

The consolidated backlog at December 31, 2015 was **EUR 14,175 million** compared to EUR 8,217 million at December 31, 2014. The increase was due to 2015 RAFALE Export orders. Defense Export represented 55% of backlog, FALCON 27% and Defense France 18%.

It included in particular:

- **21 RAFALE Egypt** and **24 RAFALE Qatar**,
- **38 RAFALE France** (43 at 12/31/2014),
- **91 FALCON** (121 at 12/31/2014).

1.2 COMMENTS ON THE 2015 PERFORMANCE IN ADJUSTED DATA

1.2.1 Preamble

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

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

1.2.2 2015 key data (adjusted data)

The following table presents the key 2014 and 2015 data by detailing the **adjusted** aggregates:

| (in EUR thousands) | 2015 | 2014 |
|---|----------------|----------------|
| Net sales | 4,175,805 | 3,680,381 |
| Operating income | 361,190 | 352,748 |
| Adjusted financial income | 18,634 | 42,686 |
| Adjusted share of income/loss of equity affiliates | 193,279 | 138,818 |
| Adjusted corporate income tax charge | -91,278 | -136,422 |
| Adjusted net income | 481,825 | 397,830 |
| <i>Attributable to the owners of the Parent Company</i> | <i>481,783</i> | <i>397,796</i> |
| <i>Attributable to non-controlling interests</i> | <i>42</i> | <i>34</i> |
| Adjusted earnings per share (in EUR) | 54.6 | 39.7 |

1.2.3 Table of reconciliation between consolidated income and adjusted income

The impact in 2015 of the adjustments of income statement aggregates is presented below:

| (in EUR thousands) | 2015 Consolidated data | THALES PPA amortization ⁽¹⁾ | THALES adjustments | Derivative exchange instruments ⁽²⁾ | 2015 Adjusted data |
|--|------------------------|--|--------------------|--|--------------------|
| Net financial income / expense | -425,862 | | | 444,496 | 18,634 |
| Share in net income of equity affiliates | 144,409 | 37,820 | 11,050 | | 193,279 |
| Income tax | 61,762 | | | -153,040 | -91,278 |
| Net income | 141,499 | 37,820 | 11,050 | 291,456 | 481,825 |

⁽¹⁾neutralization of the amortization of the THALES purchase price allocation (PPA), net of income tax.

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

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

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

⁽¹⁾neutralization of the amortization of the THALES purchase price allocation (PPA), net of income tax.

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

Readers are reminded that only the consolidated financial statements are reviewed by the Group's statutory auditors. Adjusted financial data are subject to the verification procedures applicable to all the information provided in the Annual Report.

1.2.4 Operating income

2015 operating income was **EUR 361 million** compared to EUR 353 million in 2014.

The operating margin was **8.6%**, compared to 9.6% in 2014. The decrease is due in particular to:

- the pressure on FALCON sales prices due to an extremely competitive environment,
- the average USD rate effect (USD 1.11/EUR in 2015 compared to USD 1.33/EUR in 2014) on FALCON net sales part covered naturally by the USD purchases,

- the favorable impact in 2014 of exceptional items such as the sale of a building in Istres.

1.2.5 Adjusted financial income

2015 adjusted financial income was **EUR 19 million** compared to EUR 43 million in 2014. The decrease is mainly due to the full-year impact of borrowings underwritten in 2014 and new borrowings underwritten in April 2015.

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1.2.6 Adjusted net income

2015 adjusted net income was **EUR 482 million** compared to EUR 398 million in 2014. In particular, the adjusted contribution of THALES to Group net income, before amortization of Purchase Price Allocation, amounted to EUR 189 million in 2015 compared to EUR 135 million in 2014.

The **adjusted net margin** was **11.5%** compared to 10.8% in 2014.

Note: IFRS net income was EUR 141 million in 2015 compared to EUR 283 million in 2014. The adjustments made are related primarily to the change in market value of foreign exchange hedging instruments which do not qualify for hedge accounting: EUR -291 million (compared to EUR -108 million in 2014). These instruments are used to hedge commercial flows; the Group neutralizes this change, as it considers that the result from foreign exchange hedging instruments should impact net income at the same time as the commercial flows occur.

1.2.7 Dividends

The Board of Directors has decided to submit to the Annual General Meeting the distribution of a dividend of EUR 12.10 per share in 2016, corresponding to a total of EUR 110 million, i.e. a payout of 23%, as in 2015.

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

| Fiscal year | Net dividend distributed (in EUR) | Allowances (*) |
|-------------|-----------------------------------|----------------|
| 2012 | 9.30 | 40% |
| 2013 | 8.90 | 40% |
| 2014 | 10.00 | 40% |

* Allowance for individuals.

1.2.8 Financial reporting

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

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

1.3 FINANCIAL STRUCTURE

1.3.1 Cash

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

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

Consolidated Available Cash amounted to **EUR 2,885 million at December 31, 2015** compared to EUR 2,397 million at December 31, 2014, up by EUR 488 million.

This increase was mainly explained by:

- the decrease in working capital resulting mainly from advances received under the RAFALE Egypt and Qatar contracts,
- net cash from operating activities before working capital changes,
- the acquisition of treasury shares in the first half of 2015,
- investments made over the period,
- dividends paid in the year.

1.3.2 Balance sheet

Total equity amounted to EUR 3,771 million at December 31, 2015, compared to EUR 4,103 million at December 31, 2014. This decrease was mainly due to the purchase of 460,687 treasury shares for an amount of EUR 451 million.

Borrowings and financial debts amounted to EUR 1,210 million at December 31, 2015, compared to EUR 985 million at December 31, 2014. The Group subscribed bank loans for EUR 300 million in 2015. Thus, bank loans represented EUR 1,000 million at December 31, 2015. Financial debts also included the locked-in employee profit-sharing funds.

At December 31, 2015, inventories and work-in-progress increased by EUR 336 million. Thus, they amounted to EUR 3,428 million at December 31, 2015, compared to EUR 3,092 million at December 31, 2014. This increase can be explained mainly by the rise in FALCON work-in-progress, due in particular to the level of deliveries during the year.

Advances and progress payments received on orders, net of advances and progress payments paid, increased by EUR 1,199 million, due in particular to advances received for the RAFALE Egypt and Qatar contracts.

Derivative financial instruments market value amounted to EUR -506 million at December 31, 2015, compared to EUR -40 million at December 31, 2014. This change was due mainly to the trend in the USD/EUR exchange rate at December 31 (1.09 USD/EUR at December 31, 2015, compared to 1.21 USD/EUR at December 31, 2014). The Group considers that this item is not representative of the exercise of hedges at maturity (see 1.2.2).

1.4 RELATED-PARTY TRANSACTIONS

The 2015 related parties are identical to those identified in 2014. Some subsidiaries are related with the Parent Company via development and hardware supply contracts, along with software and associated services contracts.

2015 transactions are specified under Note 26 in the Appendix to the consolidated financial statements.

1.5 GROUP ACTIVITIES

1.5.1 Program developments

FALCON programs

Highlights for 2015 include:

- the first flight of the FALCON 8X on February 6. The 2015 test program proceeded in line with our expectations. The test aircraft completed 250 missions representing 450 flight hours.

Certification is planned for mid-2016.

Interior completion work was begun on 5 aircraft at the end of 2015. The first aircraft should be delivered to customers in the second half of 2016,

- regarding the FALCON 5X, SNECMA's difficulties in the development of the SilverCrest engine and their new related schedule (postponement of the engine certification from 2015 to 2018) have forced us to:
 - temporarily freeze production internally and externally,
 - readjust in 2016 the FALCON 5X program schedule, with the first deliveries planned during the first-half of 2020.
- delivery in the second half of 2015 of a FALCON 2000 medical evacuation aircraft to the Chinese Red Cross,
- the choice by the Japan Coast Guards of the Maritime Surveillance FALCON 2000, our new SURMAR offering, with an order for two aircraft,
- the inauguration of the new hangar in our Little Rock plant to accommodate new FALCON programs for their interior completion.

DEFENSE programs

The year 2015 was marked by the commercial success of the RAFALE for export, with:

- the signing with Egypt of a contract for the purchase of 24 RAFALE aircraft on February 16. This contract, which entered into force in March 2015, is the first export contract for this aircraft,
- the signing of a second export contract with Qatar on May 4 for the purchase of 24 RAFALE aircraft. This contract came into force in December 2015.

It was also marked by:

- on April 10, the announcement by the Indian Prime Minister of his intention to buy 36 "fly away" RAFALE and the negotiations with the Indian authorities. Price negotiations are in progress,
- delivery of the first 3 RAFALE to Egypt,
- the continuation of promotional and prospecting activities in other countries,
- the continuation of development on the F3-R standard. The first METEOR missile launches were successfully completed,

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- delivery of 5 RAFALE aircraft to France, bringing the total RAFALE aircraft delivered to the French military to 142,
- the delivery of 3 RAFALE Marine France retrofitted to the F3 standard,
- delivery to the French Navy and Air Force of the first two next-generation Mermoz Test Equipment Workshops.

Regarding the MIRAGE 2000, also note:

- the delivery of two Indian MIRAGE 2000 upgraded and its related standard,
- the upgrade of the third and fourth aircraft at Hindustan Aeronautics Ltd (HAL) under our responsibility and continuing support to HAL in works performed under their responsibility,
- in France, the preparation of the MIRAGE 2000 D upgrade market.

For maritime surveillance and patrol aircraft, the key events of 2015 were:

- continued development of the renovation of the ATLANTIQUE 2 combat system standard.
- the delivery to France of the last 2 FALCON 50 SURMAR, out of 4 aircraft ordered,

For drones, the year was marked by:

- completion of stealth, embedded sensor performance and armament firing demonstration campaigns for the nEUROn unmanned fighter,
- continued feasibility studies on behalf of the French and British governments to prepare a demonstration program for a Future Air Combat System (SCAF). This phase, lasting 24 months, brings DASSAULT AVIATION and BAE SYSTEMS together as leaders of an industrial organization that also includes ROLLS-ROYCE, SAFRAN, SELEX, and THALES,
- preparation of a two-year definition study for a MALE (Medium Altitude Long Endurance) drone with European technologies. This is a combined effort by DASSAULT AVIATION, AIRBUS DEFENCE & SPACE and FINMECCANICA. The Organization for Joint Armament Cooperation (OCCAR) is responsible for notifying the companies of the contract.

SPACE programs

The key events for 2015 are:

- the successful flight of the Intermediate eXperimental Vehicle (IXV) reentry demonstrator. DASSAULT AVIATION is mainly involved in the aerothermodynamic of the vehicle, defining its outer shape,
- a continued role by DASSAULT AVIATION as an aircraft manufacturing consultant for the SubOrbital Aircraft Reusable (SOAR) project by Swiss Space Systems.

1.5.2 After-Sales

In 2015, the Group:

- FALCON after-sales:
 - laid the first stone for the future DASSAULT FALCON SERVICE maintenance center in Merignac, which is designed for large-scale FALCON 7X maintenance,
 - deployed the FALCON RESPONSE rapid response service, which consists of two FALCON 900 Airborne Support based at Le Bourget (France) and Teterboro, New Jersey (USA). These FALCON aircraft are responsible for transporting the maintenance teams and spare parts needed to repair aircraft immobilized far from maintenance centers and, if necessary, to ensure replacement flights for customers whose aircraft is immobilized,
 - extended the service station network with new service centers in Beijing, Delhi and Lagos, and a new spare parts center in Louisville, Kentucky,

- Military after-sales:
 - conducted the training of the first groups of pilots and mechanics for the RAFALE agreement signed with Egypt. All items needed for maintenance and crew support were delivered with the aircraft in July,
 - continued to support RAFALE aircraft as part of various military operations,
 - experienced sustained activity related to the export of the MIRAGE 2000, especially as regards maintenance works, with the achievement of two aircraft maintenance works in Egypt and eight aircraft in the United Arab Emirates. Work is underway in Qatar for the MIRAGE 2000 and ALPHA-JET.
- DASSAULT FALCON JET LEASING (USA), provides structured financing for new or used FALCON aircraft.
- **DASSAULT FALCON SERVICE (DFS) (France)**, based at Le Bourget airport, contributes to FALCON after-sales activities in the following two areas:
 - service station dedicated to the maintenance of FALCON aircraft,
 - leasing and management of FALCON aircraft as part of civil transport activities.

A new plant is being built at the Merignac airport and is expected to be operational by the end of 2016.

The principal subsidiary of DFS, the FALCON TRAINING CENTER (FTC, owned 50/50 with FLIGHT SAFETY INTERNATIONAL), at Le Bourget airport, provides training to FALCON pilots.

DFS also has a facility at Luton Airport (UK). In 2013, it also set up a FALCON aircraft maintenance subsidiary at Moscow-Vnukovo Airport (Russia).

1.6 GROUP STRUCTURE

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

1.6.1 Consolidated subsidiaries and companies

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

The principal subsidiaries of DFJ are:

- DASSAULT FALCON JET - WILMINGTON CORPORATION (USA), aviation services and maintenance,
- DASSAULT AIRCRAFT SERVICES CORPORATION (USA), promotion of aviation maintenance and service sales in the United States,
- AERO PRECISION REPAIR AND OVERHAUL COMPANY INCORPORATED (APRO) (USA) (50/50 with MESSIER-SERVICES INC.), repair and maintenance of landing gear and flight controls,
- MIDWAY AIRCRAFT INSTRUMENT CORPORATION (USA), overhaul and repair of civil aviation equipment for French equipment manufacturers,
- DASSAULT FALCON JET DO BRASIL LIMITADA (Brazil), aviation services and maintenance,

- **DASSAULT INTERNATIONAL INCORPORATED (USA)** represents DASSAULT AVIATION in the United States and provides after-sales services for FALCON aircraft,
- **DASSAULT PROCUREMENT SERVICES (USA)**, the central purchasing hub in the United States for FALCON aviation equipment,
- **SOGITEC INDUSTRIES (France)**, simulation and documentation,
- **THALES (France)**, the THALES group operates in aviation, aerospace, defense and security contracting. Its activities are described in its Registration Document.

Additional information on consolidated subsidiaries and companies is provided in Note 2 "Scope of consolidation" of the consolidated financial statements.

Directors' Report

1.6.2 Non-consolidated subsidiaries and holdings

The main holdings of the Group are:

- GIE RAFALE INTERNATIONAL (France), coordination of feasibility and definition studies for RAFALE combat aircraft (60% owned, with the remainder held equally by THALES and SNECMA)
- GIE FRENCH DEFENCE AERONAUTICAL INSTITUTE (FDAI) (France), a services provider in the domain of military aircraft mechanics training (owned 50/50 with DEFENSE CONSEIL INTERNATIONAL),
- DASSAULT ASSURANCES COURTAGE, DASSAULT REASSURANCE and AGENCE AERONAUTIQUE D'ASSURANCE (France), insurance and reinsurance,
- CORSE COMPOSITES AÉRONAUTIQUES (France), specialized in the production of aviation parts made from composite materials, in particular for its corporate shareholders (AIRBUS, LATECOERE, SNECMA and DASSAULT AVIATION),
- SECBAT (France), responsible for cooperation on the ATLANTIQUE maritime surveillance program.

The Group is present in India through DASSAULT AIRCRAFT SERVICES INDIA PRIVATE Ltd., which is responsible for promotion in India and is held through DASSAULT AVIATION PARTICIPATIONS (France).

The Group is also present in China through DASSAULT FALCON BUSINESS SERVICES (Beijing) CO. LTD and in Hong Kong via DASSAULT AVIATION FALCON ASIA-PACIFIC.

Finally, the Group operates in the United Arab Emirates via DASBAT AVIATION LLC.

1.7 RESEARCH & DEVELOPMENT

Most of our research and development in 2015 focused on the **FALCON 5X and 8X and the F3-R RAFALE standard**.

Apart from major programs, some of this work has received support from either French civil aviation or European Clean Sky Joint Technology Initiative.

Noteworthy events included:

- continuing preparatory work for the definition of the future FALCON system,
- design review of a composite wing demonstrator,
- wind tunnel tests to improve the design of the rear body of FALCON aircraft.

The 2015 research support plan for business aviation was recently announced, and it contains improvements to our aerostructure optimization methodologies that will be applied to the next generation of FALCON aircraft.

At the end of 2015, our involvement in the CLEANSKY 2 program reached its cruising speed, with the development of innovative structures and the coordination of the aerostructures component of the program, for which Dassault Aviation is responsible.

In the military sector, since the initial campaign for in-flight evaluations of the nEUROn demonstrator has come to an end, the preparation of the Future Combat Air System (FCAS) is structured around two areas:

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

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

At the end of 2015, the DGA notified the Company of a feasibility study for the development of a communications architecture based on the creation of an embedded communications server designed to optimize the management of means of communication and the network.

The upstream study plan focusing on the possible use and technologies concept of the UCAV and a technical and economic study of the impact of combat drones on the combat air fleet has been completed.

In the area of maritime patrol, the PATMAR 2030 system concept study was provided to the DGA.

AIRBUS DEFENCE & SPACE, FINMECCANICA and DASSAULT AVIATION submitted a MALE 2020 definition phase bid to the German, Italian and French defense ministries.

The Organization for Joint Armament Cooperation (OCCAR) is responsible for notifying companies the contract.

In the area of systems engineering, the Company is working with the DGA to structure a data model, model the tool-based process and build the desired digital continuity between the DGA process and the industrial process, in compliance with the technical and contractual responsibilities for the data.

The link between government technical and operational simulations and industrial simulations is also under consideration.

1.8 PRODUCTION

We are continuing the development of composites:

- as part of the actions initiated by the Conseil pour la Recherche Aéronautique Civile (CORAC, Strategic Committee for Aviation Research), we are working on a demonstrator for a composite wing-box for business aircraft,
- we use fiber placement for the manufacturing of composite parts for our new FALCON 5X aircraft, given the advantages of this method in terms of performance.

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

We are using robotized assemblies both for wings and fuselages.

In regard to primary parts, as part of our effort to improve environmental impact:

- we are replacing chemical-based methods with mechanical machining processes,

- we are developing and qualifying new chrome-free surface treatment processes in order to comply in advance with the future requirements of European REACH regulations,
- with our industrial partners we are continuing to qualify directly manufactured combinations of "Materials and Processes" via Additive Layers Manufacturing (ALM) for our aircraft programs.
- we are also qualifying Supply Chain providers for these new processes.

Under the future investment plan, we presented support application packages to the DGAC for the development of technological building blocks eligible for our future FALCON aircraft.

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

We are pursuing the generalization of the extended digital enterprise and of Product Lifecycle Management (PLM), thereby keeping us technologically ahead of the game as well as offering ourselves a significant competitive advantage.

Finally, we are enhancing exchanges with our suppliers by extending the roll-out of our supplier portal, while improving our production management system.

1.9 PRODUCTION FACILITIES

In 2015, additional industrial resources to ensure increased RAFALE production rate in the coming years have been deployed.

The roll-out of workshop refits as part of Improving Responsiveness in Production (IRP), including on RAFALE lines, was continued.

The main industrial facilities commissioned in 2015 were:

- a cold spray metalizing robot in Argenteuil,

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- a robotic assembly cell in Biarritz,
- a robotic peening system for larger components in Seclin,
- a rapid reconfiguration station for the automated molding facility in Seclin,
- a vertical grinder in Argonay.

1.10 TOTAL QUALITY

As part of its Integrated Management System, in 2015 DASSAULT AVIATION renewed its EN 9100 certification, a standard specific to the aerospace industry, and its ISO 14001 environmental certification.

DASSAULT AVIATION has also established a Health and Safety at Work management system meeting the requirements of the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard.

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

Lastly, we continue to implement our program, product, process, environment and health & safety at work risk management measures in all DASSAULT AVIATION entities.

2. RISK FACTORS AND MANAGEMENT

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

2.1 RISKS RELATED TO PROGRAMS

2.1.1 Aerospace cycle

Because of the nature of its activity, DASSAULT AVIATION is exposed to sector risk, and our customers are sensitive to the fragility of the global economy and political instability:

- Governments, although restricted by drastic budgetary policies, must ensure their safety and maintain their projection capability,
- In the domain of business aviation, weak global growth leads our customers to make their procurement decisions subject to increasingly demanding criteria and sometimes even postpone them.

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

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

2.1.2 Control of programs

Given the implementation of the complex technologies of FALCON and DEFENSE programs, we must ensure that we have instituted the necessary resources to meet our commitments to our customers, both in regard to technical issues and production deadlines, in order to safeguard our net sales.

As an industrial architect and integrator, we must manage a multitude of associates, partners and suppliers while observing technical, legal and financial constraints, particularly in relation to contracts involving transfers of technology.

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

In this context, the 2014 Directors' Report identified risks concerning the FALCON 5X program, including the Silvercrest, the new engine developed by SNECMA.

This risk unfortunately turned out to be true during 2015 (postponement of the engine certification from 2015 to 2018), which, as mentioned above, has led us to:

- temporarily freeze production internally and externally,
- readjust in 2016 the FALCON 5X program schedule, with the first deliveries planned during the first-half of 2020.

2.1.3 Adjustment of industrial capacity

The cycles for the business aircraft and warplanes markets are not synchronous, but both require their production tools to maintain a high level of responsiveness, and so the flexibility issue is proving to be an ongoing challenge.

2.1.4 Competition

In an uncertain economic and geopolitical environment, our competitiveness is subject to intense challenges in all of its markets and the volatility of the euro/dollar exchange rate can exacerbate impacts.

2.2 RISKS RELATED TO THE SUPPLY CHAIN

We need to manage the risks in procurement (analysis and selection process for suppliers, monitoring of critical suppliers, timely delivery) to avoid a disruption in our production lines. We are vigilant regarding risk of failure in our suppliers.

The Group is not significantly exposed to fluctuations in the price or availability of raw materials and energy.

2.3 RISKS RELATED TO THE INFORMATION SYSTEM

A failure of our information systems could result in data loss, errors and/or delays that would be detrimental to the smooth running of the Company. We have put in place mechanisms for ensuring the reliability, confidentiality and availability of our data.

The Group protects itself against the risk of attempted breaches of the security of its infor-

mation technology systems and guarantees the protection of highly confidential data.

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

Furthermore, the Company took into account changes in threats to embedded systems.

2.4 RISKS RELATED TO REGULATORY CHANGES

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

- in the aeronautical domain in terms of the navigability of products,
- in terms of occupational health and safety,
- in terms of the environment at the industrial sites (REACH in particular).

2.5 RISKS RELATED TO INTELLECTUAL PROPERTY

Innovation has become an essential tool to guarantee the success of DASSAULT AVIATION products.

The protection of intellectual property, principally via patents, copyright fees and trademarks, is a major challenge in the protection of our assets.

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

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

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

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2.5.1 **Actions**

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

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

2.5.2 **Organization**

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

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

2.6 **RISKS RELATED TO PERSONNEL**

Aviation technology is complex and evolving, and we must be careful to maintain our expertise in all areas of aircraft and equipment.

The Group is conducting an analysis of the positions at risk in order to establish a succession plan for key roles and strategic functions.

2.7 **FINANCIAL RISK MANAGEMENT**

2.7.1 **Cash and liquidity risks**

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

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

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

The breakdown of the Group's investment portfolio is shown in Note 23.1 "Cash and Liquidity Risks" of the consolidated financial statements.

2.7.2 **Credit and counterparty risks**

The Group performs its cash and foreign exchange transactions with recognized financial institutions. It divides its investments and bank accounts among these various institutions.

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

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

Additional information is available in Notes 7 "Trade and other receivables" and 23.2 "Credit and counterparty risk" in the consolidated financial statements.

2.7.3 **Interest rate risks**

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

2.8 MARKET RISKS

2.8.1 Foreign exchange risks

- Hedging portfolio:

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

The foreign exchange risk of the Parent Company is partially hedged by its purchases in dollars, partly by the use of forward exchange contracts and currency options.

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

A sensitivity analysis of the hedge portfolio may be found in Note 23.3 "Foreign exchange risks".

- EMBRAER shares:

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

2.8.2 Other market risks

The Group is exposed to a pricing risk relating to price fluctuations of EMBRAER shares. A sensitivity analysis is available in Note 23.3.2, "EMBRAER shares."

2.9 ENVIRONMENTAL RISK MANAGEMENT

2.9.1 Risk management procedure

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

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

The environmental risk analysis methodology was enhanced in 2015.

As provided in our contractual clauses, suppliers whose industrial processes could have a significant environmental impact undergo environmental audits. The generalization of the environmental assessment of suppliers is ongoing, in line with the efforts of the International Aerospace Environmental Group (IAEG), in which the DASSAULT AVIATION Group participates.

2.9.2 Damage caused to the environment

No court has ever found DASSAULT AVIATION Group guilty of pollution or ordered to pay compensation to repair damage caused to the environment.

The Biarritz site was subject to a prefectural order in 2006 calling for an impact analysis and a treatment study for past groundwater pollution (chrome and halogenated solvents). The treatment plan was established in accordance with the management plan. Following the supplemental prefectural order of July 2012, asking us to study the improvement of our plan, we have, with the agreement of the Regional Environmental, Planning and Housing Authority (DREAL), installed additional drains to collect groundwater north of the facility.

In 2015, no environmental accidents were reported.

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2.9.3 Provisions and financial guarantees

Subsequent to Decree No. 2012-633 of May 3, 2012 which imposes the establishment of financial guarantees on facilities that are subject to ICPE (Environment Protection Classified Installations) legislation, the Parent Company is subject to the obligation of financial guarantees for four of its facilities. These financial guarantees started in 2014 for the facilities at Argenteuil and Biarritz, in accordance with the regulatory time frames.

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

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

The DASSAULT AVIATION Group did not have to recognize any environmental liabilities in 2015.

2.10 RISKS RELATED TO THE OPENING OF CAPITAL

In accordance with the procedures and amounts authorized by the General Meetings of January 28 and September 23, 2015, our Company bought back part of the DASSAULT AVIATION shares sold by AIRBUS GROUP SAS as part of its plan to sell its stake in the capital of DASSAULT AVIATION.

The shares not bought back by our company have increased the free-float, which was 15.80% at December 31, 2015. As a result, the Company is experiencing a greater number of new shareholders (investors and small shareholders) whose rights, particularly in terms of financial information, are to be considered.

To do this, the Legal Affairs and Insurance Department has strengthened its Corporate division and the Finance Department has created an Investor Relations position to meet market expectations and ensure regulatory oversight adapted to the domain.

2.11 RISKS RELATED TO SECURITY BREACHES

The international context and current geopolitical instability have exposed DASSAULT AVIATION Group to an undeniable threat.

New procedures and measures to enhance the security of people and goods, both in our facilities in France and abroad, have been introduced.

These measures were reviewed with our national supervisory authority and the various relevant government services.

Secondly, we educated our partners, subcontractors and suppliers about the requirements for our industrial facilities.

For obvious efficiency reasons, all measures implemented remain confidential.

2.12 OTHER RISKS

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

In November 2012, the latter gave notification of a new request for arbitration based on similar grounds to the 2002 action, for a total now amounting to EUR 226 million. The manufacturers strongly deny this request and to date, it is not possible to assess the potential financial risk; accordingly, DASSAULT AVIATION has not made any provision. This procedure is still ongoing.

2.13 INSURANCE

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

The set of risks generated by the aeronautical activities of DASSAULT AVIATION and its subsidiaries (work under production, aircraft, civil liability after delivery, maintenance, etc.) constitutes the main item for the insurance budget.

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

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

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

Other programs are purchased in order to reduce risks not related to aviation activity; civil liability under the headings of general operations, environmental damage, or any arising from the fleet of vehicles, as well as to cover the civil liability of company directors and officers.

Our specialized subsidiaries DASSAULT ASSURANCES COURTAGE and DASSAULT RÉASSURANCE respectively place risks and underwrite a portion of the reinsurance of our aeronautical and fire risks.

3. SOCIAL, ENVIRONMENTAL AND CORPORATE RESPONSIBILITY INFORMATION

The DASSAULT AVIATION Group actively pursues a policy of corporate environmental and social responsibility (CSR) and promotes six strategic development themes:

- developing innovative products and processes to reduce environmental impact,
- developing the human potential of the Group,
- striving for excellence in employee safety and protection,
- adopting a wage policy that involves employees in the results,
- achieving a responsible approach towards its partners and suppliers,
- making an active contribution to local economic and social life.

These themes are reflected in the ethical commitments of DASSAULT AVIATION Group to unite all Group employees around them.

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

The information developed and presented below is part of this dynamic. It relates to the DASSAULT AVIATION Group, comprising the Parent Company and its subsidiaries.

Most of the indicators used take account of the regulatory requirements and of the principles of the GRI (Global Reporting Initiative). A correspondence table between our indicators and these principles is included in Appendix 2 to this report.

“Quality Instructions” formalize the reporting rules and periodic checks are now carried out by our independent third party auditor.

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

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3.1 SOCIAL INFORMATION

3.1.1 Staff Policy

The fundamental principles governing the staff policy of the DASSAULT AVIATION Group are:

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

3.1.2 Employment

As at December 31, 2015, the total number of DASSAULT AVIATION Group employees stands at 12,152 (compared with 11,745 in 2014).

| Entity | Staff as at 12/31/2014 | Staff as at 12/31/2015 |
|-----------------------------------|------------------------|------------------------|
| DASSAULT AVIATION, Parent Company | 8,186 | 8,412 |
| DASSAULT FALCON JET | 2,526 | 2,699 |
| DASSAULT FALCON SERVICE | 598 | 619 |
| SOGITEC INDUSTRIES | 405 | 397 |
| DASSAULT PROCUREMENT SERVICES | 30 | 25 |
| Total: | 11,745 | 12,152 |

(see Appendix 1 - Reporting methodology for indicators)

The workforce of DASSAULT AVIATION Group consists of 2,090 women (17%) and 10,062 men (83%).

Workforce distribution by age group is as follows:

| Distribution by age | |
|---------------------|-----|
| Under 35 | 24% |
| 36 to 50 | 39% |
| Over 51 | 37% |

The employees of DASSAULT AVIATION Group are distributed as follows: 78% in France and 22% in the United States. This distribution is the same as 2014.

As at December 31, 2015, 435 employees of DASSAULT AVIATION Group were employed on a part-time basis, an increase of more than 4% compared to 2014.

In 2015, the DASSAULT AVIATION Group continued its recruitment policy by hiring 1,167 people, or 42% more than last year.

To prepare for its future recruitment needs, the Parent Company is pursuing its cooperation with educational institutions and establishments.

In order to promote our company and help students to construct their career plans, some company employees are officially assigned as "ambassadors" for passing on their skills and taking part in actions run at company level, or at local level by our establishments.

These upstream recruitment efforts are backed by an internship policy designed to facilitate entry into working life. In 2015, the Parent Company received the same number of trainees as in 2014 (384).

In 2015, 742 employees left DASSAULT AVIATION Group, as against 688 in 2014. Individual redundancies represent 11% of all of those who left, slightly up compared to the previous year.

3.1.3 Pay

The DASSAULT AVIATION Group pursues a pay policy whose objectives are to reward, motivate and inspire loyalty among its employees, while adapting to its situation and its economic environment in order to maintain its competitiveness in a highly competitive market.

As at December 31, 2015, the average annual salary of Group employees is EUR 54,604. The average annual salary of the Parent Company, including profit-sharing and incentives, amounts to EUR 63,259.

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

Furthermore, the Parent Company channeled EUR 23.6 million into the Works' Committees to fund social and cultural activities, representing 5% of the payroll.

3.1.4 Employee relations

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

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

- staff representative bodies:
 - Works' Committees,
 - Health & Safety and Working Conditions Committees,
 - Staff Delegates,
 - Specialized committees (economic, training, employment and gender equality, prevention of psychosocial risks, disabilities, etc.),
 - Central Works Council.
- union organizations:
 - local union delegates and central union delegates,
 - representative of the union sections.
- the Board of Directors:
 - a salaried administrator with voting rights was appointed by the union organization that obtained the most votes in the elections of the works councils of the Company and of its subsidiaries located in France,
 - the CCE (Comité Central d'Entreprise - Central Works Council) is also represented by one of its members.

An agreement of the Parent Company on the role, capabilities and career of staff representatives, signed in 2010, facilitates the functioning of trade unions and staff representative bodies by providing many additional resources to those provided by law (time off for trade union duties, budgetary allocations for the unions, material resources, career-monitoring facility for staff representatives).

3.1.5 Diversity

The DASSAULT AVIATION Group adheres to the principles of non-discrimination and promotes its desire to encourage diversity, considered a key factor in its Human Resources policy. This desire is manifested in the signing of corporate agreements and the implementation of action plans in the following areas:

- professional equality between men and women;

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- employment of disabled people;
- integration and retention in employment of young and older employees.

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

In 2015, the Parent Company implemented the company-level agreement regarding employment and job retention for people with disabilities, which was signed in 2014.

In particular, it focused its efforts on the continued employment of people with disabilities by funding several customized workstations.

Further upstream, it also refocused its actions on the training of disabled people in the aviation industry. For example, the company has continued its partnership with the Hanvol Association, created in 2010 with the support of GIFAS (the Association of French Aeronautical and Space Industries) and other aerospace companies to promote the training and integration of disabled people through the establishment of work-study training.

The commitments of the Parent Company with regard to the employment of disabled people are manifested through an employment rate of 6.3% (the legal minimum is 6%) across all its establishments.

At the end of 2015, the DASSAULT AVIATION Group employed 586 disabled workers, compared to 579 in 2014. This is in addition to actions to promote protected sectors and the inclusion of disabled trainees.

DASSAULT AVIATION has also implemented the agreement on professional equality and equal pay for women and men, which was signed in late 2014. In this context, the Company continued its policy to develop diversity by pledging to ensure that at least 25% of its executive and 20% of its non-executive hires are women for the duration of the agreement.

In 2015, these hires accounted for over 26% for executives and 24% for non-executives.

Increasing gender diversity in the company also involves very early recruitment efforts to make those still in school aware of training and career opportunities for women.

Accordingly, the Company has established a network of men and women to act as ambassadors to promote our technical careers among female students. This network strengthens the parallel actions of the association "Elles bougent", which is particularly devoted to the promotion of engineering and high-level technical careers among women.

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

In 2015, the subsidiary DASSAULT FALCON SERVICE signed its first agreement for gender equality between women and men. It aims to make gender diversity a lever of development.

Furthermore, DASSAULT AVIATION has continued its commitments under the "intergenerational" agreement signed in 2013.

In order to encourage the sustainable integration of young people in employment, the Company has therefore promised to ensure that 50% of those recruited on permanent contracts are under 30. In 2015, this recruitment represented more than 58% of permanent contracts signed.

Moreover, the Company ensures the retention in employment of employees aged over 55 by setting itself the objective of keeping the proportion of employees in this age group at a minimum of 19% of the active workforce. In 2015, workers aged 55 and over accounted for nearly 24% of the active workforce.

Furthermore, to promote retirement arrangements and facilitate the transition from work to retirement, DASSAULT AVIATION has set up training that aims to raise employee awareness of issues relating to retirement. In 2015, 91 employees were trained in the five sessions offered.

3.1.6 Human Resources development

Throughout the Group, the actions undertaken in 2015 underpinned the maintenance and development of employee skills levels, taking into account both individual and collective aspirations, on the one hand, and the social and economic climate of the Company, on the other.

In the Parent Company, several arrangements continue to bear fruit. These include:

- the high degree of technicality of our activities leads us to develop special relations with the world of education, thereby helping to ensure the suitability and quality of the training of our future recruits;
- integration of new recruits: "ENVOL days" bring together newly hired executive staff to meet with managers and discuss the issues and challenges affecting the Company;
- professional mobility allows the Company to satisfy its human resources needs while catering to the aspirations of employees;
- the transfer of operational know-how through the Skills Conservatory (the range of training courses continues to develop) is deployed on all sites;
- the "Industrial Agreements" program has been introduced for first-level managers of production facilities to support the industrial developments of the Parent Company. In 2015, 38 supervisors subscribed,
- new DASSAULT Institute management programs, which lay the groundwork for the future by developing the skills of managers and improving the performance of our organization in an ever-changing environment. In 2015, 60 managers were trained as a result,
- our investments in professional training meet the operational needs of the company and its employees. They represent 255,777 hours of training for the DASSAULT AVIATION Group, an increase of over 8%,
- our work/study policy remains focused on our core businesses.

3.1.7 Health and Safety at Work

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

In 2015, DASSAULT AVIATION continued to emphasize the health of its employees and improvement in the prevention of professional risks with:

- the continuation of psychosocial risk prevention efforts and associated action plans,
- enhancement of the prevention culture at all levels in the Company by calling on management;
- reduction in causes of accidents and improvement in working conditions on priority topics such as making working at height safer, tightening the monitoring of lifting methods, ergonomics and the wearing of personal protective equipment;
- reduction in exposure to chemical risks.

The following initiatives have therefore been taken by the Company:

- a training cycle for DASSAULT AVIATION nurses on workplace health, taking into account changes in regulations and themes specific to the company. This training course was conducted over two years and ended in November 2015,
- continued efforts to increase awareness of management and staff, including through the training of managers in risk prevention and the sustainability of Health and Safety at Work tools across all sites. In 2015, 103 managers were trained in 11 sessions,
- reissue of a health guide for people moving to or on a professional mission in India,
- deployment, in all institutions, of workplace health and safety maturity evaluation standards and definition of action plans,
- continuation of annual site safety visits,

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- improved chemical risk prevention through strengthening of the evaluation methodology based on the national benchmark,
- strengthening reporting for incidents and accidents at work.

According to the Total Quality policy, the Company has made ergonomic improvements in all relevant sectors. As a result, it has:

- created a network of 35 ergonomics representatives at all sites,
- established ergonomics training. In 2015, nine sessions were held involving 79 trainees,
- taken ergonomics into consideration in projects and the design of work equipment.

In 2015, SOGITEC conducted several actions to improve workplace health and safety conditions. In particular, it focused its efforts on noise reduction.

For DASSAULT AVIATION Group, absenteeism to December 31, 2015 amounted to 89,851 days of absence for all causes combined, except for maternity and parental leave.

The number of work-related accidents causing absence was 162 in 2015 compared with 154 in 2014, up by 5%. The corresponding number of days lost was 5,316 days, compared to 5,851 in 2014. The frequency rate increased slightly, from 8.38 to 8.44. The severity rate fell from 0.32 in 2014 to 0.28 in 2015.

Finally, across the whole Group in 2015, 11 cases of occupational illnesses were identified by the various competent authorities, compared with 22 in 2014. This mainly involved musculoskeletal disorders.

3.2 ENVIRONMENTAL INFORMATION

3.2.1 General framework

An environmental policy has been followed by DASSAULT AVIATION Group for over ten years. This policy is based on a management system deployed by stages:

- ISO 14001 certification of the Little Rock site of DASSAULT FALCON JET in the United States (2002),

- ISO 14001 certification of the industrial sites of the Parent Company (2002-2006),
- overall certification of the Parent Company from design to customer support (2007),
- integration of Quality and Environment certifications for the Parent Company (2009),
- ISO 14001 certification of the Le Bourget DASSAULT FALCON SERVICE site (2015).

This approach has significantly contributed to:

- the significant reduction of the environmental impacts of our activities (see Section 3.2.7),
- the reduction and tighter control of our environmental risks (see Section 2.9.1),
- improved responsiveness to regulatory changes.

3.2.2 Environmental commitment

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

DASSAULT AVIATION is also one of the founding members of the IAEG (International Aerospace Environmental Group), created in 2011, whose objectives are to promote and facilitate the integration of environmental concerns in the world aerospace industry.

In 2015, the DASSAULT AVIATION Group contributed within the IAEG to standardization in the following major areas:

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

Finally, as part of GIFAS, DASSAULT AVIATION, a member of the Environment and Sustainable Development Commission, participates in the Carbon, Life Cycle Analysis, and Circular Economy REACH workgroups.

3.2.3 Eco-approach

In 2011, the Parent Company formalized an "Eco-approach 2021" plan based on two key points: eco-design (green aircraft) and eco-production (green factory).

On the "green aircraft" aspect, the Parent Company:

- has participated since 2008 in studies on the aircraft of the future, particularly in the context of European CLEANSKY and CLEANSKY 2 projects. Several demonstrators were conducted and evaluated, such as self-assembled furniture made from biosourced materials (bio-fibers/bio-resins),
- relies on the Life Cycle Assessment (LCA) analysis method to assess the environmental impact of aircraft and its activities. For example, LCA comparisons were carried out on some "composite wing/metal wing" aviation technologies.

In addition to its CLEANSKY efforts, DASSAULT AVIATION is also working to reduce the environmental footprint of aircraft through involvement in several projects:

- via the technology demonstration platform CORAC for the development of a "more electric" aircraft,
- to test the compatibility of aircraft fuel systems as part of the Alternative Fuels for Aviation (CAER) project,
- in more fundamental studies for understanding the formation of condensation trail and induced cirrus mechanisms.

On the "green factory" aspect, the Parent Company:

- is engaged in the replacement of substances of concern used in industrial processes (such as chromate and cadmium), either for regulatory reasons or through the development of more environmentally friendly technologies,

- conducts an environmental analysis of new industrial projects to identify potential environmental impacts from the initial stages. This assessment helps to integrate environmental criteria into the decision-making process.

3.2.4 Environmental objectives

Over the past 40 years, technological progress with regard to engine efficiency, aerodynamics and weight saving has made it possible to considerably reduce fuel consumption, CO₂ emissions and noise nuisance from our aircraft.

DASSAULT AVIATION is pursuing this path and has subscribed to the objectives defined by the Advisory Council for Aeronautics Research in Europe (ACARE):

- 50% reduction of noise levels on the ground,
- 50% reduction in CO₂ emissions,
- reducing the environmental impact created by the production and withdrawal from service of aircraft.

Through their design, FALCON aircraft record fuel consumption and CO₂ emissions 20% to 40% lower than other aircraft of comparable performance.

The new FALCON 5X and FALCON 8X models are part of this process and maintain this significant advantage over their competitors.

On the industrial side, we continue our goal of reducing the environmental footprint of our facilities. The results obtained for the Parent Company in 2015 included:

- a 10% reduction of energy consumption in gigajoules (GJ) compared to 2012,
- a 14% reduction in VOC emissions/production time compared to 2012,
- 81% of waste recycled.

New targets for reducing the environmental footprint of the Parent Company's facilities were defined for the 2015-2017 period. The desired performance improvement targets CO₂, energy consumption and waste recycling.

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3.2.5 Employee awareness

In the DASSAULT AVIATION Group, environmental matters are the responsibility of a central team coordinating the environmental initiatives of the facilities, departments and subsidiaries.

Each of the Parent Company's facilities has an Environment team and a network of officers. Each subsidiary has at least one environment officer.

The Environment teams and Environment officers undergo regular awareness training on environmental issues, for example, through specific seminars on the topic.

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

For activities that have a significant impact on the environment, specific training courses such as REACH or chemical, asbestos or radiation risk are set up as needed.

Service providers to French sites are made aware of these issues primarily through prevention plans.

3.2.6 Administrative regimes

The DASSAULT AVIATION Group's French industrial sites are subject to ICPE (Environment Protection Classified Installations) legislation and, as such, have all the recent administrative authorizations. Note that:

- the SOGITEC INDUSTRIES sites are not classified.
- the Martignas, Saint-Cloud and Poitiers sites are under the "declaration regime",
- the Seclin site is under the "registration regime",
- the other facilities of the Parent Company and DASSAULT FALCON SERVICE are under the "authorization regime".

No site is subject to a SEVESO classification.

The industrial sites of foreign subsidiaries are monitored in accordance with the regulations of their country.

3.2.7 Environmental performance

Energy consumption

Energy is mostly consumed in the framework of the industrial activity of the production sites (electricity and gas), and the aviation activity (kerosene).

| in Gigajoules (GJ) | 2014 | | 2015 | |
|------------------------------------|----------------|--------------|----------------|--------------|
| | Parent Company | Consolidated | Parent Company | Consolidated |
| Excluding kerosene energy (ENE001) | 521,496 | 847,679 | 549,863 | 894,863 |
| Kerosene (ENE002) | 244,473 | 509,691 | 296,874 | 607,335 |
| Total | 765,969 | 1,357,370 | 846,737 | 1,502,198 |

The observed increase in energy consumption is mainly due to less favorable weather conditions in 2014, and to increased annual industrial and air activity.

| in Gigajoules | 2014 | | 2015 | |
|------------------------------|----------------|--------------|----------------|--------------|
| | Parent Company | Consolidated | Parent Company | Consolidated |
| Electricity (ENE001-a) | 320,857 | 502,129 | 329,722 | 525,436 |
| Natural gas (ENE001-b) | 197,632 | 339,093 | 218,370 | 363,967 |
| LPG (ENE001-c) | 73 | 75 | 53 | 53 |
| Domestic fuel oil (ENE001-d) | 2,934 | 6,382 | 1,718 | 5,407 |
| Total (ENE001) | 521,496 | 847,679 | 549,863 | 894,863 |

The increase in electricity and gas consumption remains limited following the actions continued in 2015:

- building insulation,
- Building Management System (BMS) for energy,
- optimization of compressed air systems,
- installation of heaters,
- establishment of multi-technical maintenance agreements that include a commitment to improve energy performance.

Water consumption

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

| In cubic meters | 2014 | | 2015 | |
|------------------------|----------------|--------------|----------------|--------------|
| | Parent Company | Consolidated | Parent Company | Consolidated |
| Mains water (EAU001-a) | 110,891 | 150,724 | 101,700 | 147,557 |
| Groundwater (EAU001-b) | 26,159 | 27,020 | 30,105 | 31,254 |
| Total (EAU001) | 137,050 | 177,744 | 131,805 | 178,811 |

City water consumption continues to decline thanks to:

- better detection of leakage,
- the recovery of rainwater or industrial water,
- renovation of dilapidated networks.

Raw materials and other products

Aluminum, titanium, steel and composites are the raw materials most widely used in the composition of aircraft. By mass, the most used material in the manufacturing of our aircraft structures is aluminum, 80% of which comes from recycled material.

DASSAULT AVIATION, the Parent Company, seeks to optimize the use of aluminum to reduce its consumption, in particular through the following actions:

- the development of new green manufacturing technologies, which involves replacing metal parts with composite parts and developing new processes such as direct manufacturing, which consumes less raw material,
- the optimization of existing supplier chains, for example, reducing sheet metal formats before machining to minimize the amount of material used and reduce waste,
- the introduction of external material platforms, to regulate and reduce the volumes of material consumed,
- the strengthening of recycling practices for scrap metal and reinjection into the raw material sector, according to the principles of the circular economy, with an aluminum recycling rate of over 80%.

In the metal sector, work is being done to develop the use of new lightweight alloys.

The purpose of this is to reduce the amount of raw materials used, including non-renewable materials. Technological development activity focuses particularly on green manufacturing technologies, including material aspects and associated surface treatments.

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

The 2021 Eco-approach plan, which aims to replace certain industrial processes with more environmentally friendly production processes, continues to be deployed.

Since 2013, 170 hazardous products have been replaced or are being substituted.

Atmospheric discharges

Greenhouse gas emissions

The greenhouse gas emission statements of the Parent Company and DASSAULT FALCON SERVICE were updated for 2014 on scopes 1 (direct emissions) and 2 (indirect emissions from electricity use). These statements were published in December 2015 in accordance with French regulations. They show a reduction in the Parent Company's CO₂ footprint of more than 5% since the base year 2011.

| In tons of CO ₂ | 2014 | | 2015 | |
|----------------------------|----------------|--------------|----------------|--------------|
| | Parent Company | Consolidated | Parent Company | Consolidated |
| Scope 1 (AIR001-S1) | 31,301 | 59,508 | 36,055 | 67,784 |
| Scope 2 (AIR001-S2) | 5,348 | 28,098 | 5,495 | 30,546 |
| Total 1 + 2 (AIR001) | 36,649 | 87,606 | 41,550 | 98,330 |

Greenhouse gas emissions derive essentially from combustion installations (boilers and backup generators) and aviation activity.

In accordance with French regulations, energy audits were carried out on all the sites of the Parent Company (covering 68% of the energy bill) and the DASSAULT FALCON SERVICE site. These audits were used to map consumption (mainly electricity and gas) by facility and identify potential actions to reduce consumption.

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As it does every year, the Parent Company produced a CO₂ emissions declaration for its aviation activity in the framework of the "Emissions Trading Scheme" regulations.

Emission of Volatile Organic Compounds (VOC)

| in tons of VOC | 2014 | | 2015 | |
|-------------------------|----------------|--------------|----------------|--------------|
| | Parent Company | Consolidated | Parent Company | Consolidated |
| Total quantity (AIR004) | 60 | 167 | 58 | 166 |

The reduction in VOC emissions continues in 2015 (down 14% since 2012) due to changes in industrial processes and chemical product substitutions.

Other atmospheric discharges

Phasing out the heavy fuel oil boilers restricted SO₂ and NO_x emissions to just the discharges from the aviation activity (kerosene).

Wastewater

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

For heavy metals, this equipment gives us discharge rates lower than the value limits set by the regulations.

Out of all establishments involved in the monitoring of the Release of Hazardous Substances in Water (RSDE), only the Mérignac site is subject to continuous monitoring.

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

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

Waste

The waste generated is divided into Non-Hazardous Waste (paper, cardboard, metals, etc.) and Hazardous Waste (contaminated packaging, oils, metal hydroxide sludge, solvents, etc.).

| in tons | 2014 | | 2015 | |
|--------------------------|----------------|--------------|----------------|--------------|
| | Parent Company | Consolidated | Parent Company | Consolidated |
| Non-hazardous (DEC001-a) | 6,680 | 8,434 | 6,761 | 8,064 |
| Hazardous (DEC001-b) | 1,491 | 2,132 | 1,738 | 2,315 |
| Total (DEC001) | 8,171 | 10,566 | 8,499 | 10,379 |
| Recycling % (DEC002) | 88 | NA | 81 | NA |

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

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

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

The decrease in the waste recycling rate is linked to a change in treatment provider for non-hazardous waste. Corrective actions have been launched for a return to objectives by 2016.

Land use conditions

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

The average proportion of sealed surfaces (developed land and roads) amounts to 48% for the Parent Company (SOL001 indicator), and around 60% for the subsidiaries.

Noise and vibrations

In production facilities, noise-producing elements are isolated geographically or physically. Devices capable of generating vibrations are mounted on anti-vibration pads.

Ground tests and flight operations are conducted in compliance with applicable regulations.

Transport

Travel by DASSAULT AVIATION Group employees has been minimized by the implementation of collaborative tools, videoconferencing or business centers/lounges.

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

Four facilities (Saint-Cloud, Istres, Argenteuil, DASSAULT FALCON SERVICE) have a company travel plan in place that limits the use of private cars. In 2015, a fifth facility (Seclin) began to deploy this process.

Finally, distribution platforms for chemicals and materials contribute significantly to the reduction of transport flows.

Biodiversity

The activities of the DASSAULT AVIATION Group have no known impact on biodiversity.

Our facilities are situated within dedicated industrial or airport zones.

Actions to promote biodiversity were carried out in 2015, such as:

- stopping the use of pesticides and practice of biological control for outdoor parks (Saint-Cloud),
- the planting of 3,000 oaks done as compensation for the clearing related to the construction of a new building. Note also the acquisition of a plot of 2.5 hectares with the aim of promoting the development of protected species, including marbled newts (Merignac).

Only the sites at Istres, Biarritz, Martignas, Saint-Cloud, Seclin (Parent Company) and Reno (DASSAULT FALCON JET) are close to outstanding natural areas (BIO001 Indicator).

3.2.8 Resources committed to the environment

Every year the DASSAULT AVIATION Group carries out actions to preserve the environment and reduce its carbon footprint. As examples, in 2015:

- the performance of energy audits on all Parent Company sites and the DASSAULT FALCON SERVICE site,
- the implementation of centralized energy management and meters to improve monitoring (Argenteuil, Istres, Saint-Cloud, Mérignac and Seclin),
- the optimization of electrical power consumption: LED lighting fixtures or other types of lamps that consume less energy (Biarritz, Istres, Saint-Cloud, DASSAULT FALCON SERVICE, Little Rock, Teterboro, SOGITEC), presence detectors (Argenteuil, Seclin), compressed air management optimization (Argenteuil, Seclin), installation of heaters (Martignas),
- thermal insulation of buildings (Argonay, Argenteuil, Biarritz, Istres, Saint-Cloud and Seclin),
- the construction of new buildings with energy performance requirements (Little Rock),
- the replacement of refrigerant R22 air conditioners (Argonay, Biarritz and Saint-Cloud) and the gradual withdrawal of Ion Chamber Smoke Detectors (Argenteuil, Biarritz),
- replacement of part of the fleet with electric vehicles (Seclin, Mérignac, DPS),
- the introduction of biowaste recovery methods (Istres, Martignas and Saint-Cloud).

3.2.9 Environmental risk management

The management of environmental risks is discussed in paragraph 2.9.

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3.3 CORPORATE RESPONSIBILITY INFORMATION

3.3.1 **Company commitments in favor of sustainable development**

A policy of sustainability

Due to the specific nature of its activities, the DASSAULT AVIATION Group remains committed to a policy of sustainability, both in the choice of its partners and in its purchasing policy.

The service life of our aircraft requires us to anticipate the constraints relating to their life cycle from the time of their design. To achieve this, DASSAULT AVIATION Group is constantly innovating, supported by efficient digital industrial processes such as Product Life-cycle Management (PLM). All the Group's suppliers are involved in this process.

We optimize our production to increase efficiency while improving the working conditions of our employees. To this end, we have launched an action plan for "Improving Responsiveness in Production (IRP)" and we are developing the "digital factory" concept, putting manufacturing and supervisory operatives in an environment that meets their needs.

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

This approach is reflected in particular in the recycling of our offcuts and shavings produced during machining. As such, the Seclin facility, our biggest machining site, recycles 100% of scrap and aluminum alloy offcuts and shavings.

Our subsidiary DASSAULT FALCON SERVICE based in Le Bourget obtained its ISO 14001 certification in 2015. An awareness campaign for all employees was also conducted that year.

A culture of safety and performance

The markets on which our Group operates are highly competitive. In order to satisfy our clients and meet their expectations with regard to high technology, performance and innovation, we are obliged to constantly optimize the features of our aircraft, the on-board services and the associated ground services.

As part of our security policy and performance, we work closely with the French and international airworthiness authorities, both civil and military. We are regularly audited by those authorities (such as the DGAC and DGA) to ensure that we strictly adhere to the regulations on design, manufacture and testing, maintenance, and security management.

In the same way, aircraft operations and logistics support are governed by specific regulations that apply to operators.

The necessary responsiveness, whether handled preventively or in an emergency in the event of a breakdown, has led us, through our DASSAULT FALCON SERVICE and DASSAULT FALCON JET subsidiaries, to develop close links with local industry, the proximity of which guarantees efficiency and safety.

Starting November 15, 2015, we implemented the new provisions required by European Regulation 376/2014 concerning reporting and analysis of incidents in civil aviation, thus improving existing good practices for security flights.

Corporate commitment for industrial and purchasing activities

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

- procures, purchases, manufactures and integrates all the elements making up its aircraft, and then, for FALCON business aircraft, carries out the internal fittings according to the requirements of its customers,
- disassembles, repairs and reinstalls these same elements while the aircraft is in service,
- ensures control of its Supply Chain,

- implements materials for replacement to ensure the best service to customers, informs of any procurement instabilities in order to ensure long-term adherence to its commitments on the aircraft production and throughout the aircraft service cycle.

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

On January 10, 2014, DASSAULT AVIATION signed the "SME Defense Pact" aimed at encouraging the growth and competitiveness of SMEs in the Defense industry. By adhering to the pact, DASSAULT AVIATION confirms its commitment to the support of the subcontracting chain.

Importance of purchasing

In 2015, the purchasing commitments of DASSAULT AVIATION Group represented approximately EUR 2.7 billion, nearly 55% of which went to French companies. This figure, which rose, foreshadows an increased production rate for RAFALE aircraft for export markets.

DASSAULT AVIATION Group purchases are divided into many purchasing segments according to the nature of the goods and services purchased. Some purchases can be materials or "off the shelf" services, others are performed under contract on the basis of a DASSAULT AVIATION specification or design.

Purchasing volumes of materials or services on DASSAULT AVIATION specification or design amounted to EUR 2 billion in 2015, or two thirds of the Group's purchasing commitments. To make these purchases, the DASSAULT AVIATION Parent Company employs approximately 1,800 companies, of which about 1,200 are SMEs or ETIs.

Following a general policy defined by the Parent Company, a majority of these suppliers is directly managed by DASSAULT AVIATION facilities, underlining the importance given to local industry.

Purchases under contract cover many areas including:

- technical services and testing,
- aerostructures,
- aircraft equipment and systems,
- logistical support.

Each subsidiary of DASSAULT AVIATION manages its own purchasing.

The purchases made outside the Group by DASSAULT FALCON JET for executing its missions (distribution of aircraft and spare parts, internal fittings, maintenance) represent EUR 370 million.

Purchases made outside the Group by DASSAULT PROCUREMENT SERVICES represent approximately EUR 390 million. Purchases are made based on orders sent by DASSAULT AVIATION and DASSAULT FALCON JET to North American companies. These purchases are mostly made in US dollars.

Purchases made outside the Group by DASSAULT FALCON SERVICE represented approximately EUR 61 million over the year. French suppliers are responsible for nearly 80% of these purchases.

Purchases made outside the Group by SOGITEC INDUSTRIES represent about EUR 23 million. Ninety percent of these purchases are made from French companies.

Our purchasing policy and the securing of our Supply Chain

Our purchasing policy aims to secure our Supply Chain, in order to bring the best service to our customers. We approve our suppliers through an evaluation process, an essential step for a company to be referenced and become able to receive an order or sign a contract.

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We perform evaluations and audits of our suppliers continuously, taking into account compliance with technical, Quality and Environmental requirements. We also ensure the durability of our Supply Chain (dependency rate, financial health, etc.). We encourage them to improve by means of "progress plans" that we monitor through to successful completion.

We support some suppliers by actively participating in the GIFAS Industrial Performance project. The program covers 400 SMEs and VSEs that are grouped into 65 "clusters". Under a principal, each cluster works at the local level for the overall improvement of the aerospace industry (method, Supply Chain evaluation, tools, etc.). The Merignac and Biarritz sites and, since 2015, Argonay and Argenteuil, took leadership of four clusters.

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

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

- reactivity,
- long-lasting relationship,
- cost control,
- optimization of the consumption of resources,
- inventory reduction.

Our corporate approach is passed on to our suppliers by way of our technical and industrial specifications, our Quality/Environment purchasing clauses and our contractual requirements. In particular, the DASSAULT AVIATION Group has been relaying the requirements of the EU REACH regulation for several years to its suppliers.

To strengthen the control of our Supply Chain, we have created a governing body, the Supply Chain Committee, which consists of all stakeholders in the DASSAULT AVIATION procurement process and is chaired by two CEOs. This committee is designed to make any decision or take any strategic action in this area.

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

Efforts to raise awareness of potential environmental risks are conducted with DASSAULT AVIATION subcontractors. These actions target subcontractors whose industrial processes have a potential environmental impact.

Our commitment to relationship quality with our suppliers as recognized by the French Ministry of Defense on the occasion of its annual assessment to measure compliance with the commitments we made in early 2014, when we joined the SME Defense Pact. To measure compliance with these commitments, in late 2015, we asked an independent company to conduct a satisfaction survey of our SME and ETI suppliers. The findings of this survey indicated that 93% of SME and ETI respondents are satisfied with their relationship with DASSAULT AVIATION (respect for intellectual property, respect for commitments, payment terms and penalties, improved products and services, etc.).

Territorial influence

The DASSAULT AVIATION Group has an extensive territorial spread:

- DASSAULT AVIATION has nine sites in France and locally manages a large number of suppliers,
- DASSAULT FALCON SERVICE is located on the Le Bourget airport platforms and has facilities at the airports of London-Luton and Moscow-Vnukovo. In 2015, construction of a new industrial site for the production of FALCON maintenance locations began in Merignac,
- SOGITEC INDUSTRIES is established at three sites in France,

- DASSAULT FALCON JET, directly or through its subsidiaries, is established at seven sites in the United States and at two sites in Brazil.

In addition to the relationships we have with national authorities, to which we report our regulatory compliance, our facilities also have many relationships with local authorities such as Regional Environmental, Planning and Housing Authorities (DREAL), Pension and Employee Health Insurance Funds (CARSAT), the Nuclear Safety Authority (ASN), Regional Offices for Businesses, Competition, Consumers, Labor and Employment (DIRECCTE), customs agents, etc.

We participate actively in territorial bodies such as: Chambers of Commerce & Industry, Territorial Economic & Social Councils, Environment Committees and the Franco-American Chamber of Commerce, the Little Rock Regional Chamber of Commerce, State of Arkansas Workforce Development and the Delaware River Administration.

We also take an active part in "competitiveness clusters" and regional professional bodies: including Aerospace Valley (Midi-Pyrénées & Aquitaine) Pegase (Provence-Alpes-Côte d'Azur), BAAS (Bordeaux Aquitaine Aerospace), Aérocampus (Aquitaine), AEROTEAM (Poitou-Charentes), Club for Partners in Sustainable Development of Le Bourget Airport, and development agencies in Arkansas, Delaware and New Jersey (Economic Advisory Committee).

DASSAULT AVIATION is a member of the Academy of Aeronautics and Space.

Relations with the world of Education

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

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

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

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

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

Four challenges supported by DASSAULT AVIATION also make it possible to give teams of students in technical domains experience in situations close to their future activity.

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

We actively participated in "L'avion des métiers" during the 2015 Paris Air Show.

In the United States, the DASSAULT FALCON JET facility in Little Rock has forged ties with many training organizations.

Raising employee awareness about responsible behavior

DASSAULT AVIATION Group encourages staff to demonstrate responsible behavior through Company or local campaigns, at the initiative of the managers of our sites.

We therefore encourage our staff to carpool. In France, DASSAULT AVIATION has organized road safety days. We have also installed remote communication tools (video conferencing) and made it available to employees to reduce travel. We have organized conferences on the topics of health and safety at work, and on the prevention of addictions and stress. In the United States, DASSAULT

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FALCON JET provides training sessions such as: Code of conduct, Prevention of discrimination, and Prevention of harassment.

Charitable actions

The DASSAULT AVIATION Group is actively involved in many charities. We contribute to initiatives, including "Course du Cœur" ("Race for the Heart") in aid of organ donation, "Rêves de Gosse" ("A Child's Dream"), offering disabled children the opportunity to fly in a plane for the first time, "Technowest", for the integration of young people into the world of employment, and "Humaquitaine", for the renovation of state schools in Senegal. We have developed a partnership with the Mercure Association (gifts of materials for the restoration of aircraft by the members, all aviation enthusiasts) and events for the "Les Vieilles Racines" ("Old Roots") Association (former employees of aerospace companies). Through a sponsorship agreement, DASSAULT AVIATION has decided to support the renovation of the Verdun Memorial. In the United States, DASSAULT FALCON JET takes part in initiatives, including "Habitat for Humanity", "Arkansas Food Bank", "American Red Cross" and "Muscular Dystrophy Association".

3.3.2 Loyal practices

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

This Charter sets out a code of conduct towards customers, partners, suppliers and subcontractors.

Observing a strict code of ethics, the Group promises to act in accordance with the Convention of the Organization for Economic Cooperation and Development (OECD), the United Nations Convention (UN) and national legislation on the fight against corruption.

For many years, the DASSAULT AVIATION Group has implemented strict internal procedures to prevent corruption and ensure the integrity, ethics and reputation of the Group in its commercial relations.

The DASSAULT AVIATION Group is also a signatory to many international agreements on the prevention of corruption such as: The Global Compact, Common Industry Standards, and Global

Principles. It is also a member of several ethics and corporate responsibility committees at a national, European and international level (see website www.dassault-aviation.com, Ethics section).

3.3.3 Human Rights

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

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

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

4. DASSAULT AVIATION, Parent Company

4.1 ACTIVITIES

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

4.2 KEY FIGURES

4.2.1 Order intake

In **2015, orders booked by the Parent Company** amounted to **EUR 9,516 million compared to EUR 4,097 million** in 2014, an increase of 132%. **Export** amounted to **96%**. Ordering trends were as follows, in EUR millions:

| Year | Defense | | FALCON | Total |
|-------------|------------|--------------|--------------|--------------|
| | France | Export | | |
| 2011 | 420 | 502 | 1,402 | 2,324 |
| 2012 | 473 | 152 | 2,063 | 2,688 |
| 2013 | 1,031 | 211 | 2,313 | 3,555 |
| 2014 | 418 | 250 | 3,429 | 4,097 |
| 2015 | 358 | 7,889 | 1,269 | 9,516 |

Order intake consists exclusively of firm orders.

FALCON programs:

In 2015, 44 FALCON were ordered and 20 FALCON NetJets were canceled (compared to 93 FALCON ordered in 2014).

DEFENSE programs:

Defense order intake was EUR 8,247 million in 2015, compared to EUR 668 million in 2014. These new orders mainly correspond to the entry into force of the agreements with Egypt (24 RAFALE aircraft) and Qatar (24 RAFALE aircraft).

4.2.2 Net sales

In **2015, net sales** of the Parent Company were **EUR 3,326 million**, up by 4% compared to 2014.

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

| Year | Defense | | FALCON | Total |
|-------------|------------|--------------|--------------|--------------|
| | France | Export | | |
| 2011 | 707 | 167 | 2,040 | 2,914 |
| 2012 | 929 | 165 | 2,248 | 3,342 |
| 2013 | 1,223 | 166 | 2,577 | 3,966 |
| 2014 | 721 | 224 | 2,250 | 3,195 |
| 2015 | 550 | 1,035 | 1,741 | 3,326 |

54 new aircraft were delivered in 2015, compared to **68 in 2014**.

5 RAFALE aircraft were delivered to France and **3 RAFALE** to Egypt during 2015. Net sales for DEFENSE also include the delivery of Indian MIRAGE 2000 upgraded to the I/TI standard and RAFALE Marine upgraded to the F3 standard.

4.2.3 Net income

Net profit for 2015 amounted to **EUR 283 million**, compared to EUR 272 million in 2014, up by 4%.

In 2016, employees will receive, for the profit-sharing and incentive plans related to 2015 results, EUR 87 million^(*), of which:

- profit-sharing: EUR 67 million
- incentive^{*}: EUR 20 million

These amounts represent **18% of wages** received in 2015. Under a formula identical to the mandatory legal participation, employees would not have received any profit-sharing for 2015.

^(*) Note that EUR 1 million of additional incentive was paid in 2015, which led to the recognition of an incentive charge of EUR 21 million in fiscal year 2015.

4.2.4 Appropriation of net income

Subject to your approval of the 2015 financial statements, we propose that the net income for the year, i.e. EUR 283,253,610.83, plus retained earnings, i.e. EUR 2,509,144,344.26, less the dividends for non-treasury shares^(*), be allocated to the retained earnings balance.

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

4.2.5 Five-year results summary

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

4.2.6 Tax consolidation

Our Company opted for the tax consolidation regime in 1999. As from January 1, 2012, the tax consolidation scope of the Group includes DASSAULT AVIATION, DASSAULT AÉRO SERVICE and DASSAULT AVIATION PARTICIPATIONS. A tax consolidation agreement, tacitly renewable for 5-year periods, was signed with each of these companies.

4.3 RISK MANAGEMENT

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

Directors' Report

4.4 TERMS OF PAYMENT

Pursuant to French law, DASSAULT AVIATION has introduced procedures required to ensure that its suppliers are paid within 45 days of the end of the month in which the invoice was issued. The breakdown of trade payables by due date as of December 31 is as follows (in EUR millions):

| Due-date | 2014 | 2015 |
|-----------------------|--------------|--------------|
| Due at year end | 13.5 | 9.5 |
| As of mid-January | 81.0 | 115,9 |
| As of end of January | 0.3 | - |
| As of mid-February | 6.8 | 9.5 |
| As of end of February | - | - |
| Other (fixed assets) | 2.3 | 3.6 |
| TOTAL | 103.9 | 138.5 |

4.5 SHAREHOLDER INFORMATION

4.5.1 Acquisition of DASSAULT AVIATION shares from AIRBUS GROUP SAS

In the first quarter of 2015, AIRBUS GROUP SAS wished to continue the partial sale of its stake in

4.5.2 Capital structure

As of December 31, 2015, the share capital of the Company is EUR 72,980,304. It is divided into 9,122,538 shares, each with a par value of EUR 8. The shares are listed on the regulated "Euronext Paris" market - Compartment A - International Securities Identification Numbers (ISIN Code): FR0000121725. They are eligible for deferred settlement.

As of December 31, 2015, the principal DASSAULT AVIATION shareholders are as follows:

| Shareholders | Number of shares | % | Voting rights exercisable | % |
|--------------------------------|------------------|---------------|---------------------------|---------------|
| GIMD | 5,118,240 | 56.11 | 5,118,240 | 58.74 |
| AIRBUS GROUP | 2,152,656 | 23.60 | 2,152,656 | 24.71 |
| Free-float | 1,441,671 | 15.80 | 1,441,671 | 16.55 |
| Treasury shares ⁽¹⁾ | 409,971 | 4.49 | - | - |
| TOTAL | 9,122,538 | 100.00 | 8,712,567 | 100.00 |

⁽¹⁾ Treasury shares held on a "registered share" account without voting rights

DASSAULT AVIATION initiated in late 2014. Under the Protocol signed between DASSAULT AVIATION and AIRBUS GROUP SAS on November 28, 2014, on March 25, 2015, the Company was able to acquire 460,687 of its shares, representing 5% of its capital at a price of EUR 980 per share. Other shares sold by AIRBUS GROUP SAS were at a price of EUR 1,030 to various investors via accelerated book-building on March 25, 2015 plus an additional investment relating to the 18.75% stake sold by AIRBUS GROUP SAS.

Following this transaction, DASSAULT AVIATION held 501,187 of its own shares representing 5.44% of its capital.

On May 20, 2015, DASSAULT AVIATION's Board of Directors decided to allocate 5% of its capital for cancellation as defined in the buyback program, with the balance of the redeemed shares remaining as treasury shares. Given the cancellation of 9.01% of the capital realized on December 22, 2014, the number of shares that could be canceled on short notice was limited to 91,216 shares, which were canceled by decision of the Chairman and the Chief Executive Officer by sub-delegation on July 24, 2015. The remaining shares to be canceled will be at the end of the two-year period starting December 22, 2014.

4.5.3 Information on capital, shareholders and voting rights

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

As of December 31, 2015, 4,951 shares (i.e., 0.05% of the share capital) were held by a corporate investment fund, whose members consist of current and former Company employees.

The Company has not issued any securities representative of its current capital. No securities exist with a right to subscribe to the shares of DASSAULT AVIATION or giving access to its capital.

The Company did not create any stock options in 2015.

The General Meeting of September 23, 2015 authorized the Board of Directors to allocate, in one or more stages, bonus existing shares of the Company (to Company employees or certain categories thereof that it may select from among them and to eligible corporate officers of the Company).

It is the responsibility of the Board of Directors to determine the identity of the beneficiaries, along with the conditions and any criteria for the allocation of shares.

This authorization is for a maximum number of 40,500 shares representing 0.44% of share capital at September 23, 2015. It is the responsibility of the Board of Directors to determine the length of the vesting and holding period for such shares. This authorization is valid for a period of 38 months from said General Meeting.

Pursuant to this authorization, an initial Board of Directors meeting held on the same day awarded 500 shares to the Chairman and CEO and 450 shares to the Chief Operating Officer. These shares will become vested provided the following performance criteria are met:

- Parent Company net margin level,
- qualitative assessment of individual performance.

Furthermore, the Board of Directors has determined the following additional conditions:

- a vesting period of one year, expiring on September 22, 2016 inclusive,
- presence in the workforce at the end of the vesting period,
- a one-year holding period, beginning on September 23, 2016 and ending on September 22, 2017 inclusive,
- starting on September 23, 2017, the retention of 20% of those shares for the duration of their term.

The Parent Company, DFS and SOGITEC paid additional profit-sharing or incentive, in accordance with the law, because of the initial allocation of performance shares.

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

There has existed since the General Meeting of May 20, 2015 a statutory obligation to provide information on the crossing of ownership thresholds for any fraction equal to or greater than 1% of the capital and voting rights of the Company, and any multiple of that percentage.

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

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

Pursuant to Law No. 2014-384 of March 29, 2014 "aimed at recapturing the real economy", shares issued by the Company registered in nominal accounts for more than two years will enjoy double voting rights from April 3, 2016 (i.e. two years after the aforementioned law came into force).

Directors' Report

4.5.4 Securities Transactions by Directors

In 2015, no acquisitions or disposals of DASSAULT AVIATION shares by Executives took place. Such transactions, when they occur, are required to be reported to the AMF and the Company, pursuant to the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and Articles 223-22 et seq. of the General Regulations of the AMF.

4.5.5 Agreements between shareholders

There is no shareholders' agreement in place between GIMD and AIRBUS GROUP SAS.

However, the following two agreements are in place:

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

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

This agreement to last 90 years provides for:

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

- b) Agreement between the French government and GIMD

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

below the threshold of 40% of the capital of DASSAULT AVIATION, and in the event of the subsequent transfer of shares below this threshold.

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

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

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

4.5.6 Implementation of a share buyback program

To enable DASSAULT AVIATION to trade in its own shares on the open market or otherwise, including participation in any private placement initiated by AIRBUS SAS GROUP, the Board of Directors of DASSAULT AVIATION convened a General Meeting of Shareholders on January 28, 2015 that authorized the establishment of a new share buyback program the same as the one approved on September 24, 2014.

This new authorization, valid for a period of 18 months from January 28, 2015, terminated with effect from that date, for the unused part, the share buyback program previously authorized by the Annual General Meeting of September 24, 2014.

This share buyback program is in line with the provisions of Articles L. 225-209 et seq. of the French Commercial Code.

This share buyback authorization may be used by the Board of Directors for the following objectives:

1. to cancel shares in order to increase the profitability of shareholders' equity and earnings per share,
2. to stimulate the market or the liquidity of DASSAULT AVIATION shares through the intermediary of an investment services provider or through a liquidity contract in compliance with an ethics charter recognized by the French Financial Markets Authority,

3. to sell or assign shares to employees and corporate officers of the Company and/or companies associated with it, subject to and according to the procedures provided for by the law, including in the case of exercising share purchase options or free assignment of existing shares or by disposal and/or contribution in the scope of an employee shareholding transaction based on existing shares,
4. to retain shares with a view to subsequent use, to hand them over as payment or in exchange, including in the scope of potential external growth transactions, up to 5% of the share capital,
5. to hand over shares on exercising rights attached to marketable securities giving access to the capital of DASSAULT AVIATION,
6. to implement any market practice that would be recognized by the law or by the French Financial Markets Authority.

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

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

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

The maximum amount of funds set aside for buyback of the Company's shares could not exceed EUR 1,105,650,480, this condition being cumulative with that of the 10% cap of the Company's share capital.

Taking into account the fluctuations in the share price between the General Meeting of May 20, 2015 and the Board of Directors meeting of July 23, 2015 and given the desire of the Company to have the means to buy back its own shares, the General Meeting of September 23, 2015 increased the Company's ceiling for trading in its own shares as part of the share buyback program to EUR 1,500 per share.

This program was used for the acquisition of 460,687 shares from Airbus SAS Group on March 25, 2015 (see above). It would allow to acquire 460,687 additional shares, which, with a ceiling of EUR 1,500 per share, represent a maximum of EUR 691,030,500.

This program is valid until July 27, 2016 (18 months from January 28, 2015).

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

On January 28, 2015, the Board of Directors sub-delegated the aforementioned powers to the Chairman and CEO.

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

During fiscal year 2015, DASSAULT AVIATION, as part of the aforementioned authorization, acquired on March 25, 2015 from AIRBUS SAS GROUP a block of 460,687 shares representing 5% of the capital of the Company in the scope of an off-market over-the-counter transaction at a unit price of EUR 980 per share, representing a discount of 21% compared to the trading price the previous day, for a total amount of EUR 451,473,260.

Directors' Report

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

As discussed in paragraph 4.5.1, on May 20, 2015, the Board of Directors of DASSAULT AVIATION decided to allocate 460,687 shares, or 5% of its capital, with the purpose of the cancellation provided for in the share buyback program, of which only 91,216 shares could be canceled at short notice. The remaining 369,471 shares could not be canceled until after the two-year period beginning December 22, 2014. In addition, 40,500 shares remain own shares, which corresponds to the maximum number of performance shares authorized by the General Meeting of September 23, 2015. It should be noted that those 40,500 shares can also be used for any liquidity contract to ensure the liquidity of the market or the liquidity of the share through an investment services provider.

To enable the Company to operate at any time on its own shares, on March 9, 2016, the Board of Directors proposed that the General Meeting of May 19, 2016 establish a new share buyback program under the same conditions (Twelfth Resolution below).

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

4.5.7 Authorization of reduction in the Company's share capital

On January 28, 2015, the General Meeting authorized the Board of Directors, under the same terms as the authorization of September 24, 2014, to:

- reduce its share capital by way of cancellation, in one or more stages, of all or some of the shares acquired by the Company under the scope of its own share buyback program, and limited to 10% of the capital per 24-month period,
- allocate the difference between the buyback value of canceled shares and their nominal value to premiums and available reserves.

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

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

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

In 2015, 0.99% of the Company's capital was canceled under the scope of the buyback program authorized by the General Meeting of January 28, 2015 (see paragraph 4.5.1 above).

4.5.8 Significant agreements entered into by the Company

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

However, in such a case, the "National Defense" contracts entered into with the French State would be reexamined 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, should they resign or be dismissed,
- employees, should they resign or be dismissed unjustifiably and without proper cause, or should their employment contract be terminated due to a takeover, over and above the provisions of the collective bargaining agreement.

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

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

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

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

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

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

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

4.5.10 Board of Directors

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

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

4.6 OPERATION OF THE EXECUTIVE MANAGEMENT

The Board of Directors, which met after the Combined Ordinary and Extraordinary General Meeting of April 25, 2002, decided that the Chairman of the Board of Directors would be responsible for the Company's Executive Management, an option that it deemed best suited to the specific features of the Company.

4.7 OFFICES HELD AND DUTIES PERFORMED BY CORPORATE OFFICERS IN 2015 IN OTHER COMPANIES

4.7.1 Honorary Presidents and Directors

Serge Dassault

*Age as at December 31, 2015: 90 years old
French nationality*

Date of first appointment: 06/27/1967

*Start and end of current term: 2015 General Meeting
- 2019 General Meeting*

Dassault Aviation shares held: 25

Other corporate offices and duties:

- Chairman:
Groupe Industriel Marcel Dassault SAS
Groupe Figaro SAS
Rond-Point Holding SAS
Rond-Point Immobilier SAS
Société du Figaro SAS
- Chairman and Chief Executive Officer:
Dassault Medias SA (formerly SOCPRESSE)
- Chairman of the Board of Directors:
Dassault Belgique Aviation SA
- Chief Executive Officer:
Dassault Wine Estates SAS
- Director:
Dassault Falcon Jet Corporation (USA)
Marcel Dassault Trading Corporation (USA)
Serge Dassault Trading Corporation (USA)
- Honorary Chairman:
GIFAS
- General Manager:
Rond-Point Investissements SARL
Société Civile Immobilière de Maison Rouge
Société Civile Immobilière des Hautes Bruyères

Other offices and functions during the last five fiscal years:

- Director:
DOW KOKAM LLC (USA)
Dassault Systèmes SE
Dassault International Inc. (USA)
Société Financière Terramaris (Switzerland)
SITA SA (Switzerland)

Directors' Report

- Member of the Strategic Committee:
Dassault Développement SAS

Charles Edelstenne

*Age as at December 31, 2015: 77 years old
French nationality*

Date of first appointment: 01/27/1989

*Start and end of current term as Director
in progress: 2015 General Meeting - 2019 General
Meeting*

Member of the Audit Committee

Dassault Aviation shares held: 25

Other corporate offices and duties:

- Chief Executive Officer:
Groupe Industriel Marcel Dassault SAS
- Chairman of the Board of Directors:
Dassault Systèmes SE
- Member of the Supervisory Board:
Groupe Industriel Marcel Dassault SAS
- Director:
Thales SA
Carrefour SA
Sogitec Industries SA
SABCA (Belgium)
Dassault Falcon Jet Corporation (USA)
- Honorary Chairman:
GIFAS
- General Manager:
Sociétés Civiles ARIE, ARIE 2
Sociétés Civiles NILI, NILI 2

Other offices and functions during the last five fiscal years:

- Chairman:
CIDEF
ASD
- Chairman and Chief Executive Officer:
Dassault Aviation
- Chairman:
Dassault Falcon Jet Corporation (USA)
- Chairman:
Dassault International Inc. (USA)

4.7.2 Chairman and Chief Executive Officer:

Éric Trappier

*Age as at December 31, 2015: 55 years old
French nationality*

Date of first appointment as Director: 12/18/2012

*Start and end of current term as Director: 2015
General Meeting - 2019 General Meeting*

*Start and end of the term of Chairman-CEO:
05/20/2015 Board Meeting - 2019 General
meeting*

Dassault Aviation shares held: 25

Other corporate offices and duties:

- Director:
Thales SA
Sogitec Industries SA
- Chairman:
Dassault Falcon Jet Corporation (USA)
- Director and President:
Dassault International Inc. (USA)
- Senior Vice President:
GIFAS
- Chair of Defense Committee:
ASD
- Chair of Defense Commission:
CIDEF

Other corporate offices and duties during the last five fiscal years:

- Permanent representative of DASSAULT AVIATION on the Board of Directors of:
SOFRESA SA
ODAS SA
SOFEMA SA
Eurotradia International SA
- Director-General Manager:
Rafale International GIE
- General Manager:
Dassault International SARL

4.7.3 Directors

Nicole Dassault

Age as at December 31, 2015: 84 years old

French nationality

Date of first appointment: 05/19/2010

Start and end of current term: 2010 General Meeting - 2016 General Meeting

Dassault Aviation shares held: 25

Other corporate offices and duties:

- Member of the Supervisory Board:
Groupe Industriel Marcel Dassault SAS
- Vice-Chairman and Member of the Supervisory Board:
Immobilière Dassault SA
- Chief Operating Officer:
Rond-Point Immobilier SAS
- Director:
Groupe Figaro SAS
Dassault Medias SA
Dassault Systèmes SE
Artcurial SA

Other corporate offices and duties during the last five fiscal years:

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

Olivier Dassault

Age as at December 31, 2015: 64 years old

French nationality

Date of first appointment: 04/17/1996

Start and end of current term: 2015 General Meeting - 2019 General Meeting

Dassault Aviation shares held: 25

Other corporate offices and duties:

- Vice-Chairman:
Valmonde et Cie SA
- Director:
Dassault Medias SA
Groupe Figaro SAS
Valmonde et Cie SA
RASEC International SAS

- Chairman of the Supervisory Board:
Groupe Industriel Marcel Dassault SAS
Particulier et Finances Éditions SA
- Member of the Supervisory Board:
Rubis SA
- General Manager:
HR Finance SAS
SCI Rod Spontini

Other corporate offices and duties during the last five fiscal years:

- General Manager:
LBO Invest D

Marie-Hélène Habert-Dassault

Age as at December 31, 2015: 50 years old
French nationality

Date of first appointment: 05/15/2014

Start and end of current term: 2014 General Meeting - 2018 General Meeting

Dassault Aviation shares held: 25

Other corporate offices and duties:

- Member of the Supervisory Board:
Groupe Industriel Marcel Dassault SAS (GIMD)
- Director:
Dassault Systèmes SE
Biomerieux SA
Artcurial SA
- General Manager:
H. Investissements SARL
SCI Duquesne
HDH (Civil Partnership)
- Permanent representative of GIMD on the Supervisory Board:
Immobilière Dassault SA

Other corporate offices and duties during the last five fiscal years:

- Director:
Fondation Serge Dassault
- Member of the Strategic Committee:
Dassault Développement

Directors' Report

Alain Garcia, independent Director

Age as at December 31, 2015: 72 years old

French nationality

Date of first appointment: 03/18/2009

Start and end of current term: 2010 General Meeting - 2016 General Meeting

Dassault Aviation shares held: 25

Other corporate offices and duties:

- General Manager:
Novation Aero Consulting [EURL]

Other corporate offices and duties during the last five fiscal years:

None.

Henri Proglio, independent Director

Age as at December 31, 2015: 66 years old

French nationality

Date of first appointment: 04/23/2008

Start and end of current term: 2014 General Meeting - 2018 General Meeting

Chairman of the Audit Committee

Dassault Aviation shares held: 25

Other corporate offices and duties:

- Director:
NATIXIS SA
ABR Management (Russia) (since 2014)
Fomentos de Construcciones y Contratas (Spain) (since March 2015)
Fennovoima (Finland) (since March 2015)
Akkuyu (Turkey) (since March 2015)
Thales SA (Until 12/05/2015)

Other mandates and functions during the last five fiscal years:

- Chairman and Chief Executive Officer:
EDF SA
- Chairman of the Board of Directors:
VEOLIA Propreté SA
Veolia Transport SA
Transalpina di Energia Spa (Italy)
Edison SpA (Italy)
EDF Energy Holdings Ltd (UK)
- Director:
VEOLIA Environment North America Operations
VEOLIA Propreté SA
Veolia Environnement SA
CNP Assurances SA
FCC SA (Spain)

DALKIA SA

EDF Energies Nouvelles

EDF International SAS

FCC SA (Spain)

South Stream Transport BV (Netherlands)

South Stream Transport AG (Switzerland)

- Member of the Supervisory Board:
DALKIA SAS
VEOLIA Eau - Cie Générale des Eaux SCA

Lucia Sinapi-Thomas, Independent Director

Age as at December 31, 2015: 51 years old

French nationality

Date of first appointment: 05/15/2014

Start and end of current term: 2015 General Meeting - 2019 General Meeting

Member of the Audit Committee

Dassault Aviation shares held: 25

Other corporate offices and duties:

- Chairman:
Capgemini Employees Worldwide SAS (France)
- Director:
Capgemini SA (France)
Bureau Veritas SA (France)
Euriware SA (France) until July 23, 2015
Capgemini Sogeti Denmark A/S
- Member of the Audit and Risks Committee:
Bureau Veritas (France)

Other corporate offices and duties during the last five fiscal years:

- Director:
Sogeti SA/NV (Belgium)
Sogeti Sverige AB (Sweden)
Sogeti Sverige Mitt AB (Sweden)
Sogeti Norge A/S (Norway)
Capgemini Reinsurance International SA (Luxembourg)
Sogeti Denmark A/S (Denmark)

Pierre de Bausset

(Until July 23, 2015)

Age as at December 31, 2015: 54 years old

French nationality

Date of first appointment: 05/19/2010

Start and end of current term: 2010 General Meeting - 07/23/2015

Dassault Aviation shares held: 25

Other corporate offices and duties:

- President and Managing Director:
Airbus Group India Pvt Ltd
- Director:
Airbus Group SAS (*until 02/11/2015*)
Vigeo SA (*until 05/21/2015*)
- General Secretary:
Airbus Group NV (Netherlands) (*until 05/27/2015*)

Other corporate offices and duties during the last five fiscal years:

None.

Richard Bédère, Director representing the employees

Age as at December 31, 2015: 59 years old

French nationality

Date of first appointment: 07/10/2014

Start and end of current term: 07/10/2014 - 07/09/2018

Dassault Aviation shares held: none

Other corporate offices and duties: None.

Other corporate offices and duties during the last five fiscal years:

- CCE (Comité Central d'Entreprise - Central Works Council) delegate on the Company's Board of Directors
- Substitute CCE member
- Substitute Mérignac Works Council member
- Central union delegate

4.7.4 Chief Operating Officer:

Loïk Segalen

Age as at December 31, 2015: 55 years old

French nationality

Date of first appointment as Chief Operating Officer: 01/09/2013

Start and end of current term: 05/20/2015 Board Meeting - 2019 General Meeting

Dassault Aviation shares held: none

Other corporate offices and duties:

- Director:
Thales SA
Sogitec Industries SA
Dassault Falcon Jet Corporation (USA)
Dassault International Inc. (USA)
Midway Aircraft Instrument Corporation (USA)
Dassault Belgique Aviation SA
SABCA and SABCA Limburg (Belgium)
Dassault Procurement Services (USA) *until October 14, 2015*
- Board Member:
GIFAS

Other mandates and functions during the last five fiscal years:

- Chairman of the Board of Directors:
Dassault Réassurance
Dassault Assurances Courtage
- Director:
SIAE
- General Manager:
Dassault Aéro Service
- Permanent representative of DASSAULT AVIATION on the Board of Directors:
Corse Composites Aéronautiques

4.8 COMPENSATION OF CORPORATE OFFICERS IN 2015

4.8.1 Compensation paid to Serge Dassault, Honorary Chairman

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

Serge Dassault received a gross annual compensation of EUR 630,000 as Chairman and gross directors' fees of EUR 27,222. He had the use of a chauffeur-driven company car (benefit in kind valued at EUR 14,448).

- *With respect to DASSAULT AVIATION:*

Serge Dassault, Director, received EUR 46,000 in gross directors' fees from the Board of Directors and EUR 16,009 in gross compensation for his duties as Advisor.

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He had a chauffeur-driven car for the performance of his duties as Advisor described above.

He also had the right to reimbursement of expenses incurred in the interest of the Company as part of that mission.

- *In respect of French and foreign companies controlled by DASSAULT AVIATION within the meaning of Article L.233-16 of the French Commercial Code (i.e., companies included in the scope of consolidation):*

Serge Dassault received EUR 32,536 in Directors' fees from the Board of Directors of DASSAULT FALCON JET.

4.8.2 Compensation paid to Charles Edelstenne, Honorary Chairman

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

Charles Edelstenne received EUR 800,000 gross as Chief Executive Officer and EUR 27,222 gross in Supervisory Board attendance fees.

He had a chauffeur-driven company car (benefit in kind valued at EUR 10,440) and reimbursement of actual costs incurred in connection with his functions.

- *With respect to DASSAULT AVIATION:*

Charles Edelstenne received Board Meeting directors' fees of EUR 46,000 gross.

With regard to the Audit Committee, Charles Edelstenne received an additional EUR 6,000 in gross directors' fees.

Supplementary pension:

DASSAULT AVIATION has agreed to pay a supplementary pension to Charles Edelstenne. This represents a gross sum of EUR 308,660 per annum. DASSAULT AVIATION has provisioned this sum in its accounts, for payment that should have begun in 2013.

However, at the end of his term of office as Chairman and Chief Executive Officer of DASSAULT AVIATION in January 2013, Charles Edelstenne did not cease his professional activities, on account of his terms of office with DASSAULT SYSTÈMES and GIMD. He cannot therefore draw on his statutory pension.

Consequently, DASSAULT AVIATION, despite its commitment, has had to defer the payment of this pension.

- *With regard to other French and foreign companies in the DASSAULT AVIATION Group:*

Charles Edelstenne received EUR 32,536 in France in directors' fees from the Board of Directors of DASSAULT FALCON JET and a gross amount of EUR 36,250 euros for directors' fees from the Board of Directors of THALES.

4.8.3 Compensation paid to the Chairman and CEO

- *With respect to DASSAULT AVIATION:*

Éric Trappier received gross annual compensation of EUR 1,410,760 as Chairman and Chief Executive Officer.

His compensation does not include any variable or exceptional compensation.

He was not awarded any stock options.

On September 23, 2015, the Board of Directors awarded him 500 bonus shares, the valuation of which at December 31, 2015 was EUR 993 per share or EUR 496,500 for 500 shares. The vesting of these shares is subject to performance criteria and a vesting period of one year and a retention period of one year.

He does not benefit as an executive officer from any compensation linked to the cessation of his term of office.

He had a chauffeur-driven company car (benefit in kind valued at EUR 8,001) and reimbursement of actual costs incurred in connection with his functions.

In addition, he received Board Meeting directors' fees of EUR 92 thousand (double the standard amount).

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

- his length of service of 28 years in the Company on the date of his appointment as CEO in January 2013,
- the desire of the Company to use internal promotion in the appointment of Executive Directors entrusting these responsibilities to experienced executives with deep knowledge of the industry and the aviation sector.

The decision to suspend his contract of employment is consistent with the position of the AMF in its reports on corporate governance with regard to the employment contracts of corporate executive officers.

On reinstatement of his employment contract, Éric Trappier will enjoy severance and supplementary pension benefits^(*) applicable to employees of his category, according to the rules of our Company.

The Board of Directors decided on May 20, 2015 that Éric Trappier will continue to have the benefit of the supplementary pension plan^(*) applicable to senior executives of the Company. The pension paid shall be calculated according to the average gross annual compensation for his last three years as an executive officer.

Based on his gross annual compensation in 2015, the supplementary pension plan would pay an annual pension of EUR 370 thousand, representing 26% of Éric Trappier's salary as Chairman and Chief Executive Officer.

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

- *With regard to other French and foreign companies in the DASSAULT AVIATION Group:*

Éric Trappier received EUR 32,536 in France in gross directors' fees from the Board of Directors of DASSAULT FALCON JET and a gross amount of EUR 42,500 for directors' fees from the Board of Directors of THALES.

() The supplementary pension plan is meant for Company executives with at least 10 years of service, who are still employed by the Company at the time of taking retirement, who are at least 60 years of age, and whose salary is greater than four-times the French annual Social Security ceiling (EUR 152 thousand in 2015).*

The pension paid is capped at 10 times the Annual Social Security Ceiling (EUR 380 thousand in 2015) and allows a tapered replacement rate, taken over all pension plans, depending on compensation of between 41% and 35%.

4.8.4 Compensation paid to the Chief Operating Officer

- *With respect to DASSAULT AVIATION:*

Loïk Segalen received gross annual compensation as Chief Operating Officer of EUR 1,248,015.

His compensation does not include any variable or exceptional compensation.

He was not awarded any stock options.

On September 23, 2015, the Board of Directors awarded him 450 bonus shares, the valuation of which at December 31, 2015 was EUR 993 per share or EUR 446,850 for 450 shares. The vesting of these shares is subject to performance criteria and a vesting period of one year, and a retention period of one year.

He does not benefit as an executive officer from any compensation linked to the cessation of his term of office.

He had a chauffeur-driven company car (benefit in kind valued at EUR 7,917) and reimbursement of actual costs incurred in connection with his functions.

Directors' Report

On January 9, 2013, the date of his appointment as Chief Operating Officer, the employment contract of Loïk Segalen was suspended due to:

- his length of service of 27 years with the Company on the date of his appointment as Chief Operating Officer in January 2013,
- the desire of the Company to use internal promotion in the appointment of Executive Directors entrusting these responsibilities to experienced executives with deep knowledge of the industry and the aviation sector.

The decision to suspend his contract of employment is consistent with the position of the AMF in its reports on corporate governance with regard to the employment contracts of corporate executive officers.

On reinstatement of his employment contract, Loïk Segalen will have severance and supplementary pension benefits^(*) applicable to employees of his category, according to the rules of our Company.

The Board of Directors decided on May 20, 2015 that, like Éric Trappier, Loïk Segalen will continue to benefit from the supplementary pension plan^(*) applicable to senior executives of the Company. The pension paid shall be calculated according to the average gross annual compensation for his last three years as an executive officer.

Based on his gross annual compensation in 2015, the supplementary pension plan would pay an annual pension of EUR 305 thousand, representing 24% of Loïk Segalen's salary as Chief Operating Officer.

During his term of office, the Chief Operating Officer also benefits from health and welfare plans applicable to all management employees of the Company.

- *With regard to other French and foreign companies in the DASSAULT AVIATION Group:*

Loïk Segalen received EUR 32,536 in France in gross directors' fees from the Board of Directors of DASSAULT FALCON JET and a gross amount of EUR 42,500 for directors' fees from the Board of Directors of THALES.

() The supplementary pension plan is meant for Company executives with at least 10 years of service, who are still employed by the Company at the time of taking retirement, who are at least 60 years of age, and whose salary is greater than four-times the French annual Social Security ceiling (EUR 152 thousand in 2015).*

The pension paid is capped at 10 times the Annual Social Security Ceiling (EUR 380 thousand in 2015) and allows a tapered replacement rate, taken over all pension plans, depending on compensation of between 41% and 35%.

4.8.5 Compensation paid to Directors

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

Olivier Dassault received gross annual compensation of EUR 132,955 as Chairman of the Supervisory Board and a gross annual salary of EUR 156,828 as an employee. He had the use of a company car (benefit in kind valued at EUR 3,329) and received EUR 24,111 in gross directors' fees.

Nicole Dassault received EUR 14,778 in gross directors' fees.

Marie-Hélène Habert-Dassault received a gross annual salary of EUR 343,534 as Director of Communications and Sponsorship. She had the use of a company car (benefit in kind valued at EUR 3,550) and received EUR 27,222 gross in directors' fees.

• *With respect to DASSAULT AVIATION:*

Nicole Dassault, Marie-Hélène Habert-Dassault and Henri Proglío each received EUR 40,000 in gross directors' fees from the Board of Directors. Lucia Sinapi-Thomas, Richard Bédère and Alain Garcia each received EUR 46,000 in gross directors' fees. Olivier Dassault and Pierre de Bausset respectively received EUR 22,000 gross and EUR 26,125 gross.

For the Audit Committee, Lucia Sinapi-Thomas received EUR 6,000 in gross additional directors' fees, and Henri Proglío received EUR 12,000 in gross additional directors' fees (including EUR 6,000 gross in his capacity as Chairman of that Committee).

• *With regard to other French and foreign companies in the DASSAULT AVIATION Group:*

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

4.8.6 Summary tables of compensation (AMF Nomenclature)

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

| | 2014 | 2015 |
|--|------------------|------------------|
| Éric Trappier, Chairman and Chief Executive Officer | | |
| Compensation payable during the fiscal year (breakdown in table 2) | 1,447,066 | 1,510,761 |
| Value of year-on-year variable compensation granted during the fiscal year | - | - |
| Value of stock options granted during the fiscal year | - | - |
| Value of free shares granted during the fiscal year | - | - |
| TOTAL | 1,447,066 | 1,510,761 |
| Loïc Segalen, Chief Operating Officer | | |
| Compensation payable during the fiscal year (breakdown in table 2) | 1,215,494 | 1,255,932 |
| Value of year-on-year variable compensation granted during the fiscal year | - | - |
| Value of stock options granted during the fiscal year | - | - |
| Value of free shares granted during the fiscal year | - | - |
| TOTAL | 1,215,494 | 1,255,932 |

Valuation of shares granted to each Corporate Executive Officer (in euros)

| | 2014 | 2015 |
|---|-------------|----------------|
| Éric Trappier, Chairman and Chief Executive Officer | | |
| Value of free shares granted during the fiscal year (see Table 6) | - | 496,500 |
| Loïc Segalen, Chief Operating Officer | | |
| Value of free shares granted during the fiscal year (see Table 6) | - | 446,850 |

Directors' Report

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

| | 2014 - amounts | | 2015 - amounts | |
|--|------------------|------------------|------------------|------------------|
| | Payable | Paid | Payable | Paid |
| Éric Trappier, Chairman and Chief Executive Officer | | | | |
| Fixed compensation | 1,365,065 | 1,365,065 | 1,410,760 | 1,410,760 |
| Annual variable compensation | - | - | - | - |
| Year-on-year variable compensation | - | - | - | - |
| Exceptional compensation | - | - | - | - |
| Directors' fees ⁽¹⁾ | 74,000 | 74,000 | 92,000 | 92,000 |
| Benefits in kind | 8,001 | 8,001 | 8,001 | 8,001 |
| TOTAL | 1,447,066 | 1,447,066 | 1,510,761 | 1,510,761 |
| Loïc Segalen, Chief Operating Officer | | | | |
| Fixed compensation | 1,207,577 | 1,207,577 | 1,248,015 | 1,248,015 |
| Annual variable compensation | - | - | - | - |
| Year-on-year variable compensation | - | - | - | - |
| Exceptional compensation | - | - | - | - |
| Directors' fees ⁽²⁾ | - | - | - | - |
| Benefits in kind | 7,917 | 7,917 | 7,917 | 7,917 |
| TOTAL | 1,215,494 | 1,215,494 | 1,255,932 | 1,255,932 |

(1) Éric Trappier received a further EUR 32,536 in gross directors' fees from the Board of Directors of DASSAULT FALCON JET and EUR 42,500 in gross directors' fees from the Board of Directors of THALES.

(2) Loïc Segalen received a further EUR 32,536 in gross directors' fees from the Board of Directors of DASSAULT FALCON JET and EUR 42,500 in gross directors' fees from the Board of Directors of THALES.

Table 3 Table of Directors' fees and other compensation paid to non-executive directors (in EUR)

| Non-executive directors | Amounts paid in 2014 (Gross) | Amounts paid in 2015 (Gross) |
|-------------------------------------|---------------------------------|---------------------------------|
| Serge Dassault | | |
| Directors' fees | 31,000 | 46,000 |
| Other compensation | - | 16,009 |
| Charles Edelstenne | | |
| Directors' fees | 44,500 ⁽¹⁾ | 52,000 ⁽¹⁾ |
| Other compensation | - | - |
| Nicole Dassault | | |
| Directors' fees | 31,000 | 40,000 |
| Other compensation | - | - |
| Olivier Dassault | | |
| Directors' fees | 31,000 | 22,000 |
| Other compensation | - | - |
| Marie-Hélène Habert-Dassault | | |
| Directors' fees | 21,750 | 40,000 |
| Other compensation | - | - |
| Pierre de Bausset | | |
| Directors' fees | 37,000 | 26,125 |
| Other compensation | - | - |
| Alain Garcia | | |
| Directors' fees | 31,000 | 46,000 |
| Other compensation | - | - |
| Henri Proglío | | |
| Directors' fees | 33,500 ⁽²⁾ | 52,000 ⁽²⁾ |
| Other compensation | - | - |
| Lucia Sinapi-Thomas | | |
| Directors' fees | 24,750 ⁽³⁾ | 52,000 ⁽³⁾ |
| Other compensation | - | - |
| Richard Bedère | | |
| Directors' fees | 14,255 | 46,000 |
| Other compensation | salary | salary |
| TOTAL | 299,755 | 438,134 |

⁽¹⁾ including EUR 6,000 in 2014 and EUR 6,000 in 2015 for the Audit Committee

⁽²⁾ including EUR 12,000 in 2014 and EUR 12,000 in 2015 for the Audit Committee

⁽³⁾ including EUR 3,000 in 2014 and EUR 6,000 in 2015 for the Audit Committee

Directors' Report

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

Void

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

Void

Table 6 Performance shares granted during the year to each executive officer by the issuer or any Group company.

| | Plan name and date | Number of performance shares awarded during fiscal year 2015 | Value of shares (in euros)* | Vesting date | Date of availability | Performance conditions |
|---------------|------------------------|--|-----------------------------|--------------|----------------------|------------------------|
| Éric Trappier | 2015 shares 09/23/2015 | 500 | 496,500 | 09/23/2016 | 09/23/2017 | yes |
| Loïk Segalen | 2015 shares 09/23/2015 | 450 | 446,850 | 09/23/2016 | 09/23/2017 | yes |
| TOTAL | | 950 | 943,350 | | | |

* price per share used of EUR 993 per share (IFRS 2)

Table 7 Performance shares that became available during the fiscal year for each executive officer.

Void

Table 8 Previous grants of stock options or purchase of shares - Information on subscription or purchase options.

Void

Table 9 Options to subscribe for or purchase shares granted to the ten non-executive employees granted options and exercised by them.

Void

Table 10 Previous allocations of performance shares - Information on performance shares.

Void

Table 11 Other information on executive officers

| Executive directors | Employment contract | Additional pension plan | Compensation or benefits payable or likely to be payable on termination or change of office | Compensation for non-compete agreement |
|---|---------------------|-------------------------|---|--|
| Éric Trappier | | | | |
| Chairman and Chief Executive Officer <i>start of term: 09/01/2013</i> <i>end of term: General Meeting of 2019</i> | yes ⁽¹⁾ | yes ⁽²⁾ | no ⁽²⁾ | no |
| Loïk Segalen | | | | |
| Chief Operating Officer: <i>start of term: 09/01/2013</i> <i>end of term: ditto Chairman-CEO</i> | yes ⁽¹⁾ | yes ⁽²⁾ | no ⁽²⁾ | no |

⁽¹⁾ employment contract suspended as of January 9, 2013,

⁽²⁾ at the end of their terms of office, executive officers receive retirement allowances and supplementary pensions according to the rules applicable to employees in their category. The Board of Directors decided on May 20, 2015 that the reference compensation for the calculation of supplementary pensions will be the average gross annual compensation for their last three years as executive officer.

5. PROPOSED RESOLUTIONS

The resolutions submitted for your approval cover the following points:

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

You are asked to approve the annual financial statements of the Parent Company (Resolution 1) and the consolidated financial statements (Resolution 2) for the fiscal year ended December 31, 2015.

These financial statements were approved by the Board of Directors on March 9, 2016 after prior examination by the Audit Committee, and were the subject of the reports of the Statutory Auditors, which appear in the 2015 Annual Financial Report.

- **Approval of a regulated agreement on the continuation of the benefit of the additional pension plan for senior executives of the Company for the Chairman and CEO:**

You are asked to approve the regulated agreement confirmed by the Board of Directors on May 20, 2015 relating to the continued receipt of the supplementary pension plan described in paragraph 4.8.3 above for Éric

Trappier in his capacity as Chairman and CEO, calculated on the basis of the gross annual average for the last three years of his compensation as a corporate officer (Resolution 3).

- **Approval of a regulated agreement on continuation of the benefit of the additional pension plan for senior executives of the Company for the Chief Operating Officer:**

You are asked to approve the regulated agreement confirmed by the Board of Directors on May 20, 2015 relating to the continued receipt of the supplementary pension plan described in paragraph 4.8.4 above for Mr. Loïk Segalen in his capacity as Chief Operating Officer, calculated on the basis of the gross annual average for the last three years of his compensation as a corporate officer (Resolution 4).

- **Approval of the Statutory Auditors' special report on related party transactions and commitments**

You are asked to approve the Statutory Auditors' special report on regulated agreements (Resolution 5).

Directors' Report

- **Advisory vote on the compensation package of the Chairman and Chief Executive Officer:**

It is recommended that the compensation paid to Executive Directors should be submitted to an advisory vote by the shareholders. It is therefore proposed to the Meeting (Resolution 6) that an opinion be issued on the compensation package payable and allocated for fiscal year 2015 to Éric Trappier, Chairman and Chief Executive Officer, as detailed in paragraphs 4.8.3 "Compensation of the Chairman and CEO" and 4.8.6 "Summary Tables of Compensation".

- **Advisory vote on the compensation package of the Chief Operating Officer:**

It is recommended that the compensation paid to Executive Directors should be submitted to an advisory vote by the shareholders. It is therefore proposed to the Meeting (Resolution 7) that an opinion be issued on the compensation package payable and allocated for fiscal year 2015 to Loïk Segalen, Chief Operating Officer, as detailed in paragraphs 4.8.4 "Compensation of the Chief Operating Officer" and 4.8.6 "Summary Tables of Compensation".

- **Discharge of Directors from liability:**

We propose that you discharge the Directors from any liability in the execution of their terms of office during fiscal year 2015 (Resolution 8).

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

It is proposed that the net income for the year, plus retained earnings of previous years, for a total distributable amount of EUR 2,792,397,955.09 for fiscal year 2015, be subject to distribution of a dividend per share of EUR 12.10, falling due for payment on June 1, 2016, with the remaining balance to retained earnings (Resolution 9).

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

As the terms as director of Nicole Dassault and Alain Garcia expire at the end of the Meeting, it is proposed that they be renewed for four years (Resolutions 10 and 11).

- **Authorization for the Board of Directors to allow the company to purchase its own shares under a share buyback program**

Companies whose shares are admitted to trading on a regulated market are allowed to purchase their own shares if they are authorized by the General Meeting of Shareholders.

Under the mechanism provided by Article L. 225-209 of the French Commercial Code, it is proposed that the Board of Directors be authorized to establish a share buyback program.

Such a share buyback program will be used for the following purposes:

1) to cancel shares in order to increase the return on equity and earnings per share,

2) to stimulate the market or the liquidity of Dassault Aviation shares through the intermediary of an investment services provider or through a liquidity contract in compliance with an ethics charter recognized by the French Financial Markets Authority,

3) to sell or assign shares to employees and executives of the Company and/or companies associated with it, subject to and according to the procedures provided for by the law, including in the case of exercising share purchase options or free assignment of existing shares or by disposal and/or employer contribution under the scope of an employee shareholding transaction based on existing shares,

4) to retain shares with a view to subsequent use, to hand them over as payment or in exchange, including under the scope of potential external growth transactions, up to 5% of the share capital,

5) to hand over shares on exercising rights attached to marketable securities giving access to the capital of Dassault Aviation,

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

Under the proposed authorization, the Board may subdelegate authority to buy back Dassault Aviation shares up to a limit of a 10% stake in Dassault Aviation, for a maximum price of EUR 1,500 per share, for a maximum investment of EUR 1,368,379,500.

This authorization, which was granted for a period of 18 months from the Annual Ordinary General Meeting of May 19, 2016, will enter into force at the next Board of Directors meeting that decides to implement the new share buy-back program. It will end, for the unused portion, the share buyback program previously authorized by the General Meeting on January 28, 2015. It will end on November 18, 2017. (Resolution 12).

• **Powers to execute formalities:**

This resolution (Resolution 13) is aimed at giving the customary powers for the legal formalities to be carried out after the Shareholders' Meeting.

6. CONCLUSION AND OUTLOOK

The year 2015 will first and foremost be the year of the attacks that dramatically struck France in January and November. In this struggle against terrorism, as always when France is militarily engaged, we stand aside our forces and give them all the support they need in their military operations.

Economically, the year has neither been stable. It was marked by a sharp slowdown in economies of emerging countries such as China, Brazil and Russia, the drop in oil prices and the recovery of the dollar against the euro.

In this environment, 2015 was a contrasted year for the Company.

Regarding our military aircraft, the year was marked by:

- the signing of the first 2 export contracts for the RAFALE, with 24 RAFALE ordered by Egypt and 24 RAFALE by Qatar, bringing the number of aircraft ordered to 48 in 2015. These successes are the proof of the operational quality and performance of our aircraft,
- on April 10, the announcement by the Indian Prime Minister of his intention to buy 36 "fly away" RAFALE and the negotiations with the Indian authorities. Price negotiations are in progress,
- the delivery of 8 RAFALE in 2015: 5 to France and 3 to Egypt,
- the delivery of 3 RAFALE Marine France retrofitted to the F3 standard,
- the delivery of 2 Indian MIRAGE 2000 upgraded to the I/TI standard in France, and continued support for HAL (Hindustan Aeronautics Ltd) for the following aircraft in India,
- the delivery to France of the 2 last FALCON 50 SURMAR, out of 4 aircraft ordered,
- the 100th flight of the nEUROn in Istres and its first strike during the Sweden campaign,
- on May 18, 2015, the French, German and Italian Governments announced their intention to select DASSAULT AVIATION, AIRBUS DEFENCE & SPACE and FINMECCANICA to conduct a 2-year definition study for a MALE (Medium Altitude Long Endurance) drone with European technologies. The Organization for Joint Armament Cooperation (OCCAR) is responsible for notifying the contract.

Regarding our business jet aircraft, the year was marked by:

- disappointing order intake in a difficult competitive environment. FALCON sales slowed in 2015: 45 FALCON were ordered (compared to 90 FALCON in 2014) and 20 FALCON NetJets were canceled,

Directors' Report

- the delivery of 55 FALCON, whereas we had planned 65. The negative gap is linked to the low number of FALCON orders in 2015,
- the first flight of the FALCON 8X on February 6. The 2015 test program proceeded in line with our expectations. The test aircraft completed 250 missions representing 450 flight hours. Certification is planned for mid-2016.

Interior completion work was begun on five aircraft at the end of 2015. The first aircraft should be delivered to customers in the second half of 2016,

- regarding the FALCON 5X, SNECMA's difficulties in the development of the SilverCrest engine and their new related schedule (postponement of the engine certification from 2015 to 2018) have forced us to:
 - temporarily freeze production internally and externally,
 - readjust in 2016 the FALCON 5X program schedule, with the first deliveries planned during the first-half of 2020.

We have informed our customers of this change. This is obviously a disappointment,

- the order by the Japan Coast Guards of 2 FALCON 2000 Maritime Surveillance,
- the launch of our new FALCON Response solution, which provides unique after-sales service to our customers,
- the inauguration of the new hangar in our Little Rock plant to accommodate new FALCON programs for their interior completion,
- the laying of the first stone for the future service station of our DASSAULT FALCON SERVICE subsidiary in Mérignac.

The year 2015 marked also a turning point in our capital history with the sale by AIRBUS GROUP SAS of 18.75% of our capital, 5% of which was to our Company. This sale enables new investors to enter our capital, and reinforces our historical and main shareholder, GROUPE INDUSTRIEL MARCEL DASSAULT, warrant of stability for DASSAULT AVIATION.

After a 2015 year full of contrasts, which more than ever showed the importance of our dual business, civil and military, we will have to face many challenges in 2016:

In the military domain,

- continue negotiations with our RAFALE export prospects; the signing of new contracts is necessary to guarantee the RAFALE ramping-up. Accordingly, we are working on the signing of the contract for 36 RAFALE with India,
- continue to support and train the Egyptian Air Force, after the delivery of the 6 first RAFALE in 2015 and 2016,
- start production of RAFALE for Qatar,
- extend the nEUROn program while waiting for the launching of an UCAV program, which is essential to the sustainability of our combat aircraft sector,
- sign a study contract concerning a European MALE drone program.

In civil aircraft domain:

- boost FALCON sales,
- make the entry into service of the FALCON 8X a success,
- ensure the progress of SNECMA Silvercrest engine development to secure the new schedule for the first 5X aircraft deliveries during the first-half of 2020,
- continue our efforts to improve after-sales service to our FALCON customers,
- prepare the technological building blocks of future FALCON aircraft,

To improve our competitiveness, in a highly competitive environment, we need to lower cost price that directly impact sales prices despite the decline in the euro. We must launch a deep transformation of the company in order to reach a level of industrial efficiency and economic performance that can beat the competition while generating the margins needed for future investments. We will also need to increase our flexibility in order to improve our responsiveness to changes in the market, which is more and more unpredictable in an increasingly uncertain world.

The Group expects to deliver around 60 FALCON and 9 RAFALE aircraft in 2016. Net sales in 2016 should, however, be lower than in 2015 given other activities (2015 was favorably impacted in particular by the upgrade of Indian MIRAGE 2000).

Finally, the Board of Directors is pleased to celebrate the 100th anniversary of DASSAULT aircraft in 2016. This celebration will give us the opportunity to pay tribute to the founder, Marcel Dassault, and to welcome the fact that Serge Dassault and his family remained the majority shareholder of DASSAULT AVIATION.

The Board of Directors

Directors' Report

Appendix 1 to the Directors' Report

Reporting methodology for indicators

Pursuant to Article L.225-102-1 of the French Commercial Code as amended by Article 225 of Law No. 2010-788 of July 12, 2010 ("Grenelle 2") and Decree No. 2012-557 of April 24, 2012, we publish the following in the Board of Directors' Management Report:

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

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

The published indicators that follow the principles of the Global Reporting Initiative (GRI) are stated in the correspondence table in Appendix 2.

Scope of consolidation

For 2015, the scope of the report comprises DASSAULT AVIATION Parent Company (including all of its sites) and its 100% subsidiaries.

It should however be noted that the following are excluded from the scope of the report for 2015:

- Midway Aircraft Instrument Company (USA - Teterboro), a 75% subsidiary of Dassault Procurement Services and 25% subsidiary of Dassault Falcon Jet: reporting instruments are not fully finalized for the year 2015,
- Dassault International Inc. (USA) and Dassault Falcon Jet Leasing Ltd (100% owned subsidiary of Dassault Falcon Jet): these companies have had no significant CSR activity,

- Dassault Falcon Service Moscow (100% subsidiary of Dassault Falcon Service)
- Dassault Aircraft Services India Private Ltd (99% subsidiary of Dassault Aviation Participations and 1% subsidiary of Dassault Aéro Services)
- Falcon Business Services Company-Beijing (100% subsidiary of Dassault Aviation).

Control and consolidation

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

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

In the framework of ISO 14001 certification, reporting procedures for environmental indicators are applied by the Parent Company.

Social and Human Resources data

The social data in this report are based on descriptive and methodological datasheets, which constitute the basis of the Grenelle 2 social data reporting repository of DASSAULT AVIATION Group, in force in 2015. The defined indicators are in compliance with national regulations.

The following details are given for the following indicators:

- absenteeism: the causes of absences taken into account for the absenteeism indicator are sickness, stoppages for work-related accidents and accidents when traveling to/from work, and unjustified absences. The indicated number of days are normal working days,
- departures and redundancies: traditional terminations are to be counted as departures but are not counted within the number of redundancies,
- Group remuneration: the average annual salary is a gross salary taking into account base salary, 13th month bonus and seniority bonus, but excluding other bonuses.

- Parent Company remuneration: the average annual salary is a gross salary taking into account base salary, 13th month salary and seniority bonus but excluding other bonuses, profit-sharing and incentives,
- training hours: work-study training hours recorded in the training plan as well as the in-school training hours of professional development contracts are also taken into account. Training hours in the workplace are also taken into account when they are part of a training program with precise formal monitoring.

Environmental data

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

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

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

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

The consumption of kerosene for production activities includes both civil and military aircraft. For 2014, refuelings outside DASSAULT AVIATION Group sites are not taken into account.

The service station Sorocaba (Brazil) was included in the scope of environmental data for 2015.

Corporate governance data

Corporate governance information meets the requirements of the Decree of April 24, 2012. The figures contained in the Industrial and Purchasing section are qualitative and provided for illustrative purposes.

External checking

The data generated in this report as well as the collection and validation procedures have been subject to an external audit by Deloitte & Associés; the corporate governance information has also been checked on a qualitative basis.

Directors' Report

Appendix 2 to the Directors' Report

Table of correspondence between the DASSAULT AVIATION indicators and the Global Reporting Initiative (GRI).

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

| Themes | DASSAULT AVIATION Indicators | Link with GRI - Indicators & Protocols: Social (version 3.1) |
|------------------------------|---|---|
| Health and Safety | S&S01: Conditions of health & safety in the workplace | <p>LA6: Percentage of the total workforce represented on formal joint management-worker health & safety committees, for monitoring and issuing statements on the health & safety in the workplace programs</p> <p>LA8: Programs for risk education, training, consulting, prevention and management put in place in order to help employees, their families or the members of their local communities in the event of serious illness</p> |
| | S&S02: Agreements signed with the Union Organizations or staff representatives with regard to health & safety in the workplace | LA9: Questions of health & safety covered by formal agreements with the unions |
| | S&S03: Work-related accidents | LA7: Rate of work-related accidents, occupational illnesses, (...) number of days lost and total number of fatal work-related accidents, per geographical zone |
| | S&S04: Frequency rate of work-related accidents | |
| | S&S05: Severity rate of work-related accidents | |
| | S&S06: Occupational illnesses | |
| Training | FOR01: Policies implemented with regard to training | LA11: Lifelong skills and training development programs, designed to guarantee employability |
| | FOR02: Total number of training hours | LA10: Average number of training hours per year, per employee and per professional category |
| Equality of treatment | EGA01: Measures taken in favor of gender equality | LA14: Basic pay ratio between men and women per professional category |
| | EGA02: Measures taken in favor of the employment and integration of disabled people | LA13: Composition of management bodies and distribution of employees by gender, age group, appurtenance to a minority group and other diversity indicators |
| | EGA03: Anti-discrimination policy | |

Directors' Report

| Themes | DASSAULT AVIATION Indicators | Link with GRI - Indicators & Protocols: Social (version 3.1) |
|--|--|---|
| Promoting respect for the stipulations of the basic conventions of the International Labor Organization | OIT01: Respect for freedom of association and the right to collective bargaining | HR5: Identified activities in the course of which the right to union freedom and collective bargaining risks being threatened; measures taken to ensure this right is maintained LA4: Percentage of employees covered by a collective bargaining agreement LA5: Minimum notice period(s) regarding significant organizational changes, including whether it is specified in a collective bargaining agreement |
| | OIT02: Eliminating employment and professional discrimination | HR4: Total number of discrimination incidents and measures taken LA13: Composition of management bodies and distribution of employees by gender, age group, appurtenance to a minority group and other diversity indicators LA14: Basic pay ratio between men and women per professional category |
| | OIT03: Elimination of forced or compulsory labor | HR7: Activities identified as presenting a serious risk of incidents involving forced or compulsory labor; measures taken to contribute to the prohibition of this type of labor |
| | OIT04: Effective abolition of child labor | HR6: Activities identified as presenting a serious risk of incidents involving child labor; measures taken to contribute to the prohibition of this type of labor |
| Energy | energy consumption excluding kerosene and mobile sources | direct energy consumption distributed according to primary energy source initiatives for reducing indirect energy consumption and reductions achieved |
| | kerosene consumption Qualitative indicator, "aircraft design performance/kerosene consumption" (see environmental information chapter, "environmental objectives" section) | |
| Water consumption | EAU001: overall water consumption (by source) | total volume of water used by source |
| Biodiversity | BIO001: number and location of outstanding natural areas present within a 500m radius of the sites | EN11: location and surface area of land owned, rented or managed in or within the vicinity of protected areas and in zones rich in biodiversity outside of these protected areas |

| Themes | DASSAULT AVIATION Indicators | Link with GRI - Indicators & Protocols: Social (version 3.1) |
|-------------------------------|--|---|
| Land use conditions | SOL001: proportion of sealed surfaces | |
| Atmospheric discharges | AIR001: greenhouse gas emissions (scope 1 and scope 2) | EN16: total (direct or indirect) greenhouse gas emissions, in weight (CO2 TEQ) |
| | AIR004: emissions of Volatile Organic Compounds (VOC) | EN20: NOx, SOx and other significant atmospheric emissions, by type and by weight |
| Waste | DEC001: total production of hazardous and non-hazardous waste | EN22: total mass of waste, by type and by treatment mode |
| | DEC002: proportion of recycled waste | |

Directors' Report

Appendix 3 to the Directors' Report

Concordance table of information relating to Decree No. 2012-557 of April 24, 2012 (social, environmental and corporate governance information)

| THEME | TYPE OF INFORMATION | Paragraph |
|--|---|----------------------------------|
| Social information | | |
| a) Employment | <ul style="list-style-type: none"> • The total number and distribution of employees by sex, age and geographical area • Recruitment and dismissals • Pay and changes in pay | 3.1.2 3.1.2 3.1.3 |
| b) Work organization | <ul style="list-style-type: none"> • Working time organization • Absenteeism | 3.1.2 3.1.7 |
| c) Social relations | <ul style="list-style-type: none"> • The organization of employee relations, including procedures for staff information, consultation and negotiation • Collective bargaining agreements | 3.1.4 3.1.4 |
| d) Health & Safety | <ul style="list-style-type: none"> • Conditions of health & safety in the workplace • Agreements signed with the unions or staff representatives with regard to health & safety in the workplace • Work-related accidents, including their frequency and severity, as well as occupational illnesses | 3.1.7 3.1.7 3.1.7 |
| e) Training | <ul style="list-style-type: none"> • The policies implemented with regard to training • Total number of training hours | 3.1.6 3.1.6 |
| f) Equality of treatment | <ul style="list-style-type: none"> • Measures taken in favor of gender equality • Measures taken in favor of the employment and integration of disabled people • Anti-discrimination policy | 3.1.5 3.1.5 3.1.5 |
| g) Promoting respect for the stipulations of the basic conventions of the International Labor Organization in regard to: | <ul style="list-style-type: none"> • Respect for freedom of association and the right to collective bargaining • Eliminating discrimination in professional employment • Eliminating forced or compulsory labor • The effective abolition of child labor | 3.3.3 3.3.3 3.3.3 3.3.3 |

| THEME | TYPE OF INFORMATION | Paragraph |
|-----------------------------------|--|---|
| Environmental information | | |
| a) General environmental policy | <ul style="list-style-type: none"> • The organization of Company to take into account environmental issues and, where appropriate, steps taken for assessment or environmental certifications • The training and information of employees conducted on environmental protection • The resources devoted to the prevention of environmental risks and pollution • The amount of provisions and guarantees for environmental risks (provided that such information is not likely to cause serious harm to the Company in any pending litigation) | <p>3.2.1</p> <p>3.2.5</p> <p>3.2.8</p> <p>2.9.3</p> |
| b) Pollution and Waste Management | <ul style="list-style-type: none"> • Measures for the prevention, reduction or remedying of discharges into air, water and soil seriously affecting the environment • Measures for the prevention, recycling and disposal of waste • Taking into account noise and other forms of pollution specific to an activity | <p>3.2.7</p> <p>3.2.7</p> <p>3.2.7</p> |
| c) Sustainable use of resources | <ul style="list-style-type: none"> • Water consumption and water supply according to local constraints • Consumption of raw materials and measures taken to improve efficient use • Energy consumption, measures taken to improve energy efficiency and use of renewable energy • Land use | <p>3.2.7</p> <p>3.2.7</p> <p>3.2.7</p> <p>3.2.7</p> |
| d) Climate change | <ul style="list-style-type: none"> • Greenhouse gas emissions • Adaptation to the consequences of climate change | <p>3.2.7</p> <p>3.2.3</p> |
| e) Protection of diversity | <ul style="list-style-type: none"> • Measures taken to preserve or develop diversity | <p>3.2.7</p> |

Directors' Report

| THEME | TYPE OF INFORMATION | Paragraph |
|---|--|-------------------------|
| Information on social commitments for sustainable development | | |
| a) Territorial, economic and social impact of the Company's business | <ul style="list-style-type: none"> Regarding employment and regional development on the neighboring and local residents | 3.3.1 |
| b) Relationships with persons or organizations interested in the activities of the Company (including integration associations, educational institutions, environmental protection associations, consumer associations and local residents) | <ul style="list-style-type: none"> The conditions for there to be a dialogue with those persons or organizations Partnership or sponsorship initiatives | 3.3.1 3.3.1 |
| c) Outsourcing and suppliers | <ul style="list-style-type: none"> The consideration of social and environmental issues in purchasing policy The importance of outsourcing and, in relations with suppliers and subcontractors, the consideration of their social and environmental responsibility | 3.3.1 3.3.1 |
| d) Loyal practices | <ul style="list-style-type: none"> Actions taken to prevent corruption Measures taken for the health and safety of consumers Other actions in favor of human rights | 3.3.2 3.2.2 3.3.3 |

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE DIRECTORS' REPORT**For the year ended December 31, 2015**

To the Shareholders,

In our capacity as Statutory Auditor of Dassault Aviation, (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1048¹, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2015 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the internal protocols used by the Company (hereinafter the "Guidelines"), summarized in the management report and available on request from the Total Quality Management Department, on the one hand, and from the Human Resources Department on the other.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved five persons and was conducted between October 2015 and February 2016 during a ten week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the French professional standards and with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000² concerning our conclusion on the fairness of CSR Information.

Attestation regarding the completeness of CSR Information*Nature and scope of our work*

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programs arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were

¹ whose scope is available at www.cofrac.fr

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

Director's report

provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in Annex 1 of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted about ten interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate ;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important³:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us⁴ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 84% of headcount and between 14% and 69% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

³ Quantitative environmental information: ISO 14001 certified sites; Emissions of Volatile Organic Compounds (VOC); Emissions of greenhouses gases (GHG) scope 1 and scope 2; Generated waste: Hazardous waste, Non-hazardous waste, Recycling percentage; Total water consumption; Total energy consumption; Sites close to outstanding natural areas.

Quantitative social information: Total headcount, breakdown by gender and age group; Number of hirings; Number of people leaving the company including proportion of individual redundancies; Average annual pay; Number of part-time employees; Total number of days of absence; Number of disabled people; Number of training hours; Number of occupational illness identified by the competent authorities; Number of work-related accidents with lost time; Number of days lost through work-related accidents.

Qualitative societal information: Loyal practices; Importance of purchasing; Purchasing policy and securing of the Supply chain; Eco-approach; Measures taken on behalf of gender equality; Territorial influence.

⁴ Dassault Aviation SA: Saint Cloud and Seclin; Dassault Falcon Jet: Little Rock.

We believe that the sampling methods and sample sizes we have used, based on our professional judgment, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, March 9th, 2016

One of the Statutory Auditors

Deloitte & Associés

Jean-François Viat

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Chairman's report on corporate governance and internal auditing

Dear Shareholders,

This report is intended to inform you of the composition of the Board of Directors of the Company and of the conditions for preparing and organizing its work, along with the internal audit and risk management procedures put in place by the Company.

This report, prepared in application of Article L.225-37 of the French Commercial Code, is presented to you along with the Directors' Report. The Legal Affairs and Insurance Department, the Internal Auditing Department and the Financial Department carried out preparatory checks on the drafting of said report, which was then reviewed by the Audit Committee and approved by the Board of Directors on March 9, 2016.

Taking account of the structure of its shareholding (the majority of shares are held by GIMD belonging to the DASSAULT family), DASSAULT AVIATION considers that the AFEP/MEDEF (French corporate associations) Code does not constitute, taken as a whole, its standard of reference for corporate governance. Nevertheless, DASSAULT AVIATION applies principles with reference to the aforesaid Code, in regard to the independence of the Directors and the compensation of the corporate officers.

1. Corporate governance

1.1 Composition of the Board of Directors

At December 31, 2015, the Board of Directors is composed of ten members with the experience and expertise required to fulfill their mandate:

Éric TRAPPIER, Serge DASSAULT, Charles EDELSTENNE, Nicole DASSAULT, Marie-Hélène HABERT-DASSAULT, Lucia SINAPI-THOMAS, Olivier DASSAULT, Alain GARCIA, Henri PROGLIO and Richard BEDÈRE (representing the employees), Pierre de BAUSSET resigned from the Board on July 23, 2015.

The aforementioned Directors are all of French nationality. The average age is 67 as at December 31, 2015.

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

Concerning the presence of women on the Board, it should be noted that the Annual General Meetings of May 19, 2010 and May 15, 2014 appointed Ms. Nicole DASSAULT and Ms. Marie-Hélène HABERT-DASSAULT as directors. The Board of Directors Meeting of May 15, 2014 appointed Ms. Lucia SINAPI-THOMAS as director, replacing Mr. Denis KESSLER. His term of office had been renewed by the Annual General Meeting on May 20, 2015.

One third of the members of the Board of Directors (excluding the director representing the employees) are women, which is higher than the legal minimum of 20%.

Chairman's report on corporate governance and internal auditing

COMPOSITION OF THE BOARD OF DIRECTORS on 12/31/2015

| Name | Office | Age (¹) | Independent director | Participation on the Audit Committee | Start of 1st term as direc- tor | End of current term | Years on the Board (¹) |
|--|---|-------------------------|-------------------------|--|--|---------------------------|---|
| Éric TRAPPIER French nationality | Chairman and Chief Execu- tive Officer (CEO) Director | 55 | | | 2013 2012 | 2019 2019 | 3 |
| Serge DASSAULT French nationality | Honorary Chairman Director | 90 | | | 1967 | 2019 | 48 |
| Charles EDELSTENNE French nationality | Honorary Chairman Director | 77 | | yes | 1989 | 2019 | 26 |
| Nicole DASSAULT French nationality | Director | 84 | | | 2010 | 2016 | 5 |
| Olivier DASSAULT French nationality | Director | 64 | | | 1996 | 2019 | 19 |
| Marie-Hélène HABERT- DASSAULT French nationality | Director | 50 | | | 2014 | 2018 | 2 |
| Alain GARCIA French nationality | Director | 72 | yes | | 2009 | 2016 | 6 |
| Lucia SINAPI-THOMAS French nationality | Director | 51 | yes | yes | 2014 | 2019 | 2 |
| Henri PROGLIO French nationality | Director | 66 | yes | yes | 2008 | 2018 | 7 |
| Richard BEDÈRE French nationality | Director representing employees | 59 | | | 2014 | 2018 | 2 |

(¹) As at December 31, 2015

As at December 31, 2015, Lucia SINAPI-THOMAS, Alain GARCIA and Henri PROGLIO were considered to be independent directors in accordance with the criteria of the AFEP/MEDEF Corporate Governance Code.

One third of the members of the Board of Directors (excluding the director representing the employees) are independent, as recommended by the AFEP/MEDEF Code.

These criteria are based on the principle that independent directors must not be in a position likely to alter their freedom of judgment or place them in a situation of real or potential conflict of interests.

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

1.2.1 Director information

To ensure the attendance of Directors at Board meetings, the Board of Directors' meeting held to approve the financial statements of the first half year determines the meeting schedule of the Board of Directors and the Audit Committee for the following year.

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

Prior to each Board meeting, the Chairman of the Board of Directors ensures that the relevant documents are provided to each director in good time, except in emergencies.

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

1.2.2 Activities of the Board of Directors in 2015

In 2015, the Board of Directors met five times: on January 28, March 10, May 20, July 23 and September 23. The average attendance rate at Board meetings was 85.2%.

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

- analyzed the amount of orders entered, the order book and net sales, self-financed consolidated research and development,
- oversaw the roll-out of civil and military programs and changes in workforce of the Parent Company and subsidiaries,

- set the medium-term strategy in the civil and military domains.

In addition, the Board of Directors:

- put into operation the share buyback program and sub-delegated to the Chairman and CEO the powers granted by the Annual General Meeting to the Board of Directors to implement the share buyback and capital reduction program,
- approved the fiscal year 2014 company and consolidated financial statements,
- convened the Annual General Meeting of May 20, 2015,
- approved the financial statements for the first half year of 2015,
- reviewed the Parent Company's forward-looking management documents in March and July 2015 and reviewed the budgets for self-financed technology investments and industrial investments,
- renewed the annual authorization of the Chairman and CEO to grant guarantees and deposits,
- ruled on the workplace equality and compensation policy,
- approved the wording of the half-yearly and annual financial press releases,
- reminded the directors of their obligation to refrain from trading the Company's shares when financial statements or financial communications are being approved and their obligation to declare their transactions and the registration of their shares to the AMF (Autorité des Marchés Financiers - French Financial Markets Authority),
- renewed the terms of office of the Chairman and CEO and the Chief Operating Officer at its meeting on May 20, 2015,

Chairman's report on corporate governance and internal auditing

- decided, following the buyback of 5% of the Company's capital on March 25, 2015, to fully allocate those shares to the cancellation goal under the new buyback program, but only 0.99% of share capital could be canceled on such short notice, given the cancellations that already occurred,
- decided to reduce the share capital by cancellation of 0.99% of the above-mentioned shares and sub-delegated to the Chairman and CEO the powers granted by the Annual General Meeting to the Board of Directors for that purpose,
- called a General Meeting of shareholders to authorize the Board of Directors to implement a plan to award bonus shares and increase to EUR 1,500 per share the Company's ceiling for trading in its own shares as part of the share buyback program,
- implemented the bonus share plan by preparing the list of beneficiaries and defining the conditions in which their shares become fully vested (achievement of performance criteria, vesting and holding periods, employment on the day the shares become fully vested), with delegation to the Chairman and Chief Executive Officer of all powers to implement the allocation of bonus shares.

1.2.3 Audit Committee

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

This Committee consists of Henri PROGLIO, Chairman of the Audit Committee, Charles EDELSTENNE and Lucia SINAPI-THOMAS. They were appointed because of the expertise they received from their academic training, their experience in finance and accounting for listed companies and their time as members of Executive Management. All three are non-executive Directors.

This composition meets the requirements of the aforementioned order. The Board of Directors considered that Lucia SINAPI-THOMAS and Henri PROGLIO met the recommended independence criteria set forth in paragraph 1.1 above.

The Audit Committee is responsible for monitoring:

- the procedure for preparing the financial information,
- the effectiveness of the risk management and internal auditing systems,
- the auditing of the company and consolidated financial statements by the Statutory Auditors,
- the independence of the Statutory Auditors.

It met on March 3, 2015 for the financial statements of 2014 and on July 22, 2015 for those of the first half-year of 2015.

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

- examined the consolidated financial statements and those of the Parent Company, the main events of the year or half-year concerned, and the draft financial reports,
- took note of the Directors' Report of the Board of Directors and of the half-yearly activity report,
- reviewed the Chairman's report on internal auditing and risk management,
- examined actions in progress as well as the review of internal audits conducted in 2014 and reviewed the 2015 audit plan,
- met with the Statutory Auditors, without Executive Management being present, after examining the conclusions of their work and their declaration of independence,
- reported back on its work to the Board of Directors.

1.2.4 Internal By-laws

The Board meeting of July 25, 2012 approved the internal by-laws of the Board of Directors, which allow directors to take part in meetings (debating and voting) by means of telecommunications that are compliant with applicable regulations.

1.2.5 Prevention of insider trading

In accordance with the recommendations formulated in the AMF guide of November 3, 2010, the Company has put in place "black-out periods" (periods during which trading in Company shares is prohibited), which begins at least 30 days prior to publication of the annual and half-yearly financial statements. Since the financial statements are in general published by the company before the opening of the stock market, the date of publication is included in the prohibited period.

The directors are informed by letter every December of the calendar of "black-out periods" for the following year.

The financial calendar is published online on the Company's website at the start of each financial period.

1.3 Operation of Executive Management

In accordance with the applicable laws, the possibility of separating the duties of the Chairman of the Board of Directors and those of the CEO was introduced into the Company's Articles of Association during the Annual General Meeting of April 25, 2002.

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

This was because the Board of Directors had chosen the Executive Management option that it deemed best suited to the Company's specific fea-

tures. The decision was therefore made not to separate the duties of Chairman of the Board of Directors and the CEO.

Shareholders and third parties are fully informed of this decision in the Directors' Report (see Section 4.6).

Since January 9, 2013, the Chairman and CEO has been assisted by a Chief Operating Officer.

This mode of Executive Management was renewed by the Board of Directors on May 20, 2015, when they also renewed the terms of the Chairman and CEO and of the Chief Operating Officer for four years with the same powers.

1.4 Powers of the Chairman and Chief Executive Officer

The powers of the Chairman and CEO are not limited by the Company's Articles of Association or the Board of Directors.

The Chairman of the Board of Directors organizes and directs the work of said Board, reporting back on this to the Annual General Meeting. The Chairman executes the decisions of the Board. He oversees the smooth running of the Company management bodies and ensures that the directors are able to fulfilling their duties.

The CEO is invested with the broadest powers to act in all circumstances on behalf of the Company. The CEO therefore exercises his powers with no other limits than those set forth by the applicable regulations concerning the powers attributed expressly by law to General Meetings of shareholders and to the Board of Directors.

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1.5 Powers of the Chief Operating Officer

The Chief Operating Officer assists the Chairman and CEO. With respect to third parties, he has the same powers as the CEO.

1.6 Executive Committee

Presided over by the Chairman and CEO, this committee includes the persons in charge of the Company's various departments (cf. annual financial report). This Committee covers all subjects related to running and operating the different aspects of the Company. It meets once per week.

1.7 Principles and rules used to determine compensation and benefits in kind granted to corporate officers

1.7.1 Compensation of corporate officers

The compensation of the Chairman and CEO and of the Chief Operating Officer, along with their benefits in kind, have been determined by the Board of Directors with reference to the recommendations of the AFEP/MEDEF code. They are in accordance with the annual report of the AMF on corporate governance and the compensation of the executives of listed companies.

The compensation of the Chairman and CEO and of the Chief Operating Officer consists exclusively of fixed compensation (see paragraphs 4.8.3 and 4.8.4 of the Directors' Report).

This compensation, paid over 13 months, is increased annually in line with the pay rises of the Company executives, unless decided otherwise by the Board of Directors.

In 2015, the Chairman and CEO and the Chief Operating Officer have not received:

- any variable or exceptional compensation,
- any stock options,
- any private unemployment insurance,
- any severance packages,
- any specific supplementary pensions linked to their term of office.

In 2015, the Chairman and CEO and Chief Operating Officer received free shares. On September 23, 2015, the Board of Directors decided to grant them 500 and 450 shares respectively. These shares will become vested provided the following performance criteria are met:

- Company net margin level,
- qualitative assessment of individual performance.

Furthermore, the Board of Directors has determined the following additional conditions:

- a vesting period of one year, expiring on September 22, 2016 inclusive,
- presence in the workforce at the end of the vesting period,
- a one-year holding period, beginning on September 23, 2016 and ending on September 22, 2017 inclusive,
- starting on September 23, 2017, the retention by the corporate officers of 20% of those shares for the duration of their term.

The employment contracts of the Chairman and CEO and Chief Operating Officer have been suspended (see paragraphs 4.8.3 and 4.8.4 of the Directors' Report).

Upon effective reinstatement of the contracts, they will recover the rights of salaried senior executives in their category, according to Company rules.

The Board of Directors meeting of May 20, 2015 decided that they will continue to benefit from the supplementary pension plan applicable to the senior executives of the Company, calculated with respect to the average gross annual compensation for the

last three years of their term of office (see paragraphs 4.8.3 and 4.8.4 of the Directors' Report).

1.7.2 Directors' fees

Directors' fees are allocated according to the following principles:

- for the Board of Directors:
 - annual fixed compensation of EUR 10,000 (double for the Chairman of the Board),
 - variable compensation of EUR 6,000 per meeting (double for the Chairman of the Board), with payment dependent on attendance at meetings,
- for the Audit Committee: variable compensation only dependent on attendance at meetings of EUR 3,000 per meeting (double for the Chairman of the Committee).

These amounts were not modified in 2015 as part of the overall amount authorized by the Annual General Meeting of May 15, 2014 (EUR 444,000).

1.8 General Meetings of shareholders

1.8.1 Specific conditions governing shareholders' attendance at the General Meeting

1.8.1.1 Admission

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

- the right to attend shareholders' meetings is subject to:
 - for holders of registered shares, registration in the registered shareholder accounts held by the Company,
 - for holders of bearer shares, registration in the bearer shareholder accounts held by

the authorized intermediary (i.e.: a bank, financial institution or investment service provider) and production of a participation certificate issued by the intermediary,

- the period during which these formalities must be completed expired three business days before the date of the General Meeting and was reduced to two business days by the shareholders' Combined General Meeting of May 20, 2015 to harmonize it with the provisions of Decree No. 2014-1466 of December 8, 2014,
- the Board of Directors retains the right to accept the attendance certificate after the above deadline,
- shareholders may be represented by proxy according to legal and regulatory conditions.

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

These conditions are reiterated in the meeting notice and the final notice of the General Meeting that are published in the BALO (Bulletin des Annonces Légales Obligatoires - French official announcements bulletin) and online on the Company's website.

1.8.1.2 Voting rights

Subject to special circumstances set forth by law, all members present at the General Meeting of shareholders have as many votes, without limitation, as the number of fully paid-up shares they own or represent.

It is hereby specified that pursuant to Law No. 2014-384 of March 29, 2014 "aimed at recapturing the real economy," shares issued by the Company registered in nominal accounts for more than two years will enjoy double voting rights from April 3, 2016, i.e., two years after the aforementioned law

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comes into force (see paragraph 4.5.3 of the Directors' Report).

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

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

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

Taking into account the probable increase in the "floating" capital in 2015, it will be proposed at the Annual General Meeting of May 20, 2015 to amend the Company's Articles of Association to provide for the following:

- that voting may be performed using OCR slips or electronically,
- that shareholders may also, if the Board has decided so at convening of the meeting, vote by any means of telecommunications that enables them to be identified, subject to and according to the procedures provided for by applicable laws and regulations.

1.8.2 Convening of General Meetings

General Meetings are called by the Board of Directors in accordance with applicable laws and regulations. All shareholders, regardless of the number of shares they own, may take part. The date of each Annual General Meeting is provided on the Company's website (www.dassault-aviation.com) approximately six months in advance.

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

The results of the voting on the resolutions and the minutes of the General Meeting are also placed online within 15 days of the end of the meeting.

2. Internal auditing and risk management procedures

2.1 Internal auditing objectives

The Company's internal auditing procedures are intended to:

- ensure that the conduct of operations and management actions, and the behavior of staff fall within the framework defined by Executive Management (the Chairman and the CEO and the Chief Operating Officer), applicable laws and regulations and our Company's internal values and rules,
- verify that the information provided and communications addressed to the Board of Directors and to the Annual General Meetings are reliable and give a true and fair view of the Company's activity.

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

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

2.2 Environment and organization of internal auditing

• **Internal auditing reference documents**

The Company's internal auditing is guided by the following reference documents:

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

• **Internal auditing bodies**

The main internal auditing bodies in DASSAULT AVIATION are the following:

- Executive Committee

The composition and the role of this Committee are detailed in paragraph 1.6 above. Each Committee member is responsible for the internal auditing of his or her department.

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

- Total Quality Management Department

- *through risk control*

This Department ensures the smooth running of the risk control process relating to aircraft programs and products. It identifies critical risks and makes sure that Executive Management is alerted of them.

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

The QMS is coordinated by the Total Quality Management Department and relies on the Establishment Quality Control Managers and Quality Representatives of Operational Departments.

The system uses a structured document repository, comprised of process descriptions and quality procedures and instructions.

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

- Program Departments through Program Management

Program Management is coordinated by the Program Directors, who report back to Executive Management. It relies on the Program Managers of the functional departments.

- Financial Department via Management Auditing

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

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

• **Control of subsidiaries**

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

The Company maintains an effective presence on the Boards of Directors and management bodies of its subsidiaries.

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

• **Internal auditing**

The Internal Auditing Department, which reports back to Executive Management, is responsible for evaluating the risk management and internal auditing processes.

The Internal Audit Director reports to Executive Management on the results of the audits and the recommendations implemented. The Internal Audit Director also presents the internal audit plan to Executive Management for approval prior to its implementation.

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

• **External auditing factors**

The Company operates in a particular external auditing environment due to its French government contracts and aerospace activity:

- the calculation of our cost price components (hourly rates, procurement and non-production expenses) as well as the cost prices of our activities related to French government contracts are examined by the French Defense Procurement Agency (DGA),
- the DGA monitors our products and grants us our design organization approval in the military aviation field,
- the Company, in the field of civil aviation, possesses design, production and maintenance certifications. These certifications are subject to permanent monitoring by the airworthiness authorities that have issued them:
 - the Direction Générale de l'Aviation Civile (DGAC),
 - the European Aviation Safety Agency (EASA),

- the Federal Aviation Administration (FAA).

As part of its proactive approach, the Company is EN 9100, ISO 9001 and ISO 14001 certified. Its Quality Management System (QMS) and Environmental Management System (EMS) underwent a joint renewal audit in March 2015 that was conducted by an outside agency (Bureau Veritas Certification). This audit confirmed that our QMS and our EMS were compliant with the requirements of the standards.

2.3 Risk Management Procedures

The risk management procedures, detailed in Chapter 2 of the Directors' Report, is based on a risk mapping that is updated by each of the Company's major departments for the activities that concern them.

The risks identified in this mapping, whatever their nature, have been assessed according to their seriousness and their frequency of occurrence. The procedures for treating major risks are also recorded in this mapping.

Moreover, risk control at DASSAULT AVIATION is based on the following approach:

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

Risks are primarily identified through regular critical risk reviews conducted by program management, operational management and site management.

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

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

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

The risk management procedures are defined and applied by the departments of the Company.

For Supply Chain risks, the DGIA (Direction Générale Industrielle et des Achats - Industrial Operations and Purchasing Department) has put in place a reference system for reducing the risk of shortages on the manufacturing line and supplier default.

With regard to information systems, the Group has put in place procedures designed to ensure the security of the IT systems and the integrity of data.

The social risk of maintaining adequate skill levels is subject to joint management between each operational department and the Human Resources Department.

Management of financial risks is detailed in paragraph 2.7 of the Directors' Report.

As for the risks associated with the opening of share capital, the Legal Affairs and Insurance Department strengthened its corporate division and an Investor Relations position was created in the Finance Department.

Environmental risk management:

- concerns the compliance of sites and products as well as the control of their impacts,
- is performed based on the Group's Environmental Management System (cf. paragraph 2.9 of the Directors' Report).

Lastly, in 2011 the Company created a Risks Committee. Its mission, based on the risk mapping and any other relevant factors, is to:

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

To this end, the Committee conducts interviews with those in charge of the Company's processes who are responsible for updating the risk mapping.

This Committee also ensures that the risk management procedures are adopted in the subsidiaries.

It is presided over by the Executive Vice-President for Total Quality, and reports back to General Management.

2.4 Internal auditing procedures for financial and accounting purposes

• *Organization of the financial and accounting function*

This function, described in the Quality Manual, is managed by the Financial Department for both the Parent Company and Group consolidation. This aforesaid function consists in:

- validating and auditing the Company's centralized financial and accounting information system, implemented by Information Systems General Management,
- updating the consolidation software configuration used by the Parent Company, its subsidiaries or subsidiary sub-groups.

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• **General references**

The financial statements are prepared in accordance with:

- the accounting standards applicable to French companies:
 - Regulation ANC 2014-03 endorsed by the Decree of September 8, 2014,
 - opinion and subsequent recommendations of the Accounting Standards Authority,
- the international valuation and presentation standards for IFRS financial reporting in force as of December 31, 2015, as adopted by the European Union and fully applicable for fiscal years starting January 1, 2015, for the consolidated accounts,
- the operating and control procedures described in the "Economic and financial data management" process, supplemented by the specific procedures for the approval of the consolidated half-yearly and annual financial statements of the Parent Company and Group. These procedures and the IT applications used by the finance and accounting department are regularly reviewed by the Statutory Auditors in connection with their annual certification of the financial statements.

• **Financial and accounting information process**

In 2015, the Financial Department centralized the accounting data and produced the financial statements for the Parent Company and the Group.

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

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

2.5 2015 Actions

The Internal Audit Department (DAI) and the Total Quality Management Department (DGQT) continued to monitor the internal audit procedures for all parties involved by using the risk mapping that was updated during the year.

The aforementioned departments worked together to decide on the breakdown of the audits.

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

2.6 2016 Action Plan

For 2016, the mission of the Internal Audit Department and the Total Quality Management Department is to continue the audits that ensure oversight of internal audits and risk management and the proper application of procedures.

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

The information set forth in this Article is contained in paragraph 4.5 of the accompanying Directors' Report, to which is appended this report. Both these reports are included in the 2015 Annual Financial Report that has been published electronically and filed with the AMF by our distributor, "HUGIN AS, part of NASDAQ OMX". They are published online on our Company website in the Finance/publications section.

The Chairman of the Board of Directors



***CONSOLIDATED
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015***

Consolidated financial statements

ASSETS

| (in EUR thousands) | Notes | 12/31/2015 | 12/31/2014 (1) |
|--|-------|-------------------|-------------------|
| Goodwill | 3 | 14,366 | 14,366 |
| Intangible assets | 4 | 28,866 | 22,522 |
| Property, plant and equipment | 4 | 485,149 | 417,286 |
| Equity associates (1) | 5 | 1,774,293 | 1,602,653 |
| Available-for-sale securities | 5 | 3,268,357 | 2,796,603 |
| Other financial assets | 5 | 33,826 | 33,759 |
| Deferred tax assets (1) | 19 | 512,353 | 303,285 |
| TOTAL NON-CURRENT ASSETS | | 6,117,210 | 5,190,474 |
| Inventories and work-in-progress | 6 | 3,427,981 | 3,091,562 |
| Trade and other receivables | 7 | 714,063 | 722,761 |
| Advances and progress payment to suppliers | 13 | 972,030 | 92,667 |
| Derivative financial instruments | 23 | 26,813 | 123,554 |
| Cash and cash equivalents | 8 | 946,412 | 708,419 |
| TOTAL CURRENT ASSETS | | 6,087,299 | 4,738,963 |
| TOTAL ASSETS | | 12,204,509 | 9,929,437 |

(1) restated for the impact of the application of IFRIC 21. See accounting principles, Note A1-3.

EQUITY AND LIABILITIES

| (in EUR thousands) | Notes | 12/31/2015 | 12/31/2014 (1) |
|---|-------|-------------------|-------------------|
| Capital | 9 | 72,980 | 73,710 |
| Consolidated reserves and retained earnings (1) | | 4,011,557 | 4,070,775 |
| Currency translation adjustments | | 87,742 | -2,557 |
| Treasury shares | 9 | -401,771 | -39,690 |
| TOTAL ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY | | 3,770,508 | 4,102,238 |
| Non-controlling interests | | 415 | 373 |
| TOTAL EQUITY | | 3,770,923 | 4,102,611 |
| Long-term borrowings and financial debt | 10 | 1,161,229 | 892,736 |
| Deferred tax liabilities | 19 | 0 | 0 |
| TOTAL NON-CURRENT LIABILITIES | | 1,161,229 | 892,736 |
| Trade and other payables | 12 | 889,849 | 834,899 |
| Tax and social security liabilities (1) | 12 | 281,146 | 244,559 |
| Customer advances and progress payments | 13 | 4,349,420 | 2,271,430 |
| Short-term borrowings and financial debt | 10 | 48,321 | 92,027 |
| Current provisions | 11 | 1,171,157 | 1,327,818 |
| Derivative financial instruments | 23 | 532,464 | 163,357 |
| TOTAL CURRENT LIABILITIES | | 7,272,357 | 4,934,090 |
| TOTAL EQUITY AND LIABILITIES | | 12,204,509 | 9,929,437 |

(1) restated for the impact of the application of IFRIC 21. See accounting principles, Note A1-3.

STATEMENT OF INCOME

| (in EUR thousands) | Notes | 2015 | 2014 |
|---|-------|------------------|------------------|
| NET SALES | 14 | 4,175,805 | 3,680,381 |
| Other revenue | 15 | 49,868 | 42,430 |
| Changes in inventories of finished goods and work-in-progress | | 292,955 | 117,784 |
| Purchases consumed | | -2,990,405 | -2,434,322 |
| Personnel expenses (1) | | -1,167,799 | -1,061,117 |
| Taxes and social security contributions | | -63,616 | -57,741 |
| Amortization | 4 | -74,994 | -71,202 |
| Allocations to provisions | 11 | -774,654 | -662,292 |
| Reversals of provisions | 11 | 902,873 | 771,915 |
| Other operating income and expenses | 16 | 11,157 | 26,912 |
| OPERATING INCOME | | 361,190 | 352,748 |
| Income from cash and cash equivalents | | 7,207 | 6,892 |
| Cost of gross financial debt | | -16,015 | -7,314 |
| Other financial income and expenses | | -417,054 | -122,275 |
| NET FINANCIAL INCOME/EXPENSE | 18 | -425,862 | -122,697 |
| Share in net income of equity associates | 5 | 144,409 | 132,300 |
| Income tax | 19 | 61,762 | -79,481 |
| NET INCOME | | 141,499 | 282,870 |
| <i>Attributable to the owners of the Parent Company</i> | | <i>141,457</i> | <i>282,836</i> |
| <i>Attributable to non-controlling interests</i> | | <i>42</i> | <i>34</i> |
| Basic earnings per share (in EUR) | 20 | 16.0 | 28.2 |
| Diluted earnings per share (in EUR) | 20 | 16.0 | 28.2 |

(1) personnel expenses include incentive schemes and profit-sharing (EUR 91,888 thousand in 2015 and EUR 85,665 thousand in 2014) as well as contributions paid to French pension plans, comparable to defined contribution plans (EUR 87,437 thousand in 2015 and EUR 82,946 thousand in 2014).

Consolidated financial statements

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

| (in EUR thousands) | Notes | 2015 | 2014 |
|--|-------|----------------|-----------------|
| NET INCOME | | 141,499 | 282,870 |
| Change in fair value of financial instruments: | | | |
| ✓ Available-for-sale securities | 5 | -184,553 | -8,503 |
| ✓ Hedging instruments (1) | 23 | -19,099 | -185,860 |
| Deferred taxes | 19 | 72,024 | 66,845 |
| Change in currency translation adjustments | | 77,394 | 80,071 |
| Equity associate items to be recycled to P&L, net | 5 | -25,939 | -17,606 |
| Items to be subsequently recycled to P&L | | -80,173 | -65,053 |
| Actuarial adjustments on pension benefit obligations | 11 | 11,857 | -94,173 |
| Deferred taxes | 19 | 18,188 | 21,055 |
| Equity associate items that will not be recycled to P&L, net | 5 | 75,603 | -136,865 |
| Items that will not be recycled to P&L | | 105,648 | -209,983 |
| INCOME AND EXPENSE RECOGNIZED DIRECTLY THROUGH EQUITY | | 25,475 | -275,036 |
| RECOGNIZED INCOME AND EXPENSE | | 166,974 | 7,834 |
| <i>Attributable to the owners of the Parent Company</i> | | <i>166,932</i> | <i>7,800</i> |
| <i>Attributable to non-controlling interests</i> | | <i>42</i> | <i>34</i> |

(1) the amounts stated represent the change in the market value over the period for instruments that qualify for hedge accounting. They are not representative of the actual gain/loss that will be recognized when the hedges are exercised.

STATEMENT OF CHANGES IN EQUITY

| (in EUR thousands) | Capital | Consolidated reserves and retained earnings | | Currency translation adjustments | Treasury shares | Total attributable to the owners of the Parent Company | Non-controlling interests | Total equity |
|--|---------------|--|--|----------------------------------|-----------------|--|---------------------------|------------------|
| | | Additional paid-in capital (1), consolidated earnings and other reserves | Derivative financial instruments and available-for-sale securities | | | | | |
| As published at 12/31/2013 | 81,007 | 4,340,804 | 783,243 | -109,874 | 0 | 5,095,180 | 339 | 5,095,519 |
| Restatements (2) | | 6,738 | | | | 6,738 | | 6,738 |
| As restated at 12/31/2013 (2) | 81,007 | 4,347,542 | 783,243 | -109,874 | 0 | 5,101,918 | 339 | 5,102,257 |
| <i>Net income for the year</i> | | 282,836 | | | | 282,836 | 34 | 282,870 |
| <i>Income and expense recognized directly through equity</i> | | -209,983 | -172,370 | 107,317 | | -275,036 | | -275,036 |
| Recognized income and expense | | 72,853 | -172,370 | 107,317 | | 7,800 | 34 | 7,834 |
| Dividends paid | | -90,120 | | | | -90,120 | | -90,120 |
| Movements on treasury shares (3) | -7,297 | -886,603 | | | -39,690 | -933,590 | | -933,590 |
| Other changes (2) (4) | | 16,230 | | | | 16,230 | | 16,230 |
| As restated at 12/31/2014 (2) | 73,710 | 3,459,902 | 610,873 | -2,557 | -39,690 | 4,102,238 | 373 | 4,102,611 |
| <i>Net income for the year</i> | | 141,457 | | | | 141,457 | 42 | 141,499 |
| <i>Income and expense recognized directly through equity</i> | | 105,648 | -170,472 | 90,299 | | 25,475 | | 25,475 |
| Recognized income and expense | | 247,105 | -170,472 | 90,299 | | 166,932 | 42 | 166,974 |
| Dividends paid | | -87,126 | | | | -87,126 | | -87,126 |
| Movements on treasury shares (3) | -730 | -88,662 | | | -362,081 | -451,473 | | -451,473 |
| Other changes (4) | | 39,937 | | | | 39,937 | | 39,937 |
| At 12/31/2015 | 72,980 | 3,571,156 | 440,401 | 87,742 | -401,771 | 3,770,508 | 415 | 3,770,923 |

(1) at December 31, 2014, additional paid-in capital was EUR 19,579 thousand. Since the cancellation of a portion of the treasury shares (see Note 9.2) was partially charged to this item, it is zero at December 31, 2015.

(2) restated for the impact of the application of IFRIC 21. See accounting principles, Note A1-3.

(3) see Note 9.2.

(4) for THALES, this represents in particular the change in treasury shares, employee share issues and share-based payments.

Consolidated financial statements

STATEMENT OF CASH FLOWS

| (in EUR thousands) | Notes | 2015 | 2014 |
|---|-----------------|------------------|-----------------|
| I - NET CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| NET INCOME | | 141,499 | 282,870 |
| Elimination of net income of equity associates, net of dividends received | 5 | -82,172 | -68,283 |
| Elimination of gains and losses from disposals of non-current assets | 16 | 823 | -9,593 |
| Change in the fair value of derivative financial instruments | 23 | 446,749 | 165,501 |
| Income tax (including deferred taxes) | 19 | -61,762 | 79,481 |
| Allocation to and reversals of depreciation, amortization and provisions (excluding those relating to working capital) and impairment | 4, 5, 11 | -63,428 | -15,393 |
| Other items | | 133 | -170 |
| Net cash from operating activities before working capital changes and taxes | | 381,842 | 434,413 |
| Income taxes paid | 19 | -107,757 | -103,298 |
| Change in inventories and work-in-progress (net) | 6 | -336,419 | -405,042 |
| Change in advances and progress payments to suppliers | 13 | -879,363 | -13,828 |
| Change in trade and other receivables (net) | 7 | 67,084 | -164,960 |
| Change in customer advances and progress payments | 13 | 2,077,990 | -22,495 |
| Change in trade and other payables | 12 | 54,950 | 8,987 |
| Change in tax and social security liabilities (1) | 12 | 36,587 | -10,992 |
| Increase (-) or decrease (+) in working capital requirement | | 1,020,829 | -608,330 |
| Total I | | 1,294,914 | -277,215 |
| II - NET CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of intangible assets and property, plant & equipment | 4 | -152,272 | -91,395 |
| Increase in non-current financial assets | 5 | -2,764 | -492 |
| Disposals of or reductions in non-current | | 4,865 | 26,773 |
| Net cash from acquisitions and disposals of subsidiaries | | -1,389 | 0 |
| Total II | | -151,560 | -65,114 |
| III - NET CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net change in available-for-sale marketable securities (at historical cost) | 5 | -657,174 | 299,233 |
| Capital increase | | 0 | 0 |
| Purchases and sales of treasury shares | 9 | -451,473 | -933,590 |
| Increase in financial debt | 10 | 358,857 | 789,615 |
| Repayment of financial debt | 10 | -85,729 | -121,377 |
| Dividends paid during the year | 21 | -87,126 | -90,120 |
| Total III | | -922,645 | -56,239 |
| IV - Impact of exchange rate fluctuations and other | Total IV | 65,625 | 75,416 |
| CHANGE IN NET CASH AND CASH EQUIVALENTS (I+II+III+IV) | | 286,334 | -323,152 |
| Opening net cash and cash equivalents | 8 | 660,078 | 983,230 |
| Closing net cash and cash equivalents | 8 | 946,412 | 660,078 |

(1) restated for the impact of the application of IFRIC 21. See accounting principles, Note A1-3.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

OVERVIEW

1 Accounting principles

2 Scope of consolidation

- 2.1 Scope of consolidation at December 31, 2015
- 2.2 2015 change in scope of consolidation

ASSETS

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Note 1 - Accounting principles

A/ GENERAL PRINCIPLES

On March 9, 2016, the Board of Directors closed and authorized the publication of the DASSAULT AVIATION consolidated financial statements for the year ended December 31, 2015. These consolidated financial statements will be submitted for approval to the General Meeting on May 19, 2016.

• A1 Reference standards

A1-1 Basis for the preparation of the financial information

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

A1-2 Changes in 2015 to the accounting standards applicable to Dassault Aviation

Standards, amendments and interpretations for mandatory application as of January 1, 2015

On January 1, 2015, the Group applied the following standards, amendments and interpretations:

- the IFRIC 21 "Levies" interpretation;
- IFRS annual improvements for 2011-2013 cycle.

The impacts of the application of IFRIC 21 on the Group's financial statements are detailed in paragraph A1-3.

IFRS annual improvements for 2011-2013 cycle applicable to periods beginning on or after January 1, 2015 had no material impact on the Group's consolidated financial statements.

Standards, amendments and interpretations for mandatory application after January 1, 2015

The new standards, amendments and interpretations presented below have not been applied in advance by the Group when this option was offered.

Standards, amendments and interpretations adopted by the European Union that were not mandatory on January 1, 2015, with no material impact on the Group's financial statements, are as follows:

- the amendment to IAS 19 on employee benefits;
- the amendment to IFRS 11 "Accounting for acquisition of interests in joint operations";
- the amendment to IAS 16 and IAS 38 on acceptable methods of depreciation and amortization;
- the amendment to IAS 1 "Disclosure initiative";
- IFRS annual improvements to the 2010-2012 cycle;
- IFRS annual improvements to the 2012-2014 cycle.

The main texts published by the IASB and not yet adopted by the European Union are:

- IFRS 15 "Revenue from Contracts with Customers", applicable as of January 1, 2018;
- IFRS 9 "Financial Instruments", applicable as of January 1, 2018;
- IFRS 16 "Leases", applicable as of January 1, 2019;
- the amendment to IAS 12 "Recognition of deferred tax assets for unrealized losses", applicable as of January 1, 2017.

The effects of these texts on the Group's financial statements are currently being assessed. Working groups have been established for the transition to the new IFRS 15.

A1-3 Application of IFRIC 21

The application of IFRIC 21 is mandatory for fiscal periods beginning on or after January 1, 2015. It deals with the recognition of liabilities for taxes owed.

More specifically, the text requires that:

- taxes be recognized on the date of the obligating event;
- liabilities should be recognized progressively only if the obligating event occurs over time.

Taxes affected by the new text that impact the DASSAULT AVIATION Group financial statements are the corporate social solidarity contributions (C3S, tax based on French companies turnover) and property taxes.

Since the interpretation is applied retrospectively, the financial statements for the comparative periods have been restated.

The application of this interpretation had a limited impact on the financial statements. The impacts are presented below.

Impact on the Group's balance sheet at December 31, 2014:

| (in EUR thousands) | 12/31/2014 published | Impact | 12/31/2014 restated |
|---|-------------------------|------------|------------------------|
| Non-current assets | 5,190,322 | 152 | 5,190,474 |
| Current assets | 4,738,963 | - | 4,738,963 |
| Total assets | 9,929,285 | 152 | 9,929,437 |
| Equity attributable to the shareholders of the Parent Company | 4,095,535 | 6,703 | 4,102,238 |
| Non-controlling interests | 373 | - | 373 |
| Non-current liabilities | 892,736 | - | 892,736 |
| Current liabilities | 4,940,641 | -6,551 | 4,934,090 |
| Total equity and liabilities | 9,929,285 | 152 | 9,929,437 |

The application of this interpretation had no material impact on 2014 results. The 2014 income statement was not restated.

• A2 Accounting choices and Management estimates

To prepare the Group's financial statements, Management is required to make estimates and issue assumptions that could 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;
- the calculation of provisions for contingencies and charges and provisions for impairment;
- the calculation of development costs that meet capitalization criteria;
- the recoverability of deferred tax assets.

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

Subsequent results may therefore differ from such estimates.

• A3 Presentation of the consolidated financial statements

Consolidated balance sheet items are presented as Current/Non-current. The Group's activities have long operating cycles. As a result, the assets (liabilities) generally realized (settled) in the context of the operating cycle (inventories and work-in-progress, receivables and payables, advances and progress payments, etc.) are presented in the consolidated balance sheet as current assets and liabilities, without distinction between the amount due within one year and the amount due at more than one year.

Consolidated income statement items are presented by nature.

Net operating income represents all income and expenses not arising from financial activities, equity associates, discontinued operations or operations being sold, and income taxes.

Consolidated financial statements

- **A4 Segment reporting**

IFRS 8, "Operating Segments", requires the presentation of information according to internal management criteria. The activity of the DASSAULT AVIATION Group relates entirely to the aerospace sector. The internal reporting made to the Chairman-Chief Executive Officer and to the Chief Operating Officer, which is used for strategy and decision-making, includes no performance analysis, as defined by IFRS 8, at a level lower than this sector.

B/ CONSOLIDATION PRINCIPLES AND METHODS

- **B1 Scope and methods of consolidation**

B1-1 Companies under exclusive control

Companies over which DASSAULT AVIATION exercises exclusive control, directly or indirectly, are fully consolidated if their significance justifies it.

B1-2 Companies under significant influence

Companies over which DASSAULT AVIATION exercises significant influence, directly or indirectly, are consolidated using the equity method if their relative importance justifies it.

B1-3 Companies under joint control

Joint arrangements classified as joint venture are accounted for using the equity method.

B1-4 Consolidation thresholds

To apply the concept of relative importance, companies that are controlled or over which the Group exercises a notable influence are included within the scope of consolidation when all the following conditions are met:

- total assets and liabilities exceed 2% of the equivalent Group totals;
- total net sales exceed 2% of the Group total;
- equity exceeds 3% of the Group total.

B1-5 Elimination of inter-company transactions

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

- **B2 Closing dates**

All consolidated companies close their fiscal years on December 31.

- **B3 Translation of financial statements of non-euro zone subsidiaries**

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

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

- assets and liabilities are translated at the year-end rate;
- income statement items are translated at the average rate.

Currency translation adjustments are recognized in equity and do not impact the income statement.

C/ VALUATION PRINCIPLES

- **C1 Goodwill and business combinations**

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

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

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

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

Goodwill is recognized:

- if it is negative, in net income;
- if it is positive, in balance sheet assets as:
 - ✓ "goodwill" if the purchased company is fully consolidated,
 - ✓ "equity associates" if the purchased company is consolidated under the equity method.

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

Goodwill is not amortized. It is subject to an impairment test at each year-end, or if an indication of impairment has been detected (see *C3 Impairment value and recoverable value*).

At the time of the initial adoption of IFRS, DASSAULT AVIATION chose not to restate goodwill recognized prior to January 1, 2004. The goodwill recognized on this date represents the value net of any previously recognized amortization.

• C2 Tangible and intangible fixed assets

C2-1 Principles for recognition and amortization

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

Each identified component of a non-current asset is recognized and depreciated or amortized separately.

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

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 if the conditions in which the asset is used justify it.

In accordance with IAS 38 "Intangible Assets" concerning development costs, the Group determines the development phase of its programs that that meets the criteria for capitalization. Development costs are capitalized if they satisfy the following three determinant criteria:

- the technical criterion is met when the period for validation of results after the maiden flight has elapsed without calling the project into question;
- the economic criterion is validated by the orders placed or options obtained on the date the technical requirement is considered satisfied;
- the financial information reliability criterion is satisfied for significant programs because the information system differentiates research and development phases. If such a distinction cannot be made, as may be the case for minor developments (e.g. modification, improvement, etc.), those development costs are not capitalized.

The asset must generate clearly identifiable future economic benefits attributable to a specific product.

Capitalized development costs are valued at the production cost. They are amortized on the basis of the number of aircraft delivered during the year, divided by an estimated number of aircraft to be delivered under the program.

C2-2 Useful lives

Useful lives are as follows:

| | |
|-------------------------------------|--|
| Software | 3-4 years |
| Development costs | depend on 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 tools | 3-15 years |
| Aircraft | 4-10 years |
| Rolling stock | 3-4 years |
| Other property, plant and equipment | 3-8 years |
| Used goods | on a case-by-case basis |

C2-3 Derecognition

Any gain or loss arising from the derecognition of an asset (difference between the net disposal gain and the carrying value) is included in the income statement in the year of derecognition.

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• C3 Impairment and recoverable value of tangible and intangible assets and goodwill

In accordance with IAS 36 "Impairment of non-current Assets", all non-current assets (tangible and intangible) and goodwill are subject to an impairment test when an indication of impairment is detected, and at least once a year on December 31 for goodwill and intangible assets with an indefinite useful life.

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

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

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

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

The value of use is calculated using the discounted future cash flow method, with a post-tax discount rate of 8.6% (compared to 8.5% as at December 31, 2014) and a long-term growth rate of 2% (same as at December 31, 2014). The discount rate includes the rates prevailing in the aerospace industry and was calculated using the same method as in 2014. 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 projected operating conditions adopted by the Group's Management.

When a cash-generating unit needs to be impaired, the impairment is first of all applied to the goodwill then, if appropriate, to the other assets of the cash-generating unit proportionate to their net book value. Impairments may be reversed except those relating to goodwill.

• C4 Securities and other non-current financial assets

These fall into three categories.

C4-1 Equity associates

Investments in equity affiliates undergo an impairment test once there are objective indications of any long-term loss in value.

Impairment is recognized if the recoverable value is lower than the carrying amount, with the recoverable value being equivalent to the value in use, as defined in paragraph C3, or the fair value net of transaction costs, whichever is higher.

Concerning the equity stake in THALES, when an impairment test is carried out, the operational and financial hypotheses used derive from data provided directly by the THALES Management.

Impairment may be reversed if the recoverable value once again exceeds the carrying value.

C4-2 Available-for-sale securities

These mainly comprise short-term investments in the form of marketable securities and non-consolidated equity investments which the Group does not intend to sell in the short term.

They are recognized at their fair value.

For listed assets (marketable securities and equity investments), fair value corresponds to the market price prevailing at the balance sheet date. These items are classified as level 1 (as per IFRS 13).

For non-listed investments, in the absence of any external valuation elements, fair value represents the Group's share in net assets plus any significant unrealized gains. Fair value is calculated on the basis of the most recent financial statements available at year-end. These items are classified as level 3 (as per IFRS 13).

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

Once such assets are sold or their value is permanently impaired, any cumulative gains or losses recognized directly in equity during previous years are posted in financial income for marketable

securities, and in operating income for equity investments.

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

C4-3 Other financial assets

Other financial assets mainly comprise guarantee deposits and loans granted to employees for a housing loan.

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

• C5 Inventories and work in progress

Incoming raw materials, semi-finished and finished goods inventories are valued at acquisition cost for items purchased and production cost for items produced. Outgoing inventories are valued at the weighted average cost, with the exception of 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 for completion and executing the sale.

• C6 Receivables

Trade and other receivables are presented separately on the balance sheet. They are systematically classified as current assets.

Receivables resulting from financial lease contracts are presented under "Trade and other receivables". They represent the discounted amount of the expected lease revenues, plus the residual value of the aircraft at the end of the financial lease contract.

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

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

In the event of a risk of customer default, the receivable is written down in the amount of the

estimated risk for the portion not covered by credit insurance (COFACE or collateral).

Non written-down receivables are recent receivables and/or receivables with no material credit risk.

Foreign currency receivables, translated by each subsidiary into their local currency at the day's rate, are revalued at each closing on the basis of the closing rate. Revaluation differences are booked in operating income.

• C7 Cash and cash equivalents

Cash and cash equivalents satisfy the criteria set forth in IAS 7 "Statement of Cash Flows": short-term 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; this is the market price on the account closing date for listed securities.

The changes in fair value and net disposal gains or losses are recognized in financial income as income from cash and cash equivalents.

• C8 Shareholders' equity

C8-1 Treasury shares

Treasury shares are deducted from total equity at their acquisition cost. Any gains or losses from the sale of treasury shares are recognized directly in equity and do not impact income for the period.

C8-2 Share-based payments

In 2015, DASSAULT AVIATION established a plan to grant free shares. These allotments are recognized as an expense representing the fair value of the services rendered by the beneficiaries.

The fair value of the services is determined by reference to the fair value of the shares on the grant date, adjusted for dividends not received during the vesting period and the cost of non-transferability.

The performance conditions are taken into account when estimating the number of shares to be granted at the end of the vesting period.

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The benefits granted constitute personnel expenses and are recognized on a straight-line bases over the vesting period. This expense is recognized against equity.

• C9 Provisions for contingencies and charges

C9-1 Warranty provisions

In the context of sales or procurement contracts, DASSAULT AVIATION has formal warranty obligations for the equipment, products and/or services (software development, systems integration, etc.) delivered.

These obligations may be distinguished between:

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

The amount of the warranty provisions is primarily calculated as follows:

- for current warranty of equipment: based on experience with the observed costs, as per the warranty items covered contractually and the aircraft models in question;
- for handling of malfunctions or changes and regulatory nonconformities: on the basis on quotations prepared by specialists from the business lines concerned by the corrections to be made; these corrections have been detailed in technical files.

C9-2 Retirement payments

Commitments to employees for retirement costs are provisioned for the obligations remaining. Provisions are estimated for all employees and are estimated on the basis of vested rights and a projection of current salaries, after taking into account mortality rates, employee turnover, and a discounting assumption. The rates used have been determined based on the yield for top-ranking corporate long-term bonds, with a maturity equal to the duration of the commitments calculated.

The Group applies revised IAS 19 which stipulates:

- the recognition of all actuarial adjustments in income and expense recognized directly through equity;
- immediate recognition of the cost of past services;
- alignment of the expected return from the plan's assets to the discount rates;
- the recognition of only the administrative costs relating to management of the assets as a deduction from their actual return.

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

• C10 Borrowings and payables

Foreign currency borrowings and payables, translated by each subsidiary into their local currency at the day's rate, are revalued at each closing on the basis of the closing rate. Revaluation differences are recognized in operating income.

Loans contracted by the Group are initially recorded at the amount received net of transaction costs, and subsequently at the amortized cost, calculated using the effective interest rate.

• C11 Discounting of receivables, payables and provisions

Receivables and payables are recognized for their discounted amounts when the payment date is more than one year and the effects of the discounting are significant.

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

Other provisions are stated at present value.

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

• C12 Derivative financial instruments

C12-1 Derivative financial instruments subscribed by the Group

The Company uses derivative financial instruments to hedge its exposure to risks from fluctuations in foreign exchange rates, interest rates and, more marginally, fluctuations in commodity prices.

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

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

C12-2 Recognition and valuation of derivative financial instruments

On initial recognition, derivatives are booked at acquisition cost in the balance sheet under "Derivative Financial Instruments".

They are subsequently stated at fair value, calculated on the basis of the market price communicated by the relevant financial institutions and the market parameters observed on the closing date, taking into account any counterparty risks. The valuation of financial instruments is level 2 (as per IFRS 13).

The Group applies hedge accounting for the relevant transactions in accordance with the criteria set forth in IAS 39 "Financial Instruments":

- changes in fair value of hedging instruments are posted, net of tax, to other income and expense recognized through equity, with the exception of the ineffective amount of the hedge, if any, which is recognized in operating income for foreign exchange derivatives and in net financial income for interest rate derivatives;
- when the cash flow is received, the gain or loss on the foreign exchange hedging instrument is recognized in operating income;
- at each interest payment date for hedged borrowings, the gain or loss on the interest rate hedge is posted in net financial income or expense for the relevant period.

If a derivative instrument chosen for its hedging effectiveness by the Group does not meet the requirements for hedge accounting (foreign exchange options and commodity derivatives), then the changes in its fair value are recognized in net financial income or expense.

• C13 Net sales and income

C13-1 Recognition of revenue and operating income or loss

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

Financial lease contracts are recognized as credit sales in application of IAS 17: "Leases".

Services are recognized 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 if any are recognized as soon as they are known.

Contracts involving co-contractors for which DASSAULT AVIATION is the sole signatory are analyzed to determine the Company's status as a principal or agent. If the analysis classifies the Company as an agent, only the proportionate share of net sales due to the agent is recognized. Otherwise, the entirety of net sales and related expenses (including the co-contractors parts) is recognized.

The impacts on the Group financial statements of IFRS 15, which deals with the recognition of net sales, are being assessed.

C13-2 Tax credits for competitiveness and employment and research tax credits

The amounts acquired as tax credits for competitiveness and employment by the French companies of the Group are deducted from personnel expenses.

Research tax credits are included in operating income in "other revenue" when their obtaining does not depend on the realization of a taxable income.

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C13-3 Net financial income

Net financial income primarily represents:

- financial income related to cash and cash equivalents;
- financial expenses related to loans contracted by the Group and locked-in employee profit-sharing funds;
- dividends from non-consolidated companies recognized when the Group – as shareholder – is entitled to receive payment;
- proceeds from the sale of investment securities classified as “Available-for-sale securities”;
- financial income obtained from financial lease transactions;
- losses and gains on derivative instruments that do not meet the conditions required by the standard for hedge accounting.

• C14 Deferred taxes

Deferred taxes linked to temporary differences are calculated per company.

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

Provisions are recognized for taxes 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 paid, based on local tax rates (and tax laws) that have been enacted by the year-end.

Taxes on items recognized directly through equity are charged or credited to equity.

Deferred tax assets and liabilities are offset per entity for presentation on the balance sheet.

Note 2 - Scope of consolidation

2.1 Scope of consolidation at December 31, 2015

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

| Name | Country | % interest (1) | | Consolidation method (2) |
|--------------------------------------|---------------|-----------------------|-----------------------|--------------------------|
| | | 12/31/2015 | 12/31/2014 | |
| DASSAULT AVIATION (3) | France | Parent company | Parent company | |
| DASSAULT FALCON JET | USA | 100 | 100 | FC |
| - DASSAULT FALCON JET WILMINGTON | USA | 100 | 100 | FC |
| - DASSAULT AIRCRAFT SERVICES | USA | 100 | 100 | FC |
| - DASSAULT FALCON JET LEASING | USA | 100 | 100 | FC |
| - AERO PRECISION | USA | 50 | 50 | EM |
| - MIDWAY | USA | 25 | 25 | FC |
| - DASSAULT FALCON JET DO BRAZIL | Brazil | 100 | 100 | FC |
| - DASSAULT FALCON BUSINESS SERVICES | China | 0 | 100 | NC |
| DASSAULT FALCON SERVICE | France | 100 | 100 | FC |
| - FALCON TRAINING CENTER | France | 50 | 50 | EM |
| DASSAULT PROCUREMENT SERVICES | USA | 100 | 100 | FC |
| - MIDWAY | USA | 75 | 75 | FC |
| SOGITEC INDUSTRIES | France | 100 | 100 | FC |
| DASSAULT INTERNATIONAL INC. | USA | 100 | 100 | FC |
| THALES | France | 25 | 26 | EM |

(1) the equity interest percentages are identical to the percentages of control for all Group companies except for THALES, in which the Group held 24.90% of the capital, 25.00% of the interest rights, and 28.67% of the voting rights as of December 31, 2015.

(2) FC: fully consolidated, EM: equity method, NC: not consolidated.

(3) identity of the parent company: DASSAULT AVIATION, a Société Anonyme (limited company) with capital of EUR 72,980,304, listed and registered in France, Paris Trade Register No. 712 042 456 - 9, Rond-Point des Champs-Élysées Marcel Dassault - 75008 PARIS.

2.2 2015 change in scope of consolidation

Regarding the consolidation thresholds presented in Note B1-4, DASSAULT FALCON BUSINESS SERVICES was removed from the scope of consolidation. This withdrawal has no material impact on the Group's consolidated financial statements. Moreover, DASSAULT FALCON BUSINESS SERVICES, a company previously wholly owned by DASSAULT FALCON JET, was sold to DASSAULT AVIATION.

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Note 3 - Goodwill

| (in EUR thousands) | 12/31/2014 | Acquisitions | Disposals | Other | 12/31/2015 |
|-------------------------------|---------------|--------------|-----------|----------|---------------|
| 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 in the discount rate and the long-term growth rate does not affect the absence of goodwill impairment.

Pursuant to IFRS, the goodwill for THALES, which is consolidated under the equity method, is included under "Equity associates" (see Note 5).

Note 4 - Intangible assets and property, plant and equipment

4.1 Geographic breakdown

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|-------------------------------|----------------|----------------|
| Net value | | |
| France | 295,833 | 272,636 |
| USA | 218,182 | 167,172 |
| TOTAL | 514,015 | 439,808 |
| Intangible assets | 28,866 | 22,522 |
| Property, plant and equipment | 485,149 | 417,286 |

4.2 Intangible assets

| (in EUR thousands) | 12/31/2014 | Acquisitions Increases | Disposals Reversals | Other | 12/31/2015 |
|---|-----------------|---------------------------|------------------------|-------------|-----------------|
| Gross value | | | | | |
| Development costs (1) | 143,309 | 7,515 | 0 | 0 | 150,824 |
| Software, patents, licenses and similar assets | 100,114 | 6,937 | -77 | 700 | 107,674 |
| Intangible assets in progress; advances and progress payments | 1,536 | 1,252 | 0 | -159 | 2,629 |
| | 244,959 | 15,704 | -77 | 541 | 261,127 |
| Amortization | | | | | |
| Development costs (1) | -135,148 | -2,941 | 0 | 0 | -138,089 |
| Software, patents, licenses and similar assets | -87,289 | -6,606 | 73 | -350 | -94,172 |
| | -222,437 | -9,547 | 73 | -350 | -232,261 |
| Net value | | | | | |
| Development costs (1) | 8,161 | | | | 12,735 |
| Software, patents, licenses and similar assets | 12,825 | | | | 13,502 |
| Intangible assets in progress; advances and progress payments | 1,536 | | | | 2,629 |
| TOTAL | 22,522 | 6,157 | -4 | 191 | 28,866 |

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

4.3 Property, plant and equipment

| (in EUR thousands) | 12/31/2014 | Acquisitions Increases | Disposals Reversals | Other (1) | 12/31/2015 |
|--|------------------|---------------------------|------------------------|----------------|------------------|
| Gross value | | | | | |
| Land | 30,114 | 471 | -56 | 0 | 30,529 |
| Buildings | 439,708 | 21,542 | -2,394 | 42,765 | 501,621 |
| Plant, equipment and machinery | 525,312 | 37,527 | -16,536 | 10,721 | 557,024 |
| Other property, plant and equipment | 231,914 | 37,990 | -5,629 | 11,477 | 275,752 |
| Assets in progress; advances and progress payments | 40,013 | 39,038 | -3,591 | -29,960 | 45,500 |
| | 1,267,061 | 136,568 | -28,206 | 35,003 | 1,410,426 |
| Amortization | | | | | |
| Land | -6,406 | -466 | 46 | 0 | -6,826 |
| Buildings | -249,714 | -20,371 | 2,159 | -6,235 | -274,161 |
| Plant, equipment and machinery | -440,645 | -29,864 | 15,997 | -3,662 | -458,174 |
| Other property, plant and equipment | -152,672 | -14,746 | 4,977 | -5,094 | -167,535 |
| | -849,437 | -65,447 | 23,179 | -14,991 | -906,696 |
| Impairment (2) | | | | | |
| Other property, plant and equipment | -338 | -18,251 | 369 | -361 | -18,581 |
| | -338 | -18,251 | 369 | -361 | -18,581 |
| Net value | | | | | |
| Land | 23,708 | | | | 23,703 |
| Buildings | 189,994 | | | | 227,460 |
| Plant, equipment and machinery | 84,667 | | | | 98,850 |
| Other property, plant and equipment | 78,904 | | | | 89,636 |
| Assets in progress; advances and progress payments | 40,013 | | | | 45,500 |
| TOTAL | 417,286 | 52,870 | -4,658 | 19,651 | 485,149 |

(1) this essentially represents currency translation adjustments.

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

- The impairment tests performed for cash-generating units did not reveal any impairment to be recognized at December 31, 2015.
- The provision for impairment of capitalized used aircraft was revised to EUR 18,581 thousand at December 31, 2015, compared with EUR 338 thousand at December 31, 2014.

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Note 5 - Non-current financial assets

5.1 Equity associates

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

At December 31, 2015, DASSAULT AVIATION held 25.00% of the interest rights of the THALES Group, compared to 25.51% at December 31, 2014. DASSAULT AVIATION has significant influence over THALES, especially with regard of the shareholders' agreement between DASSAULT AVIATION and the public sector.

| (in EUR thousands) | Equity affiliates | | Share in net income of equity associates | |
|--------------------|-------------------|------------------|--|----------------|
| | 12/31/2015 | 12/31/2014 (1) | 2015 | 2014 |
| THALES (1) (2) | 1,754,130 | 1,585,582 | 140,330 | 128,872 |
| Other | 20,163 | 17,071 | 4,079 | 3,428 |
| TOTAL | 1,774,293 | 1,602,653 | 144,409 | 132,300 |

(1) restated for the impact of the application of IFRIC 21. See accounting principles, Note A1-3.

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

5.1.2 Change in equity associates

| (in EUR thousands) | 2015 | 2014 (1) |
|---|------------------|------------------|
| On January 1 (1) | 1,602,653 | 1,662,271 |
| Share in net income of equity associates | 144,409 | 132,300 |
| Elimination of dividends paid (2) | -62,237 | -64,017 |
| Income and expense recognized directly through equity | | |
| - Available-for-sale securities | 162 | 34 |
| - Hedging instruments (3) | -49,818 | -67,003 |
| - Actuarial adjustments on pension obligations | 74,128 | -161,610 |
| - Deferred taxes | 12,287 | 46,862 |
| - Currency translation adjustments | 12,905 | 27,246 |
| Share of equity associates in other income and expense recognized directly through equity | 49,664 | -154,471 |
| Other movements (1) (4) | 39,804 | 26,570 |
| At December 31 | 1,774,293 | 1,602,653 |

(1) restated for the impact of the application of IFRIC 21. See accounting principles, Note A1-3.

(2) in 2015, the Group received EUR 40,975 thousand in THALES dividends for 2014 and EUR 18,386 thousand in interim dividends for 2015. In 2014, THALES paid the Group EUR 44,652 thousand in dividends for 2013 and EUR 17,860 thousand in interim dividends for 2014.

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

(4) for THALES, this represents in particular the change in treasury shares, employee share issues and share-based payments.

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

THALES Group operates in the fields of aerospace, transport, defense and security and provides integrated solutions and equipment designed to increase reliability and secure, monitor and control, protect and defend (cf. <http://www.thalesgroup.com>). The headquarters of THALES Group is located at Tour Carpe Diem, 31 place des Corolles, 92 098 PARIS La Défense.

| (in EUR thousands) | 2015 | 2014 (1) |
|---|------------|------------|
| Non-current assets (1) | 8,466,900 | 8,390,800 |
| Current assets (2) | 13,093,300 | 11,595,800 |
| Equity attributable to the owners of the Parent Company (1) | 4,645,900 | 3,781,700 |
| Non-controlling interests (1) | 295,900 | 299,100 |
| Non-current liabilities (3) | 3,414,400 | 4,289,900 |
| Current liabilities (1) (4) | 13,204,000 | 11,615,900 |
| Total balance sheet (1) | 21,560,200 | 19,986,600 |
| Net sales | 14,063,200 | 12,973,600 |
| Net income attributable to the owners of Parent Company (5) | 765,100 | 714,200 |
| Other comprehensive income attributable to the owners of the Parent Company | 167,800 | -613,000 |
| Total comprehensive income attributable to the owners of the Parent Company | 932,900 | 101,200 |

(1) restated for the impact of the application of IFRIC 21.

(2) including cash and cash equivalents: EUR 3,450,200 thousand in 2015 (EUR 2,481,400 thousand in 2014).

(3) including non-current financial liabilities: EUR 837,600 thousand in 2015 (EUR 1,467,800 thousand in 2014).

(4) including current financial liabilities: EUR 1,104,000 thousand in 2015 (EUR 390,400 thousand in 2014).

(5) including amortization: EUR -492,900 thousand in 2015 (EUR -449,600 thousand in 2014).

including financial interest on gross debt: EUR -15,500 thousand in 2015 (EUR -20,200 thousand in 2014).

including financial income related to cash and cash equivalents: EUR 19,300 thousand in 2015 (EUR 22,400 thousand in 2014).

including income tax: EUR -219,900 thousand in 2015 (EUR -214,300 thousand in 2014).

Moreover, THALES is exposed to the contingent liability described in Note 25.

The detail of the passage between the net income published by THALES and the Group share in THALES net income is given in the table below:

| (in EUR thousands) | 2015 | 2014 |
|--|----------------|----------------|
| THALES net income, attributable to the owners of the Parent Company | 765,100 | 714,200 |
| THALES net income - DASSAULT AVIATION share | 191,275 | 182,192 |
| Post-tax amortization of the purchase price allocation (1) | -37,820 | -45,242 |
| Other consolidation restatements | -13,125 | -8,078 |
| Consolidation restatement subtotal | -50,945 | -53,320 |
| Value applied by DASSAULT AVIATION | 140,330 | 128,872 |

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

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5.1.4 Impairment

Based on the market price of the THALES share at December 31, 2015 (EUR 69.10 per share), DASSAULT AVIATION's investment in THALES is valued at EUR 3,630 million.

In the absence of any objective indication of impairment, the THALES investment was not subject to an impairment test at December 31, 2015.

5.2 Available-for-sale securities

Available-for-sale securities are recognized at their fair value. They include in particular short-term Group investments in the form of listed 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.

| (in EUR thousands) | 12/31/2014 | Acquisitions | Disposals | Change in fair value | Other | 12/31/2015 |
|---|------------------|----------------|-------------|----------------------|----------|------------------|
| Marketable securities (listed) (1) (2) | 2,673,249 | 657,174 | 0 | -181,811 | 0 | 3,148,612 |
| Non-listed securities (3) | 72,729 | 2,291 | -258 | -1,729 | 0 | 73,033 |
| EMBRAER shares | 50,625 | 0 | 0 | -3,913 | 0 | 46,712 |
| Available-for-sale securities | 2,796,603 | 659,465 | -258 | -187,453 | 0 | 3,268,357 |

(1) the amount of EUR 657,174 thousand corresponds to acquisitions net of disposals of listed marketable at the historical cost.

(2) the decrease in the fair value of EUR -181,811 thousand is due to the sale of marketable securities, which generated a profit of EUR 186,330 thousand (included in financial income), and the increase in the fair value of the marketable securities for EUR 4,519 thousand.

(3) the change in the fair value of non-listed securities includes an impairment loss recognized through net income for EUR -2,900 thousand.

An analysis of the performance of listed securities is conducted at each balance sheet date. The investment portfolio does not present, line-by-line, any objective indication of impairment as of December 31, 2015 (as at December 31, 2014).

| (in EUR thousands) | 12/31/2015 | | | 12/31/2014 | | |
|--------------------------------------|------------------|------------------------------------|------------------|------------------|------------------------------------|------------------|
| | Historical cost | Unrealized capital gain / loss (1) | Total | Historical cost | Unrealized capital gain / loss (1) | Total |
| Marketable securities (listed) | 2,370,930 | 777,682 | 3,148,612 | 1,713,756 | 959,493 | 2,673,249 |
| Non-listed securities | 48,764 | 24,269 | 73,033 | 46,731 | 25,998 | 72,729 |
| EMBRAER shares | 32,120 | 14,592 | 46,712 | 32,120 | 18,505 | 50,625 |
| Available-for-sale securities | 2,451,814 | 816,543 | 3,268,357 | 1,792,607 | 1,003,996 | 2,796,603 |

(1) gains or losses are recognized directly through equity with the exception of losses considered definitive.

5.3 Other financial assets

| (in EUR thousands) | 12/31/2014 | Acquisitions Increases | Disposals Reversals | Other | 12/31/2015 |
|---|---------------|---------------------------|------------------------|-----------|---------------|
| Advance lease payments | 31,888 | 390 | -2 | 0 | 32,276 |
| Housing loans and other | 2,190 | 83 | -404 | 19 | 1,888 |
| Other gross financial assets (1) | 34,078 | 473 | -406 | 19 | 34,164 |
| Provision | -319 | 0 | 0 | -19 | -338 |
| Other net financial assets | 33,759 | 473 | -406 | 0 | 33,826 |

(1) maturing at more than one year: EUR 33,382 thousand on December 31, 2015 and EUR 33,317 thousand on December 31, 2014.

Note 6 - Inventories and work-in-progress

| (in EUR thousands) | 12/31/2015 | | | 12/31/2014 |
|---|------------------|-----------------|------------------|------------------|
| | Gross | Impairment | Net | Net |
| Raw materials | 187,198 | -79,205 | 107,993 | 105,844 |
| Work-in-progress | 2,616,799 | -33,699 | 2,583,100 | 2,176,597 |
| Semi-finished and finished goods | 1,085,266 | -348,378 | 736,888 | 809,121 |
| Inventories and work-in-progress | 3,889,263 | -461,282 | 3,427,981 | 3,091,562 |

Note 7 - Trade and other receivables
7.1 Details

| (in EUR thousands) | 12/31/2015 | | | 12/31/2014 |
|------------------------------------|----------------|----------------|----------------|----------------|
| | Gross | Impairment | Net | Net |
| Trade receivables (1) | 533,275 | -89,953 | 443,322 | 496,982 |
| Corporate income tax receivables | 92,491 | 0 | 92,491 | 84,078 |
| Other receivables | 166,785 | 0 | 166,785 | 129,646 |
| Prepayments | 11,465 | 0 | 11,465 | 12,055 |
| Trade and other receivables | 804,016 | -89,953 | 714,063 | 722,761 |

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

The percentage of outstanding receivables not written-down at year-end is subject to regular individual monitoring. The exposure of DASSAULT AVIATION to the credit risk is presented in Note 23.2.

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7.2 Schedule of trade and other receivables

| (in EUR thousands) | 12/31/2015 | | | 12/31/2014 | | |
|------------------------------------|----------------|----------------|------------------|----------------|----------------|------------------|
| | Total | Within 1 year | More than 1 year | Total | Within 1 year | More than 1 year |
| Trade receivables (1) | 533,275 | 262,402 | 270,873 | 576,674 | 286,673 | 290,001 |
| Corporate income tax receivables | 92,491 | 92,491 | 0 | 84,078 | 84,078 | 0 |
| Other receivables | 166,785 | 166,785 | 0 | 129,646 | 129,646 | 0 |
| Prepayments | 11,465 | 11,465 | 0 | 12,055 | 12,055 | 0 |
| Trade and other receivables | 804,016 | 533,143 | 270,873 | 802,453 | 512,452 | 290,001 |

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

7.3 Receivables relating to financial lease contracts

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|-------------------------------|----------------|----------------|
| Minimum lease receivables (1) | 127,577 | 123,463 |
| Unearned financial income | -9,708 | -10,204 |
| Provisions for impairment | -5,154 | 0 |
| Net value | 112,715 | 113,259 |

(1) the amount due within one year of minimum lease receivables is EUR 35,668 thousand.

Note 8 - Cash and cash equivalents

8.1 Net cash

| (in EUR thousands) | 12/31/2015 | | | 12/31/2014 |
|--|----------------|------------|----------------|----------------|
| | Gross | Impairment | Net | Net |
| Cash equivalents (1) | 832,129 | 0 | 832,129 | 650,518 |
| Cash at bank and in hand | 114,283 | 0 | 114,283 | 57,901 |
| Cash and cash equivalents in assets | 946,412 | 0 | 946,412 | 708,419 |
| Bank overdrafts | 0 | 0 | 0 | -48,341 |
| Net cash in the cash flow statement | 946,412 | 0 | 946,412 | 660,078 |

(1) primarily time deposits and cash equivalent marketable securities. The corresponding risk analysis is described in Note 23.

8.2 Available cash

The Group uses a specific indicator, referred to as "Available cash", which reflects the total liquidities available to the Group, net of any financial debt. It is calculated as follows:

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|---|------------------|------------------|
| Available-for-sale marketable securities (market value) (1) | 3,148,612 | 2,673,249 |
| Cash and cash equivalents (market value) | 946,412 | 708,419 |
| Sub-total | 4,095,024 | 3,381,668 |
| Borrowings and financial debt (2) | -1,209,550 | -984,763 |
| Available cash | 2,885,474 | 2,396,905 |

(1) see Note 15. Given their liquidity, the available-for-sale marketable securities may be sold in the very near future.

(2) see Note 10.

Note 9 - Equity

9.1 Share capital

The share capital of DASSAULT AVIATION Parent company amounts to EUR 72,980 thousand and consists of 9,122,538 ordinary shares of €8 each at December 31, 2015. At December 31, 2014, share capital was EUR 73,710 thousand and consisted of 9,213,754 shares. The distribution of share capital at December 31, 2015 is as follows:

| | Shares | % Capital | % Voting rights |
|-------------------------------------|------------------|-------------|-----------------|
| GIMD (1) | 5,118,240 | 56.11% | 58.74% |
| Airbus Group SAS | 2,152,656 | 23.60% | 24.71% |
| Float | 1,441,671 | 15.80% | 16.55% |
| Dassault Aviation (treasury shares) | 409,971 | 4.49% | - |
| Total | 9,122,538 | 100% | 100% |

(1) the Parent Company GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD), located at 9, Rond-point des Champs-Élysées - Marcel Dassault - 75008 Paris, fully consolidates the Group financial statements.

The Group regularly distributes dividends.

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9.2 Treasury shares

Movements on treasury shares are detailed below:

| (in number of shares) | 2015 | 2014 |
|---------------------------------------|----------------|---------------|
| Treasury shares at January 1 | 40,500 | 0 |
| Purchase of shares | 460,687 | 952,643 |
| Cancellation of shares | -91,216 | -912,143 |
| Treasury shares at December 31 | 409,971 | 40,500 |

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

Pursuant to the agreements entered into with AIRBUS GROUP SAS and the authorization granted by the shareholders at the General Meeting of January 28, 2015, DASSAULT AVIATION acquired 460,687 shares, representing 5% of its capital at a price of EUR 980 per share for a total of EUR 451,473 thousand. On May 20, 2015, the Board of Directors decided to allocate these shares to the cancellation purpose of the buyback program. On July 24, 2015, 91,216 shares were cancelled, and 369,471 will be cancelled after the 24-month period (starting December 22, 2014).

In 2014, the Group had bought back 952,643 shares for a total amount of EUR 933,590 thousand, following the authorization granted by the Shareholders' Meeting of September 24, 2014. On November 28, 2014, the Board of Directors decided to allocate 912,143 shares for the cancellation purpose of the buyback program, the balance, i.e. 40,500 shares, still being held as at December 31, 2014 for potential free shares plans and a potential liquidity contract to ensure the liquidity of the market.

9.3 Share-based payments

On September 23, 2015, the Board of Directors decided to grant free shares to corporate officers. This allocation is subject to performance conditions (characteristics of the plan described in paragraph 4.5.3 of the Directors' Report).

| Award decision date | Vesting period | Number of shares allocated | Share price on the grant date | Number of shares delivered in 2015 | Number of shares cancelled (1) | Balance of free shares at 12/31/2015 |
|---------------------|-------------------------------|----------------------------|-------------------------------|------------------------------------|--------------------------------|--------------------------------------|
| 09/23/2015 | from 09/23/2015 to 09/22/2016 | 950 | EUR 1,095 | 0 | 0 | 950 |

(1) shares cancelled in the event of partial or total non-achievement of performance conditions.

The initial fair value of the plan totaled EUR 943 thousand (average of EUR 993 per share).

The Group did not grant any stock option plans to its employees and corporate officers.

Note 10 - Borrowings and financial debt

| (in EUR thousands) | Total at December 31, 2015 | Amount due within one year | Amount due in more than one year | | |
|--------------------------------------|----------------------------|----------------------------|----------------------------------|-------------------------------|-------------------|
| | | | Total more than one year | Maturing >1 year and <5 years | Maturing >5 years |
| Bank borrowings (1) | 998,359 | 614 | 997,745 | 997,745 | 0 |
| Other financial liabilities (2) | 211,191 | 47,707 | 163,484 | 163,484 | 0 |
| Borrowings and financial debt | 1,209,550 | 48,321 | 1,161,229 | 1,161,229 | 0 |

| (in EUR thousands) | Total at December 31, 2014 | Amount due within one year | Amount due in more than one year | | |
|--------------------------------------|----------------------------|----------------------------|----------------------------------|-------------------------------|-------------------|
| | | | Total more than one year | Maturing >1 year and <5 years | Maturing >5 years |
| Bank borrowings (1) | 746,559 | 48,602 | 697,957 | 697,949 | 8 |
| Other financial liabilities (2) | 238,204 | 43,425 | 194,779 | 194,779 | 0 |
| Borrowings and financial debt | 984,763 | 92,027 | 892,736 | 892,728 | 8 |

(1) in 2015, the Group took out borrowings for a sum of EUR 300 million. In 2014, the Group contracted borrowings for a sum of EUR 700 million. Initially at a variable interest rate, the loans were swapped to a fixed rate. These loans are denominated in euros and EUR 50 million is repayable in 2017, EUR 75 million in 2018, EUR 625 million in 2019 and EUR 250 million in 2020.

There are no bank overdrafts at December 31, 2015. They amounted to EUR 48,341 thousand at December 31, 2014.

(2) this represents locked-in employee profit-sharing funds. Employee profit-sharing corresponds to "other long-term benefits", and should be value and discounted according to the principles of revised IAS 19. However, in view of the low historical differences between remuneration rate and discount rate, we consider that the evaluation method by cost less repayments constitutes a satisfactory approximation of the profit-sharing liability.

Note 11 - Current provisions
11.1 Provisions for contingencies and charges and for impairment

| (in EUR thousands) | 12/31/2014 | Increases / Charges | Decreases / Reversals | Other (1) | 12/31/2015 |
|--|------------------|---------------------|-----------------------|---------------|------------------|
| Provisions for contingencies and charges | | | | | |
| Operational | 1,327,818 | 207,360 | -366,564 | 2,543 | 1,171,157 |
| | 1,327,818 | 207,360 | -366,564 | 2,543 | 1,171,157 |
| Provisions for impairment | | | | | |
| On financial assets | 319 | 0 | 0 | 19 | 338 |
| On property, plant and equipment | 338 | 18,251 | -369 | 361 | 18,581 |
| On inventories and work-in-progress | 442,804 | 458,740 | -455,747 | 15,485 | 461,282 |
| On trade receivables | 79,692 | 90,303 | -80,193 | 151 | 89,953 |
| | 523,153 | 567,294 | -536,309 | 16,016 | 570,154 |
| Provisions for contingencies and charges and for impairment | 1,850,971 | 774,654 | -902,873 | 18,559 | 1,741,311 |

(1) including foreign exchange differences and actuarial adjustments recognized directly through equity.

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11.2 Details of provisions for contingencies and charges

| (in EUR thousands) | 12/31/2014 | Increases / Charges | Decreases / Reversals | Other (1) | 12/31/2015 |
|---|------------------|------------------------|--------------------------|---------------|------------------|
| Warranties (2) | 706,598 | 65,314 | -77,642 | 4,885 | 699,155 |
| Services and work to be performed | 130,064 | 95,322 | -59,297 | 5,727 | 171,816 |
| Retirement payments (1) | 486,627 | 44,975 | -228,834 | -8,166 | 294,602 |
| <i>French companies</i> | <i>452,244</i> | <i>30,678</i> | <i>-212,895</i> | <i>598</i> | <i>270,625</i> |
| <i>US companies</i> | <i>34,383</i> | <i>14,297</i> | <i>-15,939</i> | <i>-8,764</i> | <i>23,977</i> |
| Others (3) | 4,529 | 1,749 | -791 | 97 | 5,584 |
| Provisions for contingencies and charges | 1,327,818 | 207,360 | -366,564 | 2,543 | 1,171,157 |

(1) actuarial adjustments contributed to the decrease in provisions for retirement payments of EUR 11,857 thousand. These can be analyzed as follows:

| | |
|------------------------------------|-----------------------|
| <i>French companies</i> | <i>598</i> |
| <i>US companies</i> | <i>-12,455</i> |
| <i>Total actuarial adjustments</i> | <u><i>-11,857</i></u> |

(2) warranty provisions are updated to reflect the fleet in service and contracts delivered. See accounting principles, paragraph C9-1.

(3) as of December 31, 2015, the other long-term benefits relating to long-service awards amounted to EUR 3,535 thousand, compared to EUR 3,071 thousand at the end of 2014.

11.3 Provisions for retirement payments

11.3.1 Calculation methods (defined benefit plans)

Retirement 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 company employee turnover rate (this may vary according to age). The obligation is estimated pro rata on the employee's length of service at year-end in relation to his total career expectancy.

Note that no Group companies have commitments for medical insurance plans.

11.3.2 Assumptions used

| | France | | USA | |
|---------------------------------------|--------|-------|-------|-------|
| | 2015 | 2014 | 2015 | 2014 |
| Inflation rate | 2.00% | 2.00% | 2.25% | 2.25% |
| Discount rate | 1.50% | 1.30% | 4.80% | 4.40% |
| Weighted average salary increase rate | 3.90% | 3.90% | 3.00% | 3.00% |

The discount rates were based on the yield for top-ranking corporate long-term bonds (rated AA) corresponding to the currency and the maturity of the commitments.

11.3.3 Change in commitments and plan assets

Changes in commitments and plan assets over the last five years are as follows:

| (in EUR thousands) | 2015 | 2014 | 2013 | 2012 | 2011 |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| Commitments | 741,037 | 700,535 | 556,649 | 579,783 | 485,241 |
| Plan assets (1) | 446,435 | 213,908 | 175,084 | 172,725 | 155,432 |
| Unfunded status | 294,602 | 486,627 | 381,565 | 407,058 | 329,809 |

(1) at the end of 2015, the Group outsourced a portion of the pension benefits commitments of the Group's Parent Company by entering into a contract of insurance.

Changes over the year of commitments break down as follows:

| (in EUR thousands) | 2015 | | | 2014 | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | France | USA | Total | France | USA | Total |
| As of January 1 | 452,244 | 248,291 | 700,535 | 380,684 | 175,965 | 556,649 |
| Current service cost | 24,601 | 12,467 | 37,068 | 19,251 | 8,451 | 27,702 |
| Interest expense | 6,118 | 11,800 | 17,918 | 9,770 | 9,258 | 19,028 |
| Benefits paid | -12,895 | -16,535 | -29,430 | -16,457 | -6,024 | -22,481 |
| Actuarial adjustments | 741 | -14,269 | -13,528 | 58,996 | 32,558 | 91,554 |
| Foreign exchange differences | 0 | 28,474 | 28,474 | 0 | 28,083 | 28,083 |
| As of December 31 | 470,809 | 270,228 | 741,037 | 452,244 | 248,291 | 700,535 |

A 0.50 point decrease in the discount rate would increase the total commitment by EUR 59,431 thousand, while a 0.50 point increase in the discount rate would decrease the total commitment by EUR 53,549 thousand.

Changes in investments during the period are as follows:

| (in EUR thousands) | 2015 | | | 2014 | | |
|--------------------------------|----------------|----------------|----------------|----------|----------------|----------------|
| | France | USA | Total | France | USA | Total |
| As of January 1 | 0 | 213,908 | 213,908 | 0 | 175,084 | 175,084 |
| Expected return on plan assets | 41 | 9,970 | 10,011 | 0 | 9,175 | 9,175 |
| Actuarial adjustments | 143 | -1,814 | -1,671 | 0 | -2,619 | -2,619 |
| Employer contributions | 200,000 | 15,810 | 215,810 | 0 | 13,203 | 13,203 |
| Benefits paid | 0 | -16,406 | -16,406 | 0 | -6,024 | -6,024 |
| Foreign exchange differences | 0 | 24,783 | 24,783 | 0 | 25,089 | 25,089 |
| As of December 31 | 200,184 | 246,251 | 446,435 | 0 | 213,908 | 213,908 |

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The costs for defined benefit plans can be analyzed as follows:

| (in EUR thousands) | 2015 | | | 2014 | | |
|---------------------------------------|---------------|---------------|---------------|---------------|--------------|---------------|
| | France | USA | Total | France | USA | Total |
| Current service cost | 24,601 | 12,467 | 37,068 | 19,251 | 8,451 | 27,702 |
| Interest expense | 6,118 | 11,800 | 17,918 | 9,770 | 9,258 | 19,028 |
| Expected return on plan assets | -41 | -9,970 | -10,011 | 0 | -9,175 | -9,175 |
| Cost for defined benefit plans | 30,678 | 14,297 | 44,975 | 29,021 | 8,534 | 37,555 |

Plan assets are invested as follows:

| | 2015 | | 2014 | |
|---------------------------|-------------|-------------|------------|-------------|
| | France | USA | France | USA |
| Bonds and debt securities | 84% | 97% | N/A | 73% |
| Real estate | 9% | 0% | N/A | 0% |
| Equities | 7% | 0% | N/A | 26% |
| Liquidities | 0% | 3% | N/A | 1% |
| Total | 100% | 100% | N/A | 100% |

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

Note 12 - Operating payables

| (in EUR thousands) | 12/31/2015 | | | 12/31/2014 (1) | | |
|--|----------------|----------------|------------------|----------------|----------------|------------------|
| | Total | Within 1 year | More than 1 year | Total | Within 1 year | More than 1 year |
| Trade payables | 657,239 | 657,239 | 0 | 631,910 | 631,910 | 0 |
| Other liabilities | 99,339 | 99,339 | 0 | 96,455 | 96,455 | 0 |
| Deferred income | 133,271 | 72,654 | 60,617 | 106,534 | 63,981 | 42,553 |
| Trade and other payables | 889,849 | 829,232 | 60,617 | 834,899 | 792,346 | 42,553 |
| Income tax liabilities | 9,870 | 9,870 | 0 | 1,262 | 1,262 | 0 |
| Other tax and social security liabilities | 271,276 | 271,276 | 0 | 243,297 | 243,297 | 0 |
| Tax and social security liabilities (1) | 281,146 | 281,146 | 0 | 244,559 | 244,559 | 0 |

(1) restated for the impact of the application of IFRIC 21. See accounting principles, Note A1-3.

Note 13 - Customer advances and progress payments

| (in EUR thousands) | 12/31/2015 | | | 12/31/2014 | | |
|---|------------------|--------------------|------------------|------------------|--------------------|------------------|
| | Total | Less than one year | More than 1 year | Total | Less than one year | More than 1 year |
| Advances and progress payments on orders | 4,349,420 | 1,211,489 | 3,137,931 | 2,271,430 | 1,513,496 | 757,934 |

Advances and progress payments received under the RAFALE Egypt and Qatar contracts include the co-contractors parts. Correspondingly, the advances and progress payments to suppliers reflect the transfer of these parts to the co-contractors.

Note 14 - Net sales

| (in EUR thousands) | 2015 | 2014 |
|--------------------|------------------|------------------|
| France (1) | 718,610 | 836,460 |
| Export (2) | 3,457,195 | 2,843,921 |
| Net sales | 4,175,805 | 3,680,381 |

(1) primarily the French State, with which the Group realized more than 10% of its total net sales, as in 2014.

(2) the net sales from the RAFALE Egypt contract is recognized on a gross basis (including the co-contractors parts). The Group realized over 10% of its total net sales with the Egyptian State.

Net sales break down as follows:

| (in EUR thousands) | 2015 | 2014 |
|--------------------|------------------|------------------|
| Finished goods | 3,169,149 | 3,169,180 |
| Services | 1,006,656 | 511,201 |
| Net sales | 4,175,805 | 3,680,381 |

By origin, net sales break down as follows:

| (in EUR thousands) | 2015 | 2014 |
|--------------------|------------------|------------------|
| France | 2,505,040 | 2,445,532 |
| USA | 1,670,765 | 1,234,849 |
| Net sales | 4,175,805 | 3,680,381 |

Note 15 - Other revenue

| (in EUR thousands) | 2015 | 2014 |
|----------------------------|---------------|---------------|
| Research tax credits | 34,438 | 35,487 |
| Interest on arrears | 1,348 | 1,636 |
| Capitalized production (1) | 7,515 | 0 |
| Other operating subsidies | 125 | 164 |
| Other operating income | 6,442 | 5,143 |
| Other revenue | 49,868 | 42,430 |

(1) including capitalized development costs: EUR 7,515 thousand in 2015.

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Note 16 - Other operating income and expenses

| (in EUR thousands) | 2015 | 2014 |
|---|---------------|---------------|
| Gains/losses from disposals of non-current assets | -823 | 9,593 |
| Foreign exchange gains or losses from business transactions (1) | 17,817 | 20,684 |
| Income/loss from management operations | 664 | 408 |
| Other operating expenses | -6,501 | -3,773 |
| Other operating income and expenses | 11,157 | 26,912 |

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

Note 17 - Research and development costs

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

| (in EUR thousands) | 2015 | 2014 |
|--------------------------------|----------|----------|
| Research and development costs | -431,161 | -488,063 |

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

Note 18 - Net financial income/expense

| (in EUR thousands) | 2015 | 2014 |
|--|-----------------|-----------------|
| Income from cash and cash equivalents | 7,207 | 6,892 |
| Cost of gross financial debt | -16,015 | -7,314 |
| Cost of net financial debt | -8,808 | -422 |
| Dividends and other investment income | 3,177 | 1,364 |
| Interest income and gains/losses on disposal of financial assets (1) <i>(excluding cash and cash equivalents)</i> | 192,263 | 40,266 |
| Foreign exchange gain/loss (2) | -610,186 | -163,905 |
| Other | -2,308 | 0 |
| Other financial income and expenses | -417,054 | -122,275 |
| Net financial income/expense | -425,862 | -122,697 |

(1) including proceeds from the sale of available-for-sale marketable securities for EUR 186,330 thousand (EUR 34,559 thousand in 2014).

(2) the stated amounts mainly correspond to the change in the market value of foreign exchange derivatives which do not qualify for hedge accounting under the terms of IAS 39 "Financial Instruments" (see Note 23.3). They are not representative of the actual gain/loss that will be recognized when the hedges are exercised. In 2015, foreign exchange loss also includes the cost of restructuring the currency hedging portfolio, which was necessary because of the decline in commercial flows related to the FALCON activity.

Note 19 - Tax position

19.1 Net effect of taxes on net income

| (in EUR thousands) | 2015 | 2014 |
|--------------------|---------------|----------------|
| Current tax | -107,757 | -103,298 |
| Deferred tax | 169,519 | 23,817 |
| Income tax | 61,762 | -79,481 |

19.2 Net effect of taxes on income and expense recognized directly through equity – fully consolidated companies

| (in EUR thousands) | 2015 | 2014 |
|--|---------------|---------------|
| Derivative financial instruments | 6,576 | 63,991 |
| Available-for-sale securities | 65,448 | 2,854 |
| Actuarial adjustments | 18,188 | 21,055 |
| Taxes recognized directly in equity | 90,212 | 87,900 |

19.3 Reconciliation of theoretical and actual tax expense

| (in EUR thousands) | 2015 | 2014 |
|--|---------------|----------------|
| Net income | 141,499 | 282,870 |
| Cancellation of the income tax | -61,762 | 79,481 |
| Cancellation of the Group share of net income of equity associates | -144,409 | -132,300 |
| Income before tax | -64,672 | 230,051 |
| Theoretical tax expenses calculated at the current rate (1) | 24,575 | -87,419 |
| Effect of tax credits (2) | 17,380 | 16,611 |
| Effect of differences in tax rates | -17,674 | -4,865 |
| Other (3) | 37,481 | -3,808 |
| Taxes recognized | 61,762 | -79,481 |

(1) a rate of 38.00% applies for 2015, as it did in 2014, to the Parent Company of the Group.

(2) the amount of the research tax credit, which is recognized in other revenue, is EUR 34,438 thousand for 2015 and EUR 35,487 thousand for 2014. The tax credit for competitiveness and employment, which is recognized as a deduction from employee costs, represented EUR 8,400 thousand in 2015 and EUR 8,226 thousand in 2014.

(3) primarily includes the impact of outsourcing of a portion of the pension benefits commitments of the Group's Parent Company.

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19.4 Deferred tax sources

| (in EUR thousands) | Consolidated balance sheet | | Consolidated statement of income | |
|---|----------------------------|-------------------|----------------------------------|---------------|
| | 12/31/2015 | 12/31/2014 (1) | 2015 | 2014 |
| Temporary differences on provisions (profit-sharing, pension, etc.) | 236,474 | 238,291 | -25,365 | -31,205 |
| Available-for-sale securities and cash equivalents | -8,124 | -15,507 | 321 | -163 |
| Hedging instruments | 173,964 | 13,663 | 153,725 | 56,941 |
| Other temporary differences (1) | 110,039 | 66,838 | 40,838 | -1,756 |
| Deferred tax income | | | 169,519 | 23,817 |
| Net deferred taxes (2) | 512,353 | 303,285 | | |
| <i>Deferred tax assets</i> | <i>512,353</i> | <i>303,285</i> | | |
| <i>Deferred tax liabilities</i> | <i>0</i> | <i>0</i> | | |

(1) restated for the impact of the application of IFRIC 21. See accounting principles, Note A1-3.

(2) the schedule of deferred taxes was not determined as certain deferred tax bases cannot be accurately broken down by year. The deferred tax bases of the French companies are taxed at 34.43%.

19.5 Tax losses carried forward

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|------------------------------------|------------|------------|
| Deferred tax assets not recognized | 47,452 | 97,373 |

These are temporary differences for which reversal is not expected for ten years.

Note 20 - Earnings per share

| Earnings per share | 2015 | 2014 |
|---|-------------|-------------|
| Net income attributable to the owners of the Parent Company (in thousands of euros) (1) | 141,457 | 282,836 |
| Average number of shares outstanding | 8,817,326 | 10,013,721 |
| Diluted average number of shares outstanding | 8,817,801 | 10,013,721 |
| Earnings per share (in EUR) | 16.0 | 28.2 |
| Diluted earnings per share (in EUR) | 16.0 | 28.2 |

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

Earnings per share are calculated by dividing net income attributable to the owners of the Parent Company by the weighted average number of common shares outstanding during the year, minus treasury shares.

Diluted earnings per share corresponds to net income attributable to owners of the Parent Company divided by the diluted weighted average number of shares. This corresponds to the weighted average number of common shares outstanding, adjusted for free shares granted.

Note 21 - Dividends paid and proposed

| DIVIDENDS | 2015 | 2014 |
|---|-------------|-------------|
| Decided and paid during the year (in EUR thousands) (1) | 87,126 | 90,120 |
| i.e. per share (EUR) | 10.00 | 8.90 |
| Submitted to the AGM for approval, not recognized as a liability as of December 31 (in EUR thousands) | 110,383 | 92,138 |
| i.e. per share (EUR) | 12.10 | 10.00 |

(1) dividends totaling EUR 87,126 million were paid for the year ended December 31, 2014, net of dividends on treasury shares.

Note 22 - Financial instruments

The valuation method on the balance sheet (cost or fair value) of financial instruments (assets or liabilities) is detailed in the table below.

The Group used the following hierarchy for the fair-value valuation of the financial assets and liabilities:

- Level 1: quoted prices on an active market;
- Level 2: valuation techniques based on observable market data;
- Level 3: valuation techniques based on non-observable market data.

22.1 Financial instruments (assets)

| (in EUR thousands) | Balance sheet value as of December 31, 2015 | | | |
|---|--|------------------------|-----------------------|------------------|
| | Cost or amortized cost (1) | Fair value | | Total |
| | | Through P&L | Through equity | |
| Non-current assets | | | | |
| Listed investments | | | 46,712 | 46,712 |
| Non-listed investments | | 166 | 72,867 | 73,033 |
| Available-for-sale marketable securities | | | 3,148,612 | 3,148,612 |
| Other financial assets | 33,826 | | | 33,826 |
| Current assets | | | | |
| Trade and other receivables | 714,063 | | | 714,063 |
| Derivative financial instruments | | 615 | 26,198 | 26,813 |
| Cash equivalents | | 832,129 | | 832,129 |
| Total financial instruments (assets) | 747,889 | 832,910 | 3,294,389 | 4,875,188 |
| Level 1 (2) | | 832,129 | 3,195,324 | |
| Level 2 | | 615 | 26,198 | |
| Level 3 | | 166 | 72,867 | |

(1) the carrying amount of the financial instruments (assets) recognized at cost or amortized cost corresponds to a reasonable approximation of the fair value.

(2) including time deposits at December 31, 2015: EUR 781,888 thousand.

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On December 31, 2014, the data were as follows:

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

(1) the carrying amount of the financial instruments (assets) recognized at cost or amortized cost corresponds to a reasonable approximation of the fair value.

(2) including time deposits at December 31, 2014: EUR 597,067 thousand.

22.2 Financial instruments (liabilities)

| (in EUR thousands) | Balance sheet value as of December 31, 2015 | | | |
|--|---|----------------|----------------|------------------|
| | Cost or amortized cost (1) | Fair value | | Total |
| | | Through P&L | Through equity | |
| Non-current liabilities | | | | |
| Bank borrowings | 997,745 | | | 997,745 |
| Other financial liabilities (2) | 163,484 | | | 163,484 |
| Current liabilities | | | | |
| Bank borrowings | 614 | | | 614 |
| Other financial liabilities (2) | 47,707 | | | 47,707 |
| Trade and other payables | 889,849 | | | 889,849 |
| Derivative financial instruments | | 471,633 | 60,831 | 532,464 |
| Total financial instruments (liabilities) | 2,099,399 | 471,633 | 60,831 | 2,631,863 |
| Level 1 | | 0 | 0 | |
| Level 2 | | 471,633 | 60,831 | |
| Level 3 | | 0 | 0 | |

(1) the carrying amount of the financial instruments (liabilities) recognized at cost or amortized cost corresponds to a reasonable approximation of the fair value.

(2) primarily locked-in employee profit-sharing funds (see Note 10).

On December 31, 2014, the data were as follows:

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

(1) the carrying amount of the financial instruments (liabilities) recognized at cost or amortized cost corresponds to a reasonable approximation of the fair value.

(2) primarily locked-in employee profit-sharing funds (see Note 10).

Note 23 - Financial risk management

23.1 Cash and liquidity risks

23.1.1 Financial debt

The Group has no significant risk in relation to its financial debt. The contracts for these loans include the usual default clauses and restrictions in terms of security conditions and merger or sale transactions. One of loans clauses stipulates that an anticipated repayment would be demanded if GIMD were to hold less than 50% of the capital of DASSAULT AVIATION before the loan maturity date. These loans do not contain any accelerated repayment or prepayment clauses based on rating or financial ratios. The features of these loans are described in Note 10.

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

The Group investment portfolio is primarily composed of money market investments with no significant risk of impairment.

| (in EUR thousands) | 12/31/2015 | | | |
|--|------------------|--------------------------------|--------------------------|-------------|
| | Historical cost | Unrealized capital gain / loss | Consolidated asset value | As % |
| Cash at bank and in hand, money market investments and time deposits | 2,523,202 | 149,967 | 2,673,169 | 65% |
| Investments in bonds (1) | 211,132 | 136,233 | 347,365 | 9% |
| Diversified investments (1) | 580,229 | 494,261 | 1,074,490 | 26% |
| Total | 3,314,563 | 780,461 | 4,095,024 | 100% |

(1) investments in bonds and diversified investments are in most cases backed by guarantees, which limits the risk of impairment.

The Group can therefore meet its commitments without any liquidity risk due to its cash resources and its portfolio of available-for-sale marketable securities. The Group is not faced with restrictions with regard to the availability of its cash and its portfolio of marketable securities.

Fair values classification:

| (in EUR thousands) | 12/31/2015 | | |
|--|----------------|------------------|------------------|
| | Through P&L | Through equity | Total |
| Cash at bank and in hand, money market investments and time deposits | 946,412 | 1,726,757 | 2,673,169 |
| Investments in bonds | | 347,365 | 347,365 |
| Diversified investments | | 1,074,490 | 1,074,490 |
| Total | 946,412 | 3,148,612 | 4,095,024 |

23.2 Credit and counterparty risks

23.2.1 Credit risk on bank counterparties

The Group spreads its investments and performs its cash and foreign exchange transactions with recognized financial institutions. The Group has no investments or accounts with financial institutions presenting a significant risk of default.

23.2.2 Customer default risk

The Group limits counterparty risk by performing most of its sales in cash and ensuring that the loans are secured by export insurance guarantees (COFACE) or collateral. The share of receivables not covered by these procedures is subject to regular individual monitoring and, if necessary, a provision for impairment.

Given the arrangements in risk mitigation in place and provisions made in its accounts, the residual exposure of the Group to the risk of default by a customer in a country subject to uncertainties is limited.

The amounts of COFACE export insurance guarantees and collateral obtained and not exercised at year-end appear in the table of off-balance sheet commitments (see Note 24).

The manufacturing risk is also guaranteed with COFACE for major military export contracts.

23.3 Foreign exchange risks

23.3.1 Hedging portfolio

The Group is exposed to a foreign exchange risk through the Parent Company in relation to its FALCON sales that are virtually all denominated in US dollars.

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

The Group partially hedges its cash flows that are considered highly probable. It ensures that the initial future cash flows will be sufficient to use the foreign exchange hedges in place. The hedged amount may be adjusted as a function of changes over time in expected net cash flows.

The derivative financial instruments used by the Group along with their recognition under hedge accounting principle as defined by IAS 39 "Financial Instruments" are defined in paragraph C12 of the accounting principles.

The foreign exchange derivatives used by the Group do not all qualify for hedge accounting under the terms of IAS 39 "Financial Instruments". The analysis of the instruments is presented in the table below.

| (in EUR thousands) | Market value as of Dec 31, 2015 | Market value as of Dec 31, 2014 |
|---|---------------------------------------|---------------------------------------|
| Instruments which qualify for hedge accounting | -31,432 | -13,309 |
| Instruments which do not qualify for hedge accounting | -468,647 | -24,151 |
| Foreign exchange derivatives | -500,079 | -37,460 |

The counterparty risk for foreign exchange derivatives (CVA/DVA) is based on the current exposure method and on the historical default probabilities per rating class communicated by the rating agencies. At December 31, 2015, as at December 31, 2014, this counterparty risk is insignificant.

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

| (in EUR thousands) | Within 1 year | >1 and <3 years | More than 3 years | Total |
|------------------------------|------------------|--------------------|----------------------|-----------------|
| Foreign exchange derivatives | -198,568 | -254,527 | -46,984 | -500,079 |

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

| (in EUR thousands) | 12/31/2014 | Impact on equity (1) | Impact on net financial income (2) | 12/31/2015 |
|------------------------------|----------------|-------------------------|--|-----------------|
| Foreign exchange derivatives | -37,460 | -18,123 | -444,496 | -500,079 |

(1) recognized directly through equity, share of fully consolidated companies.

(2) change in fair value of foreign exchange hedging instruments which do not qualify for hedge accounting under the terms of IAS 39 "Financial Instruments".

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

| Market value of the portfolio (in EUR thousands) | 12/31/2015 | | 12/31/2014 | |
|--|--------------------|-----------------|--------------------|-----------------|
| Net balance sheet position | -500,079 | | -37,460 | |
| Closing US dollar/euro exchange rate | 1 EUR = 1.0887 USD | | 1 EUR = 1.2141 USD | |
| Closing dollar/euro exchange rate +/- 10 cents | 1.1887 USD | 0.9887 USD | 1.3141 USD | 1.1141 USD |
| Change in value (1) | +540,962 | -714,972 | +315,695 | -529,287 |
| <i>Impact on net income</i> | <i>+425,757</i> | <i>-576,462</i> | <i>+200,897</i> | <i>-393,881</i> |
| <i>Impact on equity</i> | <i>+115,205</i> | <i>-138,510</i> | <i>+114,798</i> | <i>-135,406</i> |

(1) data calculated based on existing market conditions on the balance sheet dates. The data are not representative of the actual gain/loss to be recognized when the hedges are exercised.

23.3.2 EMBRAER shares

The Group is exposed to a foreign exchange risk through its investment in EMBRAER, which is listed in Brazilian reais on the Brazilian market. On December 31, 2015, the EMBRAER shares were valued at EUR 46,712 thousand (see Note 5.2). A 10% upward or downward variation in the exchange rate would have no significant impact on the Group's equity and results.

23.4 Interest rate risks

The Group is exposed to the volatility of interest rates through its loans contracted at a variable rate. The loans were swapped at a fixed rate to limit this risk. Rate swaps backed loans contracted in 2015 and 2014, whose characteristics are described in Note 10.

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

| (in EUR thousands) | 12/31/2014 | Impact on equity (1) | Impact on net financial income | 12/31/2015 |
|---------------------------|-------------------|-----------------------------|---------------------------------------|-------------------|
| Interest rate derivatives | -2,343 | -976 | -263 | -3,582 |

(1) recognized directly through equity, share of the fully consolidated companies.

23.5 Commodity risks

The Group marginally uses derivatives to hedge its exposure to changes in kerosene prices.

The impact on the income statement of the change in fair value over the period is as follows:

| (in EUR thousands) | 12/31/2014 | Impact on equity | Impact on net financial income | 12/31/2015 |
|----------------------------|-------------------|-------------------------|---------------------------------------|-------------------|
| Derivatives on commodities | 0 | 0 | -1,990 | -1,990 |

23.6 Other market risks

The Group is exposed to a pricing risk relating to price fluctuations of EMBRAER shares. A 10% upward or downward variation of the share price would have no significant impact on the Group's equity and results.

Note 24 - Off-balance sheet commitments

The off-balance sheet commitments of the Group relate essentially to its operational activities and can be analyzed as follows:

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|--|------------------|------------------|
| Future payments to subcontractors or suppliers | 2,878,080 | 1,930,120 |
| Other purchasing commitments made by the Group | 58,277 | 63,184 |
| Guarantees and deposits | 62,122 | 80,069 |
| Commitments given | 2,998,479 | 2,073,373 |

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|-----------------------------|-------------------|------------------|
| Backlog | 14,175,100 | 8,216,800 |
| COFACE guarantees | 76,580 | 100,477 |
| Collateral | 108,521 | 103,487 |
| Commitments received | 14,360,201 | 8,420,764 |

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|--|------------------|----------------|
| Customer advances and progress payments | 1,458,161 | 510,499 |
| Advances and progress payments to suppliers | 9,075 | 4,445 |
| Payables and receivables secured by bank guarantees | 1,467,236 | 514,944 |

| Operating leases | Total | Within 1 year | More than 1 year |
|--|---------|---------------|------------------|
| Minimum future non-cancellable payments (not discounted) | 230,823 | 40,640 | 190,183 |

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

Note 25 - Contingent liabilities

In late 2002, a group of French manufacturers, including DASSAULT AVIATION, was collectively issued with a request for arbitration from a common client claiming a sum which, according to the plaintiff, would amount to no less than USD 260 million, and for which the group of manufacturers may be jointly liable to the plaintiff. This claim was related to the performance of old contracts implemented by these manufacturers. Under an agreement signed between the parties in June 2003, the plaintiff withdrew its action. In November 2012, the plaintiff notified a new request for arbitration based on grounds similar to the 2002 action, for a total now amounting to EUR 226 million. The manufacturers strongly dispute this claim and to date, it is not possible to assess the potential financial risk; as a result, DASSAULT AVIATION has not recognized any provision. This procedure is still ongoing.

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Note 26 - Related-party transactions

The Group's related parties are:

- GROUPE INDUSTRIEL MARCEL DASSAULT, and its subsidiaries,
- THALES Group and its subsidiaries,
- the Chairman and Chief Executive Officer, and the Chief Operating Officer of DASSAULT AVIATION,
- the Directors of DASSAULT AVIATION.

Terms and conditions of related-party transactions

Sales and purchases are made at market prices. Balances outstanding at year-end are not guaranteed and payments are made in cash. No guarantees were provided or received for related-party receivables. For 2015, 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.

26.1 Details of transactions

| (in EUR thousands) | 2015 | 2014 |
|---|---------|---------|
| Sales | 9,077 | 1,635 |
| Purchases | 248,935 | 146,177 |
| Trade receivables | 32,048 | 30,760 |
| Customer advances and progress payments | 25,885 | 29,000 |
| Trade payables | 48,587 | 45,492 |
| Advances and progress payments to suppliers | 562,689 | 17,639 |

26.2 Compensation of corporate officers and benefits in kind

The compensation and benefits in kind paid by the DASSAULT AVIATION Group to the corporate officers can be analyzed as follows:

| (in EUR thousands) | 2015 | 2014 |
|--|--------------|--------------|
| Fixed compensation | 2,659 | 2,573 |
| Directors' fees | 644 | 522 |
| Benefits in kind | 16 | 16 |
| Other | 16 | 0 |
| Compensation of corporate officers and benefits in kind | 3,335 | 3,111 |

Note 27 - Average number of employees

| | 2015 | 2014 |
|------------------------------------|---------------|---------------|
| Managers | 5,626 | 5,464 |
| Supervisors and technicians | 2,353 | 2,295 |
| Employees | 1,202 | 1,181 |
| Workers | 2,803 | 2,714 |
| Average number of employees | 11,984 | 11,654 |

Note 28 - Environmental information

In 2015, DASSAULT AVIATION Group recognized environmental capital investments amounting to EUR 2,509 thousand and EUR 1,579 thousand in expenses relating to risk, impact and regulatory compliance analyses.

Note 29 - Statutory auditors' fees

The statutory auditors' fees recognized as expenses for 2015 and 2014 are as follows:

| (EUR 000) | DELOITTE & ASSOCIÉS | | MAZARS | |
|---|---------------------|------------|------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Statutory audit, certification, review of individual and consolidated financial statements (1) | | | | |
| DASSAULT AVIATION | 200 | 200 | 200 | 200 |
| Fully consolidated subsidiaries | 0 | 0 | 369 | 342 |
| Other audit missions (2) | | | | |
| DASSAULT AVIATION | 67 | 45 | 34 | 51 |
| Fully consolidated subsidiaries | 0 | 0 | 6 | 10 |
| Auditors' fees | 267 | 245 | 609 | 603 |

(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 are for services normally rendered as an extension of the mission of the independent auditors (drafting of specific certifications, notices and opinions relating to accounting standards, etc.).

In addition, the fees paid by fully consolidated subsidiaries to statutory auditors other than DELOITTE & ASSOCIÉS and MAZARS must be added to the above amounts: EUR 50 thousand in 2015 and EUR 139 thousand in 2014.

Note 30 - Subsequent events

No events likely to have a material impact on the financial statements occurred between December 31, 2015 and the date of the financial statements being closed by the Board of Directors.

Consolidated financial statements

STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2015

To the Shareholders,

In compliance with the assignment entrusted to us by your General meeting, we hereby report to you, for the year ended December 31st, 2015, on:

- the audit of the accompanying consolidated financial statements of Dassault Aviation Company;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been closed by the Board of Directors. Our role is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31st, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Evaluation of the THALES investment

Notes 1-C4-1 and 5.1.4 of the appendix to the consolidated financial statements describe the methods for implementing, where applicable, an impairment test of the investment stake in THALES. We have checked the appropriate character of the accounting methods cited above, and we can express our assurance that they are correctly applied.

Provisions for contingencies and charges

Our work consisted in particular in assessing the data and assumptions used to determine the estimated provisions for contingencies and charges, as described in the "Note 1-C9" and "Note 11" of the appendix to the consolidated financial statements, reviewing the calculations performed by the Company and examining the procedures adopted by Management to approve such estimates. On this basis, we assessed the reasonableness of these estimates.

Multi-annual contracts

Your Company's income relating to service provision is stated according to the completion method for multi-annual contracts, as described in "Note 1-C13-1" of the appendix to the consolidated financial statements. On the basis of data available to date, our work consisted in assessing the data and the assumptions drawn up by Management and on which they based their estimates of the profit/loss on completion of those contracts and their trends, reviewing the calculations made, and comparing the estimates made in previous years with the actual profits and losses.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, March 9th, 2016

The statutory auditors

Mazars

Deloitte & Associés

Manuela Baudoin-Revert

Jean-François Viat

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information given in the management report.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.



***PARENT COMPANY
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015***

Company financial statements

ASSETS

| (in EUR thousands) | Notes | 12/31/2015 | | | 12/31/2014 |
|---|-------|-------------------|---|-------------------|------------------|
| | | Gross | Depreciation, amortization and provisions | Net | Net |
| Intangible assets | 2 | 100,880 | -81,998 | 18,882 | 13,100 |
| Property, plant and equipment | 2 | 946,976 | -703,818 | 243,158 | 230,221 |
| Financial assets | 3 | 2,582,415 | -3,054 | 2,579,361 | 2,256,584 |
| TOTAL NON-CURRENT ASSETS | | 3,630,271 | -788,870 | 2,841,401 | 2,499,905 |
| Inventories and work-in-progress | 4 | 3,209,745 | -305,990 | 2,903,755 | 2,545,653 |
| Advances and progress payments to suppliers | | 1,012,861 | 0 | 1,012,861 | 93,195 |
| Trade receivables | 6 | 540,904 | -74,066 | 466,838 | 490,140 |
| Other receivables, prepayments and accrued income | 6 | 548,250 | 0 | 548,250 | 559,316 |
| Marketable securities and cash instruments | 9 | 2,410,598 | 0 | 2,410,598 | 1,713,734 |
| Cash at bank and in hand | | 355,491 | 0 | 355,491 | 122,726 |
| TOTAL CURRENT ASSETS | | 8,077,849 | -380,056 | 7,697,793 | 5,524,764 |
| TOTAL ASSETS | | 11,708,120 | -1,168,926 | 10,539,194 | 8,024,669 |

EQUITY AND LIABILITIES

| (in EUR thousands) | Notes | 12/31/2015 | 12/31/2014 |
|---|-----------|-------------------|-------------------|
| Capital | 10,13 | 72,980 | 73,710 |
| Additional paid-in capital | 13 | 0 | 19,579 |
| Reserves | 12 | 2,520,578 | 2,404,652 |
| Net income for the year | | 283,254 | 272,135 |
| Investment subsidies | | 924 | 0 |
| Regulated provisions | 14 | 156,903 | 186,969 |
| TOTAL EQUITY | 13 | 3,034,639 | 2,957,045 |
| PROVISIONS FOR CONTINGENCIES AND CHARGES | 14 | 1,019,706 | 1,178,943 |
| Borrowings and financial debt (1) | 15 | 1,209,473 | 985,081 |
| Customer advances and progress payments | | 4,264,804 | 1,973,341 |
| Trade payables | 16 | 580,465 | 554,693 |
| Other payables and deferred income | 17 | 430,107 | 375,566 |
| TOTAL LIABILITIES | | 6,484,849 | 3,888,681 |
| TOTAL EQUITY AND LIABILITIES | | 10,539,194 | 8,024,669 |

(1) inc. bank overdrafts:

0

48,341



Company financial statements

STATEMENT OF INCOME

| (in EUR thousands) | Notes | 2015 | 2014 |
|---|-----------|-------------------|-------------------|
| NET SALES | 20 | 3,325,998 | 3,194,910 |
| Change in work-in-progress | | 395,097 | 35,337 |
| Reversals of provisions, depreciation and amortization, charges transferred | | 659,283 | 532,624 |
| Other income | | 3,307 | 3,499 |
| OPERATING INCOME | | 4,383,685 | 3,766,370 |
| Purchases consumed | | -2,139,735 | -1,891,128 |
| Personnel expenses (1) | | -724,887 | -691,976 |
| Other operating expenses | | -573,459 | -313,224 |
| Taxes and social security contributions | | -53,785 | -50,692 |
| Depreciation and amortization | 2 | -50,662 | -47,858 |
| Provisions | 14 | -526,954 | -502,058 |
| OPERATING EXPENSES | | -4,069,482 | -3,496,936 |
| NET OPERATING INCOME | | 314,203 | 269,434 |
| NET FINANCIAL INCOME | 22 | 68,340 | 93,216 |
| CURRENT INCOME | | 382,543 | 362,650 |
| Non-recurring items | 23 | 30,667 | 57,689 |
| Employee profit-sharing and incentive schemes | | -87,629 | -83,367 |
| Income tax | 24 | -42,327 | -64,837 |
| NET INCOME | | 283,254 | 272,135 |

(1) incl. tax credit for competitiveness and employment (CICE) (cf. Note 7): 7,812 7,646

STATEMENT OF CASH FLOWS

| (in EUR thousands) | Notes | 2015 | 2014 |
|---|--------|------------------|------------------|
| I - NET CASH FROM OPERATING ACTIVITIES | | | |
| NET INCOME | | 283,254 | 272,135 |
| Elimination of gains and losses from disposals of non-current assets | 23 | 48 | -9,754 |
| Net allocations to and reversals of depreciation, amortization and provisions (excluding those relating to working capital requirement) | 2,3,14 | -135,942 | -15,928 |
| Net cash from operating activities before working capital changes | | 147,360 | 246,453 |
| Change in inventories and work-in-progress (net) | 4 | -358,102 | -250,050 |
| Change in advances and progress payments to suppliers | | -919,666 | -7,211 |
| Change in trade and other receivables (net) | 6 | 23,302 | -74,164 |
| Change in other receivables, prepayments and accrued income | 6 | 11,066 | -75,181 |
| Change in customer advances and progress payments on work in progress | | 2,291,463 | -85,669 |
| Change in trade payables | | 25,772 | 32,668 |
| Change in other payables and deferred income | 17 | 54,541 | -4,066 |
| Increase (-) or decrease (+) in working capital requirement | | 1,128,376 | -463,673 |
| Total I | | 1,275,736 | -217,220 |
| II - NET CASH FROM INVESTING ACTIVITIES | | | |
| Purchases of tangible and intangible assets | 2 | -74,317 | -55,884 |
| Increase in financial assets | 3 | -454,481 | -933,891 |
| Investment subsidies | | 924 | 0 |
| Disposals of or reductions in non-current assets | 2,3,23 | 133,893 | 911,533 |
| Total II | | -393,981 | -78,242 |
| III - NET CASH FLOW USED IN FINANCING ACTIVITIES | | | |
| Change in capital | 13 | -730 | -7,297 |
| Increase in other equity items | 13 | -88,662 | -886,772 |
| Increase in financial debt | 15 | 366,812 | 790,755 |
| Repayments of financial debt | 15 | -94,079 | -120,352 |
| Dividends paid during the year | 34 | -87,126 | -90,120 |
| Total III | | 96,215 | -313,786 |
| CHANGE IN NET CASH AND CASH EQUIVALENTS (I + II +III) | | 977,970 | -609,248 |
| Opening net cash and cash equivalents (1) | | 1,788,119 | 2,397,367 |
| Closing net cash and cash equivalents (1) | | 2,766,089 | 1,788,119 |

(1) Cash and cash equivalents comprise the following balance sheet items:

[cash at bank and in hand] + [marketable securities and cash instruments] - [bank overdrafts]

Company financial statements

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

*a French Société Anonyme (limited company)
capitalized at EUR 72,980,304 publicly traded and
registered in France
Paris Trade Registry number 712 042 456*

Note 1 - Accounting rules and methods

A/ GENERAL PRINCIPLES

The financial statements of the Parent Company as of December 31, 2015 were closed by the Board of Directors meeting on March 9, 2016, and will be submitted for approval to the Annual Meeting on May 19, 2016.

The company financial statements have been prepared in accordance with ANC Regulation 2014-03 approved by the Decree of September 8, 2014 and subsequent notices and recommendations of the French Accounting Standards Authority (ANC).

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

The general accounting conventions have been applied, in compliance with the principle of prudence, and in line with the following basic assumptions:

- continuity of operations,
- permanence of the accounting methods from one year to the next,
- independence of fiscal years,

and in line with the general rules for the establishment and presentation of annual financial statements.

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

B/ VALUATION PRINCIPLES

• B1 Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are recognized at acquisition or production cost, less accumulated depreciation or amortization and impairment. As an exception to the rule, assets 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 |
| Used goods | on a case-by-case basis |

• B2 Impairment of assets

The Company conducts an impairment test if an indication of loss of value has been detected.

Indications of impairment come from significant long-term adverse changes that affect the economic environment or the assumptions or objectives used by the Company.

Company financial statements

Intangible assets and property, plant and equipment are impaired by the Company when the 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 market 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 8.6% (compared to 8.5% at December 31, 2014) and a 2% long-term growth rate (same as at December 31, 2014). The discount rate used includes the rates prevailing in the aviation industry and was calculated using the same method as in 2014. 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 provisional operating conditions used by the Group's Management.

Concerning the equity investment in THALES, when an impairment test is carried out, the operational and financial assumptions used come directly from data provided by THALES.

• B3 Equity investments, other non-current and marketable investment securities

Gross values are represented by the purchase cost excluding incidental charges, except in the case of those subject to the 1976 legal revaluation. A provision for depreciation is recorded when the book value is lower than the gross value. The book value is the higher of its market value and its value in use.

• B4 Inventories and work-in-progress

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

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

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

• B5 Receivables

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

• B6 Borrowings

Borrowings are recorded at the amount received. Transaction costs are posted to expenses for the year.

• B7 Regulated tax provisions

Regulated provisions appearing on the balance sheet include:

- Provisions for investments,
- Provisions for price increases,
- Provisions for medium-term credit risks,
- Depreciation by derogation.

• B8 Provisions for contingencies and charges

B8-1 Warranty provisions

In the framework of sales or procurement contracts, DASSAULT AVIATION has formal warranty obligations for the equipment, products and/or services (software development, systems integration, etc.) delivered.

These obligations can be distinguished between:

- "current" warranty: repair of defective equipment during the contractual warranty period, handling hardware or software malfunctions identified by the user following qualification and handover to users, etc.
- "regulatory" warranty: handling by the manufacturer of any changes to the regulatory framework determined by the regulatory authorities or any regulatory non-compliance identified by the manufacturer or a user following delivery of the delivered materials or products.

Determining the amount of the warranty provisions is mainly done as follows:

- for the current equipment warranty: based on experience with recorded costs, depending on the warranty items covered contractually and the aircraft models in question;
- for handling of malfunctions or regulatory changes and nonconformities: based on estimates established by specialists from the business lines affected by the corrective actions to be implemented; these corrections have been identified in "technical files."

B8-2 Retirement payments and related benefits

Commitments to employees for retirement payments and related benefits (e.g., long-service awards) are provisioned in full for the obligations remaining. The commitments are estimated for all employees on the basis of vested rights and a projection of current salaries, after taking into account mortality rates, employee turnover, and a discounting assumption. The rates have been determined based on the yield for top-ranking corporate long-term bonds, with equivalent maturity to the duration of the calculated liabilities.

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

The provision that appears in the balance sheet is the amount of the total commitment net of outsourced amounts.

• B9 Hedging instruments

The Company uses derivative financial instruments to hedge its exposure to risks from fluctuations in exchange rates, interest rates and, more marginally, fluctuations in commodity prices.

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

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

Premiums paid or received on the purchase or potential sale of options are recognized as income only at the expiration of these options, with the exception of the premiums relating to "zero

premium" hedging strategies, which are immediately recognized as income to avoid temporary timing differences.

• B10 Foreign currency transactions

Expenses and income in currencies are recognized at their equivalent value in euros on the date of the payment of receipt transaction, with the exception of the net flows associated with global foreign exchange hedging, which are recorded at the hedge rate for the year.

Currency receivables and payables outstanding at year-end are translated into euros at the closing rate of exchange. When application of the translation rate on the closing date has the effect of modifying the amounts in euros previously recognized, the currency translation differences are booked to suspense accounts:

- 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 and cash equivalent at December 31 are recognized on the income statement.

• B11 Revenue and income

Contracts involving co-contractors for which DASSAULT AVIATION is the only signatory are recognized for the entire amount of net sales and related expenses (including the co-contractors parts).

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

Company financial statements

- **B12 Unrealized capital gains on marketable investment securities**

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

The tax charge relating to unrealized gains on marketable securities as prepayments until recognition of the gain in financial income.

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

- **B13 Treasury shares**

Whatever their accounting classification (as "Other non-current securities" or as "Marketable investments"), the book value of treasury shares at year-end is determined by the average market price in the month before closing. If the market price is lower than the purchase value, impairment is recorded, with the exception of securities being cancelled or shares held for allotment under a defined plan.

C/ TAX CONSOLIDATION

The Company opted for the tax consolidation regime in 1999, pursuant to Articles 223-A and following of the French General Tax Code. As of January 1, 2012, the tax consolidation scope of the Group includes DASSAULT AVIATION, DASSAULT AÉRO SERVICE and DASSAULT AVIATION PARTICIPATIONS.

This tax consolidation arrangement is tacitly renewable per period of five fiscal years.

By agreement, it does not have an impact on the results of consolidated companies; tax liabilities are borne by the tax group companies as if no tax consolidation existed.

Note 2 - Intangible assets and property, plant and equipment

2.1 Intangible assets

| (in EUR thousands) | 12/31/2014 | Acquisitions Increases | Disposals Decreases | Other | 12/31/2015 |
|--|----------------|---------------------------|------------------------|----------|----------------|
| Gross value | | | | | |
| Software, patents, licenses and similar assets | 86,478 | 11,691 | -77 | 159 | 98,251 |
| Construction in progress; advances and progress payments | 1,536 | 1,252 | 0 | -159 | 2,629 |
| | 88,014 | 12,943 | -77 | 0 | 100,880 |
| Amortization | | | | | |
| Software, patents, licenses and similar assets | -74,914 | -7,158 | 74 | 0 | -81,998 |
| | -74,914 | -7,158 | 74 | 0 | -81,998 |
| Net value | | | | | |
| Software, patents, licenses and similar assets | 11,564 | | | | 16,253 |
| Construction in progress; advances and progress payments | 1,536 | | | | 2,629 |
| TOTAL | 13,100 | 5,785 | -3 | 0 | 18,882 |

Company financial statements

2.2 Property, plant and equipment

| (in EUR thousands) | 12/31/2014 | Acquisitions Increases | Disposals Decreases | Other | 12/31/2015 |
|--|-----------------|---------------------------|------------------------|----------|-----------------|
| Gross value | | | | | |
| Land | 29,851 | 453 | -56 | 0 | 30,248 |
| Buildings | 277,939 | 8,984 | -2,019 | 1,898 | 286,802 |
| Plant, equipment and machinery | 464,425 | 25,479 | -14,027 | 1,758 | 477,635 |
| Other property, plant and equipment | 128,675 | 10,461 | -3,954 | 509 | 135,691 |
| Construction in progress; advances and progress payments | 8,359 | 15,997 | -3,591 | -4,165 | 16,600 |
| | 909,249 | 61,374 | -23,647 | 0 | 946,976 |
| Amortization | | | | | |
| Land | -6,406 | -466 | 46 | 0 | -6,826 |
| Buildings | -176,618 | -11,582 | 1,861 | 0 | -186,339 |
| Plant, equipment and machinery | -397,190 | -24,369 | 13,854 | 0 | -407,705 |
| Other property, plant and equipment | -98,814 | -7,087 | 3,692 | 0 | -102,209 |
| | -679,028 | -43,504 | 19,453 | 0 | -703,079 |
| Impairment (1) | | | | | |
| Other property, plant and equipment | 0 | -739 | 0 | 0 | -739 |
| | 0 | -739 | 0 | 0 | -739 |
| Net value | | | | | |
| Land | 23,445 | | | | 23,422 |
| Buildings | 101,321 | | | | 100,463 |
| Plant, equipment and machinery | 67,235 | | | | 69,930 |
| Other property, plant and equipment | 29,861 | | | | 32,743 |
| Construction in progress; advances and progress payments | 8,359 | | | | 16,600 |
| TOTAL | 230,221 | 17,131 | -4,194 | 0 | 243,158 |

(1) impairment tests on property, plant and equipment (cf. Paragraph B2 of the Accounting rules and methods):

- A provision of EUR 739,000 was recognized in 2015 on capitalized aircraft.
- The impairment tests carried out on property, plant and equipment did not indicate any other impairment to be recognized as of December 31, 2015.

Note 3 - Financial assets

| (in EUR thousands) | 12/31/2014 | Acquisitions Increases | Disposals Decreases | Other | 12/31/2015 |
|---------------------------------|------------------|---------------------------|------------------------|----------------|------------------|
| Equity associates (1) | 2,147,769 | 2,297 | 0 | 0 | 2,150,066 |
| Other investment securities (2) | 77,097 | 451,712 | -89,650 | -39,690 | 399,469 |
| Loans | 2,025 | 83 | -404 | 0 | 1,704 |
| Other financial assets | 30,787 | 389 | 0 | 0 | 31,176 |
| TOTAL | 2,257,678 | 454,481 | -90,054 | -39,690 | 2,582,415 |
| Provisions | -1,094 | -2,900 | 940 | 0 | -3,054 |
| NET VALUE | 2,256,584 | 451,581 | -89,114 | -39,690 | 2,579,361 |

(1) inc. THALES: EUR 1,984,272 thousand.

Market price of THALES shares and impairment test:

Based on the market price of THALES shares at December 31, 2015 (EUR 69.10 per share), DASSAULT AVIATION's investment in THALES is valued at EUR 3,630 million.

In the absence of any objective indication of impairment, the THALES investment was not subjected to an impairment test as of December 31, 2015.

(2) including cancellation of 91,216 treasury shares for EUR 89,392 thousand (see Note 10).

including reclassification of 40,500 treasury shares for EUR 39,690 thousand (see Note 9).

Maturity of financial assets

| (in EUR thousands) | Total | Within 1 year | More than 1 year |
|------------------------|---------------|---------------|---------------------|
| Loans | 1,704 | 277 | 1,427 |
| Other financial assets | 31,176 | 0 | 31,176 |
| TOTAL | 32,880 | 277 | 32,603 |

Company financial statements

Note 3 - Financial assets (cont'd)

A. List of subsidiaries and associates the gross value of which exceeds 1% of the Company's share capital and in which the Company holds at least 10% of the shares

| Companies or groups of companies (in EUR thousands) | Capital | Equity other than capital | Share of the capital held (%) | Book value of securities | | Loans and advances made by the Company not yet paid | Amount of deposits and guarantee given by the Company | Net sales of the most recent fiscal year | Net income (+)/ loss (-) of the latest fiscal year | Dividends received by the Company during the fiscal year |
|--|---------|---------------------------|-------------------------------|--------------------------|------------------|---|---|--|--|--|
| | | | | Gross | Net | | | | | |
| 1. SUBSIDIARIES (more than 50% owned) | | | | | | | | | | |
| a. French subsidiaries | | | | | | | | | | |
| DASSAULT FALCON SERVICE | 3,680 | 84,045 | 99.99 | 59,453 | 59,453 | 0 | 0 | 176,419 | 10,191 | 0 |
| DASSAULT INTERNATIONAL | 1,529 | 19,578 | 99.63 | 19,236 | 19,236 | 0 | 0 | 909 | 511 | 0 |
| DASSAULT-REASSURANCE | 10,459 | 8,593 | 99.99 | 10,133 | 10,133 | 0 | 0 | 970 | 244 | 0 |
| DASSAULT-AVIATION PARTICIPATIONS | 4,037 | -44 | 100.00 | 4,037 | 4,037 | 0 | 0 | 0 | -3 | 0 |
| SOGITEC INDUSTRIES | 4,578 | 144,060 | 99.80 | 25,446 | 25,446 | 0 | 0 | 128,748 | 14,701 | 0 |
| Total | | | | 118,305 | 118,305 | 0 | 0 | | | 0 |
| b. Foreign subsidiaries | | | | | | | | | | |
| DASSAULT FALCON JET (1) | 12,907 | 736,477 | 87.47 | 7,767 | 7,767 | 0 | 62,122 | 1,820,411 | 40,755 | 0 |
| DASSAULT INTERNATIONAL INC (USA) | 4,639 | 64,529 | 100.00 | 3,727 | 3,727 | 0 | 0 | 1,136 | 47 | 0 |
| DASSAULT PROCUREMENT SERVICES INC (USA) | 92 | 64,642 | 100.00 | 28,965 | 28,965 | 0 | 0 | 402,744 | 5,046 | 0 |
| DASSAULT FALCON BUSINESS SERVICES | 1,659 | 386 | 100.00 | 2,294 | 2,294 | 0 | 0 | 1,802 | 174 | 0 |
| Total | | | | 42,753 | 42,753 | 0 | 62,122 | | | 0 |
| Total SUBSIDIARIES | | | | 161,058 | 161,058 | 0 | 62,122 | | | 0 |
| 2. EQUITY ASSOCIATES (between 10 and 50% owned) | | | | | | | | | | |
| a. French associates | | | | | | | | | | |
| CORSE COMPOSITES AERONAUTIQUES | 1,707 | 6,786 | 24.81 | 996 | 996 | 0 | 0 | 52,666 | 737 | 0 |
| EUROTRADIA INTERNATIONAL (2) | 3,000 | 30,963 | 16.20 | 3,099 | 3,099 | 0 | 0 | 33,727 | 1,540 | 260 |
| THALES (3) | 632,900 | 6,016,800 | 24.90 | 1,984,272 | 1,984,272 | 0 | 0 | 208,600 | 871,900 | 59,361 |
| Total | | | | 1,988,367 | 1,988,367 | 0 | 0 | | | 59,621 |
| b. Foreign associates | | | | | | | | | | |
| Total | | | | 0 | 0 | 0 | 0 | | | 0 |
| Total ASSOCIATES | | | | 1,988,367 | 1,988,367 | 0 | 0 | | | 59,621 |

(1) direct holding; the remaining 12.53% of the shares are held by Dassault International Inc. (USA), which in turn is a wholly-owned subsidiary of DASSAULT AVIATION.

(2) information for 2014 fiscal year.

(3) Parent company financial statements.

Note 3 - Financial assets (cont'd)

B. Other subsidiaries and associates

| Global information (in EUR thousands) | Book value of securities | | Loans and advances made by the Company not yet paid | Amount of deposits and guarantees given by the Company | Dividends received by the Company during the fiscal year |
|--|--------------------------|---------------|---|--|--|
| | Gross | Net | | | |
| 1. SUBSIDIARIES | | | | | |
| a. French subsidiaries | 570 | 570 | 0 | 0 | 0 |
| b. Foreign subsidiaries | 0 | 0 | 0 | 0 | 0 |
| Total | 570 | 570 | 0 | 0 | 0 |
| 2. ASSOCIATES | | | | | |
| a. French associates | 5,286 | 2,386 | 0 | 0 | 2,423 |
| b. Foreign associates | 32,172 | 32,172 | 790 | 0 | 447 |
| Total | 37,458 | 34,558 | 790 | 0 | 2,870 |

C. General information on securities (A+B)

| Global information (in EUR thousands) | Book value of securities | | Loans and advances made by the Company not yet paid | Amount of deposits and guarantees given by the Company | Dividends received by the Company during the fiscal year |
|--|--------------------------|------------------|---|--|--|
| | Gross | Net | | | |
| 1. SUBSIDIARIES | | | | | |
| a. French subsidiaries | 118,875 | 118,875 | 0 | 0 | 0 |
| b. Foreign subsidiaries | 42,753 | 42,753 | 0 | 62,122 | 0 |
| Total | 161,628 | 161,628 | 0 | 62,122 | 0 |
| 2. ASSOCIATES | | | | | |
| a. French associates | 1,993,653 | 1,990,753 | 0 | 0 | 62,044 |
| b. Foreign associates | 32,172 | 32,172 | 790 | 0 | 447 |
| Total | 2,025,825 | 2,022,925 | 790 | 0 | 62,491 |
| GRAND TOTAL | 2,187,453 | 2,184,553 | 790 | 62,122 | 62,491 |

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Note 4 - Inventories and work-in-progress

| (in EUR thousands) | 12/31/2015 | | | 12/31/2014 |
|----------------------------------|------------------|-----------------|------------------|------------------|
| | Gross | Impairment | Net | Net |
| Raw materials | 182,327 | -77,428 | 104,899 | 103,369 |
| Work-in-progress | 2,229,604 | 0 | 2,229,604 | 1,834,507 |
| Semi-finished and finished goods | 797,814 | -228,562 | 569,252 | 607,777 |
| TOTAL | 3,209,745 | -305,990 | 2,903,755 | 2,545,653 |

Note 5 - Interest on current assets

No interest is included in the value of inventories and work-in-progress.

Note 6 - Trade and other receivables

6.1 Details

| (in EUR thousands) | 12/31/2015 | | | 12/31/2014 |
|--|------------------|----------------|------------------|------------------|
| | Gross | Impairment | Net | Net |
| Trade receivables | | | | |
| Trade receivables | 540,904 | -74,066 | 466,838 | 490,140 |
| | 540,904 | -74,066 | 466,838 | 490,140 |
| Other receivables and prepayments | | | | |
| Other receivables | 245,642 | 0 | 245,642 | 196,728 |
| Prepaid expenses | 288,432 | 0 | 288,432 | 348,802 |
| Prepayments | 14,176 | 0 | 14,176 | 13,786 |
| | 548,250 | 0 | 548,250 | 559,316 |
| TOTAL | 1,089,154 | -74,066 | 1,015,088 | 1,049,456 |

The percentage of outstanding receivables not written-down at year-end is regularly monitored individually.

6.2 Age debtor schedule

| (in EUR thousands) | 12/31/2015 | | | 12/31/2014 | | |
|-----------------------|------------------|----------------|------------------|------------------|----------------|------------------|
| | Total | Within 1 year | More than 1 year | Total | Within 1 year | More than 1 year |
| Trade receivables (1) | 540,904 | 357,458 | 183,446 | 560,680 | 358,587 | 202,093 |
| Other receivables | 245,642 | 245,642 | 0 | 196,728 | 196,728 | 0 |
| Prepaid expenses | 288,432 | 288,432 | 0 | 348,802 | 348,802 | 0 |
| Prepayments | 14,176 | 14,176 | 0 | 13,786 | 13,786 | 0 |
| TOTAL | 1,089,154 | 905,708 | 183,446 | 1,119,996 | 917,903 | 202,093 |

(1) inc. receivables and payables represented by commercial paper: EUR 78,928 thousand at December 31, 2015 and EUR 104,198 thousand at December 31, 2014.

Note 7 - Accrued income

| Deferred income is included in the following balance sheet items (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|--|----------------|----------------|
| Trade receivables | 248,718 | 250,161 |
| Other receivables, prepayments and accrued income (1) | 7,812 | 7,646 |
| Marketable securities | 0 | 0 |
| Cash at bank and in hand | 87 | 23 |
| TOTAL | 256,617 | 257,830 |

(1) incl. tax credit for competitiveness and employment (CICE): EUR 7,812 thousand in 2015 and EUR 7,646 thousand in 2014. On the income statement, it is recorded as a deduction from personnel expenses. In 2015, it was used to improve production tools through the acquisition and replacement of equipment, in particular in the context of operating condition maintenance and the implementation of the improving production responsiveness projects.

Note 8 - Prepaid expenses and deferred income

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|--|------------|------------|
| Operating income | 75,956 | 57,304 |
| Operating expenses (1) | 288,432 | 348,802 |
| (1) income tax on unrealized capital gains | 281,298 | 339,684 |

Note 9 - Difference in measurement of marketable securities

| MARKETABLE SECURITIES AND CASH INSTRUMENTS | | |
|---|------------|------------|
| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
| Treasury shares | 39,690 | 0 |
| Marketable securities - balance sheet value | 2,370,908 | 1,713,734 |
| Marketable securities - market value | 3,148,591 | 2,673,227 |

Company financial statements

Note 10 - Share capital and treasury shares

10.1 Share capital

The share capital of DASSAULT AVIATION Parent company amounts to EUR 72,980 thousand and consists of 9,122,538 ordinary shares of €8 each at December 31, 2015. At December 31, 2014, share capital was EUR 73,710 thousand and consisted of 9,213,754 shares.

10.2 Treasury shares

Movements on treasury shares are detailed below:

| | 12/31/2014 | Purchase | Cancellations | Impairment | 12/31/2015 |
|--------------------------|------------|----------|---------------|------------|------------|
| Number of shares | 40,500 | 460,687 | 91,216 | | 409,971 |
| Value (in EUR thousands) | 39,690 | 451,473 | 89,392 | 0 | 401,771 |

Pursuant to the agreements entered into with AIRBUS GROUP SAS and the authorization granted by the shareholders at the General Meeting of January 28, 2015, DASSAULT AVIATION acquired 460,687 shares, representing 5% of its capital at a price of EUR 980 per share for a total of EUR 451,473 thousand. On May 20, 2015, the Board of Directors decided to allocate these shares to the cancellation purpose of the buyback program. On July 24, 2015, 91,216 shares were cancelled, and 369,471 will be cancelled after the 24-month period (starting December 22, 2014).

In 2014, the Group had bought back 952,643 shares for a total amount of EUR 933,590 thousand, following the authorization granted by the Shareholders' Meeting of September 24, 2014. On November 28, 2014, the Board of Directors decided to allocate 912,143 shares for the cancellation purpose of the buyback program, the balance, i.e. 40,500 shares, still being held as at December 31, 2014 for potential free shares plans and a potential liquidity contract to ensure the liquidity of the market.

10.3 Share-based payments

On September 23, 2015, the Board of Directors decided to grant free shares to corporate officers. This allocation is subject to performance conditions.

The shares will be fully vested after a vesting period of one year and must then be retained for an additional period of one year.

| Award decision date | Vesting period | Number of shares allocated | Share price on the grant date | Number of shares delivered in 2015 | Number of shares cancelled (1) | Balance of free shares at 12/31/2015 |
|---------------------|-------------------------------|----------------------------|-------------------------------|------------------------------------|--------------------------------|--------------------------------------|
| 09/23/2015 | from 09/23/2015 to 09/22/2016 | 950 | EUR 1,095 | 0 | 0 | 950 |

(1) shares cancelled in the event of partial or total non-achievement of performance conditions.

Note 11 - Identity of the consolidating Parent Company

| | % consolidation |
|---|-----------------|
| GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD) 9, Rond-Point des Champs-Élysées - Marcel Dassault 75008 PARIS | 56.11% |

Note 12 - Reserves

12.1 Reserves

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|------------------------|------------------|------------------|
| Revaluation difference | 4,136 | 4,136 |
| Legal reserve | 7,298 | 7,371 |
| Retained earnings | 2,509,144 | 2,393,145 |
| TOTAL (1) | 2,520,578 | 2,404,652 |

(1) Allocation of the capital reduction (cf. details in Note 13).

12.2 Revaluation reserves

| (in EUR thousands) | Change in revaluation reserves | | | |
|-----------------------------------|--------------------------------|----------------------------|---------------|--------------|
| | 12/31/2014 | 2015 MOVEMENTS | | 12/31/2015 |
| | | Decreases due to disposals | Other changes | |
| Land | 3,615 | 0 | 0 | 3,615 |
| Investments | 521 | 0 | 0 | 521 |
| TOTAL | 4,136 | 0 | 0 | 4,136 |
| Revaluation reserve (1976) | 4,136 | 0 | 0 | 4,136 |

Note 13 - Statement of changes in equity during the year

1/ INCOME FOR THE YEAR

| | 2015 | 2014 |
|---|-------------|----------|
| ACCOUNTING INCOME | | |
| In EUR thousands | 283,254 | 272,135 |
| In EUR per share | 31.05 | 29.54 |
| CHANGE IN EQUITY EXCLUDING NET INCOME FOR THE YEAR | | |
| In EUR thousands | -118,534 | -941,574 |
| In EUR per share | -12.99 | -102.19 |
| DIVIDENDS | | |
| In EUR thousands | 110,383 (1) | 92,138 |
| In EUR per share | 12.10 (1) | 10.00 |

(1) proposed by the Board of Directors to the Shareholders' Meeting.

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2/ STATEMENT OF CHANGES IN EQUITY EXCLUDING PROFIT FOR THE YEAR (in EUR thousands)

| | Prior to appropriation of 2014 earnings 12/31/2015 | After appropriation of 2014 earnings 12/31/2015 |
|---|---|--|
| A - | | |
| 1. 2014 closing equity excluding net income for the year | 2,684,910 | 2,684,910 |
| 2. 2014 net income prior to appropriation | 272,135 | |
| 3. Appropriation of 2014 net income to net equity by the Shareholders' Meeting | | 185,009 |
| 4. 2015 equity at opening | 2,957,045 | 2,869,919 |
| B - Additional paid-in capital, effective retroactively to beginning of 2015 | | 0 |
| 1. Change in capital | | 0 |
| 2. Change in other items | | 0 |
| C - (= A4 + B) Equity at 2015 opening | | 2,869,919 |
| D - Changes during the year excluding 2015 net income | | -118,534 |
| 1. Change in capital (1) | | -730 |
| 2. Change in additional paid-in capital, reserves, retained earnings (1) | | -88,662 |
| 3. Revaluation offsetting entries - Reserve | | 0 |
| 4. Change in tax provisions and investment subsidies | | -29,142 |
| 5. Other changes | | 0 |
| E - 2015 CLOSING EQUITY EXCLUDING 2015 NET INCOME BEFORE AGM (= C + D) (= C + D) | | 2,751,385 |
| F - TOTAL CHANGE IN EQUITY EXCLUDING 2015 NET INCOME (=E- C) | | -118,534 |

(1) On May 20, 2015, the Board of Directors decided, under the authorization given to it by the Shareholders' Meeting of January 28, 2015, to reduce the capital stock of the Company by cancelling 91,216 shares worth EUR 89,392 thousand, by allocating the reduction as follows:

| (in EUR thousands) | 12/31/2015 |
|---|---------------|
| Share capital (€8 X 91,216) | 730 |
| Legal reserve | 73 |
| Additional paid-in capital | 19,579 |
| Retained earnings | 69,010 |
| TOTAL CHARGED TO THE CAPITAL REDUCTION | 89,392 |

3/ DEFERRED TAX (in EUR thousands)

Regulated provisions excluding provisions for investments: 119,210 x 34.43% (1) = 41,044

(1) Tax rate: 34.43% (2016 rate).

Note 14 - Provisions

14.1 Provisions

| (in EUR thousands) | 12/31/2014 | Allocations | Reversals | Other | 12/31/2015 |
|---|------------------|----------------|-----------------|----------|------------------|
| Regulated provisions | | | | | |
| For investments | 73,973 | 0 (3) | -36,280 (3) | 0 | 37,693 |
| For price increases | 56,726 | 17,437 (3) | -9,708 (3) | 0 | 64,455 |
| Depreciation by derogation | 55,487 | 12,411 (3) | -13,649 (3) | 0 | 54,249 |
| For medium-term credit risks | 765 | 0 (3) | -277 (3) | 0 | 488 |
| Realized gains reinvested | 18 | 0 (3) | 0 (3) | 0 | 18 |
| | 186,969 | 29,848 | -59,914 | 0 | 156,903 |
| Provisions for contingencies and charges | | | | | |
| Operating | 1,165,157 | 146,159 (1) | -305,786 (1) | 0 | 1,005,530 |
| Financial | 13,786 | 14,176 (2) | -13,786 (2) | 0 | 14,176 |
| Non-recurring | 0 | 0 (3) | 0 (3) | 0 | 0 |
| | 1,178,943 | 160,335 | -319,572 | 0 | 1,019,706 |
| Provisions for impairment and write-down | | | | | |
| On intangible assets | 0 | 0 (1) | 0 (1) | 0 | 0 |
| On property, plant and equipment | 0 | 739 (1) | 0 (1) | 0 | 739 |
| On financial assets | 1,094 | 2,900 (2) | -940 (2) | 0 | 3,054 |
| On inventories and work-in-progress | 282,800 | 305,990 (1) | -282,800 (1) | 0 | 305,990 |
| Trade receivables | 70,540 | 74,066 (1) | -70,540 (1) | 0 | 74,066 |
| | 354,434 | 383,695 | -354,280 | 0 | 383,849 |
| TOTAL | 1,720,346 | 573,878 | -733,766 | 0 | 1,560,458 |

| | | | |
|---------------------------|-------------------|----------------|-----------------|
| | { - Operating | 526,954 (1) | -659,126 (1) |
| Allocations and reversals | { - Financial | 17,076 (2) | -14,726 (2) |
| | { - Non-recurring | 29,848 (3) | -59,914 (3) |
| | | 573,878 | -733,766 |

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14.2 Details of provisions for contingencies and charges

| (in EUR thousands) | 12/31/2014 | Allocations | Reversals | Other | 12/31/2015 |
|---|------------------|----------------|-----------------|----------|------------------|
| Operating | | | | | |
| Retirement payments and related benefits (1) | 435,000 | 32,524 | -214,150 | 0 | 253,374 |
| Warranties (2) | 651,400 | 50,800 | -58,200 | 0 | 644,000 |
| Services and work to be performed | 78,757 | 62,835 | -33,436 | 0 | 108,156 |
| | 1,165,157 | 146,159 | -305,786 | 0 | 1,005,530 |
| Financial | | | | | |
| Foreign exchange losses | 13,786 | 14,176 | -13,786 | 0 | 14,176 |
| | 13,786 | 14,176 | -13,786 | 0 | 14,176 |
| Non-recurring | | | | | |
| Other | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 |
| TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES | 1,178,943 | 160,335 | -319,572 | 0 | 1,019,706 |

(1) Provisions for retirement payments and related benefits:

Retirement severance payment commitments are calculated for all employees using the projected unit credit method. They are provisioned in full for the remaining obligations.

Employment projections are weighted using French insurance code mortality rates and the recorded employee turnover rate (this may vary according to age). The obligation is estimated and prorated to the employee's length of service at the end of the period in relation to his total career expectancy (see Accounting principles B8-2).

The calculation takes into account the following annual assumptions: a 3.92% salary increase and a 1.5% discount rate.

In 2015, the Company decided to outsource a portion of the pension benefits commitments by entering into a contract of insurance for EUR 200 million.

At December 31, 2015, the balance of the provision for long-service awards is EUR 3.4 million.

(2) Warranty provisions:

Warranty provisions are updated to reflect the fleet in service and contracts delivered (See Accounting principles B8-1).

Note 15 - Borrowings and financial debt

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|--|------------------|----------------|
| Bank borrowings (1) | 1,000,657 | 748,640 |
| Other borrowing and financial debt (2) | 208,816 | 236,441 |
| TOTAL | 1,209,473 | 985,081 |

(1) bank overdrafts: none at December 31, 2015 and EUR 48,341 thousand at December 31, 2014.

EUR 700 million of which was subscribed in 2014: EUR 50 million repayable in 2017, EUR 50 million repayable in 2018, and EUR 600 million in 2019.

EUR 300 million of which was subscribed in 2015: EUR 25 million repayable in 2018, EUR 25 million repayable in 2019, and EUR 250 million in 2020.

These loans are denominated in euros. Initially at a variable interest rate, they were swapped to a fixed rate. The contracts for these loans include the usual default clauses and restrictions in terms of security conditions and merger or sale transactions. One of loans clauses stipulates an anticipate repayment would be demanded if GIMD were to hold less than 50% of the capital of DASSAULT AVIATION before the loan maturity date. These loans do not contain any accelerated repayment or prepayment clauses based on rating or financial ratios.

(2) on December 31, 2015 and December 31, 2014, the other financial debt mainly include locked-in employee profit-sharing funds.

There are no participating loans.

Note 16 - Maturity of borrowings

| (in EUR thousands) | Total | Within 1 year | Between 1 and 5 years | More than 5 years |
|--|------------------|----------------|-----------------------|-------------------|
| Bank borrowings (1) | 1,000,657 | 614 | 1,000,043 | 0 |
| Other financial debt (1) | 208,816 | 47,249 | 161,567 | 0 |
| Trade payables (2) | 580,465 | 580,465 | 0 | 0 |
| Tax and social security liabilities | 210,024 | 210,024 | 0 | 0 |
| Liabilities on fixed assets and related accounts | 3,551 | 3,551 | 0 | 0 |
| Other liabilities | 93,438 | 93,438 | 0 | 0 |
| TOTAL | 2,096,951 | 935,341 | 1,161,610 | 0 |

(1) see Note 15.

(2) inc. liabilities represented by commercial paper: EUR 80,558 thousand.

Note 17 - Other liabilities and deferred income

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|---|----------------|----------------|
| Tax and social security liabilities | 210,024 | 196,547 |
| Liabilities on fixed assets and related accounts | 3,551 | 2,283 |
| Other liabilities | 93,438 | 92,016 |
| Deferred income | 75,956 | 57,304 |
| Translation difference and exchange rate adjustment | 47,138 | 27,416 |
| TOTAL | 430,107 | 375,566 |

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Note 18 - Accrued expenses

| Accrued expenses are included in the following balance sheet items (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|--|----------------|----------------|
| Borrowings and financial debt (1) | 3,911 | 4,151 |
| Trade payables | 445,516 | 453,106 |
| Other payables and deferred income | 227,609 | 215,436 |
| TOTAL | 677,036 | 672,693 |

(1) inc. interest accrued on borrowings from credit institutions: EUR 600 thousand at December 31, 2015 and EUR 228 thousand at December 31, 2014.

Note 19 - Notes on affiliated companies and equity associates

| (in EUR thousands) | Amount relating to | |
|---|----------------------|------------------------------------|
| | affiliated companies | in which the Company holds a stake |
| Equity investments | 161,628 | 1,988,438 |
| Loans and other non-current financial assets | 30,694 | 0 |
| Advances and progress payments to suppliers | 56,904 | 562,707 |
| Trade receivables | 198,352 | 1,250 |
| Other receivables | 790 | 0 |
| Customer advances and progress payments on orders | 219,895 | 13,458 |
| Trade payables | 97,150 | 23,629 |
| Other payables | 0 | 0 |
| Financial expenses | 0 | 0 |

Note 20 - Net sales

| (in EUR thousands) | 2015 | 2014 |
|--------------------------|------------------|------------------|
| A) BY PRODUCT: | | |
| Sales of goods | 2,363,878 | 2,735,461 |
| Sales of services | 962,120 | 459,449 |
| TOTAL | 3,325,998 | 3,194,910 |
| B) BY GEOGRAPHIC REGION: | | |
| France | 647,515 | 800,522 |
| Export (1) | 2,678,483 | 2,394,388 |
| TOTAL | 3,325,998 | 3,194,910 |

(1) The net sales on the RAFALE Egypt contract are recognized on a gross basis (including the co-contractors parts).

Note 21 - Research and development costs

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

| (in EUR thousands) | 2015 | 2014 |
|--------------------------------|----------|----------|
| Research and development costs | -399,586 | -448,645 |

The Company's research and development strategy and initiatives are described in the Management Report.

Note 22 - Net financial income

| (in EUR thousands) | 2015 | 2014 |
|--|-----------------|----------------|
| Investment income (1) | 59,620 | 62,794 |
| Income from other securities and assets | 2,912 | 1,129 |
| Other interest and similar income | 2,798 | 3,495 |
| Reversals of provisions for foreign exchange losses | 13,786 | 13,163 |
| Reversals of provisions for equity investments | 940 | 160 |
| Foreign exchange gains | 0 | 0 |
| Net gains on sale of marketable securities | 186,330 | 34,559 |
| FINANCIAL INCOME | 266,386 | 115,300 |
| Allocation to provisions for foreign exchange losses | -14,176 | -13,786 |
| Allocation to provisions for equity investments | -2,900 | -940 |
| Allocation to provisions for loans | 0 | 0 |
| Interest and similar expenses | -15,280 | -7,358 |
| Foreign exchange losses | -165 690 | 0 |
| Net losses on sales of marketable securities | 0 | 0 |
| FINANCIAL EXPENSES | -198,046 | -22,084 |
| NET FINANCIAL INCOME | 68,340 | 93,216 |

(1) inc. THALES dividends: EUR 59,361 thousand in 2015 and EUR 62,512 thousand in 2014.

Company financial statements

Note 23 - Non-recurring items

| (in EUR thousands) | 2015 | 2014 |
|---|----------------|----------------|
| Gains on sales of assets | | |
| - Property, plant and equipment | 558 | 15,088 |
| - Financial assets | 258 | 0 |
| | 816 | 15,088 |
| Other non-recurring income | 662 | 468 |
| Reversals of regulated provisions | | |
| - For investments | 36,280 | 39,846 |
| - For price increases | 9,708 | 10,562 |
| - For medium-term credit risks | 277 | 1,114 |
| - Depreciation by derogation | 13,649 | 17,294 |
| - Realized gains reinvested | 0 | 0 |
| | 59,914 | 68,816 |
| NON-RECURRING INCOME | 61,392 | 84,372 |
| Non-recurring expenses on operating activities | 0 | -1 |
| Carrying value of assets sold | | |
| - Intangible assets | 0 | 0 |
| - Property, plant and equipment | -606 | -5,334 |
| - Financial assets | -258 | 0 |
| | -864 | -5,334 |
| Other non-recurring expenses | -13 | -37 |
| Allocations to regulated provisions | | |
| - For price increases | -17,437 | -10,458 |
| - Depreciation by derogation | -12,411 | -10,853 |
| | -29,848 | -21,311 |
| Other non-recurring provisions | 0 | 0 |
| NON-RECURRING EXPENSES | -30,725 | -26,683 |
| NON-RECURRING ITEMS | 30,667 | 57,689 |

Note 24 - Analysis of corporate income tax

| (in EUR thousands) | Income before tax | Corporate income tax | Long-term capital gains tax | Income after tax |
|--|-------------------|----------------------|-----------------------------|------------------|
| Net income from ordinary activities before tax | 382,543 | -76,491 | 0 | 306,052 |
| Non-recurring items (including profit-sharing and incentive schemes) | -56,962 | 34,164 | 0 | -22,798 |
| Accounting income | 325,581 | -42,327 | 0 | 283,254 |
| | | -42,327 (1) | | |

(1) including research tax credit: EUR 32,648 thousand.

Note 25 - Off-balance sheet commitments

| COMMITMENTS GIVEN (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|--|-------------------|-------------------|
| Future payments to subcontractors or suppliers | 2,798,627 | 1,852,532 |
| Fixed asset orders | 32,648 | 22,481 |
| Guarantees and deposits | 62,122 | 80,069 |
| TOTAL | 2,893,397 | 1,955,082 |

| COMMITMENTS RECEIVED (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|--|-------------------|-------------------|
| Backlog | 13,724,300 | 7,352,200 |
| COFACE guarantees | 76,580 | 100,477 |
| Collateral | 108,521 | 103,487 |
| TOTAL | 13,909,401 | 7,556,164 |

Note 26 - Payables and receivables secured by bank guarantees

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|---|-------------------|-------------------|
| Customer advances and progress payments | 1,458,161 | 510,499 |
| Advances and progress payments to suppliers | 9,075 | 4,445 |
| TOTAL | 1,467,236 | 514,944 |

Note 27 - Contingent liabilities

In late 2002, a group of French manufacturers, including DASSAULT AVIATION, was collectively issued a request for arbitration from a common client claiming a sum which, according to the plaintiff, may not be less than USD 260 million, and for which the group of manufacturers may be jointly liable to the plaintiff. This claim was related to the performance of old contracts performed by these manufacturers. Under an agreement signed between the parties in June 2003, the plaintiff withdrew its action. In November 2012, the plaintiff notified a new request for arbitration based on grounds similar to the 2002 action, for a total now amounting to EUR 226 million. The manufacturers strongly dispute this claim and to date, it is not possible to assess the potential financial risk; as a result, DASSAULT AVIATION has not recognized any provision. This proceeding is still in progress.

Company financial statements

Note 28 - Financial Instruments: dollar foreign exchange transaction portfolio

DASSAULT AVIATION is exposed to a foreign exchange risk on its FALCON sales that are almost all denominated in US dollars. This risk is partially hedged by using forward currency contracts and foreign exchange options.

The financial instruments held by DASSAULT AVIATION are valued below at market value.

Market value represents the amounts received or paid in the event of total liquidation of the portfolio; the equivalent in euros is calculated on the basis of the price of the dollar at year end. This is not representative of the actual gain/loss which will be recognized when the hedges are realized.

The portfolio market value is therefore provided for information only.

| MARKET VALUE | 12/31/2015 | | 12/31/2014 | |
|--------------------------|------------------|------------------|------------------|------------------|
| | In USD thousands | In EUR thousands | In USD thousands | In EUR thousands |
| Foreign exchange options | -510,216 | -468,647 | -29,650 | -24,421 |
| Forward transactions | -34,220 | -31,432 | -16,158 | -13,309 |
| TOTAL | -544,436 | -500,079 | -45,808 | -37,730 |

Note 29 - Impact of tax valuations by derogation

| (in EUR thousands) | 12/31/2015 | 12/31/2014 |
|---|----------------|----------------|
| Net income for the year | 283,254 | 272,135 |
| Income tax | 42,327 | 64,837 |
| INCOME BEFORE TAX | 325,581 | 336,972 |
| Depreciation by derogation | -1,238 | -6,441 |
| Provision for price increases | 7,729 | -104 |
| Provision for realized gains reinvested | 0 | 0 |
| Provision for medium-term credit risks | -277 | -1,114 |
| INCREASE IN REGULATED PROVISIONS | 6,214 | -7,659 |
| NET INCOME EXCLUDING TAX VALUATIONS BY DEROGATION (BEFORE TAX) | 331,795 | 329,313 |

Note 30 - Increases and reductions in deferred tax

| (in EUR thousands) | 12/31/2015 (1) | 12/31/2014 (2) |
|--|-----------------------|-----------------------|
| Regulated provisions: | | |
| - For price increases | 64,455 | 56,726 |
| - For medium-term credit risks | 488 | 765 |
| - Depreciation by derogation | 54,249 | 55,487 |
| - Realized gains reinvested | 18 | 18 |
| BASIS FOR INCREASES | 119,210 | 112,996 |
| <i>INCREASES IN DEFERRED TAX</i> | <i>41,044</i> | <i>42,938</i> |
| Items not deductible in the current year: | | |
| - Employee profit-sharing | 66,629 | 63,367 |
| - Retirement payments and related benefits | 253,374 | 435,000 |
| Other temporary timing differences | 613,064 | 470,661 |
| BASIS FOR DECREASES | 933,067 | 969,028 |
| <i>REDUCTIONS IN DEFERRED TAX</i> | <i>321,255</i> | <i>368,231</i> |
| Long-term capital losses | 0 | 0 |

(1) Tax rate: 34.43% (2016 rate).

(2) Tax rate: 38% (2015 rate).

Note 31 - Compensation of corporate officers

Total compensation received by corporate officers, as detailed in the management report, amounted to EUR 3,204,827 for 2015.

Note 32 - Average number of employees

| | Salaried employees | Temporary personnel seconded to the Company |
|-----------------------------|--------------------|---|
| Managers | 4,749 | |
| Supervisors and technicians | 2,048 | |
| Employees | 431 | 35 |
| Workers | 1,056 | 109 |
| 2015 TOTAL | 8,284 | 144 |
| 2014 TOTAL | 8,106 | 210 |

Company financial statements

Note 33 - Environmental information

DASSAULT AVIATION recognized environmental capital expenditures amounting to EUR 2,369 thousand and posted approximately EUR 1,033 thousand in expenses allocated to risk, impact and regulatory compliance analyses.

The Company did not have to recognize any environmental liabilities.

Note 34 - Five-year results summary

| Nature of information (in EUR thousands except per share data in point 3 stated in EUR/share) | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|
| 1/ FINANCIAL POSITION AT YEAR-END | | | | | |
| a. Share capital | 81,007 | 81,007 | 81,007 | 73,710 | 72,980 |
| b. Number of shares outstanding | 10,125,897 | 10,125,897 | 10,125,897 | 9,213,754 | 9,122,538 |
| 2/ SUMMARY OF OPERATING RESULTS | | | | | |
| a. Net sales, excluding tax | 2,914,346 | 3,341,778 | 3,965,672 | 3,194,910 | 3,325,998 |
| b. Earnings before tax, depreciation, amortization and provisions | 409,810 | 522,253 | 581,481 | 308,162 | 216,355 |
| c. Corporate income tax | 104,766 | 141,486 | 133,146 | 64,837 | 42,327 |
| d. Earnings after tax, depreciation, amortization and provisions | 259,279 | 282,658 | 360,328 | 272,135 | 283,254 |
| e. Dividends paid | 86,070 | 94,171 | 90,120 | 92,138 (1) | 110,383(2) |
| 3/ EARNINGS PER SHARE (EUR) | | | | | |
| a. Earnings after tax, but before depreciation, amortization and provisions | 30.1 | 37.6 | 44.3 | 26.4 | 19.1 |
| b. Earnings after tax, depreciation, amortization and provisions | 25.6 | 27.9 | 35.6 | 29.5 | 31.0 |
| c. Dividend per share | 8.5 | 9.3 | 8.9 | 10.0 | 12.1(2) |
| 4/ PERSONNEL | | | | | |
| a. Average number of employees during the year | 8,059 | 8,097 | 8,082 | 8,106 | 8,284 |
| b. Total personnel expenses | 417,578 | 430,604 | 441,956 | 449,978 | 472,158 |
| c. Social security and other staff benefits | 222,600 | 245,876 | 244,119 | 241,998 | 252,729 |
| 5/ EMPLOYEE PROFIT-SHARING | 86,426 | 94,219 | 88,936 | 63,367 | 66,629 |
| 6/ INCENTIVE PAYMENTS | 14,000 | 14,000 | 20,000 | 20,000 | 21,000 |

(1) dividends totaling EUR 87,126 thousand were paid for the year ended December 31, 2014, net of dividends on treasury shares.

(2) proposed by the Board of Directors to the Shareholders' Meeting.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF DASSAULT AVIATION

Year ended December 31st, 2015

To the Shareholders,

In compliance with the assignment entrusted to us by your General meeting, we hereby report to you, for the year ended December 31st, 2015, on:

- the audit of the accompanying financial statements of Dassault Aviation Company;
- the justification of our assessments;
- the specific verifications and information required by law.

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

OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 31st, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Equity investments

Notes 1-B2, 1-B3 and 3 to the financial statements describe the evaluation principles for equity investments, and the estimations and assumptions that your company is led to make concerning the methods for implementing, where applicable, an impairment test of the investment stake in THALES.

We have checked the appropriate character of the accounting methods cited above, and we can express our assurance that they are correctly applied.

Provisions for contingencies and charges

Our work consisted in particular in assessing the data and assumptions used to determine the estimated provisions for contingencies and charges, as described in Note 1-B8 and in Note 14 of the appendix to the annual statements, reviewing the calculations performed by the Company, and examining the procedures adopted by Management to approve such estimates. On this basis, we assessed the reasonableness of these estimates.

Multi-annual contracts

For multi-annual contracts, the Company's income relating to service provisions is calculated according to the completion method, as described in "Note 1-B11" of the appendix to the financial statements. On the basis of data available to date, our work consisted in assessing the data and the assumptions drawn up by Management and on which they based their estimates of the profit/loss on completion of those contracts and their trends, reviewing the calculations made, and comparing the estimates made in previous years with the actual profits and losses.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Company financial statements

SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (code de commerce)

relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have ensured that the required information concerning the identity of holders of capital and voting rights has been properly disclosed in the management report.

Courbevoie and Neuilly-sur-Seine, March 9th, 2016

The Statutory Auditors

Mazars

Deloitte & Associés

Manuela Baudoin-Revert

Jean-François Viat

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report also includes information relating to the specific verifications of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF FRENCH COMPANY LAW (CODE DE COMMERCE) ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY

Year ended December 31, 2015

Dear Shareholders,

In our capacity as Statutory Auditors of Dassault Aviation and in accordance with Article L.225-235 of French company law (Code de Commerce), we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-37 of French company law (Code de Commerce) for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 of French company law (Code de Commerce), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of French company law (Code de commerce), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

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

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L.225-37 of French company law (Code de Commerce).

Company financial statements

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of French company law (Code de commerce).

Courbevoie and Neuilly-sur-Seine, March 9th, 2016

The Statutory Auditors

Mazars

Deloitte & Associés

Manuela Baudoin-Revert

Jean-François Viat

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SPECIAL AUDITORS' REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

General Meeting called to approve the financial statements for the year ended December 31, 2015

Dear Shareholders,

In our capacity as appointment as Auditors of your Company, we are submitting our report on related-party agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the features, essential conditions and the reasons that justify the interest for the Company, in the agreements and commitments of which we have been informed or which we discovered during our audit mission, without having to issue an opinion on their usefulness or appropriateness, or to look for the existence of other agreements and commitments. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the interest attached to the execution of these agreements and commitments prior to their approval.

Moreover, it is our duty, if necessary, to provide you with the information specified in Article R.225-31 of the French Commercial Code relating to the performance during the past year of the agreements and commitments already approved by the General Meeting.

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

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE GENERAL MEETING FOR APPROVAL

Agreements and commitments authorized over the past fiscal year

We would like to inform you that we were not advised of any agreement or commitment authorized during the previous year to be submitted to the General Meeting in accordance

with the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments not previously authorized

In accordance with Article L. 225-42 of the French Commercial Code, we would like to mention that the following agreement was not subject to prior approval by your Board of Directors.

It is our responsibility to inform you of the reasons why the authorization procedure was not followed.

REGARDING ALL THE DIRECTORS AND CORPORATE OFFICERS OF THE COMPANY

Type and purpose

A second line was added to the "Directors and Corporate Officers Liability" insurance policy, which took effect on January 1, 2015.

Terms and conditions

This second line covers all the executives and corporate officers of your Company and its subsidiaries for up to an additional annual coverage of €25,000,000 in addition to the first €25,000,000 coverage line obtained from AXA CORPORATE SOLUTIONS, mentioned below in this report.

This policy was taken out with insurance company ZURICH in a contract signed on March 11, 2015.

The annual premium for this second line of coverage totaled €55,949.70, including taxes, in 2015.

This agreement was presented to the Board of Directors on March 10, 2015, but could not be authorized beforehand, since all the directors are beneficiaries of this policy.

Reasons for your Company's interest in this agreement

According to your Company, this additional line of coverage was obtained so that your Company could offer more protection to Group employees and corporate officers holding de facto or de jure executive positions, taking into consideration changes in the Group's management, its business activities and its shareholders.

Company financial statements

Commitments submitted to the General Meeting for approval once again

We have been advised of the following commitments which will again be submitted to the General Meeting for approval:

REGARDING ERIC TRAPPIER, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Type and purpose

Continuation of the benefit of the supplemental pension plan for the senior executives of your Company for the Chairman and Chief Executive Officer.

Terms and conditions

On reinstatement of his employment contract (contract suspended), Eric Trappier will benefit from the group supplemental defined benefits pension plan for senior executives of the Company.

This supplemental pension plan is intended for the executives of your Company with at least 10 years of service and still working for your Company at the time of retirement, who are least 60 years old and whose salary exceeds 4 times the Annual Social Security Ceiling (PASS) (€152,000 in 2015). It provides eligible individuals with a tapered replacement rate, all pension plans included, on the basis of the compensation (41% to 35%, provided that there is no change in the pensions paid by the State plans). The supplemental annual pension paid is capped at 10 times the Annual Social Security Ceiling (€380,000 in 2015).

At its meeting on May 20, 2015, the Board of Directors renewed Eric Trappier's term of office and confirmed that he should continue to be a beneficiary of this supplementary pension plan in his capacity as executive director, the pension being calculated on the basis of the gross annual average for the last three years of his compensation as a corporate officer.

Based on his compensation in 2015, this supplementary pension plan would pay him an annual pension of €370,000, representing 26% of his compensation, if all conditions are met.

Reasons for your Company's interest in this commitment

The Board of Directors considers that this plan was maintained in order for your Company to offer the Chairman and Chief Executive Officer the same supplemental pension plan as the one the senior executives of your Company get. He benefited from this supplemental pension plan before his nomination as a corporate officer and your Company had not set up a specific supplemental pension plan for corporate officers. According to the Board of Directors, for the interest of your Company, senior executives promoted corporate officers should conserve their rights to benefit from a supplemental pension plan, with a view of internal promotion.

REGARDING LOÏK SEGALEN, CHIEF OPERATING OFFICER

Type and purpose

Continued benefit from the supplemental pension plan for the executives of your Company for the Chief Operating Officer.

Terms and conditions

On reinstatement of his employment contract (contract suspended), Loïk Segalen will benefit from the group supplemental defined benefits pension plan for corporate officers of the Company, which main characteristics are presented previously in this report.

At its meeting on May 20, 2015, the Board of Directors renewed Loïk Segalen's term of office and confirmed that he should continue to be a beneficiary of this supplemental pension plan in his capacity as executive corporate officer; the pension is calculated on the basis of the gross annual average for the last three years of his compensation as a corporate officer.

Based on his compensation in 2015, this supplemental pension plan would pay him an annual pension of €305,000, representing 24% of his compensation, if all conditions are met.

Reasons for your Company's interest in this commitment

The Board of Directors considers that this plan was maintained in order for your Company to offer the Chief Operating Officer the same supplemental pension plan as the one the senior executives of your Company get. He benefited from this supplemental pension plan before his nomination as a corporate officer and your Company had not set up a specific supplemental pension plan for corporate officers. According to the Board of Directors, for the interest of your Company, senior executives promoted corporate officers should conserve their rights to benefit from a supplemental pension plan, with a view of internal promotion.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved in previous fiscal years which continued over the past fiscal year

In application of Article R. 225-30 of the French Commercial Code, we were informed that the performance of the following agreements and commitments, already approved by the General Meeting in previous years, continued during the year.

WITH AIRBUS GROUP SAS, A SHAREHOLDER OF DASSAULT AVIATION HOLDING MORE THAN 10% OF THE VOTING RIGHTS

Persons concerned

Pierre de Bausset (Director until July 23, 2015), also a director of AIRBUS GROUP SAS.

Type and purpose

Memorandum of Understanding concerning the acquisition by DASSAULT AVIATION of one or several blocks of its own shares from AIRBUS GROUP SAS and cooperation between the two companies in 2015 for the potential execution of one or more private placements by AIRBUS GROUP SAS of DASSAULT AVIATION shares.

Terms and conditions

On November 28, 2014, your Board of Directors pre-authorized the signing of the aforementioned Memorandum of Understanding between DASSAULT AVIATION and AIRBUS GROUP SAS. The Memorandum of Understanding was signed the same date.

As per such Memorandum of Understanding, DASSAULT AVIATION committed in particular to taking in 2015 half of these private placements, capped at 5% of its capital.

On March 25, 2015, DASSAULT AVIATION purchased a block of 460,687 shares at €980 per share, representing 5% of its capital, from AIRBUS GROUP SAS as part of an off-market over-the-counter transaction, in accordance with the Memorandum of Understanding. This transaction totaled €451,473,260, and the price per share represented a 21% discount from the closing trading price of the day.

This Memorandum of Understanding ended on December 31, 2015.

WITH GROUPE INDUSTRIEL MARCEL DASSAULT (GIMD), MAJORITY SHAREHOLDER OF DASSAULT AVIATION

Persons concerned

Serge Dassault (Director), also Chairman and member of the Supervisory Board of GIMD, Charles Edelstenne (Director), also CEO and member of the Supervisory Board of GIMD, and Olivier Dassault, Nicole Dassault and Marie-Hélène Habert-Dassault (Directors), also members of the Supervisory Board of GIMD.

Type and purpose

DASSAULT AVIATION has continued to rent a number of premises, land and industrial facilities from GIMD under leases that entered into force on January 1, 2009.

Terms and conditions

Rental expenses under these leases totaled €35,190,599.82 excluding tax in 2015. Since this rent increased compared to 2014, DASSAULT AVIATION paid GIMD an additional €279,258.54 for a guarantee deposit.

Company financial statements

REGARDING ALL THE DIRECTORS AND CORPORATE OFFICERS OF YOUR COMPANY

Type and purpose

A "Directors and Corporate Officers Liability" insurance policy was taken out with AXA GLOBAL RISKS, now called AXA CORPORATE SOLUTIONS, with effect from July 1, 1999.

This policy covered all the executives and corporate officers of your Company and its subsidiaries for up to an annual policy limit of

€25,000,000 in 2015. Then, starting on January 1, 2015, €25,000,000 in additional annual coverage was added as a second line of coverage on top of the first line, as described previously in this report.

The total annual guarantee thus increased to €50,000,000

Terms and conditions

The annual premium for the first line of coverage totaled €91,336.55, including taxes, in 2015.

Courbevoie and Neuilly-sur-Seine, March 9th, 2016

The Auditors

Mazars

Manuela Baudoin-Revert

Deloitte & Associés

Jean-François Viat

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