Almost 40% of the revenues generated on international markets.

2/3 of DCNS’ listed suppliers are SMEs and ISEs.

3.36 billion euros revenues in 2013.

13,648 in the workforce, 700 of which work abroad.
DCNS. A WORLD LEADER IN NAVAL DEFENCE. AN INNOVATIVE PLAYER IN ENERGY.

CONVINCED THAT THE SEA IS THIS PLANET’S FUTURE, DCNS IS INVENTING HIGH-TECH SOLUTIONS TO SUSTAINABLY SECURE AND DEVELOP ITS POTENTIAL.

A HIGH-TECH COMPANY WITH INTERNATIONAL STANDING, DCNS MEETS ITS CUSTOMERS’ NEEDS BY DEPLOYING EXCEPTIONAL KNOW-HOW AND UNIQUE INDUSTRIAL RESOURCES.

THE GROUP DESIGNS, BUILDS AND PROVIDES THROUGH-LIFE SUPPORT FOR SUBMARINES, SURFACE COMBATANTS AND THEIR ASSOCIATED SYSTEMS AND FACILITIES. IT ALSO PROPOSES SERVICES FOR NAVAL SHIPYARDS AND BASES. LAST BUT NOT LEAST, DCNS OFFERS A RANGE OF SOLUTIONS IN CIVIL NUCLEAR ENGINEERING AND MARINE RENEWABLE ENERGY.
DCNS is a company with a global presence. Its activity in international markets accounts for 40% of the Group’s income. With a workforce of 13,648, it is active in some fifteen countries via joint ventures, subsidiaries or commercial representation and implements a responsible and sustainable policy of international growth. The Group works with its local manufacturing partners on a long-term basis, involving them in all its programmes and supporting its customers in their technological development.

**SITES IN FRANCE**

1. Cherbourg / Submarines
2. Brest / Services and renewable marine energies
3. Lorient / Surface naval systems
4. Nantes-Indret / Submarines and R&D
5. Paris / Corporate Offices, Bagneux / Information and surveillance systems, Issy-les-Moulineaux / Renewable marine and civil nuclear energies
6. Ruelle / Submarines, simulators and training
7. Marseille / Civil nuclear energy
8. Toulon / Services
9. Le Mourillon / Information and surveillance systems
10. Saint-Tropez / Underwater weapons

**SUBSIDIARIES AND JOINT VENTURES**

**DCNS CANADA (100%)**: commercial representation in Canada.
**DCNS DO BRAZIL (100%)**: commercial representation in Brazil.
**DCNS FAR EAST (100%), SINGAPORE**: logistics and maintenance of naval and aeronaval systems.
**DCNS INDIA (100%)**: technical support for local naval shipyards and industries, development of services using Indian skills and sourcing for both national and international needs.

**DCNS MALAYSIA (100%)**: DCNS Group support for its activities in Malaysia.
**DCNS SUPPORT (100%), SAUDI ARABIA**: DCNS Group backing for through-life support activities in Saudi Arabia.
**PROSIN (100% SUBSIDIARY OF DCNS DO BRAZIL)**: naval system engineering for Brazil.
**SIREHNA (100%), FRANCE**: dynamic positioning solutions development for ships as well as stabilisation and deck landing systems for unmanned marine, aerial and land vehicles. Studies and technological research into naval hydrodynamics.
OPENHYDRO (59.7%), IRELAND:
design and production of tidal turbines. OpenHydro is the technological and commercial leader on the tidal energy market.

DÉFENSE ENVIRONNEMENT SERVICES (49%), FRANCE:
France: management of multiple service and multiple technique infrastructures (in partnership with Veolia Environnement).

KERSHIP (45%), FRANCE:
design and production of medium tonnage ships devoted to maritime security in partnership with PIRIOU.

ITAGUAÍ CONSTRUÇÕES NAVAIS (41%), BRAZIL:
construction of submarines. The shipyard is building the Scorpene® submarines included in the contract signed by DCNS with the Brazilian Navy (in partnership with the Brazilian company Odebrecht).

BOUSTEAD DCNS NAVAL COMPANY (40%), MALAYSIA:
submarine through-life support (in partnership with the Malaysian company Boustead).
Composition of the Board of Directors
DCNS’s Board of Directors was composed as follows on 31 December 2013:

• **Chairman:** Mr. Patrick Boissier.

• **Members elected as representatives of the workforce:**
  Mr. Jacques André, Mr. Thierry Barbarin, Mr. Gérard Barbereau, Mr. Yves Michaud, Mr. Yannick Peronnet and Mr. Joël Ricaud.

• **Members appointed by a General Meeting of Shareholders:**
  Mr. Pascal Bouchiat, Mr. Gilles Denoyel, Mrs Gabrielle Gauthier, Mr. Jean-Bernard Lévy and Mrs Nathalie Ravilly.

• **Members appointed as representatives of the French State:**
  Mr. Hugues Bied-Charreton, Mr. Éric David, Mrs Astrid Milsan, Mr. Thierry Pérard, Mr. Arnaud Phélep and Mr. Bernard Rétat.

Board Committees

• **Audit, Accounts and Risks Committees:**
  Mr. Gilles Denoyel (Chairman), Mr. Hugues Bied-Charreton, Mr. Pascal Bouchiat and Mrs Astrid Milsan.

• **Tenders Committee:**
  Mr. Bernard Rétat (Chairman), Mr. Pascal Bouchiat, Mrs Gabrielle Gauthier, Mrs Astrid Milsan, Mr. Thierry Pérard and Mr. Arnaud Phélep.
The General Management Committee, chaired by the Chairman & Chief Executive Officer, is made up of the Chairman & Chief Operating Officer, the Executive Vice President, the Senior Vice President and Deputy Managing Director, the Senior Vice President, Surface Ships & Naval Systems Division, the Senior Vice President, Submarines Division, the Senior Vice President, Services Division, the Senior Vice President, Marine Infrastructure & Energies Division, the Senior Vice President, Technology & Innovation Division and the Senior Vice President, Human Resources & Operational Excellence.

The Executive Committee, chaired by the Chairman & Chief Executive Officer, is made up of the members of the General Management Committee and the Heads of the Group’s main functions.
DCNS recorded strong growth in 2013

In 2013, DCNS recorded a growth of 14% in its revenues. Since the launch of the strategy, the Group has seen its volume of business increased by 40%. Despite performing well in naval defence, its core activity, the profitability growth target DCNS set itself for 2013 was affected by the operational difficulties encountered in the civil nuclear energy field. The Group’s priority therefore remains, more than ever, to improve its performance so as to fully develop its growth potential in international naval defence and in the field of energy.

Order intake for 2013 totalled €2.27 billion (compared with €2.53 billion in 2012). The largest order recorded during the last fiscal year concerned the maintenance and refitting of the Sawari I programme vessels for Saudi Arabia. The DCNS orderbook stood at €13.22 billion at the end of 2013 (as against €14.46 billion at the end of 2012). This order represented four years of work.

Revenues reached €3.36 billion in 2013 (compared with €2.93 billion in 2012). This growth has been achieved by carrying out major programmes for France (FREMM frigates, Barracuda submarines and the maintenance
of front-line ships for the French Navy) as well as for international customers (particularly Brazil, India, Malaysia and Morocco). It has been further amplified by the progress ahead of schedule made on building the two projection and command ships (BPC) for Russia. The operating profit recorded by DCNS before amortisation of goodwill reached €166 million (or 5% of the revenue) in 2013 as opposed to €209 million (which was 7.1% of the revenue) in 2012. This decline can be explained by the operational difficulties encountered in civil nuclear energy programmes. Organisational and manufacturing measures have been taken to rectify the profitability of this activity from 2014.

At the same time, DCNS is continuing to increase its investments in R&D to meet the challenges its customers are facing and maintain its technological lead. At the end of 2013, the Group’s workforce stood at the equivalent of 13,648 full-time positions, 12,828 of these in France (compared with 13,183 at the end of 2012, with 12,838 of these in France).
In 2013, DCNS continued to implement its corporate strategic project based on three cornerstones: growth, performance and alliances. To consolidate its status as a world leader in naval defence and an innovative player in energy, the Group is ramping up its growth initiatives and transformation projects, made possible by its workforce’s ongoing dynamism and the constant dialogue it maintains with stakeholders.
DCNS forges ahead by taking up new challenges.
WHAT IS YOUR ASSESSMENT OF THE COMPANY’S FINANCIAL PERFORMANCE IN 2013?

PATRICK BOISSIER: Our revenue has increased by 14%. This growth comes from the success of our industrial programmes in France and our development on international markets which now accounts for almost 40% of our business.

This year, our most important order also came from abroad. It concerns the maintenance and upgrade of four frigates and two fuel-supply ships for the Saudi Arabian Navy. At the end of 2013, we had enough work to cover four years’ activity on our orderbook.

Despite performing well in naval defence, our core business, our profitability growth target for 2013 was compromised due to operational difficulties encountered in civil nuclear energy. We have now implemented organisational and industrial measures to rectify from 2014 this sector’s profitability in which we are pursuing our activity.

HOW DO YOU SEE THE WAY YOUR MARKETS ARE CHANGING?

P. B.: Our international markets are highly dynamic. But the increasingly keen competition is coming from two quarters, from European actors whose domestic markets are still stagnating and that of newcomers, particularly from Asia. In the face of this competition, we do have the advantage of offering cutting edge technology backed by our outstanding record of serving the French Navy.

In France, the Military Programming Law (LPM) upholds dissuasion and confirms the two main programs for which DCNS is responsible: the eleven FREMM multimission frigates and the six Barracuda nuclear attack submarines. This is a decision of key importance for our Group. The LPM means that the FREMM and Barracuda programmes will be spread out over time, giving us additional industrial perspective. It will be up to us to reduce the impact of this greater leeway by developing our activities in international naval defence and energy. This growth will depend on us maintaining ongoing improvement in our performance.

Meanwhile, the energy sector is up against major societal and financial challenges which make the development of new technical solutions and new economic models absolutely essential.

The solutions we put forward are predominantly based on our developments in renewable marine energies: tidal turbines, ocean thermal energy, offshore wind turbines and wave energy generators.

We have achieved a great deal in international markets over the past four years. We are now active on four continents.

YOU PRESENTED THE CORPORATE PROJECT AT THE END OF 2009. HOW DOES YOUR CURRENT PROGRESS MATCH UP WITH THE INITIAL TEN-YEAR ROADMAP?

P. B.: We are on schedule. We have recorded growth over the past four consecutive years and increased our business by 40% since 2009. We want to establish DCNS growth on three foundations which will ultimately be of equivalent importance: naval defence on international markets and new activities, particularly in the field of energy.

In France, we are consolidating our position as the benchmark partner of the Armament Procurement Agency and the French Navy in the realm of high technology programmes: the FREMM frigates, the Barracuda submarines and highly complex ship maintenance and upgrading activities, the most important of which concern adapting ballistic missile submarines for the new M51 missile.

At the same time, over the past four years, we have made tremendous progress internationally, and are now active on four continents. We are carrying out major industrial programmes involving technology transfer with local players, for example in Brazil, India and Malaysia.

We have achieved a significant number of commercial successes. And we are setting up representative offices and subsidiaries to prepare the future.

Finally, we are investing in energies, particularly renewable marine energies with the aim of becoming a world leader in this field. We have taken control of OpenHydro, the technological and commercial leader on the tidal turbine market where we are aiming to generate revenue of at least €1 billion by 2025.
WHAT ROLE DOES YOUR IMPROVED PERFORMANCE PLAY IN YOUR GROWTH?

P.B.: Our growth is based on our ability to significantly improve our overall performance so as to benefit from a level of competitiveness in line with our human and technological assets. With this in mind, we launched a transformation programme at beginning of 2010 which has already led to the launch of 450 projects. This transformation has become an absolute priority for us.

2013 MARKED THE 10TH ANNIVERSARY OF DCNS’ CHANGE IN STATUS. HOW DO YOU SEE THE CONNECTION BETWEEN THIS CHANGE AND YOUR CURRENT TRANSFORMATION?

P.B.: In 2003, the change of status affecting the Naval Construction Department was exemplary. And our growth was given an additional boost when Thales became a DCNS shareholder in 2007.

Having forged an ability to implement far reaching transformations at a very early stage, our Group acquired an extremely valuable asset. It is very rare to see a company carry out such extensive changes while at the same time continuing to cultivate its legacy. Our heritage which goes back almost four centuries is human, technological and cultural. It inspires us in the building of our future as demonstrated by our Beyond 2020 vision. This is founded on our conviction that the sea holds the key to meeting the economic, environmental and societal challenges our planet is facing. DCNS’ raison d’être is to invent high-tech solutions for sustainably developing the sea’s potential and also sustainably securing it.

WHAT DOES DCNS’ SUCCESS DEPEND ON?

P.B.: Our success above all depends upon our capacity to maintain an ongoing transformation so as to fully benefit from our remarkable assets. It also depends upon our ability to maintain the spirit of conquest and take responsible risks. For example, we have brought a certain number of production activities associated with the FREMM programme back into the company, funded construction of the OPV L’Adroit ourselves so that it could be tested under operational conditions by the French Navy and become one of the pioneers in renewable marine energy. At the same time, we are continuing to increase our investments in R&D to meet our customers’ challenges and preserve our technological lead.

On markets as competitive as ours, maintaining the right balance depends on never standing still. DCNS is determined to constantly move forward by taking up new challenges.

PATRICK BOISSIER
Chairman & Chief Executive Officer of DCNS
The world is accelerating and so are we!

DCNS IS EVOLVING IN AN INCREASINGLY DEMANDING ENVIRONMENT due to the powerful pressures which are weighing heavily on public finances, particularly in Europe, as well as ever keener competition. However, the Group’s markets also offer opportunities due to the pivotal role the oceans of the world will be playing in our planet’s future. DCNS is further speeding up its growth and internal transformation initiatives to seize these opportunities and fully benefit from the edge it is gaining by implementing its Beyond 2020 vision.
By giving a meaning to its activity, the DCNS Beyond 2020 vision enables the entire Group workforce and stakeholders to work together for common goals. This vision underlies the ambition defined in the corporate project championship. This project is implemented on a day-to-day basis as part of the Group’s operational activity with progress leveraged by its transformation programme.

**Conquering spirit, rigour, trust and respect**: in line with the Beyond 2020 vision, DCNS’ values guide its activities with regard to its customers, workforce, partners and shareholders.
IN MAY 2013, PIRIOU AND DCNS SET UP THE KERSHIP JOINT VENTURE to design and build medium tonnage ships for maritime security assignments.

**EXTENDING THE PRODUCTS AND SERVICES PORTFOLIO**

DCNS is extending its military naval offering with the design of new products (lower tonnage surface ships and submarines) and services (design, construction, modernisation, maintenance and operation of port and manufacturing facilities, crew training, etc.). In the field of surface ships, the Group successfully integrated and deployed a UAV on board the OPV *L’Adroit*. DCNS made this ship from the Gowind® range available to the French Navy for testing under operational conditions. Integrating a UAV gives significant added value to the crew, since it allows them to obtain real-time information from the theatre of operations which are beyond the reach of ship-based sensors (identifying a pirate ship for example). The Group has also supplied the Royal Malaysian Navy with simulators for its Scorpene® class submarines, allowing the sailors to maintain an optimal level of operational readiness at sea. In Brazil, the Group and its partner Odebrecht inaugurated the site which is constructing the submarines for the Brazilian Navy, confirming its expertise in the design and creation of naval shipyards.
IN MALAYSIA, THE GOWIND® PROGRAMME concerns supplying the Royal Malaysian Navy with six corvettes in partnership with the Malaysian Boustead Naval Shipyard (BNS) as prime contractor.

EXTENDING THE CUSTOMER PORTFOLIO

The Group is expanding its market internationally where it is scoring a number of major successes. For example, in August 2013, DCNS, Thales and MBDA signed a contract with Saudi Arabia for the upgrading of four frigates and two tanker-supply ships. The Group is currently engaged in industrial programmes for customers on four continents – in particular, Brazil, India, Malaysia, Morocco and Russia.

DCNS has set up three new subsidiaries abroad:
• DCNS Canada provides the commercial representation for DCNS in Canada.
• DCNS Malaysia provides the support for the DCNS Group for its activities in Malaysia.
• Prosin is an engineering subsidiary for naval systems in Brazil.

At the same time, DCNS has opened two new representative offices, one in Australia and the other in Indonesia. The Group wishes to help these countries with the modernisation or reshaping of their fleets by developing industrial partnerships with local players.

In Brazil, DCNS and its partner Odebrecht have signed a protocol agreement which could lead to the setting up of a Brazilian strategic defence company in the future.
IN 2013, DCNS TOOK OVER THE IRISH COMPANY OPENHYDRO, specialised in tidal turbines. OpenHydro is a technological and commercial leader on its market.

EXTENDING THE ACTIVITY PORTFOLIO

DCNS is extending its scope of activities, first of all the field of energy. In 2013, the Group consolidated its position in renewable marine energies. It declared itself to be ready to meet any call for interest launched by the French Government for setting up pilot tidal turbine farms off the French coasts. DCNS also completed its range of products in the ocean thermal energy (OTE) field by presenting its new OTE system concept on land. It has signed an agreement with the energy company Fortum and AW-Energy concerning wave energy. The three companies are jointly developing a demonstration 1.5 MW tidal energy farm off the Bay of Audierne. Furthermore, the Group is continuing its work on designing and building power plants at Saint-Pierre-et-Miquelon and Mayotte as well as developing its Flexblue® concept of low-power undersea nuclear power plants.
SETIS®, A 21ST-CENTURY COMBAT SYSTEM. In December 2013, DCNS completed construction of the FREMM *Mohammed VI*. This frigate, like all the FREMMs, is equipped with SETIS®, an integrated multi-functional combat system meeting the operational needs of marines in the 21st century. SETIS® owes its efficiency to the powerful algorithms which detect, identify and automatically rank all types of threats, so that it can respond immediately. SETIS® is available in two versions: integrated combat for corvettes or light frigates and superior combat for frigates and destroyers.

INNOVATION FOR STAYING OUT IN FRONT

Innovation is an integral part of the DCNS DNA, which invests between 8% and 10% of its revenue in this field. The Group continues to increase its investments in R&D to meet the challenges its customers are facing and maintain its technological edge. DCNS Research, a centre of excellence devoted to technological research and all the Group’s teams working on development, are shaping the way technology will evolve in the future. This can concern virtual ships, the reduction of submarines’ sound footprint or the development of new sources of marine energy.

In 2013, DCNS presented several improvements to the Barracuda nuclear attack submarines’ combat systems, the most significant of which was an optronic mast to replace conventional optical periscopes. In addition, there was also a software programme providing electronic navigation assistance and a combat management system (CMS) incorporating monitoring capabilities above and below the surface. DCNS researchers have been working in close association with SMEs as well as with public and academic laboratories.

In 2013, the Group signed a cooperation agreement with the ALCEN Group for the design of an innovative system to improve submarines’ transmission and reception capabilities underwater. Furthermore, as part of the global R&D Advansea programme, DCNS is developing innovations with partner SMEs which will be incorporated into future naval surface systems. For example, the Group is working with Convergy Nexeya, specialised in power electronics, to reduce vessels’ electromagnetic footprint. DCNS is also working with other SMEs on incorporating new technologies into an innovative way of operating ships which will benefit the carrying out of aeronaval operations.

In 2013, the Group signed a collaboration agreement with the Canadian University of Dalhousie concerning structural dynamics and their behaviour in marine environments.

In India, there was the P75 contract concerning the construction of six Scorpene® submarines with technological transfer by Mazagon Dock Limited (MDL). DCNS is working in close collaboration with the Ministry of Defence Research Department (DRDO) to integrate the AIP (Air Independent Propulsion system or anaerobic propulsion system) into its submarines. Developed by DRDO and the NMRL (Naval Materials Research Laboratory), the AIP system should enable the fifth and six submarines in the programme to have greater underwater operating ranges.
IN 2013, DCNS INTRODUCED A “DE-RISKING” APPROACH TO CRITICAL PROCEDURES DURING SHIP REFITS. Before work on each refit begins, a preventive analysis of operations subject to potential risk – some 5% to 10% of the industrial programmes – is carried out and “de-risking” measures are implemented to ensure their safety.

OPERATIONAL EXCELLENCE TO SATISFY CUSTOMERS

Operational excellence is key to DCNS customer satisfaction. Since 2010, the drive to improve the Group’s performance has led to the initiation of 457 projects and 1,350 subprojects. In 2013, DCNS continued implementing its quality excellence plan which is one of its operational priorities. The Group introduced managerial quality visits, a time for staff members to discuss quality issues with their managers. 1,904 managerial quality visits were organised, mainly in the fields of engineering and production.

This system will be deployed in the functional departments during 2014. The purchasing quality function has been set up and quality control teams for equipment delivered by suppliers have also been established at all Group sites. Finally, DCNS has widely deployed the “8D” method which seeks to find the root causes of problems and, by identifying them, aims to avoid nonquality issues from recurring. The 5S approach, designed to optimise working conditions and teams’ work time, has been introduced in over 90% of DCNS production areas. The Group has also continued with its deployment of LEAN VSM (value stream mapping) to simplify and improve its processes.
DCNS WAS AWARDED THE “EXCELLENCE IN INDIGENOUS TECHNOLOGY” PRIZE DURING THE AEROSPACE AND DEFENCE AWARDS IN INDIA. This award is in recognition of the technology transfer programme that DCNS is carrying out with its local partner Mazagon Dock (MDL) for the construction of six Scorpene® submarines.

INTERNATIONALISATION, A MAINSTAY OF CORPORATE CULTURE

In 2013, international business accounted for almost 40% of DCNS revenue. In order to benefit its deployment on international markets, the Group has implemented an ambitious expatriation policy based on providing local assistance. To raise teams’ awareness to the opportunities for international careers that are available, some ten conferences were organised at DCNS sites, which were attended by some 1,200 staff members. The approach adopted first of all involves identifying those with potential so as to prepare and qualify them. The aim is to have a talent pool of some 750 staff members ready to be deployed at short notice to occupy positions outside France. Three tools are used to build up this talent pool:

- the annual interviews, an opportunity for staff members to express their interest in a position abroad;
- conferences, in the course of which presentations are made of the programmes and career opportunities available in the countries where DCNS is active;
- short term assignments abroad allowing staff members to see if they find expatriation attractive.

Candidates are selected according to the skills required for the position in question and their suitability for working abroad (command of English, ability to work in an intercultural environment, etc.). Once they have been identified, staff members are given 100 hours of language training as well as instruction in the fiscal aspects of expatriation.

Furthermore, in 2013, the Group set up an intranet in English for its subsidiaries outside France in which it has a majority shareholding. This site reports DCNS news concurrently to staff members located in Saudi Arabia, Brazil, India, Ireland, Malaysia and Singapore, and teams working in France.
IN NOVEMBER 2013, DCNS INAUGURATED THE PREMISES OF DCNS UNIVERSEATY AT LORIENT.
This is a unique centre of expertise bringing together training and consultancy resources designed to benefit the Group’s staff members and its customers. Setting up this organisation reflects the Group’s culture of passing on knowledge. DCNS Universeaty is based on a network of 1,500 in-house instructors and has already hosted training for Brazilian, Indian and Malaysian customers.

RESPONSIBLE DEVELOPMENT SERVING ALL STAKEHOLDERS

Among its objectives for the next few years, DCNS considers responsible development to be just as important as growth and the profitability of its business. In order to be responsible, the Group’s development must be able to benefit all its stakeholders. In 2013, DCNS deployed its suppliers’ code of conduct to all of those it has listed, a code which is based on the demands and recommendations of the United Nations Global Compact and the ISO 26000 standard. Furthermore, the Group has embarked upon the process of obtaining “responsible supplier relations” certification in 2014 from the Médiation Inter company organisation which recognises companies having sustainable relationships with their suppliers. Furthermore, in 2013, the French Minister of Defence, Jean-Yves Le Drian, and Patrick Boissier, DCNS Chairman and Chief Executive Officer, signed a bilateral agreement aimed at encouraging the integration and growth of the Group’s SME suppliers, subcontractors and partners. Particularly keen on maintaining and developing skills, DCNS has identified the training needs existing in its key areas of production and increased the relevant budget for 2014 by 40%. In 2013, DCNS also signed a generation contract which sets its social objectives for the next three years and reasserts its commitment to encourage the employment of young people and seniors.

As far as Occupational Health and Safety (OHS) is concerned, the Group has continued to implement its policy of prevention, obtaining very encouraging results with the number of accidents involving sick leave down 28% compared with 2012.
Finally, DCNS has implemented several initiatives aimed at reducing the impact of its activities on the environment. In particular, the Group has carried out three studies respectively concerning the environmental footprint of the OPV L’Adroit, the recycling levels of Le Redoutable class submarines and the reduction of energy consumption on medium-sized frigates.
Naval defence has been DCNS’ core business activity for almost four hundred years. The Group positions itself as prime contractor in the field of warship building. It designs, manufactures and provides through-life support for the most innovative submarine and surface naval systems on the market as well as the critical systems associated with them.
DESIGNED AND BUILT BY DCNS, THE NUCLEAR BALLISTIC MISSILE SUBMARINES PROVIDE THE COUNTRY’S NUCLEAR DETERRENCE STRATEGY AND PROTECT FRANCE’S VITAL INTERESTS.
Several industrial successes

2013 was marked by a number of significant successes in the field of naval surface systems. DCNS continued with its ongoing industrial programmes, maintaining the contractual schedules throughout the year.

The FREMM programme, concerning the construction of eleven multimission frigates for the French Navy and one for the Royal Moroccan Navy, reached all its milestones by the required dates. The FREMM Provence was floated out at Lorient while the FREMM Normandie commenced its sea trials. The fifth and sixth frigates in the series are currently being assembled and the first cut for the seventh took place at the end of 2013. Construction of the FREMM Mohammed VI was completed in December 2013 after several successful series of sea trials. It was delivered to the Royal Moroccan Navy in January 2014.

The first of the two BPC Mistral vessels ordered by the Russian Federation, the Vladivostok, was floated out in October 2013 during a ceremony attended by senior military and industrial figures from France and Russia. The operation took place at the STX France shipyards, DCNS’ partner in charge of the ship platforms’ construction.

Another international project, the Gowind® Malaysia programme, designed to supply the Royal Malaysian Navy with six corvettes built with the Malaysian naval shipyard Boustead Naval Shipyard (BNS) as prime contractor, is ongoing. DCNS welcomed some thirty Malaysian engineers at its Lorient site to train and involve them in the ships’ design work as part of an exhaustive technology transfer programme.

A high-tech offering

In May 2013, DCNS and PIRIOU set up KERSHIP in order to expand their offering and provide ships capable of meeting new governmental needs. This joint venture specialises in medium tonnage ships, such as the OPV L’Adroit, designed for Maritime security assignments. After completing an extended mission in the Indian Ocean and South-East Asia, L’Adroit took part in the functional integration trials of a UAV and its naval combat system. By successfully integrating a
FOCUS ON INNOVATION
FIRST UAV NAVAL INTEGRATION TRIALS
In December 2013, DCNS, the DGA and the French Navy validated the functional integration of a UAV into a warship’s combat system. After having carried out a test programme on board the OPV Gowind® Didon, the three partners also validated the operational performance of the functional chain between the DCNS Polaris® combat system and the Camcopter® S100 UAV supplied by Schiebel. This validation was a first in Europe. It enabled DCNS to obtain a flight authorisation delivered by the DGA, the French authority in this area. This success illustrates the role played by DCNS as naval systems supplier and prime contractor for integrating UAVs into a naval context.

04/10/2013
ATL 2 UPGRADE CONTRACT
DCNS, Dassault Aviation, Thales and the Aeronautical Industry Department have signed a contract to upgrade the Atlantique 2 naval patrol aircraft at a meeting attended by the French Defence Minister Jean-Yves Le Drian. Under the terms of this contract DCNS is to develop LOTI-NG, an operational information processing software program which, in particular, deploys the sensors and weapons on board the aircraft.

UAV on-board this OPV specifically designed for maritime surveillance, DCNS pulled off a genuine technological leap forward in the field of naval aeronautics. The Group has also demonstrated its expertise in the field of system design and integration with delivery of the P960-Skjold, last of six fast patrol boats ordered by the Royal Norwegian Navy. DCNS has taken part in this programme as a co-supplier and combat system design authority.

At the end of 2013, the Group signed a contract with Dassault Aviation to upgrade Atlantique 2 Marine patrol aircraft for which it will be developing a specific software programme incorporating the new sensors developed at the same time by Thales.

Finally, DCNS asserted its position as a major player in maritime security systems by taking part in the PERSEUS and I2C campaigns, two European research projects aiming to offer a new generation of maritime surveillance systems. At the same time, in the course of 2013, the Group continued to implement its innovation policy represented by the Advansea common R&D programme aimed at preparing solutions to be carried on board its naval surface ships.

04/02/2013
THE FREMM AQUITAINE SUCCESSFULLY FIRES ITS FIRST ASTER MISSILE
The FREMM Aquitaine successfully carried out its first launch of an anti-aircraft missile in the Mediterranean off the island of Levant. The Aster 15 missile destroyed the aerial target it had been designated. The FREMM is the third type of French Navy vessel to have fired an Aster missile after the aircraft carrier Charles de Gaulle and the aerial defence frigates Forbin and Chevalier-Paul. This important firing is part of the military characteristics verification of the FREMM Aquitaine, a preliminary step towards it being admitted into active service. It was prepared and conducted with the crew of the Aquitaine and the teams of DCNS, MBDA, the DGA and the OCCAr (joint organisation for cooperation in the field of armaments). This marks a new stage in demonstrating the capabilities offered by the FREMM.

200,000 products were installed on the five FREMM vessels under construction at the DCNS Lorient site in 2013.
A comprehensive offering
DCNS is one of the very few shipbuilders offering a comprehensive range of high-performance submarines covering coastal submarines to nuclear submarines. Thanks to this offering, the Group is continuing to grow on a market currently undergoing major changes and focusing on innovation to anticipate its customers’ needs.

Sustained activity
In 2013, submarine building continued at a very intensive rate. The Barracuda programme, concerning the construction of six nuclear attack submarines for the French Navy, moved forward significantly. After installing the reducer, the LASCAR module (auxiliary safety area for the rear boiler room) was fitted in May on the Suffren, the first of the series. During the summer, the first major version of the combat management system (CMS) was installed and successfully initiated.

There were also a great many developments in India connected with the P75 contract. This concerns the production of six Scorpene® submarines with technology transfer by Mazagon Dock Ltd (MDL). In February, DCNS signed its third contract for the supply of equipment with MDL. Furthermore, its Indian subsidiary, DCNS India, received the “Excellence in Indigenous Technology” award during the 2013 edition of the Aerospace and Defence Awards. This prestigious distinction rewards DCNS India’s efforts to help its local partners make their contribution to the industrial programme.

In 2013, two major milestones were reached in the programme concerning the building of four Scorpene® submarines with technology transfer for the Brazilian Navy. After three years of intense activity, the front section of the first submarine was transferred by cargo from Cherbourg to Itaguaí (Brazil). Then the combat system integration platform became active, marking the transition from the design phase to that of functional integration.
Innovative projects

In the innovation field, DCNS pursued its effort to extend conventional submarines’ operating range. The Group acquired the assets of IdaTech, an SME specialised in technologies associated with hydrogen. It also stepped up its work on lithium-ion technology. This makes it possible to supply a high level of electrical power while at the same time being rechargeable.

Furthermore, DCNS signed a cooperation agreement with the ALCEN Group for the development and joint sale of new equipment. The first project concerns the co-development of an innovative system capable of increasing transmission and reception capabilities of submarines when underwater.

In the field of combat systems, DCNS also made significant progress in recovering UUVs.

Finally, very significant progress was achieved in hydrodynamics: the Group developed a software program capable of simulating object ejection phenomena (weapons, countermeasures) and cable towing. It also set up a new customisable generic submarine model making it possible to find tune the vessel’s performance during hydrodynamic tests at the design phase.

DCNS is one of the European leaders on the underwater weapons market. DCNS is one of the European leaders for underwater weapons. The ARTEMIS programme, which consists of developing new generation F21 heavy torpedoes, made significant progress in 2013: the design of the F21 was finalised and the first prototype produced. Furthermore, the Australian Navy began equipping its operational units with light MU90 torpedoes following the successful tests during operational evaluation. The NEMESIS programme concerning the development and supply of countermeasures for French Navy submarines, was marked by the finalisation of the detailed design and functional trials in an acoustic tank. These tests confirmed the excellent performance delivered by these countermeasure solutions.

1 million components are needed to manufacture a nuclear attack submarine, making it one of the world’s most complex products.
A wide range of services
DCNS offers a wide range of services throughout vessels’ operational lives, whether they are surface ships or submarines. As a complement to support operations designed to maintain ships’ performance over time, the Group also carries out major refit and life extension programmes for ships. It is therefore able to make a global commitment to maintaining a fleet’s operational viability.

Two major industrial programmes
2013 was marked by two major programmes for the French Navy. The first operation concerned adapting a nuclear ballistic missile submarine to the M51 missile and was successfully carried out on Le Vigilant. At the same time, the Group’s teams worked on the intermediary maintenance of the aircraft carrier Charles de Gaulle. This vessel, after twelve years in active service, had covered some 1 million km, which is the equivalent of 23 round the world voyages. Over 100 different fields of expertise were involved in this operation, for which DCNS was the prime contractor. The work involved renovating the piloting system, the stabilisation calculators, the combat system and the ship’s on-board living facilities.

Commercial successes
The Group signed a contract to act as prime contractor for the upcoming regular maintenance and repair operations on the aircraft carrier Charles de Gaulle, programmed from 2016. DCNS also won two important competitions in 2013. In France, it was selected by the French Navy to carry out the maintenance of the 11 minesweepers based at Brest and at Toulon. In partnership with PIRIOU, the Group has also obtained a contract for the supply and maintenance of three multimission OPVs based overseas. DCNS will be in charge of the through-life support for each ship for up to six years.

On international markets, the Group has been selected by Saudi Arabia for the upgrading of four Al Madinah class frigates and two Boraida class fuel-supply ships.

In 2013, DCNS provided through-life support services and maintenance for 75 surface ships and submarines in France and on international markets.
Simulators and training
In addition, DCNS continues to support its customers in the acquisition of skills and in retaining them. The Group develops simulators for instructing and training crews in piloting ships. After having set up programmes in Malaysia to develop local skills, DCNS supplied the Royal Malaysian Navy with instructional and training simulators for the crews deployed to operate the Scorpene® class submarines.

FOCUS ON INNOVATION
DCNS INAUGURATES THE 500TH TERMINAL OF ITS SITIP COMMUNICATIONS SYSTEM
DCNS has celebrated the inauguration of its 500th SITIP terminal on board the minesweeper L’Eridan. The SITIP (IP telephony and interphony system) is a means of bringing together and managing all transmissions made by a ship (telephony, interphony, on-board announcements and access to radio resources). Between 12 and 70 terminals are installed on each ship. With DCNS as prime contractor, this high technology equipment was selected in 2010 by the French Armaments Procurement Agency (DGA) to upgrade the communications networks on French naval vessels. It brings much greater flexibility to the communications system and compatibility with Internet. It also interfaces with information systems and reuses a large part of existing cable networks. Its deployment is ongoing: 1,500 terminals are scheduled to be installed by 2016.

24/07/2013
END OF THE MAINTENANCE AND MODERNISATION OF THE CHARLES DE GAULLE
After six months of work involving 1,000 people and 60 subcontracting companies, DCNS has completed the 6,000 lines of work needed to modernise and maintain the aircraft carrier Charles de Gaulle during its refit at the Vauban drydock in Toulon.

AUGUST 2013
A MAJOR RENOVATION CONTRACT SIGNED WITH SAUDI ARABIA
DCNS, Thales and MBDA have signed a contract worth a total of $1 billion covering the upgrading of four Al Medinah class frigates and two fuel-supply Boraida class ships which first went into service twenty years ago. DCNS will be carrying out this work with its local partner the Saudi naval shipyard Zamil.

partner companies have worked with DCNS as the prime contractor to carry out the maintenance on the SSBN Le Vigilant and make the necessary adaptations for it to deploy the M51 missile.
A key component of the deterrent strategy
On average, deterrent-related orders account for €1 billion in annual revenue for DCNS and moreover generate nearly 8,000 direct and indirect jobs across France for all vessel classes (nuclear ballistic missile submarines and nuclear attack submarines), and this figure does not include strategic missiles. In 2013, DCNS consolidated its pivotal defence industry role. As a valued partner in building the country’s naval deterrence, Group expertise covers the life span of nuclear ballistic missile submarines. In overseeing all phases of a vessel-building programme, DCNS is one of the world’s very few companies capable of handling the design, construction, through-life support as well as the disassembly and dismantling of systems as complex as these submarines. The Group is actively working on three generations of such vessels for the French Navy. In 2013, DCNS continued to perform regular maintenance on this class of submarine at the île Longue facility (off the coast of Brest). Timely maintenance schedules guarantee submarine availability, which is essential to France’s deterrence policy. In July 2013, the Group completed the first-ever upgrade of *Le Vigilant* submarine, overcoming the scale and complexity of the mission. The objective here was to adapt the vessel to accommodate the new M51 missile and install a new combat management system, SYCOBS, which will also equip the Barracuda nuclear attack submarines. After thirty months of renovation, *Le Vigilant* was accepted as per the contract schedule once testing in the water had proven conclusive. To fulfil the commitments inherent in this critical component of France’s naval deterrent, a dedicated entity was set up: a special site at the Brest naval base to centralise and coordinate the efforts of 45 industrial partners. By respecting these high-stakes commitments, DCNS has successfully demonstrated its ability to meet the most ambitious technical and industrial challenges.

At Cherbourg, DCNS continued in 2013 the task of disassembling nuclear installations on both the *Redoutable* and *Inflexible* class of ballistic missile submarines. Studies
advanced relative to the vessel dismantling process. The Group will be involved as of 2016-2017 once disassembly works get underway. These preparatory efforts have also helped prepare to accommodate the first-generation Rubis type nuclear attack submarine, as an initial step prior to its disassembly and subsequent dismantling.

Preparing for the future
As regards future plans, DCNS is making steady progress on its design of the third-generation nuclear missile submarine. Considerable attention is focused on a very innovative concept that calls for designing the submarine exclusively in sections and modules, in parallel with an approach intended to take advantage of the latest most innovative technologies. These preliminary studies face a double challenge: design then build a nuclear submarine adapted to 21st-century threats, while working with a tight budget.

To achieve this important goal, DCNS must preserve its highly specialized core competences and apply the feedback gained from previous generations of these submarine classes. The succession of nuclear ballistic missile and nuclear attack submarine programmes is essential to ensure a smooth transfer of competences from one programme to the next. The consistency between second and third generations of these two submarines will be vital for the French Navy.

The average annual revenue generated for DCNS through deterrence-related orders. This volume of business creates nearly 8,000 direct and indirect jobs across France for all vessels involved (nuclear ballistic missile and nuclear attack submarines) without including strategic missiles.
The Group is positioned as a major player in renewable marine energies and is continuing its deployment on civil nuclear energy as well as marine energy and infrastructure service markets.
SURROUNDED BY THE IRISH SEA, THE ATLANTIC OCEAN AND THE CELTIC SEA, IRELAND COMMANDS EXTENSIVE MARINE RESOURCES. IT IS IN THIS COUNTRY THAT OPENHYDRO, A COMPANY IN WHICH DCNS TOOK A CONTROLLING INTEREST IN 2013, HAS DEVELOPED AN INNOVATIVE TIDAL TURBINE CAPABLE OF PRODUCING ELECTRICITY AT A COMPETITIVE PRICE. THIS TAKEOVER REASSERTS THE GROUP’S AMBITIONS IN THE FIELD OF RENEWABLE MARINE ENERGIES.
In October 2013, DCNS unveiled its new land-based OTEC system concept in response to the electricity needs of smaller facilities like company premises or hotels.

**World leadership ambition**

DCNS has its sights set on becoming a world leader in the renewable marine energy sector. The Group is currently investing in four technologies: tidal turbines, ocean thermal energy conversion (OTEC), floating wind turbines, and wave energy converters.

The year was particularly eventful in the area of tidal turbines. The takeover of OpenHydro, in March 2013, represented DCNS’ first external growth move in the energy sector and illustrated the extent of the Group’s transformation over the past four years in pursuit of its growth strategy. In September 2013, DCNS announced its intention to respond favourably to the French government’s call for a show of interest in installing pilot tidal turbine farms off the French coastline. The Group would like to drive the development of a dedicated industrial sector in France. As the global market takes shape, DCNS has demonstrated its focus on internationalisation, in particular by submitting a bid to install two 16-meter tidal turbines in Canada.

In December 2013, the French government issued a request for information in view of harnessing France’s potential from offshore wind turbines. This initial step is a significant one along the way to creating pilot farms as of 2019, followed in 2022 by commercially viable farms. DCNS will assess technical solutions and financing scenarios to ensure its bids are feasible. The Group expects to have a first demonstration facility producing multiple megawatts up and running by 2017. In the field of ocean thermal energy conversion (OTEC), DCNS has been progressing on an OTEC plant project off the Martinique coast. The Group has completed its product line by unveiling a land-based OTEC system concept; this new solution will satisfy the electricity needs of small-scale facilities like company premises or hotels, with the added benefit of a potential coupling to an SWAC (SeaWater Air Conditioning) installation using cold seawater.

DCNS has also broken new ground in the field of wave energy via an agreement reached with the Fortum energy engineering consultancy and the AW-Energy technology
In 2013, DCNS acquired controlling interest in the Irish company OpenHydro. DCNS harbours the ambition of generating at least €1 billion in revenue by 2025 in the tidal turbine market. As a commercial and technological leader in this sector, OpenHydro has developed an innovative turbine that produces electricity at a very competitive price. Thanks to this takeover, the Group is confirming the launch of industrialization in its renewable marine energy activity.

19/09/2013
A PARTNERSHIP ESTABLISHED FOR WAVE ENERGY
With support offered by the Brittany Regional Council, DCNS, the Fortum energy engineering firm and AW-Energy technology signed an agreement relative to wave energy production. The three entities will jointly develop a wave energy converter farm demonstration project on Brittany’s Audierne Bay outputting 1.5 MW of power.

30/09/2013
DCNS BIDS ON THE TIDAL TURBINE PILOT FARM PROJECT
The city of Cherbourg was the backdrop to French President François Hollande’s call for a show of interest in installing tidal turbine pilot farms off the French coastline. Cherbourg is also where DCNS is planning, with the assistance of local expertise, to launch an industrial sector dedicated to tidal turbines that, in time, could create 1,000 jobs. The tidal turbine developed by the Group is among the 34 industrial projects of the future announced by the government in September 2013.

The revenue DCNS is looking to generate in the tidal turbine market by 2025.
In relying on its considerable expertise in nuclear systems for naval defence applications, DCNS is able to devise high-technology solutions in the civilian nuclear energy sector. The Group is working alongside the top players in France’s nuclear energy industry – names like AREVA, CEA and EDF – through making available the company’s equipment manufacturing capacities, engineering solutions and project management skills. DCNS proposes its unique set of competences in developing certified secure installations, maintaining nuclear facilities and providing support services for dismantling operations. In 2013, DCNS reached a number of new milestones in missions assigned by the EDF utility, including the production of EPR reactor vessel components for the Flamanville nuclear power plant. The Group’s level of engineering expertise has considerably expanded opportunities to coordinate projects on behalf of facility owner EDF. More specifically, DCNS is collaborating with its engineering subsidiary Principia on studies to verify the robustness of spent fuel storage systems in the pools at nuclear power plants as well as their resistance to very high levels of seismicity.

In Cadarache, DCNS teams have advanced their work on the fluid and ventilation circuits of the future Jules Horowitz research reactor run by the Atomic Energy Commission (CEA). On the international stage, DCNS has continued to assist AREVA in assembling Finland’s Olkiluoto EPR plant. However, major operational difficulties encountered while implementing some of these programmes have jeopardised the Group’s prospects for further profitability gains in 2013. A number of organisational and industrial measures were adopted in order to enhance the profitability outlook from this activity beginning in 2014.

In conjunction with these strategies, the Group continues to invest in research and development, by among other things pursuing validation studies on its Flexblue® concept, a low-power underwater nuclear energy production unit. Manufactured within the scope of a four-party programme with AREVA, CEA and EDF, this design effort has demonstrated the benefits of modular low-power reactors towards successfully meeting the energy challenges of today and tomorrow.
For many years, DCNS has been considerably expanding its activities relating to warship infrastructures: design of naval bases in France and elsewhere, maintenance and operations of French Navy facilities. In 2013, the Group submitted initial design studies for the future infrastructure intended to accommodate Barracuda submarines at the Brest and Toulon bases. Among its international accomplishments, DCNS celebrated in March 2013 along with its Brazilian partner Odebrecht, the official inauguration of the Brazilian Navy’s submarine construction unit in Itaguaí on Sepetiba Bay.

The Group has successfully built upon its expertise acquired in the design and operations of naval bases in order to develop a comprehensive service offering for the energy sector. Renowned for its competence in designing and building complex systems, as well as all subsequent operations and maintenance activities, DCNS has consolidated its services for use on large-scale electricity generation projects. The Group has been selected by EDF to produce the new power plant on the Saint-Pierre-et-Miquelon archipelago, where two buildings were completed in 2013. Moreover, in Mayotte, the Group has continued work on extending the Longoni power plant, which is slated for a turnkey delivery by the end of 2014.

In addition to its naval base design activities and energy-related services, DCNS would like to apply its expertise to derive greater benefit from the world’s oceans. The Group is undeniably well poised to propose high-technology solutions that allow setting up activities both above and below the ocean surface. It is seeking ways to harness the combined talents of its civil engineering and maritime engineering staff and become a leading player in this sector.

Motivated by its extensive work in maritime environments, along with its industrial competences and resources, DCNS plans to play a major role in the enhanced use of the world’s oceans. The Group aims to contribute technological breakthroughs in currently mature sectors like offshore oil and gas drilling, by installing on the ocean floor the facilities that until now have remained at the surface on platforms or ships. Furthermore, thanks to its experience in developing the Nautile submersible for exploring the ocean floor, DCNS anticipates opportunities in designing systems dedicated to mining production tasks that necessitate no human intervention. The Group also sees an avenue in providing its expertise in the areas of marine energy, naval architecture and construction on future offshore platforms.

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Commitments

For the first time in its history, DCNS is giving responsible development the same level of importance as growth and profitability among its goals for the next few years. In 2013, the Group further strengthened its commitment to upholding ethics, creating value and jobs, social responsibility and control over the environmental impact of its activities.
THE LIGHTHOUSE AT ST. MATHIEU POINT, in Finistère, is among the most emblematic landmarks in the Iroise Sea. Its missions reflect the values which DCNS upholds with its stakeholders: conquering spirit, rigour, trust and respect.
Responsibility is key for our growth.
For the first time, DCNS is making responsible development a goal with the same level of importance as the growth and profitability of our business.

WHAT ARE YOUR MAJOR OBJECTIVES IN TERMS OF RESPONSIBLE DEVELOPMENT?

BERNARD PLANCHAIS: Last year, we presented our values – conquering spirit, rigour, trust and respect – in line with our Beyond 2020 vision. At the same time we made responsible development a DCNS objective, with the same level of importance as the growth and profitability of our business. There are three aspects to our ambition in this area:

• get our stakeholders to share our values, for this will encourage the Group’s staff members and partners to work towards satisfying our customers, an essential condition for creating revenue and jobs;
• become one of the best companies in our sector in terms of compliance;
• demonstrate our ongoing commitment to corporate social responsibility (CSR).

This shows that responsibility is a prerequisite for our development.

WHAT ROLE DOES CORPORATE RESPONSIBILITY PLAY IN THE WAY YOUR GOVERNANCE IS ORGANISED?

B.P.: In 2013, we organised our governance in this field around three entities:

• the Ethics Committee, which puts forward ethical approaches to follow and deals with individual cases;
• the company’s Corporate Responsibility Committee, which steers the scheduling and implementation of initiatives resulting from the Group’s CSR principles;
• the Compliance Department, which defines our in-house procedures for establishing a sound approach and makes sure it is implemented.

This change aims to make DCNS’ responsible stance more efficient and apparent to all stakeholders.

LET US CONSIDER EACH OF THE GOALS YOU MENTIONED IN YOUR INTRODUCTION. HOW DO YOU ASSESS OUR CURRENT PERFORMANCE IN TERMS OF COMPLIANCE?

B.P.: It is an issue which has a great deal of importance for the Board of Directors and at the DCNS management. We have a zero tolerance attitude when it comes to ethical shortcomings. It is the priority in our compliance programme. We have, for example, joined the International Forum for Business Ethical Conduct and signed its Global Principles by which companies undertake to respect and promote a series of anticorruption principles. At the same time, we have decided to communicate more broadly inside and outside the company on the dynamic policy with regard to compliance we have been implementing for several years. Furthermore, our activity in this field is subject to assessments made by Transparency International.

WHAT ARE THE MAIN INITIATIVES YOU ARE TAKING IN THE FIELD OF CORPORATE SOCIAL RESPONSIBILITY?

B.P.: At the end of 2013, we carried out a self assessment of our extra financial rating which produced some very encouraging results. This analysis also enabled us to identify a number of areas where real improvements could be made. Two major audits at the end of 2014 will enable us to measure the progress we have made. They will be carried out by two organisations: Vigeo for corporate social responsibility and Ethic Intelligence for ethical issues.

FINALLY, HOW DO YOU APPROACH THE ISSUE OF GETTING STAKEHOLDERS TO ADOPT YOUR VALUES?

B.P.: In-house, we have incorporated our values into the Ethical Committee’s roadmap. This demonstrates our determination to make the values guidelines for our day-to-day behaviour. We have also signed a generational contract which confirms our commitment to encourage the employment of young people and seniors. Externally, we have continued to deploy our suppliers’ code of conduct among our subcontractors. This code is based upon the requirements of the United Nations Global Compact and the ISO 26000 standard. We have also signed an agreement with the Ministry of Defence designed to support the incorporation and development of SMEs, whether they are suppliers, subcontractors or Group partners.

These initiatives are designed to focus the extended company made up of DCNS and its entire ecosystem on our values and serving our customers. For customer satisfaction is the alpha and omega of our operational activities and our ongoing improvement approach. Our success now and in the future depends upon it. This is why it is essential for the deployment of our values and the assertion of DCNS’ standing as a responsible company.
Outstanding results
In 2013, DCNS obtained excellent results relative to Workplace (Occupational) Health and Safety (OHS), as exemplified by a 28% year-on-year drop in the number of workplace accidents involving sick leave. Such a trend reflects the effectiveness of the OHS policy implemented by the Group back in 2010. Nearly all sites have shared in these very strong gains, led by Nantes-Indret (which posted a 60% decline in the number of such accidents), followed by Toulon (46%) and Brest (38%). The Mourillon site has extended its operating period without an accident involving sick-leave to over 5 million hours. The accident rate among temp workers is also down sharply (~37%). The rate of accident severity has decreased by 20% in comparison with 2012. In addition to these upbeat in-house results, DCNS has launched an OHS performance improvement campaign among its suppliers.

Emphasis on prevention
The Group adopted a number of bold initiatives to raise its level of workplace accident prevention. In 2013, all sites halted production on two occasions to notify and rally support from staff on the major risks incurred. Line manager involvement and behavioral modification are also among DCNS’ main OHS policy objectives. A total of 4,800 managerial visits dedicated to safety took place in 2013. The presentation of accident analyses is now an agenda item during site executive committee meetings and the topic of intra-Group exchanges. The focus on such analyses has led to significant improvements in their quality and to greater relevance in the resulting prevention-related decisions. All these initiatives have been accompanied by training and awareness-building sessions, in most cases specially tailored for dissemination across all sites. The training module designed for OHS coaching by team leaders
PLACE

provides participants, for example, with a better sense of the appropriate behaviour to adopt when managing a risk, incident or accident.

The year 2013 was also devoted to preparing for the Group’s 2014 transition from simultaneous systems for managing OHS, the environment and quality to an integrated QSE (Quality, Safety and Environment) management system.

FOCUS ON INNOVATION
PRIORITY PLACED ON QUALITY OF LIFE IN THE WORKPLACE

Subsequent to the 2012 survey on psychosocial risks, an action plan was developed in 2013 with active participation of both labour and management. Employee and manager training/awareness-building workshops were held on this topic at all DCNS sites. The Group has also devised a joint strategy, in conjunction with the national Occupational Health and Safety Committee, to prepare for DCNS’ compliance with the recent law enacted governing difficult working conditions. These efforts will extend into 2014.

28%
The drop in the number of workplace accidents involving sick leave throughout the Group in 2013 compared to 2012.

DURING 2013
A DYNAMIC SOURCE OF COMMUNICATION

Several OHS communications campaigns were launched during the year. The various topics raised included: shared vigilance, anticipation, primary lesion localisations and vulnerable health conditions such as fatigue.

09/04/2013
FULL MOBILISATION

The daylong OHS event, initiated within the Group in 2011, was once again organised across all its sites for the purpose of mobilising the entire workforce around this pivotal concern. Safety standards intended to improve risk management were specially rolled out for the occasion. A review of previous initiatives introduced on the topics of workplace circulation, material handling and lifting was also provided.
Responsible growth

In particular, DCNS’ responsible growth is built upon the development of sustainable and constructive relationships with all its stakeholders, a policy of dynamic innovation and highly demanding ethical principles. In 2013, DCNS continued deploying its integrity programme. This was developed by taking into account the major risks to which DCNS is exposed, the most important being shortcomings in data protection, ethical non-conformity of suppliers and unfair competition. The first policies and procedures defined as part of this programme emphasise the Group’s relationships with its partners and, more specifically, prevention of corruption. This approach is in line with the zero tolerance policy that has been lacking in the Code of Ethics advocated by DCNS.

Making compliance a priority

Furthermore, the Group is taking part in developing and promoting best practices in terms of ethics and compliance both at home and abroad. In 2013, it became a member of:

- Afnor (French Association for normalisation) normalisation commission for compliance;
- and the International Forum for Business Ethical Conduct, signing its Global Principles committing companies to respect and promote a series of joint anticorruption principles.

DCNS is also taking part in the ASD (European Association of Aerospatiale and Defence Industries) Business Ethics Committee.

Within the framework of the negotiations on the Arms Trade Treaty (ATT) adopted in April 2013 by the United Nations General Assembly, DCNS played an active role in the broad consultation the Foreign Ministry was aiming for. The ATT has a double purpose: it aims to establish strict common standards to regulate international arms trade between countries and prevent the illicit trade of conventional weapons and their misappropriation.

Furthermore, in 2014, the Group is preparing to sign the United Nations Global Compact which involves major commitments in terms of ethics.

FOCUS ON INNOVATION

A SYSTEM FOR REDUCING SHIPS’ ENERGY CONSUMPTION

Changes in international regulations, which have set an objective of reducing CO₂ emissions by 20% before 2020, and the steady increase in the cost of oil have led DCNS Research to carry out an important joint research programme on reducing ships’ energy consumption and polluting emissions. The Group’s engineers have developed the EONAV system (optimised ship operations) which is a decision-making aid providing recommendations for optimising ship piloting allowing savings of around 2% in fuel consumption to be made.

ECONOMIC DEVELOPMENT

RESIDENTIAL CUSTOMER

A SYSTEM FOR REDUCING SHIPS’ ENERGY CONSUMPTION

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The Group has embarked upon a process of certification with the inter-company organisation Médiation, so as to obtain “Responsible Supplier Relations” recognition, which distinguishes companies who have established fair relationships with their suppliers.

**Relationships with partners**
DCNS has also strengthened relationships with its partners by deploying its suppliers’ code of conduct to its supplier base, in line with the recommendations of the ISO 26000 standard. 70% of the Group’s suppliers and subcontractors have already signed the act of commitment and further signatories are expected in 2014. Highly involved in promoting fair practice in its relationship with suppliers, DCNS is in the process of obtaining certification with the inter-company Médiation organisation. The aim is to obtain “Responsible Supplier Relations” certification in 2014 which qualifies companies having established fair relationships with their suppliers.

Furthermore, DCNS is developing collaborative R&D initiatives with innovative SMEs, particularly as part of the Advanse programme. Finally, DCNS is an active member of several competitive clusters, particularly the Brittany Ocean Cluster, the Provence-Alpes-Côte d’Azur Cluster and the “Metallic and Complex Composite Assemblies” (EMC2) Cluster. By playing an active role in these competitive clusters, the Group continues its contribution to stimulating French industry.

22.5 million euros are involved in research projects jointly steered by DCNS Research in 2013 as part of its contribution to the Jules Verne IRT.

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**JUNE 2013**
**BUILDING SUBMARINES FOR BRAZIL IN PARTNERSHIP WITH A LOCAL INDUSTRIALIST**
The transfer from Cherbourg to Itaguaí (Brazil) of the front section of the first Brazilian programme submarine represented the hand-over between DCNS and Itaguaí Construções Navais (ICN), the joint company formed by DCNS and its Brazilian partner Odebrecht which will continue constructing this Scorpene® submarine.

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**04/07/2013**
**DCNS COMMITS TO ENCOURAGING SME DEVELOPMENT**
The French Minister of Defence, Jean-Yves Le Drian, and Patrick Boissier, Chairman and CEO of DCNS, have signed a bilateral agreement designed to support the integration and growth of supplier, subcontractor and DCNS partner SMEs. The SME Defence Compact contains 40 concrete measures for encouraging the growth, innovation and competitiveness of small, medium and intermediary sized companies.
Constant attention paid to the environment

By controlling its industrial risks and reducing the environmental impact of its activities, DCNS is fully committed to eco-responsibility. The Group is determined to increasingly take environmental factors into account from the very beginning of all its projects and programmes. In 2013, it continued to implement a purposeful policy of eco-design and pollution prevention.

DCNS is continuing to make progress in the fields of energy performance and the reduction of waste production and CO₂ emissions. In five years, the Group has cut CO₂ emissions by some 20% and its production of non-dangerous waste by 30%.

Many initiatives have been carried out to reduce DCNS’ environmental impact, whether this is in the air, water or the ground and to improve its waste management. To this end, at Nantes-Indret, the Group now uses products of vegetable origin instead of aluminium sulphate to filter the river water used for cooling its test benches. This means it is no longer introducing aluminium into the natural environment. Its sites also take into account local constraints in terms of water consumption and supply. At Ruelle, for example, water consumption has been reduced by adopting a closed circuit technique for the metallisation process.

In 2013, DCNS implemented a national campaign to reduce the consumption of electricity so as to encourage its staff to save energy on a day-to-day basis. Many measures were also taken to improve the energy efficiency of its industrial plant and equipment. In Lorient, the machines were adapted to strictly respond to users’ needs, particularly by lowering air production and pressure. This measure resulted in cutting the machines’ energy consumption by 24% and therefore saving 5% on the Lorient site’s energy bill.

In 2013, the Group also set up a contract for recycling obsolete IT equipment. This involves reusing this equipment or destroying it via an approved channel. Out of 3,948 items of equipment processed during the year, 68% of them were reused.
The cutting edge of eco-design

At the same time, in 2013 DCNS once again pursued a purposeful policy of eco-design. The eco-design team carried out different types of research, in particular connected with the environmental impact of the OPV L’Adroit, the recycling rate of Le Redoutable class submarines and the reduction of energy consumption on board intermediary sized frigates.

Finally, several local initiatives concerning biodiversity protection have already led to concrete moves being made such as new plantations or inventories of living species. The DCNS sites also place great importance on reducing impacts on protected species. This is particularly the case at Ruelle, where removing algae and grasses along the river bordering the site is prohibited during the birds’ nesting season.

The level of conformity for selective non-dangerous waste sorting handled in 2013. DCNS has set up this indicator to measure and optimise its waste recycling.
Commitment to jobs
In 2013, as its market expansion was maintained, DCNS continued to implement a human resources policy designed to preserve the quality of life in the workplace and that of the social climate. Consistently and fairly managing workforces is a prerequisite within the Group which had a total of 13,648 staff members on 31 December 2013, 3.5% up on its workforce numbers at the end of the previous year.

In 2013, DCNS confirmed its commitment to employing young people and seniors by signing a generation contract with the unions at a meeting with the French Minister of Defence, Jean-Yves Le Drian. In particular, under the terms of this contract, in the next three years, newly hired young people under the age of 30 will account for 40% of all the company’s recruitment.

Furthermore, DCNS is encouraging individual and collective performance via a policy guaranteeing the equality and competitiveness of salaries as well as encouraging career advancement opportunities. The number of promotions involving a change of category doubled in 2013. The “Booster” programme, which is designed to detect young people with a strong potential for development to give them an accelerated career path has been continued. 60% of the young people identified with potential talent have advanced within the Group by means of this programme.

With the ongoing growth of its involvement in international markets, DCNS has also set up an expatriation policy aimed at supporting its staff members taking up positions abroad.

A dynamic disability policy
The results of the four year plan (2009-2013) implemented by the Group to encourage the integration of disabled persons are convincing. In four years, the proportion of disabled persons joining the workforce has risen strongly, reaching 5.4% at the end of 2013. 111 disabled staff members were recruited and 69 disabled persons on work-study courses followed professional training, particularly via the DCNS Develops Talent job-insertion programme. Purchases from companies in the sheltered sector increased in 2013 to €2.6 million, which represents the equivalent of almost 100 indirect jobs for disabled people. Finally, another Disability Day was organised in November 2013 at all Group sites.

SOCIAL EQUITY AND HUMAN RESOURCES

FOCUS ON INNOVATION
GENDER EQUALITY AS A SOCIAL CHALLENGE
Just over two years since an agreement on professional equality between men and women at DCNS was signed, the Group has been recording some very encouraging results. At the end of 2013, 25.9% of new recruits were women.

The proportion of jobs held by women in the staff was 19.5% at the end of 2013 when the target had been 19.6% at the end of 2014. The effects of increasing gender equality in the workplace policy as far as salaries are concerned also delivered good results with a reduction in differences observed. Efforts are being continued in terms of promoting women into positions of responsibility. For example, the DCNS Executive Committee now includes one woman, Natalie Smirnov, Senior Vice President of the Group’s Services Division.
As part of its development on international markets, DCNS has set up an expatriation policy aiming to support its staff members’ international mobility as much as possible.

Furthermore, DCNS has inaugurated its corporate university, DCNS Universéat. This brings together in-house and external training operations for customers and members of the Group’s staff. In addition to instructors from outside the company, the training team consists of a network of 1,500 in-house instructors.

Finally, throughout the year, DCNS took part in some 15 school forums and launched the Campus Managers network. Made up of staff members identified as Group ambassadors to their former schools, this network encourages spreading the news about DCNS to young graduates.

724 members of the DCNS staff were working outside France at the end of 2013.

31/12/2013
THE DCNS DEVELOPS TALENT INITIATIVE HELPING PEOPLE IN DIFFICULTY

The DCNS Develops Talent social programme for passing on knowledge created in 2008 is designed to open up the world of manufacturing to those who are, all too often, excluded from it. At the end of 2013, 3,538 people experiencing difficulties, i.e. without jobs or qualifications, had visited DCNS sites during a series of mini work experience sessions. Out of these, 711 joined the Group on work study programmes and, out of those who completed their courses, 219 have already been employed by DCNS or another company as a result of the DCNS Develops Talent initiative.

22/04/2013
STUDENTS LIKE DCNS

DCNS is rated 40th in the Universum®/Le Monde ranking of employers preferred by students from major French engineering schools. The Group has moved up 44 places since 2010, the date when it entered the rankings based on an annual survey carried out among more than 34,000 students.
In 2013, DCNS launched several economic, social and environmental initiatives with the aim of implementing its corporate social responsibility policy.

**ECONOMY**
- Arms Trade Treaty: DCNS took part in the preparatory work carried out by the French Foreign Minister leading up to the adoption of the treaty by the United Nations General Assembly.
- ETHICS: following the recommendations of the “Ethics Intelligence” audit, interviews with members of the Executive Committee are published on the Group’s intranet every month and a managerial ethical report is issued every year.
- All 100% owned DCNS subsidiaries have an Ethical Reference Guide at their disposal, can benefit from an ethical reporting analysis and receive an AAL (annual assertion letter) concerning self-assessment of risk management and compliance with ethical rules.
- Awareness raised of all sales personnel and sales representatives abroad (including subsidiaries and sales offices) with regard to ethical behaviour and training for all new arrivals in this area.
- Participation in the Afnor standardisation commission on compliance.
- Establishment of a Compliance Officer network and appointment of its ambassadors to all Group entities.
- Development of the integrity programme: publication of procedures concerning gifts and type of hospitality received and offered as well as re-drafting of instructions concerning the selection and management of sales department suppliers.
- Customs authorised Economic Operator certification obtained.
- IFACI (French Institute for Internal Auditing and Control) follow-up audit resulting in renewal of the 2012 certification.
- Membership of the Business Ethics Circle, the Circle of Compliance and the International Forum for Business Ethical Conduct.
- Deployment of the DCNS SME plan to ensure small, medium and intermediary sized companies supplying DCNS are treated fairly.
- Strong involvement in the Oceans 21 project designed to develop the French naval industry sector.
- Deployment of the DCNS supplier code of conduct and drawing up of a supplier CSR assessment plan.
- Ongoing research programme into ocean thermal energy waste production and the acoustic, biofouling and corrosion consequences of renewable marine energy production.
- Preparations for an assessment project in situ of the acoustic impact made by tidal turbines in the USA and a measurement and analysis campaign into the environmental impact of tidal turbines on the fauna and flora in Scotland and Ireland.

**ENVIRONMENT**
- External eco-design programmes: final drafting of the EGNNAV joint research project for reducing energy consumption and polluting product emissions from ships together with the launching of a joint project for dismantling ships with Veolia and ENSTA Bretagne.
- In-house eco-design programmes: a tool for consolidating the environmental technological watch and various environmental surveys into future shipbuilding projects.
- Bio-diversity inventory operation with staff members from the Nantes-Indret site.
- Information campaign at all Group sites concerning energy-saving measures and contribution to European Waste Reduction Week.
- Ongoing development of the centralised technical management process at the Cherbourg and Ruelle sites designed to control and optimise electricity consumption.
- Introduction of measures encouraging car sharing at the Mouriillon and Nantes-Indret sites.
- Organisation of an environmental day on the theme of water in association with the French Navy.
- Ongoing research programme into ocean thermal energy waste production and the acoustic, biofouling and corrosion consequences of renewable marine energy production.
- Preparations for an assessment project in situ of the acoustic impact made by tidal turbines in the USA and a measurement and analysis campaign into the environmental impact of tidal turbines on the fauna and flora in Scotland and Ireland.

**SOCIAL**
- Recruitment of 1,500 in-house trainers for the DCNS Universeaty currently being set up.
- Creation of a new framework Certification Process for technicians and supervisors seeking advancement with 40 of them obtaining certification.
- Organisation of the Disability Day with several workshops to raise staff members’ awareness in this area.
- Introduction of a complementary retirement plan for staff members.
- Signature of a generation contract with all trade unions to encourage employment of young people and seniors.
- Signature of an agreement concerning salary increases for staff members during the compulsory annual negotiations and a commitment on promotions both within and between different categories.
- Workplace Health and Safety decrease of 28% in the number of occupational accidents involving sick leave compared with 2012, definition of an action plan following the survey into psycho-social risks and setting up of a working group into tedious working conditions.
2014 ROADMAP

Fully aware of a company’s social responsibility, in 2014 DCNS will be pursuing its various initiatives with its in-house and external stakeholders.

ECONOMY

■ Obtain intercommunity Transfer certification allowing European Union suppliers to use the general licences for transferring their products to DCNS.
■ Obtain the “Responsible Supplier Relations” label.
■ Draw up an Ethical Reference Guide for subsidiaries that are not 100% owned by DCNS.
■ OpenHydro: assess how the DCNS Ethical Reference Guide has been assimilated, train managers in the ethics and deploy the Group supplier code for application to OpenHydro’s suppliers while taking into account local contexts.
■ Generalise processes for verifying DCNS suppliers’ compliance with the CSR commitments they have made.
■ Set up in-house audits for checking that best practices are observed during consultations, negotiations and contract implementation.

ENVIRONMENT

■ Launch external collaborative eco-design projects addressing the issues of deconstruction.
■ Train the teams concerned in their use of the Eco-watch tool allowing them to consolidate the environmental technological watch.
■ R&D: carrying out research into new materials, recovering energy on board and measuring environmental performance.
■ Energies: reducing the Group’s carbon footprint and reducing its energy and water consumption.
■ Pollution and nuisance: improve compliance with waste regulations and diminish use of polluting products.
■ Waste: reduce the quantities of non-dangerous waste sent to landfill or incinerated and improve sorting at Group sites.
■ Continue analysis of environmental impact for setting up tidal turbine farms in Europe and North America, wave energy farms in the Brittany region and OTE plants in the Caribbean.
■ Extend dialogue with stakeholders for each site working on a project for developing renewable marine energies.
■ Obtain Environmental Safety Quality certification.

SOCIAL

■ Deploy a new information system on human resources.
■ Diversity: implement commitments in the field of recruitment concerning disability, professional equality and the employment of seniors.
■ Shareholding: enable staff members to acquire altogether 1.1% of DCNS capital under attractive financial and fiscal conditions.
■ Solidarity: implement an agreement with Planète Urgence enabling volunteer staff members to spend time during their holiday leave strengthening this NGO’s capacities.
■ Workplace Health and Safety: carry out a national consultation with a view to signing a collective agreement on reducing the impact of tedious tasks, setting up a national Observatory of quality of life at work, continue initiatives for preventing serious risks or high frequency, carry out OHS training and organise an OHS week.
A PASSION FOR THE SEA AND DCNS

Turning Tide

FRANÇOIS CLUZET

VIRGINIE EFIRA  JOSÉ CORONADO

WITH THE PARTICIPATION OF
GUILLAUME CANET

A FILM BY
CHRISTOPHE OFFENSTEIN
VALUES ON THE SILVER SCREEN

DCNS IN THE SPOTLIGHT AT CINEMAS
Produced by Gaumont, *Turning Tide* tells the story of a skipper competing in the Vendée Globe race whose solo voyage is upset by the presence of an unexpected passenger on board. Directed by Christophe Offenstein and acted by François Cluzet, Samy Seghir, Guillaume Canet and Virginie Efira, the film mainly takes place on the former DCNS racing monohull. The Group plays a key role in the *Turning Tide* story and benefits from unprecedented exposure. This partnership is a really outstanding opportunity for DCNS to build its awareness during screenings of this film in cinemas, on DVD and then on television in France and in foreign countries.

ENHANCED AWARENESS AMONG PROSPECTS AND TALENT
Much more than just a brand placement operation, this sponsoring with a meaning has enabled the Group to build its awareness in France and abroad as well as making it attractive to new talent. Two prize draws have been organised via the Group Facebook page, one for the general public and the other for engineering school students targeted by DCNS. Screenings for young engineering students have also taken place in towns where the Group is established.

HIGHLIGHTING THE GROUP’S VISION AND VALUES
The film’s heroes represent DCNS’ four values: conquering spirit, rigour, trust and respect. The film is also an opportunity for the Group to highlight the importance of the sea and the importance it will have in the planet’s future, a conviction which is key to its corporate vision.

A FEELING OF PRIDE FOR STAFF MEMBERS AND PARTNERS
Group staff members have followed the film’s progress, in particular via “making of” reports shot during filming. 1,500 of them and their families watched exclusive screenings of the film attended by the production team after having won their seats via an in-house prize draw in which one out of four Group staff members took part.

A TOTAL AUDIENCE OF OVER 750,000 IN FRANCE

NOMINATED FOR THE CÉSARS IN THE BEST FIRST FILM CATEGORY

SOLD IN MORE THAN 20 COUNTRIES