DCNS. A WORLD LEADER IN NAVAL DEFENCE. AN INNOVATIVE PLAYER IN ENERGY.

FINANCIAL REPORT 2014

sea the future®

Ladies and Gentlemen,

We have called this Annual General Meeting of Shareholders in accordance with the provisions of the law and our company's articles of association to report on business in the course of the financial year ended December 31, 2014 and to submit for approval the company's annual and consolidated financial statements.

At the meeting, the report of the Chairman of the Board of Directors, the general report of the company's Statutory Auditors for the financial year ended December 31, 2014 and the Statutory Auditors' report on the consolidated financial statements will be presented to you.

The required notices of the meeting have been duly sent to you. The Statutory Auditors' reports, the management report, the company's annual financial statements, the consolidated financial statements and all the related documents required under applicable laws and regulations have been made available to you at the company's registered office in accordance with all legal requirements and within the required timeframes to allow you to familiarise yourselves with their content.

The financial statements presented to you have been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union, and with the principles of prudence and fairness.

Hervé Guillou
Chairman & Chief Executive Officer

All amounts are in millions of euros, unless stated otherwise.

I. PRESENTATION OF THE GROUP AND DCNS' POSITION DURING THE YEAR[1]

I.1. PRESENTATION OF THE DCNS GROUP

I.1.1 Ownership and governance

DCNS SA is a *société anonyme* (public limited company) under French law. As at December 31, 2014, 62.49% of its capital was held by the French State, 35% by Thales, and 1.83% by current and former members of staff through the Actions DCNS employee mutual fund, the remaining 0.68% being made up of treasury shares held by DCNS Actionnariat.

During 2014, DCNS Actionnariat (a 100% subsidiary of the Group) purchased 158,813 shares in DCNS SA in accordance with the share buyback guarantee granted to employees in connection with the initial employee share offer.

As at December 31, 2014, the Group thus held 384,418 treasury shares in relation to that initial offer.

Up until December 19, 2014, the composition of, appointment to and rules of procedure of the company's Board of Directors were governed simultaneously by the provisions of the French Commercial Code *(Code de commerce)* pertaining to *sociétés anonymes*, by the provisions of law no. 83-675 of July 26, 1983 concerning the democratisation of the public-sector (the "Democratisation Act") that are applicable to certain public-sector companies, and by the company's articles of association and the bylaws of the Board itself.

As of December 19, 2014, these matters ceased to be governed by the Democratisation Act. Since that date, the composition of, appointment to and rules of procedure of the company's Board of Directors have been governed simultaneously by the provisions of the French Commercial Code pertaining to *sociétés anonymes*, by the provisions of order no. 2014-948 of August 20, 2014 (the "Order"), and by the company's articles of association and the bylaws of the Board itself.

Governance

DCNS is subject to the provisions of the law of July 26, 1983 concerning the democratisation of the public sector with respect to the rules governing the composition and functioning of its Board of Directors.

Governance of the company means the system formed by the totality of rules, behaviours and institutions that determine the manner in which the company is managed, administered and controlled. The governance of DCNS is structured around a General Management team whose membership is limited to three, which manages its operational activities.

General Management

In accordance with the resolution passed by the company's Board of Directors on June 2, 2003, executive control of the company's General Management is assumed by the Chairman of the Board of Directors, who consequently bears the title of Chairman and Chief Executive Officer.

The General Management of DCNS comprises the following persons in 2015:

- Mr Hervé Guillou, Chairman and CEO;
- Ms Marie-Pierre de Bailliencourt, Deputy CEO in charge of development;
- Mr Frank Le Rebeller, Deputy CEO in charge of finance and legal.

Furthermore, the General Management is supported by an Executive Committee, which meets once a month as a forum in which to discuss, exchange views and reach agreement on Group-wide matters.

Composition and operation of the Board of Directors

The Board of Directors deliberates on all major issues concerning the strategic, economic, financial and technical orientation of the company's business. It upholds the interests of its principal stakeholders, that is, its shareholders, employees and customers. It comprises eighteen members. A third of the Board is made up of employee representatives elected by the workforce. Six directors are appointed by the shareholders in General Meeting and the remaining six are designated representatives of the French State, who are appointed by Government decree.

The Board of Directors of DCNS was reappointed on December 19, 2014.

(1) OCDE (See OECD Guidelines).

The provisions of the Order and the French Commercial Code require the company's Board of Directors to be made up of between three and eighteen members.

The provisions of article 4 of the Order require the French State to appoint a representative to the company's Board of Directors.

The provisions of article 7 of the Order state that employee representatives must make up one third of the Board of Directors. Under the provisions of article 8 of the Order, they shall be elected by the employees under the terms laid down in title II, chapter II of the Democratisation Act.

The General Meeting of Shareholders which met on December 19, 2014 in order to bring the articles of association of the company into line with the provisions of title II of the Order and appoint new directors, appointed eleven new directors, of whom three were proposed by Thales and five by the French State. As a result, the Board is now permanently composed of eighteen directors.

The Government is represented as a director by Ms Astrid Milsan, who was appointed as the Government's representative on the Board of Directors of the company with effect from December 19, 2014 by an order of December 17, 2014 of the Ministry of Finance and Public Accounts and the Ministry of the Economy, Industry and Digital Affairs.

The eleven directors appointed by the General Meeting of Shareholders on December 19, 2014 are:

- Mr Hervé Guillou;
- Ms Sophie Mantel, proposed by the French State;
- Ms Sandra Lagumina, proposed by the French State;
- Mr Jacques Hardelay, proposed by the French State;
- Mr Bertrand Le Meur, proposed by the French State;
- Mr Bernard Rétat, proposed by the French State;
- Mr Philippe Logak, proposed by Thales;
- Ms Nathalie Ravilly, proposed by Thales;
- Mr Pascal Bouchiat, proposed by Thales;
- Ms Gabrielle Gauthey;
- Mr Luc Rémont.

Since December 19, 2014, the following directors have served as elected representatives of the employees:

- Ms Isabelle Roué;
- Mr Jacques André;
- Mr Joël Ricaud;
- Mr Thierry Barbarin;
- Mr Laurent Chagnas;
- Mr Gilles Rapale.

The secretary of the Board of Directors is the General Secretary of DCNS, Mr Jean-Yves Battesti.

I.1.2. Activities

The DCNS Group is a global leader in naval shipbuilding and an innovator in the energy industry. The successor of the arsenals of Richelieu and Colbert, the Group is an ultra high-tech business and one of the few global leaders in defence naval systems whose skills cover the whole of the production chain for complex programmes.

The Group's activities

DCNS is one of only a few industrial companies in the world to design, build and maintain submarines and surface vessels as well as the associated systems and infrastructure. It also provides services to its customers' naval bases and shipyards. DCNS develops high-technology solutions to preserve the long-term safety of the oceans against threats of all kinds. The Group covers the entire spectrum of naval armament, ranging from ocean patrol vessels to conventional submarines via coastal subs, corvettes, frigates, destroyers and aircraft carriers. Alongside maintenance and repair services aimed at maintaining ships' performance over time, the Group carries out major upgrade and vessel life extension programmes. It is thus able to make overall commitments regarding the operational availability of a fleet.

The Group offers its products and services worldwide, thanks to its know-how, its unique industrial resources and its ability to form strategic local partnerships.

The Group's know-how

The Group can call on exceptional know-how in three major areas:

- its ability to fulfil highly complex large-scale programmes;
- the development and integration of the naval anti-aircraft combat systems for both surface vessels and submarines that represent the key source of added value for modern warships;
- its role in the assembly and maintenance of nuclear vessels, both as regards the installation of weapons and nuclear propulsion equipment and with respect to ongoing servicing, maintenance and infrastructure management.

High-tech products

One of DCNS's major strengths is its ability to bring some of the world's most complex innovative products to market, such as the *Le Terrible* class of ballistic nuclear submarines. Studies carried out on this topic all show that there is no comparable industrial product anywhere in the world whose production requires both the mastery of so many technological fields and the management of some 6,000 partners and subcontractors.

Providing high-technology products has been the Group's main objective ever since its foundation:

- 1624: creation of the *Flotte du Levant* and the *Flotte du Ponant* – the Mediterranean and Atlantic fleets of the French Navy;
- 1858: launch of *La Gloire,* the world's first ironclad steam frigate;
- 1899: launch of the *Narval,* the ancestor of the modern submarine;
- 1967: launch of the *Redoutable,* the first ballistic nuclear submarine;
- 1980: design of the stealth frigate *La Fayette,* whose innovative design went on to influence navies worldwide;
- 2000: entry into service of the aircraft carrier *Charles de Gaulle;*
- 2006: delivery of the first Mistral class Projection and Command Vessel, a new warship design capable of performing a wide range of civil, military and humanitarian missions;
- 2007: cutting of the steel for the frigate *Aquitaine;*
- 2011: the ocean patrol vessel *L'Adroit,* designed for maritime protection missions, is supplied to the French Navy;
- 2012: delivery of the Projection and Command Vessel Dixmude to the French Navy;
- 2013: the FREMM multimission frigate *Aquitaine* fires its first Aster missile;
- 2014: delivery of the FREMM multimission frigate *Mohammed-VI* to the Royal Moroccan Navy.

Specific products

The Group thus offers the following, in line with the specific requirements of its existing and prospective customers:

- ballistic nuclear submarines, which have assured a permanent, uninterrupted French presence on the oceans for over forty years;
- Barracuda nuclear attack submarines, designed to provide the French Navy with defence equipment at the apex of technology;
- Scorpene® class conventional submarines, 14 of which have already been sold around the world (to Chile, Malaysia, India and Brazil);
- naval surface vessel systems such as the aircraft carrier *Charles de Gaulle,* FREMM multimission frigates, helicopter-carrying Projection and Command Vessels in the Mistral class and the GOWIND® range, not to mention future mine warfare systems and drones;
- services including the construction of shipbuilding and maintenance infrastructure, maintenance with guaranteed availability and warship upgrading and support;
- submarine armaments such as MU90 light torpedoes, F21 heavy torpedoes and CONTRALTO anti-torpedo protection systems;
- crew training simulators.

I.1.3. Organisational changes

New organisational structure

The Group has set course for a return to profitability.

A number of measures have been put in place by the Group to achieve this:

- in January 2015, a new organisational structure was put in place to make the Group more adaptable, competitive and responsive;
- at the end of 2014, a competitiveness plan was put in place to achieve cost savings of around €100 million in 2015;
- a strategic progress plan is being drawn up which will be presented during the second half of 2015.

DCNS implemented its new organisational structure in January 2015 in order to address its strategic priorities, of which the guideline principles are as follows:

- successfully complete the Group's international expansion and expand the Group's order book outside France;
- make a culture of economics and finance central to the Group's operations;
- ensure that design offices, production teams and the supply chain work cohesively and effectively;
- ensure that schedules, budgets and technical requirements are met and fulfil commitments with respect to ship and submarine construction;
- develop the maintenance in operational condition business for French Navy warships and strengthen our partnerships with over 50 naval customers around the globe;
- continue the development of marine energy sources and infrastructure;
- actively lead improvements in performance and efficiency;
- lay the ground for the Group's future by actively focusing strategy and pursuing partnerships and innovation.

I.2. POSITION OF THE GROUP DURING 2014

I.2.1. Highlights

The year 2014 was marked chiefly by the following major events:

• DCNS has thus far failed to obtain an export licence for the *Vladivostok,* whose construction is complete. Construction of the *Sebastopol* is continuing. Given the substantial uncertainties surrounding this programme, DCNS has adopted a prudent position involving the retrospective annulment of the previously recognised profits;

• the Group has encountered operational difficulties, principally on certain submarine and civil nuclear programmes. These have had an adverse effect on the Group's results.

DCNS is encountering difficulty in the performance of a contract for the design and production of parts of a civil nuclear reactor, primarily as a result of inadequacies in the consultation document and requests by the client for changes to certain technical specifications. These difficulties, which are reflected in the recent slippage in the timetable for the contract as a whole, resulted in a drop of €123 million in DCNS's profit on completion for the programme. DCNS is therefore holding discussions with its client in order to take account of the client's requests for changes in configuration ("configuration no. 3"), modify the structure of the project, reschedule the project, reach a contractual agreement on a new schedule and obtain financial compensation. During 2014, negotiations held with the customer resulted in DCNS obtaining initial supplementary compensation of €18 million for design studies that had already been completed. The financial statements as at December 31, 2014 have been prepared on the assumption that the project will continue and on estimates of the cost and revenue to completion foreseeable as of that date, based on the current configuration of the project ("configuration no. 2") and a schedule which is currently under discussion with the client.

Assumptions made in December 2013 ought to have been borne out by the determination of standard costs based on the construction of the first submarine. However, the operational difficulties encountered on the Barracuda programme have led DCNS to significantly revise the assumptions it uses when calculating to completion. Expected profit on completion for the Barracuda programme has been revised downwards, reducing profit for the period by €136 million (excluding financial terms). Given that the timetable for the programme has slipped, this cost basis remains provisional. As a result, DCNS has decided to modify its cost calculation assumptions in order to incorporate additional areas of prudence.

In the light of the foregoing, the Group decided to review the way in which profit is recognised over the course of its six new-build programmes;

• audits carried out by DCNS on the main programmes revealed that the Group unquestionably has technical mastery of its core naval defence business. The problems that have been encountered are linked to keeping control of costs and scheduling, areas in which DCNS must improve;

• the Minister of the Economy decided to implement a new DCNS employee share offer following the increase in Thales's shareholding in DCNS SA in 2011. The offer closed on December 2, 2014 and attracted 8,360 subscribers who purchased 1.095% of the share capital.

I.2.2. Results of the DCNS Group and financial position

Revenue

Revenue for 2014 was €3.1 billion, which was 7% lower than the revenue for the previous year.

International revenue made up 32.7% of the total.

Backlog

Orders with a value of €3.6 billion were received during the course of the year.

The Group's Order book stood at €13.2 billion as at December 31, 2014.

Results

An operating loss of €428.0 million (–14% of revenue) before amortisation of intangible assets acquired in business combinations was recorded for the year, as compared with a profit of €166.4 million (5% of revenue) in 2013.

This decline is due to the difficulties encountered in certain complex naval and civil nuclear programmes as well as in the development of marine renewable energy sources. Organisational and technical measures have been taken to recover the profitability of these activities in future years. At the same time, DCNS is continuing to increase its investments in R&D in order to respond to the issues facing its customers and maintain its technological advantage.

Net financial income was €41.6 million, as compared to €18.5 million in 2013.

Consolidated income of €133.9 million (excluding goodwill effects) was recorded in relation to tax, of which €131.0 million represented deferred tax income in relation to the taxable loss carried forward and timing differences in relation to the allowability of certain expenses.

The research tax credit, which amounted to €7.1 million in 2014, has been recognised and accounted for as a reduction to the consolidated tax expense. An expense of €0.5 million was recorded in 2014 in relation to the tax on dividends.

The amortisation charge on intangible assets acquired in business combinations was €7.8 million net of tax.

The net loss for the period was consequently €347.3 million.

Financial position and changes in net cash

	31/12/2014	31/12/2013
Non-current marketable securities	353.9	291.8
Current marketable securities	212.2	381.9
Net cash	1,428.6	997.1
LIQUIDITY	**1,994.7**	**1,670.8**

Liquidity comprises the cash at bank and all other financial assets, whether classed as cash equivalents or as current or non-current financial assets, less overdrafts.

I.2.3. DCNS Group activities and avenues for development

DCNS is a global leader in naval defence and a major force in marine renewable energy. The Group designs, builds and maintains submarines and surface vessels. It also provides services to naval bases and shipyards. DCNS also offers a wide range of solutions in civil nuclear energy and marine renewable energy.

Industrial and commercial activity

DCNS is a major European player in naval defence. With its expert workforce and exceptional industrial resources, DCNS designs, builds and provides maintenance for naval defence systems. DCNS forms strategic partnerships in order to meet the needs of its international customers, creating sustainable bonds with its local industrial partners in all its programmes and assisting its customers in their technological development. DCNS effects transfers of technology for last-generation products while its staff work on next-generation products for the future.

Surface vessel business

Sales activity was marked by an order from the Egyptian government for four GOWIND® class corvettes and by the consequences of the Military Programming Law in France.

Manufacturing activity was sustained, with the following notable achievements:

• on January 30, 2014, DCNS delivered the multimission frigate *Mohammed-VI* to the Royal Moroccan Navy, in the presence of HRH Prince Moulay Rachid El Alaoui, brother of HM the King of Morocco, and the French Minister of Defence, Jean-Yves Le Drian. The vessel complied with performance requirements and was delivered on time and on budget;

• work on five frigates for the French Navy (the *Normandie, Provence, Languedoc, Auvergne* and *Alsace*) progressed in line with the construction schedule;

• the construction of Projection and Command Vessels for Russia continued as normal. Delivery of the *Vladivostok*, which had been expected in November 2014, was postponed at the request of the French authorities. The Projection and Command Vessel *Sebastopol* was launched on November 21, 2014;

• the Egyptian GOWIND® programme began, which presents significant design and production synergies with the programme for Malaysia;

• the critical design review and facilities review for the ATM2 programme (major technical overhaul – refurbishment of the combat system on the aircraft carrier *Charles de Gaulle*) was completed to the satisfaction of the client;

• the LOTI-NG software production programme passed a major contractual milestone with the preliminary design review. The specifications for this new-generation mission system, developed in connection with the upgrading of Atlantique 2 maritime patrol planes, were delivered on schedule to Dassault Aviation.

Submarine business

Sales activity was marked in particular by:

• the order for the fourth Barracuda nuclear attack submarine *De Grasse* (conditional tranche awarded on July 18), continuing the series which is expected to comprise six submarines in total;

• negotiations to obtain amendments and conditional tranches in respect of early-stage studies for third-generation ballistic nuclear submarines.

DCNS's submarine construction business was extremely stretched in 2014.

Barracuda

• Validation of the first start-up of the electrical plant, the near-simultaneous switching-on of the main electrical distribution panels of the stern plant of the *Suffren,* the first submarine, at Cherbourg and the secondary distribution panels of the propulsion module at Indret marked the beginning of the series production phase:

– commencement of the clean stage for the nuclear steam supply system;

– delivery of the weapons supply system from the Ruelle site to Cherbourg;

– start of construction of the *Tourville,* the third submarine in the series: 21 hull sections have been assembled and construction of the spent fuel pool has begun;

– start of testing of the propulsion module at Indret;

– completion of the first testing programme for the integrated combat platform;

– the schedule for the *Suffren,* delivery of which is planned to take place in 2017, remains very tight. Technical and production difficulties are being addressed via action plans aimed at ensuring the schedule is met.

Prosub submarines for the Brazilian Navy

• The platform for the integrated combat system was installed at Saint-Mandrier, in the Var region.

• Delivery by DCNS of the complete midships integrated suspended cradle to ICN is expected in 2015.

• Construction of the first SBR1 conventional submarine is continuing on a very tight schedule. Compliance with the timetable is significantly complicated by the sharing of activities between France and Brazil.

• Production began of the first sub-assemblies for the second SBR1 conventional submarine, which is scheduled to be launched by ICN in 2019.

• Construction of the resistant hull for the first submarine is nearing completion in Brazil.

• The main building at the Brazilian Navy's submarine construction yard was officially opened on December 12, 2014 in the presence of the President of the Republic of Brazil, Dilma Rousseff.

Scorpene® P75 submarines for the Indian Navy

• The sixth and final combat system was accepted by the customer in India six months ahead of schedule.

• Mazagon Dock Ltd (MDL) completed the joining together of submarine no. 1.

• Crew training began at the Mourillon and Ruelle sites.

• The construction and supply of package equipment by MDL continued at an intense rate, in order to meet scheduling requirements in acute danger of being breached.

French Navy design study for the new generation of SSBNs

Early-stage studies for the third-generation ballistic nuclear submarine (SSBN) are ongoing, with the objective costs for the future platform and skills retention being major issues.

Services business

Our portfolio of maintenance contracts continued in the same vein as in 2013, with no major events other than the renewal of the maintenance contract for minesweepers.

In France, the year was marked by preparatory work for the major technical overhaul of the aircraft carrier *Charles de Gaulle,* completion of the IPER refit of the *Triomphant* to ready it for fitting with M51 missiles under naval programme IA M51 and the continuation of technical overhaul activities for surface vessels and submarines.

International development continued with the performance of the LEX (Life EXtension for Sawari I class frigates) and E-RAV (refits of Sawari II class frigates) contracts in Saudi Arabia and preparatory work for major technical overhauls on the Malaysian Navy's Scorpene® submarines.

Marine Infrastructure business

DCNS is also involved in the marine infrastructure business. It can act to the benefit of clients on complex industrial aspects of large-scale projects such as defence bases, nuclear generation sites, thermal energy plants or even port or oil and gas facilities. In 2014, DCNS expanded the activities it performs for the French Navy with infrastructure designed to house future Barracuda submarines. The Group is also present in Saudi Arabia, Brazil, India, Morocco, Malaysia and Singapore.

Key development areas

Energy markets represent indispensable growth areas for DCNS both in France and internationally. DCNS is investing in four of the most important sources of marine renewable energy.

Full mastery of this development needs to be achieved for it to become a profitable growth area for DCNS. After five years of experience in these new fields, the aim is to be able to provide a distinctive offering that positions us as a major player in a highly competitive section of the energy industry.

Tidal turbines

Tidal energy is the transformation of the energy of tidal streams into electricity. The global market represents usable energy of at least 115 GW, or the equivalent of 75 EPRs.

In March 2013, DCNS took a 61.6% majority stake in the Irish start-up OpenHydro, a commercial and technological leader in tidal turbines. Together, DCNS and OpenHydro won several projects in 2014 for experimental and pre-commercial turbine arrays. In France, following the conclusive testing of the prototype Arcouest turbine, EDF ordered two new 16-metre turbines for the experimental Paimpol-Bréhat installation in Brittany.

Internationally, DCNS and OpenHydro are set to supply two turbines for an experimental 4 MW tidal energy installation in the Bay of Fundy, in Canada.

In addition, the French environmental and energy agency ADEME selected DCNS and EDF Énergies Nouvelles in its call for expressions of interest in relation to experimental tidal energy arrays. DCNS and EDF's joint Normandie Hydro project concerns the installation of a pre-commercial array of seven tidal turbines in the Race of Alderney.

These large-scale contracts and projects represent decisive steps for the Group towards the creation of a tidal power industry in France and internationally.

In 2014, DCNS reviewed the assumptions made in the business plan underlying the takeover of OpenHydro in March 2013:

• the delay in the installation of the first commercial arrays will not be recovered by 2030;

• the investment required to complete the first projects and the production costs for the turbines were revised upwards.

An impairment to goodwill of €93.3 million was recognised in the year ended December 31, 2014. Despite this, the sales successes achieved in 2014 are a confirmation of the potential that exists in the tidal power market.

Ocean thermal energy conversion

Ocean thermal energy conversion or OTEC is based on exploiting temperature differences between surface water and the cold water found at greater depths. It is the only non-intermittent form of renewable energy where there is no uncertainty as to the availability of the resource.

DCNS now offers two ocean thermal energy solutions: onshore OTEC and floating offshore OTEC.

The new onshore OTEC plant is designed to meet the electricity needs of small power grids or facilities such as businesses or hotels. In December 2014, DCNS, Akuo Energy and the Entrepose group announced the start of a project to build a low-output onshore OTEC plant at Bellefontaine, in Martinique.

Henceforth it could be possible to offer offshore and onshore OTEC plants as turnkey solutions to French overseas territories as well as to customers in the Caribbean or Asia.

In early 2012, DCNS installed a prototype ocean thermal energy plant at the Saint-Pierre University, in Réunion. This small-scale model of the power generation system for a future OTEC plant confirmed the potential interest of this technology. In July 2014, the pilot project for an offshore OTEC plant off Martinique, which is being led by Akuo Energy in partnership with DCNS, was awarded a grant by the European NER 300 fund which will cover the first five years of the plant's operation.

Floating wind turbines

Floating wind turbines offer an innovative alternative way to harness the energy potential of offshore locations which are too deep for turbines to be fixed to the seabed. Such offshore locations offer better wind conditions than coastal zones, as well as being greater in area and experiencing less traffic. Floating turbines provide access to a more substantial resource and enable the visual impact on the coastline to be reduced.

In 2014, DCNS and Alstom joined forces to create a cluster of excellence in floating wind energy. The two companies aim to combine their respective skills in naval architecture and turbine manufacturing to develop a powerful competitive solution to meet the needs of this exciting potential market. The goal is to be able to build an initial 6-MW array that combines a semi-submersible floating system developed by DCNS with Alstom's Haliade 150 offshore wind turbine, which is already used in fixed offshore wind farms.

Ségolène Royal, the Minister of Energy, and the regional government of Brittany have shown their support for the plan to conduct environmental impact studies on the pilot floating wind power installation at Groix by announcing a call for expressions of interest which is expected to occur in the first half of 2015.

Wave energy

The power of the waves can be exploited using systems known as wave energy convertors or WECs. Wave energy is the most concentrated form of renewable energy and the generation potential is enormous. The features of this form of power make it a resource with the potential to satisfy up to 10% of global electricity demand.

Over 150 wave power technologies are currently in development around the world. For its part, DCNS has decided to test a variety of solutions and is working together with several countries with significant wave energy potential. The Group is working in particular with the Finnish power company Fortum to develop a pilot wave farm of three to five units in the Bay of Audierne, off the coast of Brittany, with additional support being provided by Brittany's regional government.

I.2.4. Research and development activity

In 2014, R&D activity was concentrated on the twin overall objectives of "performance" and "growth".

Self-funded R&D expenditure was €94 million, the main focus areas being as follows:

• developing new activities (Marine Energy and Infrastructures, including subsidiaries, as well as the civil nuclear business);

• medium and long-term competitiveness of our core products (submarines and surface vessels) and associated technologies;

• developing research activities through DCNS Research.

DCNS spends 3% of its revenue on self-funded R&D, which is more than other European shipbuilders. This ratio rises to 9% when R&D performed under contract, funded by Government grants or forming part of larger programmes is taken into account.

DCNS R&D funded by the DGA (France's defence procurement agency) accounts for around 7% of the budget for early-stage design projects. Owing to the end of development activities in relation to the FREMM and Barracuda programmes, the research tax credit (CIR) was limited to €7.1 million in 2014.

R&D work performed by DCNS on surface vessels in 2014 principally comprised the following:

• feasibility studies for a 2,400-tonne GOWIND® class corvette, which resulted in the sale of four GOWIND® class ships to Egypt;

• studies on the XWind®4000 concept ship, which was presented at the Euronaval exhibition. This highly innovative ship incorporates the latest advances in digital technology and is designed on a trimaran base equipped with a very large platform for helicopters and drones, a concentrated superstructure incorporating sensors and communication systems and a hybrid propulsion system;

• developing the bridge of the future, providing officers with 360° vision and virtual reality support;

• continuation of the joint SAMCOM (composite antenna system) project, with a concrete demonstration of the system;

• developing solutions to improve productivity and health and safety on production sites, such as refinements to the use of adhesives, simplified attachments, the use of augmented reality, and infusion processes for composites;

• further development work on the SETIS-C combat system for GOWIND® vessels;

• SSEM I2C and PERSEUS experiments – production of the final deliverables enabling the I2C programme to be closed to the satisfaction of the European Commission;

• completion of a prototype anti-asymmetric threat system using augmented reality;

• the operations centre of the future: tactical displays and the exploration of next-generation human-machine interfaces including virtual assistants, voice recognition and gesture recognition;

• work on the defence of automatic systems against hacking threats and software protection;

• exploratory study on the use of LIDAR for maritime security and the detection of nearby objects and threats;

• investigation into the shipboard deployment of a data centre;

• preliminary study on incorporating a weapon aboard aerial drones.

R&D work performed by DCNS on submarines in 2014 principally comprised the following.

Activity in the submarine area was particularly intense, much of it being focused on technology building blocks and energy and propulsion systems in particular. The two largest individual items were the continued testing of the use of an anaerobic diesel reformation module to feed into a second-generation hydrogen battery and the development of a lithium-ion main battery system.

Among the work done on numerous other technology building blocks in the field, mention should be made of the trials performed on the launch and recovery of a submarine drone from a moving submerged vessel and the work performed on enhancing the electrification of submarines. Activity on product lines, primarily third-generation SSBNs, was also maintained. We should also mention the continued R&D activity in relation to the classic ocean-going submarines in the Scorpene® class.

R&D work performed by DCNS on developing its energy business in 2014 principally comprised the following:

• marine renewable energy:

– tidal turbines: designing second-generation tidal turbines using an optimised rotor and blades with OpenHydro, with a view to installing the pilot arrays planned in the Bay of Fundy, in Canada, and the Race of Alderney, off the coast of Brittany. General studies have also been undertaken on the optimisation of undersea electrical grids for the turbine arrays;

– ocean thermal energy conversion: research into the pumping of seawater and the size of the exchangers has been continued;

– floating wind power: a study was carried out on floating platforms adapted to carry a 6-MW Haliade turbine as part of the joint DCNS-Alstom Sea Reed project.

DCNS Research(1)

Three years after its establishment, DCNS Research is consolidating its position and dedicating itself fully to its assigned mission, namely preparing for the future of DCNS in close collaboration with the Group's R&D function.

To accomplish this mission, the staff of DCNS Research develop and propose innovative technologies for immediate application which serve to improve the attractiveness, effectiveness and competitiveness of the Group's naval, nuclear and marine renewable energy products. They also provide indispensable expertise to help understand the physical phenomena and anomalies encountered in the course of production or service.

In 2014, DCNS Research performed important objective-setting work, with a substantial increase in contracts from outside DCNS. This was a response to the need to reduce the technological research costs borne by the Group whilst maintaining a substantial amount of highly advanced research activity.

Since 2012, DCNS Research had structured its development in accordance with eight strategic focus areas:

• nautical and dynamic performance of offshore platforms;

• maintaining vessels in service;

• optimising energy performance;

• mastering information;

(1) See Guidelines: Global Compact/ISO 26000/SNTEDD.

- on-board intelligence;
- discretion, stealth and integration of antennas;
- complex secure systems;
- competitiveness and productivity of industrial processes.

In 2014, it consolidated these focus areas and examined which aspects of each one it needed to enhance in order to fulfil its mission, such as additive manufacturing, big data, robotics and multiphysical multicriteria optimisation. These development areas are the subject of specific projects formed with knowledgeable partners at the top of their fields, such as CEA Tech, with whom DCNS signed a partnership framework agreement in 2014.

To complement these existing focus areas, DCNS Research has also created a ninth area of focus called “Environmental integration and eco-compatibility”, to respond to increasingly pressing issues which can already be regarded as essential for DCNS’s future products.

Beyond these focus areas, which form the backbone of its technological research activities, DCNS Research continues to build its business around skills, services and products such as:

- modelling (structures, hydrodynamics, acoustics, electromagnetism);
- testing and experimentation (mechanics, hydrodynamic models);
- analyses, expert investigations and advice (metallography, chemical analysis);
- measurements, checks, instrumentation;
- dynamic positioning systems;
- stabilisation systems;
- drones (autonomous on-board systems).

Having a technological research centre with such complementarity between its research, expertise and service activities is an original and valuable asset for an industrial business such as DCNS.

In addition to its existing commitments with the IRT Jules Verne, in place for the last three years, DCNS Research has been looking into other possible partnerships with technological research institutes (IRTs) in France. During 2014, it thus performed preliminary work for projects with the IRT M2P (Materials, Metals and Processes) in Metz and the IRT SystemX (digital engineering of future systems) that are due to commence in 2015.

During 2014, DCNS Research continued to develop its links with international partners such as Dalhousie University in Halifax, Canada, as well as the KACST research centre in Saudi Arabia, with whom the outlines of three collaborative research projects were mapped out during the year. The command-and-control field takes us to Canada again, where DCNS Research has formed a research project together with the Naval Research Center in Saint John’s and the Total industrial group to examine the dynamic positioning of a ship in a frozen sea.

In addition, the Indian Navy has asked DCNS Research to present a proposal for a research training programme. The Saudi MOD has also requested a technical proposal for a naval centre of excellence that would enable it to achieve autonomy in specifying requirements and conducting acceptance procedures for naval systems.

I.2.5. Joint ventures

Two principal joint ventures were established in 2014.

OpenHydro Group Ltd and Emera found Cape Sharp Tidal to develop tidal energy projects in the Bay of Fundy, in the province of Nova Scotia, Canada

DCNS’s subsidiary OpenHydro Group Ltd, a specialist in tidal energy technology, and its Canadian partner Emera Inc. officially announced the foundation of a joint venture named Cape Sharp Tidal (CST) in early November 2014.

CST aims to install a pilot 4-MW tidal energy array in 2015 in the Bay of Fundy. This installation will be one of the first multimegawatt tidal arrays in the world to be fully connected to the grid, and will be capable of supplying electricity to over 1,000 Nova Scotia residents.

The tidal turbines to be deployed in the Bay of Fundy will benefit from the very latest improvements made to the 16-meter, 2-MW open-centre turbine developed by OpenHydro. They will be manufactured in Dartmouth, Nova Scotia, in partnership with Irving Shipbuilding.

DCNS and Enel Green Power establish a marine energy centre of excellence in Chile

DCNS and Enel Green Power (EGP) were selected by the Chilean economic development agency CORFO (Corporación de fomento de la producción) to set up an international centre of excellence for marine energy research and development in Chile, to be called MERIC (Marine Energy Research and Innovation Centre).

Meric will enjoy cash and material support to the value of around US$20 million, 65% of which will be provided by CORFO. The centre will conduct research and development work on key marine renewable energy sources such as tidal energy and wave power.

In connection with the establishment of MERIC, DCNS and EGP have founded the Chilean company Energia Marina, in which the two companies hold a 75% and 25% stake respectively.

I.2.6. Ethics and compliance

DCNS’s development relies on a culture of integrity which applies to all of our stakeholders. General Management is convinced that integrity is a major component of performance with a direct impact on the Group’s results. While it is essential for DCNS to ensure that its activities comply with laws, regulations and good practices, the new Chairman and CEO also wishes to put the emphasis on ethics, that is, the promotion of conduct that goes beyond conforming to the letter of the law and the strengthening of each person's ability to examine a situation, evaluate the effects of his or her actions and either take the right decision or seek advice. The Group thus undertakes to make sure that all employees conduct themselves impeccably when acting on behalf of the Group and to promote and ensure observance of this culture by all of its stakeholders.

The year 2014 was marked by the development of the Group's integrity programme. New policies and procedures have been developed to cover patronage, sponsoring, the use of commercial services organisations abroad and the whistleblower system. The last of these aims to provide DCNS employees with an additional channel of communication that enables them to raise the alarm while ensuring their identity remains confidential. This mechanism will be submitted to the CNIL (French data protection and freedom commission) in the first quarter of 2015 with a view to obtaining the approval required for its use within the Group.

In July 2014, to promote the integrity programme at Group level, the Compliance Department set up a network of Compliance Officers at each site, division and foreign subsidiary. The role of these local Compliance Officers is to make an active contribution to drawing up, promoting and rolling out the integrity programme in their respective businesses.

The Compliance Department has also begun training sessions for employees in charge of compliance risk prevention. Internal control officers, members of DCNS Coopération and the network of Compliance Officers were given an update on relevant new legislation and good compliance practice.

A compliance newsletter is published and sent to each Compliance Officer in the network every month. A further compliance newsletter aimed at the "top 350" employees has also been created and will be circulated from January 2015. Both newsletters contain articles on compliance topics, cases and events in France and abroad, as well as information about the ongoing development of the integrity programme within the Group.

DCNS aims to contribute in France and internationally to the development and promotion of good practice in relation to business ethics. On behalf of the Group, the Compliance Department therefore takes an active role in a variety of dedicated forums and initiatives, including the *Cercle éthique des affaires* (business ethics circle), the AeroSpace and Defence Industries Association of Europe (ASD), the International Forum on Business Ethical Conduct (IFBEC), the French Aerospace Industries Association (GIFAS) and the European Business Ethics Forum (EBEF). This year, DCNS sponsored and participated in the organisation committee for the 2015 EBEF forum, which was held in Paris on February 4-6, 2015.

All of the above information is available on the Group's website under the heading "Compliance".

Hervé Guillou, the new Chairman and CEO of the DCNS Group, has made the following statement on the importance of ethics and compliance:

"As the new Chairman and CEO of DCNS, I wish to stress the importance I attach to ensuring that our commitments are fulfilled and promoting them to our stakeholders both internally and externally.

For many years now, DCNS has been committed, both internally and towards its industrial and commercial partners, to the development and promotion of principles that I regard as fundamental to the conduct of our business. These include in particular a zero-tolerance attitude towards corruption.

Our integrity must be upheld by each of us every day. While it is essential for DCNS to ensure that its activities comply with laws, regulations and good practice, ethics must also serve to strengthen the ability of each person to examine a situation, evaluate the effects of his or her actions and either take the right decision or seek advice.

It is my conviction that ethics and compliance make a positive contribution to our performance and long-term success. An environment of integrity and loyalty is a competitive asset, as it enhances the motivation and performance of our staff."

I.2.7. Risk management

I.2.7.1. Risk management plan

The Group faces a range of risks and uncertainties that may impact its financial performance. Its business, operating results or financial position could be materially affected by the risks described below. These are not the only risks the Group has to confront. Other risks and uncertainties of which the Group is currently unaware or which it regards, as at the date of this document, as immaterial could also have an adverse effect on its business and operations.

I.2.7.2. Financial risks

Liquidity risk: the Group's cash position is such that it has no need for borrowing.

Foreign exchange risk: in line with Group policy, all material foreign currency transactions are subject to an exchange rate management policy.

Off-balance sheet risk: the guarantees given by DCNS have principally been granted on its own account or on behalf of its subsidiaries in connection with commercial contracts. Guarantees and pledges are managed centrally by the Group, which enables risk control to be enhanced by standardising the commitments made and by managing its balances and payment periods on an overall basis.

I.2.7.3. Legal risks

The Group has identified three major legal risks.

Export controls and other laws and regulations[1]

Export markets are of particular importance to the Group. Furthermore, a considerable number of products for military use that are offered by the Group, including services and technology transfer, are deemed to be of strategic national interest.

Exports of such products outside the markets in which they are produced may therefore be subject to restrictions, controls or requirements to obtain export licences.

It cannot be guaranteed that the export controls to which the Group is subject will not be tightened, that new generations of products developed by the Group will not be subject to similar or stricter controls, or that geopolitical factors or changes on the international scene will not render it impossible to obtain export licences for certain customers or reduce the ability of the Group to carry out contracts that have already been signed.

Reduced access to military export markets and/or tighter restrictions risk having a negative impact on the activity, financial position and operating results of the Group. DCNS must also comply with a very wide range of other laws and regulations, in particular those concerning commercial relations, the use of its products and anti-corruption rules.

Intellectual property

The intellectual property ("IP") policy laid down in 2006 aims to protect DCNS's intellectual assets. It applies to all products and services and their contents, to all knowledge and know-how irrespective of whether or not it has been formally recorded or whether it is acquired internally or from outside. DCNS safeguards the results of its innovation by all possible means, including placing them under secrecy, protecting them through registered rights (patents, trademarks, designs and copyrights), search engine optimisation, seizure, confidentiality and publication.

Notwithstanding the protection applied for and obtained, DCNS may find itself in a situation where its intellectual property rights are subject to challenge, infringement, invalidation proceedings or circumvention. To reduce this risk, DCNS monitors developments in intellectual property and follows an important staff training plan with regard to best practices in the protection of intellectual assets. We monitor our competitors in order to identify any infringements and to keep aware of the progress of their work.

Moreover, given differences in the laws in force in certain countries, the protection granted to the holder of intellectual property rights for an object may vary from country to country, which could have a negative impact on the holder's competitive position. To reduce this risk, an Innovation Committee has been established in connection with IP policy, which examines what protection should be sought outside France in respect of every patent, trademark or design application. This examination is performed in cooperation with the operating divisions.

Legal disputes

Due to its activities, the Group is exposed to technical and commercial disputes.

All known disputes involving DCNS or other Group companies have been examined as at the balance sheet date and appropriate provisions have been made where necessary to cover the estimated consequences.

Furthermore, some or all of the losses that DCNS or other Group companies could suffer as a result of certain disputes for which no provision has been made are covered either by the French Government under the terms of agreements made with DCNS in the course of the Government's contribution in kind on June 1, 2003 and its sale to DCNS of a 100% shareholding in DCN International, or by Thales under agreements made with DCNS in connection with DCNS's acquisition of a 100% shareholding in TNF.

All disputes and guarantee claims are handled by or in collaboration with the Group's Legal Department. Furthermore, all disputes with a potential material negative impact on the Group's activities or financial position are examined at regular intervals by the Audit, Accounts and Risks Committee of the Board of Directors.

I.2.7.4. Operational risks

The Group has identified four material risks in connection with its operations.

Competitive environment

The markets in which DCNS operates are subject to fierce competition with established players including TKMS, BAE, Fincantieri, Navantia and others. This competition is further intensifying as a result of new entrants, particularly from the civilian shipbuilding industry, such as DSME in Korea, whose prices substantially undercut those offered by the Europeans.

Such pressure of competition could have an adverse effect on DCNS's market position, its revenue and its profitability.

(1) See Guidelines: Global Compact/ISO 26000/OECD.

In order to be able to compete successfully with its current or future competitors, DCNS is continuing its efforts under a research and development policy that aims to enable the Group's operating units to stand out and be competitive. The Group also works to renew its product offering so as to satisfy the needs of its customers over the long term, build a sustainable international manufacturing infrastructure and to improve its competitiveness.

Dependence on the public sector

The majority of DCNS's business is carried out on behalf of government customers, particularly in relation to defence contracts. Public expenditure on such contracts depends on political and economic factors and is consequently liable to fluctuate from one year to the next.

Cuts in defence budgets, particularly in France, where DCNS realises a substantial part of its revenue and added value, are likely to affect the business and profitability of the Group.

Fluctuations in the budgets available to government customers may lead to delays in the receipt of orders, in the timetable for the performance of contracts or in payment, or to a reduction in funding for research and development programmes.

DCNS works to find solutions for its customers, for example by establishing leasing companies to rent military vessels as an alternative to outright purchase.

Successful management of projects and programmes

A material proportion of the products and systems made by DCNS are highly complex, owing to their high-tech nature, as a result of operational constraints that demand ultra-high levels of reliability in particularly harsh environments, and also by virtue of the contractual arrangements associated with their sale, which may comprise general contractor agreements for major programmes, local parts thereof and so on.

The actual design and production costs of such products and systems are therefore liable to exceed initial estimates and thus adversely to affect the results and the financial position of DCNS.

Many such contracts also include provisions concerning the performance level and/or delivery schedule for the products and systems sold. Given the increased level of competition, such provisions may be demanding. If DCNS proves unable to supply the products and systems in line with the specified performance level and/or delivery schedule, customers may demand the payment of contractual penalties or even cancel the contracts.

The occurrence of such events may have a material effect on the financial situation and the results of DCNS.

Where contracts are of several years' duration and involve highly complex deliverables, periodic performance reviews are carried out with the aim of monitoring progress against technical schedules and budgets and to keep risks related to execution under control.

Political environment

A change of government, a crucial political event, armed conflict or acts of terrorism, a substantial deterioration in the balance of payments, social movements, strikes or riots may give rise to various types of risk, including:

• stricter foreign exchange controls which limit or ban the export of currency from a client country and impede its ability to honour its financial commitments vis-à-vis DCNS;

• impairments to the value of assets due to the devaluation of local currencies or other measures taken by the public authorities that significantly affect the value of business;

• the expropriation (by confiscation, nationalisation, requisition, etc.) or forced sale of DCNS's holding in a local company or, more generally, discriminatory measures taken against DCNS that may jeopardise its business in a particular country;

• a security situation that gives rise to the risk of attacks on the physical safety of DCNS employees and/or facilities and severely restricts or prevents DCNS from fulfilling its contractual performance obligations or reduces or prohibits the use of its local industrial assets;

• an unforeseen breach of a contract or undertaking;

• an abusive call on a deposit or guarantee;

• the non-certification of eligible documents in relation to scheduled payments laid down in a contract which prevents the said contract from progressing as expected.

DCNS may take appropriate measures to hedge or insure against the financial impact of such risks. The Group has also implemented a global safety, protection and monitoring programme for its employees in order to ensure that they enjoy an appropriate level of safety in the countries in which they perform their duties.

I.2.7.5. Managing supplier risks(1)

DCNS's business includes a substantial portion of bought-in products and services representing over half its annual revenue. These may relate to design and research, manufacturing and services. DCNS is thus exposed to the risk that its suppliers may default, which could affect its performance and consequently its profitability.

Supplier risks fall into four main types:

• CSR risks (social responsibility, the environment, public image, etc.);

• operational risks (technical failings, financial default, economic dependency, disruption of suppliers, etc.);

• compliance risks (legal risks, fraud, regulatory non-compliance, etc.);

• overall risks (geopolitical risks, natural disasters, exchange rates, etc.).

(1) See Guidelines: GRI-V4/Global Compact/OECD/ISO 26000.

All of these risks are monitored on a monthly basis by the Supplier Risks Committee, which involves representatives of the operating divisions as well as the Strategy, Technical and Innovation, Operational Excellence, Legal, Financial and Procurement Departments.

CSR risks are also covered by the DCNS ethical charter and the supplier code of conduct.

The progress of action plans and the level of DCNS's exposure to such supplier risks are presented every six months to the Risk Committee meetings organised by the Audit and Risk Department.

Managing supplier default risks

A supplier may default as a result of a serious accident at one of its sites, an aspect of its external environment such as a shortage of critical or other raw materials or components, serious political instability or a natural disaster, or as a result of management failings.

The performance of suppliers' management is monitored both operationally, in terms of failing to anticipate orders, loss of control of industrial processes, obsolescence of facilities, poor skills management, loss of know-how, etc., and on an overall and financial basis, in terms of change of control or strategic direction, loss of revenue, poor working capital management, cash flow problems, entering administration or insolvency, etc.

Managing economic and technological dependency risks

The economic dependency of small and medium-sized enterprises (SMEs) on DCNS is considered to be a major risk. This risk is due to the historical footprint of DCNS in the local economies in which it operates. It is exacerbated by straitened economic conditions which have unbalanced the sales portfolios of a large number of these SMEs.

The procurement strategy, the selection and performance monitoring processes for suppliers and the activities of the Supplier Risks Committee contribute towards the mitigation of these risks both at the tendering stage and during the project phase.

The second aspect of dependency to be monitored is the dependency of DCNS on the technology or skills of certain suppliers. A sudden rupture in supply (for one of the reasons referred to above) could put the execution of DCNS's programmes at risk.

I.2.7.6. High-tech products and services

DCNS offers its customers products and services which often include state-of-the-art technology and whose design and manufacture may be highly complex. Such products require significant efforts to be made to achieve integration and rigorous coordination along the entire chain of development, assembly and production.

Moreover, the majority of Group products must be capable of operating in extremely harsh environments.

Although DCNS considers the design, manufacturing processes and testing methods employed by the Group to be particularly sophisticated, it cannot be guaranteed that the development, manufacturing or commercial exploitation of these products and services will be a success or that they will perform in accordance with expectations.

However, action is taken to ensure that the Group has full control over the development, manufacturing, operation and performance of its products and services.

Through mastery of the applicable methodologies and a full understanding of relevant product safety regulations, DCNS has taken numerous steps in relation to all of the products in its portfolio from the design phase onwards, from surface vessels to submarines, complex naval systems and equipment.

For example:

- the SA 15 network applies rules, analysis methods and user feedback to ensure that risks in relation to DCNS products (such as death, loss of a ship, etc.) are kept within acceptable limits. The network works with the RSAs and DCNS staff, advising them on the practical application of regulations and safety analysis methods;
- "dive safety": DCNS has successfully managed this risk for many years. Dive safety means taking account of every aspect of the design, construction, maintenance and behaviour of a submarine-type product so as to ensure that it is able to travel at the depth its hull is built to withstand, and then return to the surface and remain there.

With the aim of further improving standards in such activities, DCNS intends to replicate an arrangement already in place for managing nuclear security – the management of nuclear security symbolising the highest possible level of risk management. A "dive safety" inspection team has therefore been established.

I.2.7.7. Human resources risks

The Group employs a wide range of specialisms and fields of expertise in the performance of its activities, making use of the varied skills of every member of its workforce.

One major risk is therefore that the Group might experience difficulties with regard to making the requisite skills available at the right time and in the right place to execute its strategy and successfully complete its programmes.

To limit this risk, the Group takes all possible steps to ensure it can hire, retain, redeploy or replace the skills it will need.

The Group has developed partnership policies with higher education institutions to facilitate recruitment in key areas of its business, and has developed a communication strategy for its employer brand.

The attractiveness of the Group is also boosted by the opportunities for geographical and career mobility, the implementation of talent-spotting systems, and the training, employee monitoring and career development it provides.

In addition, the Group has established a remuneration policy and implemented employee profit sharing under both the statutory and voluntary schemes, as well as employee share ownership and savings schemes which enable staff to become shareholders in DCNS and thus encourage identification with and loyalty to the Group.

I.2.7.8. Environmental risks

Asbestos removal

Asbestos removal work totalling €23.5 million was performed over the period 2003-2013. In 2014, DCNS claimed €15.5 million (the amount by which the costs exceeded the initial provision) under the guarantee granted by the French Government. Additional work of €0.5 million was carried out during 2014.

Environmental protection

Respect for the environment is central to DCNS's approach.

The Group has had an environmental management system since 2008 and is certified under ISO 14001. It takes measures to manage the industrial risks in relation to its activities and prevent, or where necessary limit the effects of, environmental events. Risk situations of all kinds are fully identified, as are the resources that could be deployed where necessary to combat them.

DCNS is also keen to continuously reduce the environmental impacts of its activities, especially as regards cutting energy consumption, reducing greenhouse gas emissions and improving the treatment of waste. Tough objectives in relation to improving energy performance, employee travel compliance and waste sorting and reuse/recycling have been set in this regard.

Since 2007, the Group has worked proactively to incorporate the environment into the process of ship design, taking account of the whole of the product life cycle. This measure enables the Group to anticipate regulatory changes and offer more discreet and self-reliant products that have lower running costs, produce less pollution, and are made of materials that will yield greater value once a vessel is eventually dismantled. These practices are now in the course of deployment in every design unit.

Nuclear and pyrotechnics inspections

The Nuclear and Pyrotechnics Inspection team is charged with proposing nuclear and pyrotechnic safety policies for all DCNS activities to the Group's General Management and to audit and verify the safety measures taken in accordance therewith.

In 2014, the Nuclear and Pyrotechnics Inspection team carried out 18 audits aimed at verifying the compliance of the Group's practices with regulatory requirements and internal rules, as well as monitoring the execution of around 100 progress measures started as a result of those audits.

The team also took part, together with the Quality and Health and Safety Departments, in around 20 inquiries that were launched to examine the year's most significant events. It subsequently defined and monitored the implementation of the necessary corrective action.

The Nuclear Inspection team leads DCNS's radiation protection network. It thus monitors the radiation doses received by employees of DCNS and on-site subcontractors. In 2014, the maximum[1] cumulative dose received by a DCNS employee was 5.5 mSv, well below both the legal limit of 20 mSv and the DCNS internal limit of 10 mSv. Only four DCNS employees recorded a dose above 4 mSv during 2014. The average dose recorded by the 1,300 DCNS employees tested during 2014 was around 0.185 mSv.

I.2.7.9. Data protection risks

Given its activities in the defence sector, as well as the innovative, high-tech nature of its products, DCNS may be exposed to the risk of an attack on the security of its manufacturing infrastructure or its data processing systems, such as attempts to hack into confidential data or threats to the physical security of facilities.

In order to limit the impact of this risk, the Group has established a general security policy which complies with national regulations and whose implementation is regularly audited by the relevant regulatory authorities.

This policy is set out in detail in the information systems security (ISS) plan and includes a definition of the assets requiring protection within the Group.

Staff awareness activities are also carried out by safety officers.

I.2.7.10. Insurance

DCNS has followed a risk/insurance audit and management policy since 2003.

This is based on mapping potential risks and on a prevention/protection policy for assets and liability issues.

Risks are addressed by a full insurance plan. The plan covers all risks, and the Group has demonstrated its ability to withstand losses and protect its assets, equity and profits from the consequences of an exceptional unforeseen event. Buildings and equipment at DCNS sites are insured at replacement value based on expert assessments. The Lorient and Cherbourg sites have been designated "Highly protected risks" in confirmation of their high levels of risk prevention. Risks in relation to ship construction, submarines and surface vessels are covered by a builder's risk policy for new hulls and a maintenance in operational condition policy for vessels under maintenance. Availability guarantees have been taken into account since 2008.

Liability coverage (general civil liability and product liability) has been taken out. The policies are linked to maintenance in operational condition covers to provide full financial coverage. Civil liability cover is also extended to all engineering and advisory activities. This is important in connection with technology transfer (TOT), especially in relation to exports. A regularly updated group of policies exists in relation to miscellaneous risks such as transport, on- and off-site inventories, property/casualty and vehicles. The French Government, as the operator of the nuclear facilities at naval bases, is liable under law for any nuclear losses resulting from a nuclear accident. Since 2009, DCNS has unified its cover against nuclear risks, including those for nuclear-powered vessels, in one policy.

With respect to international risks, exchange risk management policies have been put in place for the Prosub Brazil, India P75, LEX KSA and Malaysia Scorpene® maintenance in operational condition programmes. Technical risk studies are in progress for the Egyptian corvette and Malaysian GOWIND® programmes.

I.2.8. Social and environmental information

Information on social and environmental topics is the subject of a dedicated corporate social responsibility report and a summary, both of which are appended to this management report and submitted for approval to the Board.

II. POST-BALANCE SHEET EVENT

The signing on February 16, 2015 of a contract for the delivery to Egypt of the frigate *Normandie* has not led to a post-balance sheet adjustment to the financial statements. The financial terms of the contract remain unchanged.

Year ended December 31, 2014

All amounts are in millions of euros, unless stated otherwise.

I. COMPREHENSIVE INCOME

Consolidated income statement

	Notes	2014	2013 restated
Revenue	5	3,065.9	3,311.5
Cost of sales		–3,155.7	–2,773.8
Research and development expenses		–94.3	–94.4
Marketing and selling expenses		–107.8	–105.9
General and administration expenses		–137.7	–177.7
Operating loss/profit from ordinary activities before amortisation of intangible assets acquired in business combinations		**–429.6**	**159.7**
Amortisation of intangible assets acquired in business combinations		–11.7	–18.5
Operating loss/profit from ordinary activities	**6**	**–441.3**	**141.2**
Other operating income	7	47.7	7.3
Other operating expenses	7	–134.1	–12.1
Operating loss/profit before net income from equity affiliates		**–527.7**	**136.4**
Net income from equity affiliates	13	1.2	6.3
Operating loss/profit after net income from equity affiliates		**–526.5**	**142.7**
Income from financial investments		19.6	22.9
Other financial income		37.2	7.1
Other financial expenses		–15.2	–11.5
Net financial income/expense	**8**	**41.6**	**18.5**
Income tax	9	137.6	–51.5
NET LOSS/PROFIT FOR THE PERIOD		**–347.3**	**109.7**
– attributable to owners of the parent		–336.1	114.7
– attributable to non-controlled interests		–11.2	–5.0
Basic and diluted earnings per ordinary share (in euros)	*10*	*–3.0*	*1.02*

Statement of comprehensive income

	2014	2013 restated
Net loss/profit for the period	**–347.3**	**109.7**
Items that may be reclassified to the income statement		
Change in fair value of available-for-sale financial assets	1.0	–0.3
Items that cannot be reclassified to the income statement		
Translation differences on the conversion of foreign businesses	2.1	–3.2
Actuarial gains and losses	–7.3	5.4
Income and expenses recognised in equity, before tax	**–4.2**	**1.9**
Tax recognised directly in equity	2.5	–1.9
Income and expenses recognised in equity	**–1.7**	**–**
CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR	**–349.0**	**109.7**
– attributable to owners of the parent	–337.8	114.7
– attributable to non-controlling interests	–11.2	–5.0

II. CONSOLIDATED BALANCE SHEET

Assets

	Notes	31/12/2014	31/12/2013 restated
Intangible assets	11	143.6	141.7
Goodwill	12	382.8	476.1
Property, plant and equipment	11	573.5	554.7
Share in net assets of equity affiliates	13	25.4	31.9
Non-current financial assets	20	394.0	316.0
Other non-current assets		1.5	0.8
Deferred tax assets	9	202.9	69.2
Non-current assets		**1,723.7**	**1,590.4**
Inventories and work-in-progress	14	503.3	531.3
Construction contracts: assets	15	501.6	382.8
Trade receivables	16	1,354.7	1,593.6
Advances and part payments paid		1,940.0	1,854.5
Current financial assets	20	218.3	382.6
Current tax receivable		100.1	17.5
Other receivables	16	263.1	242.5
Cash and cash equivalents	21	1,428.6	997.1
Current assets		**6,309.7**	**6,001.9**
TOTAL ASSETS		**8,033.4**	**7,592.3**

Equity and liabilities

	Notes	31/12/2014	31/12/2013 restated
Share capital		563.0	563.0
Premiums		18.4	18.4
Treasury shares		–71.3	–42.0
Remeasurement of financial instruments		3.9	2.9
Translation differences		–0.3	–2.4
Actuarial gains and losses		–8.6	–3.8
Other reserves attributable to owners of the parent		555.7	454.7
Consolidated income attributable to owners of the parent		–336.1	114.7
Equity attributable to owners of the parent	**17**	**724.7**	**1,105.5**
Non-controlling interests		32.0	41.6
Equity	**17**	**756.7**	**1,147.1**
Non-current provisions	18	94.2	71.8
Non-current financial liabilities	20	44.1	5.3
Other liabilities		8.9	5.7
Deferred tax liabilities	9	5.2	4.5
Non-current liabilities		**152.4**	**87.3**
Current provisions	18	396.2	179.8
Construction contracts: liabilities	15	379.5	213.0
Trade payables	19	2,219.8	2,057.1
Advances and part payments received		3,741.5	3,543.2
Current financial liabilities	20	32.9	38.4
Current tax payables		2.1	0.7
Other payables	19	352.3	325.7
Current liabilities		**7,124.3**	**6,357.9**
TOTAL EQUITY AND LIABILITIES		**8,033.4**	**7,592.3**

III. CONSOLIDATED EQUITY

	Number of shares	Share capital	Premiums	Other reserves	Treasury shares	Remeasurement of financial instruments	Translation differences	Actuarial gains and losses	Equity attributable to owners of the Group	Non-controlling interests	Total equity
01/01/2013 restated	**56,263,358**	**563.0**	**18.4**	**552.2**	**–40.2**	**3.2**	**0.8**	**–7.3**	**1,090.1**	**–**	**1,090.1**
Consolidated comprehensive income		**–**	**–**	**114.7**	**–**	**–0.3**	**–3.2**	**3.5(1)**	**114.7**	**–5.0**	**109.7**
Acquisition of OpenHydro		–	–	–	–	–	–	–	–	46.6	46.6
Dividends paid		–	–	–97.9	–	–	–	–	–97.9	–	–97.9
Treasury shares	–188,963	–	–	1.8	–1.8	–	–	–	–	–	–
Other		–	–	–1.4	–	–	–	–	–1.4	–	–1.4
31/12/2013 restated	**56,074,395**	**563.0**	**18.4**	**569.4**	**–42.0**	**2.9**	**–2.4**	**–3.8**	**1,105.5**	**41.6**	**1,147.1**
Consolidated comprehensive income		**–**	**–**	**–336.1**	**–**	**1.0(4)**	**2.1(3)**	**(4.8)(2)**	**–337.8**	**–11.2**	**–349.0**
Other		–	–	0.6	–	–	–	–	0.6	1.6	2.2
Dividends paid		–	–	–16.9	–	–	–	–	–16.9	–	–16.9
Treasury shares	–158,813	–	–	2.6	–29.3	–	–	–	–26.7	–	–26.7
31/12/2014	**55,915,582**	**563.0**	**18.4**	**219.6**	**–71.3**	**3.9**	**–0.3**	**–8.6**	**724.7**	**32.0**	**756.7**

(1) The net actuarial gain of €3.5 million in 2013 comprised:
- amount before tax: €5.4 million;
- deferred tax recognised: –€1.9 million.

(2) The net actuarial gain of €4.8 million in 2014 comprised:
- amount before tax: €7.3 million;
- deferred tax recognised: –€2.5 million.

See note 18.

(3) See note 17.

(4) See note 20.

"Treasury shares" includes shares in the company owned by the Group and those for which holders have a put option.

"Other reserves" includes the legal reserve, retained earnings and consolidated profit or loss for the period.

IV. CONSOLIDATED CASH FLOW STATEMENT

	2014	2013 restated
Net profit for the period	**–347.3**	**109.7**
Expenses/(income) to add back:		
Net depreciation and amortisation expense/(reversal)	100.6	98.5
Net provision expense/(reversal)	231.4	68.0
Net asset impairment loss/(reversal)	93.3	1.3
Net loss/(gain) on disposal of assets	–	–
Changes in fair value of financial instruments	–23.1	4.0
Net gain on disposals	–10.1	–6.8
Change in liabilities in respect of employee share offer	2.7	1.8
Tax expense/(income)	–137.6	51.5
Net income/(loss) from equity affiliates	–1.2	–6.1
Net dividends received from equity affiliates	9.1	10.8
Other unrealised income and expenses	–	–
Cash flow from operations	**–82.2**	**332.7**
Change in working capital	608.2	–145.2
Tax income refunded/(paid)	–74.2	–77.3
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**451.8**	**110.2**
Effects of changes in scope of consolidation	–	–61.8
Purchases of property, plant and equipment and intangible assets	–138.5	–116.5
Proceeds from disposals of property, plant and equipment and intangible assets	18.9	0.1
Acquisitions of holdings, net of cash acquired/brought into scope of consolidation	–2.7	–0.7
Change in loans and advance payments	–0.4	–1.8
Net operating investments	**–122.7**	**–180.7**
Decrease/(increase) in investment securities(1)	110.5	172.7
Decrease/(increase) in financial assets	–	–
Net financial investments	**110.5**	**172.7**
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**–12.2**	**–8.0**
Increase in capital – non-controlling interests	2.6	–
Dividends paid to owners of the parent	–16.9	–97.9
Dividends paid to non-controlling interests	–	–
Sale/(purchase) of treasury shares	–35.2	–10.0
Cash payments to or from shareholders	**–49.5**	**–107.9**
Increase in financial liabilities	41.4	–2.6
Decrease in financial liabilities	–	4.0
Net change in financial liabilities	**41.4**	**1.4**
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**–8.1**	**–106.5**
NET CHANGE IN CASH	**431.5**	**–4.3**
Net cash at beginning of period	997.1	1,002.4
Change in cash	431.5	–4.3
Effects of changes in exchange rates/fair value	–	–1.0
Net cash at end of period	**1,428.6**	**997.1**
– including cash assets at balance sheet date	1,428.6	997.1
– including cash liabilities at balance sheet date	–	–

(1) As stated in note 3-r, the change in investment securities mainly comprises changes in certificates of deposit, term accounts and medium-term negotiable notes with an original maturity of more than three months.

Net cash plus investment securities classified under other financial assets as per note 3-r amounted to €1,994.7 million at December 31, 2014 (€1,670.8 million at December 31, 2013) and is made up as follows:

	31/12/2014	31/12/2013 restated
Other non-current financial assets	353.9	291.8
Other current financial assets	212.2	381.9
Net cash	1,428.6	997.1
TOTAL	**1,994.7**	**1,670.8**

V. NOTES

I. RULES, POLICIES AND CONSOLIDATION SCOPE

1. Examination of the financial statements and highlights of the period

These consolidated financial statements of the DCNS Group for the year ended December 31, 2014 were approved by the Board of Directors on February 24, 2015 and will be submitted for approval by the Annual General Meeting of Shareholders to be held on May 6, 2015.

The year 2014 was chiefly marked by a number of major events which had a material impact on the accounts:

• DCNS has thus far failed to obtain an export licence for the *Vladivostok,* whose construction is complete. Construction of the *Sebastopol* is continuing. Given the substantial uncertainties surrounding this programme, DCNS has adopted a prudent position involving the retrospective annulment of the previously recognised profits. The associated effects are presented in note 18;

• the Group has encountered operational difficulties, principally on certain submarine and civil nuclear programmes. These have had an adverse effect on the Group's results.

DCNS is encountering difficulty in the performance of a contract for the design and production of parts of a civil nuclear reactor, primarily as a result of inadequacies in the consultation document and requests by the client for changes to certain technical specifications. These difficulties, which are reflected in the recent slippage in the timetable for the contract as a whole, resulted in a drop of €123 million in DCNS's profit on completion for the programme. DCNS is therefore holding discussions with its customer in order to take account of the client's requests for changes in configuration ("configuration no. 3"), modify the structure of the project, reschedule the project, reach a contractual agreement on a new schedule and obtain financial compensation. During 2014, negotiations held with the customer resulted in DCNS obtaining initial supplementary remuneration of €18 million for design studies that had already been completed. The accounts to December 31, 2014 have been prepared on the assumption that the project will continue and on estimates of the cost and revenue to completion foreseeable as of that date, based on the current configuration of the project ("configuration no. 2") and a schedule which is currently under discussion with the customer. The associated effects are presented in note 18.

Assumptions made in December 2013 ought to have been borne out by the determination of standard costs based on the construction of the first submarine. However, the operational difficulties encountered on the Barracuda programme have led DCNS to significantly revise the assumptions it uses when calculating to completion. Expected profit on completion for the Barracuda programme has been revised downwards, reducing profit for the period by €136 million (excluding financial terms). Given that the timetable for the programme has slipped, this cost basis remains provisional. As a result, DCNS has decided to modify its cost calculation assumptions in order to incorporate additional uncertainties. The associated effects are presented in note 15.

In the light of the foregoing, the Group decided to review the way in which profit is recognised over the course of its six new-build programmes. The associated effects are presented in notes 3-e and 15;

• the events of 2014 have led DCNS to adjust the accounting treatment of the Prosub programme. The active and non-active components, previously examined jointly, are now segmented. The change in the accounting treatment of the Prosub contract has had a negative impact of €43 million on the operating results for the period;

• without calling into question the long-term prospects of tidal turbines, the delays noted in this business area have led DCNS to revise the underlying valuation assumptions for this activity downwards and to recognise an impairment on the goodwill recorded on the acquisition of OpenHydro. The associated effects are presented in note 12;

• the Minister in charge of the Economy decided to implement a new DCNS employee share offer following the increase in Thales's shareholding in DCNS SA in 2011. The offer closed on December 2, 2014 and attracted 8,360 subscribers who purchased 1.095% of the share capital.

2. General presentation of the Group's activities

DCNS is a world leader in naval defence and an innovative player in energy. The Group's success as an advanced technology company with global reach is built on exceptional know-how and unique industrial resources. DCNS designs, builds and supports submarines and surface combatants as well as associated systems and infrastructures. The Group also provides services for naval shipyards and bases, and offers a broad range of solutions in renewable energy.

3. Accounting rules and policies

a) Statement of compliance

In application of the option available under Regulation 1606/2002 adopted on July 19, 2002 by the European Parliament and the European Council, the Group has elected to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union at December 31, 2014.

The accounting rules and policies are identical to those applied in the consolidated financial statements for the year ended December 31, 2013, except for the following standards and interpretations whose application became compulsory as of January 1, 2014:

• IFRS 10 "Consolidated Financial Statements";

• IFRS 11 "Joint Arrangements";

• IFRS 12 "Disclosure of Interests in Other Entities";

• amendment to IAS 27 "Separate Financial Statements" ;

• amendment to IAS 28 "Investments in Associates and Joint Ventures";

• amendment to IAS 32 entitled "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities";

• amendment to IAS 36 entitled "Recoverable Amount Disclosures";

• amendment to IAS 39 entitled "Novation of Derivatives and Continuation of Hedge Accounting".

The Group has not applied the following standards and interpretations in advance of their mandatory introduction:

• IFRIC 21 "Levies";

• amendment to IAS 19 entitled "Defined Benefit Plans: Employee Contributions";

• improvement to the IFRS cycle 2010-2012;

• improvement to the IFRS cycle 2011-2013;

• amendment to IAS 16 and IAS 38 entitled "Clarification of Acceptable Methods of Depreciation and Amortisation";

• amendment to IFRS 11 entitled "Accounting for Acquisitions of Interests in Joint Operations".

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", which have been published by the IASB but not yet adopted by the European Commission, are not currently applicable.

b) Change in accounting policy – First-time application of IFRS 10, IFRS 11 and IFRS 12

The consolidated financial statements of the Group are drawn up in accordance with IFRS as adopted by the European Union and in accordance with IFRS standards as published by the International Accounting Standards Board (IASB).

IFRS 10, IFRS 11 and IFRS 12, which relate to consolidation, were published in May 2011 and are to be applied retrospectively in periods beginning on or after January 1, 2013. These standards were adopted by the European Union on December 29, 2012 with retrospective application being mandatory in periods as from January 1, 2014.

IFRS 10 replaces the provisions regarding consolidated financial statements that were contained in IAS 27 "Consolidated and Separate Financial Statements" and the interpretation SIC 12 "Consolidation – Special Purpose Entities" and redefines the concept of control over an entity.

IFRS 11 defines the accounting treatment for a joint arrangement over which two or more parties exercise joint control, and defines two types of joint arrangement, namely:

• joint venture: an arrangement whereby the parties ("joint venturers") have rights to the net assets of the arrangement;

• joint operation: an arrangement whereby the parties ("joint operators") have direct rights to the assets, and direct obligations for the liabilities, of the entity.

IFRS 11 requires arrangements which qualify as joint ventures to be accounted for using the equity method. Each joint venturer must account for its share of the assets and liabilities (and revenue and charges) in the joint venture.

IFRS 12 adds the disclosure to be provided in relation to holdings in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

The financial statements as at December 31, 2014 were affected by the retrospective application of standards IFRS 10, 11 and 12 as from January 1, 2014. The impact was not material to the presentation of the consolidated financial statements and is disclosed by way of a separate line in net income from equity affiliates.

The Group presents its proportionate share of income from the continuing operations of equity affiliates under operating income.

The entities concerned by the application of these new standards, in particular IFRS 11, are:

• Eurosysnav and Horizon, in each of which the Group has a 50% interest;

• Défense Environnement Services, in which the Group has a 49% interest;

• Kership, in which the Group has a 45% interest;

• Itaguaí Construções Navais, in which the Group has a 41% interest;

• Boustead DCNS Naval, in which the Group has a 40% interest;

• Winacelles, in which the Group has a 34% interest.

The Group thus carried out a retrospective adjustment to the year ended December 31, 2013 and the opening balances as at January 1, 2014 to take account of this change in standards, the effects of which are stated in the paragraph below.

c) Voluntary change in accounting policy

In line with IAS 8.29, the Group resolved to adjust the policy regarding the accounting treatment of its financial investments. In order to cover its short-term financing needs, the Group will not necessarily intend to hold financial investments until maturity.

The consolidated financial statements as at December 31, 2013 have been restated for purposes of comparability. The situation as at January 1, 2013 has also been presented.

Cash equivalents are held in order to meet short-term cash commitments. For an investment to be considered as a cash equivalent, it must be readily convertible into a known amount of cash and be subject to an insignificant risk of changes in value, in accordance with IAS 7.

Cash and cash equivalents include all cash in hand, term deposits, fixed-yield instruments with an initial maturity of less than three months, negotiable bills of exchange and money-market UCITS.

Term deposits and negotiable bills of exchange meet the criteria specified in IAS 7 where their yield is based on short-term monetary rates.

The financial statements have been prepared in accordance with the historical cost convention, with the exception of certain financial instruments which have been accounted for at fair value in accordance with the treatments of financial assets and liabilities prescribed by IAS 39.

Type of financial instrument	Balance sheet classification (until December 31, 2013)	Valuation method (until December 31, 2013)	Balance sheet classification (as from January 1, 2014)	Valuation method (as from January 1, 2014)
Money-market UCITS	Cash and cash equivalents	Fair value through profit and loss	Cash and cash equivalents	Fair value through profit and loss
Bond UCITS	Cash and cash equivalents	Fair value through profit and loss	Current/Non-current assets	Fair value through profit and loss
Term deposit	Current/Non-current assets	Fair value through profit and loss	Cash and cash equivalents	Fair value = amortised cost
Fixed-yield instruments > 3 months	Current/Non-current assets	Fair value through profit and loss	Current/Non-current assets	Fair value = amortised cost
Fixed-yield instruments < 3 months	Current/Non-current assets	Fair value through profit and loss	Cash and cash equivalents	Amortised cost
Negotiable medium-term structured notes	Current/Non-current assets	Fair value through profit and loss	Current/Non-current assets	Fair value through profit and loss

The effects of the change of accounting policy are summarised below:

Balance sheet	2013 restated	Change in accounting standards (IAS 8)	IFRS 11	2013 as published
Non-current assets	1,590.4	–443.5	10.4	2,023.5
Current assets	6,001.9	441.1	–246.4	5,807.2
Total assets	**7,592.3**	**–2.4**	**–236.0**	**7,830.7**
Equity attributable to owners of the parent	1,105.5	–2.4	–	1,107.9
Equity	**1,147.1**	**–2.4**	**–**	**1,149.5**
Non-current liabilities	87.3	–	–1.5	88.8
Current liabilities	6,357.9	–	–234.5	6,592.4
Total equity and liabilities	**7,592.3**	**–2.4**	**–236.0**	**7,830.7**

Income statement	2013 restated	Change in accounting standards (IAS 8)	IFRS 11	2013 as published
Revenue	3,311.5	–	–46.9	3,358.4
Operating profit after net income from equity affiliates	142.7	–	1.1	141.6
Net financial income	18.5	8.5	–5.1	15.1
Income tax	–51.5	–2.9	4.0	–52.6
Net profit	**109.7**	**5.6**	**–**	**104.1**
Attributable to shareholders	*114.7*	*5.6*	–	*109.1*
Attributable to non-controlling interests	*–5.0*	–	–	*–5.0*

d) Consolidation policies

Companies over which DCNS exercises exclusive control, directly or indirectly, are fully consolidated. Jointly controlled companies are accounted for under the equity method, following the application of IFRS 10, IFRS 11 and IFRS 12 as from January 1, 2014. Companies in which DCNS exercises significant control, directly or indirectly, are accounted for under the equity method.

The financial statements of consolidated companies prepared under the accounting rules in force in their respective countries are restated to comply with IFRS. Material transactions between consolidated companies and unrealised intra-group profits are eliminated.

Investments in non-consolidated companies are shown under non-current, available-for-sale financial assets.

e) Use of estimates

In preparing consolidated financial statements under IFRS, Management makes estimates and assumptions that it considers realistic and reasonable. Management regularly revises its estimates at programme reviews on the basis of the information at its disposal. Whenever there are unexpected changes in events and circumstances, actual results may be different from these estimates. The main accounting policies that require estimates to be used are the following.

Recognition of revenue and profit on construction contracts and long-term service agreements and related provisions (IAS 11)

Revenue and profit on construction contracts and long-term service agreements are recognised using the percentage of completion method, with reference to technical milestones. Furthermore, whenever a programme review reveals a negative gross margin, the loss relating to work not yet carried out is recognised immediately.

Revenue and profit are thus recognised on the basis of an estimate of revenue and expenses to completion that is revised as work progresses.

The total revenue and expenses expected under a contract reflects Management's best estimate of the future benefits and obligations arising from the contract. The assumptions made in determining the present and future obligations take account of an assessment of the technological, commercial and contractual constraints of each programme. The financial statements are thus prepared on the basis of the contractual assumptions as they exist at the balance sheet date, with no anticipated changes taken into account.

These assumptions are based in particular on the latest known indicators (contracted hourly rates and price review indices) for determining revenue and expenses to completion. The Group also uses statistical methods to determine the impact of future changes in such indicators on the gross profit on completion of its programmes. Movements in such indicators are only taken into account if their impact on gross profit on completion is negative.

The sale of high-technology products exposes the Group to the risk of product defects. The Group therefore recognises provisions to cover these risks. The amount of the provisions is regularly reviewed on the basis of an assessment of the risk factors.

Obligations under construction contracts may give rise to penalties for delays in performance of the contract or to unexpected cost increases due to programme amendments, non-compliance by a supplier or subcontractor with its obligations or delays resulting from unexpected events or situations.

The Group decided to review the way in which profit is recognised over the course of its six new-build programmes. The associated effects are presented in note 15.

Measurement of assets and liabilities under retirement benefit and similar obligations

Assessment by the Group of the assets and liabilities of the defined benefit plans (lump-sums payable on retirement, long-service bonuses, the CET Senior and GPEC schemes and pension annuities) requires the use of statistical data and other variables to forecast future trends. These variables include the discount rate, the expected return on plan assets, the rate of salary increases and the employee turnover and mortality rates. If the actuarial assumptions are materially different from the actual data experienced subsequently, this may result in substantial changes in the expense for retirement and similar benefit obligations recognised through profit or loss and in the related assets and liabilities shown in the balance sheet.

Measurement of assets

The discounted cash flow model used to determine the value in use of the cash-generating units (CGUs) to which goodwill is allocated requires the use of a number of variables, including estimates of future cash flows, discount rates and other variables. Impairment tests on intangible assets and items of property, plant and equipment are also based on these variables. Any future deterioration in market conditions or weak operational performance could result in recovery of their carrying amount becoming impossible.

Measurement of non-current financial assets

Non-current financial assets mainly comprise investments in companies not listed on regulated markets and financial investments. To assess the fair value of these non-current financial assets, the Group uses various measurement models, based in particular on the information at its disposal, on the accounting documents of the companies concerned, on the amortised cost method, or on valuations provided by the banks.

Measurement of trade receivables

An estimate of collection risks, based on sales information, has been made in order to determine any impairment for each customer individually.

Risks and disputes

The Group regularly identifies and reviews ongoing disputes and, where necessary, recognises accounting provisions that it considers to be reasonable (see note 18). Any uncertainties concerning ongoing disputes are described in note 26-b, "Commitments in relation to leases on movable/immovable property, TOAs and TOLs".

f) Functional and reporting currency

The Group's reporting currency is the euro. This is also the parent company's functional currency.

Each Group entity determines its own functional currency and uses it to record its own financial data.

g) Translation of financial statements

The financial statements of companies with a different functional currency from the Group's reporting currency are translated as follows:

- balance sheet items are translated at the closing rate;
- income statement and cash flow statement items are translated at the average rate for the period;
- translation differences are taken directly to equity under "Translation differences".

The rates used are those published by the European Central Bank, except that for the Saudi riyal (SAR) which was obtained from http://fr.exchange-rates.org.

h) Structure of the balance sheet

Because of the nature of the Group's activities, its operating cycles are very long. Therefore, all assets and liabilities relating to programmes – inventories, trade receivables and payables, provisions, etc. – are reported under current assets and liabilities whatever their maturity date, even if they are expected to be realised more than twelve months hence. Other assets and liabilities (in particular provisions that do not relate to programmes and financial assets and liabilities) are recognised as current assets and liabilities if their maturity date is in twelve months or less and as non-current assets and liabilities if their maturity date is after twelve months.

i) Intangible assets

Intangible assets acquired in business combinations are initially recognised at their fair value at acquisition date and comprise:

- the fair value of naval programmes (including technologies, order book, manufacturing agreements and customer relations);
- the fair value of brands.

Separately acquired intangible assets are initially recognised at the cost of acquisition and include, in particular, patents and computer software. Intangible assets created by the Group itself are recognised at production cost.

They are subsequently measured at cost less cumulative amortisation and impairment losses.

The Group assesses whether an intangible asset's useful life is finite or indefinite.

Assets with a finite useful life are amortised over their economic useful life and are tested for impairment, as stated in note 3-m. The amortisation period and method for intangible assets with a finite useful life are re-examined at least once at each year-end. Any change in the expected useful life or the expected pattern of consumption of future economic benefits flowing from the asset leads to a change in the amortisation period or method, depending on the case, such changes being treated as changes in accounting estimates. The amortisation expense on intangible assets with a finite useful life is recognised through profit or loss in the expense category that is appropriate given the asset's function.

Intangible assets with an indefinite useful life (including goodwill) are not amortised but are tested for impairment annually, as stated in note 3-m. Whenever the useful life of an intangible asset is indefinite, it is re-examined annually to ascertain whether this designation is still valid. If it is not, the change of designation from indefinite to finite is recognised prospectively.

Gains and losses resulting from the derecognition of an intangible asset are determined as being the difference between the net income on removal and the asset's carrying amount and are recognised through profit or loss in the category of expenses that is appropriate in view of the asset's function when derecognised.

j) Research and development expenditure

Research expenditure incurred to acquire scientific understanding and knowledge or new techniques is recognised under expenses when incurred.

Internally funded development activities imply the existence of a plan or design for the production of new or substantially improved products or processes.

Development expenditure is recognised as an asset if and only if the costs can be reliably measured and the Group can demonstrate the technical and commercial feasibility of the product or process, the existence of probable future economic benefits and its intention and the availability of adequate resources to complete the development and to use or sell the intangible asset. Such analysis is carried out for each project on an individual basis, depending on the activity developed and the targeted market. Expenses that can be recognised under assets include the cost of materials, direct labour and directly attributable overheads necessary to prepare the asset for its intended use. Other development expenditure is recognised as an expense as it is incurred.

Research and development expenditure is recognised net of any state subsidies received or due. These subsidies are recognised as the associated costs are incurred.

Research and development expenditure capitalised in 2014 relates to tidal energy and concerns installation methods and connection methods for undersea turbines.

k) Business combinations

Goodwill represents the difference between the fair value of the counterparty transferred and the valuation of the proportionate share of identifiable assets, liabilities and contingent liabilities recognised at fair value in the Group balance sheet.

The fair value of identifiable assets, liabilities and contingent liabilities is determined by independent experts. The valuation of assets and liabilities is primarily based on market values. Where there is no active market, approaches based on the discounting of future expected revenues may be used (DCF methods, super-profits methods or royalty-based methods).

The amount of goodwill only becomes definitive after completion of the assessment process, which must occur within one year from the date of acquisition.

Positive goodwill is recognised under the heading "Intangible assets". As stated in note 3-m, its recoverable value is assessed annually and whenever events or circumstances indicate that it might be impaired. Where appropriate, an impairment loss is charged under "Other operating expenses".

Negative goodwill is recognised under income for the period after an analysis of the assets and liabilities acquired.

l) Property, plant and equipment

Items of property, plant and equipment are recognised at acquisition cost, or at production cost where constructed by the Group itself.

The depreciation period is determined on the basis of the useful life of the asset and its components. This period is subject to annual review when drawing up the medium-term plan; impairment is recognised on a case-by-case basis for assets that are to be scrapped.

Depreciation is calculated using the straight-line method over the expected useful life of each component. The useful lives adopted are:

- buildings and fittings 10 to 25 years;
- plant and machinery 5 to 20 years;
- other property, plant and equipment 5 to 10 years.

Finance leases are recorded under non-current assets in the balance sheet with a corresponding financial liability shown under liabilities.

m) Impairment of non-current assets

The Group assesses at each balance sheet date whether there are any indications that an asset is impaired.

In such cases, the Group estimates the recoverable amount of the asset or CGU. An impairment loss recognised in prior periods is reversed only if there has been a change in the assumptions made in determining the asset's recoverable amount. The reversal may not cause the carrying amount of an asset to exceed either its recoverable amount or the carrying amount (net of amortisation or depreciation) that it would have had if no impairment loss had been recognised in prior years.

For intangible assets with an indefinite useful life, or for all assets that are not yet ready to be brought into service, the recoverable amount is systematically estimated each year at a fixed date (by means of an annual impairment test).

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. It is determined for each asset separately, unless the asset generates cash flows that are largely dependent on those of other assets or groups of assets, as is the case for goodwill, which is tested at the level of each division/business unit.

An impairment loss is recognised if the carrying amount of an asset or its CGU is higher than its recoverable amount. An impairment loss in respect of a CGU or group of CGUs is first allocated as a reduction of the carrying amount of any goodwill allocated to the CGU or group of CGUs, then against the carrying amounts of the other assets of the CGU or group of CGUs, in proportion to the carrying amount of each asset.

n) Inventories

Inventories not allocated to programmes

Inventories not allocated to programmes are measured in aggregate using the weighted average unit purchase cost method.

An impairment allowance is recognised whenever their cost is higher than their realisable value, in particular when inventories have no demonstrable use or are obsolescent.

Inventories allocated to programmes

Inventories allocated to programmes are accounted for at their entry value and are included in the costs to completion of these programmes.

o) Revenue

Construction contracts (IAS 11)

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated in terms of their design, technology and function, or their ultimate purpose or use.

Depending on its characteristics, a sales contract that has been awarded can either correspond to a single construction contract, be segmented into several construction contracts or be combined with another contract in progress to form the scope of the construction contract for which revenue and expenses are recognised.

Construction contract revenue and expenses so defined are recognised using the percentage of completion method.

Penalties for delays or poor performance are recognised as a reduction of revenue as the relevant construction contracts progress, whenever the Group considers that it is likely that such penalties will be applied by the customer.

All probable losses on contracts in progress or in the order book are provided for in full as soon as they become known.

General marketing, selling, administration and financial costs are recognised directly in expenses as they are incurred.

Estimates of work remaining to be performed only take account of revenue arising from claims presented if it is very likely that they will be accepted by the customer. Progress payments received on a construction contract are allocated against contract assets. Advances received before the corresponding work has started are shown under "Advances and part payments received" in the balance sheet.

The amount of incurred costs and recognised profits less recognised losses and progress billings to date is determined for each individual construction contract. This amount is recognised in the balance sheet under "Construction contracts: assets" if it is positive and under "Construction contracts: liabilities" if it is negative.

For contracts where the percentage of completion is 100%, but where the warranty period has not yet expired, provisions for warranties are reclassified under provisions.

Sale of goods and services (IAS 18)

Revenue from the sale of goods and services and income from fees and licences are recognised whenever it is probable that the future economic benefits will flow to the Group and the amount can be measured reliably.

Revenue is recognised at the time when the significant risks and rewards are transferred to the purchaser.

Provisions for losses on completion, warranties and supplier disputes are recognised under provisions by applying the percentage of completion to the amounts to completion of these provisions.

p) Operating profit from ordinary activities

Operating profit from ordinary activities is profit from operations before:

- the effect of restructuring;
- impairment losses on intangible assets (non-operating);
- operating charges arising from events that are unusual as regards their frequency, nature or amount.

q) Transactions in foreign currencies

Transactions denominated in currencies other than the functional currency of the entity carrying them out are initially translated and recognised in that functional currency at the rate ruling at the date of the transactions.

Balance sheet items are translated at the closing rate. Income statement and cash flow statement items are translated at the average rate for the period.

r) Cash and cash equivalents

Cash comprises cash at bank and in hand. It is complemented by cash equivalents, which are cash invested in short-term risk-free investments. The Group mainly uses UCITS, certificates of deposit, term deposits with an early exit option and fixed-yield instruments with an initial maturity of less than three months for this purpose.

Investments in UCITS will be designated as cash equivalents if they belong to the Euro money-market category as defined by the French financial markets regulator, the *Autorité des Marchés Financiers*.

Investments in certificates of deposit and fixed-yield instruments will be designated as cash equivalents if their original maturity was three months at the most.

Investments that do not meet these criteria for recognition as cash equivalents, and those that are pledged, will be recognised under other financial assets.

"Net Cash" in the cash flow statement represents the balance of cash and cash equivalents less bank overdrafts.

Whether or not they are classified as cash equivalents, investments are measured at amortised cost, except for structured medium-term negotiable notes and UCITS, which are valued at the fair value provided by the banks.

s) Employee benefits

Provisions for post-employment benefits

Obligations to employees for lump-sums payable on retirement, which constitute post-employment benefits, are provided for in full, net of plan assets. In accordance with IAS 19, the Group's obligations are determined using the actuarial method known as the projected unit credit method, applied to all the private-sector employees (i.e. excluding seconded personnel).

This method is based on projection rules relating inter alia to:

- final salaries (their valuation incorporates employees' length of service, salary level and career progression);
- retirement ages, determined on the basis of the likely age of commencement of employment for each category of employees, as well as the gradual lengthening of the contribution period under the social security standard scheme;
- the development of the workforce, estimated on the basis of the TGH-TGF mortality tables and on a turnover rate resulting from the statistical observation of employee behaviour.

The obligations are calculated as follows:

- they are calculated pro rata to the length of service at the end of the period;
- they are discounted to present value;
- they are determined in accordance with the most favourable conditions for lump-sum payments provided for under the collective bargaining agreement for the metalworking industry and works agreements for the UES (Economic and Social Unit).

In accordance with IAS 19, which has been applied with effect from January 1, 2013:

- actuarial gains and losses relating to prior periods are disclosed under "Other comprehensive income" as items that cannot be reclassified to the income statement.

The new standard abolishes the option of accounting for actuarial gains and losses using the corridor method;

- the effects of the change in the method used have been recognised in full in the income statement for the period in which they occurred;
- the expected return on plan assets held to cover retirement schemes is estimated using the same discounting rate as is used for the liabilities to employees.

The obligation is covered in part by financial assets obtained from an insurance company.

Other long-term benefits

Provisions for long-service awards

Long-service awards, which constitute long-term benefits, are granted in some Group companies subject to a minimum length of service for each category within the company. Employees of DCNS SA must have at least ten years' service with the company to be eligible, in accordance with the works agreement dated May 11, 2004 plus addenda relating to the employees of companies absorbed at September 30, 2009.

In accordance with IAS 19, obligations to personnel for long-service awards are estimated using the projected unit credit method, and correspond to the likely present value of future payments when the employee has reached various levels of seniority. A pro rata basis is applied to length of service.

Specific pensions

Compensation pensions paid to French Government employees seconded to the State-owned company as a result of work-related injuries or illnesses arising or attributable to services rendered during their period of secondment are paid by the State and reimbursed by the State-owned company until extinguishment of the debt.

Any specific pensions arising from work-related injuries or work-related illness claims equal to or greater than a permanent disability percentage of 10% thus constitute annuity benefits and are provided for as such, in accordance with the Group's obligations. These pensions are calculated in accordance with the rules laid down in the French Social Security Code *(Code de la Sécurité sociale)*.

Provisions for the CET Senior (senior time bank) scheme

This scheme enables any employee aged 50 or above to bank holiday entitlements, which they can then use to bring forward their retirement date.

Each employee can bank up to 10 days' holiday per year under the scheme, up to a maximum of 130 days.

Provisions in relation to the GPEC (strategic Workforce Planning) agreement

This scheme is open to all employees with at least five years' service in the Group.

The table below sets out the general features of the scheme.

Salary level retained		Effective hours after GPEC			
		80%	70%	60%	50%
Effective hours before GPEC	100%	91%			80%
	90%		80%		72%
	80%			69%	64%

A full-time employee subscribing to the scheme and working 80% effective hours will retain a salary level of 91%.

The company bears the cost of both the employee's and employer's social security contributions in respect of the unpaid portion of the salary.

The above two schemes may not be combined. Employees must choose between the CET Senior scheme and the GPEC agreement.

t) Employee share offer

In connection with the acquisition by Thales of a 25% shareholding in the Group in 2007 and the raising of that shareholding to 35% in 2011, two employee share offers were made for Group employees to acquire shares in DCNS SA.

These offers have been regarded as a share-based payment that will be cash-settled. They effectively constitute an employee benefit, as employees are offered a discount and free shares by the French Government and an employer's contribution by the Group. The Group itself ensures the liquidity of the transaction by providing a mechanism to buy back its own shares from employees who request it.

The liability corresponding to the Group's obligation to buy back shares is remeasured annually on the basis of a share valuation performed by a group of independent experts. The change in value of this liability is recognised under financial income and expenses.

u) Income tax

Income tax comprises current and deferred tax. Tax is recognised in profit or loss unless it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the estimated amount of tax due in respect of the taxable profit for the year after deduction of the various tax credits, including in particular the research tax credit. It is calculated using the tax rates enacted or substantively enacted in law at the balance sheet date, plus or minus any adjustment to the amount of current tax due in respect of prior years.

Deferred tax is calculated and recognised using the liability method for all temporary differences between the carrying amount of assets and liabilities and their tax bases. The recoverability of deferred tax assets is assessed on the basis of forecast data contained in the strategic plans of each of the tax groups in question.

In accordance with the communiqué published by the *Conseil national de la comptabilité* on January 14, 2010, the Group has chosen to treat the *cotisation sur la valeur ajoutée des entreprises* (contribution based on a company's added value), which is part of the *contribution économique territoriale* and was introduced as from January 1, 2010 by the 2010 Finance Act to partially replace the French local business tax known as *taxe professionnelle,* as an operating expense outside the application scope of IAS 12.

The additional corporation tax contribution in respect of dividend payments introduced under the second amended tax law of August 2013 (the so-called "dividend tax") is treated as a tax charge in accordance with IAS 12.

The rate of the exceptional corporation tax contribution was 10.7% in 2014.

v) Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders of the parent corrected for the impact of dilutive instruments by the weighted average number of ordinary shares, corrected for the number of dilutive instruments deemed to have been exercised.

4. Companies over which DCNS exercises exclusive control, joint control or significant influence

Scope of consolidation

The scope of consolidation retained for the years ended December 31, 2013 and December 31, 2014 was as follows:

Pourcentages	Control at 31/12/2014	Control at 31/12/2013 restated	Interests at 31/12/2014	Interests at 31/12/2013 restated
Parent				
DCNS SA (France)				
Exclusive control				
Armaris Quater SAS (France)	100	100	100	100
DCN International SA (France)	100	100	100	100
DCNS Actionnariat SAS (France)	100	100	100	100
DCNS Coopération SA (Belgium)	100	100	100	100
DCNS Énergies SAS (France)	100	100	100	100
DCNS Far East PLC (Singapore)	100	100	100	100
DCNS India LLC (India)	100	100	100	100
DCNS Malaysia (Malaysia)	100	100	100	100
DCNS Support SAS (France)	100	100	100	100
MO PA2 SAS (France)	100	100	100	100
SIREHNA SA (France)	100	100	100	100
OpenHydro Ltd (Ireland) (1)	62	62	62	62
Significant influence				
Boustead DCNS Naval Corporation SDN BHD (Malaysia) (2)	40	40	40	40
Défense Environnement Services SAS (France) (2)	49	49	49	49
Eurosysnav SAS (France) (2)	50	50	50	50
Horizon SAS (France) (2)	50	50	50	50
Itaguaí Construções Navais SA (Brazil) (2)	41	41	41	41
Kership SAS (France) (2)	45	45	45	45
Winacelles SAS(France) (2)	34	34	34	34
Principia SAS (France)	33	33	33	33

(1) DCNS Énergies exercised its share warrants at a cost of €12,500 on December 10, 2014. The proportionate holding rose from 61.6% to 62.4%.
(2) Company consolidated in accordance with the equity method since January 1, 2014.

II. INCOME STATEMENT

5. Revenue

Group revenue for the year ended December 31, 2014 was €3,065.9 million (€3,311.5 million for the year ended December 31, 2013). Of this, €2,062.8 million was generated in France (€2,076.2 million for the year ended December 31, 2013).

	2014	2013 restated
Construction contracts	2,109.1	2,319.8
Sales of goods and services	956.8	991.7
REVENUE	**3,065.9**	**3,311.5**

6. Operating profit

a) Staff headcount and costs of own and seconded personnel

	2014	2013 restated
Wages and salaries (including social benefit charges) of own personnel	–753.0	–726.7
Retirement and other long-term employee benefit expenses	–7.5	–8.8
Personnel seconded by the French State	–237.8	–253.5
Other	–17.1	–22.7
TOTAL	**–1,015.4**	**–1,011.7**

The costs of own and seconded personnel are recognised in the income statement under the following operating expenses:

- cost of sales;
- research and development expenses;
- marketing and selling expenses;
- general and administration expenses.

The average workforce employed by fully and proportionately consolidated Group companies was as follows, on a full-time equivalent basis:

	2014	2013 restated
Managers	5,474	5,346
Supervisors and technicians	3,955	3,934
Blue and white-collar employees	3,444	3,652
TOTAL FOR FULLY CONSOLIDATED FRENCH COMPANIES	**12,873**	**12,932**
Other consolidated companies	224	164
TOTAL WORKFORCE	**13,097**	**13,097**
Including seconded personnel	3,719	4,081

b) Research and development expenditure

Internally funded research and development expenses amounted to €104.8 million in the year ended December 31, 2014 (€98.9 million in the year ended December 31, 2013).

This expense figure represents the gross research and development expenditure incurred by the Group less the amount fulfilling the criteria for capitalisation as an asset (see note 3-j).

	2014	2013 restated
Gross research and development expenditure	–104.8	–98.9
Amount capitalised	10.5	4.5
Amortisation of capitalised research and development expenditure	–	–
RESEARCH AND DEVELOPMENT EXPENDITURE	**–94.3**	**–94.4**

c) Statutory Auditors' fees

For the year ended December 31, 2014, fees payable to the Statutory Auditors for their statutory audit services amounted to €1.1 million.

7. Other operating income and expenses

a) Other operating income

	2014	2013 restated
Competitiveness plan	29.2	2.5
Other unusual items	18.5	4.8
OTHER OPERATING INCOME	**47.7**	**7.3**

In the year to December 31, 2014, income of €18.5 million was recognised in relation to sales of houses at Saint-Tropez (€17.4 million) and buildings at Ruelle (€1.1 million), as was a reversal of provisions of €29.2 million following the re-estimation of the provision relating to the competitiveness plan.

In the year to December 31, 2013, income of €4.8 million was recorded following the acquisition of control over the OpenHydro group. This reflects the gain recorded on the previous shareholding net of stamp duty and fees incurred in relation to the acquisition.

b) Other operating expenses

	2014	2013 restated
Competitiveness plan	–1.5	–2.5
Past service cost in relation to other long-term benefits	–9.6	–9.6
Cost relating to the second employee share offer	–21.9	–
Impairment of OpenHydro goodwill	–93.3	–
Other unusual items	–7.8	–
OTHER OPERATING EXPENSES	**–134.1**	**–12.1**

In 2014, DCNS reviewed the assumptions underlying the business plan which served as the basis for the acquisition of control over OpenHydro in March 2013. The delay in deployment of the first commercial tidal arrays cannot be caught up by 2030 and the investments required to complete the first projects and the production cost of the turbines were revised upwards.

As at December 31, 2014, an impairment to goodwill of €93.3 million was charged. Nevertheless, the sales successes achieved in 2014 have confirmed the potential that exists in the tidal power market.

An expense of €7.8 million was recognised following the sale of the houses in Saint-Tropez (€6.9 million) and the buildings at Ruelle (€0.9 million), corresponding to their net book value.

An expense of €9.6 million was recognised in relation to past service costs in relation to the GPEC scheme. It was possible to obtain reliable estimates of the assumptions underlying the calculation of the provision.

An expense of €21.9 million was recognised in relation to the second employee share offer. This charge comprises:

• the discount applied to the shares subscribed by the employees (€5.9 million) and the attribution of free shares granted by the French Government (€7.1 million);

• the employer's contribution and social security charges of €8.9 million borne by the Group.

As at December 31, 2013, application of the collective bargaining agreement for the metalworking industry in relation to lump-sum retirement benefits resulted in a charge of €9.6 million in relation to past service costs.

An increase in provisions of €2.5 million was also recorded in connection with the competitiveness plan.

8. Net financial income/expense

Income from financial investments represents interest received by the Group on its investments of cash (€19.6 million for the year ended December 31, 2014 and €22.9 million for the year ended December 31, 2013).

a) Other financial income

	2014	2013 restated
Changes in fair value of financial instruments (forwards and options)	20.7	–
Changes in fair value of financial instruments	1.3	0.3
Dividends received	1.5	2.6
Interest on overdue trade receivables	0.7	0.2
Foreign exchange gains	7.5	1.3
Reversal of impairments on provisions/long-term benefits	2.4	1.2
Reversal of impairments on financial assets	0.2	0.1
Income on cash equivalents	1.9	0.3
Other income	1.0	1.1
OTHER FINANCIAL INCOME	**37.2**	**7.1**

b) Other financial expenses

	2014	2013 restated
Changes in fair value of financial instruments (forwards and options)	–0.6	–4.2
Change in liability in respect of employee share offer	–2.6	–1.8
Interest on overdue trade payables	–	0.1
Foreign exchange losses	–7.0	–0.1
Impairment losses on provisions/long-term benefits	–4.2	–2.4
Impairment losses on financial assets/allowances	–0.2	–0.9
Interest on loans	–0.3	–1.4
Other expenses	–0.1	–0.8
OTHER FINANCIAL EXPENSES	**–15.2**	**–11.5**

9. Income tax

a) Analysis of tax expense

	2014	2013 restated
Current tax	7.1	–71.5
Movements in deferred tax	131.0	23.3
Other	–0.5	–3.3
INCOME TAX EXPENSE	**137.6**	**–51.5**

A supplementary contribution on dividend payments has been in force since August 2012. The amount was €0.5 million in 2014.

b) Reconciliation of actual and theoretical tax charge

	2014	2013 restated
Net profit for the year	–347.3	109.7
Income tax	137.6	–51.5
Share in net income/(loss) of equity affiliates	–1.2	–6.3
Net profit before tax	**–486.1**	**154.9**
Theoretical tax charge at 34.43%	167.4	–53.3
Research tax credit	7.1	13.9
Exceptional contribution(1)	–	–8.1
Contribution on dividends(2)	–0.5	–3.1
Other permanent differences(3)	–36.4	–0.9
ACTUAL TAX EXPENSE	**137.6**	**–51.5**
Effective tax rate	*28.3%*	*33.3%*

(1) The exceptional contribution rate as at December 31, 2014 is 10.7% (2013: same).
(2) The dividend contribution is levied at 3% of dividends paid.
(3) Other permanent differences mainly comprise the impairment of the OpenHydro goodwill.

c) Deferred tax in the balance sheet

	31/12/2014	31/12/2013 restated
Deferred tax assets	202.9	69.2
Deferred tax liabilities	–5.2	–4.5
NET DEFERRED TAX	**197.7**	**64.7**

Taxable units within the Group include in particular the DCNS SA tax consolidation group, which comprises all fully consolidated French companies in which its interest exceeds 95% (see note 4).

Deferred tax liabilities recognised at December 31, 2014 relate to foreign subsidiaries that fall outside the scope of the DCNS SA tax consolidation group.

In the year ended December 31, 2014, the Group recognised deferred tax income of €131 million for timing differences in relation to the allowability of certain provisions and the loss carryforward of €157.4 million incurred by DCNS SA in 2014.

No deferred tax was recognised in respect of the carried-forward tax losses at OpenHydro Ltd and at the permanent establishment in Finland.

10. Earnings per share

The Group issued no new ordinary shares during the years ended December 31, 2013 and December 31, 2014. The calculation of earnings per share is therefore based on the average number of ordinary shares outstanding after buybacks of treasury shares, which was 56,074,395 shares and 55,915,582 shares for the years ended December 31, 2013 and December 31, 2014 respectively.

No dilutive instruments were issued during the years ended December 31, 2013 and December 31, 2014. Diluted and basic earnings per share are therefore identical.

The articles of association provide that half of the dividend paid is due to holders of class A preference shares, up until full payment of an amount of €300 million that bears interest at 4.76%, and that the balance is allocated between all shareholders. The numerator is thus equal to half the net profit and the denominator is the average number of shares outstanding, i.e. 56,074,395 shares and 55,915,582 shares for the years ended December 31, 2013 and December 31, 2014 respectively (see note 17 on equity).

	2014	2013 restated
Net profit attributable to owners of the parent (in millions of euros)	–336.1	114.7
Portion attributable to holders of ordinary shares (in millions of euros)	–168.0	57.4
Number of ordinary shares outstanding (in millions of shares)	55.9	56.0
BASIC AND DILUTED EARNINGS PER SHARE (IN EUROS)	**–3.0**	**1.02**

III. OPERATING ASSETS AND LIABILITIES

11. Property, plant and equipment and intangible assets

a) Gross

	31/12/2013 restated	Acquisitions	Disposals	Other	31/12/2014
Concessions, patents and similar rights	110.2	20.6	–	6.4	137.2
Fair value differences	261.7	–	–	–	261.7
Research and development costs	4.5	10.5	–	–	15.0
Other intangible assets	11.6	0.6	–	–6.9	5.3
Intangible assets	**388.0**	**31.7**	**–**	**–0.5**	**419.2**
Land	37.8	–	–6.0	–	31.8
Buildings	146.1	4.9	–1.8	–1.0	148.2
Plant and machinery	318.7	25.4	–0.9	–6.5	336.7
Other property, plant and equipment	500.5	68.1	–0.1	–10.8	557.7
Property, plant and equipment	**1,003.1**	**98.4**	**–8.8**	**–18.3**	**1,074.4**
GROSS	**1,391.1**	**130.1**	**–8.8**	**–18.8**	**1,493.6**

	31/12/2012 restated	Acquisitions	Disposals	Other	31/12/2013 restated
Concessions, patents and similar rights	93.7	17.1	–0.6	–	110.2
Fair value differences	202.8	–	–	58.9	261.7
Research and development costs	–	4.5	–	–	4.5
Other intangible assets	10.8	0.8	–	–	11.6
Intangible assets	**307.3**	**22.4**	**–0.6**	**58.9**	**388.0**
Land	32.4	5.4	–	–	37.8
Buildings	140.7	5.6	–0.2	–	146.1
Plant and machinery	273.6	27.5	–0.7	18.3	318.7
Other property, plant and equipment	440.5	62.5	–	–2.5	500.5
Property, plant and equipment	**887.2**	**101.0**	**–0.9**	**15.8**	**1,003.1**
GROSS	**1,194.5**	**123.4**	**–1.5**	**74.7**	**1,391.1**

"Fair value differences" as at December 31, 2014 represents intangible assets recognised on acquisition of the shareholding in TNF in 2007 (€202.8 million) and on acquisition of the shareholding in OpenHydro Ltd (€58.9 million).

Upon acquiring shares in OpenHydro Ltd in 2013, plant and machinery with a value of €18.5 million was brought into the scope of consolidation.

The capitalised research and development costs of €15.0 million as at December 31, 2014 represent costs incurred by the OpenHydro group since the assumption of control which meet the criteria set out in note 3-j "Research and development costs".

b) Depreciation, amortisation and impairment losses

	31/12/2013 restated	Expenses	Reversals	Other	31/12/2014
Concessions, patents and similar rights	–68.3	–18.1	–	0.5	–85.9
Fair value differences	–178.0	–11.7	–	–	–189.7
Research and development costs	–	–	–	–	–
Other intangible assets	–	–	–	–	–
Intangible assets	**–246.3**	**–29.8**	**–**	**0.5**	**–275.6**
Buildings	–50.1	–6.5	–	1.0	–55.6
Plant and machinery	–181.7	–28.3	0.7	6.5	–202.8
Other property, plant and equipment	–216.6	–36.7	–	10.8	–242.5
Property, plant and equipment	**–448.4**	**–71.5**	**0.7**	**18.3**	**–500.9**
DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	**–694.7**	**–101.3**	**0.7**	**18.8**	**–776.5**

	31/12/2012 restated	Expenses	Reversals	Other	31/12/2013 restated
Concessions, patents and similar rights	–54.6	–14.0	0.3	–	–68.3
Fair value differences	–159.4	–18.6	–	–	–178.0
Research and development costs	–	–	–	–	–
Other intangible assets	–1.5	–	–	1.5	–
Intangible assets	**–215.5**	**–32.6**	**0.3**	**1.5**	**–246.3**
Buildings	–44.0	–6.2	0.1	–	–50.1
Plant and machinery	–141.1	–27.3	0.7	–14.0	–181.7
Other property, plant and equipment	–185.9	–33.3	–	2.6	–216.6
Property, plant and equipment	**–371.0**	**–66.8**	**0.8**	**–11.4**	**–448.4**
DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	**–586.5**	**–99.4**	**1.1**	**–9.9**	**–694.7**

In 2013, depreciation on plant and machinery of €14.2 million was absorbed into the scope of consolidation following the acquisition of shares in OpenHydro Ltd.

c) Net amounts

	31/12/2013 restated	Acquisitions	Disposals	Depreciation and amortisation	Impairment losses	Other	31/12/2014
Concessions, patents and similar rights	41.9	20.6	–	–18.1	–	6.9	51.3
Fair value differences	83.7	–	–	–11.7	–	–	72.0
Research and development costs	4.5	10.5	–	–	–	–	15.0
Other intangible assets	11.6	0.6	–	–	–	–6.9	5.3
Intangible assets	**141.7**	**31.7**	**–**	**–29.8**	**–**	**–**	**143.6**
Land	37.8	–	–6.0	–	–	–	31.8
Buildings	96.0	4.9	–1.8	–6.5	–	–	92.6
Plant and machinery	137.0	25.4	–0.9	–27.6	–	–	133.9
Other property, plant and equipment	283.9	68.1	–0.1	–36.7	–	–	315.2
Property, plant and equipment	**554.7**	**98.4**	**–8.8**	**–70.8**	**–**	**–**	**573.5**
NET	**696.4**	**130.1**	**–8.8**	**–100.6**	**–**	**–**	**717.1**

	31/12/12 restated	Acquisitions	Disposals	Depreciation and amortisation	Impairment losses	Other	31/12/2013 restated
Concessions, patents and similar rights	39.1	17.1	–0.3	–14.0	–	–	41.9
Fair value differences	43.4	–	–	–18.6	–	58.9	83.7
Research and development costs	–	4.5	–	–	–	–	4.5
Other intangible assets	9.3	0.8	–	–		1.5	11.6
Intangible assets	**91.8**	**22.4**	**–0.3**	**–32.6**	**–**	**60.4**	**141.7**
Land	32.4	5.4	–	–	–	–	37.8
Buildings	96.7	5.6	–0.1	–6.2	–	–	96.0
Plant and machinery	132.5	27.5	–	–27.3	–	4.3	137.0
Other property, plant and equipment	254.6	62.5	–	–33.3	–	0.1	283.9
Property, plant and equipment	**516.2**	**101.0**	**–0.1**	**–66.8**	**–**	**4.4**	**554.7**
NET	**608.0**	**123.4**	**–0.4**	**–99.4**	**–**	**64.8**	**696.4**

"Other property, plant and equipment" includes assets under construction of €102.6 million at December 31, 2014 (€78.5 million at December 31, 2013).

Capitalised research and development costs represent costs incurred by OpenHydro since the assumption of control which meet the criteria set out in note 3-j "Research and development costs".

In conformity with IAS 36, no impairment tests have been carried out during the year ended December 31, 2014 on the property, plant and equipment and amortisable intangible assets based on the Group's CGUs as there were no indications of loss of long-term value.

12. Goodwill

	31/12/2013 restated	Acquisitions	Disposals	Impairment losses	31/12/2014
DCNS (from DCN Log, June 2003)	11.4	–	–	–	11.4
DCNS (from Armaris, March 2007)	207.5	–	–	–	207.5
DCNS (from TNF, March 2007)	163.9	–	–	–	163.9
OpenHydro (March 2013)	93.3	–	–	93.3	–
GOODWILL	**476.1**	**–**	**–**	**93.3**	**382.8**

	31/12/2012 restated	Acquisitions	Disposals	Impairment losses	31/12/2013 restated
DCNS (from DCN Log, June 2003)	11.4	–	–	–	11.4
DCNS (from Armaris, March 2007)	207.5	–	–	–	207.5
DCNS (from TNF, March 2007)	163.9	–	–	–	163.9
OpenHydro (March 2013)	–	93.3	–	–	93.3
GOODWILL	**382.8**	**93.3**	**–**	**–**	**476.1**

On March 14, 2013, the Group took control of the OpenHydro group. Goodwill arising on this acquisition was accounted for using the "partial goodwill" method.

In 2014, notwithstanding the sales successes recorded during the year and the lack of any fundamental reason to question the viability of the tidal power market, DCNS recognised an impairment charge against the goodwill recognised on the acquisition of OpenHydro in March 2013.

The effects on the 2014 results are stated in note 7-b.

13. Investments in associates

a) Group share in the net assets and net income of associates

	Net assets at year end		Net income	
	31/12/2014	31/12/2013 restated	2014	2013 restated
OpenHydro Ltd (Ireland)(2)	–	–	–	–1.5
Principia	0.9	1.1	0.1	0.4
Alderney Renewable Energy(1)	9.9	9.8	–0.5	–0.5
Horizon(3)	1.0	1.7	0.3	0.1
Eurosysnav(3)	2.0	3.0	–	0.1
Boustead DCNS Naval Corporation SDN BHD (Malaysia)(3)	3.4	5.1	–2.0	1.2
Itaguaí Construções Navais SA (Brazil)(3)	2.8	5.6	2.8	6.4
Défense Environnement Services SAS (France)(3)	1.3	1.1	0.9	0.8
Winacelles SAS (France)(3)	–0.8	–0.9	–	–0.5
Kership SAS (France)(3)	0.5	0.9	–0.4	–0.2
TOTAL	**21.0**	**27.4**	**1.2**	**6.3**

(1) The holding in Alderney Renewable Energy (ARE) is accounted for under the equity method by the OpenHydro group, which owns a 38% shareholding in it.
(2) OpenHydro Ltd has been fully consolidated since April 1, 2013.
(3) Companies accounted for under the equity method since January 1, 2014 (IFRS 10 and 11).

b) Changes in "Net assets of equity affiliates"

	2014	2013 restated
Share in net assets of equity affiliates at January 1	31.9	38.5
Share in income/(loss) of equity affiliates	1.2	6.3
Dividend paid	–9.1	–10.9
Fair value differences	0.9	–
Conversion of debt to equity	0.5	–
Inclusion of shareholding in ARE held by OpenHydro Ltd	–	–2,0
SHARE IN NET ASSETS OF EQUITY AFFILIATES	**25.4**	**31.9**

14. Inventories and work-in-progress

	2014	31/12/2013 restated
Raw materials and goods for resale	461.4	451.5
Work-in-progress (excluding construction contracts)	110.6	133.2
Finished and semi-finished products	0.5	1.2
GROSS	**572.5**	**585.9**
Impairment allowances	–69.2	–54.6
INVENTORIES AND WORK-IN-PROGRESS	**503.3**	**531.3**

Work-in-progress relates only to contracts for the sale of goods and services (recognised under IAS 18).

15. Construction contracts

	2014	31/12/2013 restated
Construction contracts: assets	501.6	382.8
Construction contracts: liabilities	–379.5	–213.0
NET CONSTRUCTION CONTRACTS	**122.1**	**169.8**

	31/12/2014	31/12/2013 restated
Costs incurred and recognised gains and losses, to date	16,327.8	14,384.5
Progress billings	–16,205.7	–14,214.7
NET CONSTRUCTION CONTRACTS	**122.1**	**169.8**

Construction contracts are accounted for using the percentage of completion method as described in note 3-o, based on the most likely estimate of overall profit or loss on completion of each contract.

	31/12/2014	31/12/2013 restated
Work-in-progress on construction contracts	399.8	341.9
Unbilled receivables on construction contracts	7,884.1	6,551.3
Deferred expenses	–	–
Provisions for losses on completion	–8.3	–5.9
Other reserves on construction contracts	–37.4	–44.6
Advances received from customers on construction contracts	–7,307.5	–6,335.4
Trade payables on construction contracts (work-in-progress creditors)[1]	–449.7	–271.8
Deferred income	–358.9	–65.7
NET CONSTRUCTION CONTRACTS	**122.1**	**169.8**

(1) Assumptions made in December 2013 ought to have been borne out by the determination of standard costs based on the construction of the first submarine. However, the operational difficulties encountered on the Barracuda programme have led DCNS to significantly revise the assumptions it uses when calculating to completion. Given that the timetable for the programme has slipped, this cost basis remains provisional. As a result, DCNS has decided to modify its cost calculation assumptions in order to incorporate additional areas of prudence. The Group has therefore decided to review the way in which profit is recognised over the course of its six new-build programmes. This has had a negative impact of €105 million on 2014, of which €46 million relates to the Barracuda programme.

16. Trade and other receivables

	31/12/2014	31/12/2013 restated
Trade receivables, gross	1,367.0	1,605.1
Trade receivables, impairment allowance	–12.3	–11.5
Trade receivables	**1,354.7**	**1,593.6**
Tax receivables (excluding current tax)	65.6	77.5
Employment and social benefit receivables	30.5	5.0
Tax, employment and social benefit receivables	**96.1**	**82.5**
Deferred expenses	28.7	24.5
Other receivables, gross	138.3	135.5
Other receivables, impairment allowance	–	–
Other receivables, net	**167.0**	**160.0**
TRADE AND OTHER RECEIVABLES	**1,617.8**	**1,836.1**

At December 31, 2014, impairment allowances against trade receivables mainly comprise an allowance of €9.1 million against a receivable in relation to an export contract (€9.5 million at December 31, 2013).

Trade receivables include a receivable from Sofrantem. At the time of the contribution agreement, a receivable was recognised for a value corresponding to the financial income earned from Sofrantem. Financial interest accrued since the contribution agreement is recognised under financial income only when paid.

17. Equity

a) Share capital

At December 31, 2014, the parent company's share capital comprised 56,299,700 ordinary shares and 300 class A preference shares. Under the articles of association, each class A preference share gives its holder a right to receive a priority dividend.

The nominal value of both ordinary and preference shares is €10.

At December 31, 2014, shares were held as follows:

	Ordinary shares	Preference shares	Total	%
The French State	35,179,741	300	35,180,041	62.49
Thales	19,705,000	–	19,705,000	35.00
FCPE Actions DCNS employee mutual fund	1,030,541	–	1,030,541	1.83
Treasury shares	384,418	–	384,418	0.68

There are no other securities in circulation that confer a right to a portion of the share capital of DCNS.

b) Dividend payments

On April 30, 2014, the Shareholders' Ordinary General Meeting resolved to pay a dividend of €16.9 million in respect of the year ended December 31, 2013, comprising €28,150.00 per class A preference share and €0.15 per ordinary share.

On October 22, 2013, the Board of Directors resolved to pay an interim dividend of €43.9 million in respect of the year ended December 31, 2013, comprising €73,190.39 per class A preference share and €0.39 per ordinary share.

c) Changes in the fair value of financial assets and liabilities directly recognised in equity

During the year ended December 31, 2014, the Group recorded an increase in its financial instrument remeasurement reserves of €1.0 million.

During the year ended December 31, 2013, the Group recorded a reduction in its financial instrument remeasurement reserves of €0.3 million.

d) Translation differences (foreign subsidiaries)

As stated in note 3-g, this item comprises differences arising on the translation of the financial statements of foreign companies on the basis of the closing and average exchange rates.

The following Group companies do not use the euro as their functional currency: DCNS Far East (Singapore dollar – SGD), Itaguaí Construções Navais (Brazilian real – BRL), Boustead DCNS Naval (Malaysian ringgit – MYR), DCNS India (Indian rupee – INR) and DCNS Malaysia (Malaysian ringgit – MYR).

During the year ended December 31, 2014, the Group recorded an increase of €2.1 million to its reserves for translation differences. The corresponding change to the reserves in the year ended December 31, 2013 was a €3.1 million reduction.

e) Treasury shares

DCNS Actionnariat (100% owned by the Group) acquired 188,963 shares and 158,813 shares in DCNS SA during the years ended December 31, 2013 and December 31, 2014 respectively under the share buyback guarantee granted to employees under the terms of the employee share offer.

As stated in note 3-t, DCNS shares that are held by DCNS Actionnariat or which shareholders have an option to sell to DCNS Actionnariat are recognised as a reduction of equity. The impact on equity was €71.3 million at December 31, 2014 (as opposed to a cumulative impact of €42.0 million at December 31, 2013), of which €26.7 million relates to the second employee share offer which was recorded in the accounts during 2014.

The treasury share reserve has been revalued in accordance with the new valuation of Group shares published in April 2014, resulting in an upward revaluation of the treasury share reserve by €2.6 million.

The next valuation of Group shares will be published before the Shareholders' General Meeting on May 6, 2015.

Until the validation of the medium-term plan and the issuing of the next expert valuation, the share value used shall be that published in April 2014 for the revaluation of the treasury share reserve. A 5% reduction in the value of DCNS shares would have a positive impact of €2.0 million on the financial statements.

At December 31, 2014, the Group held 384,418 treasury shares and employee shareholders held put options for 1,030,541 shares.

The conditions restricting the resale of shares held by employees as a result of the first employee share offer were lifted with effect from August 2013.

f) Capital management

The Group's cash position, net of financial debt, is positive. Under its current strategic plan, the Group therefore does not envisage altering its share capital as its funds are considered to be sufficient.

Nevertheless, subject to legal and contractual provisions, the shareholder structure may alter due to exchanges of shares between shareholders, as they decide.

18. Provisions

	31/12/2013 restated	Expenses	Utilisation	Reversals	Other	31/12/2014
Provisions for lump-sums payable on retirement(1)	46.8	7.3	–1.7	–	6.2	58.6
Other non-current provisions	25.0	16.9	–4.0	–	–2.3	35.6
Non-current provisions	**71.8**	**24.2**	**–5.7**	**–**	**3.9**	**94.2**
Provisions for lump-sums payable on retirement	1.6	–	–	–	1.1	2.7
Provisions for environmental liabilities	0.5	–	–0.5	–	–	–
Provisions for the competitiveness plan(2)	33.9	–	–	–29.2	–	4.7
Provisions under warranties	11.9	2.3	–3.4	–	0.2	11.0
Provisions on contracts(3)	46.8	170.7	–4.3	–	1.3	214.5
Provisions for losses on completion(4)	49.0	97.7	–13.3	–	0.1	133.5
Other current provisions	36.1	9.6	–16.7	–	0.8	29.8
Current provisions	**179.8**	**280.3**	**–38.2**	**–29.2**	**3.5**	**396.2**
PROVISIONS	**251.6**	**304.5**	**–43.9**	**–29.2**	**7.4**	**490.4**

(1) The "Other" item in relation to "Provisions for lump-sums payable on retirement" chiefly comprises an actuarial gain of €7.3 million.
(2) A net reversal of €29.2 million was recognised following the reassessment of the competitiveness plan as at December 31, 2014.
(3) The expense in relation to "Provisions on contracts" principally relates to the Russia Projection and Command Vessel programme.
(4) The expense in relation to "Provisions for losses to completion" principally relates to the RJH programme.

Provisions on contracts and for losses to completion relate to contracts for the sale of goods and services (recognised under IAS 18).

DCNS is having difficulties in the performance of a contract for the design and production of a civil nuclear reactor, primarily as a result of inadequacies in the consultation document and requests by the client for changes to certain technical specifications.

These difficulties, along with the new slippage in the overall programme schedule, resulted in a reduction of €123 million in DCNS's profit on completion for the programme.

Given these circumstances, DCNS is therefore holding discussions with its customer in order to take account of the client's requests for changes in configuration ("configuration no. 3"), modify the structure of the project, reschedule the project, reach a contractual agreement on a new schedule and obtain financial compensation. During 2014, negotiations held with the customer resulted in DCNS obtaining initial supplementary remuneration of €18 million for design studies that had already been completed.

The accounts to December 31, 2014 have been prepared on the assumption that the project will continue and on estimates of the cost and revenue to completion foreseeable as of that date, based on the current configuration of the project ("configuration no. 2") and a schedule which is currently under discussion with the customer.

A provision has been made in respect of a material contract: construction of the *Vladivostok* has been completed, while that of the second ship is ongoing. Given the substantial uncertainties in respect of this programme, the Group has taken a prudent position involving the retrospective annulment of the previously recognised profits.

Other non-current provisions principally comprise the non-current part of provisions for other long-term benefits (€11.4 million for long-service benefits, €8.4 million for pensions, €14.0 million for the CET Senior and GPEC schemes). See note 3-s.

Other current provisions primarily relate to disputes concerning tax, social security and trade payables.

	31/12/2013 restated	Expenses	Utilisation	Reversals	Other	31/12/2014
Provisions for lump-sums payable on retirement(1)	37.9	16.5	–1.2	–	–6.4	46.8
Other non-current provisions	19.9	6.1	–1.7	–	0.7	25.0
Non-current provisions	**57.8**	**22.6**	**–2.8**	**–**	**–5.7**	**71.8**
Provisions for lump-sums payable on retirement	0.6	–	–	–	1.0	1.6
Provisions for environmental liabilities	1.1	–	–0.6	–	–	0.5
Provisions for the competitiveness plan	36.4	–	–2.5	–	–	33.9
Provisions under warranties	9.3	5.5	–2.9	–	–	11.9
Provisions on contracts	28.5	22.8	–4.5	–	–	46.8
Provisions for losses on completion(2)	21.7	35.4	–5.3	–	–2.8	49.0
Other current provisions(3)	24.9	16.7	–16.4	–	10.9	36.1
Current provisions	**122.5**	**80.4**	**–32.3**	**–**	**9.1**	**179.8**
PROVISIONS	**180.3**	**103.0**	**–35.1**	**–**	**3.4**	**251.6**

(1) The "Other" item in relation to "Provisions for lump-sums payable on retirement" comprises an actuarial loss of €5.4 million and the reclassification of €1 million to the current part of the provision.
(2) The "Other" item in relation to "Provisions for losses on completion" represents a reclassification to impairment allowances against inventories.
(3) The "Other" item in relation to "Other current provisions" includes €12 million in relation to the first consolidation of OpenHydro group, less a reclassification € (4) million.

a) Provisions for lump-sums payable on retirement

At December 31, 2014, provisions for lump-sums payable on retirement for the Group as a whole amounted to €61.3 million, of which €60.9 million related to DCNS SA.

The assumptions used as at December 31, 2013 were as follows:

- discount rate: 3%;
- expected return on assets: 3% (in line with IAS 19R, the discount rate to be used is the same as that used for employee benefits);
- inflation rate: 2%;
- salary increase rate: 3%.

The assumptions used as at December 31, 2014 were as follows:

- discount rate: 2%;
- expected return on assets: 2% (in line with IAS 19R, the discount rate to be used is the same as that used for employee benefits);
- inflation rate: 2%;
- salary increase rate: 2.5%.

As at December 31, 2014, the sensitivity of the net obligation to a change in the discount rate was as follows:

- reducing the discount rate by 0.5% would lead to a provision for lump-sum retirement benefits of €100.8 million;
- increasing the discount rate by 0.5% would lead to a provision for lump-sum retirement benefits of €84.4 million.

Movements in the retirement obligation were as follows:

	2014	2013 restated
Obligation at start of period	78.8	65.0
Past service cost(1)	–	9.6
Current service cost	5.9	5.7
Interest cost	2.3	2.0
Benefits paid	–1.7	–1.1
Actuarial gains and losses(2)	9.1	–2.4
OBLIGATION AT END OF PERIOD	**94.4**	**78.8**

(1) A past service cost of €9.6 million was recorded in the year to December 31, 2013 as a result of a change in accounting policy.
(2) Actuarial gains and losses comprise a gain of €2.3 million in relation to experiential differences and a gain of €6.8 million in relation to assumptions concerning the rate of salary increases and the discount rate.

Changes in plan assets were as follows:

	2014	2013 restated
Assets at start of period	30.2	26.5
Return on assets	0.9	0.8
Actuarial gains and losses	2.0	3.0
ASSETS AT END OF PERIOD	**33.1**	**30.2**

As at December 31, 2014, the assets were invested as follows: 53% equities, 17% bonds and 30% money-market instruments.

The net charge recognised breaks down as follows:

	2014	2013 restated
Current service cost	–5.9	–5.6
Interest cost	–2.3	–2.0
Past service cost	–	–9.6
Benefits paid	1.7	1.1
Expected return on assets	0.9	0.8
NET CHARGE	**–5.6**	**–15.3**

The reconciliation of the actuarial obligation calculated and the provision recognised in the balance sheet is as follows:

	31/12/2014	31/12/2013 restated
Actuarial obligation	94.4	78.8
Fair value of assets	–33.1	–30.3
NET PROVISION AT END OF PERIOD	**61.3**	**48.5**

Forecast payments of lump-sum retirement benefits for the next five years are as follows:

	31/12/2014
Forecast benefits 2015	2.7
Forecast benefits 2016	1.2
Forecast benefits 2017	1.3
Forecast benefits 2018	1.7
Forecast benefits 2019	3.0
FORECAST BENEFITS FOR THE NEXT FIVE YEARS	**9.9**

b) Provisions for other long-term benefits

The provision for other long-term benefits concerns the following schemes:

- pensions;
- long-service benefits;
- CET Senior;
- GPEC.

These schemes are described in note 3-s.

Changes in obligations to pay other long-term benefits during the year to December 31, 2014 were as follows:

	2014
Opening obligation	23.3
Past service cost	9.6
Current service cost	2.7
Actuarial gains and losses	0.4
Benefits paid	–0.9
OBLIGATION AT YEAR END TO PAY OTHER LONG-TERM BENEFITS	**35.1**

c) Provisions for environmental liabilities

	31/12/2013 restated	Expenses	Utilisation	Reversals	Other	31/12/2014
Asbestos removal	–	–	–	–	–	–
Ground depollution	0.5	–	–	–0.5	–	–
Dismantling of installations	–	–	–	–	–	–
PROVISIONS FOR ENVIRONMENTAL LIABILITIES	**0.5**	**–**	**–**	**–0.5**	**–**	**–**

	31/12/2012 restated	Expenses	Utilisation	Reversals	Other	31/12/2013 restated
Asbestos removal	–	–	–	–	–	–
Ground depollution	1.1	–	–	–0.6	–	0.5
Dismantling of installations	–	–	–	–	–	–
PROVISIONS FOR ENVIRONMENTAL RISKS	**1.1**	**–**	**–**	**–0.6**	**–**	**0.5**

19. Trade and other payables

	31/12/2014	31/12/2013 restated
Trade payables	2,219.8	2,057.1
Tax payables (excluding current tax)	65.1	67.2
Social benefit liabilities	174.0	159.3
Deferred income	13.3	21.8
Other liabilities	99.9	77.4
TRADE AND OTHER PAYABLES	**2,571.1**	**2,382.8**

IV. FINANCIAL ASSETS AND LIABILITIES

20. Summary of financial instruments (financial assets and liabilities)

The various financial assets and liabilities shown below are measured as follows (the fair value measurement level under IFRS 7 is shown in brackets):

• fixed-yield instruments and term deposits (fair value through profit and loss): the fair value of these products is measured using the amortised cost method (level 2);

• monetary and non-monetary UCITS (fair value through profit and loss): valued at their latest known liquidation value (level 1);

• negotiable medium-term notes (fair value through profit and loss): valued at their latest known liquidation value (level 1);

• investments (fair value through equity, designated as available-for-sale): the investments do not relate to companies listed on a regulated market. In consequence, they are valued either on the basis of modelling by independent third parties or by reference to the Group's share of their net assets (level 3);

• trade receivables and payables (loans and receivables): these are contractually subject to price review clauses. The Group therefore considers that they are shown at their fair value;

• liability in respect of employee share offer (fair value through profit and loss): as stated in the section on accounting rules and policies, this liability is remeasured annually on the basis of the valuation of DCNS shares by a group of independent experts (level 2).

a) Fair value and classification of financial assets

	Fair value through profit and loss	Loans and receivables	Fair value through equity (available for sale)	31/12/2014	Impact on the change in fair value on equity	Impact on the change in fair value on profit and loss
Investments	–	–	23.6	23.6	1.0	–
Loans, non-current portion	–	3.4	–	3.4	–	–
Currency instruments, non-current portion	13.0	–	–	13.0	–	12.7
Investment securities	353.9	–	–	353.9	–	2.2
Other non-current financial assets	–	0.1	–	0.1	–	–
Non-current financial assets	**366.9**	**3.5**	**23.6**	**394.0**	**1.0**	**14.9**
Trade receivables	–	1,354.7	–	1,354.7	–	–
Loans, current portion	–	–	–	–	–	–
Currency instruments, current portion	4.1	–	–	4.1	–	4.1
Investment securities	212.1	–	–	212.1	–	0.8
Other current financial assets	–	2.1	–	2.1	–	–
Cash and cash equivalents	1,428.6	–	–	1,428.6	–	–1.7
Current financial assets	**1,644.8**	**1,356.8**	**–**	**3,001.6**	**–**	**3.2**

	Fair value through profit and loss	Loans and receivables	Fair value through equity (available for sale)	31/12/2013 restated	Impact on the change in fair value on equity	Impact on the change in fair value on profit and loss
Investments	–	–	20.0	20.0	–0.3	–
Loans, non-current portion	–	3.9	–	3.9	–	–
Currency instruments, non-current portion	0.3	–	–	0.3	–	–0.1
Investment securities	291.8	–	–	291.8	–	1.3
Other non-current financial assets	–	–	–	–	–	–
Non-current financial assets	**292.1**	**3.9**	**20.0**	**316.0**	**–0.3**	**1.2**
Trade receivables	–	1,593.6	–	1,593.6	–	–
Loans, current portion	–	–	–	–	–	–
Currency instruments, current portion	–	–	–	–	–	–
Other current financial assets	381.9	0.7	–	382.6	–	0.5
Cash and cash equivalents	997.1	–	–	997.1	–	0.1
Current financial assets	**1,379.0**	**1,594.3**	**–**	**2,973.3**	**–**	**0.6**

The impacts on equity and profit and loss are shown before tax.

"Other non-current financial assets" principally comprises fixed-yield instruments with a maturity date more than twelve months into the future, as well as amounts pledged under the employee share offer (see note 26-b).

b) Fair value and classification of financial liabilities

	Fair value through profit and loss	Other liabilities	31/12/2014	Impact on the change in fair value on equity	Impact on the change in fair value on profit and loss
Loans, non-current portion	–	–	–	–	–
Currency instruments, non-current portion	0.9	–	0.9	–	4.2
Other non-current financial liabilities	43.2	–	43.2	–	–1.6
Non-current financial liabilities	**44.1**	**–**	**44.1**	**–**	**2.6**
Trade payables	–	2,219.8	2,219.8	–	–
Currency instruments, current portion	0.8	–	0.8	–	–0.8
Other current financial liabilities	32.1	–	32.1	–	–1.0
Current financial liabilities	**32.9**	**2,219.8**	**2,252.7**	**–**	**–1.8**

	Fair value through profit and loss	Other liabilities	31/12/2013 restated	Impact on the change in fair value on equity	Impact on the change in fair value on profit and loss
Loans, non-current portion	–	–	–	–	–
Currency instruments, non-current portion	5.1	–	5.1	–	–4.2
Other non-current financial liabilities	–	0.2	0.2	–	–
Non-current financial liabilities	**5.1**	**0.2**	**5.3**	**–**	**–4.2**
Trade payables	–	2,057.1	2,057.1	–	–
Currency instruments, current portion	–	–	–	–	–
Other current financial liabilities	38.4	–	38.4	–	–1.8
Current financial liabilities	**38.4**	**2,057.1**	**2,095.5**	**–**	**–1.8**

The impacts on equity and profit and loss are shown before tax.

"Other non-current financial liabilities" includes the Group's liability to its employees in connection with the second employee share offer.

"Other current financial liabilities" includes the Group's liability to its employees in connection with the employee share offer. All the conditions restricting the resale of DCNS shares held by employees under the first employee share offer were lifted with effect from August 2013.

c) Fair value of investments

Investments that are classified as available-for-sale financial assets are valued at fair value through equity. This breaks down as follows (the Group's percentage shareholding in these companies at December 31, 2014 is shown in brackets):

	31/12/2014	31/12/2013 restated
Sofema SA (10%)	10.7	9.8
Odas SA (9%)	3.0	3.1
Sofresa SA (7%)	0.5	0.5
Cedec SAS (10%)	–	–
FCPR Sécurité (13%)	1.3	1.2
FCPR Financière de Brienne (7%)	1.6	1.7
FCPR Atalaya (38%)	2.6	2.1
DCNS do Brasil (100%)	2.4	1.5
Armaris Bis (100%)	1.4	–
Other investments	0.1	0.1
INVESTMENTS	**23.6**	**20.0**

The holding in Cedec has a fair value of zero, due to the lack of visibility as to the future prospects for this company at the date of preparation of these consolidated financial statements.

In 2014, the Group increased its investments in the share capital of Armaris Bis (non-consolidated company) and DCNS do Brasil by €1.4 million and €0.9 million respectively.

21. Cash and cash equivalents

	31/12/2014	31/12/2013 restated
Cash equivalents	1,029.4	931.0
Cash	399.2	66.1
Cash and cash equivalents	**1,428.6**	**997.1**
Bank overdrafts	–	–
NET CASH	**1,428.6**	**997.1**

Cash equivalents include monetary UCITS. Term deposits and fixed-yield instruments with an original maturity of up to three months or which include an option to exit within three months are measured at fair value through profit and loss.

Bank overdrafts are classified as other current financial liabilities and are measured at their amortised cost.

The total of net cash plus investment securities reported under other financial assets (as set out in note 3-r) was €1,994.7 million at December 31, 2014 (€1,670.8 million at December 31, 2013). This total breaks down as follows:

	31/12/2014	31/12/2013 restated
Other non-current financial assets	353.9	291.8
Other current financial assets	212.2	381.9
Net cash	1,428.6	997.1
TOTAL	**1,994.7**	**1,670.8**

22. Other liabilities

"Other liabilities" principally comprises a subsidy of €8.9 million.

23. Risk management

a) Credit risk

Credit risk is the risk of financial loss as a consequence of a counterparty's default on its payment obligations. The Group is exposed to credit risk because of its commercial operations (mainly through trade receivables).

The Group considers that the risk of a counterparty default in respect of its trade receivables that could materially affect its financial situation and earnings is limited. These counterparties are generally sovereign states that have adequate resources to meet their financial obligations. Where this is not the case, the Group covers such credit risk through public (Coface) or private insurers.

All impairment allowances against trade receivables are assessed on a case-by-case basis.

	31/12/2012	Expenses	Reversals	31/12/2013	Expenses	Reversals	Other	31/12/2014
Impairment allowances against trade receivables	11.9	0.1	–0.4	11.6	1.9	–0.5	–0.7	12.3

Financial market transactions are only entered into with banks or institutions with first-class ratings and within the authorised levels set by General Management for each counterparty.

b) Liquidity risk

The Group has no borrowings or credit facilities from financial institutions. In consequence, the Group is not exposed to a liquidity risk based on purely financial criteria. Its main financial debt is its liability to employees in connection with the employee share offer.

Liquidity risk therefore lies mainly in the financing of the operating working capital, which is largely covered by the payments received from customers.

Raw materials risks are covered by price review clauses in contracts that hedge against price fluctuations. Therefore the Group does not acquire financial instruments to hedge this type of risk.

c) Foreign currency exchange risk

The Group has no financial debts in currencies other than the euro.

As part of its normal activities, the Group may be faced with foreign currency exchange rate issues on tenders submitted in foreign currency, contracts awarded and all future disbursements denominated in foreign currency. The main currencies to which the Group was exposed during the period were the US dollar (USD), the Saudi riyal (SAR), the pound sterling (GBP), the Brazilian real (BRL), the New Zealand dollar (NZD) and the Malaysian ringgit (MYR).

Although the Group does not maintain specific hedge accounting, all material transactions in foreign currency with a time horizon of less than five years are subject to a currency risk management policy. This involves matching the amount of receipts in currencies to the expected disbursements in those currencies at the time a contract is drafted. In the event of differences in timing, amounts or both, the Group enters into forward foreign exchange contracts or options in the relevant currencies to hedge the residual difference.

	31/12/2014	31/12/2013 restated
Forward purchase contracts		
US dollar (USD)	148.8	170.5
Pound sterling (GBP)	1.0	2.2
Brazilian real (BRL)	9.0	10.3
New Zealand dollar (NZD)	–	1.6
Malaysian ringgit (MYR)	18.5	11.7
Forward sale contracts	–	–
US dollar (USD)	1.5	1.5
Pound sterling (GBP)	0.2	0.4
Call options		
Pound sterling (GBP)	3.8	3.8
Put options		
Brazilian real (BRL)	–	2.5
Tunnel options		
Brazilian real (BRL)	3.1	4.1

The nominal amounts under the forward buy and sell contracts are converted into euros at the exchange rate guaranteed by each contract, as are the call options.

The nominal amounts for tunnel options are converted into euros at the exercise price for the put component.

The forward purchase contracts in USD and MYR reflect the requirements for the LEX project and the Malaysian contract respectively.

The sensitivity of pre-tax earnings and the reclassifiable component of Group equity to changes in foreign currency exchange rates is not material.

d) Interest rate risk

The Group's financial statements are not very sensitive to this type of risk.

Following the change in the valuation method used for financial investments, the risk in relation to changes in fair value is not considered to be material.

V. OTHER INFORMATIONS

24. Notes to the cash flow statement

a) Changes in working capital

	2014	2013 restated
Net decrease/(increase) in inventories	33.1	–27.9
Net decrease/(increase) in trade receivables	179.5	–204.3
Net decrease/(increase) in advances and part payments paid	–87.1	–138.2
Net decrease/(increase) in other receivables	–21.6	86.5
Net decrease/(increase) in construction contracts	7.9	–344.8
Net increase/(decrease) in trade payables	125.8	259.3
Net increase/(decrease) in advances and part payments received	298.0	393.9
Net increase/(decrease) in other payables	72.6	–169.7
Change in working capital	**608.2**	**–145.2**

b) Purchases of property, plant and equipment and intangible assets

	2014	2013 restated
Purchases of intangible assets	–31.7	–22.4
Purchases of property, plant and equipment	–98.4	–101.0
Purchases during the period	**–130.1**	**–123.4**
Change in related payables	–8.4	6.9
Purchases of property, plant and equipment and intangible assets	**–138.5**	**–116.5**

c) Disposals of property, plant and equipment and intangible assets

	2014	2013 restated
Disposals of intangible assets	–	–
Disposals of property, plant and equipment	18.9	0.1
Disposals during the period	**18.9**	**0.1**
Disposals of property, plant and equipment and intangible assets	**18.9**	**0.1**

25. Related parties

The Group considers the following to be related parties:

- the French State and companies over which it has exclusive control, joint control or significant influence (including in particular all companies in the Thales group);
- the "Actions DCNS" employee mutual fund *(fonds commun de placement d'entreprise)*;
- non-consolidated entities;
- entities over which the Group exercises joint control or significant influence;
- the Group's executives.

Companies over which the French State has exclusive control, joint control or significant influence, including in particular all companies in the Thales group, are Government-related entities as defined in paragraph 9 of IAS 24 Revised. In accordance with paragraph 25 of that standard, the Group, over which the French State has exclusive control, only discloses summary information about the revenues arising from its business with the French State and the Government-related entities concerned.

a) Transactions with the French State and Government-related entities

During the year ended December 31, 2014, the Group generated 67.3% of its revenue with the French State and Government-related entities (61.0% of its revenue for the year ended December 31, 2013).

b) Transactions with related parties (excluding the French State and Government-related entities)

	2014	2013 restated
Sales		
Non-controlled portion in jointly controlled companies	14.6	18.5
Shareholders and companies controlled by them (excluding French State and Government-related entities)	–	–
Other (Eurotorp and Eurostat)	26.9	28.3

c) Related-party receivables and payables (excluding the French State and Government-related entities)

	31/12/2014	31/12/2013 restated
Operating receivables(1)		
Jointly controlled companies	4.7	6.4
Shareholders and companies controlled by them (excluding French State and Government-related entities)		–
Other (Eurotorp and Eurostat)	29.5	43.9
Operating payables(2)		
Jointly controlled companies	4.3	5.9
Shareholders and companies controlled by them (excluding French State and Government-related entities)	–	–
Other (Eurotorp)	27.5	42.7
Financial liabilities(3)		
Jointly controlled companies	–	–
Shareholders and companies controlled by them (excluding French State and Government-related entities)	64.0	30.2
Other	–	–

(1) The other operating receivables principally comprise amounts receivable from the following companies: Eurotorp, Horizon, Eurosysnav, Boustead DCNS Naval Corporation SDN BHD, Défense Environnement Services, Winacelles and Kership.

(2) The other operating payables principally comprise amounts payable to the following companies: Eurotorp and Défense Environnement Services.

(3) The financial liabilities comprise payables in relation to the two employee share offers.

d) Agreements with Thales

At the end of January 2007, in connection with the convergence with the naval activities of Thales, the shareholders' agreement between the French State and Thales made Thales a "partner industrial shareholder" in DCNS. The governance arrangements grant Thales the right to play an active role on the Group's Board of Directors.

The Group has also signed an industrial and commercial cooperation agreement with Thales. This provides for the optimisation of the organisation of the two groups' activities based on:

- the non-resumption by Thales (whether directly or indirectly) of any of the activities carried out by TNF (merged with DCNS on January 1, 2013), Armaris and MO PA2 after completion of the transaction;
- the free exercise by the French or foreign subsidiaries of Thales of activities not covered by the non-resumption undertaking;
- technical and industrial cooperation based on the specialisation of each company's activities in order to optimise each company's investments and allow each party to the contract to benefit from the other's technological resources;
- the Group's commercial freedom;
- cooperation in the areas of procurement and human resources.

Specific cooperation rules have also been agreed between the two companies in certain specific technical fields. These rules are based on the observation that the Group and Thales have complementary competencies. This is reflected in the specialisation concept, under which one of the two companies carries out design and execution in a given area.

Regarding the part of the agreement relating to marketing and sales, the Group retains an independent commercial policy and free access to international invitations to tender.

In addition to the parts relating to technical and commercial matters, the agreement also provides for cooperation in the area of procurement, instituting a principle of preference on equal terms in competitive tendering for the supply of goods or services between parties to the agreement.

The industrial and commercial cooperation agreement is valid for seven years and is automatically renewable for five years at a time.

e) Executive compensation

The gross remuneration and benefits in kind paid to members of the Executive Committee and employer's social benefit contributions were as follows during the years ended December 31, 2013 and December 31, 2014:

	2014	2013
Fixed remuneration	2.9	2.7
Variable remuneration	0.9	0.9
Benefits in kind and miscellaneous	0.1	–
Employer's social benefit contributions	1.6	1.7
TOTAL	**5.5**	**5.3**
Number of persons concerned	13	11

26. Off-balance sheet commitments

a) Off-balance sheet commitments arising from commercial contracts

The Group gives or receives guarantees in connection with its commercial contracts, to cover future obligations.

These are mainly:

- advance payment guarantees covering the period between advance payment and delivery;
- performance bonds concerning the successful completion of the contract, valid until expiry of the guarantee period.

	31/12/2014	31/12/2013 restated
Advance payment guarantees(1) (2) (3) (4) (5) (6) (7) (8)	746.9	730.2
Performance bonds(1) (2) (3) (4) (5) (6) (7) (8)	455.6	422.9
Guarantees in lieu of retentions	47.5	47.5
Other guarantees	13.0	4.6
COMMITMENTS MADE	**1,263.0**	**1,205.2**

(1) Under a sale contract in India, the Group's banks have issued bank guarantees of €157.9 million in favour of its customer for the return of advance payments and to guarantee performance.

(2) Under contracts for the supply of equipment to the Indian Navy, the Group's banks have issued bank guarantees of €205.5 million in favour of its customer for the return of advance payments and to guarantee performance.

(3) Under a series of sale contracts entered into by the Group in Brazil, the Group is required to have its banks issue bank guarantees in favour of its customer for the return of advance payments and to guarantee performance, up to a total of €651.0 million as approved by the Board of Directors on October 15, 2009, to which will be added the amount of price revisions paid by the customer to the Group under those contracts. At December 31, 2014, total bank guarantees issued amounted to €144.9 million.

(4) In connection with a series of sale contracts made by Itaguaí Construções Navais SA ("ICN"), the Group as shareholder in ICN must have its banks issue bank guarantees in lieu of retentions and performance bonds in favour of ICN's client at ICN's request, up to a value of 41% of the commitments made by ICN under the terms of the contracts, i.e. €107.2 million, as approved by the Board of Directors on October 15, 2009, plus 41% of the price revisions paid to ICN by the client in respect of the same contracts. The amount of bank guarantees issued as at December 31, 2014 was €29.4 million.

(5) Under a sale contract with the Russian government, the Group's banks have issued bank guarantees of €297 million in favour of its customer for the return of advance payments and to guarantee performance.

(6) The Group has provided guarantees of €20.3 million to Sofrantem in connection with the signing of addendum no. 20 relating to the order by the Pakistan Navy for anaerobic modules no. 2 and no. 3, in addition to the guarantee granted by the French Republic to Sofrantem on the main Pakistan contract.

(7) Under a sale contract with the Egyptian government, the Group's banks have issued bank guarantees of €145 million in favour of its customer for the return of advance payments and to guarantee performance.

(8) Under sale contracts with the Kingdom of Saudi Arabia, the Group's banks have issued bank guarantees of €25 million in favour of its customer for the return of advance payments and to guarantee performance.

The maturity schedule at December 31, 2014 was as follows:

	Within one year	Between one and five years	After five years
Advance payment guarantees	338.8	408.1	–
Performance bonds	189.6	166.2	99.8
Guarantees in lieu of retentions	23.4	24.1	–
Other guarantees	5.0	0.4	7.6
COMMITMENTS MADE	**556.8**	**598.8**	**107.4**

	31/12/2014	31/12/2013 restated
Advance payment guarantees	148.6	124.1
Performance bonds	116.1	101.9
Guarantees in lieu of retentions	0.3	1.5
Other guarantees	2.9	2.8
COMMITMENTS RECEIVED	**267.9**	**230.3**

The maturity schedule at December 31, 2014 was as follows:

	Within one year	Between one and five years	After five years
Advance payment guarantees	102.9	34.8	10.9
Performance bonds	41.2	45.0	29.9
Guarantees in lieu of retentions	0.1	0.2	–
Other guarantees	1.1	1.8	–
COMMITMENTS RECEIVED	**145.3**	**81.8**	**40.8**

b) Commitments in relation to leases on movable/immovable property, TOAs and TOLs

The lease charges under TOAs (temporary occupation agreements) and TOLs (temporary occupation licences) were determined at the time of the contribution agreement.

The maturity schedule at December 31, 2014 was as follows:

	Total	Within one year	Between one and five years	After five years
Lease charges	35.3	6.7	18.3	10.3
Leases of immovable property	91.7	14.4	44.4	32.9
Leases of movable property	15.1	8.8	5.2	1.1

c) Other commitments

Commitments made

At December 31, 2014, firm investment commitments totalled €76.5 million (€87.5 million at December 31, 2013).

Under the provisions of the French Law of May 4, 2004 concerning the individual training entitlement (*droit individuel à la formation or* DIF), Group employees had accumulated an unused entitlement of 1,334,752.55 hours as at December 31, 2014.

An employee mutual fund (FCPE Actions) was formed in connection with the DCNS employee share offer. In accordance with the rules of the French Monetary and Financial Code *(Code monétaire et financier)*, the Group has signed a renewable credit agreement with a financial institution and has pledged term deposits totalling €20 million in order to ensure the liquidity of the fund. As stated in note 3-r, these term deposits have been classified as non-current financial assets.

In September 2011, DCNS initiated arbitration proceedings against the Italian company Whitehead Alenia Sistemi Subacquei (WASS) to recover damages for losses incurred following a failure to perform contractual obligations and the cancellation of a cooperation agreement in connection with a contract signed by DCNS in 2008.

WASS believes that it is not liable for this breach on the grounds that it results from a decision by its regulatory authorities. Furthermore, WASS believes that DCNS did not fulfil its contractual obligations and thereby prevented WASS from carrying out its part of the agreement. As a consequence, it too initiated arbitration proceedings in the form of a counterclaim to recover damages for the losses it claims to have incurred.

In March 2012, pending the final hearings, the two parties concluded a reciprocal confidentiality and non-disclosure agreement in connection with the intellectual property and confidential information that the two companies exchanged during their cooperation, thereby terminating the interim phase in which DCNS had been permitted to use WASS' intellectual property rights.

The verdict of the arbitration court on the DCNS-WASS dispute was issued on May 15, 2014. The verdict was in favour of DCNS and included (1) payment of the penalties due, (2) part of the litigation costs and (3) the payment of damages totalling €6 million. The order to execute the verdict was issued on August 18, 2014 and was served on WASS on September 25, 2014. DCNS has informed WASS that it will seek settlement of the verdict by way of cash payment (in five instalments planned for 2015).

Commitment received

When making its contributions in kind, the French Government decided, under the power provided for by article 78 of the French Finance (Amendment) Act of December 28, 2001, to retain responsibility for certain obligations relating to the rights and property contributed beyond the provisions established.

27. Post-balance sheet event

The signing on February 16, 2015 of a contract for the delivery to Egypt of the frigate *Normandie* has not led to a post-balance sheet adjustment to the financial statements. The financial terms of the contract remain unchanged.

VI. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

MAZARS
Tour Exaltis
61, rue Henri-Regnault
92075 Paris-la Défense Cedex
Société anonyme (public limited company)
under French law with share capital of €8,320,000

Statutory Auditor
Member of the Versailles Regional Body

ERNST & YOUNG ET AUTRES
1/2, place des Saisons
92400 Courbevoie – Paris-la Défense 1

Société par actions simplifiée (simplified company by shares) under French law with variable share capital

Statutory Auditor
Member of the Versailles Regional Body

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it 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 audit opinion on the consolidated 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 consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements of DCNS;
- the justification of our assessments;
- the specific verification required by law.

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

I. 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 31, 2014 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.

Without qualifying the opinion expressed above, we draw your attention to the following notes to the financial statements:

- Notes 1 ("Examination of the financial statements and highlights of the period") and 18 ("Provisions") set out the uncertainties regarding the obtaining of the export permit required to perform a contract and the position taken in the financial statements.
- Notes 1 ("Examination of the financial statements and highlights of the period") and 18 ("Provisions") set out the difficulties encountered by the Group in the performance of a design-and-build contract for parts of a civil nuclear reactor, which have resulted in a substantial reduction of the profit on completion. These notes present the effects on the financial statements and also state that the financial statements as at December 31, 2014 have been prepared based on the assumption that the project will continue and on estimates of the cost and revenue to completion foreseeable as of that date, on the basis of the current configuration of the project and a schedule which is currently under discussion with the customer.
- Notes 1 ("Examination of the financial statements and highlights of the period") and 15 ("Construction contracts") set out the difficulties encountered by the Group on the Barracuda programme which have led to a material revision of the assumptions made regarding costs to completion, leading in turn to a material reduction in profit on completion. These notes also specify that, given that the timetable for the programme has slipped, the cost basis serving to corroborate the estimates to completion remains provisional.
- Notes 1 ("Examination of the financial statements and highlights of the period"), 3-e ("Accounting rules and policies – Use of estimates") and 15 ("Construction contracts") set out the changes made to the way in which profit is recognised over the course of its new-build programmes in response to criteria set by the company, and presents the impacts on the financial statements. Six programmes are currently affected.
- Notes 1 ("Examination of the financial statements and highlights of the period") and 12 ("Goodwill") present reasons which indicate the loss of value recognised in relation to the tidal power business, which has led to the recording of an impairment charge against the goodwill recognised upon the acquisition of OpenHydro in March 2013.

• Notes 3-b ("Change in accounting policy – First-time application of IFRS 10, IFRS 11 and IFRS 12") and 3-c ("Voluntary change in accounting policy") to the financial statements respectively set out the change in accounting policy in relation to the consolidation standards IFRS 10, IFRS 11 and IFRS 12 and the voluntary change in accounting policy made by the Group in relation to the accounting treatment of its financial investments, along with the effects of those changes on the financial statements.

II. 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:

• Notes 1 ("Examination of the financial statements and highlights of the period"), 15 ("Construction contracts") and 18 ("Provisions") to the financial statements state that the Group has encountered operational difficulties, chiefly in relation to certain submarine and civil nuclear programmes, which have had an adverse impact on the Group's results.

In relation to the submarine programmes, the assumptions made in December 2013 ought to have been borne out by the determination of standard costs based on the construction of the first submarine. However, the operational difficulties encountered on the Barracuda programme have led DCNS to significantly revise the assumptions it uses when calculating costs to completion. Given that the timetable for the programme has slipped, this cost basis remains provisional. The expected profit on completion for the Barracuda programme has been revised downwards. As a result, DCNS has decided to modify its cost calculation assumptions in order to incorporate additional areas of prudence.

Our work comprised an assessment of:

– the consistency of the statistical method used in determining the areas of prudence;

– the consistency between progress made to date and the assumptions made in order to determine the costs to completion.

• Notes 1 ("Examination of the financial statements and highlights of the period"), 3-e ("Accounting rules and policies –Use of estimates") and 15 ("Construction contracts") to the financial statements state that the Group decided to change the way in which profit is recognised over the course of six new-build programmes.

We endeavoured to verify that:

– this treatment was applied to all new-build contracts meeting the criteria set by DCNS;

– the assumptions made were consistent with the risk profile of the contracts concerned.

• Note 1 ("Examination of the financial statements and highlights of the period") states that, as a result of events during the year, the Group decided to adjust the accounting treatment of the Prosub programme by separating the active and non-active components which had initially been combined. After corroborating the underlying facts, we endeavoured to:

– verify that the costs and provisions had been correctly allocated to the active and non-active parts of the contract;

– verify that the mechanism for recognising profit was correctly applied following the segmentation of the contract.

• Note 3-e to the financial statements ("Accounting rules and policies – Use of estimates – Recognition of revenue and profit on construction contracts and long-term service agreements and related provisions") states that your Group recognises revenue and profit on certain projects using the percentage of completion method. This method involves the use by management of estimates, notably to determine the profit on completion of each contract, made on the basis of the most up-to-date information available with regard to its progress. These estimates affect net income as well as the assets and liabilities recorded in the balance sheet. Our work consisted in gaining an understanding of the processes followed by the Group in this area and assessing the underlying data and assumptions on which these estimates are based. We also assessed the reasonableness of these estimates, on the basis of the information available at the time the financial statements were prepared.

• Notes 3-e ("Accounting rules and policies – Use of estimates – Measurement of assets"), 3-i ("Accounting rules and policies – Intangible assets"), 3-m ("Accounting rules and policies – Impairment of non-current assets") and 12 ("Goodwill") to the financial statements state that your Group carried out an annual impairment test on goodwill using assumptions regarding future cash flows, discount rates and growth rates to infinity. These assumptions require the exercise of judgment. We formed an appreciation of the processes followed in relation to the annual impairment test and examined the assumptions used, which are justified on the basis of the information available at the time the financial statements were prepared.

These assessments were made as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. 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.

The Statutory Auditorss

MAZARS	ERNST & YOUNG et Autres
Juliette Decoux-Desforges	Gilles Rabier

Year ended December 31, 2014

I. INCOME STATEMENT

	2014	2013
Revenue	3,047.4	3,318.5
Production added to stock	26.5	66.8
Other operating income	46.6	43.7
Purchases of materials used and services	–2,291.6	–2,332.4
Personnel costs	–748.7	–706.7
Other operating costs	–7.2	–11.9
Taxes and duties	–65.1	–70.0
Net movements in depreciation, provisions and allowances	–466.2	–154.2
Operating profit	**–458.3**	**153.8**
Net financial income	**–58.3**	**37.2**
Profit on ordinary activities before tax	**–516.6**	**191.0**
Non-recurring result	22.1	–3.1
Tax on profits	7.7	–75.6
Employee profit sharing	(0.5)	–21.6
NET PROFIT FOR THE YEAR	**–487.3**	**90.7**

II. BALANCE SHEET

Assets

	31/12/2014			31/12/2013
	Gross	Depreciation and impairments	Net	Net
Intangible assets	613.2	–277.6	335.6	347.1
Tangible assets	1,039.2	–480.8	558.4	549.9
Financial assets	313.5	–189.4	124.1	217.9
Fixed assets	**1,965.9**	**–947.8**	**1,018.1**	**1,114.9**
Inventories and work-in-progress	998.1	–69.8	928.3	899.9
Advances and payments on account	1,862.4	–0.4	1,862.0	1,769.6
Trade receivables and related accounts	10,067.4	–3.2	10,064.2	8,861.9
Other receivables and prepayments	260.4	–1.1	259.3	173.3
Marketable securities	1,585.9	–0.1	1,585.8	1,602.5
Cash	351.0	–	351.0	3.3
Current assets	**15,125.2**	**–74.6**	**15,050.6**	**13,310.5**
TOTAL ASSETS	**17,091.1**	**–1,022.4**	**16,068.7**	**14,425.4**

Equity and liabilities

	31/12/2014	31/12/2013
Share capital	563.0	563.0
Premiums in relation to share capital	18.4	18.4
Legal reserve	56.3	56.3
Other reserves and retained profits	297.3	223.5
Profit for the period	–487.3	90.7
Tax-driven reserves	43.2	37.4
Equity	**490.9**	**989.3**
Other equity	**1.0**	**0.3**
Provisions for risks and charges	**648.4**	**317.4**
Borrowings and financial debts	**143.5**	**78.3**
Trade payables and associated accounts	2,507.1	2,261.1
Advances and payments on account received	11,261.2	10,097.5
Other payables and accrued expenses	1,016.6	681.5
Other operating liabilities and sundry	**14,784.9**	**13,040.1**
TOTAL EQUITY AND LIABILITIES	**16,068.7**	**14,425.4**

III. CASH FLOW STATEMENT

	2014	2013
Net profit	**–487.3**	**90.7**
Add-back movements in depreciation and provisions	533.0	160.3
Add-back gains or losses on disposals	–10.1	0.3
Gross self-financing capacity	**35.6**	**251.3**
Changes in working capital associated with the business	412.0	–137.9
Net cash inflow/(outflow) from operating activities	**447.6**	**113.4**
Purchases of non-current assets	–119.2	–108.7
Disposals of non-current assets and repayment of borrowings	18.9	0.2
Net movements in financial assets	–	–135.5
Net cash inflow/(outflow) from investing activities	**–100.3**	**–244.0**
Dividends paid	–16.9	–98.0
Loans received	0.6	–
Repayment of loans		–
Net cash inflow/(outflow) from financing activities	**–16.3**	**–98.0**
NET CASH FLOW	**–331.0**	**–228.6**
Net cash at start of year	1,605.8	1,834.4
Net cash at year end	**1,936.8**	**1,605.8**

I. INFORMATION ABOUT THE COMPANY

I.1. LIST OF REGULATED AGREEMENTS

The list of regulated agreements is provided in annex I.

I.2. STATUTORY AUDITORS

Principal Auditors

ERNST & YOUNG et Autres

Tour First

1, place des Saisons

92400 Courbevoie

Represented by Gilles Rabier

Ongoing appointment conferred by the General Meeting of April 30, 2014, expiring with the audit of the financial statements for the 2019 financial year.

MAZARS

Tour Exaltis

61, rue Henri-Regnault

92075 Paris-la Défense Cedex

Represented by Juliette Decoux and Thierry Colin

Ongoing appointment conferred by the General Meeting of June 26, 2009, expiring with the audit of the financial statements for the 2014 financial year.

Alternate Auditors

Auditex

Tour First

1, place des Saisons

92400 Courbevoie

Ongoing appointment conferred by the General Meeting of April 30, 2014, expiring with the audit of the financial statements for the 2019 financial year.

Gilles Rainaut

60, avenue du Général-Leclerc

92100 Boulogne-Billancourt

Ongoing appointment conferred by the General Meeting of June 26, 2009, expiring with the audit of the financial statements for the 2014 financial year.

For the year ended December 31, 2014, fees payable to the Statutory Auditors for their statutory audit services amounted to €1.1 million.

The terms of office of the principal auditor Mazars and the alternate auditor Mr Gilles Rainaut will expire at the close of the General Meeting called to approve the financial statements for the year ended December 31, 2014. At this General Meeting, the shareholders will be asked to approve the renewal of the two appointments for a further six financial years, i.e. for a period expiring at the close of the General Meeting called to approve the financial statements for the year ending December 31, 2020.

I.3. TOTAL AMOUNT OF CERTAIN DISALLOWED CHARGES

In its tax filings, DCNS SA added back the sum of €207,032 in relation to excess depreciation on private cars.

No expense forming part of general expenditure was disallowed for tax purposes.

Attendance fees paid in 2014 totalled €85,800.

I.4. DIVIDENDS PAID IN RESPECT OF THE LAST THREE FINANCIAL YEARS

The following dividends were paid in respect of the last three financial years:

- in respect of the year ended December 31, 2011: €97,962,000;
- in respect of the year ended December 31, 2012: €97,962,000;
- in respect of the year ended December 31, 2013: €60,804,000.

I.5. TRADE PAYABLES: DUE DATES

In accordance with articles L. 441-6-1 and D. 441-4 of the French Commercial Code and article 24-II of the French law on the modernisation of the economy, the following table provides details of the due dates of the company's trade payables:

In euro thousands	Total	Not yet due	Due in under 15 days	Due in 15 to 30 days	Due in 30 to 45 days	Due in 45 to 60 days	Due in over 60 days	If and when
31/12/2014	170,540	46,776	24,943	29,505	19,629	13,165	86	36,436
31/12/2013	223,678	70,748	27,833	58,992	33,993	15,851	2,727	13,534

The invoices due in over 60 days comprise the purchase contracts entered into before January 1, 2011 and retention money.

The amounts not yet due correspond mainly to suppliers' invoices for goods or services that the company has not yet received or approved for payment.

I.6. FIVE-YEAR FINANCIAL SUMMARY

In accordance with the provisions of articles R. 225-81, 3° and R. 225-83, 6° of the French Commercial Code, details are provided in the following table of DCNS's results for the last five financial years. Amounts are stated in euros:

Financial year ended	31/12/2014	31/12/2013	31/12/2012	31/12/2011	31/12/2010
Length of accounting period (months)	12	12	12	12	12
Capital at reporting date					
Share capital	563,000,000	563,000,000	563,000,000	563,000,000	563,000,000
Number of ordinary shares	56,299,700	56,299,700	56,299,700	56,299,700	56,299,700
Number of class A preference shares	300	300	300	300	300
Number of class B preference shares					
Operations and results					
Revenue excluding taxes	3,047,402,857	3,318,538,295	2,885,504,228	2,542,461,239	2,405,345,107
Net profit before tax, profit-sharing, depreciation, amortisation and provisions	54,767,340	348,114,740	319,323,956	360,058,908	169,510,173
Income tax charge (income)	–7,784,399	75,556,617	69,923,948	68,947,048	37,899,483
Employee profit-sharing	536,069	21,652,078	20,574,006	18,516,342	12,823,176
Charges to depreciation, amortisation and provisions	549,302,150	160,218,951	88,394,779	75,630,975	28,111,160
Net profit/(loss) after tax, profit-sharing, depreciation, amortisation and provisions	–487,286,480	90,687,094	140,431,222	196,964,543	90,676,354
Dividends paid		60,804,000(1)	97,962,000(2)	97,962,000(3)	77,694,000
Earnings per share					
Net profit after tax and profit-sharing but before depreciation, amortisation and provisions	1.10	4.46	4.06	4.84	2.11
Net profit/(loss) after tax, profit-sharing, depreciation, amortisation and provisions	–8.66	1.61	2.49	3.50	1.61
Dividend allotted to each ordinary share		0.54	0.87	0.87	0.69
Dividend allotted to each class A preference share		101,340	163,270	163,270	129,490
Dividend allotted to each class B preference share					
Employees					
Average number of employees	9,086	8,783	7,967	7,368	6,638
Payroll expense	504,297,047	475,322,430	443,593,166	391,691,129	353,245,689
Payroll-related costs (social security, employee benefits, etc.)	244,477,429	231,435,932	216,692,679	193,866,248	166,937,276

No interim dividend was paid in December 2010.

(1) Interim dividend paid in October 2011 (€43,914,000) in respect of the class A preference shares and the ordinary shares.

(2) Interim dividend paid in October 2012 (€43,914,000) in respect of the class A preference shares and the ordinary shares.

(3) Interim dividend paid in October 2013 (€37,158,000) in respect of the class A preference shares and the ordinary shares.

No interim dividend was paid in December 2014.

II. ADMINISTRATION AND CONTROL

II.1. GOVERNANCE

DCNS ("the company") is a public limited company under French law, the ownership of which, as at December 31, 2014 was as follows: 62.49% owned by the State, 35% by Thales, 1.83% by the mutual investment fund Actions DCNS and 0.68% by DCNS Actionnariat.

Until December 19, 2014, the composition, powers and rules of operation of the company's Board of Directors were determined by the provisions of the French Commercial Code applicable to limited liability companies, the provisions of law no. 83-675 of July 26, 1983 on public-sector democratisation (the "Democratisation Act") applicable to public-sector companies falling within its scope, the articles of association of the company and the bylaws of the Board of Directors.

As from December 19, 2014, the composition, powers and rules of operation of the company's Board of Directors are no longer determined by the Democratisation Act but are henceforth determined by the provisions of the French Commercial Code applicable to limited liability companies, the provisions of order no. 2014-948 of August 20, 2014 (the "Order"), the articles of association of the company and the bylaws of the Board of Directors.

The Order was issued with a view to simplifying and modernising the governance rules and the rules relating to transactions in share capital applicable to State-owned undertakings. The Order applies to all commercial companies in which the State or its public institutions have an equity investment, whether such companies are in the public or private sector, the principle being that such companies are henceforth subject to the provisions of the French Commercial Code and other general or specific laws governing them to the extent that such provisions are not contrary to the Order.

Representatives of employees sitting on the boards of directors of companies more than half of whose share capital is held directly by the State will, however, continue to be subject, as regards their election and their bylaws, to the provisions of the Democratisation Act. It is in respect of this matter alone that this law will apply to limited liability companies more than half of whose share capital is held directly by the State.

Companies to which the Order applies have until the day after the first ordinary general meeting following January 1, 2017 to amend their articles of association so as to comply with the provisions of title II of the Order. However, companies are free to comply with the provisions of title II of the Order before that date and it is the responsibility of the board of directors, supervisory board or managing body representing each of the companies covered by the Order to set the date from which these provision will apply.

At its meeting on October 23, 2014, the company's Board of Directors decided that the provisions of title II of the Order would apply to the company as from the date the Board of Directors is next reappointed and consequently set as December 19, 2014 the date on which the articles of association would be amended so as to comply with the provisions of title II of the Order.

II.1.1. Composition and operation of the Board of Directors

Situation before December 19, 2014

In accordance with the provisions of article 6 of the Democratisation Act, the Board of Directors of the company comprises eighteen members.

Staff representatives make up one third of the members of the Board. They are elected by the workforce under the conditions laid down by title II, chapter II of the Democratisation Act.

Six directors are appointed by the general meeting of shareholders and six directors are appointed by decree to represent the State.

As at December 19, 2014, the six directors elected as representatives of the workforce were:

- Mr Jacques André; Mr Joël Ricaud; Mr Yves Michaud; Mr Gérard Barbereau; Mr Yannick Peronnet and Mr Thierry Barbarin.

As at December 19, 2014, the six directors appointed by the General Meeting of Shareholders were:

- Mr Hervé Guillou, appointed on July 23, 2014 as a director by the General Meeting of Shareholders to replace the resigning Mr Patrick Boissier, it being specified that Mr Hervé Guillou was appointed Chairman of the Board of Directors by decree of the President of the Republic of August 4, 2014;
- Mr Gilles Denoyel; Mrs Gabrielle Gauthey; Mr Pascal Bouchiat; Mr Philippe Logak, who was co-opted by the Board of Directors on December 4, 2014 as a director to replace the resigning Mr Jean-Bernard Lévy; and Mrs Nathalie Ravilly.

As at December 19, 2014, the six directors appointed by decree to represent the State were:

- Mrs Astrid Milsan; Mr Arnaud Phélep; Mr Bertrand Le Meur, appointed by the decree of March 27, 2014 to replace Mr Thierry Pérard; Mr Hugues Bied-Charreton; Mr Bernard Rétat and Mr Éric David.

Composition of the Board of Directors since December 19, 2014

In accordance with the provisions of the Order and the French Commercial Code, the company's Board of Directors comprises three to eighteen members.

In accordance with the provisions of article 4 of the Order, the State appoints one representative to the company's Board of Directors.

In accordance with the provisions of article 7 of the Order, staff representatives make up one third of the members of the Board. They are elected by the workforce under the conditions laid down by title II, chapter II of the Democratisation Act, in accordance with the provisions of article 8 of the Order.

At the General Meeting of December 19, 2014, the purpose of which was to amend the company's articles of association so that they comply with provisions of title II of the Order and to appoint new directors, the shareholders decided to appoint eleven new directors, three on the recommendation of Thales, in its capacity as a shareholder, and five on the recommendation of the State, in its capacity as a shareholder. As a result, the Board of Directors still comprises eighteen members.

As from December 19, 2014, the State has been represented in its capacity as a director by Mrs Astrid Milsan, who was appointed the State's representative on the Board of Directors as from December 19, 2014 by the decree of the Minister of Finance and Public Accounts and the Minister of the Economy, Industry and the Digital Sector dated December 17, 2014.

As from December 19, 2014, the six directors elected as representatives of the workforce are:

- Mrs Isabelle Roué; Mr Jacques André; Mr Joël Ricaud; Mr Thierry Barbarin; Mr Laurent Chagnas and Mr Gilles Rapale.

As from December 19, 2014, the eleven directors appointed by the general meeting of shareholders are:

- Mr Hervé Guillou; Mrs Sophie Mantel, appointed on the recommendation of the State; Mrs Sandra Lagumina, appointed on the recommendation of the State; Mr Jacques Hardelay, appointed on the recommendation of the State; Mr Bertrand Le Meur, appointed on the recommendation of the State; Mr Bernard Rétat, appointed on the recommendation of the State; Mr Philippe Logak, appointed on the recommendation of Thales; Mrs Nathalie Ravilly, appointed on the recommendation of Thales; Mr Pascal Bouchiat, appointed on the recommendation of Thales; Mrs Gabrielle Gauthey and Mr Luc Rémont.

By application of the first paragraph of article L. 225-18-1 of the French Commercial Code, the proportion of directors of each gender may not be less than 40% following the close of the next general meeting called to approve the appointments in those companies that, as from January 1, 2017 and for the third consecutive financial year, employ an average of at least 500 permanent employees and report net revenue or total assets of at least €50 million, it being specified that the representative of the State appointed pursuant to article 4 of the Order is taken into account in the application of this rule in accordance with the provisions of the fourth paragraph of article 5 of the Order.

As from December 19, 2014, the company's Board of Directors has comprised five women out of a total of twelve directors appointed by the General Meeting of Shareholders or by the State pursuant to article 4 of the Order. Consequently, the current composition of the Board of Directors complies with the proportion rule laid down in the first paragraph of article L. 225-18-1 of the French Commercial Code, even though the company is not as yet required to comply with said rule.

By application of article 6 of law no. 2011-103 of January 27, 2011 on balanced representation of men and women on the boards of directors and supervisory boards, and on professional equality, the lists of candidates put to the vote of the workforce must comprise a candidate of each gender one after the other, with the difference between the number of candidates of each gender not to exceed one, counting from the second renewal of the Board of Directors following publication of the law, that is to say, for the company, in 2020.

As from December 19, 2014, there has been one woman sitting on the Board of Directors, in the subset of directors elected as representatives of the workforce.

Furthermore, by virtue of the legal and regulatory provisions applying to the company, Mr Jacques Paultre de Lamotte, General Controller for Economy and Finance, head of the Space and Arms Industries Mission of the State Economic and Financial Verification Mission, Mr Jean-Paul Labarthe, General Controller for Arms and Government commissioner at the company, and Mr Bruno Simon, secretary of the Central Works Council, attend meetings of the Board of Directors but may not vote.

Mr Olivier Schmit was appointed Government commissioner at the company as from January 1, 2015, replacing Mr Jean-Paul Labarthe by decree of the Minister of Defence of November 12, 2014.

The General Meeting of Shareholders held on December 19, 2014 also introduced into the company's articles of association a provision allowing the Board of Directors to appoint a non-voting director *(censeur)*. Under the terms of article 14 of the company's articles of association, said non-voting director has a general and ongoing advisory and supervisory role but may never become involved in the management of the company or take the place of the company's statutory bodies. The non-voting director is invited to attend all meetings of the Board of Directors and takes part in discussions in an advisory capacity. The non-voting director is appointed for a period of five years and may be re-appointed or removed by the Board of Directors. As an exception to this rule, the company's articles of association stipulate that the term of office of any non-voting director appointed during 2014 would expire at the close of the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2019.

At its meeting on December 19, 2014, the Board of Directors laid down the duties of the non-voting director, stipulating that the role would be an advisory one in the areas of finance, country risks and the insurance of export contracts, and appointed Mrs Sandrine Gaudin as non-voting director for a period of five years, it being specified that her term of office will expire at the close of the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2019.

II.1.2. Term of office of directors

All directors sitting on the Board of Directors of the company have a term of office of five years, in accordance with article 9 of the company's articles of association, it being specified that the terms of office of the directors appointed by the General Meeting of Shareholders of December 19, 2014 will expire, as an exception to this rule, at the close of the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2019. The same applies to the directors elected as representatives of the workforce when the terms of office of all members of the Board of Directors were renewed at the end of 2014.

Upon taking office, each director is provided firstly with a copy of the articles of association of the company and the up-to-date bylaws of the Board of Directors, and secondly with the information and documents necessary for the exercising of his or her office.

II.1.3. Obligations and duties of the directors

The work of the Board of Directors is governed by a Board of Directors charter which forms an integral part of the bylaws of the Board of Directors and which defines the rights and duties of the members of the Board of Directors, in particular in relation to situations of conflict of interests with which they may be faced; independence of analysis, judgement, decision-making and action, of which they are required to provide evidence; the time which they must devote to their office and the obligations of confidentiality incumbent upon them in respect of information communicated to them in writing or orally for the purposes of the exercise of their duties and as a result of their involvement in the work of the Board of Directors and the committees of the Board of Directors.

In particular, the bylaws place each director under an obligation to inform the Board of Directors fully and in advance of any actual or potential situation of a conflict of interests either directly between the company and himself or herself, or indirectly through a company in which he or she has an interest, and make him or her aware that he or she will not be provided with any information on the matters in question and will have to refrain from taking part in the discussions of and votes on the corresponding resolutions of the committees and of the Board of Directors. Since July 16, 2003, no situation of a conflict of interests has been brought to the attention of the Board of Directors.

In accordance with the provisions of article 21 of the Democratisation Act, the directors elected to represent the workforce have the same rights and obligations as the other directors. They are subject to all the provisions applying to the other directors, subject to the specific provisions of the above-mentioned law. On the other hand, by virtue of the second paragraph of article 22 of the Democratisation Act, they are subject to a lower level of liability than that provided for by general law. In fact, when their liability as a director is invoked, it is assessed taking into account that their office is unpaid and in no event may they be held jointly and severally liable with the directors appointed by the General Meeting of Shareholders.

II.1.4. Remuneration paid to directors appointed by the General Meeting of Shareholders

Only the directors appointed by the General Meeting of Shareholders and the person appointed by the State pursuant to article 4 of the Order to represent it as a director may receive attendance fees as remuneration for their office (with the exception of the Chairman and Chief Executive Officer of the company, who does not receive these by application of the rules on remuneration of the management of State-owned companies), considering that the office of the directors elected to represent the workforce is unpaid by application of the Democratisation Act, without prejudice to the reimbursement by the company of the expenses incurred by these directors in performing their duties. It is also specified that any remuneration received by the representative of the State by reason of the performance of his or her duties is transferred to the State budget pursuant to the provisions of the third paragraph of article 5 of the Order. In application of the provisions of the fifth paragraph of article 6 of the Order, the same applies to any remuneration received by reason of the performance of their duties by the members of the Board of Directors that are civil servants, appointed on the recommendation of the State pursuant to article 6 of the Order. Finally, this will also be the case for remuneration paid to the other members appointed pursuant to article 6 of the Order and exceeding an upper limit set by decree of the Minister of the Economy.

The directors appointed by the General Meeting of Shareholders and the person appointed by the State pursuant to article 4 of the Order to represent it as a director receive attendance fees for attending Board of Directors meetings, and additional attendance fees where they are involved, either as chairperson, or as a member, in the work of the special committees of the Board of Directors. These fees are also allocated according to attendance at meetings of the special committees of the Board of Directors, it being stated that the amount of the attendance fees received by the chairpersons of these committees is higher than the amount received by the committee members to take account of the time spent on the chairperson's duties and the responsibilities associated with the exercise of these functions.

The General Meeting of Shareholders has set the total amount of attendance fees to be shared between the directors concerned at €80,000 per annum.

In accordance with the Board of Directors' decision of July 23, 2013, these attendance fees are shared between the directors concerned in accordance with the following rules: €1,200 per meeting and per director and €600 per meeting and per director for those directors who are members of one or more special committees of the Board of Directors.

II.1.5. Powers and duties of the Board of Directors

The powers devolved to the Board of Directors of the company are first of all those provided for by the French Commercial Code applicable to limited liability companies and the articles of association of the company.

The bylaws of the Board of Directors specify also that the company's Board of Directors must ensure, in particular, that the risks created by the company's business, the contracts by which it is bound or the investment and disinvestment operations it performs are identified and controlled, thus highlighting the increased responsibility now incumbent upon boards of directors in the areas of internal control and management of risks.

II.1.6. Operation of the Board of Directors during the 2014 year

The Board of Directors met eight times during the year ended December 31, 2014. The average attendance rate at meetings of the Board of Directors was 83% in the year ended December 31, 2014. The Board of Directors was brought up to date at each meeting on the developments of a commercial, financial and operational nature through detailed progress reports presented by the Chairman and Chief Executive Officer and the Deputy Managing Director.

A business monitoring report (current commercial offers and progress of principal projects) and an update on the situation concerning OH&S were systematically presented at the start of each meeting of the Board of Directors other than special meetings called to decide upon a particular matter.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussions during the year ended December 31, 2014 included:

• the response to the opinion issued by the Central Works Council of the UES DCNS on the company's strategic directions;

• the 2014 training plan;

• subscription to a share capital increase carried out by Armaris Bis;

• determining the amount of the variable remuneration to be awarded to the Chairman and Chief Executive Officer in respect of 2013;

• the proposed appointment of the Chairman and Chief Executive Officer by decree of the President of the Republic;

• awarding to the Chairman and Chief Executive Officer the elements of his fixed remuneration, subject to approval of all such elements by the Minister of the Economy;

• setting the date for the election of the Directors representing the workforce to the Board;

• presentation of the findings of the audit reports on the three critical programmes;

• presentation of the objectives for the new organisation, presentation of the action plan as regards competitiveness and cost saving, the consequences for the 2014 financial forecasts and the impact on 2015;

• setting the date of application of title II of Order no. 2014-948 of August 20, 2014 on governance and capital transactions in State-owned companies;

• determining the qualitative criteria for the purposes of setting the amount of the variable remuneration to be awarded to the Chairman and Chief Executive Officer in respect of 2014;

• co-opting Mr Philippe Logak as a new director to replace the resigning Mr Jean-Bernard Lévy;

• appointing Mr Jean-Yves Battesti as Secretary to the Board of Directors;

• amending article 2.1 C of the Board of Directors' bylaws with a view to increasing the number of members of the Remuneration and Appointments Committee;

• approving the new composition of the committees of the Board of Directors;

• approving the composition of the new Executive Committee;

• authorising subscription to a capital increase carried out by DCNS Énergies;

• authorising the formation of a subsidiary in Australia;

• authorising the formation of a subsidiary in Saudi Arabia;

• appointing a non-voting director and defining his or her duties.

II.1.7. Bylaws of the Board of Directors

In order to increase its effectiveness and allow it to discharge its responsibilities to the best of its ability, on July 16, 2003 the Board of Directors of the company were provided for the first time with bylaws.

The bylaws of the Board of Directors were amended for the first time on March 29, 2007, after Thales took a stake in the company, for the second time on February 17, 2010, specifically to take account of the new recommendations made by the *Institut français des administrateurs* (French institute of directors – IFA) concerning internal control and management of risks, and for the third time to increase from four to five the number of members of the Remuneration and Appointments Committee and thereby to enable a director elected to represent the workforce to sit on this committee.

The bylaws specify the role and the main responsibilities of the Board of Directors. They also provide for the setting up of four special committees, setting the memberships, missions and rules of operation for these.

The above-mentionned committees are tasked with looking into matters which the Board of Directors or its Chairman refer to it for advice. Generally speaking, the role of these committees is to gather and provide the Board of Directors with appropriate additional information thereby facilitating decision-making by formulating opinions, proposals and recommendations.

As a consequence, the Board of Directors alone is competent to decide on matters within its scope which have been referred for preliminary consideration to the special committees which serve merely to investigate and make recommendations in these areas.

II.1.8. The four special committees set up by the Board of Directors are as follows

• The Audit, Accounts and Risks Committee, which is tasked with ensuring monitoring of (i) the process of generation of economic and financial reporting, (ii) the effectiveness of the systems of internal control and management of risks, (iii) legal control, exercised by the auditors, of the annual accounts and, as necessary, the consolidated accounts of the company, and (iv) the independence of the Auditors.

With regard to risks, each year it examines the mapping of risks of all kinds to which the Group is exposed as a result of its operations, and the processes and action plans put in place to identify and control these risks.

At December 19, 2014, the Audit, Accounts and Risks Committee was chaired by Mr Gilles Denoyel. Its other members were Mrs Astrid Milsan, Mr Hugues Bied-Charreton and Mr Pascal Bouchiat.

As from December 19, 2014, the members of the Audit, Accounts and Risks Committee are Mrs Astrid Milsan, Mrs Isabelle Roué, Mr Luc Rémont and Mr Pascal Bouchiat. The committee is chaired by Mr Luc Rémont.

The Audit, Accounts and Risks Committee meets at least three times per year, or more frequently where necessary. It met four times during 2014, with an average attendance rate of 94%.

• The Tenders Committee, which is tasked with examining any planned tender involving a significant commitment for the company in terms of value, duration, innovativeness of the areas of operation or specific contractual or technical risks.

At December 19, 2014 the Tenders Committee was chaired by Mr Bernard Rétat. Its other members were Mrs Astrid Milsan, Mrs Gabrielle Gauthey, Mr Pascal Bouchiat, Mr Arnaud Phélep and Mr Thierry Pérard.

As from December 19, 2014, the members of the Tenders Committee are Mrs Astrid Milsan, Mr Bernard Rétat, Mr Pascal Bouchiat, Mr Bertrand Le Meur and Mr Jacques Hardelay. The committee is chaired by Mr Bertrand Rétat.

The Tenders Committee meets as required. In 2014, it met six times with an average attendance rate of 61%.

• The Remuneration and Appointments Committee, the main tasks of which are (i) proposing remuneration levels, retirement and benefits plans, and benefits in kind of the executive officers, (ii) examining the key directions of the company in terms of remuneration policy, (iii) giving its opinion on the principles of remuneration of the members of the Executive Board of the company and the leadership teams of the Group subsidiaries, and (iv) giving its opinion on the principles adopted by the company on workforce incentive, profit-sharing, and share ownership plans.

At December 19, 2014, the Remuneration and Appointments Committee was chaired by Mr Jean-Bernard Lévy. Its other members were Mrs Astrid Milsan, Mrs Gabrielle Gauthey and Mr Bertrand Le Meur, who was appointed as a director by the decree of March 27, 2014 and replaced Mr Thierry Pérard on this committee.

As from December 19, 2014, the members of the Remuneration and Appointments Committee are Mrs Astrid Milsan, Mrs Gabrielle Gauthey, Mr Philippe Logak, Mr Bertrand Le Meur and Mr Jacques André. The committee is chaired by Mr Philippe Logak.

The Remuneration and Appointments Committee meets every six months or more frequently where necessary. In 2014, it met four times with an attendance rate of 100%.

• The Strategic Committee, the main task of which is to assess Group strategy in its main sectors of activity.

At December 19, 2014, the Strategic Committee was chaired by Mr Hervé Guillou, who was appointed a member of this committee by the Board of Directors on July 23, 2014, to replace Mr Patrick Boissier, who resigned on that date.

Its other members were Mrs Astrid Milsan, Mrs Gabrielle Gauthey, Mrs Nathalie Ravilly, Mr Jean-Bernard Lévy, Mr Bernard Rétat and Mr Bertrand Le Meur, the latter having been appointed a director by the decree of March 27, 2014 and replacing Mr Thierry Pérard on this committee.

As from December 19, 2014, the members of the Strategic Committee are Mrs Astrid Milsan, Mrs Nathalie Ravilly, Mrs Sandra Lagumina, Mr Hervé Guillou, Mr Bertrand Le Meur and Mr Philippe Logak. The committee is chaired by Mr Hervé Guillou.

The Strategic Committee meets three times per year or more frequently where necessary. It met twice in 2014, with an average attendance rate of 86%.

II.1.9. Evaluation of the performance of the Board of Directors

The bylaws of the Board of Directors provide that the latter arranges, at regular intervals, and at least annually, an evaluation of its own performance, to be carried out by an independent director.

The Board of Directors carried out an evaluation of its own performance for the first time during the 2008 year. This task was entrusted by the Board of Directors to a director elected to represent the workforce and a director appointed by decree to represent the State.

Overall the directors found, on completion of this initial task, that on the whole significant progress had been made in the performance of the Board of Directors since it was set up and that this performance, bearing in mind the youth of the company and the particular status of its Board of Directors, could be considered satisfactory in terms of the rules of good governance and in relation to the findings made and known in connection with other boards of directors.

The main findings and conclusions to come out of this task were set out in a written document submitted and presented to all members of the Board of Directors.

At the meeting of July 23, 2013, the Board of Directors decided to arrange a new evaluation of its own performance and appoint a representative from each of the two majority shareholders to perform this task. At the beginning of 2014, these two representatives established the terms of this self-evaluation and then drew up and sent to each member of the Board of Directors a questionnaire to assess the performance of the Board of Directors, its work and the work of its special committees. The Board of Directors was not able to acquaint itself with the findings of this assessment before the end of 2014 due to the changes that occurred in the company's governance and the management bodies at the end of July 2014.

II.2. MANAGEMENT

II.2.1. General Management of the company

Pursuant to the decision taken by the Board of Directors of the company on June 2, 2003, the Chairman of the Board of Directors is responsible for the General Management of the company and thus holds the title of Chairman and Chief Executive Officer.

Mr Hervé Guillou's position as Chairman and Chief Executive Officer was renewed by decree of the President of the Republic, which is currently under publication. It is specified that, between December 19, 2014 and the date the aforementioned decree was published in the *Journal officiel de la République française* (official journal of the French Republic), Mr Guillou was acting Chairman and Chief Executive Officer of the company, in accordance with the decision of the Minister of Finance and Public Accounts and the Minister of the Economy, Industry and the Digital Sector dated December 17, 2014 taken pursuant to the provisions of article 21 of the Order.

As Chairman of the Board of Directors, he organises and directs the work of the Board of Directors and reports on this to the General Meeting of Shareholders. He ensures that the bodies of the company function properly and makes sure specifically that the directors are able to fulfil their duties.

II.2.2. Governance of subsidiaries and jointly controlled companies

II.2.2.1. Subsidiaries

The company has subsidiaries both in France (DCN International, SIREHNA, DCNS Support and DCNS Énergies) and abroad (DCNS India, DCNS FE, DCNS Do Brasil, DCNS Coopération, OpenHydro Group Limited, DCNS Arabia, DCNS Malaysia, Prosin and DCNS Technologies Canada Inc.).

The executive, management and control bodies of the French and foreign subsidiaries of DCNS are made up exclusively of representatives of the Group operating divisions and functional management. The Canadian subsidiary incorporated in 2014 is an exception to this principle: a Canadian resident not employed by a company within the DCNS Group sits on the Board of Directors, thereby enabling DCNS Technologies Canada Inc. specifically to comply with the Canadian requirements concerning the composition of boards of directors (at least 25% of whose members must be Canadian residents).

The representatives of the operating divisions are selected as a function of the activity of the subsidiary concerned. A representative of the financial function almost always has a seat on these bodies. Each subsidiary is operationally attached, as a function of the nature of its business, either to an operating division or to the International Trade branch. Monitoring of the activities and operations of each subsidiary is thus provided by the operating division to which it is attached or the International Trade branch.

DCN International

The Board of the public limited company DCN International is made up of four directors. It met twice during 2014. The average attendance rate at meetings of the Board of Directors of this company was of the order of 75% in 2014.

An activity monitoring report was routinely given at each meeting of the Board of Directors.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

• the closing of the accounts for the year ended December 31, 2013;

• the granting of authorisation to the Chairman and Chief Executive Officer to issue sureties, endorsements and guarantees in accordance with article L. 225-35 of the French Commercial Code;

• the presentation of the results as at June 30, 2014 and updating of these at the end of December 2014;

• co-opting a new director to replace a resigning director.

SIREHNA

The Board of the public limited company SIREHNA is made up of four directors. It met on five occasions during 2014. The average attendance rate at meetings of the Board of Directors of this company was of the order of 90% in 2014.

An activity monitoring report was routinely given at each meeting of the Board of Directors.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

• co-opting a new director to replace a resigning director;

• the appointment of a new Chairman and Chief Executive Officer to replace the resigning Chairman and Chief Executive Officer;

• the closing of the accounts for the year ended December 31, 2013;

• the presentation of the results as at June 30, 2014 and updating of these at the end of December 2014;

• the presentation of the action plan drawn up by the company's senior management with a view to achieving its annual targets;

• presentation of the results as at October 30, 2014 and updating of these at the end of December 2014.

DCNS Support

The Supervisory Committee of the simplified joint-stock company DCNS Support has four members. It met once during 2014. The attendance rate at the meeting of the Supervisory Committee of this company was 100%.

An activity monitoring report was routinely given at each meeting of the Supervisory Committee.

Major operations that were subject to the prior authorisation of the Supervisory Committee or in-depth discussion during 2014 included:

• the closing of the accounts for the year ended December 31, 2013;

• the appointment of a new Chairman of the Supervisory Committee to replace the resigning Chairman;

• the adjustment of the list of operations to be submitted for prior approval of the Supervisory Committee before being performed by the Chairman of the company.

DCNS India

The Board of DCNS India (a company under Indian law) is made up of four directors. It met on four occasions in 2014. The average attendance rate at meetings of the Board of Directors of this company was 75% in 2014.

An activity monitoring report was routinely given at each meeting of the Board of Directors.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

- taking out a bank loan;
- the appointment of a Cost Auditor;
- the appointment of a director to replace a resigning director;
- the appointment of the Chief Financial Officer;
- the replacement of the Auditors for the year 2014-2015;
- the closing of the accounts for the year ended March 31, 2014.

DCNS FE

The Board of DCNS FE (a company under Singaporean law) is made up of five directors. It met twice during 2014. The attendance rate at meetings of the Board of Directors of this company was 80% in 2014. Furthermore, a certain number of decisions relating to the management of this company and falling within the remit of the Board of Directors were taken, with the written resolutions they were being asked to adopt being circulated to the members in accordance with the applicable Singaporean laws.

An activity monitoring report was routinely given at each meeting of the Board of Directors.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

- the closing of the accounts for the year ended December 31, 2013;
- moving the company to new premises;
- the distribution of an interim dividend for the year ending December 31, 2014;
- the approval of the annual budget for 2015.

DCNS Do Brasil Serviços Navais Ltda

The Board of DCNS Do Brasil Serviços Navais Ltda (a company under Brazilian law) is made up of three directors. It did not meet during 2014 since the formalities in Brazil involved in setting it up were still in progress in 2014 and changes were then made to the composition of the Board of Directors.

Major operations that were subject to the prior authorisation of the shareholders or in-depth discussion during 2014 included:

- the approval of the accounts for the year ended December 31, 2013;
- the appointment of a new director to replace a resigning director;
- an increase in the share capital.

DCNS Énergies

DCNS Énergies is a simplified joint-stock company which has been entered in the Paris Register of Companies since January 3, 2013. The General Meeting is competent to take all decisions falling outside the remit of this company's manager.

Major operations that were subject to the prior authorisation of the shareholders or in-depth discussion during 2014 included:

- the change of Chairman;
- the setting up of a Supervisory Committee;
- the formation, with its partner Enel, of a Chilean company named Energia Marina.

DCNS Arabia

DCNS Arabia (a company under Saudi law) does not have a collegiate management and/or control body. The General Meeting is competent to take all decisions falling outside the remit of this company's manager.

DCNS Malaysia

DCNS Malaysia (a company under Malaysian law) was registered on February 21, 2013. The Board of DCNS Malaysia is made up of six directors. It met twice during 2014. The attendance rate at meetings of the Board of Directors of this company was 92% in 2014. Furthermore, a certain number of decisions relating to the management of this company and falling within the remit of the Board of Directors were taken, with the written resolutions they were being asked to adopt being circulated to the members in accordance with the applicable Malaysian laws.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

- the closing of the accounts for the year ended December 31, 2013;
- the approval of the 2014 budget;
- the replacement of two directors;
- the reappointment of the Chairman of the Board of Directors.

Prosin – Projetos E Sistemas Navais SA

Prosin – Projetos E Sistemas Navais SA (a company under Brazilian law) was registered on May 16, 2013.

The Board of Prosin is made up of three directors. It met twice during 2014.

The attendance rate at the meetings of the Board of Directors of this company was 100%.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

• the closing of the accounts for the year ended December 31, 2013;

• an increase in the share capital;

• the approval of certain agreements to be entered into with DCNS;

• the resignation of one of the members of the Board of Officers.

DCNS Coopération

The Board of DCNS Coopération (a company under Belgian law) is made up of three directors. It met twice during 2014. The attendance rate at the meetings of the Board of Directors of this company was 100%.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

• the closing of the accounts for the year ended December 31, 2013;

• the approval of the 2014 budget.

DCNS Technologies Canada Inc.

The Board of Directors of DCNS Technologies Canada Inc. (a company under Canadian law) is made up of three members. A certain number of decisions relating to the management of this company and falling within the remit of the Board of Directors were taken with the written resolutions they were being asked to adopt being circulated to the members in accordance with the applicable Canadian laws.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

• appointing the company's Chairman;

• amendments to the Board of Directors;

• setting up an Advisory Board;

• entering into a lease for the company's premises;

• suspending the duties of the Advisory Board members.

II.2.2.2. Jointly controlled companies

Eurosysnav SAS

The Board of the simplified joint-stock company Eurosysnav SAS is made up of eight directors. It met three times during 2014. The average attendance rate at the meetings of the Board of Directors of this company was of the order of 63%.

An activity monitoring report was routinely given at each meeting of the Board of Directors.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

• the closing of the accounts for the year ended December 31, 2013;

• the appointment of a new director to replace a resigning director;

• the renewal of the term of office of the Chairman and Chief Executive Officer.

Horizon SAS

The Board of the simplified joint-stock company Horizon SAS is made up of eight directors. It met twice during 2014. The average attendance rate at the meetings of the Board of Directors of this company was of the order of 63%.

An activity monitoring report was routinely given at each meeting of the Board of Directors.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

• the closing of the accounts for the year ended December 31, 2013;

• the proposal to renew the term of office of a director;

• the appointment of a director and the Chief Executive Officer.

OpenHydro Group Ltd

The Board of OpenHydro Group Ltd (a company under Irish law) is made up of nine directors. It met on four occasions during 2014. The average attendance rate at the meetings of the Board of Directors of this company was of the order of 83%.

An activity monitoring report was routinely given at each meeting of the Board of Directors.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

• the approval of the company's code of conduct;

• the approval of the 2015 budget.

Itaguaí Construções Navais SA

The Board of Itaguaí Construções Navais SA (a company under Brazilian law) is made up of five directors. It met on four occasions during 2014. The average attendance rate at the meetings of the Board of Directors of this company was 100% in 2014.

An activity monitoring report was routinely given at each meeting of the Board of Directors.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

• the appointment of the members of the Operation Committee;

• the appointment of an Officer to replace a resigning Officer;

• the closing of the accounts for the year ended December 31, 2013;

• the approval of the 2015 budget;

• the payment of an additional dividend;

• the approval of the company's code of conduct.

Boustead DCNS Naval Corporation SDN BHD

The Board of Boustead DCNS Naval Corporation SDN BHD (a company under Malaysian law) is made up of five directors. It met on four occasions during 2014. The attendance rate at these meetings of the Board of Directors was 90%. Furthermore, a certain number of decisions relating to the management of this company and falling within the remit of the Board of Directors were taken, with the written resolutions they were being asked to adopt being circulated to the members in accordance with the applicable Malaysian laws.

An activity monitoring report was given at each meeting of the Board of Directors in 2014.

Major operations that were subject to the prior authorisation of the Board of Directors or in-depth discussion during 2014 included:

- the closing of the accounts for the year ended December 31, 2013;
- the approval of the 2015 budget;
- the appointment of a director to replace a resigning director;
- the replacement of the Chief Executive Officer;
- the replacement of several managers.

Défense Environnement Services

The Board of Management of the simplified joint-stock company Défense Environnement Services is made up of eight members. It met twice during 2014. The attendance rate at these meetings of the Board of Directors was of the order of 35%. An activity monitoring report of this company was given at these meetings of the Board of Management.

Major operations that were subject to the prior authorisation of the Board of Management or in-depth discussion during 2014 included:

- the approval of the 2015 budget.

Winacelles

The Board of Management of the simplified joint-stock company Winacelles is made up of four permanent members and an invited member. It met twice during 2014. The rate of attendance of the permanent members at the meetings of the Board of Management of this company was 100% in 2014. Furthermore, a certain number of decisions relating to the management of this company and falling within the remit of the Board of Management were taken, with the written resolutions they were being asked to adopt being circulated to the members in accordance with the provisions of the bylaws of the Board of Management.

An activity monitoring report was routinely given at each meeting of the Board of Management.

Major operations that were subject to the prior authorisation of the Board of Management or in-depth discussion during the 2014 year included:

- the approval of the budget for the first and second quarters of 2014;
- the closing of the accounts for the year ended December 31, 2013;
- the approval of calls for funds from the members.

Kership

The Board of Management of the simplified joint-stock company Kership is made up of four permanent members and an invited member. It met three times during 2014. The rate of attendance of the permanent members at the meetings of the Board of Management of this company was 100% in 2014. Furthermore, a certain number of decisions relating to the management of this company and falling within the remit of the Board of Management were taken, with the written resolutions they were being asked to adopt being circulated to the members in accordance with the provisions of the bylaws of the Board of Management.

An activity monitoring report was routinely given at each meeting of the Board of Management.

Major operations that were subject to the prior authorisation of the Board of Management or in-depth discussion during the 2014 year included:

- the closing of the accounts for the year ended December 31, 2013;
- the company's medium-term plan.

Energia Marina SpA

The Board of Energia Marina SpA (a company under Chilean law) is made up of five directors. It met on three occasions during 2014. The attendance rate at the meetings of the Board of Directors of this company was 93% in 2014.

An activity monitoring report was given at each meeting of the Board of Management.

Major operations that were subject to the prior authorisation of the Board of Management or in-depth discussion during the 2014 year included:

- the appointment of the Chairman and Deputy Chairman;
- the approval of the 2015 budget.

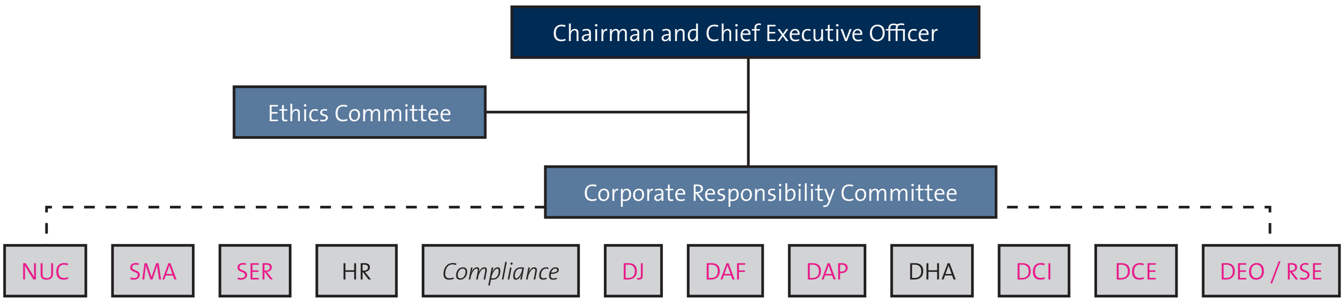
II.2.3. Bodies set up by the General Management

The Chairman and Chief Executive Officer wished to be supported by a number of committees in exercising his control of the company, namely:

- the Executive Committee (COMEX), which is tasked with examining issues that have a major impact on the Group's strategy, the way it functions and its commercial and operating activities. It is chaired by the Chairman and Chief Executive Officer and is made up of the following members: the Financial and Legal Vice President, the Development Vice President, the General Secretary, the International Trade Director, the Strategy, Partnerships and Innovation Director, the Programme Director, the Manufacturing Director, the Human Resources and Operations Director, the Services Director and the Marine Energy and Infrastructure Director. The committee meets weekly. Each quarter, a meeting is held of the Executive Committee, expanded to incorporate the managers of the main operating divisions;
- the Tenders Committee;
- the Finance Committee;
- the Product Policy Committee;
- the Risks Committee;
- the Ethics and CSR Committee.

II.2.3.1. Ethics and integrity(1)

In 2014, corporate social responsibility (CSR) within DCNS was organised as shown in the following diagram. This structure was formulated in 2013.



The Ethics Committee

A new version of the Ethics Committee's bylaws was drafted in 2014. This version includes, in particular, the description of the duties of the Ethics Officers: these representatives of the Ethics Committee at DCNS's various sites act as advisers to the management at each site, are one of the prime points of contact for employees seeking advice on ethical matters and organise or participate in training and awareness programmes designed for the site's management or for all employees.

The 2014 action plan provided for work to begin on the extension of the network of Ethics officers to DCNS's subsidiaries in France and abroad.

Eight full meetings of the Ethics committee were held during 2014 to monitor the areas on which the Committee was instructed to focus, including awareness training in ethical matters for new employees, the extension of the ethics strategy to the Group's subsidiaries and initiatives to combat harassment.

The Ethics Committee monitors the initiatives of the Compliance Department to ensure their effective implementation. Its role includes advising on the drawing up of the various sections of the Compliance Department's "policies and procedures" and ensuring that such policies and procedures can be easily implemented by all Group staff in their day-to-day activities.

In accordance with the recommendations of the French data protection authority *(Commission nationale de l'informatique et des libertés* – CNIL), guidelines on the ethics alert mechanism have been drawn up with the aim of applying to CNIL for authorisation to implement the mechanism. It is expected that everyone in the Group will have access to the mechanism as from early in 2015, thereby enabling them to report any suspected non-compliance in the following areas stipulated by law: finance, accounting, anticorruption, anticompetitive practices, combating discrimination and harassment, occupational health and safety and environmental protection. The Chairman of the Ethics Committee and the Compliance Department will be responsible for dealing with such alerts: the manner in which alerts are dealt with will depend on the area to which the alert relates and the provisions of the guidelines.

In 2014, around 30 instances of suspected non-compliance with the Group's ethical rules were reported to the Ethics Committee by the network of Ethics Officers at DCNS's sites (this did not include instances reported under the alert process which was not due to be operational until 2015). These instances were analysed and investigated in a manner appropriate in light of the severity of the alleged incident, either directly by the departments concerned at the relevant sites (Human Resources, Procurement, Safety, etc.) or by the Ethics Committee itself. The majority of cases involved inappropriate behaviour towards colleagues, which potentially resulted in disciplinary proceedings being taken tailored to the facts of the specific case.

(1) See main directives: Global Compact/OECD/ITO, ISO 26000, SNTEDO: priority 18.

Corporate Responsibility Committee (CRC)

The structure of this committee, which was set up in 2011, was changed in 2014 to include a member elected by the Central Works Council (see Secretary of the Central Works Council).

Five full meetings were held in 2014, which enabled members to obtain a global vision of the CSR strategy adopted by the DCNS Group as from 2007 to support the Group's activities (DCNS's expansion abroad and in the energy sector).

In addition, DCNS has been a member of the United Nations Global Compact (see box below), since June 2014. DCNS is committed to achieving progress towards compliance with the 10 fundamental principles in the areas of human rights, labour standards, the environment and anti-corruption, and to report each year on the progress it has made.

The Group is also currently preparing a charter on human rights to comply with this United Nations principle.

At the end of last year, DCNS was also awarded the label *"Relations fournisseurs responsables"* (responsible supplier relations) by the jury of the *Médiation interentreprises* (Intercompany Mediation Service), mainly for actions taken for the benefit of SMEs in the naval sector.

Lastly, with the aim of objectively assessing the progress achieved in the areas of corporate social responsibility, in 2014 DCNS took part in the survey conducted by Transparency International and at the end of the year underwent three external audits, carried out by the firms Ethic Intelligence, Vigeo and EY (verification of non-financial data).

The results of these audits will become available early in 2015.

Launched in 2000 by the United Nations, the Global Compact constitutes both a political platform and a practical framework for organisations committed to sustainable development. The aim of this initiative is to ensure that businesses integrate into their strategies and activities 10 universally-accepted principles. The Global Compact then assesses businesses' policies by means of 21 criteria relating, in particular, to the application of its 10 principles, to the contribution to the other United Nations objectives, and also to the dialogue instigated with all stakeholders. Around 12,000 organisations worldwide, including 8,000 businesses, are members of the Global Compact. By becoming a member, DCNS has affirmed that it belongs to this global community of businesses committed to respect for human rights, labour standards and environmental protection, as well as the promotion of common anti-corruption principles.

Additional information is provided in paragraph I.1.7 entitled "Ethics and compliance" on page 9 of the management report.

The UN Global Compact's 10 principles[1]

Human rights

Principe 1 Businesses should support and respect the protection of internationally proclaimed human rights; and

Principe 2 Make sure that they are not complicit in human rights abuses.

Labour

Principe 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principe 4 The elimination of all forms of forced and compulsory labour;

Principe 5 The effective abolition of child labour; and

Principe 6 The elimination of discrimination in respect of employment and occupation.

Environment

Principe 7 Businesses should support a precautionary approach to environmental challenges;

Principe 8 Undertake initiatives to promote greater environmental responsibility;

Principe 9 Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principe 10 Businesses should work against corruption in all its forms, including extortion and bribery.

(1) See main directives: OECD, ITO, ISO 26000.

III. CORPORATE SOCIAL RESPONSIBILITY

Audited indicators	In relation to GRI V3 indicators	2012	2013 UES DCNS	2014 UES DCNS	Ref. GRI V4[a]	Global compact	OECD guiding principles	NSDS challenge[b]	SNTEDD priorities[c]
	Economic data					X	X		
	Consolidated revenue (€M)	2,933.7	3,358.4	3,065.9	EC 1				
	Consolidated net income	163.7	109.1	–336.1	EC 1				
	Environmental data[g]		Excl. SIREHNA			X	X		6
	Energy consumption								
✓	Electricity consumption (MWh)	131,009	122,428	122,411	EN 3			4	
✓	Fossil energy consumption (natural gas, heating oil) (MWh)	118,706	116,777	103,341	EN 3			4	
	Water consumption								
✓	Water consumption (industrial, drinking, etc.) (m^3)	1,529,985	981,952	12,225,438[7]	EN 8			4	
	Waste								
✓	Production of NHW[d] (t)	4,036	4,353	3,785	EN 22			1	
✓	Production of HW[e] (t)	2,396	2,629	2,319	EN 22			1	
	Atmospheric emissions								
✓	Direct CO_2 emissions (t)	25,106	24,462	20,260	EN 16			4	
	Training								
	Number of days of environmental awareness training	57	227	313				2	
	Social data		Incl. SIREHNA	Incl. SIREHNA		X	X		
✓	Total number of employees	13,939	14,109	14,024	LA 1			8	
	By socio-professional category								
	OE (blue and white collar)	4,138	3,903	3,774	LA 1			8	
	TAM (technicians and supervisors)	4,469	4,546	4,491	LA 1			8	
	IC (engineers and managers)	5,332	5,660	5,759	LA 1			8	
	By age bracket								
	Under 25	775	746	656					
	25-29 years	1,120	1,190	1,178					
	30-34 years	1,712	1,687	1,585					
	35-39 years	1,783	1,907	1,993					
	40-44 years	2,173	2,065	2,003					
	45-49 years	2,506	2,552	2,517					
	50-54 years	2,249	2,249	2,277					
	55-59 years	1,246	1,308	1,388					
	60 years and over	375	405	427					
✓	Female employees as % of total	19.36	19.50	19.78	LA 1			8	
	Expatriated	97	145	183	LA 1			8	
	Employees of non-French nationality	14	15	15	LA 2			8	
✓	% of female senior executives	8.33	9.70	10.16	LA 2			8	
	Average age	42.20	42.30	42.58	LA 2			8	
✓	TH (number of employees with disabilities)	590	622		LA 2			8	
	Employment rate (%)	4.92	5,5[4]		LA 2			8	
	Employees with disabilities on permanent contracts	13	26	9	LA 2			8	

✓	Absenteeism (%)	4.40	4,61 DCNS SA 0,02 SIREHNA	4.84 DCNS SA 0,93 SIREHNA	LA 7				
✓	Number of training hours	522,043	493,949	413,511	LA 7			2	
	Average number of training hours per person	37.45	34.86	29.49	LA 10			2	
✓	Continued professional development (as a % of payroll)	5.54	4,68(6)	4,01(6)				2	
	Average monthly remuneration (€)	3,991	4,202.41(6)	4,260(6)					
	Recruitment, full year								
✓	Total	1,344	1,260	930	LA 2			8	
	Recruits hired on permanent contracts	793	693	503	LA 2			8	
	Number of recruits on limited-term contracts given a permanent contract	121	59	24	LA 2			8	
	Recruits hired on limited-term contracts	143	101	77	LA 2			8	
	Recruits hired on limited-term contracts, number of which are trainees on combined study-and-work apprenticeships and CIFRE	385	407	350	LA 2			8	
	Recruits hired on limited-term contracts (including trainees on combined study-and-work apprenticeships and CIFRE(f))	528	508	427	LA 2			8	
	% of which are on limited-term contracts (including trainees on combined study-and-work apprenticeships)	39.29	40.32	45.91	LA 2			8	
	% of which are on limited-term contracts (excluding trainees on combined study-and-work apprenticeships)	11.01	8.02	8.28	LA 2			8	
	% of whom are female	18.00	19.50	20.60	LA 2			8	
	% of whom have disabilities (permanent and limited-term contracts)	2.53	4.00	2.08	LA 2			8	
	% of whom are older staff	4.20	5.70	3.79	LA 2			8	
	% of whom are under 25 (including trainees on combined study-and-work apprenticeships)	36.53	37.60	36.02	LA 2			8	
	% of whom are under 25 (excluding trainees on combined study-and-work apprenticeships)	13.46	11.40	11.72	LA 2			8	
	Trainees on combined study-and-work apprenticeships at the end of the year	608	617	569	LA 2			8	
	Departures								
✓	Total number of departures	1,023	1,151	994	LA 2			8	
	Including redundancies(g)	25	28	21	LA 2			8	
	Turnover (%)	7.3	8.2	7.1	LA 2			8	
	Health, safety and working conditions								
✓	Incidence of workplace accidents (lost-time injuries x 1,000,000 / number of hours worked)	8.7(2)	6.3(3)	6.18(2)	LA 7			7	
✓	Average severity of workplace accidents (days lost due to accidents x 1,000 / number of hours worked)	0.14(2)	0.12(3)	0.16(3)	LA 7			7	
	Number of cases of work-related illnesses	55	41(5)					2	
	Number of hours OH&S training	96,761	101,466						

UES DCNS = DCNS SA + SIREHNA. (a) GRI V4 : Global Reporting Initiative Version IV. (b) NSDS: National Sustainable Development Strategy 2010-2013. (c) SNTEDD: *stratégie nationale de transition écologique vers un développement durable* (national strategy for an ecological transition towards sustainable development) 2014-2020. (d) NHW: Non-Hazardous Waste. (e) HW: Hazardous Waste. (f) CIFRE: *convention industrielle de formation par la recherche* (industrial agreement on training through research). (g) Redundancies: interruption of the trial period for physical incapacity or for personal reasons. (h) Excluding SIREHNA. OECD: Organisation for Economic Cooperation and Development. ✓ Indicators audited. (1) Consolidated data from nine sites. (2) OH&S indicators as at February 6, 2013 subject to three current reservations (UES DCNS scope)-> consolidated in March 2013, incidence = 8.6. (3) OH&S indicators as at January 28, 2014 subject to seven current reservations (UES DCNS scope, excluding SIREHNA, excluding temps), rule applied irrespective of nationality. (4) Estimate of wage bill for 2014 before validation of DADS. (5) Declared work-related illnesses. (6) Estimate of wage bill for 2014 before validation of DADS. (7) The extremely large increase in Group water consumption in 2014 was a one-off and was due to steam testing of the machines manufactured at Indret under the Barracuda programme which require massive volumes of water to be pumped from the Loire to provide cooling.

IV. THE THREE PILLARS OF CSR

IV.1. GENERAL INFORMATION

Certain information is already addressed in the management report and will be indicated by a reference to the relevant page and paragraph of that report.

IV.1.1. Strategy and analysis

Up until July 2014 and under the chairmanship of Patrick Boissier, the DCNS Group strategy was built around the three pillars of:

- growth;
- performance; and
- alliances.

These were the three areas on which the DCNS Group saw itself focusing up until 2020 and beyond.

"DCNS believes that the sea is central to our plant's future, and is developing high-tech solutions to secure and sustainably develop it."

To this end, in 2009 the Group embarked on an internal reorganisation plan known as "Championship" and set out the major commitments of its corporate social responsibility policy, in accordance with the recommendations of standard ISO 26000. In 2014, the implementation of this plan was accelerated in order to allow DCNS to take advantage of market opportunities in both the naval defence and energy sectors.

Hervé Guillou was appointed Chairman and Chief Executive Officer of DCNS by Presidential Decree of August 4, 2014. There was then a shift in the Group strategy which was refocused on four key areas:

- developing at international level;
- strengthening industrial performance;
- developing renewable marine energies; and
- being a pillar of sovereignty.

The operational challenges introduced under a reorganisation plan (continuing the initiative started in 2009) are aimed at improving the prerequisites for customer satisfaction, namely: meeting promised delivery dates, costs and quality, internationalisation of our activities and our businesses and driving change to promote a shift in management. Discussions have been ongoing since January 2015 analysing the best opportunities and strengths that will allow DCNS to guarantee that this new corporate development is successful. In December 2013, DCNS celebrated 10 years since its initial reorganisation when its status changed.

IV.1.2. Profile of the organisation

DCNS is a world leader in naval defence and an innovator in the energy sector.

As a high-tech company on an international scale, DCNS is able to meet its customers' needs through its exceptional know-how and unique industrial resources. The Group designs, builds and maintains submarines and surface ships together with the associated systems and infrastructures. It also provides services to naval bases and shipyards. Finally, DCNS is able to offer a broad range of solutions in the civil nuclear energy and marine renewable energies sectors.

IV.1.3. Relevant aspects and areas identified

This point is dealt with in the management report on page 3, paragraph I.1. "Activity and results of the DCNS Group"/I.1.1. "Highlights of the year", which covers the industrial and commercial activity up to page 6.

IV.1.4. Involvement of stakeholders[1]

Dialogue, consultation, participation

In France, and internationally, through its naval defence and energy activities, DCNS aims to frame its corporate approach as a collaborative and collective effort with all stakeholders affected. Whether it is a case of shareholders, suppliers, Government institutions, clients/prospects or employees, the DCNS Group has put itself in the best position to do this (signing the UN Covenant, its code of ethics, the internal guide to ethical behaviour, international intranet portal, and so on).

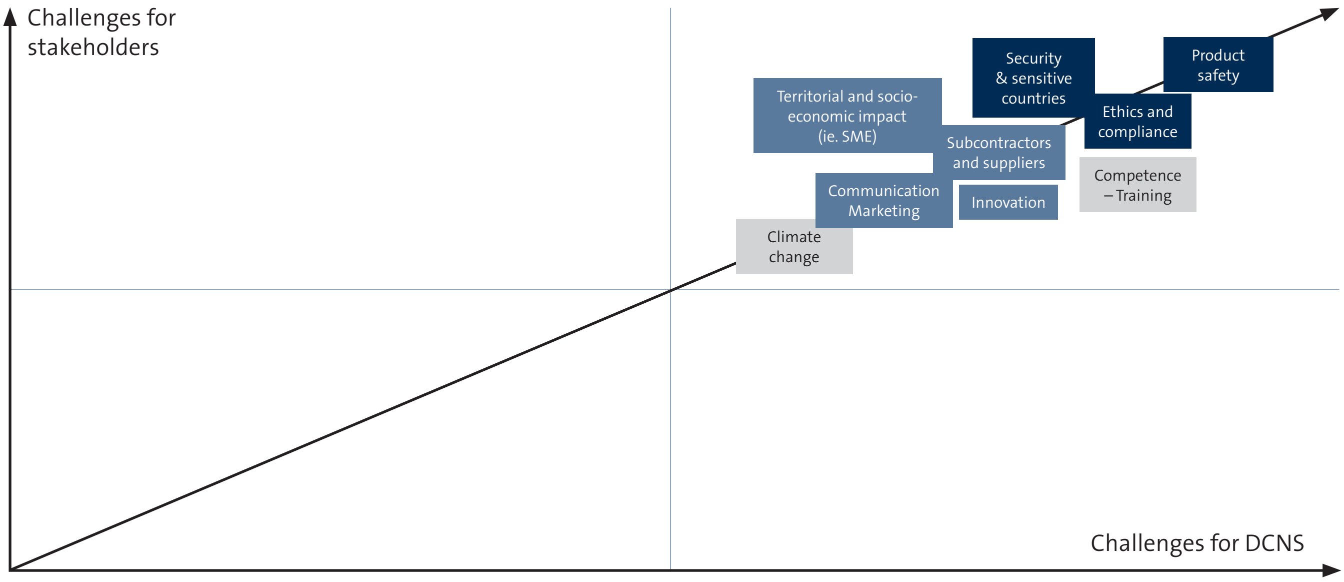
These initiatives are aimed at mobilising the broader enterprise made up of DCNS and its ecosystem around the Group values and customer service.

The values of DCNS inform the day-to-day actions of everyone: a winning spirit, expectation, confidence and respect.

To that end a dedicated and well-structured organisation has allowed the design, roll-out and control since 2012 of a corporate responsibility policy based around three entities: the Ethics Committee, the Corporate Responsibility Committee and the Compliance Department.

(1) See GRI, Global Compact/ISO 26000.

Materiality matrix



Examples of projects involving consultation

For three years now, DCNS has been partnering with the Chair for RESOH/Inter-Partenaires alongside Areva, the IRSN (*institut de radioprotection et de sûreté nucléaire* [institute for radiological protection and nuclear safety]) and students of the École des Mines de Nantes.

The Chair for RESOH *(recherche en sûreté, organisation, hommes* [research into safety, organisation and people]) is dedicated to the organisational and human aspects of safety in the co-contracting or subcontracting networks throughout the life cycle of at-risk industrial activities. This sponsorship initiative is based around fundamental academic research into the management of safety in at-risk industries (chemicals, petrochemicals and pharmaceuticals, and in the nuclear sector). The aim is to create knowledge accessible to all on the trade commitments in the at-risk industries (good practice) and on the networked organisations able to guarantee safe industrial performance allowing clients to raise the profile of safety in their activities.

It meets the expectations of the safety authorities that greater attention will be given to the human factor within the organisations involved in industrial, and particularly nuclear, activities. This Chair also allows the promotion of collaborations dedicated to forward-looking work on management of safety. It provides access to higher education and research networks in the areas of the human and organisational factors of safety. Finally, it promotes consultation with other parties affected by the issues of safety. This research work is not restricted to just nuclear activities, however, but also relies on analyses performed in other at-risk industrial areas. The work done up to the end of 2014 was the subject of an initial presentation at the start of 2015.

It is worth noting that at the end of December 2013, DCNS signed a partnership agreement with three major Parisian higher education establishments (Polytechnique, ENSTA ParisTech and Télécom ParisTech) to set up a Chair on "Complex systems engineering" alongside Thales and Dassault Aviation. These are two major commitments which illustrate the competence of the Group in the area of managing complex systems and their operational safety.

At the Lorient site

In 2014 the Lorient site decided to equip itself with structured means of local control in order to comply with ISO 26000 standard, to genuinely involve management at the site. So, in July, the Lorient Management Committee gave its backing to the setting up of a steering group made up of managers from Human Resources, Environment, Communication, Finance and Site Management, as well as representatives of those entities that may be hosted on the site, the aim being to put into practice an action plan, identify areas for improvement and in time to be in a position to respond favourably to policy reviews and audits.

Renewable marine energies

Pilot floating offshore wind farm off the coast of the island of Groix

DCNS is currently conducting studies on the construction of a pilot floating offshore wind farm on the French coast and more specifically off the coast of the island of Groix. An environmental and legal feasibility study was conducted first at the start of 2014. This study had two strands: a legal analysis and identification of the environmental and human challenges. It was conducted in parallel with consultations with stakeholders. This allowed a preliminary programme to be drawn up of studies aimed at informing the environmental impact study.

From the summer of 2014 onwards, apart from the study of the physical environment necessary for designing the pilot farm, various environmental surveys together with expert reports on the natural environment and uses will be carried out for eighteen months under the control of the DCNS resources and environment team, including expert reports on birds, marine mammals, bats, the benthos (a species living on the seabed), fish, and fishing. In each of these areas DCNS has launched studies through specialist consultants and associations or bodies. The ultimate aim is to submit an impact study in December 2015. In parallel with the project, DCNS has also launched an R&D project on the acoustic and electromagnetic impacts of such a project.

The MERIC project in Chile

By setting up a research and development centre for marine renewable energies, DCNS is supporting the Chilean government in its choices and future investments in the area of marine renewable energies.

IV.2. ECONOMY

IV.2.1. Economic performance

DCNS is a major player in the naval sector in France. As a result of the activity at its sites and established partnerships with SMEs, higher education establishments and universities, the Group is a genuine driver of French industry in terms of jobs and research and development. In making products that are some of the most complex in the world, DCNS benefits from the highly-developed skills of its teams. The Group has 13,648 employees, 12,924 of which are in France, where it also creates tens of thousands of indirect jobs (40,000 jobs in the naval sector in France – source: GICAN). These highly qualified jobs contribute to the industrial excellence of the country. With 90% of its added value created in France, DCNS contributes to the preservation and passing-on of a unique kind of know-how.

Today, therefore, the economic performance of DCNS is based on the correct blend of resources and industrial means for its activities in order to fully meet customer expectations, but also on the application of dedicated internal control processes in France and internationally, and on innovation, allowing it to stay one step ahead and meet the needs of tomorrow's markets.

In 2014 AFNOR renewed the combined quality, safety and environment (QSE) certification of DCNS in respect of the ISO 9001, 14001 and OHSAS 18001 standards, and it obtained special certification under standard AQAP 2110. The granting of this combined certification allows the Group to achieve consistency of its QSE policy. It strengthens the effectiveness of our current processes and will allow us over time to improve and reinforce our industrial performance in respect of all our stakeholders.

The granting of this certification also commits us to taking day-to-day responsibility for the correct application of our QSE management system and to taking corrective action where necessary. In fact, this certification is subject to monitoring audits for a period of three years.

Certification allows companies to gauge their performance, and to demonstrate the quality of their organisation, their products, their services, and the skills of their teams against an international standard. This standard is based on levers common to all three of its strands, and in particular the commitment of each and every person, a culture of identifying and controlling risks, expectation, honouring commitments, and a culture of measuring and guiding improvements by dealing with deviations discovered.

Certification of DCNS to the AQAP (2110, 2112) standards, which are the reference standards used by NATO, will allow the Group to strengthen in the area of the quality requirements of the ISO standards on some particularly important points, to aim for the level of requirements demanded by military export contracts and to develop other marine energy type activities.

Strict adherence to global legislation on export controls

DCNS was certified a "Full"(1) accredited economic operator (AEO) on March 25 last year by the Customs Administration. A genuine "badge of confidence", this Community certification(2) places DCNS on a level with the major players in the defence sector.

Inspired in particular by the C-TPAT (Customs – Trade Partnership Against Terrorism) programme implemented in the United States which aims to certify the most reliable US importing companies, in 2005 the World Customs Organisation (WCO) established a framework of standards referred to as "SAFE". This framework contains standards on providing supply chain security and facilitating exchanges within the context of international trade. It is in this context that the European Union conceived the AEO status with the aim of securing exchanges for both imports and exports.

So, by means of a number of audits at the head office and a number of DCNS operating sites, the customs audit services (SRA) measured the appropriateness of our organisation(3), and satisfied themselves as to the existence and effectiveness of its procedures.

This certification is the culmination of ten months of preparation for the audit, involving all DCNS functions and more specifically the transport units, the supply chain departments and the safety and security offices.

See Guidelines:
(1) See "Full" AEO: customs simplifications, and safety and security.
(2) Commission regulation no.1875/2006 of December 18, 2006. Certificate valid throughout the European Union.
(3) Aspects audited: customs, export control, purchasing, supply chain, quality, safety of goods, information security, safety and security of the installations of DCNS and service providers, contractual relations with logistics service providers, etc.

In the short term the certification ensures that the DCNS customs clearance procedure is retained (single window customs clearance procedure) and strengthens the partnership forged with the customs authorities at all levels. Customs clearance of imports and exports performed under this procedure is accelerated and the resolution of disputes made easier.

Holding this certification will allow DCNS to benefit from the advantages of the new Community customs code, known as the "Union Customs Code", the initial provisions of which will come into force from 2015.

Finally, the granting of the certificate is not time-limited. An audit will nevertheless be performed at least every three years in order to ensure that the award criteria are still being met.

The export control guide

The defence activities of DCNS are governed by export control regulations. Failure to comply with these could have serious consequences in terms of delivery delays, financial penalties, fines or even prison sentences, or temporary or permanent revocation of export or import authorisations. The international activities of DCNS, which present real challenges for its growth strategy, have brought with them a major increase in technology transfers and export programmes.

In this area of export control, the Export Control Department is responsible on behalf of the Group for defining policy, ensuring its application, supporting operational staff and contributing to the implementation of and adherence to the Group's ethical rules.

The regulatory system on the export and transfer of arms underwent a major change on June 4, 2014, in particular with the replacement of the prior approval and export authorisations for armaments by a single authorisation known as the licence. In this context, and within the framework of the internationalisation of the Group, an export control guide was drawn up.

This guide, which takes the form of pamphlets and practical worksheets, allows DCNS employees to be more aware of the legal environment and to understand and implement appropriate internal procedures for securing international development.

The subjects dealt with by these practical worksheets and pamphlets include the licence application, the application for a non-re-exportation certificate (CNR), whether or not technical information can be transferred, or also the traceability of flows and more generally the habits to be acquired concerning export control.

Arms Trade Treaty

Since 2003 the non-governmental organisations have been pushing for regulation of the trade in conventional arms. The aim is to adopt a standard to govern international trade in this area in order to increase transparency in the transfer of arms and to hold states to account. France, like all the European Union member states, already applies the most stringent standards in this area.

In 2006 an initiative was launched at the United Nations at the instigation of the British government, quickly supported by France. A group of government experts has been meeting since 2007. Five committee meetings were held in preparation for the negotiating conference (July 2010-March 2011) followed by two diplomatic conferences (July 2-28, 2012 and March 18-28, 2013). With three states opposing the final consensus (Iran, Syria and North Korea), the Treaty was put to a vote of the General Assembly of the United Nations which adopted the text on April 2, 2013 by a very high majority (154 votes in favour, 23 abstentions and 3 votes against).

This is the first arms control treaty negotiated within the United Nations since the adoption of the Comprehensive Nuclear Test Ban Treaty (CTBT) in 1996.

A draft law authorising the ratification of the Treaty by France is currently under discussion and should be put to a parliamentary vote very soon.

The purpose of the Treaty is twofold:

- to establish common standards that are as strict as possible in order to regulate or improve legislation on the international trade in arms between states;
- to help prevent and eliminate the illegal trade in conventional arms (in particular small arms which claim thousands of victims every year) and the misuse of these.

The aim of the Treaty, more broadly, is to contribute towards peace, security and stability at international and regional level.

Main provisions

The stakeholder states must flatly refuse any transfer of conventional arms, munitions, parts and components if they have information that these may be used in the commission of genocide, crimes against humanity, serious violations of the 1949 Geneva Conventions, attacks on civil populations or civil property that is protected as such, or other war crimes as defined by the international agreements. The states must also refuse any transfer that would breach their international undertakings and the measures taken by the United Nations Security Council, in particular arms embargoes.

The assessment of the transfer must also determine if the export of such equipment is liable to contribute to or harm peace and security. It must also take account of the risk of this equipment being used for acts of terrorism or transnational organised crime.

As they are activities covered by the treaty, the entire chain of transfers (export, import, transit, transhipment, trading) is subject to control.

Finally, the states are encouraged to take measures to prevent and combat the misuse of arms legally transferred and, in particular, to cooperate and exchange information to this end.

In the context of the negotiations on the Treaty, the Ministry of Foreign and European Affairs (MAEE) wanted to launch a broad consultation involving in particular the French defence industries. At the initiative of CIDEF (*Conseil des industries de défense françaises* [French defence industries council]), a task force was set up and Gilles Bonnaud, a diplomatic advisor to DCNS, was elected as its chairman. He also represented CIDEF at the negotiation meeting held in New York in March 2013.

This involvement allowed issues of concern to the defence industry to be raised and it has to be said that these were taken on board by the French diplomatic service. In constant liaison with our permanent mission to the United Nations on the one hand and with the European defence industries on the other, the CIDEF representative was able to demonstrate the commitment of these industries to supporting the treaty, in particular in order to reduce distortion of competition due primarily to an absence of rules on the matter.

This initiative underlined the usefulness for the defence industry in general and for DCNS in particular of working in close collaboration with the MAEE.

Offsets

Offsets refer to specific contractual obligations in the context of major international public procurement contracts. These obligations may apply to defence contracts but also to energy, transport, telecommunications and other infrastructure projects.

Generally speaking, offsets require the vendor to create added value in the country of the purchaser. They are characterised by measures aimed at encouraging local development and offsetting the balance of payments by means of involvement by local industry (local content), acquisition of technology by transfer from the vendor, investments, counterpurchases or other similar operations. Offsets are linked to a sale contract. They are defined by rules and/or laws specific to each country with a policy in this area. It must be stressed that many countries have requirements of the same kind but without these actually being formally defined by offset regulations.

These rules define the eligibility criteria for the offset activities such as the industrial sector, nature of the offset, valuation, and so on, and the conditions for implementing them which will be included in a specific agreement, or offset contract, setting out points such as the value of the commitment (or the basis, which is quite often equal to 100 % of the contract value), the methods of valuation of the offset projects, the timeframes for performing these, and the penalties for non-performance, to name but a few.

Two main categories of offsets can be identified: direct offsets and indirect offsets.

• **Direct offsets**

These relate to equipment, technology or activities directly linked to the product purchased. In this case, the purchasing government may require the supplier to transfer the technology associated with the product, subcontract a minimum proportion of the contract to local firms, train the end user on using and maintaining the product purchased, and so on.

• **Indirect offsets**

These have no connection with the product purchased and may take place in another industrial sector or another high-tech area. Indirect offset projects may take the form of investments, transfer of technology, licensing or export aid.

Depending on the customer, the request may be directed more at one or an other of these categories according to the local strategies and the level of development of the country. Brazil, for example, insists on acquiring the technology and on developing the fabric of its defence industry.

Sometimes a multiplier coefficient will be applied to the actual value of the offset transaction in order to steer the vendor towards priority projects according to the purchaser's own agenda; so in some countries a purchase in a high-tech area may create several times the actual value of the purchase or service concerned. This multiplier coefficient may also differ according to the transaction: a transfer of technology will often benefit from a bigger multiplier than a purchase of a more standard product.

By way of example, in Norway, in meeting its offset obligations linked to the Skjold patrol boats contract, DCNS has bought part of the FREMM frigates navigation system from Kongsberg. This deal was valued and credited favourably to meet the obligations of DCNS, demonstrating the strategic importance attached to this manufacturer and to this technology by the Norwegian MoD. Ultimately, the offset obligation will be met following the implementation of specific projects approved in advance by the offset authorities of the client country and which create value locally.

Offsets are an integral part of the DCNS offering and the offset offered is taken into account in the evaluation of the overall offer by the client. In some cases it may be a precursor, with the offset contract having to be negotiated and signed in certain instances prior to the main sale contract for our products.

Innovation – engrained in the DNA of DCNS

This point is addressed in the management report on page 11, paragraph I.2.4. “Research and development activities” up to page 13.

IV.2.2. Market presence[1]

DCNS has broadened its market to the international level where it is enjoying some major successes. Today the Group is involved in industrial programmes for clients based on four continents – notably in Brazil, India, Malaysia, Morocco and Russia.

In 2014 DCNS set up three new international subsidiaries:

- DCNS Canada provides commercial representation in that country;
- DCNS Malaysia supports the DCNS Group in its activities there; and
- Prosin is a naval systems engineering subsidiary in Brazil.

In parallel, DCNS has opened two new representation offices, one in Australia, which is set to become a subsidiary during 2015, and the other in Indonesia.

The Group wants to be in a position to support these countries as they modernise or overhaul their fleets by developing industrial partnerships with local players.

For example, in Brazil, DCNS and its partner Odebrecht have signed a memorandum of understanding which should lead in the future to the setting up of a strategic Brazilian defence company.

In the context of the performance of surface ship, submarine and service programmes for international clients, a major “transfer of technology” component has to be taken into account from now on.

Transfer of technology (ToT) continues to provide essential leverage to the competitiveness of the product and service offerings of DCNS at international level; it is also a tool that allows our industrial processes to be turned to account for all our stakeholders and ultimately the client that is France.

ToT, in terms of engineering studies, production and know-how, provides added value and a competitive differentiator that is vital for winning international contracts.

There are four strategic issues at play in this added value:

- contributing to a broadening of the portfolio of activities by setting a target of approximately €2 billion per annum by 2020 for international naval defence (ToT and work done in its own right taken together);
- increasing profitability and synergy from gains in productivity (costs) when performing ToT programmes;
- strengthening key resources by guaranteeing a durable basis for industrial activities and supporting our skills;
- preventing the risk from the emergence of new competitors by continuing to make financial and human investments in R&D/R&T and fully controlling the intellectual property (IP) of DCNS.

To achieve this, and beyond the seven sites identified and started on since 2013, organisational and procedural adjustments are set to be made in 2015.

The ToT process that has been set up, and is in force today, covers the entire process of draft proposal/offer/execution; its implementation should become the rule in 2015, supplemented by ad hoc check-lists. The actions identified during the audits in the second half of 2014 are set to be undertaken from 2015 onwards, in order to drastically reduce from now on the difficulties encountered at the execution phase of international programmes.

Discussions on how to make best use of our know-how should be complete in 2015 (quantification of our assets versus partnerships and acquisitions, and measurement of the cost of acquisition of these during ToT type sales operations).

The architecture of surface ships and submarines (sectorisation, modularity) must also evolve to allow significant local production providing the added value.

IV.2.3. Procurement practices[2]

Within the context of continuous improvement in performance, DCNS is strengthening its relationships with its industrial partners and suppliers. Procurement (supplies, services, subcontracting, etc.) accounts for more than 50% of combined business turnover of the Group. The geographical footprint of DCNS sites at national level makes the Group the key player in the naval sector in France and reaffirms its status as a major employer in the coastal regions. It is therefore crucial for DCNS to control and secure this procurement component.

2014 highlight – DCNS obtains the “Responsible supplier relations” label

On December 16, 2014, the Intercompany Mediation Service jury unanimously decided to award DCNS the “Responsible supplier relations” label. This label, awarded for a period of three years, is subject to annual checks by the Mediation Service.

The label acknowledges how a large group behaves with regard to its suppliers and more specifically with regard to SMEs. In the summer of 2014 the Procurement Department launched a labelling initiative in keeping with the activities conducted in the context of responsible development and by agreement with the Corporate Responsibility Committee.

The “Responsible supplier relations” label aims to acknowledge French companies that have demonstrated sustainable and balanced relations with their suppliers. In joining around twenty French groups already holding the label, DCNS is being recognised for the merits of its activities to help SMEs

(1) See OCDE Guidelines.
(2) See Guidelines: Global Compact, OECD, ILO, ISO 26000, SNTEDD p. 18, 21, 27.

in the naval sector over a number of years. These activities take the form of:

- its commitment in the SME plan;
- the charter on good practices introduced by the Intercompany Mediation Service and signed by DCNS in December 2010;
- the innovative SMEs charter – the DCNS SME plan, endorsed by the General Management in February 2013;
- the SME Defence pact – the contribution of DCNS to the Oceans 21 industry project.

The obtaining of the label by DCNS coincides with the launch of a shared initiative in a quest for competitiveness among a large number of suppliers on the DCNS panel. The aim of this initiative is to change the way in which DCNS operates with its suppliers, steering it towards an approach in which it is proactive, listens and exchanges information allowing everyone to be competitive.

Beyond this, the DCNS Group has undertaken and developed numerous activities in recent years, such as:

The supplier code of conduct[1]

In 2013, DCNS launched the supplier code of conduct among its reference panel. The supplier code of conduct is based on the requirements and recommendations of the Global Compact and standard ISO 26000.

It calls for a strong commitment from the Group's referenced suppliers. In fact, by signing the undertaking associated with this code of conduct, suppliers commit to complying with its provisions but also to adopting a CSR approach within their own supply chain infrastructure.

The code of conduct was presented to all of the suppliers on the DCNS reference panel in 2014. The majority of these signed the written undertaking by return. Further signatories will continue to be sought in 2015, as the Group's panel evolves.

In addition, any new supplier referenced is now required to adhere to the code of conduct as soon as they join the panel. This process is driven by all managers of the Group procurement sectors. The code of conduct is also being gradually implemented by the French and international subsidiaries.

A dedicated committee has been set up responsible for implementing the supplier code of conduct.

The DCNS SME (small- and medium-sized enterprises) plan

In its position as a major industrial player in the naval defence and energy sectors, in 2013 DCNS started to implement its SME plan. This SME plan aims to strengthen a certain number of SMEs considered to be key to DCNS. Roll-out of this SME plan, which continued in 2014, will extend into 2015, with a target of involving some fifty companies.

In the long term, more than 100 SMEs and mid-cap companies will benefit from development actions. These development actions, identified as a result of a joint analysis by DCNS and each industrial company, may involve the internal processes of this company, be these quality processes or skills management, its dealings with DCNS, broadening of its client portfolio, help with international development, or even one-time strengthening of its capital structure.

The innovative SMEs charter

In December 2012, the Group also signed the innovative SMEs charter brought in by the Minister of Productive Recovery.

The purpose of this charter is to encourage large customers to put in place measures to facilitate development of innovative SMEs. The action plan launched by the DCNS Group under this charter adds to the firm commitments made by the Group under the SME plan. This process will continue in 2015.

The SME Defence pact

On July 4, 2013, DCNS gave an undertaking to the French Ministry of Defence to support the integration and development of the French defence industries. The scope of this undertaking covers SME suppliers, subcontractors and partners of DCNS. This SME Defence pact contains 40 specific measures for immediate application to promote the growth, innovation and competiveness of SMEs and mid-caps. Set up by Jean-Yves Le Drian, this programme commits the Ministry – which is the largest public investor within the Government – to support the French industrial and technological defence base (BITD).

The SME Defence pact is thus built around four main focal areas:

- better integration of SMEs and mid-caps in the procurement strategy of the French Ministry of Defence;
- facilitating R&D through long-term financial support for SMEs;
- improving relations with industrial contractors to promote growth of SMEs;
- reinforcing the regional action taken towards SMEs, in particular through the creation of clusters.

The Oceans 21 project

In 2011, the *Comité stratégique de la filière navale* (strategic committee for the naval sector), set up at the behest of the Government, asked DCNS to play a major role in the definition of a sectoral strategy. In this context, DCNS initiated actions allowing the Oceans 21 project to emerge. This project is a plan for improving the competitiveness of SMEs and mid-caps in the naval sector, in response to a call for projects by the General Directorate for Competitiveness, Industry and Services (DGCIS)/Oseo issued in this connection. It is managed by the GICAN and involves four partners: DCNS, STX and the two maritime clusters (EMC2 and Brittany naval cluster).

(1) See Guidelines: SNTEDD p. 18.

DCNS is one of the main participants in this project. The Oceans 21 project has four parallel focal areas:

- strategic positioning of SMEs and mid-caps;
- development of SMEs and mid-caps at international level;
- reinforcing the skills of SMEs and mid-caps;
- innovation and competitiveness.

IV.3. ENVIRONMENT

General

The sea is the field in which the Group's activities are performed. This special and delicate environment therefore requires rigorous environmental controls on the part of the Group.

The environment is one of the pillars of the ethical commitment of DCNS. This is reflected in the definition and application of environmental policy at all sites, thereby allowing the mobilisation of all parties concerned.

This policy is built around six focal areas:

- control of the industrial security of activities, the aim being that any accident does not impact significantly on the environment;
- considering the environment in design, by limiting the environmental footprint of projects and raising awareness among engineers of the environmental impacts;
- considering the environment in purchases, by promoting this approach among suppliers and raising the awareness of those involved in procurement;
- reducing consumption of natural resources, in particular energies;
- reducing greenhouse gas emissions in particular by cutting down on travel and energy consumption;
- improving the handling of waste, firstly by reducing the quantities at source and then by focussing efforts on the quality of sorting and recycling.

In order to implement this policy, DCNS relies on a network of approximately fifteen managers designated at each of the sites and operating units in France. This network is directed and controlled centrally by the Group Environment Department which answers to HR and operations management.

On the ground, prevention officers deal with both health and safety at work and environmental matters and thus also serve to relay Group policy.

Since 2008, the Group has been committed to an approach of continuous environmental improvement, through the implementation of a management system. So DCNS holds ISO 14001 certification for all its sites and activities in France.

In 2014 this certification was renewed on the basis of an integrated QSE management system and a combined manual covering all three areas.

DCNS works in close collaboration on environmental issues with the interested parties and in particular with the French Navy, with which in 2007 it signed a charter allowing an exchange of good practices and working together in this area.

By application of its environmental policy, DCNS also involves its suppliers and service providers, firstly by means of contractual clauses dealing with the Group's environmental requirements, and secondly during the setting up (accident prevention plan) and monitoring of sites, and finally during the assessment on completion of the service.

Environmental protection training and information activities for staff

Every new recruit arriving at a site is made aware of the environmental issues in the course of a process of induction, both at the general level (Group interests and objectives) and in relation to local aspects.

Then, depending where they work and their position, employees are given specific training. So, twenty-nine days worth of training were delivered in 2014 in the areas of risk analysis, environmental regulation, waste management, cooling fluids and ecodesign(1) and two hundred and eighty-four days in the area of the transport of dangerous goods (transport safety advisors, drivers, shippers, fitters, etc.).

Finally, environmental results depend to a large extent on the behaviour of employees. In 2014, targeted actions were thus carried out to improve the environment culture, namely:

- the addition of an environmental element to training and awareness-raising on OH&S. Four courses have been tailored in this way (available from January 2015);
- an extension of management safety inspections to cover the environment, with these now becoming management safety and environment inspections;
- the distribution of two essential pamphlets on dangerous chemical agents and waste;
- the creation of an internal communication plan specific to the area.

Resources applied to the prevention of environmental risks and pollution

In 2014 the Group did not have to deal with any environmental accident (having a significant impact on the environment) in its industrial activities.

Since DCNS sites are for the most part situated on coasts or riversides, DCNS works intensively on risk prevention and devotes considerable resources to this, in close collaboration with the local stakeholders. For rivers and harbours are common assets to be shared with other stakeholders in the performance of many industrial, commercial and leisure activities.

(1) Any new recruit to surface ship or submarine engineering is given awareness training in eco-design.

The infrastructures at Brest, Toulon and Cherbourg are located within or in the immediate vicinity of naval bases which, by convention, are ready to put into action their means of response to prevent or deal with pollution.

In 2014, DCNS Lorient signed a charter with the main economic stakeholders at the Lorient harbour to share the anti-pollution equipment owned by each party and promote the preservation of the high quality of the water. In the context of this charter, DCNS is thus able to make available anti-pollution booms, absorbent material and anti-pollution intervention kits. An inventory is kept by the harbour master of the shared equipment and this can be mobilised by the public authorities or directly by one of the co-signatories of the charter at short notice. The charter was signed after two years of discussions between the various stakeholders.

As a consequence, DCNS Lorient staff have been trained on how to combat pollution (behaviour of pollutants, confinement using floating booms and recovery of pollutants).

In preparation for accident situations, organisations as well as facilities must be tested. So in 2014 each site conducted at least one environmental drill mostly in coordination with the fire service.

Value of the provisions and guarantees for environmental risks

On July 1, 2014, DCNS furnished financial guarantees in accordance with the orders of May 31, 2012. These guarantees, which only relate to certain *installations classées pour la protection de l'environnement* (installations classified for the protection of the environment – ICPE), are intended to cover the possible making good of the sites in the event of the operator DCNS going bankrupt. Only two sites are affected by these provisions, for surface treatment installations (headings 2565 or 3260): Indret, for an amount of €356,738, and Ruelle, for an amount of €326,583 (total amount to be furnished over five years).

The guarantees furnished in 2014 correspond to 20% of the sums indicated above.

IV.3.1. Pollution and waste management

Measures for preventing, reducing or rectifying discharges into the air, water and soil with serious environmental repercussions

DCNS believes that the sea represents the future of our planet and for the Group water is, of course, an element to be respected and protected.

The Brest and Toulon basins are where DCNS maintains the submarines and surface ships of the French Navy. For a number of years now hull washing effluent has no longer been discharged directly into the natural environment but is first treated (by filtration, decantation and purification). A recent initial assessment by the French Navy for the years 2011-2014 shows that DCNS performs the treatments and analyses expected with results that meet the requirements. Despite the restrictions that these impose, such practices will continue to be implemented to strictly limit the discharge of pollutants into the sea.

At Indret, it is the Loire river which attracts special attention. Two improvement actions have been carried out recently: on the filtration process, where the aluminium sulphate has been replaced by a natural substance (BWT – Best Water Technology) and on the demineralisation system, where an electrodeionisation unit has replaced the ion-exchange resins initially used (removal of chemical products for the regeneration of the resins: hydrochloric acid and lye).

Each site has maps available to it on the historical pollution and decontamination work that has been undertaken as needed. Thus the La Londe-les-Maures site, in operation up until 1988, is currently undergoing decontamination to achieve soil quality levels compatible with its future use. This work consists of bioremediation on site of 520 m^3 of earth (light hydrocarbons account for 80% of the pollution) and excavation for external treatment of 3,700 m^3 of earth (other hydrocarbons account for 20% of the pollution). The work should be completed at the end of the first quarter of 2015.

Furthermore, before commencing with any new construction work, a soil pollution diagnosis is systematically made. At Lorient, it was during one of these checks on the site where the new Choiseul building was to be constructed that pollution of the soil by halogenated volatile organic compounds (VHOCs) was discovered. In 2014, eighteen "venting" shafts were sunk below the floor slab to allow decontamination of the soil in 2015.

Waste prevention, recycling and elimination measures

Group commitments on waste relate mainly to the phases of sorting and recycling of non-hazardous waste (NHW).

The conformity of NHW sorting is greater than 90%. However, disparities remain between activities, while recycling in the form of material or energy is an average of 80% for five sites and 40% for two others. Effort is still required to improve the lowest recycling rates and reduce the quantities of waste.

The level of recycling is of course dependent upon local treatment schemes, but this can be influenced favourably upstream by the quality of sorting. At Brest, the introduction of a new wood bin in the submarine maintenance area has allowed the amounts sent for landfill to be halved in favour of recycling.

With the strengthening of the legislation, canteen practices are evolving towards material recycling of organic waste (contained in food preparation residues and leftovers). At Brest, the installations were modified in 2014 to allow the treatment of the 40 tonnes of biowaste produced annually. Following a mechanical biological treatment allowing separation of the organic matter, this waste is converted into high-quality compost for return to the ground, rather than being incinerated with household waste as it was previously. These same measures are already in place at Bagneux, Lorient and Indret.

This approach does of course need employees such as restaurant staff to buy into it, as the effectiveness of the system is primarily dependent upon the quality of the sorting.

Apart from recycling, sorting can promote re-use of products. This is the case with the KleenWipe solution where cloths are cleaned/re-used, which has been implemented at a number of establishments. Rather than incinerating tonnes of soiled cloths each year at the hazardous waste treatment centres, this arrangement allows cloths to be collected and processed in order to be re-used following cleaning by a service provider. Stations are set up within the workshops concerned for cloths that can be cleaned, with one container for clean cloths and another for soiled cloths.

Another successful example of sorting leading to recycling or re-use is the processing of IT equipment. In two years more than 4,700 items of equipment, or 81 tonnes, have been processed, 73% of which it was possible to re-use. This initiative, which has furthermore allowed the creation of 4.5 jobs in supporting roles, will continue to be implemented in the coming years.

Consideration of noise pollution and any form of pollution specific to an activity

Certain activities generate noise within a site and some outside of it. Within the establishments this matter is managed like all other risks identified at work stations. Noise levels are periodically checked and corrective measures taken as necessary.

Apart from Group employees, special attention is paid to the surrounding area and the nuisances liable to cause inconvenience there. At Bagneux, therefore, a noise reduction cover has been installed on a refrigeration unit located on the roof of a building, the operation of which was considered to be noisy. Since then no complaints have been received.

At Lorient, a campaign to measure noise levels at the site perimeter was carried out up until May 2014 in order to accurately determine the amount of noise from the site and prevent excesses.

In terms of the environment, only two complaints were logged in 2014, both at Indret. Both related to the large STEIN test boiler room with a power of 190 MW and the operation of which occasionally causes atmospheric fallout of cenospheres. An investigation into this installation, which is only started up during the site testing phases, is being carried out to put an end to this inconvenience.

IV.3.2. Sustainable use of resources

Consumption of water and water supplies taking into account local constraints

Consumption of industrial water is essentially concentrated on two sites: Indret, which alone accounts for half of the total Group water consumption, for its heat engine testing activity (water pumped from the Loire), and Ruelle, which uses 25%. The activities of the other Group establishments are lower consumers of industrial water.

Reducing the water consumption at plants is being looked at from two angles: changing the cooling circuits to closed circuits and optimising plant operations.

The efforts made at Ruelle are particularly noteworthy. After having almost completely ceased river abstraction for cooling of the "surface treatment" activity in 2013 (saving 1,600 m^3 per annum), cooling of the largest machining centre on the site was kept to what was strictly necessary in 2014, allowing consumption to be cut in half (annual reduction of 70,000 m^3).

These efforts have allowed a reduction in abstraction of water resources, emissions into the natural environment and thus the risks of accidental pollution.

In 2014, the Indret establishment carried out studies on redesigning its pumping installations. Apart from protecting the functions, the aim is to be able to adapt delivery precisely to needs according to the activities carried out, thanks to the installation of a variable delivery system. The plant will be gradually modified over the next three years.

Where water is not pumped from a river, it is drawn from the mains water system. In this case consumption control is based primarily on checking for leaks at regular intervals. At Indret, the work done in 2014 thus allowed a reduction in consumption of 25%, meaning a return to figures comparable with those of the best years.

Consumption of raw materials and measures taken to improve efficiency of use

DCNS has been involved in the deployment of the "circular economy" in the naval sector through the implementation of eco-design, for approximately ten years now. The circular economy aims to move from an approach of impact reduction to a model of overall value creation, based on natural ecosystems and minimising depletion of resources. These themes are regularly approached in partnership with the interested parties, in particular with GICAN (*Groupement des industries de construction et activités navales* [naval activities and construction industries group]) and with the French Navy. In 2014, DCNS also organised a one-day seminar with the Navy (on June 5 in Toulon) dedicated to the theme of eco-design in the naval sector.

Today each new programme (surface ship and submarine) systematically undergoes an environmental analysis across its entire life cycle, from design to breaking up, including operation and maintenance. DCNS also designs in a reduction of the environmental impact and energy consumptions, at the level of both the propulsion and the platform. On this basis there are two possible levels of requirements, the standard level which corresponds to simple compliance with the international regulations (MARPOL in particular) and the voluntary level which aims to improve the environmental impacts of a number of systems. In 2014, two thirds of the programmes were studied on a voluntary basis.

In terms of research and development, DCNS has decided upon three main focal areas for the next three years: achieving energy efficiency, treatment of emissions and waste and innovative and "eco-friendly" technologies.

After several decades in operation, ships are broken up at shipyards generally located outside of Europe. In order to prepare for this phase in the best possible way and allow greater recycling of materials, DCNS has been preparing from the construction phase onwards, systematically and over a number of years, an inventory of the hazardous substances present in on-board equipment. This inventory is then maintained throughout the life of the ship, in accordance with the Hong Kong convention and the recent European Ship Recycling and Amending Regulation of November 20, 2013. These provisions allow the appropriate measures to be taken at the time when ships are broken up, firstly to protect the workers at the shipyards and their working environment, but also to allow waste to be steered to the appropriate channels.

Apart from these provisions taken at the programme level, DCNS also conducts initiatives at its sites to reduce material consumption. Recent measures include moving to electronic administrative documents to reduce the volume of paper used. Annual assessments are no longer printed, and nor are the files of new starters. Furthermore, each employee is now invited to opt for an electronic payslip using an electronic safe. These subjects, like those relating to means of communication (videoconferences, etc.), are dealt with by a dedicated working group known as the Green IT WG.

Energy consumption, measures taken to improve energy efficiency and use of renewable energies

In 2014, the Group introduced an energy management system in accordance with ISO 50001 standard. Without necessarily seeking certification, the extension of the QSE management system to energy matters should allow this subject to be dealt with methodically, based on a sustainable organisation. DCNS is therefore taking steps to reduce its consumptions of gas and electricity by targeting the main consumer activities and sharing good practices.

The major area of consumption at industrial premises is generally provision of compressed air. As a result this activity receives special attention.

At Lorient, the action plan initiated at the end of 2013 was continued in 2014, in particular the reduction in pressures during non-working hours. In one year the electricity consumption of the compressed air station fell by 24%, resulting in an overall saving of 5% in consumption at site level.

For its part, DCNS Brest has been working on optimising use in the workshops of the "La Pointe" sector and of Bassin 8. Meters have also been installed and the central control (GTC) has been adapted so that it can control all motorised valves in this sector.

Immediately a new building project is planned, use of resources is taken into account. The same applies to the buildings currently under construction within the sea technology park at Ollioules, which are destined to replace those at Mourillon from 2016 onwards. Built according to high environmental quality (HQE) standards, the installations are designed from the outset to reduce water consumption by more than 50% (using raw water from the *Canal de Provence*), promote sorting of waste and its recycling, centrally control certain equipment, monitor their consumption and improve bioclimatic performance (planted roofs, green spaces, heat pumps, rainwater recovery, etc.).

IV.3.3. Climate change

Greenhouse gas emissions

In 2014 DCNS revisited its performance on greenhouse gas based on figures from 2013, the first assessment dating from 2010 based on the 2009 tax year.

An analysis of the results shows a significant reduction in emissions at Group level (–54%) due in no small part to a change in electricity supplier, with DCNS now choosing EDF, whose energy mix is very favourable.

This highly positive result must not however overshadow the other activities that have been conducted within the Group since 2009, including industrial process optimisation, replacement of older installations by more modern technologies, installation of centralised control and clever energy management, rationalisation of use and changes in behaviours.

Today electricity consumption represents no more than 11% of Group emissions, and has thus fallen from being the top to the 4th highest contributor. The top three spots are occupied by business travel (29%), home-work travel (28%) and gas consumption (27%).

In order to continue the reduction in its greenhouse gas emissions over the next three years, the Group will be taking major action as follows:

• business travel: reducing air travel, deploying and encouraging the use of means of communication (instant messaging, screen sharing, audioconferences, point-to-point videoconferencing, etc.);

• home-work travel: extension of the business travel plans (*plan de déplacement entreprise* or PDE) to all Group sites and development of those already in place;

• energy consumption: implementation of an energy management system in accordance with ISO 50001, performance of an energy audit at each site, setting of three-year consumption reduction targets.

As regards home-work travel, a number of initiatives have already been launched, generally within the context of a PDE. The purpose of these plans is to control car journeys and perform a rebalancing of the use of various modes of transport. Action taken includes the following:

• the introduction of car pooling sites at Indret, Mourillon, Saint-Tropez and Lorient ;

• encouraging the use of bicycles: at Lorient with the provision of cycles in partnership with *"Vélo an Oriant"*, which manages the self-service bicycles, and at Mourillon through a partnership with the *"Toulon à Vélo"* association benefitting from the facilities and advice at the *"Pharmacycles"* self-repair workshop in the town centre;

• use of electric vehicles: apart from the widespread use of utility vehicles, in 2014 the Paris site acquired two Renault ZOE vehicles, like the Indret and Mourillon sites, which each have a Renault Kangoo electric vehicle;

• training in eco-driving: in partnership with the French Navy, 73 people were trained in Brest in 2014.

At Mourillon, the review of operations showed that since 2012 private car use has fallen by 7% with a switch to car pooling (+3%), cycling (+2.3%) and public transport (+1.5%).

IV.3.4. Protecting biodiversity

Measures taken to preserve or develop biodiversity

Preserving biodiversity is a major challenge in the marine environment of a number of sites and this subject can only be dealt with in close collaboration with all interested parties.

At Lorient, the harbour has to be dredged at regular intervals in order to keep the various areas operational. The dredging sediments are systematically analysed prior to each operation and then submerged at dedicated sites which are subsequently monitored (qualitative monitoring of the contaminants in the soil and the organisms, visual monitoring of the submarine benthic and plant communities).

Furthermore, DCNS Lorient is party to the current discussions on the integrated management of costal zones (GIZC). Conducted by the area of Lorient with the support of the region of Brittany, this is a measure aimed at establishing the potential for development and enhancement of the maritime area on the basis of a better understanding of the resources, activities and uses.

DCNS encourages its sites to promote biodiversity through local initiatives. In this way, during the Sustainable Development Week, DCNS Brest teamed up with the French Navy, Brest Métropole Océane, the Pôle France Voile and the IUT of Morlaix to conduct the "responsible port mission" operation. As a result eight tonnes of waste were collected during cleaning of the beaches and seabed.

Similarly, DCNS Toulon took part in the "clean harbours" operation in partnership with the French Navy and in addition to the cleaning operations in its own areas. DCNS in particular provided the skips and allowed its disposal facilities to be used.

For its part, the Saint-Tropez site created a Mediterranean garden of approximately 500 m^2 in a space that had previously been paved. The planted areas use very little water.

Furthermore, the development of marine renewable energy projects has led to the Group setting up a team dedicated to environmental studies. Studying the living environment and uses allows impact studies to be performed but also to adapt the project as a result. DCNS performed the first studies of this type on the ocean thermal energy project in Martinique, involving specific expert studies (study of the acoustic impact of the future centre on marine mammals, a study of biofouling and the predicted attraction of fish, study of the chemical and biological impact of the upwelling of deep water, etc.).

Currently it is the installation of a pilot floating offshore wind farm off the coast of the island of Groix that is the subject of studies on the physical environment (geophysical and oceanographic measurements, wind measurements, modelling, etc.) and environmental surveys, together with expert reports on the living environment and uses: expert report on birds, marine mammals, bats, the benthos (a species living on the seabed), fish, and fishing, etc. In order to collect all this data, DCNS relies on specialist consultants or bodies and associations. Regular visits to the site allow an initial report on the fauna and flora to be prepared (mainly of the birds, mammals and fish), together with the positioning of hydrophones to detect marine mammals and expert reports on fishing, carried out with the departmental fisheries committee. DCNS has also launched a research and development project on the acoustic and electromagnetic impacts of such a project.

IV.4. SOCIAL[1]

IV.4.1. Employment

Change in the workforce

DCNS ESU workforce as at December 31, 2014 was 14,024, comprising 2,774 women (+23 compared with 2013) and 11,250 men (–108 compared with 2013).

The percentage of female employees rose to 19.8%, slightly above the target set under the professional equality agreement.

The 2014 employment policy focused on maintaining skills in some specialities and replacing outgoing production workers in 15 of the company's core specialities.

Taking on trainees, recruiting young people and promotions were also a priority in 2014. The commitments made during the mandatory annual negotiations and under the generation contract were met.

The 2014 year was primarily focused on human potential development policies, both through the application of new agreements (generation contract) or addenda to existing agreements (GPEC, professional gender equality, disabilities) and through modifying the set-up of the recruitment and temporary staff divisions.

Territorial impact

DCNS is a major player in all of the territories in which it has a presence. It is one of the main private local employers and a leading principal.

Each organisation's management is in contact with all the authorities and stakeholders in the territory.

The organisations' managers are actively involved with the region's economic and social bodies (competitiveness clusters, chambers of commerce and industry – CCI –, *Union des industries et des métiers de la métallurgie* or French union of metallurgy industries and professions – UIMM –, industrial tribunals, professional associations defending economic and social interests).

They also work closely with the local education authorities (*instituts universitaires de technologie* or university institutes of technology – IUT –, engineering schools) and attend organised events in the field of employment or the territory's economy (employment forums, job forums, etc.).

A number of managers and engineers teach higher education courses in law, finance and engineering.

DCNS set up the French Naval Campus and made a significant contribution to the creation of the professional naval construction licence.

Recruitment and mobility

2014 saw the formation of an organisation bringing together recruitment and mobility: a centralised cluster for managers and regional clusters for labourers, employees, technicians and supervisors (OETAM) were set up. Through this organisation within the Human Resources Division, a service agreement designed to help fill posts more efficiently was drawn up between the site bodies and the Corporate Human Resources Division. It now takes fourteen weeks to fill a post – a reduction of two to three weeks. Recruitment 2.0, i.e. the use of social networks to find candidates, has also been introduced. The new SeaRH system incorporates a recruitment and mobility process reviewed and simplified. Sourcing (identifying and assessing candidates) involves the use of vendor-neutral contracts to provide temporary staff according to specified needs.

In total DCNS recruited 930 people in 2014, of whom:

- 503 on permanent contracts;
- 77 on temporary contracts;
- 350 on combined study-and-work apprenticeships and CIFRE.

994 departures were recorded in 2014.

International development

With a view to supporting the development of DCNS' international activities, an International Human Resources Division was set up within the Group. It consists of two teams with two complementary tasks.

The International Human Resource Manager team is responsible for:

- international human resource management for operational staff;
- advising operational staff on the professional and personal monitoring of overseas employees.

The International Mobility team is responsible for:

- providing expertise on all subjects relating to international mobility.

Examples of structuring action undertaken by the International Human Resources Division include:

- The signing of an addendum to the company agreement laying down international mobility conditions.
- The formalisation of the international missionary's diary to support employees during professional missions overseas.
- Harmonised job management incorporating our overseas subsidiaries.
- Consolidated monitoring of our speciality jobs required for our international development.
- Supporting our specialists and experts overseas.

An example of an operational project led by the International Human Resources Division:

- The setting up of an educational facility in Lumut (Malaysia), in collaboration with DCNS Malaysia, enabling expatriate children to follow the French national education programme on site, thus ensuring a smooth return to school in September 2014.

(1) See Guidelines: GRI V4, OECD, ILO, ISO 26000.

An example of a horizontal, structuring project for the Group:

• Leading the international branch of the SeaRH project. The Group's new human resources information system is better suited to changes to the HR role. It is a unique, simple, reliable solution that offers easier access to human resources management, which is also available to our international employees.

Our local contracts and employees at our overseas subsidiaries are also integrated efficiently through the new system. This will ensure consolidated Group reporting in the long term.

With the support of this International HR Division, the International Cluster of the newly created National Shared Services Centre (CSPN) provides our overseas employees with administrative (contracts, affiliation, etc.) and logistical (immigration, moving house, etc.) support.

DCNS is expanding internationally. A 409-strong workforce operates outside of France, 225 of whom are employed on local contracts and 184 are expatriates.

In 2014, expansion mainly took place in Malaysia, Saudi Arabia and Brazil.

Group Management's aim to further integrate local employees into our overseas subsidiaries demonstrates our willingness to represent and respect the countries in which we have a presence.

Furthermore, this diversity helps to establish a working dynamic which improves the collective performance. Working with people of different nationalities or cultural backgrounds is a source of strength for the company and has created genuine value for the Group.

The GPEC (Strategic Workforce Planning) agreement

Addendum no. 2 to the GPEC agreement strengthened jobs and skills policy.

The GPEC agreement signed in 2009 is based on four key principles:

• transparency of the DCNS strategy and its impact on jobs and skills;

• anticipation of changes to core activities with the agreement of operational staff at both central and local levels;

• the need for collective and individual commitment to professional development;

• mobilisation of skills to support the development of DCNS.

Addendum no. 2 signed in 2013 modifies the agreement on the following points:

• anticipation of and support for changes to skills and jobs, based on continual prospective monitoring of jobs and skills shared with trade unions, operational staff and Management (joint job observatory, local GPEC conferences, etc.);

• a careers information and consultation calendar, defining this job monitoring process;

• job and professional development gateway mapping, formalising this prospective overview;

• professional interviews, training and professional mobility to assist with preparations for and provide support in changing jobs.

Organisation of work

Organisation of working time is governed by the company agreement negotiated in 2004. This agreement was subsequently backed up by local agreements on working time at each Group site, depending on certain local specificities.

Non-managers have flexible hours allowing them to start and finish work within specified time ranges. The majority of managers work on the basis of a fixed number of maximum working days per year (210 days excluding the Solidarity Day).

Remuneration and employee benefits

DCNS' compensation and benefits policy aims to:

• encourage and acknowledge individual and collective performance;

• ensure fair pay for everyone;

• guarantee competitive salaries compared with the market.

Staff remuneration under the State labour laws is defined and modified in accordance with its own regulatory framework.

Salary developments are determined during the mandatory annual negotiations.

In 2014, Management announced an overall credit of 2.3% during meetings with trade unions, which concluded with the signing of an agreement.

This has been supplemented since 2006 by the statutory and voluntary profit-sharing agreements, and since 2011 by the profit-sharing premium. In 2014 a gross individual voluntary profit-sharing contribution of 3.84% of employees' salaries was paid.

A collective retirement savings plans (*plan d'épargne retraite collectif* – PERCO) open to all employees was set up in 2013 with the possibility of matching contributions depending on the company's performance criteria. An additional retirement plan (article 83 of the General Tax Code – *Code général des impôts*) is also available to engineers and managers.

Remuneration policy incorporates welfare protection with a mutual benefit organisation which supplements social security contributions relating to the reimbursement of health-related costs and a welfare contract providing insurance against life risks: incapacity, disability, death.

Managers have a fixed salary and a variable portion, 60% of which is based on the achievement of collective targets and 40% on the achievement of individual targets.

The Group also has a shareholder policy. In 2014 an offer to purchase DCNS shares was opened up to the Group's staff under favourable conditions: a reduced share price, deferred payment, matching contributions and the allocation of free shares (after purchased shares have been held for three years). This hugely successful operation was oversubscribed, which means that additional allocation rules had to be put in place to ensure that the shares on offer were distributed equally. In total, more than 8,300 active and retired employees took part in the operation and purchased 56% of the Group's shares. Employees now hold slightly more than 2% of the company's capital.

Remuneration of directors

This point relates to the salaries of the Chairman and Chief Executive Officer and the Board of Directors. The Chairman and Chief Executive Officer is DCNS' sole corporate officer; the other members of the Executive Committee are employees.

The corporate officer's salary is fixed by the State (Ministry of Finance) on the basis of a recommendation made by the Board of Directors' Remuneration and Appointments Committee pursuant to order no. 2014-948 of August 20, 2014 on governance and transactions involving the capital of partially State-owned companies.

Members of the Executive Committee are remunerated through a fixed salary and a variable portion determined as a percentage of the fixed salary.

As for all managers, 60% of the variable portion is based on the achievement of collective targets and 40% on the achievement of individual targets.

The welfare benefits available to the members of the Executive Committee are identical to those provided for under the remuneration and welfare benefits policy of the other members of the Group. They are also offered a company car. In accordance with legal and regulatory requirements, the 10 highest earners' salaries are listed in the management report, the social audit and the Auditors' statement and are used to make a tax declaration in accordance with form 2027 on remuneration and expenses allocated to the best-paid people in the company.

New tools available to DCNS employees

SeaRH is the new human resources management global information system (SIRH). More comprehensive, more effective and better suited to the changes to DCNS Group's human resources role, this tool was gradually rolled out in 2014 with a view to being fully operational in 2015. It eliminates the risks associated with the old SIRH becoming obsolete. It provides teams with more effective, less expensive standard applications.

This tool was implemented through a project organisation entitled SeaRH. This step relies on users' expertise.

From the tool selection phase, the measure was led by all the parties concerned (IT, Human Resources, managers at all sites). All HR procedures were reviewed during workshops attended by all the parties. These sessions served as an opportunity to develop more pragmatic, simpler HR procedures. The aim is to create an SIRH that both managers and employees are able to use.

In that regard, as of January 2015, the SIRH provides managers with a simplified way of managing their teams via a single access portal. It allows them to monitor time management, their team's upcoming or completed training courses, and recruitment management. Employees also have direct access to their HR files through the same single access portal.

As of 2014 the annual assessment interviews (EAA), personal development interviews (EDP), internal and external job offers and preparation of the 2015 training plan have been rolled out.

National Shared Services Centre (CSPN)

The Group's Human Resources Division's setup is being transformed through service agreements and new services on offer to staff.

The Shared Services Centre has been nationalised (and is now a CSPN). Based in Toulon, it brings together the people and tools responsible for the administrative management of DCNS' staff. The CSPN is responsible for the administrative management of DCNS' employees salaries and time (through the creation and updating of staff files, processing events relating to their development, responding to their requests for assistance and information, etc.), management of public careers (management of "asbestos" departures, pensions, preparation of progress and reform committees for State representatives from the Ministry of Defence), management of logistical matters relating to expatriation (moving house, immigration, housing, etc.), management of information systems (SIRH) and reporting for Human Resources.

The bringing together of the Staff Administrative Management activities provides staff with a single system that manages every aspect of their files (administrative management, pay, time, etc.) and understands their particular requirements. What is more, this unification improves service continuity, for example during the summer months or unexpected absences.

Furthermore, the HR service space, which can be accessed through the SeaRH portal, is a tool which enables employees to submit requests online directly to the CSPN and track their responses more effectively.

Lastly, the Human Resources Division has introduced a new service under the Group's corporate social responsibility policy: an electronic safe for a paperless payslip.

DCNS is now offering public sector employees the opportunity to receive their electronic payslips in a personalised electronic safe, which is also available to all seconded staff. This service is provided by an external supplier.

IV.4.2. Employer/employee relations

Social dialogue is a key concern for the Group's development. It takes place with staff representative bodies and representative trade unions.

In view of the changes that the Group has undergone, the Central Works Council meets around 10 times per year in order to gather information and give its opinion on all kinds of economic, social and organisational matters which fall under its area of responsibility.

Health and safety and working conditions issues are assessed by a national health and safety and working conditions committee (comité hygiène, sécurité et conditions de travail national – CHSCT N) – a body specific to DCNS, set up with the company's agreement in 2004, which brings together representatives from organisations' CHSCTs.

The 2004 company agreement is the foundation stone of social dialogue. In 2014 title VI on travel and mobility was renegotiated, making it possible to review the ways in which relocation costs are reimbursed to improve long-term missions. This addendum has also defined the expatriation conditions, and the rules governing collective local transfers and collective long-term relocation (site). Two other subjects are currently under discussion: the rules and methods for staff representatives and trade unions (titles I and II of the 2004 agreement) and the professional development rules (title III of the 2004 agreement).

The disability agreement was renewed for four years (2014 to 2017).

Addenda were also concluded in 2014 on the statutory profit-sharing agreement, the group savings plan (plan d'épargne groupe – PEG), and the collective retirement savings plan (PERCO).

Solidarity leave

DCNS and the Central Works Council are offering employees the opportunity to take "solidarity leave" to carry out humanitarian missions with Planète Urgence. The partnership between DCNS, the Central Works Council and Planète Urgence is consistent with the Group's responsible development commitments. Taking part in solidarity leave is a way for DCNS to reaffirm its social and civic role.

DCNS and the Central Works Council chose Planète Urgence, an experienced association which has already sent more than 6,500 company employees out on missions while managing over 350 projects around the world.

The missions on offer fall into three fields:

- improving adults' skills;
- providing socio-educational support and assistance for children and teenagers;
- protecting and improving the environment.

The missions are intended to support and facilitate local populations' economic and social development.

DCNS and the Central Works Council accepted 8 of the 20 applications submitted by employees in 2014.

IV.4.3. Occupational Health and Safety

The OH&S policy has now been incorporated into a more global quality, safety and environment (QSE) and energy policy signed by Hervé Guillou on November 24, 2014. This policy puts into perspective and is consistent with the ambitions and requirements of the Group in terms of meeting its clients' needs and expectations, developing the culture of identification and control of risks, and ensuring regulatory compliance.

2014 saw the renewal of certification in the three fields of quality, safety and environment under a global QSE management system.

A few decent results, but not enough

With a 9% reduction in the number of lost-time accidents at work compared with 2013, the vast improvement between 2012 and 2013 was not built on across all sites in 2014.

The severity of accidents again remained low in the year but increased slightly to 0.138, compared with 0.123 in 2013.

There are three causes for 80% of the accidents:

- manual operations;
- movements on foot;
- a sharp increase in illnesses to 20% compared with 7% in 2013.

A collaborative approach to improvement

DCNS has an ongoing commitment to improve OH&S at its suppliers. Contractual requirements on accident reporting and the ways in which data gathered are used are now taken into account when assessing suppliers present at Group sites.

Control of the main risks

In addition to activities for preventing the main risks, strong and symbolic actions to shut down production and mobilise teams were taken on two occasions in 2013 (in February and July) across all DCNS industrial sites. The purpose of these was to raise collective awareness as a result of two particularly serious events that occurred on two DCNS sites. All handling operations were stopped and teams mobilised to look at the corresponding risks, check all lifting gear and draw up an action plan for handling which was presented to the General Management Committee.

Strong management involvement and a change in behaviours

The involvement of line management and changing behaviours are central to the OH&S effort. The main levers put in place are:

• control loop and cascading of OH&S actions via dashboards;

• involvement in the process of analysis of accidents and incidents by talking to the operative on the ground;

• encouraging staff to commit to risk prevention and involvement in managerial safety inspections.

Cascade control loops, including managerial safety inspections and OH&S actions, have been put in place. These aim to ensure that each entity (division/department) within each site identifies and controls the activities in its sector. The quality and content of meetings have improved month by month. In 2013, a special effort was made to anchor the approach in managerial practice at all levels of the organisation. To this end, the involvement of managers in the process of analysis of accidents has been extended. Analyses are now presented at the management committee (CODIR) level of sites and are the subject of conference calls with Group HSE (health, safety and environment) management. This system allows for a significant improvement in the quality and depth of the analyses and in the relevance of the action decided upon. It is also currently being rolled out for the processing of incidents that could have been potentially serious.

In 2013, approximately 4,800 managerial safety inspections were carried out, or just over 400 per month. The aim of these was to assess the occupational health and safety effort, through the manager closest to the ground, by developing risk awareness and adopting safe practices.

Finally, all these activities were backed by joint and coordinated communication initiatives across sites. The major themes of communication initiated through consistent poster campaigns across the Group centred on “sudden conditions” and “leave nothing to chance”.

Staff commitment

The main levers put in place are cascade control loops. In place since 2013, they are used to ensure that each entity (division/department) within each site identifies and controls the activities in its sector.

In 2014, approximately 5,900 managerial safety inspections were carried out, or just over 580 per month. The aim of these was to assess, through the manager, the occupational health and safety effort on the ground, by developing risk awareness and adopting safe practices. With the incorporation of an environmental aspect, these managerial safety inspections have now become managerial safety and environment inspections.

All OH&S initiatives have been backed by joint training, communication and awareness-raising activities.

In 2013, the Group redesigned its OH&S training offering to focus it on improving OH&S culture, thereby allowing improved targeting of all levels of DCNS management and staff. In 2014, training efforts were maintained through a complete redefinition of training on handling activities (from drafting the operating procedure to handling complex parts).

Communication continues to be used as a tool in supporting change, with the deployment of a number of campaigns across all DCNS sites (e.g. “If you respect the rules, you’ll prevent risks”), some of which are fully integrated quality, safety and environment campaigns with themes such as:

• “2014: leave nothing to chance”;

• “Now I’m back from holiday, I’m a pro”.

As has been the case each year since 2011, the Group put OH&S into the spotlight by holding an OH&S week in February at each DCNS site with a view to mobilising all staff around this strategic theme.

The connecting theme at each site was “My risks, my prevention”.

A new range of work attire, individual protection equipment, was also rolled out across all DCNS sites. This new attire will provide all production site employees with the following:

• better protection during use in keeping with the new regulations on the textile manufacture of work attire;

• consistency in the visual reading of different jobs;

• a broader range of sizes, giving the Group a more modern image.

Quality of life and hardships at work

An action plan on enhancing the quality of working life and the prevention of psychosocial risks at DCNS Group was launched in 2014.

Its preamble states as follows:

“Quality of working life primarily relates to work, working conditions and whether or not they provide scope for ‘doing good work’ in a positive atmosphere within the organisation. A company’s performance depends both on constructive group relationships and on whether employees are genuinely cared for as people. The issue of work is an integral part of the company’s strategic objectives and should be taken into account in its day-to-day operations, in particular for the purposes of forecasting the consequences of economic changes.

DCNS is fully committed to this approach, which makes it possible to combine improvements to working conditions with the company’s global performance.

DCNS is seeking to enhance the quality of all aspects of life in the workplace: quality of commitment at all levels of the company, quality of information shared, social and working relationships, quality of content and performance of work, possibilities for personal development, possibilities for reconciling a professional life with a personal life.

This approach fully incorporates psychosocial risk prevention. It is even a decisive factor in the primary prevention of these risks."

This plan envisages setting up a quality of life observatory in the workplace at Group level, primary and secondary prevention observatories at local level, and tertiary prevention cells.

The plan also envisages the performance of a specific annual evaluation of the psychosocial risks at each site on the basis of reference systems that are recognised in this field, taking account of psychosocial risks in organisational change projects, and recognising the key role of line managers in achieving the company's objectives.

A local and national appraisal will be carried out after this setup has been in operation for one year in order to make the necessary adjustments, depending on the information that emerges.

Lastly, the HSE setup was redefined in accordance with the national CHSCT with a view to improving dialogue on OH&S good practice with DCNS' international industrial partners in the Group's ongoing programmes (in India, Malaysia, Brazil, etc.). The aim is to ensure that international OH&S regulations are being properly complied with. This organisational measure will take the form of a year-long test. A working group consisting of international Human Resources staff, lawyers and HSE representatives from the production sites concerned has been put in place to advise the subsidiaries and production sites involved in export activities.

A project with the aim of setting up a new information system for all the Group's occupational health and safety operatives has also been launched.

The rolling out of this tool in the course of 2015 should make it possible:

- to share information between sites and sector departments;
- to harmonise HSE processes;
- to better identify OH&S risks for the Group;
- to create a single file for employees to monitor OH&S and meet the legal requirement on hardships by January 1, 2015;
- to optimise the processes of consolidating OH&S information from the various sites (reporting).

IV.4.4. Training and education(1)

Continuous training accounted for around 400,000 hours of training provided to 11,340 people in 2014, at a cost of approximately €30 million.

Five focus areas have been defined and validated by Management after consulting the organisations' works councils and the Central Works Council:

- training on new skills;
- training on essential skills;
- training on management, quality, safety and environment;
- training on professional development;
- training on information systems.

These focus areas will be adopted by the operational and functional bodies using a budget allocated for that purpose.

The development of DCNS Universeaty® is designed to establish it as an internal provider for implementing the training plan. It will also professionalise internal trainers, reinternalise "core job" training and develop e-learning.

Under the DCNS quality excellence plan, internal training modules on essential skills have been implemented (mechanics, boilers, hulls, machining and electricity) with the aim of ensuring effective knowledge transfer in connection with these essential techniques.

Training also has a bearing on internal promotion paths. They are arranged such as to provide staff with three possibilities: a qualifying path, a certification path and an experience recognition path. 97 people were promoted through one of these paths in 2014.

Combined study-and-work apprenticeships are a way of maintaining the company's key skills by training up young people who will then join the company on a permanent contract. It is also an act of social responsibility that the company has laid down in several collective agreements. The company's needs are defined on an annual basis. In 2014, combined study-and-work apprenticeships staff accounted for more than 4% of the total workforce.

School links

In 2014, we aimed to: improve our visibility with students by adapting our approach to match our recruitment needs, in particular by developing recruitment 2.0; strengthen our ties with all of our target schools and the naval industry; to increase members' involvement in internal networks (campus managers, recruitment, work placements/combined study-and-work apprenticeships) and create an OETAM postgraduate level school link network.

In the 2013-2014 academic year the Group held almost 60 events at *grandes écoles* and universities and attended 16 national forums.

(1) See Guidelines: SNTE priorities: p. 21 and 27.

Skills Workshop and French Naval Campus

Since 2012 DCNS has taken the initiative to bring together major industrial players from the naval industry at the GICAN Skills Workshop and its Oceans 21 programme with the aim of bolstering SMEs in order to implement a GPEC and a communication strategy at industry level.

At the end of 2013 the Skills Workshop called on the French Ministry of Education to set up two professional baccalauréat courses (mechatronics, naval structures and materials), update the advanced vocational training certificate course in naval construction and adapt the soldering training programme. A number of its members are involved in adapting the framework of the advanced vocational training certificate course in naval construction in collaboration with the Ministry of Education and have called for the professional aptitude certificate in industrial boilerwork to be turned into a professional aptitude certificate in soldering to create a postgraduate qualification for the soldering professions.

Under the aegis of GICAN, DCNS has also established the French Naval Campus with a view to developing, together with the main training bodies in the naval professions, an offering better suited to companies' needs. On June 17 its members and those of the Skills Workshop came together at the Jules-Verne technological research institute in Nantes to work on training mapping, in particular in the soldering profession.

DCNS has joined forces with STX and Piriou to launch the naval construction industrial professions professional licence at the Lorient IUT, with encouraging results: 90% of graduates from the first study cycle have found a job in the industry and 15 young people are set to begin the third cycle, where they will receive confirmation of their combined study-and-work apprenticeship for 2014-2015.

The Oceans 21 project

DCNS is a major stakeholder in the Oceans 21 "project", headed up by GICAN, which aims to support SMEs and middle-market companies in the naval industry by improving their competitiveness.

The sectoral contract signed between the State and the naval and maritime industries funded by future investments concerns 1,000 companies on four themes:

• extending the lifespan of and strengthening naval industrial material;

• developing SMEs and middle-market companies in France and overseas;

• transferring and developing key skills;

• enhancing competitiveness and innovation.

The main action carried out on the theme of transferring and developing key skills encourages the recipient companies to take the following steps:

• perform a "key resources" appraisal and hold a training course on GPEC, transferring knowledge and recruiting key skills;

• benefit from continuous specific training in the naval sector which meets the needs identified, in particular in the OH&S and quality fields;

• help to promote the professions and prospects for the industry through targeted joint communication action;

• help to structure the initial training in terms of career progression by emphasising the diplomas and qualifications most suited to their needs.

IV.4.5. Diversity and equal opportunities

GPEC

Addendum no. 2 to the GPEC agreement strengthened jobs and skills policy.

The GPEC agreement signed in 2009 is based on four key principles:

• transparency of the DCNS strategy and its impact on jobs and skills;

• anticipation of changes to core activities with the agreement of operational staff at both central and local levels;

• the need for collective and individual commitment to professional development;

• mobilisation of skills to support the development of DCNS.

Anticipating and supporting skills development and changing jobs

It touches on:

• continual prospective monitoring of jobs and skills shared with trade unions, operational staff and Management (joint job observatory, local GPEC conferences, etc.);

• a careers information and consultation calendar, defining this job monitoring process;

• job and professional development gateway mapping, formalising this prospective overview;

• professional interviews, training and professional mobility to assist with preparations for and provide support in changing jobs.

Commitments to young people

• Admit an annual percentage of young people onto combined study-and-work apprenticeships: more than 4% of the workforce in 2014 with a target of 5% in 2015.

• The 2014 target of recruiting at least 12% of outgoing or former combined study-and-work apprentices onto temporary contracts was achieved. Commitment renewed in 2015.

Commitments to older people

• Make the most of older employees' experience by asking them to conduct more tutorials, internal training and advisory tasks.

• Arrange a pre-retirement interview at least one year prior to employees' planned retirement date in order to review their professional situation.

• Allow employees to amend their working hours at the end of their career and choose when they work in order to reduce their working time to 80% or 50% in the final months leading up to retirement. This option is now available to staff who are already working part time.

Commitments to everyone

A professional guidance appraisal (DOP) is available to all employees who wish to discuss their career trajectories and launch a project. This appraisal is held with an internal advisor.

Support is provided in the form of training for all employees who are changing jobs.

Access to professional asset validation (VAP) is made possible under the same conditions as experience asset validation (VAE).

The methods of implementing the individual training entitlement (DIF) outside working hours are now specified for managers employed on the basis of a fixed number of maximum working days per year. This point will be reviewed in 2015 with the introduction of the staff training account.

Local GPEC conferences organised each year define the foreseeable developments in job trends. These changes form the basis of the construction of the mapping.

The Group and local skill orientation plans (POC) present the qualitative and collective skills adaptation actions (training, knowledge transfer, school links, combined study-and-work apprenticeships, etc.).

In 2014, the DCNS skills standards relating to the Group's 236 jobs were thoroughly updated: 247 general skills, including 86 critical parent skills were reviewed out of a total of 410 parent and child skills, including 199 critical skills.

Talent management

Since 2012, DCNS has organised annual specific development sessions for employees identified as having strong potential for development. These steps of preparing for the future have entailed providing 46 people with individual supervision, consisting of situational assessments, coaching and mentoring with a view to their ultimately taking on new responsibilities in the company. The programme fulfils the company's requirement of seeking out high-potential employees and engaging them in challenges in line with this potential.

Generation contract

The first full year of the generation contract agreement signed in September 2013 has come to an end and the objectives for recruitment and keeping staff in employment have been met. The recruitment rate is 42.2% for under-30s and 21.7% for under-26s. For over-50s, the recruitment rate is 3.6% and the rate of keeping staff in employment is 25.5%. This data includes more than 50 young people recruited on permanent contracts at the end of their combined study-and-work apprenticeship contract. Action in support of young people experiencing hardships has also been undertaken, and around 50 have benefited from this policy. DCNS' promotional campaign at schools and universities has resulted in 90 events being held. Concerted efforts to welcome and integrate newly hired staff and to foster intergenerational cooperation have been supplemented by the registration of voluntary liaisons, a document defining their role, the accreditation of 103 senior tutors and the setting up of pairing schemes for jobs which require a long apprenticeship in a work environment.

The Group's fully reviewed procedure for welcoming and integrating newly hired staff has finally been put in place.

Professional gender equality

The results of the three-year agreement signed in 2012 are positive and the targets it contained have been met: the percentage of women in the company rose to 19.8% in 2014. There has also been an increase in the percentage of female managers at position III of the collective metallurgy agreement (15.27% on December 31, 2013). Specific measures have also been taken to improve gender pay equality by level.

In addition to these quantitative results, a series of steps have been carried out since 2012 on the involvement of Group Management, awareness-raising for managers and HR, the appointment of women to positions of responsibility – if necessary, with supervision when they first take up the post, the consideration of at least one female candidate for positions of power, encouraging women to go for so-called "male" or international jobs, work in schools to present jobs and DCNS' membership of *Elles bougent* (a voluntary association aiming to encourage young women to start careers in transport engineering). A campaign for the feminisation of job titles has also been carried out.

The new agreement (2015-2018) envisages a continuation of the efforts to employ more women in the company as a whole and in positions of responsibility (posts at position III of the collective metallurgy agreement), while maintaining the proportion of 25% on combined study-and-work apprenticeships. The agreement envisages further action in the field of training, equal pay and professional development with improved financial assistance for childcare (Cheques for Universal Employment Services – CESU – for childcare and during training), and supervision and help in preparing to return from maternity leave. Lastly, it envisages DCNS taking part in local activities with a view to encouraging people to change careers and start industrial jobs.

Disabilities

In May 2014, DCNS signed a second four-year agreement in support of the integration of people with disabilities.

This agreement, which is a continuation of the first, reiterates DCNS' intention to:

• match or even surpass the proportion of the workforce as a whole which is made up of people with disabilities (6%);

• help, through combined study-and-work roles (either apprenticeship or professionalisation contracts), young people with disabilities or people who are changing careers to gain a qualification and assist them in their search for employment;

• take on school-age or professional trainees;

• combat discrimination against people with disabilities gaining access to jobs.

Under the first agreement (2010-2013), DCNS recruited 111 people with disabilities and took on 68 people on combined study-and-work apprenticeships and 88 trainees. This recruitment was made possible by the Filières du Talent social and civic programme, of which one of the major goals for 2012 was to employ people with disabilities at DCNS.

334 operations to sustain people's jobs were carried out in the areas of establishing flexible working arrangements, purchasing prostheses (mainly hearing aids but also mobility aids) and purchasing and fitting out vehicles. The publication of awareness-raising campaigns in newspapers and via the Internet and the organisation of a special day devoted to disabilities across all sites have helped to change perceptions of the issue of disabilities, which is longer the sole responsibility of the disabilities department but is also taken into consideration by HR managers, recruiters and managers.

The rate of employment has risen from 3.59% at the start of 2010 to 5.39% at the end of 2013. Purchases from the protected worker sector have made it possible to significantly increase the indirect employment rate, from 0.27% at the start of 2010 to 0.86% at the end of 2013.

For the period 2014-2017 the new agreement envisages a plan to hire 90 people, 70% on permanent contracts, 20 temporary staff, 90 trainees and 60 combined study-and-work apprentices. In order to achieve this, DCNS will continue to take part in numerous forums and develop its partnerships with bodies specialising in disabilities at national and regional level (Tremplin, Handisup Bretagne, Cap emploi, etc.), and in collaboration with Thales, Capgemini and the Millau centre for professional rehabilitation develop its partnership with the Centre of Excellence, which has already enabled five engineering graduates to continue their studies to obtain a postgraduate qualification in IT. DCNS is also continuing to provide special training for the tutors of people with disabilities on combined study-and-work apprenticeships and traineeships. The agreement also contains a provision on the continuation of the job protection plan and establishes a new target for purchases from the protected worker sector: €4 million per year.

The year-end results at December 31, 2014 show the recruitment of 11 staff members (8 on permanent contracts, 3 on temporary contracts), 13 combined study-and-work apprentices and 17 trainees.

IV.4.6. Human rights(1)

A human rights charter is currently being finalised at DCNS Group. It will supplement reference tools such as the Code of Ethics and related documents which govern DCNS' responsible commitment. Staff will be given training in this area under a training programme which will be available via e-learning.

It was set up following discussions in a "working group" meeting attended by all the international organisations. The project was submitted and approved by the Ethics Committee and the Corporate Responsibility Committee.

This charter supplements and outlines the Group's commitment to the Global Compact, in particular for supporting its international development in this area. It is consistent with the principles and rules laid down in major international texts, namely the Global Compact, the 2011 John Ruggie report, the OECD Guidelines for Multinational Enterprises (2011), the ILO Declaration on Fundamental Principles and Rights at Work (1998), the Tripartite declaration of principles concerning multinational enterprises and social policy (ILO 2006), Grenelle Law 2 (article 225) and the Decree of 2012. It also complies with the criteria of ISO 26000 and the Vigeo standards of corporate social responsibility.

It specifies and outlines the Group's commitments in the fields of human rights and international working standards, and states how they will be applied by each of the stakeholders.

The charter therefore helps to raise the Group's ambitions in the field of corporate social responsibility as high as possible.

(1) (See Guidelines: Global Compact, OECD, ILO, ISO 26000).

IV.5. SYNTHESIS

DCNS signed up to the United Nations Global Compact in 2014, thus confirming its membership in a global community of companies committed to upholding human rights and working standards, protecting the environment and promoting shared anti-corruption principles.

At the Paris climate conference in December 2015, DCNS will give an account of the progress it has made in protecting the marine environment.

DCNS will provide information on the actions it is taking in line with the 2015-2020 national strategy for a ecological transition towards sustainable development, approved by the Council of Ministers on 4 February 2015.

1. Ethics and compliance, export control

• Structuring the Compliance role

– Creation in 2012 and setting up of a network of Compliance Officers in 2014. Appointment of a new Chief Compliance Officer at the start of 2015 (Gwenaël Ropars).

– Guidance and supervision provided by the Ethics Committee and the Corporate Responsibility Committee in connection with an action plan and tracking the progress and monitoring the upholding of our commitments.

• Supporting the **Arms Trade Treaty**

– DCNS' commitment as a active member of the consortium led by the Ministry of Foreign Affairs and International Development. The Group has adopted industry leader role on issues relating to negotiations and voting on the Treaty. The Decree on the Arms Trade Treaty was published in France on December 21, 2014.

• DCNS was awarded "Full" **approved economic operator** (AEO) certification[1] in 2014 by the Customs authorities, in recognition of its development in the security of both import and export exchange.

• An **internal guide on export control** was rolled out to ensure the security of the Group's international development.

2. Suppliers

• DCNS, **a major industrial player** in employment bases

– In 2014 it continued to implement the DCNS **SME plan** launched in 2013, working towards safeguarding the economic and financial stability of the major SMEs and middle-market companies on its panel.

– It was awarded "Responsible supplier relations" status by the Intercompany Mediation Service, in particular for its commitment to the SME pact, its good practice charter, the signing of the charter for innovative SMES (the DCNS SME plan), the signing of the SME Defence pact and its contribution to the Oceans 21 project as a major structuring player in the naval industry.

– It is continuing to roll out until 2015 the **supplier code of conduct** with the suppliers' panel, in accordance with the requirements and recommendations laid down in the Global Compact and standard ISO 26000. In that connection, the CSR supplier performance audits launched in 2013 will be maintained and developed in 2015.

3. Environment

• Rolling out a **coherent QSE policy** to improve industrial performance

– In 2014, AFNOR renewed the single quality, safety and environment (QSE) certificate for standards ISO 9001, 14001, OHSAS 18001 and awarded a specific certificate for standard AQAP 2110.

– No environmental incidents occurred during the Group's industrial activities in 2014.

• **Reducing the environmental impact of activities**

– An energy management system was rolled out in accordance with standard ISO 50001 to improve energy efficiency and reduce greenhouse gases.

– Optimal waste processing results were achieved in sorting (>90%) and recycling (>70%).

• Launch of the **"circular economy"** in the naval industry

– Eco-design was implemented, involving R&D investment in three key areas: improving energy efficiency, processing emissions and waste, and innovative and eco-friendly technologies.

A systematic environmental analysis was carried out on the entire life cycle of the new programmes.

4. Social

• **Occupational health and safety:** DCNS maintained its commitment to developing a culture for identifying and controlling risks. In 2014 the rate of serious accidents remained low at 0.16.

• **Diversity:** DCNS confirms that it met its commitments under the generation contract that it signed.

• **Disabilities:** in May 2014 a second unanimous four-year agreement in favour of integrating people with disabilities was signed with a view to putting into action the Group's commitment of employing people with disabilities. In 2014 the rate was 5.4%.

(1) See "Full" AEO: customs simplifications and safety and security.

• **Training**

– Training in the naval sectors has been revitalised through the setting up of the **French Naval Campus.** Under the aegis of GICAN and in collaboration with the main training bodies in the naval professions, the Campus has constructed an offering better suited to companies' needs. In that regard, DCNS joined forces with STX and Piriou to launch the naval construction industrial professions professional licence at the Lorient IUT and has been working with the Ministry of Education to set up two professional baccalauréat courses and review the advanced vocational training certificate courses in naval construction.

– The development of **DCNS Universeaty®** as an internal service provider has been continued and "core job" training has been reinternalised.

• **Human rights:** an e-learning training programme has been set up.

V. INDEPENDENT VERIFIER'S REPORT ON SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE FINANCIAL REPORT

Year ended December 31, 2014

To the shareholders,

In our capacity as an independent verifier accredited by the COFRAC[1], under the number 3-1050, and as a member of the network of one of the Statutory Auditors of the company DCNS, we present our report on the consolidated social, environmental and societal information established for the year ended December 31, 2014 presented in the "Corporate social responsibility report" annexed to the management report, hereafter referred to as the "CSR Information", pursuant to the provisions of article L. 225-102-1 of the French Commercial Code.

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR information referred to in article R. 225-105-1 of the French Commercial Code, in accordance with the criteria used by the company, comprising instructions and HR and environmental reporting procedures in their 2014 versions (hereafter referred to as the "Criteria"), available on request at the company's headquarters.

It is the responsibility of the Group's Operational Excellence Department and Human Resources Department to compile the data according to the Criteria, to update these Criteria and to ensure they are made available for consultation at the company's headquarters.

Independence and quality control

It is the responsibility of the Group's Operational Excellence Department and Human Resources Department to compile the data according to the Criteria, to update these Criteria and to ensure they are made available for consultation at the company's headquarters. Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in article 822-11 of the French Commercial Code. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

• to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (attestation of presence of CSR Information);

• to express, at the request of the company, a limited assurance conclusion, that the information selected by the company and identified by a "√" mark in the "Other information" section of chapter III. "Corporate social responsibility" of the management report is fairly presented, in all material aspects, in accordance with the Criteria.

Our work was conducted by a team of three persons over a period of approximately five weeks between November 2014 and February 2015.

(1) Comité français d'accréditation. Scope of accreditation available on www.cofrac.fr.

We conducted the work described below in accordance with the professional standards applicable in France and the order of May 13, 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the limited assurance report, in accordance with the international standard ISAE 3000(2).

1. ATTESTATION OF PRESENCE OF CSR INFORMATION

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

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

In the absence of certain information, we have verified that the explanations were provided in accordance with the provisions of article R. 225-105, paragraph 3, of the French Commercial Code.

Based on this work, we confirm the presence in the management report of the required CSR information.

2. LIMITED ASSURANCE REPORT ON SELECTED CSR INFORMATION

With regard to the information selected by the company and identified by a "√" mark in the "Corporate social responsibility report" annexed to the management report, we undertook eight interviews with the people responsible for the preparation of the CSR Information from the Environment, Human Resources, Purchasing, Renewable Marine Energies and Occupational Health and Safety Departments, in charge of the data collection process and, when applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of a process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

Based on a representative sample of sites which we selected(3) as a function of their operations, their contribution to the indicators, their location and a risk analysis, we conducted interviews to verify correct application of the procedures and performed detailed sample-based tests that involved checking the calculations performed and reconciliation of data with the supporting documents.

The sample selected in this way represents between 3% (water consumption) and 65% (production of hazardous waste) of the data for the environmental indicators and 43% of the data for the social indicators.

We consider that the sampling methods and sizes of the samples that we considered by exercising our professional judgement allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the information selected by the company and identified by a "√" mark in the "Corporate social responsibility report" annexed to the management report has not been fairly presented, in all material aspects in compliance with the Criteria.

Observations

Without qualifying our conclusion above, we draw your attention to the following points:

- inefficient use of the reporting calendar means that internal control procedures are not properly implemented.

Paris-la Défense, February 25, 2015

Independent Verifier
ERNST & YOUNG et Associés

Éric Duvaud
Partner, Sustainable Development

Bruno Perrin
Partner

(2) ISAE 3000: Assurance engagements other than audits or reviews of historical information.

(3) Cherbourg, Brest and Ruelle.

VI. DRAFT RESOLUTIONS PRESENTED TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF MAY 6, 2015

ORDINARY RESOLUTIONS

First resolution

(Approval of the company and consolidated accounts for the year ended December 31, 2014, and discharge of the members of the Board of Directors and the Statutory Auditors)

The General Meeting of Shareholders, under the conditions required by Ordinary General Meetings as to quorum and majority, having been informed of the management report by the Board of Directors, including as regards the section concerning the Group, the Statutory Auditors' report on the financial statements, the Statutory Auditors' report on the consolidated financial statements, and the further explanations provided verbally, approves in all their parts the management report by the Board, the balance sheet, the income statement and the accounts for the year ended December 31, 2014, and the consolidated balance sheet, income statement and accounts as presented to it by the Board of Directors.

Accordingly, the General Meeting of Shareholders approves the operations reflected in these accounts or summarised in these reports.

Consequently, it releases the Board of Directors and the Statutory Auditors in full and without reservation from their mandates for said year.

Second resolution

(Distribution of earnings for the year ended December 31, 2014)

The General Meeting of Shareholders, under the conditions required by Ordinary General Meetings as to quorum and majority, at the proposal of the Board of Directors, decides to distribute as follows the loss for the year ended December 31, 2014, in the sum of €487,286,480.30:

- €382,090,520.44 to retained earnings, which have thereby fallen from a surplus of €192,146,604.53 to a deficit of €189,943,915.91;
- €105,195,959.86 to other reserves, which have therefore fallen from a surplus of €105,195,952.86 to €0.

The General Meeting of Shareholders also acknowledges, in accordance with the law, that in the past three years the following dividends have been distributed:

Year ended December 31, 2011:

- Dividend: €97,962,000.

Year ended December 31, 2012:

- Dividend: €97,962,000.

Year ended December 31, 2013:

- Dividend: €60,804,000.

Third resolution

(Approval of the regulated agreements addressed by article L. 225-38 of the French Commercial Code)

Having taken cognisance of the special report from the Statutory Auditors on the regulated agreements addressed by article L. 225-38 of the French Commercial Code, the General Meeting of Shareholders under the conditions required by Ordinary General Meetings as to quorum and majority approves the terms of this report, and then successively, and under the conditions of the final paragraph of article L. 225-40 of the French Commercial Code, each of the regulated agreements mentioned and described in said report.

Fourth resolution

(Renewal of appointment of principal Statutory Auditor)

The General Meeting of Shareholders, under the conditions required by Ordinary General Meetings as to quorum and majority, at the proposal of the Board of Directors, renews the appointment of Mazars, Tour Exaltis – 61, rue Henri-Regnault – 92075 Paris-la Défense Cedex as principal Statutory Auditor for a term of six financial years, that is to say until the end of the General Meeting of Shareholders approving the accounts for the year ending December 31, 2020.

Fifth resolution

(Renewal of appointment of an alternate Statutory Auditor)

The General Meeting of Shareholders under the conditions required by Ordinary General Meetings as to quorum and majority, at the proposal of the Board of Directors, renews the appointment of Mr Gilles Rainaut, 60, avenue du Général-Leclerc – 92100 Boulogne-Billancourt, as alternate Statutory Auditor for a term of six financial years, that is to say until the end of the General Meeting of Shareholders approving the accounts for the year ending December 31, 2020.

Sixth resolution

(Ratification of co-optation of a director)

The General Meeting of Shareholders, under the conditions required by Ordinary General Meetings as to quorum and majority, ratifies the appointment, as company director, of Mr Patrice Caine, co-opted by the Board of Directors at its meeting of January 22, 2015, in place of Mr Philippe Logak, having resigned, for the remainder of the outgoing director's term of office, that is until after the Ordinary General Meeting called to approve the accounts for the year ending December 31, 2019.

EXTRAORDINARY RESOLUTIONS

Seventh resolution

(Amendment to article 6.3 of the memorandum and articles of association)

The General Meeting of Shareholders under the conditions required by Ordinary General Meetings as to quorum and majority, at the proposal of the Board of Directors, amends article 6.3 of the memorandum and articles of association, inserting a third paragraph. Article 6.3 of the memorandum and articles of association is therefore amended as follows:

"6.3 Simplified mergers

The Extraordinary General Meeting of September 30, 2009 approved the merger by absorption of Armaris, a *société anonyme* with share capital of €150,000,000, having its registered office at 19-21, rue du Colonel-Pierre-Avia – 75015 Paris, registered in the trade and companies register of Paris under number 424 441 228, of which it held the entire share capital. Consequently, in accordance with the legal provisions applicable to simplified mergers, (i) the assets of Armaris were transferred to the company as they existed at the date of completion of the merger and (ii) the merger operation did not result in any increase in the company's share capital. The assets contributed by Armaris stood at €4,407,159,016, and the liabilities taken on by the company at €4,176,943,634.00, giving a net asset contribution by Armaris of €230,215,382.

The Extraordinary General Meeting of September 30, 2013 approved the merger by absorption of DCN Log, a *société anonyme* with a board of directors and a supervisory board with share capital of €10,050,000, having its registered office at 278, avenue Aristide-Briand – 92220 Bagneux, registered in the trade and companies register of Nanterre under number 392 656 641, of which it held the entire share capital. Consequently, in accordance with the legal provisions applicable to simplified mergers, (i) the assets of DCN Log were transferred to the company as they existed at the date of completion of the merger and (ii) the merger operation did not result in any increase in the company's share capital. The assets contributed by DCN Log stood at €143,268,366, and the liabilities taken on by the company at €113,923,001, giving a net asset contribution by DCN Log of €29,345,365.

The Extraordinary General Meeting of September 30, 2013 approved the merger by absorption of TNF, a *société anonyme* with share capital of €19,240,000, having its registered office at 280, avenue Aristide-Briand – 92220 Bagneux, registered in the trade and companies register of Nanterre under number 399 021 369, of which it held the entire share capital. Consequently, in accordance with the legal provisions applicable to simplified mergers, (i) the assets of TNF were transferred to the company as they existed at the date of completion of the merger and (ii) the merger operation did not result in any increase in the company's share capital. The assets contributed by TNF stood at €473,169,309.83, and the liabilities taken on by the company at €423,287,098.48, giving a net asset contribution by TNF of €49,882,211.35."

Eighth resolution

(Powers to complete formalities)

The General Meeting of Shareholders, under the conditions required by Ordinary General Meetings as to quorum and majority, grants all powers to bearers of a copy or extract of this document to carry out the legal formalities and sign all documents or deeds necessary and resulting from the holding of this General Meeting.

ANNEX 1

List of regulated agreements

The order no. 2014-863 of July 31, 2014 introduced a new article 225-40-1 relating to annual review by the Board of Directors of the regulated agreements authorised previously, the execution of which continued during the last financial year. The company's Board of Directors will carry out the review at its meeting on February 24, 2015.

Regulated agreements signed in 2014 approved by the Board of Directors

None.

Agreements in force during 2014

Regulated agreements signed in 2007 approved by the Board of Directors

Parties to the contract	Subject matter of the contract	Date signed
DCN/Thales	Addendum no. 1 to the agreement to transfer TNF shares and the TNF guarantee agreement *Considered by the meeting of the Board of Directors of March 22, 2007*	March 29, 2007
DCN/Thales	Letter of counter-guarantees issued in favour of Thales in connection with the acquisition of TNF *Considered by the meeting of the Board of Directors of March 22, 2007*	March 29, 2007
DCN/Thales/Armaris	Letter concerning the transfer by Armaris to Thales of the benefit of its rights under DCN letter of October 5, 2005 no. 05000162 OL/NP *Considered by the meeting of the Board of Directors of March 22, 2007*	March 29, 2007
DCNS/Thales	TNF guarantee agreement – General and specific guarantees given by Thales to DCNS in connection with the acquisition of 100% of the capital of Thales Naval SA	January 30, 2007
DCNS/Thales/Thales Naval France	Irrevocable undertaking, without compensation, for Thales to indemnify TNF or DCNS for the damaging consequences resulting from any arbitration or legal proceedings, in progress, or brought against TNF as a result of the conditions for concluding or performing the Bravo contract	January 30, 2007

Regulated agreements signed in 2006 approved by the Board of Directors

Parties to the contract	Subject matter of the contract	Date signed
DCNS/DGA/CEA	Offer for the development, construction and maintaining in the initial operational state of six Barracuda nuclear-powered attack submarines	December 21, 2006
DCNS/SPN	Offer for long lead-time procurement to be fulfilled in advance to allow the operations for SNLE-NG adaptation for M51 missiles	December 21, 2006
DCNS/SSF	Offer for the IPER and MCO Global for the *Charles de Gaulle* aircraft carrier	December 19, 2006

Regulated agreements signed in 2004 approved by the Board of Directors

Parties to the contract	Subject matter of the contract	Date signed
DCNS/Thales	Agreement governing relations between DCNS and Thales *(and Armaris until it was merged with DCNS on September 30, 2009)* on the assumption that the solidarity undertaken from Thales to Finmeccanica in the context of the shareholders agreement of Eurosysnav SAS would be implemented by the latter	May 24, 2004

Regulated agreements signed in 2003 approved by the Board of Directors

Parties to the contract	Subject matter of the contract	Date signed
State/DCN Développement	Contribution agreement describing the rights, property and obligations of the DCN *service à compétence nationale* (Government agency with national authority – SCN) of the Ministry of Defence contributed by the State to DCN Développement, the value placed on these and the terms and conditions of the contribution	May 26, 2003
State/DCN Développement	Framework agreement specifying the accords additional to the contribution agreement to be entered into by the State and DCN Développement in connection with performing the contribution operation	May 26, 2003
DCNS/DCN International	Mandate on management of DCN International cash flow by DCNS	December 18, 2003

ANNEX 2

List of delegations of power obtained from the General Meeting of Shareholders

None.

ANNEX 3

List of offices held and functions performed by each corporate officer during the year ended December 31, 2014

	Company	Function or office
Hervé Guillou	DCNS	Chairman and Chief Executive Officer
	BE Mauric	Member of the Supervisory Board
	Vallourec	Vice Chairman of the Supervisory Board
	Financière du Plantier	Director
	NGZ New Generation Natural Gas	Director
	SNEF	Chairman of the Audit Committee

	Company	Function or office
Astrid Milsan	Ministry of the Economy, Finance and Industry	Director of Shareholdings at the State Shareholdings Agency
	DCNS	Director
	Safran	Director
	GDF Suez	Director
	EPFR	Director

	Company	Function or office
Sophie Mantel	Ministry of Finance and Public Accounts	Head of department, deputy Director of Budget Management *(from August 1, 2013)*
	DCNS	Director *(from December 19, 2014)*
	Française des jeux	Director
	PMU	Director
	Institut Pasteur	Director, Board Member, Treasurer
	La Poste	Director

	Company	Function or office
Pascal Bouchiat	Thales	General Director, Finance and IT Systems
	DCNS	Director
	Thales Alenia Space	Director

	Company	Function or office
Nathalie Ravilly	Thales	Director of mergers and acquisitions at the Strategic Department
	DCNS	Director
	TCV	Chairman and Director

	Company	Function or office
Gabrielle Gauthey	Alcatel-Lucent	Vice President – head of Government segment
	DCNS	Director
	Alcatel-Lucent France	Director
	Cloudwatt	Chairman of the Supervisory Board

	Company	Function or office
Bernard Rétat	DCNS	Director

	Company	Function or office
Bertrand Le Meur	Ministry of Defence	Head of the Department of Industrial Affairs and Economic Intelligence
	TSA	Director
	Giat	Director
	Areva NC	Director
	Areva Mines	Director
	DCNS	Director
	Thales(1)	Member of the Board of Directors of Thales for specific action

(1) Bertrand Le Meur was appointed member of the Board of Directors of Thales as State representative, for specific action (decree of July 3, 2014).

	Company	Function or office
Jacques Hardelay	Alstom Renewable Power Systems	Senior Vice President Alstom Hydro
	DCNS	Director *(from December 19, 2014)*

	Company	Function or office
Luc Rémont	Schneider Electric France	Chairman and Chief Executive Officer
	DCNS	Director *(from December 19, 2014)*
	Atos Worldline	Director, Chairman of the Appointments and Remuneration Committee *(from June 2014)*

	Company	Function or office
Patrice Caine	Thales	Chairman and Chief Executive Officer
	DCNS	Director *(from January 22, 2015)*

	Company	Function or office
Sandra Lagumina	GrDF DCNS	Chief Executive Officer Director *(from December 19, 2014)*
	Storengy	Director
	GDF Suez Information et Technologies	Director

	Company	Function or office
Gilles Rapale	DCNS	Manager – PACDG offer
	DCNS	Director

	Company	Function or office
Isabelle Roué	DCNS	Prevention/Environment Officer
	DCNS	Director

	Company	Function or office
Laurent Chagnas	DCNS	Technical and Administrative Secretary
	DCNS	Director

	Company	Function or office
Jacques André	DCNS	Electronics engineer, submarine detection
	DCNS	Director

	Company	Function or office
Joël Ricaud	DCNS	Applications Group Manager
	DCNS	Director

	Company	Function or office
Thierry Barbarin	DCNS	Safety Officer
	DCNS	Director

The approval of the appointment of Mr Patrice Caine as director, given provisionally by the Board of Directors at the meeting of January 22, 2015 as replacement for Mr Philippe Logak and for the remaining term of his mandate, that is until after the General Meeting called to approve the accounts for the year ending December 31, 2019, will be proposed at the next General Meeting.

Directors whose term of office at DCNS terminated during the year ended December 31, 2014

	Company	Function or office
Patrick Boissier	DCNS	Chairman and Chief Executive Officer
	Steria Groupe	Member of the Supervisory Board
	Cap 21 Conseil	Manager
	Vallourec	Vice Chairman of the Supervisory Board

	Company	Function or office
Éric David	Ministry of the Economy, Finance and Industry	Deputy Director of international company financing
	DCNS	Director
	ODAS	Director

	Company	Function or office
Arnaud Phélep	Ministry of the Budget, Public Accounts, Civil Service and State Reform	Deputy Director of the 5th Sub-Directorate
	DCNS	Director

	Company	Function or office
Christophe Burg	Ministry of Defence – DGA/S2IE	Head of Industrial Affairs and Economic Intelligence Department
	DCNS	Director
	GIAT Industries	Director
	Safran	Member of the Supervisory Board
	SOGEPA	Director
	SOGEADE Gérance	Director
	SNPE	Director

	Company	Function or office
Gilles Denoyel	HSBC France	Chief Operating Officer – Director
	DCNS	Director
	HSBC Assurances Vie	Vice Chairman of the Board of Directors
	HSBC Assurances IARD	Director
	HSBC Global Asset Management	Director

	Company	Function or office
Hugues Bied-Charreton	Ministry of Defence	Chief Financial Officer
	DCNS	Director
	ONERA, Office national d'études et de recherches aérospatiales	Vice Chairman of the Board of Directors
	SOFIRED, Société de financement et d'investissement pour la réforme et le développement	Director
	ODAS	Director
	EPFP, Établissement public des fonds de prévoyance militaire et de l'aéronautique	Director
	CNMSS, Caisse nationale militaire de sécurité sociale	Director
	ENSTA, École nationale supérieure de techniques avancées	Director
	ENSIETA, École nationale supérieure des ingénieurs et techniques d'armement)	Director

	Company	Function or office
Yves Michaud	DCNS	Dimensional controller
	DCNS	Director

	Company	Function or office
Gérard Barbereau	DCNS	Manufacturing Execution System Manager
	DCNS	Director

	Company	Function or office
Yannick Peronnet	DCNS	Electronics engineer
	DCNS	Director

	Company	Function or office
Jean-Bernard Lévy	Thales	Chairman and Chief Executive Officer
	Vinci	Director
	Société Générale	Director
	JBL Consulting & Investment SAS	Chairman
	EDF	Chairman and Chief Executive Officer
	Viroxis	Chairman of the Supervisory Board
	Institut Mines Télécom	Chairman of the Board of Directors
	Institut Pasteur	Director
	GIFAS	Vice Chairman
	AT Kearney Paris	Member of the Advisory Board

	Company	Function or office
Thierry Pérard	Ministry of Defence	Head of the Department of Industrial Affairs and Economic Intelligence
	DCNS	Director
	GIAT	Director
	Safran	Director
	SNPE	Director
	DCI	Director

Directors whose term of office at DCNS terminated after the end of the year ended December 31, 2014

	Company	Function or office
Philippe Logak	Thales	Interim Chairman and Chief Executive Officer
	DCNS	Director *(until January 7, 2015)*
	Thales Alenia Space SAS	Member
	Thales Avionics SAS	Member, Thales Representative
	Thales Communications & Security SAS	Member, Thales Representative

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