FINANCIAL REPORT

2022

NAVAL GROUP

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This document is a translation into English of the original French document.
In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

Management report

I. Presentation of Naval Group and its position during the financial year

Board of Directors meeting of February 17, 2023.

I.1. PRESENTATION OF NAVAL GROUP

I.1.1. SHAREHOLDERS AND GOVERNANCE

Shareholding

Naval Group (the "company") is a *société anonyme* under French law. As at December 31, 2022, 62.25% of its capital was held by the French State, 35% by Thales, and 1.82% by current and former members of staff of the company and its subsidiaries through Fonds Commun de Placement d'Entreprise Actionnariat Naval Group (FCPE Actionnariat Naval Group) and 0.92% by Naval Group Actionnariat (indirectly wholly-owned subsidiary of Naval Group – treasury shares).

Class A preference shares

Following the payment on May 16, 2022, to the French State of a priority dividend of €18,790,050, in accordance with the decision of the company's General Meeting of March 18, 2022, the maximum amount that the French State could receive as a priority dividend from its 300 Class "A" preference shares was reached. As a result, the Board of Directors, at its meeting of July 6, 2022, noted the automatic conversion of the 300 class "A" shares held by the French State into ordinary shares of the company, at the rate of one Class A preference share for an ordinary share.

Treasury shares

In respect of 2022, 53,833 shares were purchased by Naval Group Actionnariat as part of the employee share buyback guarantee granted to them.

As at December 31, 2022, Naval Group Actionnariat thus held 520,081 treasury shares acquired as part of the following transactions: ORS 1, ORS 2 and the 2019 and 2022 Collective Shareholding Plan.

Composition and operation of the Board of Directors

The Board of Directors deliberates on key strategic, economic, financial and technological guidelines in accordance with the corporate interest, taking into consideration the social and environmental challenges of the company's activity.

It upholds the interests of its principal stakeholders, that is, its shareholders, employees and customers.

The composition, powers and operating rules of the company's Board of Directors are 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"), by the provisions of law no. 83-675 of July 26, 1983 concerning *démocratisation du secteur public* (the "Democratisation Law") with regard to the election and status of directors representing employees, and by the company's articles of association and the internal rules of the Board itself.

The company's Board of Directors is composed of 18 members.

Representative of the State on the Board of Directors

The provisions of article 4 of the Order require the French State to appoint a representative to the company's Board of Directors. Vincent Le Biez was reappointed in this capacity by order of the Minister of the Economy and Finance on March 24, 2020.

Directors appointed by the General Meeting of Shareholders

The General Meeting of March 24, 2020, decided to both set up a reappointment by rotation of the directors and reappoint or appoint the following eleven directors:

- appointment for a period of five years of Valerie Champagne, Geneviève Mouillerat, Guenaëlle Penin de la Raudière, Pierre Éric Pommellet and François Geleznikoff;
- renewal for a period of two years of the terms of office of Eveline Spina, Nathalie Ravilly, Bernard Rétat, Jacques Hardelay, Patrice Caine and Pascal Bouchiat.

At its meeting of March 18, 2022, the General Meeting renewed the terms of office as directors of Eveline Spina, Nathalie Ravilly, Bernard Rétat, Jacques Hardelay, Patrice Caine and Pascal Bouchiat, for a period of five years ending at the conclusion of the General Meeting called, in 2027, to approve the financial statements of the financial year ending December 31, 2026.

Following the resignation of Eveline Spina as director effective from November 1, 2022, the Board of Directors, on the proposal of the French State, co-opted Monique Legrand-Larroche as director for the remainder of Eveline Spina's term of office, *i.e.* until the end of the General Meeting called, in 2027, to approve the financial statements for the financial year ending December 31, 2026. This appointment will be submitted for ratification to the Ordinary General Meeting called to approve the financial statements for the financial year ended December 31, 2022, in accordance with article L. 225-24 of the French Commercial Code.

The qualification of Geneviève Mouillerat and Guenaëlle Penin de la Raudière as independent directors was confirmed by the Board of Directors at its meeting of December 15, 2022, pursuant to article 1.2 of the Board of Directors' internal rules.

Directors elected by employees

The provisions of article 7 of the Order state that employee representatives must make up one third of the members Board of Directors. There are thus six such Directors representing the employees. In accordance with article 8 of the Order, they are elected by the employees under the terms set out in title II, chapter II of the Democratisation Law.

Their terms of office as directors representing employees on the company's Board of Directors took effect on December 19, 2019 for a period of five years in accordance with the provisions of the company's articles of association.

Laurent Chagnas, left the company on June 30, 2022; as a result, his term of office as Director representing the employees on the company's Board of Directors ended automatically on July 1, 2022. In accordance with the Democratisation Law, Laurent Elie, the candidate coming immediately after the last candidate elected on the list, replaces Laurent Chagnas for the remainder of his term of office.

Since July 1, 2022, the directors representing employees on the Board of Directors are as follows:
- Olivier Menard;
- Laurent Elie;
- Béatrice Unia;
- Yvon Velly;
- Tony Lecorps;
- Didier Chavrier.

Moreover, pursuant to the legal and regulatory provisions applicable to the company, Philippe Kearney (who replaced Jacques Paultre de Lamotte as of November 1, 2022), Economic and Financial Comptroller General, Head of the Space and Armament Industries mission of the French State's General Economic and Financial Control mission, Nicolas Chapon (who replaced Anne-Chantal Le Noan as of August 1, 2022), Comptroller General of the Armed Forces and Government Commissioner for the company, Laurent Bailloux (who replaced Stevan Le Ruyet as of November 10, 2022), Secretary of the Central Social and Economic Committee (CSEC), and Paul Teboul, non-voting board member ("censeur"), attend the meetings of the Board of Directors, without voting rights.

The secretariat of the Board of Directors has been held by Fériel Redjouani since October 16, 2020.

General Management

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.

Pierre Éric Pommellet was appointed Chairman and Chief Executive Officer of the company by decree of the President of the French Republic on March 31, 2020.

Governance

Corporate governance means the system formed by the totality of rules and practices, behaviours and institutions that determine the manner in which the company is managed, administered and controlled. Naval Group's governance is organised around a Board of Directors and an Executive Committee.

The Executive Committee, which meets on a bi-monthly basis and as and when necessary, defines the group's objectives and decides on all matters having a major impact on the group's strategy, operations and commercial activities. It had 14 members as at December 31, 2022. As well as the Chairman and Chief Executive Officer, the other members are as follows: Senior Executive Vice President, Finance; Senior Executive Vice President, Development; General Secretary; Services Director; Programs Director; Executive Vice President Operations and Performance; Industry Director; Executive Vice President, Australian Future Submarine (AFS); Chief Technical and Innovation Officer; Human Resources Director; Executive VP Strategy, Partnerships and Institutional Affairs; Executive Vice President, Communications; and Chairman and Chief Executive Officer's special adviser.

The company established a new business model on January 1, 2023. In this context, the Executive Committee is now made up of the following 14 members: Chairman and Chief Executive Officer; Deputy Chief Financial Officer; General Secretary; Executive Vice President, Submarines; Executive VP, Surface Vessels; Executive VP, Services; Executive VP, Systems, Equipment and Propulsion; Executive VP, Drones, Autonomous Systems and Underwater Weapons, Executive VP, Sales and Marketing; Executive VP, Operations and Performance; Executive VP; Technical Director; Director of Human Resources; Executive VP, Strategy, Partnerships and Institutional Affairs; and Executive VP, Communications.

Collective shareholding transactions and LTIP

Under the collective shareholding plan adopted by the Board of Director in 2019, 157,867 shares in the company, which had previously been transferred by Naval Group Actionnariat to the company by a mechanism of *dation en paiement*, were acquired by the beneficiaries of the plan, who immediately contributed them to the 2019 Sub-fund of FCPE Actions Naval Group created for this purpose.

Under the collective shareholding plan adopted by the Board of Directors in 2021, 193,351 company shares, which had previously been transferred by Naval Group Actionnariat to the company through a *dation en paiement* mechanism, were acquired by FCPE Actionnariat Naval Group on June 23, 2022 on behalf of the plan's beneficiaries.

The General Meeting of March 15, 2018 authorised the Board of Directors to grant a maximum of 112,098 existing shares of the company free of charge on one or more occasions to employees of the company and companies related to it under the conditions set forth in article L. 225-197-2 of the French Commercial Code.

The Board of Directors decided to make use of the aforementioned authorisation twice, under two long-term incentive plans (LTIP), *via* the allocation of free shares, subject to presence and performance conditions, to certain company employees whose retention is key for the achievement of its medium-term plan (MTP).

Under these two LTIPs, the Board of Directors allocated a total of 106,351 free shares, divided as follows between the two LTIPs:
- 37,366 free shares to 40 employees under the first LTIP in place since 2018; and
- 68,985 free shares to 80 employees under the second LTIP in place since 2019.

The allocation of free shares to the beneficiaries of these two LTIPs shall not vest until the end of a four-year vesting period, subject to fulfilment of the presence and performance conditions stipulated by the regulations applicable to each of these LTIPs, whose terms were approved by the Board of Directors at its meetings of February 28, 2018 and February 20, 2019.

At the close of the financial statements for the year ended December 31, 2021, one of the criteria set by the LITP regulation implemented in 2018 was not met, so no shares are allocated to the beneficiaries of this plan.

At its meeting of February 17, 2023, the Board of Directors noted (i) the achievement of the performance conditions provided for by the LTIP 2019 regulations and, as a result, (ii) the definitive grant on February 20, 2023 and the remittance by the company to the beneficiaries of this plan meeting the conditions of presence defined by said regulations, of existing ordinary shares held by the company.

I.1.2. ACTIVITIES

An international player in naval defence and heir to French naval know-how, Naval Group is a partner of States in the control of their maritime sovereignty.

Naval Group develops innovative solutions to meet the needs of its customers. Active across the entire life cycle of ships, it designs, makes, services and upgrades submarines and surface vessels and their systems and equipment, up until dismantling. It also provides services to naval bases and shipyards.

A high-tech industrialist, it relies on its exceptional expertise, its unique design and production resources and its ability to forge strategic partnerships, particularly in the context of technology transfers.

Attentive to corporate social responsibility (CSR) issues, Naval Group is a member of the United Nations Global Compact.

The group's know-how

The group can call on exceptional know-how in five major areas:
- its ability to fulfil highly complex large-scale programs;
- its technical expertise in naval systems throughout their life cycle;
- the development and integration of naval anti-aircraft combat systems, for both surface vessels and submarines, as well as drones, autonomous systems and submarine weapons, which represent a 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;
- its continuous innovation serving the technological superiority of its customers.

High-tech products

One of Naval Group's major strengths is its ability to bring to market some of the world's most complex innovative products, such as the class of ballistic nuclear submarines (SSBN) like *Le Terrible*. Studies carried out on this topic all show that an industrial product of this kind is one of the most complex in the world, there being no other product that requires both the mastery of so many technological fields and the management of numerous 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 French Navy's Mediterranean and Atlantic fleets;
- 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 *Redoutable*, first SSBN;
- 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 amphibious helicopter carrier (PHA), a new warship design capable of performing a wide range of civil, military and humanitarian missions;
- 2007: cutting of the first plate of the multi-mission frigate (FREMM) *Aquitaine*;
- 2008: launch of *Le Terrible*, SSBN equipped with M51 nuclear missiles;

- 2011: the offshore patrol vessel (OPV) *L'Adroit*, an offshore patrol vessel for maritime safeguard missions, is made available to the French Navy;
- 2012: delivery of the PHA *Dixmude* to the French Navy;
- 2013: the FREMM *Aquitaine* fires its first Aster missile;
- 2014: delivery of the FREMM *Mohammed VI* to the Royal Moroccan Navy;
- 2015: delivery of the FREMM *Tahya Misr* to the Egyptian Navy; the FREMM *Aquitaine* successfully fires its first naval cruise missile;
- 2018: Naval Group completes the mid-life refit of the aircraft carrier *Charles de Gaulle*;
- 2019: Naval Group and Fincantieri sign the joint-venture agreement that in January 2020 would result in the creation of Naviris, a joint venture company equally owned by both companies, which will lead bi-national projects and export projects;
- 2020: The French President announces the launch of studies for the future nuclear-powered aircraft carrier. The choice of the President of the Republic is a major support for the French defence industrial and technological base (DITB) and the nuclear industry, and in particular for Naval Group;
- 2021: Florence Parly, French Minister of the Armed Forces, announces the launch of the third-generation nuclear submarine launcher (3G SSBN) program for the French Navy;
- 2022: the first frigate for defence and intervention (FDI) ordered by the French National Defence Procurement Agency (DGA) and intended for the French Navy, the *Amiral Ronarc'h*, was launched in Lorient.

Specific products

The group offers the following products in line with the specific requirements of its existing and prospective customers:
- SSBNs, which have ensured the presence of France at sea without interruption for 50 years;
- SSN Barracuda nuclear attack submarines, designed to provide the French Navy with defence equipment at the apex of technology;
- Scorpène® 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*, the FREMMs, the Mistral-class PHAs, the Gowind® range, 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. ORGANISATION

On July 6, 2022, the Board of Directors of Naval Group approved the group's 2022-2031 Strategic Plan (PST). It confirms the development pillars on which our growth strategy is based: France, international markets and innovation. In this context, a project to change the group's organisation proposed by the Executive Committee in order to succeed in our current and future programs, achieve our development goals and better satisfy our customers was presented.

The project to change the group's organisation, aiming at an integrated, matrix-based and customer-oriented organisation was the subject of work carried out by working groups as well as an information-consultation process with labour partners, completed on December 14, 2022. The organisation established as of January 1, 2023 consists of five product and service departments, three operational departments and five functional departments.

I.1.4. TRANSFORMATION PROGRAM

In October 2020, Naval Group launched the Naval 2025 transformation program, which sets the group's five-year ambition to achieve the high level expected by its customers: to be the benchmark for naval and defence systems in all our areas, particularly in terms of health, workplace safety and the environment, and quality of execution.

Naval 2025 is based on four pillars: growth, performance, innovation and talent.

I.2. POSITION OF THE GROUP DURING THE 2022 FINANCIAL YEAR

I.2.1. EXAMINATION OF THE FINANCIAL STATEMENTS AND HIGHLIGHTS OF THE PERIOD

The consolidated and separate financial statements of Naval Group for the year ended December 31, 2022, were approved by the Board of Directors on February 17, 2023 and will be submitted for approval to the General Meeting to be held on March 17, 2023.

The 2022 financial year was marked by the following major events:
- more than 5 billion orders taken;
- revenue of around €4 billion;
- operational successes, notably with the admission to active service of the SSN *Suffren* as part of the Barracuda program, the launch of the first FDI for the benefit of the French Navy, and the acceptance of the submarine *Riachuelo* by the Brazilian Navy;
- closing of the AFS program with an agreement between Naval Group and the Commonwealth of Australia (CoA).

I.2.2. NAVAL GROUP RESULTS AND FINANCIAL POSITION

Revenue

The group's revenue for 2022 was €4.4 billion, a 7.4% increase in revenue compared with 2021.

International revenue made up 36.9% of the total.

Backlog

Orders with a value of €5.8 billion were received during the year. The book-to-bill ratio was 1.32.

As at December 31, 2022, the group's order book stood at €15.3 billion. Its provisional execution schedule is as follows: 25.8% in 2023, 23.6% in 2024, 21.1% in 2025, 17.3% in 2026 and 12.2% thereafter.

Income

Operating profit of €419.2 million (9.6% of revenue) before amortisation of fair value difference was recorded for the year, as compared with €271.4 million (6.7% of revenue) in 2021. Operating profit after net income from associates was €426.7 million, as compared with €293.7 million in 2021.

Net finance income (expense) amounted to a profit of €8.5 million, compared with a loss of (€4.3) million in 2021.

The consolidated tax expense amounted to (€96.4) million, composed of current tax for (€108.4) million and a positive change in deferred tax of €11.9 million.

Net income from assets held for sale, through the application of IFRS 5, was positive, amounting to €0.5 million.

The net profit for the period was consequently €339.3 million.

Financial position and changes in net cash

Net cash plus investment securities classified under other financial assets as per note 1.3.17 to the consolidated financial statements amounted to €1,623.7 million at December 31, 2022 (compared to €1,498.3 million at December 31, 2021) and is made up as follows:

	12/31/2022	12/31/2021
Non-current investment securities	395.2	200.0
Current investment securities	10.0	165.0
Cash and cash equivalents	1,218.5	1,133.3
TOTAL	**1,623.7**	**1,498.3**

I.2.3. NAVAL GROUP ACTIVITIES

Industrial and commercial activities

In 2022, the year was marked by an increase in activity at all industrial sites, and in particular integration activities in Lorient and Cherbourg.

The milestones of the year were achieved: delivery of the FREMM *Lorraine*, definitive launch of the first FDI *Admiral RONARC'H*, first outing to sea of the SSN *Duguay-Trouin*, second of the Barracuda series.

The FDI order for Greece (FDI HN) was made at the beginning of the year, the main purchasing contracts were placed, and the first blocks of FDI HN No. 1 (formerly FDI France No. 2) were placed in the bilge.

With regard to offers, business was very strong both for surface vessels (Gowind® corvettes for Greece) and for export submarines. The cost files for the new generation aircraft carrier (NG-AC) and the 3G SSBN due in respect of ongoing contracts were also updated and sent to the DGA.

The number of accidents with lost time decreased compared to 2021, and the severity rate remained stable at a low level for the fourth year (TG = 0.14).

In terms of quality, results continued to improve with a decrease in quality accidents.

The industrial sites are preparing for the 3G SSBN contract with the completion of the first extension work in Cherbourg for the hull work and in Nantes-Indret for the machining.

Projects to improve tooled processes are ongoing, with the effective deployment of the 3DExperience for the 3G SSBN program and the FIRA (*Flux industriels référentiel* articles) production management tool in Cherbourg. Digitisation projects (augmented reality, 3D scanning, digitisation of quality recordings, etc.) are gradually being rolled out to all sites.

In terms of human resources, the focus was on rebalancing internal resources and subcontracting in the vessel integration business lines, with the recruitment of a number of employees at the Lorient and Cherbourg sites. This effort should continue until the first quarter of 2023. The other challenge for 2023 is to balance the engineering load among the various sites.

Submarines

3G SSBN

Development studies continued for the first contract following the 3G SSBN's development and construction phase. In 2022, the year was notably marked by the end of the System Functional Review (SFR) cycle and the launch of general design studies.

Long-term supplies for the first submarine (notably the outline of the boiler room and the heavy-duty hull forgings) also continued.

Lastly, work to modernise industrial resources, making it possible to accommodate future specific production resources, progressed during the year with the construction of the reception building for the future vertical complex (for the nuclear boiler room) in Nantes-Indret and the continuation of the extension of Nave G of Legris in Cherbourg.

SSN Barracuda

Suffren (submarine no. 1): the French Navy and the DGA declared the admission to active service of *Suffren* on June 1, 2022.

Duguay-Trouin (submarine no. 2): the Naval Group and TechnicAtome teams carried out the first divergence of the nuclear reactor of *Duguay-Trouin* on September 30 at the Naval Group site in Cherbourg. The integration of the vessel continued throughout the year, also marked by the first launch and the first tests of the combat system on the launch mechanism. The vessel will be delivered to the French Navy in 2023.

Tourville (submarine no. 3): the last hull junction was completed in June; the hull is thus entirely reconstituted and the solid mass has been laid. Similarly, the installation of the propeller pump module was completed: *Tourville* thus sports its definitive silhouette. Concerning the boiler room, the hydraulic resistance test of the primary circuit was carried out and validated on October 19. More than 60% of the facilities were transferred to TechnicAtome, which will make it possible to start the global trials over the first half of 2023, before the transfer to the launch facility planned for the summer, where the integration work will be pursued.

De Grasse (submarine no. 4): the engine unit module was transferred from the Nantes-Indret site to the Cherbourg site on October 10, in preparation for its embarkation. The central navigation operation station (PCNO) was loaded in October, and the front and middle units were transferred alongside the *Tourville*, in view of the start of the clean phase of the boiler room, planned for 2023.

Rubis (submarine no. 5): the hull work continued, the vessel and the pressuriser were loaded onto the pool reactor assembly module, which is being integrated at the Nantes-Indret site. Delivery of this module is scheduled for the first half of 2023.

Casabianca (submarine no. 6): the pool was delivered to the Nantes-Indret site in August, enabling the assembly of the pool module and reactor assembly. Work on the nuclear components is continuing, as is the manufacture of hull sections.

Numerous projects aimed at improving industrial performance were launched or are under way at the Cherbourg and Nantes-Indret sites (improvement of assembly work flows in boiler-making, inventory management, scaffolding optimisation, etc.).

On the commercial front, in 2022, the year was marked by numerous discussions concerning the provision of additional services for the armed vessel scope and for boiler rooms, and purchase orders and service orders were notified. In addition, discussions with the DGA on future capacity changes are continuing.

Submarines for the Brazilian Navy (Prosub)

SBR: design and construction of four Scorpène® vessels *via* transfer of technology:

The *Riachuelo*, first of four Scorpène® submarines of the Prosub program, was commissioned by the Brazilian Navy on September 1, 2022.

The *Humaitá*, the second submarine in the series, was launched at the end of August. It is currently continuing its quayside and sea trials. Its delivery to the Brazilian Navy is scheduled for the second half of 2023.

SCPN: design assistance for the non-nuclear part of Brazil's first nuclear-powered submarine.

The implementation of the Initial Phase of Detailed Design amendment was completed. The development phase began in August for a period of two and a half years. Discussions are currently being held with the customer to define the framework for the deliveries of equipment that will be carried out by Naval Group for the construction of the SCPN.

Submarines for the Indian Navy (P75)

The *Vagsheer*, the last of six Scorpène®-class submarines, was launched in India. The *Vagsheer* was built entirely by the Indian shipyard Mazagon Dock Shipbuilders Ltd (MDL) thanks to a technology transfer from Naval Group.

The *Vagir*, the fifth submarine in the series, was delivered to the Indian Navy in December 2022.

AFS program

Following the termination for convenience of the Strategic Partenering Agreement (SPA) by the Commonwealth of Australia on September 16, 2021, the AFS program entered a so-called Transition Out scheduled shutdown phase.

Throughout 2022, Naval Group continued its efforts to honour its last obligations to the customer, reposition the people involved in the program, close contracts with its French and Australian subcontractors and suppliers, and structure the end of Naval Group Australia activities.

On June 7, 2022, the CoA, Naval Group and Naval Group Australia signed a settlement agreement definitively ending the future Australian submarine program.

At the end of 2022, all contractual obligations under the Transition Out Plan as well as the overall agreement were honoured. The CoA formally confirmed by letter dated November 29, 2022, that Naval Group had fulfilled its obligations under the Transition Out Plan.

The Naval Group Australia subsidiary is now suspended.

The process of repositioning the Naval Group personnel affected by the discontinuation of the program was completed and the AFS entity as such disappeared as at January 1, 2023 as part of the group's new organisation.

Surface vessel business

FREMM

The FREMM program comprises six anti-submarine frigates (ASM) and two multi-mission frigates with enhanced air defence capabilities (FREMM DA).

The *Lorraine*, the second of the two FREMM DAs, and the last of the series of eight FREMMs intended for the French Navy, was delivered by the joint organisation for cooperation in armaments (Occar) on November 16, 2022, in Toulon in accordance with the contract. This FREMM DA complements the anti-aircraft capabilities of the French Navy alongside the Horizon frigates, particularly in their missions to protect the carrier strike group.

FDI FR

The framework agreement of the FDI contract, signed on April 20, 2017, provides for the development, construction and delivery to the French Navy of five first-rate digital frigates in the 4,000-tonne range by 2029. The first two subsequent contracts, notified in 2017 and 2021 respectively, cover the development and construction of the first three buildings.

In 2022, the year was marked by the assembly of all the pre-armed hull components of the first frigate. Thus, on November 9, 2022, *Admiral Ronarc'h*, the first FDI for the French Navy, was successfully launched in Lorient.

In parallel with the construction of the hull, the first combat system tests were carried out, on land, of the Panoramic Sensors and Intelligence Module (PSIM), the new innovative integrated mast of the FDI program. This PSIM was installed on board the first FDI the day after it was launched on November 10, 2022.

FDI HN

On March 24, 2022, Greece signed contracts for the completion of three FDIs, plus one as an option, and their in-service support. Two FDI HNs will be delivered in 2025, and the third in 2026.

On June 30, 2022, Naval Group met its Greek industrial partners at the French Embassy in Athens to sign key contracts and cooperation agreements as part of its cooperation plan with the Greek industrial sector for the construction of FDIs for the Greek Navy.

In 2022, the year was marked by the nominal crossing of several important milestones: first block in dry dock of the first FDI HN on October 25, as well as the start of machining ceremony of the second FDI HN held in Lorient in July.

NG-AC

At the 28th edition of the Euronaval naval defence fair, the design of the NG-AC was unveiled to the general public. To be commissioned in 2038, the vessel will be 310 meters long and weigh 75,000 tonnes, making it the largest warship in Europe.

The interim market review of the preliminary draft confirms the achievement of the specified main overall performances.

Notification of the detailed pre-project phase of the program is expected in early 2023.

Mine Counter Measure Vessels (rMCM) program

Over the year, the program for the benefit of the Belgian and Dutch navies of the 12 mine hunters equipped with their drones continued its engineering activities, and was marked by the completion of the armed vessel's Critical Design Review (CDR) milestone in November.

Intended for the Royal Netherlands Navy, the second of the 12 anti-mine vessels of the Belgian-Dutch rMCM program, the *Vlissingen*, was placed in the bilge in Lanester in June.

Gowind® Egypt

In February 2022, the delivery of the corvette *Al Moez*, third Egyptian Gowind®, marked another major success for the program this year.

The fourth and final unit, the corvette *Alismailia* was transferred to the Egyptian Navy at the Alexandria naval base on September 13, 2022. Naval Group teams remain committed to supporting the customer until the vessel enters operational service.

Gowind® United Arab Emirates (UAE)

In 2022, the year was marked by a change in the configuration of the Surface to Air Missile with the switch to MICA light vehicles.

The second of the two Gowind® corvettes ordered by the United Arab Emirates from Naval Group, *Al Emarat*, was launched on May 13, marking a major milestone for the Lorient site.

Bani Yas, the first corvette, was launched in December 2021. Dockside trials are continuing for a first sea trip, expected in the first quarter of 2023.

The single PSIM masts are on board the two corvettes. The PSIM represents a concentrate of Naval Group's know-how in the field of systems: it is a modular, autonomous and highly technological unit, providing 360° coverage. It includes sensors, the SETIS combat system – a guarantee of high performance in all areas of response – as well as the ship's communication and operations stations.

Gowind® Malaysia

While the six vessels of the Gowind® Malaysia program are built by the Malaysian Boustead Naval Shipyard (BNS) under the design authority of Naval Group, their Combat Management

System (CMS) is entirely carried out by the Mission and Combat Systems Department (CMS) teams at the Naval Group sites in Ollioules and Bagneux. Studies of Detailed Design of Naval Group responsibilities were completed in early 2019.

The construction of vessels by BNS was slowed down since 2020 mainly due to its economic situation and the health crisis.

Encouraging signs from BNS give hope for a nominal recovery in the program in 2023.

Logistics Fleet Program (Flotlog)

On April 29, 2022, the first of the four force supply vessels (BRF) of the Flotlog program, intended for the French Navy, the *Jacques Chevallier*, was launched in Saint-Nazaire. Naval Group designs and installs the platform's military systems as well as the combat system. It made its first trip to the sea on December 20, 2022.

OPV Argentina

On April 13, the fourth and last Argentine OPV 87 offshore patrol vessel, the ARA *Contraalmirante Cordero*, was delivered to the Argentine Navy by the teams of Naval Group and Kership, a joint venture of Piriou and Naval Group. The delivery and commissioning ceremony of the last ship in the series marks the completion of a successful program.

Ocean patrollers (PO)

Naval Group, the designer of the vessel, successfully completed the preliminary design review on October 5, 2022.

Senegalese patrollers (OPV58S)

The combat system (CMS Polaris) for the first of three OPV 58s for the Senegalese Navy was delivered to Kership. The vessel's first sea trip took place on December 8, 2022.

Service activity

In 2022, commercial activity was mainly marked by:
- the notification of amendments to the full cycle docking (FCD) of the *Le Terrible* and *Le Vigilant* SSBNs, and of modernisation contracts for the second generation SSBNs;
- the notification of a support contract for the Saudi Navy (technical assistance, spare parts);
- the international notification of a contract for the modernisation of a *La Fayette*-type frigate (FLF) combat system.

The main operational achievements of the period are:

In France:
- the continuation of *Le Terrible*'s FCD in Brest, with delivery scheduled for 2023;
- the completion of the repair work and the completion of the FCD work on the SSN *Perle* to return the submarine to active service in 2023;
- the completion of the AT22 for the aircraft carrier *Charles de Gaulle* in the summer of 2022, with a return to the operational cycle in September 2022;
- delivery of the frigate *La Fayette* in September, the second of three FLF mid-life renovations. Start of work on the third *Aconite* frigate in February 2023 (delivery expected in November 2023);
- continuation of the dismantling project for the first generation SSBN in Cherbourg;
- maintaining the posture and very good availability of the French Navy fleet.

Internationally:
- the launch of the support contract for the Saudi Navy (technical assistance and spare parts);
- routine maintenance of the two Malaysian Scorpène®-type submarines delivered in 2010;
- routine maintenance of the Egyptian navy fleet (FREMM, Gowind® and PHA);
- in Singapore, completion of platform maintenance work for frigates and ramp-up of the research and development (R&D) centre.

In addition, the Services Department teams are continuing their efforts to digitise all their activities.

I.2.4. R&D ACTIVITIES

Work on innovation has several objectives: guaranteeing the technological superiority of our client navies in line with their operational goals, improving the living conditions of sailors, on the one hand, and, on the other, contributing to the group's objectives in terms of work-related accidents, of competitiveness, of meeting our delivery times, and of reducing accidents. This work is systematically conducted on the basis of a proactive eco-responsible approach.

2022, reinforcement of innovation management

In 2022, the year saw the implementation of new innovation governance. Innovation work remains structured around six unifying axes: Smart Naval Force, Smart Ship, Blue Ship, Invulnerable Ship, Smart Availability, Smart Industry. The development focuses on the implementation of tools to better capture needs and focus efforts on delivering innovations at the right time and with the right technological maturity.

The work begun in 2021 to align the programs' capacity and scheduling needs with the work on innovation was finalised for the six unifying axes and rolled out for 26 innovation axes.

2022 was also a year rich in the development of innovations, often resulting in remarkable demonstrations or significant progress in the following areas:
- decision-making autonomy of drones: demonstration at sea of a D2I drone;
- development of additive manufacturing processes (Titanium, Inconel, etc.);
- on-board energy: Lithium-ion battery for submarines, torpedoes and drones, hydrogen fuel cell;

- materials, in particular composites: drone shells for Unmanned Underwater Vehicle (UUV), bulkhead for submarines;
- operator assistance: cognitive assistance, remote welding;
- digital twin: steering gear;
- artificial intelligence: development of use cases;
- electrification, smart grid for surface vessels and submarines;
- digital architecture: continuation of demonstrations, integrated platform with industrial partners and sailors.

Europe, an essential axis for funding R&D

The share of R&D studies funded by Naval Group for naval defence included in R&D costs amounted to almost €95 million in 2022. As in previous years, additional financing is required. In 2022, contracts, mainly with the DGA but also with the regions, completed our cash flow and contributed to the achievement of our strategic technological plan.

However, 2022 showed that the efforts devoted in recent years to the search for European financing are bearing remarkable fruit. Out of the 15 projects submitted last year, Naval Group won eight European Defence Fund (EDF) projects in 2022. This year, no less than 13 European projects (eight defence and five civilians) were submitted.

Naval Group's Technology Research Centre: Naval Research

Naval Group has structured and implemented its science and technology (S&T) activities around nine scientific areas: humans and systems, digital systems, data processing, materials and structures, waves and matter, fluid mechanics, energy, digital models. overall and eco-design.

Thanks to these cross-functional areas designed to feed our unifying axes with the right scientific innovations at the right time, we can work to strengthen our long-term links with academic and scientific ecosystems, in France and abroad, which is an essential lever to maintain the technological superiority of our group.

Naval Group continues to develop its Naval Research centre of excellence, composed of three centres of expertise in materials, energy and data processing, which pool and share, for the benefit of all Naval Group entities, the key skills to support its customers and its products.

Scientific partnerships are an essential lever for maintaining Naval Group at a high level of technological innovation. Naval Research is building an ecosystem of skills to meet the challenge of preparing for the future and strengthen its long-term collaboration with the scientific world. This global approach is structured around ambitious and multidisciplinary scientific collaborations that lead to framework agreements, joint laboratories and academic or industrial chairs, including with the École navale, ESM de Saint-Cyr, ENSTA Paris et Bretagne, CNRS and INRIA.

Innovation acceleration

In 2022, the teams continued their efforts to:

- coordinate Naval Group's disruptive innovation approach, in particular by identifying and eliminating the risks of disruptive innovations that are consistent with our strategy and likely to improve Naval Group's competitive advantage;
- contribute to the acceleration of innovation and the dissemination of a culture of innovation based on the development of cross-functionality, collective intelligence and the support of each employee to express their innovation ideas and put them into action work;
- provide the entire group (employees, programs, business lines) with a set of internal and external innovation systems.

Numerous actions have also been undertaken to make progress, in particular with regard to the following four pillars:

- entrepreneurial culture (pragmatism, frugality, speed of action);
- open innovation (*via* internal or external sourcing);
- agile methods for creativity and innovation (selection of the most efficient methods, implementation of training, etc.);
- a customer-centric approach (inclusion of the customer/user as early as possible in the discussions).

I.2.5. SUBSIDIARIES AND ALLIANCES

Subsidiaries

Activities and results of subsidiaries and interests

Naval Group holds direct or indirect shareholdings in the following consolidated group companies (all holdings are 100% unless stated otherwise):

Armaris Quater

Armaris Quater owns Naval Group Actionnariat.

Armaris Sixt

Armaris Sixt holds an interest in the Egyptian subsidiary Alexandria Naval for Maintenance and Industry (one share).

Naval Group Actionnariat

This company is responsible for providing liquidity of the Naval Group shares acquired by the beneficiaries of both ORS (employee share offers) in 2008 and 2014, as well as the 2019 and 2022 collective shareholding plans.

Naval Group Participations

Naval Group Participations is a holding company. It holds interests in several Naval Group companies created abroad: Naval Group Technology Canada Inc. (100%), Naval Group Arabia (100%), Alexandria Naval for Maintenance and Industry (99.99%), DCNS Zamil (55%), Naval Group Pacific (100%) and Naval Group Malaysia Sdn Bhd (not material).

Boustead DCNS Naval Corporation Sdn Bhd (BDNC) (40% shareholding)

BDNC is located in Malaysia. The company's principal purpose is to supply in-service support to the Malaysian Navy for its Scorpène® submarines.

DCN International

DCN International was created to manage export sales contracts for equipment and services provided by DCN (which became a national service in 2000).

Following the transfer of certain assets, rights and obligations of the *Service à Compétence Nationale DCN* by the French State to DCN, on June 1, 2003, DCN International is responsible for managing all contracts in place at the transfer date (excluding contracts transferred to Armaris). The company has undertaken no new business since then.

Naval Group Far East Pte Ltd

Naval Group Far East Pte Ltd operates in Singapore, performing logistics and systems maintenance work in relation to naval and naval aviation activities.

Naval Group India PTE Ltd

Naval Group India provides local support for the performance of the Indian submarine-building program.

Défense Environnement Services (DES) (49% holding)

DES, a joint venture created by Naval Group and Veolia Environnement Services, is a leading operator of support services for military sites.

Itaguaí Construções Navais SA (ICN) (41% holding)

ICN is located in Brazil. The principal object of the company is the construction of submarines in Brazil, in particular under the PROSUB program.

MO PA2

MO PA2 has no activity.

Sirehna

Sirehna specialises in the development of dynamic stabilisation, positioning and landing systems for land, sea and air vehicles and drones.

Naval Group Coopération

The purpose of Naval Group Coopération is to provide external support to the group's sales staff in export markets.

Naval Group Support

The purpose of Naval Group Support is the design, study, improvement, purchase and sale of all technical assistance services of an industrial nature linked to the supply of all systems, software and munitions used in naval and naval aviation activities, particularly in Saudi Arabia.

Naval Group Belgium

Naval Group Belgium was created to reflect the group's desire to develop its activities internationally to combat robotic mines, organised from Belgium. This subsidiary will subsequently be the prime contractor on the rMCM program and supervise R&D cooperation in both anti-mine and cybersecurity operations.

Alexandria Naval for Maintenance and Industry

The purpose of Alexandria Naval for Maintenance and Industry, an Egyptian subsidiary, is to carry out new construction and maintenance activities for the Egyptian customer.

Kership (45% holding)

Kership, held jointly with Piriou, is a joint venture operating in the field of lightly armed vessels 95 metres or less in length, designed primarily to civilian standards and intended for military or civil administrative bodies.

Naval Group Malaysia Sdn Bhd

Naval Group Malaysia provides local support for the execution of the Gowind® Malaysia program, participates in the development of the group's business in Malaysia, and provides logistical and administrative support to Naval Group expatriates and secondees in Malaysia.

Naval Energies

After the disposal of certain assets constituting its floating wind turbine activity and the reclassification of all its employees, the discontinuation of Naval Energies activities continued during the 2023 financial year.

Naval Group BR Sistemas de Defesa LTDA

Naval Group BR Sistemas de Defesa LTDA is a Brazilian company which participates in the development of the group's business in Brazil and provides logistical and administrative support to Naval Group expatriates and secondees in Brazil.

Projetos e Sistemas Navais SA (wholly-owned by Naval Group BR Sistemas de Defesa LTDA)

Projetos e Sistemas Navais SA (Pros) aims to develop the engineering systems business in Brazil. Its operations have been suspended.

Naval Group Australia Pty Ltd

Following the closure of the AFS program, Naval Group Australia Pty Ltd was suspended.

Naviris (held at 50%)

Naviris is a joint venture with Fincantieri and its purpose is to conduct binational and export projects.

Naval Group Pacific

Naval Group Pacific Ltd is an Australian company whose purpose is commercial development and R&D activities in Australia and New Zealand.

Naval Group Arabia

Naval Group Arabia aims to apply the 2030 vision of the Kingdom of Saudi Arabia to naval activities. The objective is to develop the Saudi share of MCO activities on the Sawari fleets in service by being the prime MOD contractor on MCO topics, to cooperate with universities on applied research topics and to develop shipbuilding skills.

DCNS Zamil (55% holding)

DCNS Zamil is a joint venture with Zamil Offshore Services company, and its primary purpose is to perform maintenance works on the military vessels of the Saudi Navy's fleet. The subsidiary is now suspended.

MO Porte-Avions (65%)

MO Porte-Avions is a joint venture that is 65%-owned by Naval Group and 35%-owned by Chantiers de l'Atlantique. It was created to ensure the management of the NG-AC program as part of a close cooperation between its parent companies and a prime contractor for the armed vessel that covers the entire design and aircraft carrier manufacturing cycle.

Energía Marina (75% owned by Naval Energies)

Energía Marina SpA, 75%-owned by Naval Energies and 25%-owned by Enel Green Power (Italy), manages the MERIC Technology Centre (Marine Energy Research and Innovation Centre), which aims to promote the development of the Chilean blue economy in strategic ocean-related sectors, by transforming acquired knowledge into technological services and applied R&D, generating new and innovative business opportunities.

TechnicAtome (20.32%)

TechnicAtome specialises in design, construction, commissioning and in-service support for compact nuclear reactors.

Revenue and net income figures for the subsidiaries are shown in note 2 to the annual financial statements of Naval Group SA.

Naval Group also has Several permanent establishments or representative offices abroad whose activity is directly included in the group's results. It has permanent establishments in Saudi Arabia, Australia, French Polynesia and New Caledonia, and representative offices in Greece, Indonesia, Colombia, the Netherlands, Abu Dhabi, the Philippines and Mexico (some of these offices are registered in the form of branches according to local requirements) and branches in Egypt and Saudi Arabia (the latter being a branch of Naval Group Support).

Alliances and equity investments

On October 27, 2022, Naval Group acquired a minority stake of 11.1%, through its subsidiary, Armaris Quint, in the company Delfox, a start-up specialising in artificial intelligence.

Founded in 2018, Delfox has developed a learning artificial intelligence technology (deep learning) which is of interest to military circles, in particular its algorithms that allow drones of all types to be piloted autonomously and safely.

I.2.6. RISK MANAGEMENT

I.2.6.1. Risk management system

The group faces a number of risks and uncertainties that may impact its financial performance. This is why it has set up an integrated risk management and internal control system:

- supervised by the Audit, Accounts and Risks Committee of the Board of Directors (CACR);
- led by the Audit and Risk Department (DAR) and a network of risk and opportunity managers, under the guidance of the Audit and Risk Internal Committee (CARI), co-chaired by the Deputy Chief Financial Officer and the General Secretary.

Built according to the international standard of the Committee of Sponsoring Organisations (COSO), the system is based on the principle of three lines of defence and on a common accounting basis for the entire group. It includes the main components detailed below.

Group-level risk mapping is prepared annually and covers strategic, operational, financial, legal and CSR risks. Risk management, in particular implementation of the resources defined to reduce impacts and probability of occurrence and to measure the effectiveness of action plans, is the responsibility of each department. The risks associated with particular issues are also supervised by specific organisations that make up the second line of defence and provide their expertise (compliance, nuclear inspection and pyrotechnics, diving safety, CSR, etc.).

A single standard of requirements (RUN) representing the company's main internal control requirements covering the group's 16 processes is used by the first lines of defence to carry out self-assessments, and by the second lines to carry out checks with the objective of coverage of the entire system over four years.

The Internal Audit Department, certified since 2012 by the French Institute for Audit and Internal Control (IFACI), carries out independent internal audits according to an annual plan based on the main risks, approved by the Executive Committee and reviewed by the CACR. It issues an annual opinion on the level of risk management and internal control. In 2021, the audits carried out notably focused on the implementation of fire recommendations on board and on the Naval Group's control of its subsidiaries and, in 2022, on major programs and the associated industrial transformations (Barracuda, 3G SSBN, surface vessels), on internal control at the subsidiaries, and on the IT recovery and continuity plans following the various cyberattack scenarios.

The Naval Group entities reporting to the Chairman and Chief Executive Officer and the controlled subsidiaries prepare an annual letter of representation, committing to risk management and internal control, and compliance with ethics and compliance rules.

Internal control helps to achieve the group's objectives, yet it is not an absolute guarantee because of the limitations inherent to any system. The group's business, operating profit/loss or financial position could be materially affected by the risks described below or by other risks and uncertainties of which the group is currently unaware or which it regards, as at the date of this document, as immaterial.

I.2.6.2. Insurance policy

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

This policy is reviewed and updated annually. It is based on a mapping of accidental risks and a policy of prevention/ protection of property assets (infrastructures, industrial tools and construction) and liabilities (liability debts).

Coverage of the various risks identified is assessed annually, in particular with regard to their size and the terms and conditions of their transfer, in whole or in part, to the insurance markets.

Naval Group sites and industrial tools are insured at replacement value in accordance with expert opinion.

Risks related to new construction and maintenance of submarines and surface vessels are covered by insurance policies dedicated to the commissioning and services respectively.

Liabilities arising from the execution of all of our construction, engineering, study and consultancy activities have special coverage for the financial consequences that Naval Group and its subsidiaries, Naval Group in its capacity as a corporate entity and/or its executive officers and/or its senior executives would have to face in the event of a claim by a customer, its employees, its shareholders or any other administrative or judicial authorities, both in France and abroad.

As was the case in 2021, 2022 was not particularly marked by cases of damages, confirming the very exceptional nature of 2020, which was marked by the fire on the SSN *Perle*. Feedback on this major event resulted in a reinforcement of the levels of prevention already considered by our insurers as beyond the general standard of the shipbuilding industry. Naval Group benefits from the continuous support of insurance prevention engineers, whose individual careers in the French Navy endow them with a perfect understanding of our industrial challenges and allow them to provide us with useful recommendations for the dynamic management of the prevention of our main risks in the commissioning and service activities.

For several years now, our insurers have not been immune from a general increase in the costs of their industry (operating and reinsurance) coupled with a particularly marked damages rate for major risks and natural disasters. These considerable constraints have led them to reduce their exposures and increase premium levels to meet the profitability requirements that their model requires to face current traditional risks but also the emerging ones of tomorrow, including the financial consequences of climate risk.

The July 1, 2022, renewal campaign confirmed the continued recovery of the insurance markets with the application of cyclical premium increases decorrelated from Naval Group's damages rate.

Noting the absence of any easing of the insurance markets and aware of the quality of the management of major risks by the operational entities, the group Risk and Insurance Department studied and proposed the implementation of a captive reinsurance, proposal approved by the Board of Directors on April 6, 2022. The process of creating Naval Group Ré and obtaining its approval from the French Prudential Supervision and Resolution Authority (ACPR) is under way with effective implementation expected in the first half of 2023.

The higher share of Naval Group's self-insurance will act as a lever for our insurers, who will view this new risk sharing positively. They will therefore be better able to continue to support us in the face of the risk of intensity, and this under optimised pricing conditions, the occurrence rate of a claim affecting them substantially decreasing. The premium savings generated may then be used in whole or in part to purchase additional protection from the insurance markets for new risks.

I.2.6.3. Financial risks

Liquidity risk

The risk is currently covered by excess cash; the group occasionally uses credit lines.

Foreign exchange risk

In accordance with the group's policy, all significant transactions in foreign currencies are hedged.

Off-statement of financial position risks

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

Inflation-related risks

The post-health crisis production disruptions, coupled with the war in Ukraine, generated difficulties in the supply of raw materials and semi-finished products and high inflation, which weighed on the execution of programs and the competitiveness of offers. Naval Group is therefore strengthening its competitiveness plans and its vigilance on offers to control costings in the current inflationary context.

Moreover, Naval Group does not use any form of aggressive tax scheme.

I.2.6.4. Risks of non-compliance with laws and regulations

The group has identified five main risks of non-compliance with laws and regulations.

Risk of non-compliance with export control and customs regulations

Export markets are of great importance to the group. Naval Group is an exporter of war and/or related materials and dual-use goods. In this context, Naval Group is subject to French and foreign export control regulations.

Transfers within the European Union and exports of such products outside the markets in which they are produced may therefore be subject to restrictions, controls or requirements to obtain export or transfer licences.

At present, there is no guarantee that the export regulations for combat and/or similar equipment to which the group is subject will not be tightened or that new generations of products developed by the group will not also be subject to stricter controls and obligations. Similarly, there is no guarantee that geopolitical factors or changes on the international scene will not prevent it from obtaining export licences for certain customers or will not reduce the group's ability to fulfil contracts that have already been signed.

Reduced access to military export markets and/or tighter restrictions risk having a negative impact on the group's activity, financial position and operating results. It follows that Naval Group must be capable of complying with a very wide range of laws and regulations, including customs rules, while also controlling its dependence on foreign suppliers. Naval Group is therefore attentive to any changes or developments in this area, whether short-term (embargos) or long-term (international conventions) and takes action to mitigate these risks with the state authorities and the group's internal players.

The Export Control and Customs Affairs Department (DCE) fully carries out its responsibilities as the group's second-line risk management. To manage and reduce these risks, the Export Control Department provides continual assistance to operational staff (especially those involved in sales, programs, procurement and the supply chain) through updated frameworks, training and familiarisation measures, advice and audits.

In 2022, the DCE carried out the main steps in its internal control plan, *via* assessments and self-assessments in coordination with the group's other departments.

In addition, an *a posteriori* control of export items and transfers of military equipment and similar were conducted on-site by the DGA/International Development Department (DGA/DI).

Following internal and external controls, corrective and preventive actions have already been launched to strengthen Naval Group's internal system.

Following the internal audit of the customs function by the DAR in 2021 highlighting the need to improve flow control, an action plan managed by the DCE and monitored by the DAR was defined and generally carried out.

The development of an IT solution for the management of regulatory reports (customs and export control) is being finalised and should be gradually rolled out in 2023.

Additional information is available in the Statement of Non-Financial Performance (SNFP) section.

Risk of non-compliance with the General Data Protection regulation (GDPR)

Faced with an increase in applicable legal frameworks, first and foremost the General Data Protection regulation (GDPR), Naval Group defined its privacy policy and created a common framework at group level, applicable at all its sites in France and abroad.

To ensure compliance through the commitment of all, Naval Group appointed a Data Protection Officer (DPO) and:
- rolled out e-learning to all group employees and ensured privacy training for newcomers;
- created adaptable response models to optimise the processing of requests to exercise rights within regulatory deadlines;
- defined the associated internal control requirements.

Additional information is available in the SNFP section.

Risk of corruption and influence peddling

Naval Group applies a principle of zero tolerance in the fight against corruption and influence peddling.

Naval Group conducts its activities in France and abroad in strict compliance with the conventions, laws and regulations applicable to it, in particular the provisions of French law No. 2016-1691 of December 9, 2016, on transparency, the fight against corruption and the modernisation of economic life (known as the "Sapin II" law). Equipped with a robust anti-corruption system, Naval Group was ISO 37001 certified in April 2021.

In France and internationally, in a constantly changing regulatory environment, Naval Group stakeholders regularly request a presentation on its anticorruption policy to ensure that it meets the best standards.

In this context, a whistleblowing system has been in place since 2015 and meets the highest standards in this area.

This whistleblowing line enables group employees or its stakeholders to report the existence of inappropriate conduct or situations contrary to the Naval Group guidelines or to any legal or regulatory provisions. Naval Group guarantees secure and confidential processing of reports.

Corruption risks are the subject of a dedicated mapping which makes it possible to rank and prioritise them.

This risk is detailed in the SNFP section.

Non-compliance with multiple CSR regulations

CSR, concerning environmental, labour and societal issues, is a very broad field. In recent years, CSR regulations have been strengthened and French, European and international regulations are constantly evolving.

One of the most impactful French regulatory obligations is the duty of care. Thus, in accordance with French Law no. 2017-399 on the "Duty of Care of Parent Companies and Ordering Companies", Naval Group has introduced a plan containing due diligence measures to identify risks and prevent serious violations of human rights and fundamental freedoms, human health and safety and the environment.

With regard to the environment, the industrial activities of Naval Group and the products used throughout the life cycle of vessels and their equipment are likely to impact the environment, in the event of accidental failure notably and through of greenhouse gas emissions generated. A failure to control the risks of significant environmental impact exposes Naval Group to limited financial and image impacts.

The rapid changes in CSR regulations also make it difficult to anticipate future compliance constraints and obligations on various subjects: production sites and tools, Naval Group's activities and products, materials and substances used, compliance of suppliers and supplies purchased, reporting on environmental, social and governance (ESG) matters, etc.

The risks of non-compliance with CSR regulations therefore concern Naval Group's entire value chain, with potential impacts on program costs and completion times as well as on the group's reputation.

To mitigate these risks, Naval Group has defined a CSR strategy, which breaks down into 20 projects spread across four pillars:
- governance;
- social commitment;
- environmental protection and climate resilience;
- responsible industrial partner.

All of the group's CSR risks are detailed in the SNFP section and in the duty of care statement, available in part III.

Legal disputes

Due to its activities, the group is exposed to technical, contractual, commercial and/or criminal disputes.

The prevention and handling of all disputes and warranty claims are carried out by or in coordination with the group's Legal and Contract Management Department, and in association with the Compliance Department and the DPO.

Furthermore, all disputes likely to have a significant negative impact on the group's activities and financial position are presented to the CACR on a regular basis.

Each of the known disputes in which Naval Group or group companies are involved has been examined as at the date of closing of the financial statements, and the provisions deemed necessary by General Management have, where appropriate, been set aside to cover the estimated consequences.

Furthermore, some or all of the losses that Naval Group SA 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 it made with Naval Group in the course of the government's contribution in kind on June 1, 2003 and its sale to Naval Group of a 100% shareholding in DCN International, or by Thales under the terms of agreements made with Naval Group in connection with the latter's acquisition of a 100% shareholding in TNF.

Lastly, the Legal Department and contract management conduct feedback sessions for the players and departments involved in order to organise the prevention of contentious situations such as those it has been called upon to deal with.

I.2.6.5. Risks related to the political and societal environment

Country risks

Growth in the group's international business, which is one of the key areas of focus in its long-term strategy, exposes Naval Group increasingly to various forms of country risk: sovereign risk, changes in the economic situation and business climate, and political, geopolitical and social risks related to the effects of regional tensions in the client country.

- Sovereign risk: Naval Group supplies its systems under State-to-State relations based on strategic partnership agreements. This risk may come from a reversal/calling into question of these agreements, whether they come from our customers or from France, or from pressure from competing countries on our customers/prospects. Another risk is an embargo on customer countries by countries that supply subassemblies. Sovereign risk has a medium to low probability but could have a major impact; it may result in the cancellation of current contracts, or significant additional costs (change of suppliers).
- Economic situation: the needs of customer navies are driven by geopolitical fundamentals and the renewal of aging fleets; these two elements mean that needs are relatively stable.

However, many of Naval Group's customers are subject to economic hazards of all types (sovereign debt, health crisis, extreme volatility of commodity prices, etc.). The impact is a delay of a few years in programs following the call for tenders process, and correspondingly, the industrial load and the associated revenues and margins. Foreign exchange risks are limited because our contracts are in euros, but this risk may affect our subsidiaries that work with France. There are risks of expropriation in joint ventures with State-owned companies, due to pressure for both the dilution and eviction of projects in which we operate (we do not own any projects abroad).

- Political and social risks: Naval Group is exposed to changes in defence budgets, which may be subject to variations and arbitration, particularly in periods of high inflation and shortages. These arbitrations may also be decided following a change in political majority in client countries or a change in the social context, for example in the event of viral media campaigns impacting the image and reputation of Naval Group. These risks are increasing in the current geopolitical context and may affect some of our customers/prospects and delay or cancel certain projects.
- Geopolitical risks: geopolitical tensions (Ukraine, China Sea, Eastern Mediterranean, etc.) may accelerate projects or even redirect them towards the supply of systems within deadlines incompatible with Naval Group's capabilities, or even change priorities in favour of other needs.

To address these risks, Naval Group ensures:

- for sovereign and geopolitical risks, permanent dialogue with the French authorities (Ministry of Europe and Foreign Affairs, Ministry of the Armed Forces, French embassies abroad and embassies of client countries in France);
- for economic, political and social risks: regular communication with our country representatives. In this respect, Naval Group strengthened its capacities in 2021 by appointing Country Directors and by setting up stronger country governance (Country Management Committees at local level, Country Committees at group level). In addition, thanks to its industrial facilities abroad (subsidiaries and joint ventures), Naval Group provides local activities that could not be carried out from France in satisfactory conditions (maintenance, technical assistance, etc.).

Dependence on the public spending

Naval Group carries out all its activity for defence goods in close collaboration with the French State. By its nature, the defence sector is dependent on orders from the public spending, in other words, on political decisions that fluctuate depending on the country's economic and geopolitical situation and industrial policy.

After a shrinking of defence budgets in France and Europe since the end of the Cold War, the 2019-2025 military planning law (LPM) provides for an increase in the budget for Defence missions, including equipment credits. The vote on the 2021 defence budget and the 2022 French budget law (PLF) confirmed this increase, marking the French State's willingness to invest in renewing its naval capabilities, including for the oceanic deterrence component. This increase was also confirmed at the level of annual budget executions for 2023, although the 2023 PLF has not yet been voted. In the course of 2023, a new LPM will provide details on the 2024-2029 multi-year period.

It is essential to note that a reduction in the defence budget may lead to delays in the recording of orders, and in the schedule of execution of contracts or payments, and to a decrease in funding for R&D programs.

To reduce its dependence on public spending in France alone, Naval Group invests in the international development of its defence activity: winning international contracts is essential to maintaining the cost of French programs at contractual level and to maintain and develop the skills of Naval Group and the French DITB, as well as to strengthen the group's ability to invest in the technological and industrial innovations necessary to maintain its distinctiveness and develop attractive new products.

Autonomous and collaborative drones and systems are a strategic pillar of Naval Group and an essential pillar in this strategy of technological disruption and expansion of our customer base. In 2022, Naval Group pursued its commitment to position itself in these markets, whose development is accelerating in naval defence.

Risks of insecurity and safety

The safety of Naval Group employees, in France and abroad, is a major concern, whether they are missionaries, expatriates (including families) or locally recruited staff.

Like any company working in a sensitive area, and deployed on several sites in France and internationally, Naval Group may be confronted with several risks that could have an impact on the safety of its employees, its infrastructure or its data: health, criminal, terrorist, political and social disorder risks. In addition to direct consequences, the group's image and reputation could be damaged.

Thus, to ensure the protection of the company, Naval Group relies on several procedures and action plans.

Risk of interference

The risk of espionage, whether of State or competitive origin, weighs particularly heavily on Naval Group. Its international successes, increased competition and the mobility of its employees make it a priority target, accentuated by the fact that the high-tech naval systems produced by the group contribute significantly to the sovereignty of its customers.

Faced with this possible human and technical interference, a state of awareness and vigilance must be maintained at Naval Group. To do so, the Security Department regularly raises awareness among employees, who also have information in e-learning mode as well as a support system for their international travel. This awareness-raising notably addresses risks related to social engineering and the information obtained by manipulating employees or subcontractors.

In addition, the protection of information is structured around the network of specifying entities to guarantee the protection of national defence secrets, intellectual property, assets and personal data.

The publication on August 9, 2021, of a new interministerial general instruction strengthened certain measures relating to the protection of national defence secrets and made the inventory of classified information and materials mandatory for all holders. In 2022, a first assessment was thus communicated to the French State services for the 2021 financial year.

I.2.6.6. Risk of calling into question our commercial positioning

Risk related to the competitive environment

The conflict in Ukraine and the increase in threats are promoting the growth of defence budgets, and therefore the size of the markets accessible to Naval Group. However, this growth benefits above all, and especially in Europe, the American defence industry and in general the urgent needs encourage investments in aeronautical and land equipment, sometimes to the detriment of investments in naval defence.

American competition, direct or indirect, is increasing:
- through the emergence of offers or proposals for new units, backed or not by strategic agreements, or through industrial alliances with European partners (Fincantieri, Navantia, Damen) to integrate American weapons or combat systems;
- with the potential marketing of new products and new highly innovative concepts (surface drones, underwater drones, innovative weapons systems, etc.).

Economic and technological competition with other players continues to intensify. In addition to the long-standing European players (Fincantieri, TKMS, Navantia, Damen, etc.), there are re-entrants (Sweden, the United Kingdom) and new entrants (Korea, China, Turkey, and even, for the lower combat ships segment, Singapore, India, Indonesia, etc.).

This increased competitive pressure, including in the field of in-service support, may therefore negatively affect Naval Group's commercial position and profitability as well as that of the DITB on which Naval Group relies, in an otherwise tense context of rising raw material and energy costs.

Naval Group's response to this intense competition involves continuous improvement in the technological and economic competitiveness of its offers and products. To do this, Naval Group is strengthening its research and technology effort, anticipating its customers' needs and new threats, expanding its portfolio of offers and consolidating its international presence.

I.2.6.7. Risk of program execution deviations

Program execution risks

A significant proportion of the programs managed by Naval Group present a high degree of complexity given the highly technological nature of the product, operational constraints requiring a high level of reliability in particularly difficult environments, and the complex contractual structures inherent in their sale (overall project management, technology transfer, local shares carried out by partner projects, co-contracting with major partners, etc.) and the execution period may exceed ten years. The actual design and construction times and costs are therefore likely to be higher than the projected times and costs.

Certain contracts may include provisions concerning the performance level and/or delivery schedule for the products and services sold. Such provisions may prove to be demanding, particularly given the increased level of competition, and may also give rise to the payment of contractual penalties.

Program performance may also be affected by a major hazard, such as an accident, fire, natural disaster at a site, failure of an industrial tool or information system (IS) or by an uncertain environment (international conflicts, export restrictions, inflation, etc.). The occurrence of such events may have an impact on Naval Group's financial position and results. Continuity plans are developed to reduce the severity impact of these risks.

With regard to bids, a risk assessment and control system is in place and has been tightened with the implementation of the Financial Control and Evaluation Department (DCEF) to improve control of the offers.

With regard to the programs, management rituals are in place at several levels in order to verify on a monthly basis the proper progress of the technical, calendar and financial plan, making it possible to identify and prevent operational drifts. Program Committees are held three to four times a year to measure the operational progress of programs and anticipate identified risks. Gates Reviews are now in force for major programs, authorising their continuation in a new phase after analysis of the level of completion of the previous phase and the degree of preparation of the following phase. The project management system is also monitored by maturity measures according to the CMMI® practices grid: Capability Maturity Model Integration, an internationally recognised grid. A CMMI assessment of major programs was held in 2021 (including new buildings in the last quarter of 2021 – 350 stakeholders interviewed). The findings made it possible to raise awareness among stakeholders about the plan for handling discrepancies (programs/entities). A new assessment was launched in October 2022 to verify program practices and the discrepancies observed are the subject of action plans. The CMS Department obtained the renewal of its CMMI level 2 certification at the end of 2021.

To encourage anticipation, the risk and opportunity management approach was maintained with support for programs and entities in the implementation of a unified process and the deployment of a centralising tool. This increased visibility makes it possible to improve the consistency of the portfolios, to identify major risks and to ensure the progress of control actions.

In addition, since 2016, the Contract management is organised to enable its members to ensure more efficient management of the contract during its creation and execution, and to maximise financial and operational performance while minimising risks and exploring all opportunities.

Quality control

The quality of the products and services delivered by Naval Group raises issues of customer satisfaction, the safety and operational capacity of user navies, and the group's competitiveness and sustainability.

Mitigating the risk of delivery of products and services that do not reach the expected level of quality and safety requires the deployment of a strong culture in terms of quality, safety and environment (QSE), actions to ensure compliant development and production and actions to detect non-compliance before delivery.

The QSE policy is signed by the Chairman and Chief Executive Officer and updated regularly. Each year, it sets out the major commitments for quality. In 2022, in line with 2020 and 2021 these were:
- the deployment of an international quality strategy;
- employee commitment and management leadership towards zero defects impacting our customers and the satisfaction of all our customers and partners;
- management of product and supply compliance;
- valuing the preparation of work and prior risk analysis, improving the quality of execution in the teams by aiming for the right one as of the first time.

The Business Management System (BMS) operationally integrates these commitments into the group's processes and procedures. More specifically, it defines the areas of application of the procedures, the operating rules for the entire product life cycle and the certifications that cover the sites and subsidiaries.

The group Quality Department reports to the Operations and Performance Department, whose director is a member of the Executive Committee.

As a whole, the function has around 450 people attached to the Quality Department to ensure quality management missions in the various entities of Naval Group. The controls are mainly entrusted to the operational departments and remain under quality assurance.

Quality constitutes a second line of control for operational processes and as such structures control activities and supports operational teams in the effective application of rules. This principle applies to Naval Group and the controlled subsidiaries.

Different control principles are applied in Naval Group's operations:
- self-auditing;
- industrial controls during production by controllers independent of the production teams;
- workstation audits;
- inspections of suppliers by the quality function;
- inspections by Dive Safety, Nuclear and Fire Safety Inspectors;
- process breakpoints;
- external controls are also carried out by monitoring bodies mandated by Naval Group and its customers.

The group has put in place various methodological tools to improve performance:
- 8D (8 Do) and Quick Response Quality Control (QRQC) problem-solving tools;
- process and technical feedback.

Within a quality roadmap, three strengthened areas of work are taken into account in the Naval Group's 2025 transformation program:
- customer commitments (proactivity in the service of customer satisfaction and improvement of perceived quality);
- quality culture (rigorous development in the application of rules and pride of stakeholders contributing to the quality of our products);
- right the first time (all preventive actions leading to the improvement of our performance).

I.2.6.8. CRITICAL SUPPLY CHAIN RISKS

Naval Group's business includes a substantial proportion of bought-in products and services representing over half its revenue. These may relate to design and research, manufacturing and services. Naval Group is thus exposed to events that may occur to its suppliers. In this context, Naval Group also set up and developed a sustainable procurement policy, which is detailed in the "Duty of care" section.

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

The economic dependence of small and medium-sized enterprises (SMEs) on Naval Group is considered a major risk, due to Naval Group's historical footprint in its employment areas.

In terms of impacts, the failure of one of its suppliers could affect the performance of Naval Group and, consequently, its profitability. Certain risks, such as the risk of cyberattacks, export prohibitions or the compromise of protected information, may also affect the operational capacity of Naval Group or its products. The impacts can also be environmental or social (particularly employment) in the employment areas where Naval Group sites are located. Certain risks may also have an impact on Naval Group's image, both nationally and internationally.

All of these risks are compiled and annual update of a risk map on purchasing and on the action plans to be carried out, as well as monthly monitoring of supplier risks by the Supplier Risks Committee. This committee brings together operational, functional and cross-functional departments at local and then group level to review identified supplier risks and decide on corresponding mitigation plans.

Cybersecurity of the supply chain

A control system has been put in place to prevent risks related to purchased supplies, and a plan to strengthen the cybersecurity of the supply chain is being rolled out. Minimum security requirements are imposed from the initial stages of supplier selection, and particularly for sensitive service providers. This system consists of connecting suppliers with the Naval Group Security Operating Centre for incident monitoring. Naval Group SA also conducts periodic audits and reviews, which are accompanied by recommendations to be implemented. Top-tier outsourcers and all major and strategic suppliers are concerned; more than 40 companies are audited annually. More generally, Naval Group advises all its suppliers in the event of cybersecurity needs.

Risks of supplier default

Suppliers' management performance is monitored both from an operational point of view, such as failure to anticipate orders, loss of control of industrial processes, obsolescence of facilities, poor skills management, loss of know-how, etc., and in terms of their overall management and financial management, such as a buyout or change of strategy, loss of revenue, poor management of working capital requirement, cash flow problems, entering administration or insolvency, etc.

To do this, Naval Group conducts financial scorings of its strategic and major suppliers annually, and as often as necessary for other suppliers. Business reviews are also held which addresses both operational issues on current orders as well as more forward-looking or cross-functional issues, such as projected needs for future years, quality assessment of services provided and improvement plans put in place, competitiveness of suppliers, discussion topics that make it possible to anticipate and limit the occurrence of potential risks. A rating is also assigned to each supplier, taking into account technical criteria, quality, cost and competitiveness, compliance with deadlines, HS&E and CSR, as well as the quality of the commercial relationship. An insufficient rating systematically triggers a request to implement a corrective action plan.

Risks of economic and technological dependence

The procurement strategy, the processes for selecting and monitoring the performance of suppliers, and the actions of the Supplier Risk 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 Naval Group's dependency on the technology or skills of certain suppliers. A sudden rupture in supply (for one of the afore-mentioned reasons) could jeopardise execution of Naval Group's programs.

Moreover, the supplier list approved at meetings of the Purchasing Policy Orientation Committee (coordinated by the Purchasing Department and attended by members of the operating departments and the Strategy and Finance Departments) enables a better understanding of the risks borne by a list of suppliers in the various purchasing categories, based on a purchasing strategy validated by the group.

CSR risks

CSR-related risks are taken into account in the Naval Group ethics charter and in the supplier code of conduct.

Issues relating to ethics, compliance and OH&S are systematically reviewed in the supplier risk analysis and constitute, in themselves, elements of the impact analysis on the company. Naval Group uses pooled and specialised platforms to conduct CSR assessments of candidates for the panel of suppliers as well as a dedicated platform for collecting anti-corruption and influence peddling information and daily court register alerts. In addition, the compliance of suppliers is subject to continuous monitoring using a monitoring tool managed by the Ethics and Compliance Department of the group, and for each new supplier, a compliance control and an analysis of the results are carried out before notification of the first order.

2022 news

The major event of 2022 was the impact on our suppliers of the conflict in Ukraine, both in terms of the supply of materials and access to energy. A task force was set up, with weekly monitoring, fed by buyers' feedback, with information and alerts communicated to suppliers. At the same time, an analysis of Naval Group's needs was carried out to identify needs at risk of supply disruptions, and inventories were consequently built up. A short decision-making circuit was also set up to deal with the very short validity periods of certain supplier offers, due to the high volatility of material prices. Some contracts were also renegotiated, on a case-by-case basis, when the contractual conditions did not take sufficient account of changes in material costs and could cause difficulties for our suppliers.

Performance indicators

Our performance indicators monitored internally are:
- the number of critical risks to date, and their evolution after mitigation actions;
- the number of suppliers with an insufficient annual score;
- the number of suppliers in industrial areas with a high CSR risk with an insufficient CSR assessment;
- the number of suppliers having had a compliance audit.

I.2.6.9. Loss of technological competitiveness

- As an international player in naval defence, Naval Group is pursuing ambitious goals in terms of technological innovation and is accelerating the implementation of its roadmap:
- in the field of drones notably, in relation to the project to develop a centre of excellence for autonomous systems and underwater weapons in La Londe-les-Maures in the Var;
- in terms of eco-design, with in particular the presentation at the Euronaval trade show in October 2022 of the *Blue Shark* concept ship, a fully eco-designed vessel, able to demonstrate that it is possible to manufacture some of the most efficient warships by taking into account environmental issues to reduce the impacts of its products over their entire life cycle.

Naval Group also promotes collaborative science and technology and R&D projects, with all the necessary vigilance to protect its intellectual property and work on co-innovation with its main partners and suppliers, to:
- continuously improve its products, accelerating technological innovations and their integration into vessels;
- meet the expectations of its customers, which can be adjusted in a context of a war economy, and provide them with technological superiority;
- be proactive in solutions and resolutely align with the group's ambitions in terms of social and environmental responsibility (dimension developed in the SNFP section).

Lastly, in the current context of inflation, the competitiveness challenge is even more pronounced and Naval Group's continued leadership is based on operational excellence action plans that integrate technological innovation and process innovation, as well as talent development and resource agility.

Naval Group has created dedicated spaces to develop this agile and frugal innovation at the group and promote the spirit of innovation among each of its employees (Innov Factory in Angoulême-Ruelle, Naval Innovation Hub in Paris, OpenLabs, etc.). The entire system has been coordinated since January 2022 by Innov' Factory Services, to better support deployment, facilitate sharing and accelerate projects.

Intellectual property protection risk

The intellectual property policy in place since 2006 aims to protect Naval Group'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 through innovations made internally or from outside. Naval Group safeguards the results of its innovation by all possible means, including the imposition of secrecy, protecting them through registered rights (patents, trademarks, designs and copyrights), search engine optimisation, seizure, confidentiality and publication.

Notwithstanding the protection sought and obtained, Naval Group may find itself in a situation where its intellectual property rights are subject to challenge, infringement, invalidation proceedings or circumvention. To reduce the risk of infringement, Naval Group performs intellectual property monitoring and analysis as part of its own patent examination procedures and in the technical and development phases for its products.

Domain names are intangible assets that are part of the company's portfolio and serve its development and outreach strategy. In addition, and as reported by the National Information Systems Security Agency (ANSSI), domain names are "major risk vectors. Their compromise can lead to the interception of traffic and emails, denials of service, or disfigurement of websites". To control and reduce this risk, Naval Group strengthened its domain name acquisition and control system in 2022. This system is under the authority of the group's Intellectual Property Department (DPI) and involves the Communication Department (DCO), the Digital and Information Systems Department (DDSI) and the Cybersecurity Department. This system enables the group to anticipate, detect, act on and fight against the risks of cybersquatting and cybercrime.

I.2.6.10. Loss of competitiveness: skills and attracting talent

Risk of loss of core skills

Given the technical complexity of Naval Group's products and the multitude of skills required for their design, construction, maintenance in operational conditions and development during the operational life of the products, acquisition, retention, redeployment and renewing these skills is a major challenge for the group.

Any loss of very specific skills and know-how can be particularly damaging for the group, particularly in a context of rapid changes in regulations, standards, industrial practices and technologies.

The major risk is therefore that the group might experience difficulties in having the requisite skills available in the right place at the right time in order to execute its strategy and successfully complete its programs.

To limit this risk, the group is developing a set of actions (school partnerships, training policy, knowledge transfer, etc.) so that it can have skills available at the right place at the right time and anticipate its future needs.

This risk is detailed in the SNFP section.

Deterioration of labour relations and policies

The culture of dialogue with trade unions and employee representative bodies is undoubtedly one of the key components of Naval Group's DNA. The company's ongoing transformation process and, in particular, the change in the company's status in 2003 would not have been a success without the quality of social dialogue that the company can draw upon. It resulted in a contractual dynamic that led to the conclusion of major agreements often cited as benchmarks: company agreement, agreement on competitiveness, GPEC agreement (strategic jobs and skills management agreement), teleworking agreement, agreement on quality of life at work, etc. Admittedly, the exercise of social compromise is sometimes difficult but is undeniably an essential prerequisite for the social body to take ownership of the transformations that the company must carry out. This was the case with the implementation of work orders within Naval Group and notably through the establishment of the Social and Economic Committee (SEC) through the signature of amendment no. 2 to the company agreement.

Set up since October 2018, the SEC and its commissions have been truly successful in the renovation of social dialogue at Naval Group.

Conscious of the risks (detailed in the SNFP section) that the company may incur through the deterioration of social dialogue and working conditions, particularly in terms of performance but also the health of its employees, Naval Group strives to develop quality social dialogue where negotiation has a central place. It makes diversity and inclusion, as well as quality of life at work, assets for its development.

I.2.6.11. Risks of serious accidents, operational and industrial

Technical security risk

Product safety is a top priority for Naval Group to prevent any product failure that could lead to a major accident. Control of product safety is therefore a major issue for customer satisfaction and the group's sustainability. Naval Group has implemented certain measures to ensure and continuously improve product safety control. In addition to taking into account safety issues in all operational activities impacting the product and the quality organisation provisions to prevent and detect non-compliance, Naval Group has adopted operating principles and guidelines and specific guidance and control, with inspections to control risks in three major risk areas (nuclear safety, diving safety, pyrotechnic safety).

The group's Chief Technical Officer (CTO), as the senior technical authority, is responsible for the technical framework that ensures safety performance. He ensures that these guidelines are maintained in order to incorporate the lessons learned. He ensures that product offerings and programs respect this framework and determines whether key milestones in terms of design, production, trials and product maintenance have been met, particularly those concerning safety. The group's Chief Technical Officer is a member of the Executive Committee, which enables an optimised chain of intervention on both prevention and risk management.

The products that the group designs offer a very high level of safety from the outset, thanks to a technical framework in which safety is fundamental. All projects are nevertheless subject to specific reviews involving our safety experts, which enables technical options to be assessed and safety-improving solutions to be put forward.

Naval Group is convinced that our customers have safety requirements as demanding as our own, and we are certain that this factor can give us an advantage over our competitors. The group pays great attention to this point in the preparation of tenders. Its technical experts are closely involved in tender preparation and in the associated technical reviews.

Naval Group remains at our customers' service until our products reach the end of service. In connection with the technical overhauls that we perform, we draw up safety assessments for vessels in service and assist our naval clients in researching further advances. The role of the technical authority for these specific phases is identical to that for new buildings.

2022 news

The technical authority took part in the various safety stoppages and in monitoring the processing of reserves during the tests of four export submarines and three French submarines. It also took part in the staging points before sea trials of a French surface vessel. These staging points ensured the safety of Naval Group products and the absence of risks for on-board personnel and crews.

The technical authority was also called upon to issue technical opinions, at the customer's request, on many subjects relating to the various products and programs of Naval Group.

The group's Chief Technical Officer confirmed the appointment of CTOs in six of Naval Group's subsidiaries and set up regular exchanges to have an effective chain of intervention on the prevention and treatment of any associated risks.

Performance indicators

The exercise of technical authority and its interventions in technical reviews are based on a structured technical network that includes experts recognised at three levels of expertise and distributed across all entities. Their actions are managed and are allocated indicators, which are monitored in the management of the process “Innovate and consolidate the technical base” under the sub-process “ensure the control of technical risks” which scrutinises interventions in reviews, handling of major technical events.

The identification and availability of experts, on the one hand, and of the technical reference framework, on the other hand, are also monitored.

Nuclear security risk

The role of the nuclear inspectorate is to propose Naval Group’s internal nuclear safety policies and regulations for all of its activities to General Management. It monitors and verifies the security measures taken under these policies in line with regulatory changes, which it monitors. Its independence is guaranteed by its inclusion in the general inspectorate. The group Inspector General reports directly to the Chairman and Chief Executive Officer, to whom s/he submits an annual report on the state of security of Naval Group’s nuclear activities.

To satisfy the policies proposed, it develops and follows a multi-year plan that defines long-term areas for progress. The multi-year plan for 2019-2021 focused on improving operational rigour; training and the definition of qualifying career paths, which involves mobility between design, construction or in-service support; the development of tools for monitoring and tracing interventions according to redefined and digitised processes; and finally organisational structure with, in particular, the establishment of entities dedicated to controls. It was subject to a joint inspection with the French Navy inspectorate. The new 2022-2025 plan was drawn up in consultation with the French Navy, the DGA and the SID, and also takes into account the recommendations of the resulting audit. It is based on two axes: performance, notably with the effective implementation of operational reliability practices, including among subcontractors, and talent, with the development of nuclear training projects and the professionalisation of nuclear skills in production.

The Nuclear Inspectorate conducts inspections to verify the compliance of the group’s practices with regulations and internal instructions and is regularly informed of the implementation of the resulting action plans.

It performs or takes part in, together with the Quality and HS&E Departments, investigations undertaken to analyse the year’s most significant events and define the necessary corrective or preventive action.

The nuclear inspectorate manages Naval Group’s radiation protection network. It therefore monitors the radiation doses received by Naval Group staff and within its establishments by its subcontractors and ensures an optimised distribution of doses. It ensures that these remain well below not only the legal limits but also the ceilings set by Naval Group (half the legal ceiling) and ensures that there is no contamination.

The Nuclear Inspector also manages the “nuclear family”. To that end, the inspector proposes or approves the recruitment, training, career paths and professional development of employees specialising in the field to guarantee the development and maintenance of the key skills for this “sovereign family”.

Diving safety risk

The mission of the Diving Safety Inspectorate is to ensure the application of Naval Group’s internal safety regulations for all its activities in France and abroad. It controls and verifies the security measures taken under these policies in line with regulatory changes. Its independence is guaranteed by its inclusion in the general inspectorate. The group’s Inspector General sends the Chairman and Chief Executive Officer an annual report on the state of diving safety of the submarines designed and maintained by Naval Group.

The Diving Safety Inspectorate conducts inspections to verify the compliance of the group’s practices with regulations and internal instructions, and receives regularly reports on the implementation of the resulting action plans.

It performs or takes part in, together with the Quality and HS&E Departments, investigations undertaken to analyse the year’s most significant events and define the necessary corrective or preventive action.

A few diving safety incidents, fortunately without consequences, took place in 2022. Action plans were put in place to avoid their replication.

The Diving Safety Inspectorate coordinates the network of engineers specialising in diving safety at the various Naval Group sites concerned with the French and foreign submarines designed and maintained by Naval Group.

The Diving Safety Inspector also manages the diving safety family. To that end, the inspector proposes or approves the recruitment, training, career paths and professional development of employees specialising in the field to guarantee the development and maintenance of the key skills for this sovereign family.

Pyrotechnic safety risk

The role of the pyrotechnic inspectorate is to propose Naval Group’s internal pyrotechnic safety policies and regulations for all of its activities to General Management. It monitors and verifies the security measures taken under these policies in line with regulatory changes, which it monitors. Its independence is guaranteed by its inclusion in the general inspectorate. The group Inspector General submits an annual report on the state of safety of Naval Group pyrotechnic activities to the Chairman and Chief Executive Officer.

The Pyrotechnic Inspectorate conducts inspections to verify the compliance of the group's practices with regulations and internal instructions and is regularly informed of the implementation of the resulting action plans.

A few pyrotechnic incidents, fortunately without consequences, took place in 2022. Action plans were put in place to avoid their replication.

It performs or takes part in, together with the Quality and HS&E Departments, investigations undertaken to analyse the year's most significant events and define the necessary corrective or preventive action.

The pyrotechnics inspector coordinates the training network for employees specialising in this area.

HS&E risk

Any industrial activity carries risks that could affect the HS&E. Improving HS&E is one of Naval Group's CSR commitments. It constitutes a fundamental responsibility for the company as an employer and a lever for improving the group's performance in all operational areas.

Naval Group is ISO 45001:2018 and ISO 14001:2015 certified. These standards, which adopt the same structure as ISO 9001:2015 and ISO 9001:2015, simplify the integration of the HS&E management system into the overall management system.

HS&E risk

In order to control OH&S risks and prevent any serious work accident, Naval Group relies on an OH&S policy, objectives and requirements common to the entire group. These define the rules to be implemented and the good behaviours expected of everyone so that everyone is a driving force in the prevention and reduction of risks to themselves and the people working in their environment. The daily presence of risk prevention agents in the field also ensures a high and consistent level of control.

Naval Group's OH&S performance is monitored through several indicators; 2022 results in terms of the number of accidents with lost time over frequency rate 1 are better than in 2021, although still higher than the ceilings set, but the severity rate remains low.

The main levers put in place in recent years, aimed at strong managerial involvement and a change in behaviours, were continued in 2022:
- manager involvement in the process of analysing accidents and incidents, talking to staff on the ground;
- incentives for employees to commit to risk prevention by completing risk situation reports;
- conducting safety culture diagnostics.

This risk, and the associated indicators and action plans, are detailed in the SNFP section.

Environmental risk

Naval Group's environmental approach encompasses all of its activities, products, services and infrastructure.

This approach is developed in the company's design and performance/production processes and has been ISO 14001-certified continually since 2008.

Naval Group's activities present three main environmental risks:
- the carbon footprint of in-service products;
- the assessment of greenhouse gas emissions from its sites;
- the risk of a serious environmental industrial accident.

These risks are detailed in the SNFP section.

Risks of business interruption

The risks of interruption or significant disruption of business are linked to four major issues: breakage or failure of strategic machines, cyberattacks on industrial resources, climate phenomena, and fires. As regards the last two points, the close relations maintained by the industrial sites with the local fire departments make it possible to ensure prevention, protection and increased capacity to respond to possible disasters.

I.2.6.12. Risks of cyberattacks

The increase in international geopolitical tensions (*e.g.*, war in Ukraine), new modes of access to information related to the increased use of teleworking, as well as the increasing digitisation of industrial activities and equipment to be integrated into weapons systems are all factors that significantly increase cyber risk for an international defence industrial company such as Naval Group.

Depending on their mode of operation and especially the purpose sought by the attackers, cyberattacks can have very different impacts – direct or indirect – at group level:
- legal impacts;
- operational impacts;
- financial impacts;
- competitive loss;
- impacts in terms of image and reputation.

A dedicated risk management action plan is therefore implemented to protect the group, its products and its data from cyber risks.

The action plan to control these risks is reflected in:
- significant multi-year investments to modernise and secure information systems (IS);
- a coordinated IS certification process;
- updating and regular monitoring of the cyber maturity plans managed by the Cybersecurity Director. The Cybersecurity Department is responsible for defining and implementing the

group's cyberstrategy and for coordinating, federating and monitoring the deployment of all the systems established in roadmap of each IS, both internally and for the products and services provided by Naval Group;
- regular and independent measurement of the level of cybersecurity of our infrastructures (corporate IS, industrial IS, etc.) and our products, through reviews, audits and intrusion tests carried out by experts from the Cybersecurity Department or authorised specialised companies, appointed by the Cybersecurity Department;
- cyber requirements are now taken into consideration internally and for our products right from the design phase and throughout the life cycle of the products, backed up by the Cybersecurity Framework and skills development within the IT, engineering and production teams;
- increased coordination between the four data management systems:
  - the group Security Department for data relating to national defence secrets,
  - the Chief Data Officer for intellectual property data and all sensitive corporate information. His/her mission is to set up the organisation, management and appropriate rules for the consultation, use and communication of the group's data, whether strategic, industrial and/or operational, in compliance with regulatory requirements and internal and external operations, with the associated governance,
  - the DPO for the protection of personal data. His/her mission is to ensure the protection of personal data as described in the European GDPR regulation. The personal data protection risk is detailed in the SNFP chapter;
  - IS operators and, in particular, the DDSI for the control of ISs, their development, their protection and their performance;
- the establishment of a Security Operations Centre (SOC) reporting to the group Safety Department in close collaboration with the Computer Emergency Response Team (CERT) attached to the Cyber Department;
- the continuation of an action plan to prevent the escape of sensitive data, initiated in 2020 by the group Security Department. This plan aims to strengthen physical and IT protection measures to prevent any malicious or inadvertent data leaks;
- lastly, compulsory training and acculturation on cybersecurity for all group employees.

Naval Group's protection system therefore covers governance, awareness-raising and tools.

IS services that support the group in its operation and in the creation of products and services for customers are taken into account throughout their life cycle:
- from the design phase, through a rigorous selection of suppliers (publishers, hosts and service providers) audited regularly, an analysis of security risks, a cyber analysis, definition of security requirements and verification of their implementation and effectiveness (reviews, audits, pen-tests);
- during the maintenance phase, whether preventive (application of security patches, monitoring of vulnerabilities), corrective or evolutionary (in-service safety support);
- in production, by monitoring threats and vulnerabilities in conjunction with state authorities and the community of experts, audits, identity and access governance, network monitoring (incoming and outgoing flows) and defensive IT control by the SOC reporting to the group Safety Department in close collaboration with the CERT of the Cybersecurity Department.

This protection system is the focus of sustained, constant effort from a technological/technical perspective and in terms of human resources (maintaining and developing expertise). It is based on a security framework, including policies, procedures and instructions, that is kept up to date, with training and familiarisation sessions being held regularly for users and administrators.

Faced with the persistence of the health crisis in recent years, the systems put in place in 2020 to allow teleworking by opening remote access to certain applications have been limited but renewed, as teleworking has become a standard practice at Naval Group. Naval Group's exposure to a cyberattack remains high in an increasingly tense context where attacks can take several forms. Following the economic sanctions taken against Moscow, France is on high alert and fears the Russian reprisals that may materialise in the cyber field. In 2022, there were no major cyber incidents to paralyse Naval Group SA's production. Some of our suppliers/partners suffered attacks, some of which were serious, but their impacts did not paralyse Naval Group's production.

All the departments concerned therefore remained strongly involved in managing these risks. This has resulted in the continued strengthening of cyberattack detection capabilities and an increase in the number of IS supervised by the Naval Group SOC, relying in particular on an outsourced part of the SOC Managed Security Service Provider (SOC/MSSP).

Regular and independent measurement of the level of cybersecurity of our infrastructures (IS) and our products through reviews, audits and pen tests carried out by experts from the Cybersecurity Department or authorised specialist companies appointed by the Cybersecurity Department;

In addition, the regulatory changes of 2021 led to the implementation, at group level, of awareness-raising actions on information protection and cyber risks. They also required the review of systems approval procedures and activities.

The general interministerial instruction on the protection of national defence secrets (IGI 1300) has evolved to strengthen the measures and specify the requirements applicable to sensitive and classified dematerialised information as well as to the IS required to process it. The new IGI 1300, which will apply automatically in all new contracts, has not led to any changes to existing plans in terms of combating cyberattacks but it confirms all the requirements. The evolution of the new IGI 1300 also led to underlining awareness at group level on the protection of information associated with the context of increased cyber threats, as well as to a review of system approval procedures and activities to take into account this change in the scopes concerned.

Performance indicators

In terms of information security, Naval Group ensures detailed management of employees authorisations as well as of classified information and media. The dedicated management systems are regularly audited by the State authorities. With this in mind, Toulon, Brest, Ollioules, Ruelle and Cherbourg were audited this year by the DRSD and the IAN.

In addition, indicators on the SOC/MSSP, on patching, on the taking into account of CERT alerts and on the alerts themselves are produced each month and reported to the relevant managers.

1.2.6.13. Risks of non-performance and IT failure

To meet the business challenges of Naval Group at the national or international level, but also to face the growing context of cyber threats, the security and performance of our information systems are more than ever at the heart of our concerns.

Dependent on the long life cycle of vessels and as the result of its heritage, Naval Group's IS portfolio has evolved over the years. The IS offering has been expanded and modernised to ensure solutions adapted to the company's overall strategy and to contribute to the digital transformation.

To control the risks of obsolescence, data loss or cyberattacks, measures have been put in place for several years, as well as ambitious action plans, including:
- the modernisation of infrastructure (storage, backup, etc.);
- work on the application portfolio (streamlining of applications, analysis of business impact, criticality, documentary requirements, etc.);
- streamlining of international staffing.

These significant multi-year investments to modernise and secure our IS contribute to the enhancement and control of our IS portfolio (applications, technical services, hosting/infrastructures).

All actions undertaken are coordinated with the group's Cybersecurity Department and Security Department.

I.3. NAVAL GROUP SA'S POSITION DURING THE 2022 FINANCIAL YEAR

I.3.1. NAVAL GROUP SA'S REVENUE AND RESULTS

Order intake

Naval Group SA's order intake for 2022 was €5,578 million, as compared with €3,022 million in 2021.

As at December 31, 2022, Naval Group SA's order book stood at €15,277 million.

Revenue

Naval Group SA revenue amounted to €4,007 million for the 2022 financial year, compared with €4,005 million in 2021.

Income

Operating profit/loss was positive, amounting to €96.8 million, compared to €232.7 million in 2021.

Net finance income (expense) amounted to a profit of €122.4 million, compared with a loss of (€2.6) million in 2021.

Extraordinary income amounted to a profit of €216.5 million, compared with a loss of (€8.7) million in 2021.

The company's net income amounted to a profit of €327.8 million.

I.3.2. TABLE OF RESULTS FOR THE LAST FIVE FINANCIAL YEARS OF NAVAL GROUP SA

In accordance with the provisions of article R. 225-102 of the French Commercial Code, details are provided in the following table of Naval Group SA's results for the last five financial years *(in €)*:

Financial year ended	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Length of accounting period *(in 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	56,300,000	56,299,700	56,299,700	56,299,700	56,299,700
Number of A preference shares	–	300	300	300	300
Number of B preference shares	–	–	–	–	–
Operations and results					
Revenue excluding taxes	4,007,394,057	4,005,535,343	3,291,152,047	3,640,222,336	2,852,264,434
Net profit (loss) before tax, profit-sharing, depreciation, amortisation and provisions	542,948,015	385,639,042	42,157,590	448,058,757	494,531,839
Income tax charge (income)	60,478,918	15,438,572	(30,063,872)	66,420,666	26,880,434
Employee profit-sharing	47,287,859	13,500,000	737,294	27,798,326	9,827,394
Charges to depreciation, amortisation and provisions	107,336,152	164,230,716	127,745,124	208,595,147	321,601,011
Net profit (loss) after tax, profit-sharing, depreciation, amortisation and provisions	327,845,085	192,469,754	(56,260,957	145,244,618	136,223,000
Dividends paid	168,900,000	97,610,050	0	94,584,000	87,828,000
Earnings per share					
Net profit (loss) after tax and profit-sharing but before depreciation, amortisation and provisions	7.73	6.34	1.27	6.28	8.13
Net profit (loss) after tax, profit-sharing, depreciation, amortisation and provisions	5.82	3.42	(1.00)	2.58	2.42
Dividend allotted to each ordinary share	3.00	1.40	0.00	0.84	0.78
Dividend allotted to each A preference share	-	62,633	0.00	157,640	146,380
Dividend allotted to each B preference share	–	–	–	–	–
Staff					
Average number of staff	14.182	13,469	12,661	11,653	10,617
Payroll expenses	905,366,198	807,965,758	719,117,504	704,151,812	647,111,991
Payroll-related costs (Social Security, staff benefits, etc.)	422,055,999	345,940,518	326,116,140	308,658,768	281,506,422

No interim dividend was paid in 2018.
No interim dividend was paid in 2019.
No interim dividend was paid in 2020.
No interim dividend was paid in 2021.
No interim dividend was paid in 2022.

I.3.3. MATURITIES OF TRADE RECEIVABLES AND TRADE PAYABLES OF NAVAL GROUP SA

In accordance with article L. 441-14, D. 441-4, I and II, and A. 441-2 of the French Commercial Code, the schedule of the company's trade receivables is as follows:

Invoices issued and outstanding as at the closing date of the financial year

Closing date		Total	Invoices not overdue for payment	Payment overdue by 1 to 30 days	Payment overdue by 31 to 60 days	Payment overdue by 61 to 90 days	Payment overdue by more than 90 days	Total 1 day or more
Length of time overdue								
12/31/2022	Number of invoices concerned	2,062	643	230	108	65	1,016	1,419
	Total value of invoices concerned excluding tax	722.4	300.0	110.5	159.7	2.4	149.8	422.4
	Share of pre-tax revenue for the financial year		7.10%	2.61%	3.78%	0.06%	3.54%	9.99%
12/31/2021	Number of invoices concerned	1,931	611	301	125	53	841	1,320
	Total value of invoices concerned excluding tax	544.8	234.9	100.9	105.5	16.1	87.4	309.9
	Share of pre-tax revenue for the financial year		5.87%	2.52%	2.64%	0.40%	2.18%	7.74%

Invoices issued that were overdue for payment in the financial year

Closing date		Total	Invoices not overdue for payment	Payment overdue by 1 to 30 days	Payment overdue by 31 to 60 days	Payment overdue by 61 to 90 days	Payment overdue by more than 90 days	Total 1 day or more
Length of time overdue								
12/31/2022	Cumulative number of invoices concerned	10,824	5,856	3,590	640	221	517	4,968
	Total cumulative value of invoices concerned excluding tax	4,682.8	2,891.9	1,404.2	128.0	30.2	228.5	1,790.9
	Share of total value of invoices issued in year, excluding tax		59.51%	28.90%	2.63%	0.62%	4.70%	36.85%
12/31/2021	Cumulative number of invoices concerned	10,978	5,877	3,695	763	199	444	5,101
	Total cumulative value of invoices concerned excluding tax	3,309.6	1,328.3	1,645.2	219.2	50.9	66.0	1,981.3
	Share of total value of invoices issued in year, excluding tax		38.54%	47.73%	6.36%	1.48%	1.92%	57.48%

In accordance with article L. 441-14 and D. 441-4; LME Art. 24-II, the schedule of the company's trade payables is as follows:

Invoices received and outstanding as at the closing date for the financial year

Closing date		Total	Invoices not overdue for payment	Payment overdue by 1 to 30 days	Payment overdue by 31 to 60 days	Payment overdue by 61 to 90 days	Payment overdue by more than 90 days	Total 1 day or more
Length of time overdue								
12/31/2022	Number of invoices concerned	25,834	22,818	757	389	228	1,642	3,016
	Total value excluding tax of invoices concerned	293.7	243.8	18.8	6.9	3.5	20.7	49.9
	Share of invoices received excluding tax for the financial year		10.60%	0.82%	0.30%	0.15%	0.90%	2.17%
12/31/2021	Number of invoices concerned	17,300	13,849	1,163	544	225	1,519	3,451
	Total value excluding tax of invoices concerned	294.4	241.5	24.8	9.8	2.7	15.6	52.9
	Share of invoices received excluding tax for the financial year		10.94%	1.12%	0.44%	0.12%	0.71%	2.39%

Invoices received that were overdue for payment in the financial year

Closing date		Total	Invoices not overdue for payment	Payment overdue by 1 to 30 days	Payment overdue by 31 to 60 days	Payment overdue by 61 to 90 days	Payment overdue by more than 90 days	Total 1 day or more
Length of time overdue								
12/31/2022	Cumulative number of invoices concerned	302,377	260,799	24,281	6,826	5,187	5,284	41,578
	Total cumulative value of invoices concerned excluding tax	2,798.3	2,115.6	410.4	145.7	51.7	74.9	682.7
	Share of total value of invoices, excluding tax, paid in year		65.98%	12.80%	4.54%	1.61%	2.34%	21.29%
12/31/2021	Cumulative number of invoices concerned	269,784	210,764	37,377	12,815	3,903	4,925	59,020
	Total cumulative value of invoices concerned excluding tax	2,709.3	2,007.7	462.7	119.1	45.2	74.6	701.6
	Share of total value of invoices, excluding tax, paid in year		64.36%	14.83%	3.82%	1.45%	2.39%	22.49%

I.3.4. TOTAL AMOUNT OF CERTAIN NON-DEDUCTIBLE EXPENSES OF NAVAL GROUP SA

In its tax filings, Naval Group SA will add back the sum of €430,394 in relation to excess depreciation on private cars.

No expense forming part of overheads was disallowed for tax purposes.

The amount of compensation paid to directors in 2022 in respect of 2021 amounted to €399,998; this remains deductible in accordance with tax rules.

I.3.5. REMINDER OF DIVIDENDS PAID IN RESPECT OF NAVAL GROUP SA'S LAST THREE FINANCIAL YEARS

The following dividends were paid in respect of the last three financial years:
- in respect of the financial year ended December 31, 2019: €94,584,000;
- in respect of the financial year ended December 31, 2020: none.
- in respect of the financial year ended December 31, 2021: €97,610,050;

II. Events after the reporting period

None.

III. Statement of Non-Financial Performance (SNFP)

III.1. INTRODUCTION

III.1.1. BUSINESS MODEL

TRADE RECEIVABLES

Navies
Acquisition agencies
Local industries

50 naval customers around the world

ADVANTAGES

- Total control of armed vessels
- Control of the entire vessel life cycle
- 17,373 employees
- Skills and know-how portfolio (naval architecture, engineering, industrialisation, production, operational maintenance, program management, etc.)
- Commercial and operational references French Navy and other customers
- 10 sites in France
- 7 industrial sites internationally
- Transmission of knowledge and know-how
- Advanced member of the United Nations Global Compact

PRODUCTS AND SERVICES

SUBMARINES
SURFACE VESSELS
UNDERWATER WEAPONS
SERVICES AND INFRASTRUCTURES
MISSION AND COMBAT SYSTEMS
EQUIPMENT

VALUE CREATED

- High-performance vessels and defense systems throughout their life cycle: FREMM, Gowind®, Scorpène®, Charles de Gaulle aircraft carriers, SSBN/SSN, etc.
- Maintaining the deterrent capabilities of the French Navy
- Fleet availability for our naval clients
- 40,000 jobs in the sector in France in over 80 departments
- Development of local industry in client countries, support for our clients' sovereignty issues
- Breakdown of added value created: investments, employees, ecosystem, shareholders

KEY ACTIVITIES

A position as general contractor and system integrator over the entire product life cycle that incorporates operational feedback from navies

Design → Production and integration → Support and Training → Maintenance and modernisation → Dismantling Deconstruction

PARTNERS

- Equipment manufacturers (propulsion, sensors, effectors, etc.)
- Subcontractors (engineering research, site services, etc.)
- Marine industries sector, universities, research centres, start-ups
- Public institutions and establishments
- Non-profit sector

III.1.2. SCOPE OF CSR REPORTING

Governance scope

The scope of reporting on the governance of subsidiaries and joint ventures is the subject of point 1.4 in the consolidated financial statements.

Environmental scope

The environmental information covers all of the French sites, namely Cherbourg, Brest, Lorient, Nantes-Indret, Angoulême-Ruelle, Saint-Tropez, Toulon, Ollioules, Paris and Bagneux. Environmental data relating to energy consumption, scope 1 and 2 GHG emissions, and environmental incidents are prepared on a rolling year from January 1, 2022 to December 31, 2022.

The group's consolidated companies make up less than 5% of the group's total number of staff. The subsidiaries carry out design, research, technical assistance, project management assistance, purchasing and sales assistance, administrative support and in-service support activities. They consequently generate a reduced environmental impact compared to French activities and therefore are not included in the scope of environmental reporting of the SNFP.

HS&E scope

OH&S indicators cover all Naval Group sites in France and all staff: employees and temporary workers.

Social scope

The social reporting scope highlights the Naval Group SEU (economic and social unit), comprised of the French establishments and the French subsidiaries Sirehna and MO Porte-Avions, and the group, which corresponds to the group made up of the SEU and the French and foreign companies in which Naval Group has a majority stake.

III.1.3. STRATEGY

CSR is one of Naval Group's key concerns. The Chairman and Chief Executive Officer and the group's executives are keen to anticipate and meet the expectations of internal and external stakeholders in order to ensure the company's sustainability in a safer, more sustainable and more inclusive society.

In order to strengthen the CSR culture and its place in the group's governance, the Chairman and Chief Executive Officer has taken measures to accelerate progress on sustainable development issues. The following points are worth a mention:

- adoption in September 2020 by the group's Executive Committee of a more ambitious CSR policy integrated into the group's Strategic Plan. The CSR strategy is broken down into 20 projects divided into four pillars: governance, social commitment, environmental protection & climate resilience, and responsible industrial partner. Each pillar is sponsored by a member of the Executive Committee and each CSR project is managed by a person specialising in the topic concerned;
- the management of the CSR strategy is carried out directly by the Executive Committee on a half-yearly basis;
- the CSR Department reports directly to the group's General Secretary, who is a member of the Executive Committee;
- in 2022, Naval Group adopted a purpose in order to reinforce the meaning of its activity for all its stakeholders, and in particular its employees (see the paragraph below on the "Adoption of a purpose").

Naval Group has principally supported five of the UN's 17 Sustainable Development Goals (SDGs) through its activities and actions.

- **SDG 5: Achieve gender equality and empower all women and girls**

In 2021, Naval Group signed the Women Empowerment Principles and implemented actions to strengthen gender equality within the company.

The group works upstream to increase the proportion of women in the industrial sector – where the proportion of women has historically been low – in partnership with the association *Elles bougent*.

- **SDG 9: Build resilient infrastructure, promote sustainable industrialisation that benefits all and encourage innovation**

Naval Group innovates and acts to reduce the environmental footprint of vessels throughout their life cycle, from their design to their deconstruction.

The group is an active member of the Coalition for the Energy Transition of the Maritime Industry (T2EM). This coalition aims to propose solutions that will collectively achieve environmental objectives within the maritime sector. The main projects of the T2EM Coalition are the drafting of common benchmarks and the transformation of the sector's energy models in order to meet the "low-carbon" objectives set by the International Maritime Organisation (IMO) for 2050.

- **SDG 13: Take urgent action to combat climate change and its impacts**

Naval Group has set itself a target of reducing the carbon footprint of its sites by 5% at constant load per year until 2050, on scopes 1 and 2 as well as on the mobility section (commuting and business travel) of scope 3. The objective for scopes 1 and 2 was included in the 2021-2023 profit-sharing agreement for group employees.

Naval Group is working on the installation of photovoltaic energy, the replacement of light bulbs by LEDs, the installation of heat recovery systems on compressed air, the installation of energy performance management software, etc. (see paragraph on the risk of greenhouse gas emissions).

- **SDG 14: Conserve and sustainably use oceans, seas and marine resources for sustainable development**

Naval Group is a partner of *Fondation de la Mer* and uses the ocean reference framework that the association has developed: this is an analysis grid – co-constructed with the Ministry of the Sea and the Ministry of Ecological Transition. – which enables companies to identify, measure and reduce their impact on the ocean (impact of plastic pollution, for example). With the support of *Fondation de la Mer*, Naval Group is testing the application of this standard on industrial sites.

Work on the impact of maritime traffic noise on marine ecosystems has been launched as part of the European PIAQUO project in which Naval Group is taking part.

- **SDG 16: Promote peaceful and inclusive societies for sustainable development, ensure access to justice for all and build effective, accountable and inclusive institutions at all levels**

Naval Group, a sovereign industrialist, is at the service of the sailors who protect their country, and a key player in the French deterrent force. The protection of countries aims to contribute to a more secure, stable and prosperous society.

Naval Group encourages behaviour and business ethics that comply with strict rules of integrity. To do this, Naval Group has set up a system to combat corruption and influence peddling in accordance with the Sapin II law, and has obtained ISO 37001 certification.

Adoption of a purpose

In order to promote the sustainable role of a company in society, law no. 2019-486 of May 22, 2019 on the growth and transformation of companies, known as the PACTE law, allows companies wishing to do so to adopt a purpose.

Naval Group took this opportunity to explain to its stakeholders, as well as to society as a whole, its contribution to the general interest, its usefulness and the meaning of its action.

In this context, one of the group's CSR projects in 2022 was to define the purpose of Naval Group.

To do this, from October 2021 to May 2022, many employees reflected on the group's purpose by participating in working groups or completing a survey. On the basis of all these reflections, the purpose was discussed at the Executive Committee. A proposal was presented to the CSEC in June, to the Compensation, Appointments, Ethics and CSR Committee of the Board of Directors and then to the Board of Directors in July. Following all these discussions, the purpose of Naval Group was adopted in November 2022:

"Giving navies the means to use their power"

"The sea brings us together.

Naval Group, a sovereign industrialist, is at the service of the sailors who protect their country, and a key player in the French deterrent force.

Thanks to the diversity and commitment of its talent and a centuries-old industrial tradition, Naval Group designs, builds and maintains high-performance, sustainable and reliable vessels, systems, equipment and services, to guarantee the superiority and availability of the fleets. Thanks to the excellence of its know-how and its passion for innovation, Naval Group responsibly builds the naval system of tomorrow."

The purpose includes all the terms that have attracted strong support from employees:
- power: in line with the group's slogan "Power at sea";
- sea: the environment in which the majority of the group's employees work and in which sailors use the products provided by Naval Group;
- industrial sovereignty: Naval Group holds sovereign expertise essential to France and allied countries;
- deterrence: Naval Group has contributed to deterrence since its origins, without interruption;
- talent: talent is the group's employees. The group's activity is possible thanks to the diversity and commitment of its employees who work hard on a daily basis;
- responsible: Naval Group and all its employees prepare for the future in a responsible manner, notably by limiting the group's impact on the environment and by combating corruption and influence peddling.

III.1.4. CSR GOVERNANCE

Naval Group has been an Advanced member of the United Nations Global Compact since 2014. The group is committed to five SDGs out of the 17 proposed by the United Nations (see section III.1.3.).

Naval Group is also committed to meeting the seven pillars of the ISO 26000 standard. The ISO 26000 standard defines Corporate Social Responsibility as the responsibility of an organisation with regard to the impacts of its decisions and activities on society and on the environment, resulting in ethical and transparent behaviour that:
- contributes to sustainable development, including the health and well-being of society;
- takes into account the expectations of stakeholders;
- complies with the laws in force while being consistent with international standards of behaviour;
- is integrated throughout the organisation and implemented in its relationships.

Naval Group has been part of a continuous improvement program in the non-financial domain. This approach is built on the basis of recognised international texts such as the "ten principles" of the United Nations Global Compact, the fundamental conventions of the International Labour Organisation, the guiding principles of the Organisation for Economic Co-operation and Development (OECD), the transposition of the European directive on the statement of non-financial performance, the law on the duty of care, and the Sapin II law.

CSR Department

The CSR Department guides the company's players towards a sustainable transformation through the dissemination of responsible behaviour.

The CSR Department oversees the CSR strategy; its role is to:
- support the sponsors and pilots of CSR projects: providing help with structuring, coordinating cross-functional actions and facilitating interactions between entities;
- ensure overall consistency;
- monitor the progress of CSR projects, in particular *via* half-yearly reporting to the Executive Committee;
- organise detailed presentations of CSR projects at Executive Committee sessions;
- encourage employee involvement in the CSR approach through training and communication actions.

It manages:
- annual reporting;
- consolidation of the vigilance plan and consolidation of the SNFP;
- consolidation of the CSR report.

In France, the CSR Department relies on a network of CSR managers at the sites with whom it organises monthly updates. The site's CSR manager disseminates the site's CSR culture, shares the site's CSR actions with all CSR managers, and coordinates and/or contributes to local actions.

III.1.5. MAIN CSR RISKS

Since 2018, Naval Group has been developing a non-financial risk map. The action plans are included in the entity maps.

This list was validated by CARI in June 2022.

Given the nature of our naval defence, we consider that combating food waste and food insecurity and respecting animal welfare and responsible, equitable and sustainable food are not major CSR risks and do not justify development in this Statement of Non-Financial Performance.

III.2. NON-FINANCIAL RISKS IDENTIFIED BY NAVAL GROUP

THE GROUP'S ENVIRONMENTAL COMMITMENT

The sea is the environment in which the majority of the group's employees work and in which sailors use the products provided by Naval Group; Although the maritime space is full of business potential, it is still a fragile environment. Conscious of this reality, the group is committed to tackling environmental issues in its activities: products, services and infrastructure.

To embed this guideline in processes, respect for the environment is the subject of an HS&E policy rolled out at all its sites in France. It will also soon be rolled out in its subsidiaries, as the health crisis has delayed its implementation. Environmental issues are included in the CSR strategy.

In addition to the requirement to comply with the regulations in force, the environmental policy is divided into two areas:
- controlling environmental risks by analysing them and implementing the necessary preventive actions;
- limiting the environmental impacts:
  - of our sites by reducing greenhouse gas emissions and optimising waste management at our sites;
  - of our products and services over their entire life cycle by integrating environmental requirements from the design stage and into our purchases.

Three main risks have been identified in terms of the environment: the risk of environmental accidents, greenhouse gas emissions from our sites and the carbon footprint of our products in service. These three risks are detailed below.

III.2.1. MAJOR ENVIRONMENTAL EVENT

Issues

In the process of the performance/production of Naval Group's activities, the measures taken are designed to manage the industrial risks, prevent their occurrence and, where necessary, limit their impact on the environment. High-risk situations are identified and are subject to special monitoring. Likewise, remedial solutions are defined to enable them to be implemented quickly.

Environmental performance targets are set for reducing the number of events having a temporary impact on the environment.

Detailed description

Environmental events represent a significant risk for Naval Group due to the heavy industrial activities carried out on its sites and the systematic proximity of a river, sea or ocean. These events could be a fire, an explosion, a leak or a large spill of toxic products, for example. Their possible causes are as follows:

- failure to identify and manage risks inherent in Naval Group's industrial environments;
- inadequate controls on Naval Group sites, equipment and processes;
- design error in site equipment/production process used;
- failure to follow procedures and regulations on site;
- insufficient training of individuals working on site;
- human error on the part of individuals working on site;
- failure of maintenance/qualification of industrial facilities.

Impact

A serious environmental industrial accident could:

- seriously and sustainably pollute the environment – water/air/soil/energy/waste;
- suspend or even stop Naval Group activities;
- have serious social, financial and criminal consequences;
- adversely affect the Naval Group image.

Policy and organisation put in place to control risk

In order to control this risk, Naval Group implements a risk analysis by applying the requirements of the ISO 14001 standard. Naval Group and its environmental management are ISO 14001 certified across all sites in France since 2008.

On the sites, environmental advisors, who report to the site's HS&E Department, are responsible for carrying out this analysis, relying as much as necessary on the people implementing the production processes and the site management departments.

The risk analysis (environmental analysis) includes:

- their identification;
- their description;
- their gross rating;
- the control measures implemented;
- their net price (taking into account the means of control).

The group has set targets for the number of events concerning industrial environmental performance:

- zero major events;
- a maximum of four per year – number of events with a temporary impact on the environment (significant event).

When an event occurs despite the implementation of preventive actions, a cause analysis is conducted using the "8D" methodology. The corrective and preventive actions decided upon are implemented to avoid the occurrence of the same event or a similar event.

2022 news

As every year, environmental analyses of the sites were reviewed in 2022. This year, they were enhanced to take into account accident situations which are, by definition, rare but potentially serious. Work is also under way to standardise the format of environmental analyses among sites. In 2023, this should enable the implementation of an IT tool for managing environmental analyses.

Performance indicators

The Naval Group sites demonstrate sustained controlled environmental performance, notably thanks to the actions of environmental advisors.

In terms of performance, the group had no major events in 2022 and, to date, has two significant events for a ceiling of four (see graph below). Environmental events with a temporary impact on the environment (significant incident) have been under control for several years. Between 2021 and 2022, Naval Group experienced a period of 14 months without significant or major events.

43 non-significant events (events with no impact on staff or the environment, with little risk potential) were recorded at Naval Group sites in France. All were also subject to corrective and preventive actions after an analysis of the causes (see graph below).

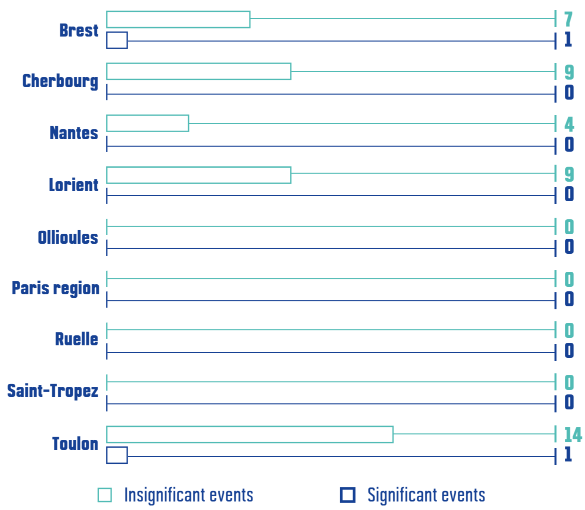

Figure 1: List of 2022 environmental events.

III.2.2. GREENHOUSE GAS EMISSIONS AT SITES

Issues

As part of our CSR approach, Naval Group has set itself the objective of dividing its direct greenhouse gas emissions by six by 2050 compared to 2014.

This objective supports the transformation of the sites.

Naval Group's day-to-day activities involve direct and indirect greenhouse gas emissions at all sites. Indeed, it is necessary to:
- heat, cool and light workplaces;
- produce domestic hot water;
- supply all industrial resources;
- receive and ship equipment;
- ensure employees come to work on the sites;
- employees travel for business.

Impact

The transformation of sites driven by the objective of reducing greenhouse gas emissions must make it possible to:
- improve the environmental performance of sites;
- maintain or strengthen the attractiveness of Naval Group among new candidates;
- communicate positively to our customers;
- limit the impact of the increase in energy costs.

Policy and structure in place

Naval Group has set up a carbon sobriety CSR project. This project is divided into sub-projects in line with the sources of greenhouse gas emissions.

The sub-projects relate to:
- energy, electricity, gas and fuel oil;
- service and company vehicles;
- freight;
- company mobility plan – commuting and business travel;
- digital activities;
- waste.

Each sub-project is managed by a person in charge of the field concerned, who reports regularly to the Director of Industrial Coordination.

The "low carbon" project is part of the group's CSR strategy. As such, its progress is regularly assessed by the Naval Group Executive Committee.

2022 news

In 2022, it was possible to implement actions in relation to greenhouse gas emissions.

In the "Energy" sub-project, the project to install shaded photovoltaic panels on the Lorient site was validated by the French Energy Regulatory Commission (CRE). A study was launched for the installation of photovoltaic panels on the roofs of the Ollioules site and the installation of car park shades in Ruelle and Indret.

Concerning vehicle sub-projects, Naval Group removed diesel vehicles from the catalogue of company vehicles to limit air pollution and introduced electric vehicles to limit the CO_2 impact. The group is implementing a proactive approach to service vehicles, enabling an increase in the percentage of electric vehicles in its fleets. Moreover, a framework contract was signed for the installation of electric charging stations. More than 100 terminals will be installed by the end of 2023.

In the "Freight" sub-project, lower-emission transport solutions are being defined with our service provider. For example, we installed the first biogas truck in Brest.

With regard to the "travel" sub-project, a major survey was launched among 12,000 employees on their business travel habits. Naval Group plans to conduct this survey every two years. The business travel management tool was configured to promote the use of the trains, for example. The sustainable mobility package of €400 per year, previously limited to cycling, was extended to other soft forms of mobility following the signature of an amendment to the agreement on the quality of life at work.

In the "digital activities" sub-project, a study is under way to optimise our data centres in order to reduce our energy consumption. Every month, a communication on digital sobriety is carried out among our employees.

The list of actions described above is not exhaustive. In addition, actions are implemented daily to reduce our greenhouse gas emissions on the sites.

In order to measure the effectiveness of current and future actions, even though the regulations impose a greenhouse gas emissions assessment every four years, the group has decided to prepare an annual assessment. However, the assessment will only be filed on the ADEME website every four years. This assessment is carried out internally using the *Bilan carbone®* assessment method. The assessments for 2016, 2018, 2020 and 2021 are available on the ADEME website. The next assessment to be filed will therefore be that of 2025.

An estimate of greenhouse gas emissions is also produced quarterly on scopes 1 and 2, and in 2023 the scope will be extended to the mobility section of scope 3 (commuting and business travel). The objective of reducing greenhouse gas emissions by 5% per year is one of the operational criteria linked to the 2021-2023 profit-sharing agreement. The objective applies to scopes 1 and 2. The associated indicator takes into account changes in site load, measured in hours worked, as well as outdoor temperatures during heating periods, in order to measure the actual improvement in environmental performance.

For the 2022 financial year, the greenhouse gas emissions of the main items in scopes 1 and 2 (natural gas, electricity, vehicle fleet), calculated from site management data, correspond to 20,274 t. eq. CO_2. This value is gross and does not take into account corrections related to changes in load and temperatures during heating periods.

A presentation and analysis of the 2022 assessment will be included in the 2022 CSR report. The achievement of the 2022 greenhouse gas emissions reduction target will also be presented in the 2022 CSR report.

Performance indicators

- assessment of greenhouse gas emissions[1]
- lower energy consumption[2] (ISO hours worked and ISO DJU): 13.3% for natural gas and 3.2% for electricity;
- rate of material recovery from non-hazardous waste: 78%.

III.2.3. ENVIRONMENTAL FOOTPRINT OF PRODUCTS

Issues

Naval Group wishes to provide vessels whose impacts on the environment are known, measured and mitigated. In 2022, four environmental analyses were launched for new programs. These analyses will make it possible to identify the main impacts and then reduce them by integrating more environmentally-friendly technologies.

Detailed description

The IMO's International Convention for the Prevention of Pollution from Ships (MARPOL) lays down legislation on the rules to be followed in terms of gaseous emissions and, in particular, the prevention of air pollution *via* Annex VI. It is based on three themes:

- air pollution;
- energy efficiency;
- greenhouse gas emissions.

These themes are taken into account in the design of Naval Group vessels, to the extent of their technical feasibility and applicability.

Concerning the last topic, since January 2013, the IMO requires that new vessels measure their effectiveness in terms of reducing CO_2 emissions. Naval Group has decided to respond by measuring the carbon footprint of its flagship products as well as their energy efficiency.

To date, four carbon footprint measurements have been carried out.

The carbon footprint of the FREMM was carried out in 2017, that of the Gowind®-type corvette in 2018, that of the Scorpène® submarine in 2019, and that of Barracuda in 2021:

- the results of the FREMM and Gowind® carbon footprints are not comparable, as the vessels have completely different usage profiles, weights, speeds and lifetimes. However, it is interesting to note that the share attributable to the operation phase of these vessels represents respectively 80% and 90% of the overall carbon footprint, which is mainly related to the diesel used;
- the Scorpène® ratio is less pronounced. 35% of greenhouse gases are generated during the manufacturing phase, compared with only 55% during the operating phase;
- for Barracuda, the results obtained are different from those obtained for Scorpène®. Indeed, the manufacturing phase is the most important since it represents 65% of greenhouse gas emissions. This is due to the resources used to machine the specific steels used. The operating phase represents only 1.3% and is due to a nuclear propulsion method emitting less CO_2 than a conventional diesel propulsion.

Impact

The results in tonnes CO_2 equivalent give a quantitative value which is representative of the scope of the environmental studies chosen. For each of the financial years, the results obtained confirm those of the life cycle analyses (LCAs) previously carried out. However, they are based on an internal methodology. They depend on assumptions made in particular regarding how products are used and on the available data, which are not fully communicated.

Policy and organisation put in place to control risk

To meet its commitments, for the past ten years, Naval Group has relied on eco-design and ISO 14001 certification for all its activities, including design.

Eco-design is driven by the "Environment and Eco-design" business line, which coordinates the approach and draws on a network of around 50 specialists who work on projects according to their area of expertise, whether technical or organisational. The "Environment and Eco-design" business segment is responsible for the environment-related businesses, by delegation of the Technical and Innovation Department (DTI), which became the Technical Department in January 1, 2023 (see section I.1.1). As an integral part of the "Environment and Eco-design" business sector, the Environment Design Managers apply environmental requirements to ship projects and programs, support architects and system manufacturers in their design choices, and actively participate in R&D and the definition of business rules, according to their needs and feedback from the programs.

2022 news

The five levels of the eco-design approach are acquired and shared *via* the management system documents as well as those of the technical reference framework.

As a reminder, the levels are as follows:

- level 1: systematic application of the Naval Group regulatory standard;

(1) *Includes all energy consumption except for exceptional fuel oil consumption related to boiler room tests.*

(2) *Does not include fuel oil consumption. These do not concern uses related to the occupancy of buildings.*

- level 2: at least two environmental studies on the first level of the ship's tree structure (platform, combat system, propulsion, etc.);
- level 3: environmental analysis or life cycle analysis during the design phase, followed by the allocation of eco-design requirements;
- level 4: proposed green technologies with a 20% reduction of the significant environmental aspects (AES) resulting from the analyses;
- level 5: proposed green technologies on all AES with a 50% reduction in AES.

The transition to level N can only be done if level N-1 has been achieved.

To date, 80% of our vessels being designed are at level 2; the objective is to gradually reach level 4. To do this, environmental analyses must be carried out (level 3).

In October 2022, *Blue Shark*, a level 5 concept ship of a combat ship meeting frigate-type mission profiles, of 5,500 tonnes and 160 meters in length, was presented at Euronaval. In addition to collaborative combat performance, the focus was on environmental performance.

From the design of the *Blue Shark*, the reduction of the impacts that a combat ship can have on the environment during its life was considered at the same level as the other performances. The *Blue Shark* incorporates around 20 eco-technologies, effectively addressing environmental challenges without penalising combat superiority. The areas of work addressed are: energy consumption, greenhouse gas emissions, discharges into the ocean, reducing the impact on biodiversity and the use of scarce resources. They result in the integration of existing or developing technologies with reduced impacts on the environment: hybrid propulsion, energy management, intelligent air conditioning, emission gas after-treatment system (SCR), integrated waste management, robot hull cleaner, etc.

With regard to R&D, the integration of the environment in the technical innovation project sheets (TIPS) through the environmental performance index (EPI) was rolled out. The EPI makes it possible to characterise the innovation studied according to criteria such as energy, waste generation, mass savings or resources consumed. For each TIPS, its participation in the eco-contribution is measured using an EPI. This index takes into account several criteria including energy consumed, waste generation, consumption of resources, weight and volume, whether for the development of technologies or for the improvement of processes implemented, over one or more of the phases of a vessel's life.

Performance indicators

The performance indicator is the number of environmental analyses launched on the programs. To date, four analyses have been undertaken: 3G SSBN, BSB, FOS (future oceanic submarines) and FDI. This indicator is included in the HS&E indicators.

With regard to R&D, the monitoring of eco-contributor TIPSs in 2023 will be carried out by the Technical Department, which has integrated it into its IT process. For 2022, the objective is for 25% of the budget allocated to innovations to contribute to environmental protection.

III.2.4. OH&S RISKS

Issues

The HS&E policy is an integral part of the group's strategy and its transformation plan. It is signed by the Chairperson and Chief Executive Officer and brings together the group's ambitions and requirements and provides a general overview thereof, in order to meet the needs and expectations of its customers, develop a culture of risk identification and control and ensure regulatory compliance.

Naval Group's global QSE management system is certified according to the ISO 9001, ISO 14001 and ISO 45001 standards.

Policy and organisation put in place to control risk

The HS&E policy is now the responsibility of the Operations and Performance Director, and is deployed locally by the prevention teams. They ensure that all employees are involved in the process of inspiring individual and collective vigilance so that everyone is aware of the role and responsibility incumbent on them.

These teams, present on every site, are composed of prevention facilitators and advisors, guided by prevention managers. These managers act as advisors to the site directors. Together, they enforce risk prevention, provide advice and expertise to operators and management and manage the coordination of activities from the HS&E angle.

This HS&E network also relies on experts to manage all risks generated by industrial businesses. Ergonomics, fires, hazardous chemical agents and asbestos are all areas in which these experts provide guidance.

The healthcare policy is a component of Naval Group's strategy and a sign of its operational excellence. Its implementation and monitoring involve shared governance that is integrated into process and performance reviews. It is carried out by the Occupational Health steering committee, which meets once a quarter.

It is structured around four main areas:
- preventing work-related accidents and diseases;
- protecting employee health;
- preserving the employability of employees;
- preventing health-related discrimination.

In support of these objectives, the occupational health policy provides for the deployment of annual or multi-year action plans based on the priorities defined for each major objective. Its action plans are rolled out by Naval Group's coordinating physician, who is supported by occupational physicians who are experts in the fields of travel health, toxicology, addictions, radiation protection, ergonomics and epidemiology.

Training

The involvement of management line and developments in the behaviours of all staff, Naval Group or otherwise, present on our sites are central to the OH&S effort. Training is one of the main levers used by Naval Group to accomplish this aim.

Every new hire undergoes OH&S training upon arrival to ensure that every person entering a Naval Group site is versed in OH&S requirements. This awareness-raising is a sine qua non condition for obtaining an access badge.

To ensure that every person who joins the company is knowledgeable about the OH&S risks of his/her position and the procedures to be followed in the event of an accident or incident, workstation training is administered by their manager. This training is supplemented by training in the working environment.

Each manager taking up his/her duties at a Naval Group site is issued with an HS&E managerial passport to ensure that he or she is aware of their OH&S responsibilities. Through this training, he/she will notably be made aware of risk assessments, accident management and employee safety management.

A comprehensive panel of more specialised training is given at Naval Group to ensure that everyone has enough information to manage the risks related to the industrial activities in which they are involved.

Performance indicators

Naval Group's HS&E performance is monitored using several indicators. The number of accidents with lost time (LTAs), supplemented by the frequency rate 1 (FR1) (frequency rate of accidents with lost time per million hours worked) and severity rate (SR) (number of days compensated x 1,000/number of hours worked).

Naval Group 2022 results:
• LTAs: 164;
• FR1: 6.4;
• SR: 0.17.

These results show a number of LTAs and a FR1 similar to the previous year but higher than the ceilings set.

For comparison purposes, the Naval Group results in 2021 were as follows:
• LTAs: 173;
• FR1: 6.7;
• SR: 0.14.

The accident report of external companies on site is monitored internally.

2022 news

Managing the health crisis

The rules relating to the management of the health crisis are described in the Naval Group health guidelines.

These guidelines were developed in conjunction with occupational medicine in accordance with government guidelines and the best practices observed within the group and externally. It was continuously updated throughout the year to take into account changes in government directives and the findings from implementation in the entities.

The actions resulting from this standard have been successfully applied at all sites and internationally, thanks to translations of this document into English and Portuguese.

Main workplace safety risks

The main risks of accidents and incidents identified at Naval Group are defined, on the one hand, with regard to the most recurring causes that have led to accidents and, on the other hand, in consideration of the risks whose consequences are likely to result serious injury or death.

The main causes of these accidents in 2022 were falls at ground level or from a height following movements in workshops and vessels, and manual load handling and transportation. By themselves, they make up more than half of the LTAs.

Travel accidents with and without lost time accounted for nearly one-fifth of the total number of accidents in 2022 and remain very serious, despite a significant decrease in the number of days of lost time this year.

The activities related to our major risks are: handling and lifting of parts, work at height, electrical work, work in confined spaces, work on rotating machines and fires. These activities generated few accidents but remain closely monitored.

Managing the main workplace safety risks

Preventive actions for the primary OH&S risks, which were launched several years ago, continued in 2022. Inter-site groups specialised in the major risks are in regular contact to share their best practices and the problems they encounter. These groups of experts work together to ensure optimal management of the risks that employees are exposed to.

The main risks are also subject to precise statistical monitoring of their evolution; accidents or incidents that occur are also subject to in-depth analyses that are regularly presented to the Local and National Social and Economic Committees in order to present results and observations. These analyses and the ensuing preventive actions are shared throughout the prevention network so that the feedback benefits the entire group.

These primary risks are also controlled through strong management involvement and changes in behaviour. To this end, the main levers put in place in recent years were continued in 2022:
- manager involvement in the process of analysing accidents and incidents, talking to staff on the ground;
- incentives for employees to commit to risk prevention by completing risk situation reports;
- conducting safety culture diagnostics.

Participation in physical and sporting activities

In order to prevent musculoskeletal disorders (MSDs) and avoid anchylosis, Naval Group has implemented various actions. Click and move training specific to the prevention of MSDs related to working on screens was provided by an ergonomist at several sites. Muscular awakening and warming up by adapted physical activity teachers are also being rolled out at the various sites.

Moreover, the SECs offer various physical and sports activities *via* subsidies, and the implementation of sports activities during lunch breaks or through the establishment of company clubs.

OH&S communication

Awareness-raising campaigns remain an essential vehicle for sharing results, actions and programs with all employees and getting everyone on board. They are conducted online, in the Naval Group internal magazine and local OH&S newsletters and news flashes, and in connection with events such as Occupational Health & Safety Week and World Environment Day.

Local and national communications operations are also periodically conducted on the sites' key themes; interviews with the main company risk prevention participants are conducted to inform and educate staff about the prevention measures developed.

Since 2019, an OH&S communication plan has been implemented. These campaigns, rolled out in the form of videos, posters, articles on the intranet and support for "safety talks", helped raise awareness among all Naval Group employees.

OH&S internationally

International development is a key factor for Naval Group. The company's growth depends on our ability to meet our clients' needs in France and internationally and guarantee our employees' safety. To this end, an international OH&S network was launched in 2018, bringing together the prevention managers of the Naval Group subsidiaries with the largest workforces, located in Malaysia, Saudi Arabia, India, Egypt, Brazil and Singapore. The purpose of this network is to specify OH&S requirements and expectations, and to regularly exchange views in order to share best practices.

In addition, in order to guarantee an optimal level of safety for expatriate employees or on assignment, actions launched in previous years were continued:
- the introduction of prevention plans by Naval Group and clients' activities to prevent risks and ensure good coordination between the various parties;
- the organisation and follow-up of ex-pat employees conducted by the occupational physician and the primary-care doctor's involvement internationally;
- the definition of essential training prior to departure on an expatriation assignment.

III.2.5. HARASSMENT AND DISCRIMINATION

III.2.5.1. Bullying and sexual harassment

Issues

Naval Group is committed to eliminating all forms of harassment and discrimination at the company. On November 9, 2021, France enacted a law authorising the ratification by France of ILO Convention no. 190 (International Labour Organization Convention no. 190 on the elimination of violence and harassment in the world of work). It is in this legal context that Naval Group's actions in this area take place.

Detailed description

The risks that may arise from non-compliance with this commitment can be of various types:
- risk in employment law with labour disputes on these topics;
- criminal risk, notably if the company does not prevent these situations;
- risk to the company's reputation by damaging its image.

Impact

With regard to harassment, the company implements actions that make it possible to control the risks mentioned above: employment tribunal litigation risks, criminal risks and risk of deterioration of the company's image.

Policy and organisation put in place to control risk

Naval Group has set up several systems in France to manage the risks related to potential situations of sexual and moral harassment.

As part of the prevention of and fight against sexual harassment and sexist behaviour, officers have been appointed at each site:
- a focal point appointed by the company, responsible for organising prevention actions, information, guidance and support for employees;
- a focal point appointed by the CSE, who is responsible for information, guidance and support for employees.

These interlocutors were trained on legal definitions, sanctions, Naval Group procedures and their missions. Specific communication was carried out at each site and distributed to all Naval Group employees. It is permanently posted at all sites.

As part of the prevention of potential situations of sexual harassment, sexist acts and moral harassment, an awareness-raising action was organised on April 4, 2022, for all Naval Group labour relations managers, site lawyers as well as group human resources teams.

Three awareness-raising sessions on situations of sexual harassment and sexist acts were held in 2022 for the entire group human resources community.

An e-learning module on sexual harassment and sexist acts has been available to all employees as of October 28, 2022. Managers were made aware of situations of sexual harassment and sexist acts, and of prevention actions, when the module was made available on the Naval University digital platform.

An e-learning module on moral harassment is also in preparation and will be available to all employees in 2023.

On January 21, 2022, Naval Group committed to the StOpE approach (stop ordinary sexism in the workplace), an initiative launched in 2018 by 30 companies (including Accor, EY and L'Oréal, which were at the origin of the approach). This approach aims to raise awareness of ordinary sexism in the workplace and to make commitments to combat it. It thus makes it possible to reduce the number of situations of sexual harassment in the workplace by taking action at the first signs of sexist behaviour in the company.

A practical and legal investigation guide was distributed to internal investigators appointed to report potential situations of sexual and moral harassment and/or discrimination. This guide makes it possible to professionalise the interviewers in the context of their mission with a follow-up of the stages of the investigation, practical advice for conducting the interviews in good conditions, models of letters, reports, minutes as well as the legal definitions of the concepts of harassment (sexual and moral) and discrimination. This guide is given to trainees during their training sessions: four training sessions took place in 2022 representing 35 internal investigators from all Naval Group establishments.

2022 news

Training of internal investigators appointed to carry out investigations into potential harassment situations (moral and sexual) took place at the end of 2022. These investigators, forming a network, will be brought together in 2023 to share the successes and areas for improvement of the survey process.

The CSE's sexual harassment and sexist acts officers were newly appointed following the professional elections of October 2022; training as part of their mission will be provided in 2023.

Free access to the e-learning module on sexual harassment and sexist acts is available to all employees on the Naval University training platform.

Performance indicators:
- number of employees who have completed training on sexual harassment and sexist behaviour, regardless of the awareness-raising method (face-to-face or digital);
- whistleblowing on harassment.

III.2.5.2. Discrimination

Issues

Equal treatment, and respect for people and differences, are major challenges for Naval Group. Pursuant to applicable international conventions and European texts, Naval Group must prevent and sanction any form of unfavourable treatment of its employees, candidates and partners, which may be based on personal characteristics (age, gender, disability, name, physical appearance, etc.).

Detailed description

As such, Naval Group:
- guarantees fair treatment in all its processes, and in particular its HR and managerial processes;
- makes all its employees, and in particular HR players and managers, aware of the application of the principles of non-discrimination in their behaviour and decisions;
- sets up and communicates the process for handling any alert related to potential discrimination.

Impact

The occurrence of cases of proven discrimination could:
- impact the social climate and employee trust in Naval Group;
- incur civil and criminal penalties for Naval Group;
- adversely affect the Naval Group image.

Policy and organisation put in place to control risk

Diversity and inclusion are strategic priorities for Naval Group and are integrated into the group's transformation program, managed at the level of the Executive Committee. They are regularly communicated to top management, the managerial line and employees. Notably, the commitments in favour of inclusion were the subject of a poster campaign at all sites in 2022, recalling Naval Group's zero tolerance for any inappropriate or discriminatory behaviour.

2022 news

Because solidarity, respect for people and the rights of employees are principles to which Naval Group is committed, an agreement on diversity and inclusion was signed on September 29, 2021, by all the trade unions representing Naval Group. A network of diversity and inclusion officers, present at all sites, promotes diversity and inclusion by carrying out local actions on the subject.

Discrimination officers are appointed at each site in France as provided for by the agreement, and their contact details are communicated to employees. The process for handling an alert related to potential discrimination is specified in the agreement and was the subject of a practical sheet which has been made available to all employees since March 2022. Alerts on discrimination – and the associated processing – are monitored and communicated to the social partners, as provided for in the agreement, within the framework of the monitoring committees of the agreement.

Discrimination prevention awareness-raising campaigns for recruiters, HR partners and managers are being rolled out and will continue to be rolled out across all sites in 2023. Training on discrimination is also available in e-learning form, for all Naval Group employees.

Performance indicators

The gender equality index (France scope) improved by one point in 2022, from 88 to 89/100, reflecting the group's commitment to these issues.

- Number of "discrimination" officers appointed in France: 9;
- Number of *Elles bougent* focal points: 258;
- Revenue generated by adapted companies (French *entreprises adaptées* – EA) and work-based assistance establishments (*établissements et service d'aide par le travail* – ESAT): €3,644,246 at December 31, 2022;
- Percentage of women on the Executive Committee: 22.1%;
- Percentage of women among senior executives: 12.8%;
- % of people with disabilities among new hires: 1.8%;
- Employment rate of people with disabilities: 6.1% (2021 rate);
- % of women managers: 16.8%;
- % of women among hires[1]: 19.7%;
- % of seniors among hires[1]: 6%.

III.2.6. DETERIORATION OF LABOUR RELATIONS AND POLICIES

Issues

The quality and dynamism of social dialogue are key drivers of Naval Group's performance and the success of its transformation. They help to build a contract-based social foundation, which is crucial to employee confidence in the company's management and representatives.

For this reason, Naval Group pays very close attention to the quality of social dialogue to conduct the company's transformation projects, implement new organisations or change operating methods, and for anything that can impact jobs and the workforce or undermine the social climate.

To date, this policy has only been implemented in France. However, the challenge is to develop an international approach to the core components of the group's social foundation.

Detailed description

The negative impact of a deterioration in dialogue with trade unions and/or employee representative bodies could present an obstacle to the plans for transforming the organisation or modernisation of processes, and erode the confidence of external supervisory bodies, the main industrial shareholders, and clients, going as far as to suspend operations due to collective strike action.

This could also have a human impact in terms of health (stress) and OH&S in general.

Impact

These situations can result in unforeseen financial costs due to the delay in meeting contractual milestones and, eventually, missing the contractual delivery date. A deteriorated social climate and harmful social dialogue also affect the company's image, especially its employer brand, which again would be detrimental to the company's ability to attract prospects and applicants.

Policy and structure in place

The structure of Naval Group, specifically its Social Policy Department within the Human Resources Department (DRH), is focused on maintaining direct and constructive social dialogue with employee representatives and trade unions. It has a central team and industrial relations officers for each of the company's nine sites. The site's industrial relations officer reports to the establishment's Human Resources Director. He or she uses the services of a labour lawyer. At the corporate level, the Social Policy Director is supported by a person in charge of labours relations, a six-person legal team, a three-person division for health including a doctor coordinator, and personnel team with public-sector status.

Relations with the trade unions and employee representatives are structured on the basis of the company agreement revised in 2017 and 2021. This agreement dedicates two chapters to social dialogue, one for rules and methods of employee representation (SEC) and one for the trade unions. The organisation for information and consultation of the bodies is based on a desire for high transparency involving upstream players in particular in decisions that have an impact on organisations and individuals.

Thus, the agreement stipulates that for any structural project, a concerted and participatory approach must be taken with the teams concerned in the very early stages of the project. The social partners are also involved in this process.

Naval Group's approach to social dialogue leads us to go far beyond our legal obligations in terms of transparency, the involvement of social partners in the company's organisational development projects, contractual policy where the emphasis

(1) *In accordance with the rules for calculating the labour report, these indicators include employee mobility with a change of contract among the various group entities (for example from subsidiaries abroad).*

is on consultation and negotiation rather than unilateral measures. The number and length of meetings with employee representatives and the agreements reached are proof of this.

2022 news

The strong mitigation in 2021, and even more so in the first half of 2022, of the impact of the health crisis on our daily lives both on a human and organisational level, enabled us to resume various matters postponed by our collective mobilisation in the face of this unprecedented crisis and to restart the contractual dynamic preceding the health crisis:

- amendment no. 6 to the group agreement relating to the reimbursement of healthcare expenses and personal protection insurance;
- 2021 – 2022 – 2023 profit-sharing agreement;
- agreement on quality of life at work;
- amendment no. 3 to the company agreement;
- agreement on the means of access to information and communication technologies used within the Naval Group SEUs by the trade unions;
- diversity and inclusion agreement;
- amendment no. 7 to the group agreement relating to the reimbursement of healthcare expenses and personal protection insurance;
- 2022 salary agreement;
- agreement on the scope of the SEU;
- electoral memorandum of understanding for professional elections;
- agreement defining the framework and procedures for consultation and negotiation on the implementation of the new collective agreement for metallurgy;
- consolidated group agreement relating to the reimbursement of healthcare expenses and personal protection insurance;
- consultation on the functioning of the SECs and their commissions (list of decisions and then integration in future amendment no. 4 to the company agreement).

At the start of 2022, the dialogue and consultation process initiated in January 2020 was resumed – involving all secretaries of the SECs, central union representatives and labour relations managers – in order to consider areas for progress in the functioning of the CSEC, the SECs and the commissions. Adjustments and changes were decided and will be implemented as part of the new term 2022-2026 term.

In addition, the signing of the new collective agreement for the metallurgy industry on February 7, 2022 is a major event in our social ecosystem.

This new contractual system requires that all companies in the business unit adopt a new approach in both their HR practices and their contractual framework.

Performance indicators

To gauge the quality of social dialogue, the company looks at the contractual dynamics and internal indicators, in addition to the number of difficulties raised by the main trade union delegates and the handling of these. The conflict rate and short-term absenteeism rate are also measured.

In addition, a labour climate observatory was developed and set up at all Naval Group sites, the purpose of which is to anticipate the risks of labour tensions or conflicts.

III.2.7. RISK OF LOSS OF CORE SKILLS

Issues

Naval 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. Naval Group's products include leading-edge technology systems and require specific skills and know-how.

Any losses in this area can be especially damaging for the group in a context of rapidly changing regulations, standards, industrial practices and technology.

Detailed description

The major risk is therefore that the group might experience difficulties in having the requisite skills available in the right place at the right time in order to execute its strategy and successfully complete its programs.

These difficulties could arise from:

- the inability to recruit and retain talent;
- a failure to identify the key skills required to implement the company's strategy;
- a lack of career paths;
- a failure in knowledge transmission when managing successions;
- a wave of departures, in a competitive job market, particularly for short-term jobs.

Impact

The consequences can be damaging for the group: a risk of not maintaining the group's high technology standard and, eventually, a risk of losing customers and markets.

Policies and structure in place

Policy

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 HR Department and the DCO have strengthened their employer brand action plan, which includes the objectives of creating pools in critical areas and jobs in short supply. The HRD runs a partnership policy with schools and training institutions to promote recruitment in the key areas of the group's activity.

In addition, Naval Group supports and contributes to the development of the Naval Industries Campus, whose objective is the creation of "navalising" training courses (training courses incorporating knowledge and know-how specific to the naval environment) and the development of the attractiveness of the sector.

In order to support these actions, Naval Group has put in place a roadmap to strengthen its attractiveness among its target audiences, strengthening its network of partnerships and its strategy of mobilising employees as ambassadors of the employer brand.

Moreover, the many career and geographic mobility options including international transfers, the set-up of systems for detecting high potential, and investment in training and knowledge transmission enhance the group's appeal.

Every year, a network of group speciality managers maps out the trends in all jobs in terms of the medium-term plan. Locally, this approach takes the form of a forward-looking management plan for jobs and skills (GPEC), incorporating action plans relating to recruitment and the knowledge transmission. In addition, an analysis of all medium and long-term business developments is carried out jointly with the DIT. Coordination of the network of 1,220 specialists – experts and senior experts – makes it possible to steer the control of technical skills within the group (Appointment Committees, specific career management, actions to recognise the sector).

In addition to the GPEC systems in place for all its activities, Naval Group specifically tracks the occupations critical to national sovereignty: five so-called "sovereign" families are managed by family heads who make sure the group has up-to-date mapping of the existing skills and of typical career pathways, and organise cross-departmental career reviews.

In addition, the group has established an attractive compensation policy and implements employee profit-sharing under both the statutory and voluntary schemes, as well as employee share ownership and savings schemes which enable employees to own a stake in Naval Group, thus encouraging identification with and loyalty to the group.

Organisation

The team's structure for managing skills issues is as follows:

- a recruitment and attractiveness unit (head office and sites), serving the Human Resources Business Partners (HRBP) and the operational teams who communicate their resource needs;
- a department responsible for the forward-looking strategic jobs and skills management and training, which oversees the entire GPEC system, career management with HRBP and coordinates the network of the group's specialist correspondents. It also ensures the consistency of the group's training policy with regard to strategic issues (strategic plan) and sets out the group's guidelines, which are then rolled out and enhanced by department. Naval Group University is working on optimising and enriching the offer with regard to this policy;
- four Key Account Managers (KAM) for "development and skills" to which one or more departments are assigned (HR intermediaries with business lines): they guarantee the deployment of the development and skills policy, training and recruitment; a KAM dedicated to sovereign families was set up to support dedicated heads of families.

2022 news

The group has stepped up its commitment to young people, exceeding the target of 1,000 young people (under the age of 30), in internships or work-study programs, in its teams. As part of its 2022 work-study campaign, Naval Group thus offered 530 young people, 80% of whom were in design and production professions, to join its teams, an increase compared to 2021, which had already made it possible to welcome more than 450 work-study students.

Securing the recruitment path to renew skills and adjust programs to the required level of capacity resulted in the recruitment of 1,937 new employees in 2022 (Naval Group SEU).

The HR investment plan to secure key skills is accompanied by GPEC highlights at each site involving managers.

Following several economic shocks, significant HR support was provided:

- from Naval Energies employees, most of whom are reintegrated into the Naval Group teams;
- with the 562 employees from the AFS program, more than 95% of whom were repositioned internally (more than 90% of employees were repositioned in a permanent position in the company and 5% were assigned to temporary missions).

Actions and results in 2022

In 2022, the main key skills management activities were as follows:

- anchoring the strategic management of resources to strengthen the quantitative and qualitative adequacy of the workload and the internal resources, in line with the operational GPEC approach, in particular linked to the needs of the 3G SSBN and NG-AC programs;
- acceleration of the deployment of the Naval Skills passport, so that each employee can highlight all their experiences and benefit from a broader outlook. 8,650 employees have a profile on the Naval Skills platform, beyond the objectives set, and the finalisation of the deployment should focus on 2023;
- deployment of learning in the workplace, by strengthening the offering at training sites (roadmap of 29 training sites, *i.e.* eight more training sites in one year, in line with the objectives set), developing seamanship as part of the training plan (seamanship is similar to mentoring and allows people to learn, improve and develop their career in stages with seasoned and recognised professionals, through immersion, benefiting from their experience), continuing Fridays at school, etc.;

- reinforcement of business integration:
  - in particular, with over 150 business integration courses being rolled out in the hull/welding, industrialisation, studies and product IT fields and new ones being created, for example in the field of mechanics,
  - since its creation in 2018, the design school has trained 170 students. Evolving since the end of the AFS contract, the school confirms its ambition in the relocation business and is developing into a group school serving business transformation. In particular, it supports the development of versatility;
- consolidation of the school relations and partnerships strategy, with an improvement in the positioning of Naval Group with priority schools, young people and families. Naval Group has also consolidated its presence and visibility with schools by developing partnerships and expanding the School Partners program, enabling employees to be leaders and share their passion. In 2022, Naval Group made progress in the external recognition of its attractiveness, occupying 17th place in the Universum ranking of the most popular companies by engineering schools and 9th place among schools of Bac +2/+3 level. At the same time, its positioning among IT student profiles increased by 20 places, placing Naval Group in 29th position.

In 2022, a special effort was made among the priority schools to create pools of work-study students and interns, and to continue to promote Naval Group's business lines among the various training institutions. Lastly, to support and develop attractiveness, several campaigns combining digital and local media were carried out to attract employees to our business lines. For example, the workers or "Naval Group is recruiting" campaigns complement Naval Group's outreach strategy.

Performance indicators

The following objectives were pursued in 2022:
- fill positions in sovereign families;
- create pools of jobs in shortage areas: followed by the filling of positions in such areas.

83% of positions open to recruitment in short-term jobs were filled (estimated at the end of November 2022).

To measure the quality of key skills management, the rate of progress in the staffing plan for occupations where there is a shortage of talent and critical skills is monitored.

In addition to the monitored objectives mentioned above, Naval Group tracks and publishes several performance indicators related to the policies implemented to reduce the risk of lack of key skills:
- Naval Group made 1,999 new hires as of December 31, 2022;
- 1,809 people left the group as of December 31, 2022.

Naval Group departure rate (verification of workforce data): 4.2%.

III.2.8. FAILURE TO COMPLY WITH THE GENERAL DATA PROTECTION REGULATION

Issues

The entry into force of the General Data Protection regulation (GDPR) has resulted in heightened awareness, among individuals and professionals, of the challenges of personal data protection and its impacts on operational, legal, financial, ethical and image matters.

Policy and organisation put in place to control risk

Naval Group, aware of these issues, ensures that its activities are conducted with respect for the privacy and protection of the personal data of its employees and contacts (customers, prospects, suppliers, partners, candidates, etc.).

In order to limit this risk, the group has rolled out a compliance approach, coordinated by the DPO, which is notably based on:
- the deployment of a privacy network in order to ensure adequate coverage and a consistent implementation across all the group's functions and entities;
- the creation of a dedicated group process, of methodologies and of procedures;
- the implementation of awareness-raising and training actions for all employees;
- the establishment of a group e-learning module on privacy available in French and English.

2022 news

In 2022, the year was marked by various international crises that led to an exponential increase in cyberattacks.

In this context, Naval Group continued its actions to raise awareness among group employees on the risks related to the protection of personal data.

In 2022, Naval Group also focused on developing its compliance system by strengthening the application of the principles of privacy by design and by default in IT projects.

In addition, Naval Group strengthened its requirements *vis-à-vis* its suppliers by integrating privacy in its supplier pre-qualification process.

III.2.9. FAILURE TO COMPLY WITH FRENCH AND FOREIGN ANTI-CORRUPTION REGULATIONS, RISK OF FRAUD, CONFLICT OF INTEREST AND INFLUENCE PEDDLING

Issues

Naval Group applies a principle of zero tolerance to corruption and influence peddling. The group conducts its activities in France and abroad in strict compliance with the conventions, laws and regulations applicable to it, in particular the provisions of the "Sapin II" law.

The group's Compliance Department, whose director is the anticorruption and influence peddling officer, is in charge of defining and deploying the group's anti-corruption system. This system is implemented to prevent and detect any risk of corruption and influence peddling.

In France and internationally, in a constantly changing regulatory environment, Naval Group stakeholders regularly request a presentation on its anticorruption policy to ensure that it meets the best standards.

Scope

The risks of corruption and influence peddling are identified in the group's risk mapping, for activities conducted in France and internationally.

The mapping of the group's corruption and influence peddling risks identifies them by process and associates them with scenarios of events that could occur if appropriate control actions were not implemented.

Impact

The risk of corruption and influence peddling is analysed with regard to its potential impacts on the company, which include damage to its reputation, its activity (consequences relating to market access, for example) or its finances.

Anticorruption system and organisation

The Chairman and Chief Executive Officer of Naval Group has signed the group's anticorruption policy reaffirming the company's commitment, the necessary involvement of its governing body and the main pillars of the system rollout.

The cornerstone of Naval Group's anticorruption system, which applies to all its employees, is the identification and assessment of risks of corruption and influence peddling. It also provides for improvement in their control, in particular through prevention actions and, if necessary, mitigation and remediation actions.

It also includes a documentary framework, the basis of which is a compliance code of conduct. More operational instructions are added to this code, supplementing the company's processes, in particular on the assessment of risks related to entering into relations with third parties, purchasing, management of offers and programs, offsets, the rules applicable to gifts and hospitality.

A whistleblowing line is available to Naval Group employees and stakeholders to collect and process reports made in this way.

An employee awareness and training program has been rolled out.

To implement and manage this system, the Compliance group – which acts as one of the second lines of control of the company – relies on a network of Compliance Officers, appointed by the directors of entities (departments, sites and subsidiaries).

An internal control plan is also in place. The internal control assessment of system maturity is based on ten requirements, compliance with which is assessed according to specific and shared criteria. It also aims to support and strengthen the rollout of the anticorruption system within any entity.

System performance

On a monthly basis, the system is assessed according to management and performance indicators that cover several themes: the commitment of the governing body *via* the level of deployment of the system within their entity, employee training and awareness, the assessment of third parties and the related risk levels, self-declarations of conflicts of interest, as well as reports including those received on the whistleblowing line.

2022 news

On April 19, 2021, AFNOR awarded Naval Group ISO 37001 certification, demonstrating the group's commitment to the fight against corruption and influence peddling. It was confirmed in 2022. This approach meets three key objectives:

- carry out an inventory of the anticorruption system in order to identify its strengths and areas for improvement;
- step up the continuous improvement approach to the anticorruption system;
- strengthen the trust of our stakeholders, by affirming our commitments to fight corruption and influence peddling.

In 2022, in accordance with the roadmap set out by compliance management, the measures taken to continuously improve the system were as follows:

- overhaul of the group's anticorruption policy, signed by the Chairman and Chief Executive Officer;
- updating the group's corruption risk mapping by applying the methodology recommended by the French Anti-Corruption Agency;
- strengthening the training plan by setting up a module dedicated to specifiers;
- implementation of the annual communication plan, including an international day dedicated to compliance;
- conducting internal controls on the progress of the deployment and the application of the compliance system at sites and subsidiaries.

In accordance with title 2 – articles 25 *et seq.* of the Sapin II law, the company annually declares its interest representation actions on the website of the High Authority for Transparency in Public Life.

Since 2014, Naval Group has implemented a responsible purchasing policy for suppliers to help control the risk of corruption or conflict of interest. This policy has been awarded the Responsible Supplier Relations label (RFR) and the Responsible Suppliers Relations and Sustainable Procurement label (RFAR), backed by the ISO 20400 standard and issued by the Business Mediation Department of the French Ministry of the Economy and Finance. Sustainable procurement policies are presented in the duty of care section.

III.2.10. RISKS OF BUSINESS INTERRUPTION DUE TO EXTREME WEATHER EVENTS

Issues

Naval Group may be impacted occasionally or on a recurring and long-term basis by extreme weather events.

Faced with these risks, Naval Group is strengthening its climate resilience, *i.e.*, its ability to adapt to climate change and its ability to react to and limit the effects of extreme climate events.

Scope

Extreme climate events are likely to impact Naval Group over a wide area: Naval Group's sites, products and suppliers are affected by this risk.

Impact

The vulnerability analysis shows the predominance of three climate hazards:
• floods/submersions;
• extreme winds;
• temperature variations.

2022 news

With regard to products, an assessment of the impacts of climate change will be initiated in consultation with Naval Group's customers.

In April 2022, the French Ministry of the Armed Forces published its global "Climate & Defence" strategy. Naval Group approached the representatives of the French Ministry of the Armed Forces to address major themes on the consideration of climate change in capacities (products) and infrastructures, as well as the evolution of regulatory matters in the field.

With regard to sites, Naval Group uses a methodical approach to analyse the group's resilience to climate change, as well as the development of adaptation and resilience plans.

Performance indicators

The emergence of extreme events, and in particular their increasing occurrence, has prompted Naval Group to expand its Business Continuity Plans (BCP) system in order to prevent and then limit the effects of climate events.

III.2.11. NON-COMPLIANCE WITH EXPORT AND CUSTOMS CONTROL RULES

Issues

Naval Group's activities and products have strategic value through their contribution to the sovereignty and security of client States. As a company that exports products and services for military or dual use, Naval Group and its suppliers are required to comply with national and international export control regulations, which aim in particular to protect the national security of democratic States and fight against diversion and proliferation.

Detailed description

Export markets are of great importance to the group. Naval Group is an exporter of war and/or related materials and dual-use goods. In this context, Naval Group is subject to French and foreign export control regulations.

Transfers within the European Union and exports of such products outside the markets in which they are produced may therefore be subject to restrictions, controls or requirements to obtain export or transfer licences.

In general, the regulations related to the export of military equipment and/or similar items to which the group is subject are evolving and are reinforced according to geopolitical factors or changes in the international context. Naval Group complies with the legislation and any sanctions associated with certain destinations, in particular: the Arms Trade Treaty (ATT), and international sanctions (embargoes, etc.) put in place by the European Union and the United Nations, among others.

Likewise, new generations of products are being developed by the group and are also subject to stringent regulations and obligations. Naval Group must comply with them and adapt to these requirements.

Impact

The suspension by one or more States of export authorisations in application of their policy and in accordance with international agreements, on future or ongoing contracts and markets, reduces access to military export markets and would risk having a negative impact on the group's business, financial position and operating results.

Policies and structure in place

In view of the challenges, Naval Group has set up an organisation (including a first-line-of-control network within the departments, notably export control managers and transport and customs managers) and processes (for trade, the implementation of programs and purchases, etc.) to ensure compliance with these regulations. Thus, Naval Group is in a good position to control and reduce risks. The DCE fully exercises its responsibilities as the group's second line of risk management. The latter provides ongoing support to the operational departments (retail, programs, purchasing and supply chain notably), by updating standards, providing training and awareness-raising sessions dedicated to export control (made available to all Naval Group employees and provided by the DCE), giving advice and conducting audits.

Concerning customs matters, the DCE is continuing the actions undertaken to promote its importance in terms of competitiveness and international performance, which is increasingly linked to trade and offers to study the most financially effective customs solutions in our customers' countries.

Naval Group is therefore attentive to any changes or developments in this area, whether short-term (embargos) or long-term (international conventions) and takes action to mitigate these risks with the state authorities and the group's internal players.

2022 news

In 2022, the DCE carried out the main steps in its internal control plan, *via* assessments and self-assessments in coordination with the group's other departments.

In addition, an *a posteriori* control of export items and transfers of military equipment and similar were conducted on-site by the DGA/International Development Department (DGA/DI).

Following internal and external controls, corrective and preventive actions have already been launched to strengthen Naval Group's internal system.

To follow up on the internal audit of the customs function by the DAR highlighting the need to improve flow control, an action plan managed by the DCE and monitored by the DAR was defined and generally carried out.

The development of an IT solution for the management of regulatory reports (customs and export control) is being finalised and should be gradually rolled out in 2023.

Performance indicators

The DCE monitors Naval Group's activity through:
- monitoring and updating the export control and customs authorisation framework;
- monitoring of the export and customs control training plan;
- monitoring of the control plan and associated export and customs control actions.

III.2.12. INCREASED CHANGES AND LEGAL AND REGULATORY CONSTRAINTS IN TERMS OF THE ENVIRONMENT

Issues

The environmental regulations issued by international, European and national bodies are increasingly ambitious with clear and dated objectives, in particular on CO_2 emissions into the atmosphere. The European regulatory framework for eco-design, which until now concerned only some of the products available on the market, now seems to aim to require that as much equipment as possible follows the approach in accordance with the European Green Deal declarations. Thus, Naval Group will be exposed to an increasing number of environmental constraints and obligations regarding products, services and sites.

Detailed description

This risk could lead to a sudden increase in prices (energy, water, raw materials, semi-finished products), in delays and in adaptation and compliance costs.

Impact

The document supported by the eco-design business line must be applied to all new projects. It makes it possible to deal with the following topics, all stemming from regulations:
- raw materials;
- liquid discharges;
- solid waste;
- air emissions;
- energy aspects;
- end-of-life issues.

Policies and structure in place

Products and services

Within the business sector dedicated to eco-design, a regulatory watch unit exists to identify changes in legal and regulatory constraints in terms of the environment. When a text is likely to be applied to a Naval Group product, requirements are extracted from it. When the requirements of the text have been applied, it is recorded in a document used by the eco-design business line. This document then becomes mandatory, like a law, for all Naval Group products.

In addition, Naval Group is undertaking R&D work to anticipate regulatory changes by 2050.

Sites

In order to monitor regulations on environmental issues at the sites, Naval Group uses the RED-ON-LINE tool. An environmental questionnaire is filled out regularly at each site. After processing, this questionnaire is used to obtain all the requirements applicable to the site. Compliance with the applicable requirements is assessed on a regular basis. In the event of non-compliance, the necessary actions are defined and planned.

An instruction defines the regularity of the submission of the questionnaire and the verification of compliance. It also defines the roles and responsibilities in this regulatory watch.

Performance indicators

Products and services

Naval Group's goal for the eco-design approach is divided into five levels. The first level is dedicated to the application of the "standard base", *i.e.* the framework document used by the eco-design business sector that governs the regulations applicable to our vessels. This document is updated every two years, and is becoming increasingly ambitious as environmental regulations develop. Therefore, the more stringent the regulations concerning the environment, the more demanding Naval Group's products will be.

Sites

A management indicator for regulatory monitoring of sites is being defined. It should be based on the response rate and/or the average time taken to process the questionnaires by the sites.

The regulatory compliance rate of the sites in terms of the environment will be monitored regularly and objectives will be established in 2023. The target for 2023 was set at 90%.

III.2.13. NON-COMPLIANCE WITH THE LAW ON THE DUTY OF CARE

Issues

Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies has strengthened the group's pre-existing approach to taking into account the environmental and social impacts of its activities.

Scope

Naval Group has a plan that includes reasonable vigilance measures to identify risks and prevent serious violations of human rights and fundamental freedoms, the health and safety of people and the environment.

The plan takes into account the group's activities, as well as the activities of its subcontractors and first-tier suppliers with whom an established business relationship exists, provided the activities pertain to this relationship.

This plan includes the following five measures:
- risk mapping;
- procedures to regularly assess the situation concerning subsidiaries, suppliers or subcontractors with regard to this risk mapping;
- appropriate actions to mitigate risks and prevent serious breaches;
- a whistleblowing and alert mechanism;
- a system for monitoring and assessing the effectiveness of the measures implemented.

Impact

In the event of non-compliance (absence of a plan, non-compliant plan, failure to comply with the plan or absence of publication of the plan), any person with an interest in taking action (trade union, association, NGO, victim, etc.) may:
- give formal notice to the company to comply with its obligations, within three months, with the possibility of a penalty payment;
- in the event of damage, invoke the civil liability of the parent company by demonstrating the direct causal link between the breach and the damage suffered, and obtain damages.

The 2022 vigilance plan is detailed in section III.3.

Performance indicators

Suppliers at CSR risk: 300

Suppliers at CSR risk assessed: 212

Suppliers at CSR risk that need an improvement plan: 34

Summary table of performance indicators

Risks	Indicators	Values
Major environmental event	Number of environmental accidents and significant environmental incidents	2
Greenhouse gas emissions at sites	Reduction in site scopes 1 and 2 GHG emissions (ISO hours worked and ISO DJU)	9.2%
	Material recovery rate from non-hazardous waste	78%
	Reduction in energy consumption (ISO hours worked and ISO DJU)	13.3% for natural gas and 3.2% for electricity
Environmental footprint of products	Number of environmental analyses of products	4 analyses initiated in 2022
OH&S risks	Number of work-related injuries with lost time;	LTAs: 164
	Frequency rate 1	TF1: 6.4
	Severity rate	SR: 0.17.
Harassment and discrimination	Number of discrimination officers appointed in France	9
	Number of Elles bougent focal points	258
	Percentage of women on the Executive Committee	22.1%
	Percentage of women among senior executives	12.8%
	% of women managers	16.8%
	Revenue generated by adapted companies (EA) and work-based assistance establishments (ESAT)	€3,644,246 at December 31, 2022
	Employment rate of people with disabilities	2021 rate: 6.1%
	Gender equality index	89
	% of people with disabilities among new hires	1.8%
	% of women among new hires	19.7%
	% of seniors among new hires	6%
Deterioration of labour relations and policies	Number of collective agreements signed (including amendments)	13
	Short-term absenteeism rate	1.20%
	Pay equity ratio	2021 ratio: 2.07%
Risk of loss of core skills	Naval Group departure rate (verification of workforce data)	4.2%
	Percentage of positions filled in critical positions (GPEC)	83%
Failure to comply with the General Data Protection regulation		
Failure to comply with French and foreign anti-corruption regulations, risk of fraud, conflict of interest and influence peddling		
Risks of business interruption due to extreme weather events	Number of BCPs that include extreme weather events	
Increased changes and legal and regulatory constraints in terms of the environment		

Risks	Indicators	Values
Non-compliance with export and customs control rules	Monitoring and updating the export control and customs authorisation framework	
	Monitoring of the export and customs control training plan	
	Monitoring of the control plan and associated export and customs control actions	
Non-compliance with the law on the duty of care	Suppliers at CSR risk	300
	Suppliers at CSR risk assessed	212
	Suppliers at CSR risk that need an improvement plan	34

III.3. VIGILANCE PLAN

Duty of vigilance plan and implementation report

Law No. 2017-399 of March 27, 2017, on the duty of care of parent companies and ordering companies has strengthened the group's pre-existing approach to taking into account the environmental and social impacts of its activities.

Naval Group has a plan that includes reasonable vigilance measures to identify risks and prevent serious violations of human rights and fundamental freedoms, the health and safety of people and the environment.

The plan takes into account the group's activities, as well as the activities of its subcontractors and first-tier suppliers with whom an established business relationship exists, provided the activities pertain to this relationship.

This plan includes the following five measures:
- risk mapping;
- procedures to regularly assess the situation concerning subsidiaries, suppliers or subcontractors with regard to this risk mapping;
- appropriate actions to mitigate risks and prevent serious breaches;
- a whistleblowing and alert mechanism;
- a system for monitoring and assessing the effectiveness of the measures implemented.

With regard to the five measures required by the law on the duty of care, the main actions are described below:

III.3.1. RISK MAPPING

III.3.1.1. The group's non-financial risks

Naval Group has developed a non-financial risk map. These risks were validated by CARI in June 2022. They are detailed in the Statement of Non-Financial Performance (SNFP): see section III.2.

For each duty of care topic, the following risks have been identified:
- health and safety of people: OH&S risk;
- the environment: risk of a major environmental event, greenhouse gas emissions from sites, environmental footprint of products;
- human rights and fundamental freedoms: risk of deterioration of labour relations and policies, harassment and discrimination and breach of the general data protection regulation.

III.3.1.2. Mapping of non-financial risks related to Naval Group's supply chain

In 2017, Naval Group drew up a first CSR risk map of its supply chain, which was updated in 2021. More than 180 types of purchases were listed according to an international standard industrial classification (ISIC). This mapping, validated by Naval Group's Purchasing Management Committee, is used to assess the environmental and social risks of each of the group's purchasing categories by factoring in purchasing data such as the volume of business and geographical location of the suppliers. Following this mapping, no type of purchase presenting a severe risk was identified, and 11 types of purchases presenting a high risk were identified. These 11 types of purchases correspond to the following six ISIC procurement categories: battery and accumulator manufacturing, basic chemical manufacturing, rubber products manufacturing, precious and non-ferrous metal processing, demolition and site preparation, specialised construction activities and installation of scaffolding.

The CSR risk map thus highlights the riskiest types of purchases from a CSR perspective and consequently makes it possible to prioritise the actions to be taken with the 300 Naval Group suppliers identified among these types of purchases.

In 2023, Naval Group will use a specialised tool from an external service provider to carry out a more precise mapping. This tool makes it possible to map the level of CSR risk of each supplier, according to its field of activity, various available information sources and the country in which it operates. This will make it possible to identify an additional batch of suppliers that may present a CSR risk for Naval Group's activities. As of the start of 2023, these additional suppliers will be requested to provide a CSR assessment.

III.3.2. PROCEDURES TO REGULARLY ASSESS THE SITUATION CONCERNING SUBSIDIARIES, SUPPLIERS OR SUBCONTRACTORS WITH REGARD TO THIS RISK MAPPING

III.3.2.1. Assessments within Naval Group

Requirements relating to the topics of the law on the duty of care have been included in the group's internal control assessments.

To conduct internal control assessments, Naval Group uses a single standard of requirements (SRF). Its criteria cover the main requirements of the group's processes, *i.e.*, 480 control points.

For subsidiaries, given their size and activities, the number of requirements is reduced to 100 requirements.

A requirement consists of various items of information including an ID (identification number), the process to which it relates, its risk class, a title, a description, a test method, additional information and attributes.

It may be rated:

1. not applied;
2. partly applied;
3. mostly applied;
4. fully applied.

The RUN makes it possible to assess the degree of maturity of internal control, as well as to verify the due implementation of the internal control processes of the Business Management System (BMS).

Its scope therefore covers all the fundamentals of internal control (separation of duties, compliance with laws and regulations, etc.) as well as the due implementation of the 16 Naval Group processes: managing the company, finance, purchasing, defining and managing product policy, quality (including HS&E), obtaining contracts, innovating, ensuring compliance, managing a program, HR, developing a product, supply chain, services, configuration management, industrial resources, information systems.

The HR, HS&E and Purchasing topics assessed in the RUN cover duty of care obligations.

Two types of assessments coexist during the year for Naval Group SA:

- verifications, carried out by the second lines of defence trained in internal control;
- self-assessments, carried out by the first lines of defence, which enable them to verify that they are complying with the processes.

The results of internal control (Naval Group SA and subsidiaries) are collected and analysed jointly by the internal control team and the Auditors and then presented to the CARI and CACR of the Board of Directors: areas of weakness identified, change compared to previous years, control of so-called critical requirements.

Action plans are drawn up when weaknesses are detected. Their monitoring is the responsibility of the process pilots. Some action plans may be presented to the CARI in the event of bottlenecks or blocks.

III.3.2.2. Supplier assessments

Naval Group's objective is to assess all suppliers in the Naval Group SA panel, *i.e.*, around 1,000 companies. Initially, Naval Group's teams focused on the 300 suppliers most at risk (see section III.3.1.2).

CSR assessments of suppliers are carried out by independent bodies.

The assessment results are monitored by the Supplier Risk Committee, which is chaired by the purchasing manager. The results are then incorporated into the supplier action and risk mitigation plan.

In the event of an inadequate CSR assessment, an action plan is put in place by the steering committee, which meets individually with all suppliers each year. The satisfactory implementation of the action plan is regularly monitored CSR audits may also be carried out.

Lastly, the CSR assessment is included in a supplier assessment sheet that also addresses the standard safety, quality, cost and lead time (SQCD) criteria. This supplier assessment sheet is updated every one to three years, depending on whether the supplier is strategic or not, and is systematically presented to the supplier during a Steering Committee or business review meeting.

III.3.2.3. External audits and certifications

Supplier relations and sustainable procurement label and ISO 20400 certification

The sustainable procurement policy implemented by Naval Group to ensure sustainable and balanced relationships with its suppliers, while contributing to the management of the risk of corruption and conflicts of interest, has earned it the Responsible Supplier Relations (RFR) label every year since 2014, which became the Responsible Supplier and Procurement Relations (RFAR) label in 2017.

Awarded by the *Médiation des Entreprises* of the French Ministry of the Economy and Finance, it recognises French companies that demonstrate long-term and balanced relationships with their suppliers. Since 2017, this label has had an international scope due to the fact that it is linked to standard ISO 20400 on sustainable procurement, which sets out guidelines for incorporating CSR into procurement processes and supply chains.

This label was renewed in 2022, as was ISO 20400 certification.

Among Naval Group's strengths, the Procurement Committee noted the integration of the sustainable procurement policy into its CSR roadmap, the steps taken for the benefit of SMEs and critical industrial sectors to consolidate the defence technological and industrial base, as well as its contribution to regional development, in particular thanks to the group's strong involvement in the *Campus des Industries Navales* (Cinav).

ISO 20400 certification also enables the company to identify areas for improvement and the best practices to be implemented.

ISO 14001 certification

Naval Group's environmental approach is reflected in the company's design and construction & production processes. Naval Group and its environmental management are ISO 14001 certified across all sites in France since 2008.

ISO 45001 certification

Naval Group relies on an HS&E policy and safety standards common to the entire group. These define the rules to be implemented and the good behaviours expected of everyone so that everyone is a driving force in the prevention and reduction of risks to themselves and the people working in their environment. The daily presence of risk prevention agents in the field also ensures a high and consistent level of control.

III.3.3. MITIGATION AND PREVENTION ACTIONS

III.3.3.1. OH&S theme

The actions carried out in the field of OH&S are described in section III.2.4. of the DPEF.

III.3.3.2. Environment theme

The actions carried out in the field of major environmental events are described in section III.2.1. of the SNFP.

The actions taken to address the sites' greenhouse gas emissions are described in section III.2.2. of the SNFP.

The actions carried out in relation to the environmental footprint of products are described in section III.2.3. of the SNFP.

III.3.3.3. Human rights and fundamental freedoms

The actions taken to address the risk of a deterioration in political and labour relations are described in section III.2.6. of the SNFP.

The actions carried out in the context of the risk of a breach of the general data protection regulation are described in section III.2.8. of the SNFP.

The actions taken to address the risk of harassment and discrimination are described in section III.2.5. of the SNFP.

III.3.3.4. Purchase's theme

Actions carried out by suppliers at CSR risk

The supplier code of conduct must be signed by the supplier prior to any act of purchasing. The code of conduct covers the following topics:

- governance;
- prevention of conflicts of interest;
- respect for competition;
- the fight against counterfeits;
- protection of information;
- protection of personal data and respect for privacy;
- human rights and social matters;
- prevention of corruption and influence peddling;
- environmental protection;
- promotion of Naval Group's ethics and CSR principles;
- the rights and protection of whistleblowers;
- the implementation of the supplier code of conduct.

The Supplier code of conduct defines the minimum standards that Naval Group requires its suppliers to adopt and ensure in their commercial activities. It can be adapted for use by the group's subsidiaries to take into account the legislation of the country where the subsidiary is located while retaining the essential principles of the code of conduct. The commitment of the group's suppliers to strictly comply with this code of conduct helps to guarantee that Naval Group complies with its commitments to its customers, notably in terms of CSR.

The Supplier code of conduct is available on the website in English, French, Portuguese and Arabic versions.

Suppliers with an insufficient CSR assessment score are closely monitored, with a request for an action plan being put in place and its effectiveness being monitored. In addition, CSR is part of the selection criteria for suppliers in calls for tenders for types of purchases at high CSR risk, thus favouring suppliers whose CSR assessment meets the highest standards.

Special training was provided in 2022 to pilot buyers to equip them with the tools to encourage their suppliers to adopt the approach undertaken by Naval Group and to steer the action plans requested from their suppliers when their CSR assessment score was insufficient. A site survey was also launched to raise awareness among all Naval Group buyers of CSR issues.

Two targeted interventions on the decarbonisation of purchases and on OH&S took place at the last supplier convention in November 2022, a convention bringing together representatives of the top management of Naval Group's main suppliers, in order to mobilise them around these crucial issues, and several awards were handed out on this occasion – prize for the best performance on these themes and prize for the best dynamic – thus motivating our suppliers to be a source of proposals.

Internally, an e-learning module concerning human rights was put in place for buyers; 72% of them have already completed it, giving them a better understanding of this subject to better address the challenges and risks concerning the Naval Group supply chain.

A newsletter is used to communicate, on a monthly basis, to the entire purchasing population, including subsidiaries, on various topical issues.

III.3.4. ALERT MECHANISM

A whistleblowing system has been in place since 2015 and is common to the system of the Sapin II law.

This whistleblowing line enables group employees or its stakeholders to report the existence of inappropriate conduct or situations contrary to the Naval Group guidelines or to any legal or regulatory provisions.

Naval Group guarantees secure and confidential processing of reports.

III.3.5. SYSTEM FOR MONITORING AND ASSESSING THE EFFECTIVENESS OF THE MEASURES IMPLEMENTED

III.3.5.1. Monitoring of measures

The vigilance plan is sponsored by the Operations and Performance Department and the General Secretariat. The sponsors review the progress of the vigilance plan every six months.

The "Strengthening the duty of care" CSR project is managed by the CSR Director. A monthly Steering Committee is organised with the main business lines involved:
- the HR Department;
- the HS&E Department;
- the Purchasing Department.

III.3.5.2. Key performance indicators relating to the vigilance plan

a) OH&S – Performance indicators

The indicators concerning the OH&S theme are described in section III.2.4. of the SNFP.

b) Major environmental event

The indicators concerning the "major environmental event" theme are described in section III.2.1. of the SNFP.

c) Greenhouse gas emissions at sites

The indicators concerning the "site greenhouse gas emissions" are described in section III.2.2. of the SNFP.

d) Environmental footprint of products

The indicators concerning the "environmental footprint of products" theme are described in section III.2.3. of the SNFP.

e) Deterioration of labour relations and policies

The indicators concerning the "deterioration of labour relations and policies" theme are described in section III.2.6. of the SNFP.

f) Harassment and discrimination

The indicators concerning the "harassment and discrimination" theme are described in section III.2.5. of the SNFP.

g) Suppliers at CSR risk – performance indicators

The indicators concerning the "suppliers at CSR risk" theme are described in section III.2.13. of the SNFP.

IV. Corporate governance report

Drawn up in accordance with the provisions of article L. 225-37-4 of the French Commercial Code.

IV.1. LIST OF DIRECTORSHIPS AND POSITIONS HELD BY EACH CORPORATE OFFICER DURING THE FINANCIAL YEAR ENDED DECEMBER 31, 2022

	Company	Company form	Function or office	Country
Pierre Éric Pommellet	Naval Group	SA	Chairperson and Chief Executive Officer	France
	MO Porte-Avions	SAS	Chairman of the Board of Directors	France
	Le Télégramme Média group	SA	Director	France
	Chantiers de l'Atlantique	SA	Director	France
	Naviris SPA	SpA (Italian company)	*Director*	Italy
	SCI JURIEN	SCI	Partner with unlimited liability	France
Vincent Le Biez	Naval Group	SA	Representative of the State on the Board of Directors	France
	Ministry of the Economy and Finance	Ministry	Head of Industry Shareholdings	France
	Chantiers de l'Atlantique	SA	Representative of the State on the Board of Directors	France
Pascal Bouchiat	Naval Group	SA	Director	France
	Thales	SA	General Director, Finance and IT Systems	France
	Thales Alenia Space	SA	Director	France
	GEMALTO	SA	Director	France
	Thales Corporate Venture SAS	SAS	Director	France
	Air France KLM	SA	Director	France
Nathalie Ravilly	Naval Group	SA	Director	France
	Thales	SA	Vice-President, Defence and Development Strategy	France
	Telespazio SpA	SpA (Italian company)	Chairman of the Board of Directors	Italy
	Thales Alenia Space	SA	Director	France
	Elettronica SpA	SpA (Italian company)	Director	Italy
	Thales Deutschland	GmbH (German company)	Member of the Supervisory Board	Germany
Bernard Rétat	Naval Group	SA	Director	France

	Company	Company form	Function or office	Country
Jacques Hardelay	Naval Group	SA	Director	France
	Chantier naval de Marseille SAS (CNM)	SAS	Honorary Chairman	France
	RCCL		Consultant	France
Patrice Caine	Naval Group	SA	Director	France
	Thales	SA	Chairperson and Chief Executive Officer	France
	L'Oréal	SA	Director	France
Monique Legrand-Larroche	Naval Group Directorate General of the Armed Forces Grade	SA	Director since November 15, 2022 Inspector General of the Armed Forces Exceptional Class Engineer General of Armaments	France France
Guenaëlle Penin de la Raudière	Naval Group	SA	Director	France
	AIRBUS	SAS	Group Management Control Director	France
Geneviève Mouillerat	Naval Group	SA	Director	France
	BEICIP-FRANLAB	SA à Directoire – wholly-owned subsidiary of the French Institute of Petroleum Energies Nouvelles (IFPEN)	Member of the Supervisory Board since September 15, 2021	France
Valérie Champagne	Naval Group	SA	Director	France
	Ministry of the Economy, Finance and the Recovery	General Inspectorate of Finance	Inspector General of Finance	France
	SFTRF – Fréjus road tunnel company	Semi-public company	Director and Chairman of the Audit Committee	France
François Geleznikoff	Naval Group	SA	Director	France
Laurent Elie	Naval Group	SA	Director since July 1, 2022	France
	Naval Group	SA	Pre-Project Design Manager	France
Olivier Ménard	Naval Group	SA	Director	France
	Naval Group	SA	HR Attaché	France
Béatrice Unia	Naval Group	SA	Director	France
	Naval Group	SA	Head of Partnerships for Naval Base Commercial Offers	France
Tony Lecorps	Naval Group	SA	Director	France
	Naval Group	SA	Relocation Technical Advisor	France
Yvon Velly	Naval Group	SA	Director	France
	Naval Group	SA	HR Attaché	France
Didier Chavrier	Naval Group	SA	Director	France
	SCI Casacha	SCI	Manager	France

IV.2. DIRECTOR WHOSE TERM OF OFFICE AT NAVAL GROUP ENDED DURING THE FINANCIAL YEAR ENDED DECEMBER 31, 2022

	Company	Company form	Function or office	Country
Éveline Spina	Naval Group	SA	Director until November 1, 2022	France
	French National Defence Procurement Agency	French Ministry of the Armed Forces	Head of Plans, Programs and Budget	France
	Défense Conseil International SA	SA	Director	France
Laurent Chagnas	Naval Group	SA	Director until June 30, 2022	France
	Naval Group	SA	Technical and Administrative Secretary until June 30, 2022	France

IV.3. LIST OF AGREEMENTS ENTERED INTO BETWEEN AN EXECUTIVE OR MAJOR SHAREHOLDER OF NAVAL GROUP, ON THE ONE HAND, AND A SUBSIDIARY OF NAVAL GROUP, ON THE OTHER (EXCLUDING CURRENT AGREEMENTS ENTERED INTO UNDER NORMAL CONDITIONS)

None.

IV.4. LIST OF DELEGATIONS OF POWERS OBTAINED FROM THE GENERAL MEETING UNDER ARTICLES L. 225-129-1 AND L. 225-129-2

None.

IV.5. CHOICE OF METHODS FOR EXERCISING GENERAL MANAGEMENT

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.

Appendix 1

PROPOSAL TO ALLOCATE THE EARNINGS OF NAVAL GROUP SA FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022

The General Meeting duly notes that, in accordance with the IFRIC 14 accounting standard, the change in calculation method for retirement benefits impacted retained earnings in 2021, for an amount of €18,985,258.

Equally, the General Meeting duly notes that an additional adjustment of (€66,002) was recognised in retained earnings at the beginning of the 2022 financial year. Retained earnings thus increased from €292,595,710.97 to €292,529,708.97.

The General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, on the proposal of the Board of Directors, resolves to allocate the profit of €327,845,084.74 for the financial year ended December 31, 2022, as follows:
• profit for the year: €327,845,084.74;
• plus retained earnings: €292,529,708.97.

For distributable profit of €620,374,793.71:
• as a dividend to shareholders in the amount of €168,900,000, *i.e.* a dividend of €3 per share;
• and the balance as retained earnings, *i.e.*, an amount of €451,474,793.71.

Retained earnings thus increased from €292,529,708.97 to €451,474,793.71.

Appendix 2

LIST OF RELATED-PARTY AGREEMENTS

Order no. 2014-863 of July 31, 2014, introduced a new article 225-40-1 pertaining to the annual review by the Board of Directors of related- party agreements authorised previously and that remained in effect during the last financial year. The company's Board of Directors will carry out this review at its meeting on February 17, 2023.

AGREEMENTS AUTHORISED AND SIGNED IN 2022

None.

AGREEMENTS SIGNED IN PREVIOUS YEARS AND STILL IN EFFECT DURING THE 2022 FINANCIAL YEAR

RELATED-PARTY AGREEMENTS APPROVED BY THE BOARD OF DIRECTORS AND SIGNED IN 2021

Parties to the contract	Subject matter of the contract	Date signed
Naval Group and Les Chantiers de l'Atlantique	Agreement joint venture of MO Porte-Avions Approved by the Board of Directors on March 2, 2021	March 10, 2021

RELATED-PARTY AGREEMENTS APPROVED BY THE BOARD OF DIRECTORS AND SIGNED IN 2018

Parties to the contract	Subject matter of the contract	Date signed
Naval Group and the French State	Shareholder agreement with the company Les Chantiers de l'Atlantique (formerly STX France) Approved by the Board of Directors on July 17, 2018	07/18/2018 (effective August 1, 2018)
Naval Group, the State and COFIPME, in the presence of the company Les Chantiers de l'Atlantique	Shareholder agreement with the company Les Chantiers de l'Atlantique (formerly STX France) Approved by the Board of Directors on July 17, 2018	07/18/2018 (effective August 1, 2018)

RELATED-PARTY AGREEMENTS APPROVED BY THE BOARD OF DIRECTORS AND SIGNED IN 2016

Parties to the contract	Subject matter of the contract	Date signed
DCNS, Areva SA, the French State and the CEA – French Atomic Energy and Alternative Energy Commission	Contract on the sale and acquisition of shares relating to Société technique pour l'énergie atomique Approved by the Board of Directors on October 28, 2016	December 15, 2016

RELATED-PARTY AGREEMENTS APPROVED BY THE BOARD OF DIRECTORS AND SIGNED IN 2007

Parties to the contract	Subject matter of the contract	Date signed
DCN, Thales and Armaris	Letter concerning the transfer by Armaris to Thales of the benefit of its rights under the DCN letter of October 5, 2005 no. 05000162 DL/NP Considered by the meeting of the Board of Directors of March 22, 2007	March 29, 2007
DCNS, Thales and 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 that might be brought against TNF as a result of the conditions for concluding or performing the Bravo contract	January 30, 2007

RELATED-PARTY AGREEMENTS APPROVED BY THE BOARD OF DIRECTORS AND SIGNED IN 2003

Parties to the contract	Subject matter of the contract	Date signed
French State and DCN Développement	Contribution agreement describing the rights, property and obligations of the DCN government agency with national authority (SCN) in the French Ministry of Defence that were contributed by the State to DCN Développement, the value placed on these and the terms and conditions of the contribution	May 26, 2003
French State and DCN Développement	Framework agreement specifying the agreements in addition to the contribution agreement to be entered into by the State and DCN Développement in connection with performing the contribution operation	May 26, 2003

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Consolidated financial statements

Financial year ended December 31, 2022
All amounts are in millions of euros unless otherwise stated.

I. COMPREHENSIVE INCOME STATEMENT

Consolidated income statement

	Notes	2022	2021
Revenue	2.1	4,353.2	4,052.9
Cost of sales		(3,540.8)	(3,456.0)
Research and development costs	2.2.2	(92.6)	(81.0)
Marketing and selling expenses		(121.4)	(106.8)
General and administration expenses		(179.2)	(137.7)
Operating profit/(loss) from ordinary activities before amortisation of intangible assets	**2.2**	**419.2**	**271.4**
Acquired in business combinations Amortisation of intangible assets acquired in business combinations		(0.2)	(0.7)
Operating profit/loss from ordinary activities		**419.0**	**270.7**
Other operating income	2.2.4	3.9	1.7
Other operating expenses	2.2.5	(8.6)	(2.1)
Operating profit/(loss) before net income from associates		**414.3**	**270.3**
Net income from associates	3.3.1	12.4	23.4
Operating profit/(loss) after net income from associates		**426.7**	**293.7**
Interest expense on IFRS 16 contract	2.3	(1.8)	(1.5)
Income from financial investments	2.3	15.7	8.6
Other financial income	2.3.1	31.7	74.0
Other financial expenses	2.3.2	(37.1)	(85.4)
Net financial expense		**8.5**	**(4.3)**
Income tax	2.4	(96.4)	(77.7)
Net income from continuing operations		**338.8**	**211.6**
Net income from assets held for sale		0.5	(14.8)
NET PROFIT/(LOSS) FOR THE PERIOD		**339.3**	**196.9**
Net profit/(loss) for the period, attributable to owners of the parent		**339.4**	**196.9**
of which net income from continuing operations		*338.9*	*211.7*
of which net income from assets held for sale		*0.5*	*(14.8)*
Net profit/(loss) for the period, non-audited portion		**(0.1)**	**(0.1)**
of which net income from continuing operations		*(0.1)*	*(0.1)*
of which net income from assets held for sale		-	-
BASIC AND DILUTED EARNINGS PER ORDINARY SHARE *(in €)*	**2.5**	**6.08**	**1.77**
of which net income from continuing operations		*6.07*	*1.90*
of which net income from assets held for sale		*0.01*	*(0.13)*

Consolidated statement of comprehensive income

	2022	2021
Profit/(loss) for the period	**339.3**	**196.9**
Items to be subsequently reclassified to the income statement	**-**	**-**
Changes in fair value of the cash flow hedges	-	-
Items that cannot be reclassified to the income statement	***37.6***	***17.2***
Translation differences on the conversion of foreign businesses(1)	2.1	(0.3)
Actuarial gains and losses(1)	35.5	17.5
Income and expenses recognised in equity, before tax(1)	**37.6**	**17.2**
Tax recognised directly in equity(1)	(9.2)	(5.0)
Income and expenses recognised in equity(1)	**28.3**	**12.2**
CONSOLIDATED COMPREHENSIVE NET INCOME	**367.6**	**209.1**
attributable to owners of the parent	*367.7*	*209.1*
attributable to non-controlling interests	*(0.1)*	-

(1) Including the impacts of associates.

ROC/EBITA bridge

Profit (loss) from continuing operations is operating profit/loss from operations before recognition:

- of the effect of restructuring;
- of impairment losses on property, plant and equipment and non-current assets (non-operating);
- of other operating income and expenses arising from events considered unusual as regards their frequency, nature, or amount.

EBITA (Earnings Before Interest, Taxes and Amortisation or adjusted operating profit/loss) corresponds to the operating profit/loss excluding goodwill amortisation.

	2022	2021
Operating profit/(loss) from ordinary activities before amortisation of intangible assets	**419.2**	**271.4**
Share of operating profit/(loss) of SMEs	12.3	23.1
Other operating income	3.9	1.7
Other operating expenses	(8.6)	(2.0)
EBITA	**426.8**	**294.2**

II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

	Notes	12/31/2022	12/31/2021
Goodwill	3.2	382.8	382.8
Intangible assets	3.1.1	65.2	70.2
Rights of use	3.1.2	85.3	101.8
Property, plant, and equipment	3.1.2	667.1	642.6
Share in net assets of associates	3.3	117.6	115.7
Non-current financial assets	4.1.1	438.2	242.5
Other non-current assets		0.1	0.1
Deferred tax assets	2.4.3	187.3	184.5
Non-current assets		**1,943.6**	**1,740.2**
Inventories and work in progress	3.4	443.0	442.7
Contract assets	3.9	605.0	678.6
Trade receivables	3.5	997.7	640.7
Advances and part payments paid		1,037.0	945.6
Other current financial assets	4.1.1	11.3	166.2
Current tax receivable		13.9	0.7
Other receivables	3.5	441.6	430.8
Cash and cash equivalents	4.2	1,218.4	1,133.3
Current assets		**4,767.9**	**4,438.6**
TOTAL ASSETS		**6,711.5**	**6,178.8**

Equity and liabilities

	Notes	12/31/2022	12/31/2021
Share capital	3.6.1	563.0	563.0
Premiums		18.4	18.4
Treasury shares	3.6.6	(83.9)	(82.6)
Remeasurement of financial instruments	3.6.3	-	-
Translation differences	3.6.5	(7.5)	(9.7)
Actuarial gains and losses		21.4	(4.6)
Other reserves attributable to owners of the parent		747.2	636.9
Consolidated income attributable to owners of the parent		339.3	196.9
Equity attributable to owners of the group		**1,597.9**	**1,318.3**
Non-controlling interests		0.4	0.5
Total equity		**1,598.3**	**1,318.8**
Non-current provisions	3.7	69.0	132.5
Non-current financial liabilities	4.1.2	66.7	54.9
Non-current IFRS 16 lease liabilities	4.1.2	64.2	73.6
Other liabilities		1.5	1.1
Deferred tax liabilities	2.4.3	2.1	4.0
Non-current liabilities		**203.5**	**266.1**
Current provisions	3.7	681.8	628.2
Current financial liabilities	4.1.2	18.1	478.1
Current IFRS 16 lease liabilities	4.1.2	22.8	28.8
Contract liabilities	3.9	2,056.5	1,418.7
Suppliers	3.8	1,446.1	1,251.5
Current tax payables		9.3	50.3
Other payables	3.8	675.1	738.3
Current liabilities		**4,909.7**	**4,593.9**
TOTAL EQUITY AND LIABILITIES		**6,711.5**	**6,178.8**

III. TOTAL CONSOLIDATED EQUITY

	Number of shares	Share capital	Premiums	Other reserves[1]	Treasury shares	Remeasurement of financial assets and liabilities	Cash Flow hedge	Translation differences[2]	Actuarial gains and losses	Equity attributable to owners of the group	Non-controlling interests	Total equity
January 1, 2021	**55,779,248**	**563.0**	**18.4**	**634.3**	**(81.4)**	**(0.2)**	**-**	**(9.2)**	**(23.6)**	**1,101.4**	**0.5**	**1,101.9**
Consolidated comprehensive net income			**-**	**196.9**	**-**	**-**	**-**	**(0.4)**	**12.5**	**209.1**	**-**	**209.1**
Dividend payments			-	(0.1)	-	-	-	-	-	(0.1)	-	(0.1)
Treasury shares[3]	(138,847)			3.2	(3.2)					-		-
Other		-	-	(0.6)	2.0	0.2	-	(0.1)	6.5	7.9	-	7.9
December 31, 2021	**55,640,401**	**563.0**	**18.4**	**833.8**	**(82.6)**	**-**	**-**	**(9.7)**	**(4.6)**	**1,318.3**	**0.5**	**1,318.8**
Consolidated comprehensive net income			**-**	**339.3**	**-**	**-**	**-**	**2.1**	**26.3**	**367.7**	**(0.1)**	**367.6**
Dividend payments			-	(96.7)	-	-	-	-	-	(96.7)	-	(96.7)
Treasury shares[3]	139,518			1.8	(1.8)					-		-
Other		-	-	8.3	0.5	-	-	0.1	(0.3)	8.6	-	8.6
December 31, 2022	**55,779,919**	**563.0**	**18.4**	**1,086.5**	**(83.9)**	**-**	**-**	**(7.5)**	**21.4**	**1,597.9**	**0.4**	**1,598.3**

(1) The "Other reserves" item includes the legal reserve, retained earnings and consolidated profit or loss for the period.
(2) For the list of currencies used (see note 3.6.5).
(3) The "Treasury shares" item includes shares in the company owned by the group and those for which holders have a put option towards Naval Group.

IV. STATEMENT OF CASH FLOWS

	2022	2021
Net income from continuing operations	**338.8**	**211.6**
Deduct (add):		
Net depreciation/(reversal)	132.9	128.1
Net provision expense/(reversal)	69.4	61.2
Net asset impairment loss/(reversal)	(5.7)	(54.0)
Changes in fair value of financial instruments	7.0	(9.7)
Proceeds from disposals	(0.8)	2.7
Change in employee share offer liability	1.8	3.2
Tax expense/(income)	96.4	77.7
Share in income/(loss) of associates	(12.4)	(23.4)
Dividends received from associates	12.7	7.2
Other dividends received (reclassified as net financial investments)	(1.5)	(0.8)
Cost of financial debt	2.4	3.3
Impact of discontinued operations	(3.0)	(11.7)
Cash flow from operations	**638.0**	**395.5**
Change in working capital requirement	390.0	(549.6)
Tax refunded/(paid)	(163.1)	61.7
Impact of discontinued operations	(1.1)	(0.9)
Net cash inflow/(outflow) from operating activities	**863.8**	**(93.3)**
Changes in scope of consolidation	-	-
Purchases of property, plant and equipment and intangible assets	(134.0)	(150.4)
Disposals of property, plant and equipment and intangible assets	0.8	0.2
Acquisitions of holdings, net of cash acquired/brought into scope of consolidation	(0.5)	(1.1)
Change in loans and advance payments	8.0	(18.1)
Impact of discontinued operations	0.1	52.1
Net operating investments	**(125.6)**	**(117.3)**
Decrease/(increase) in investment securities	(88.6)	8.5
Decrease/(increase) in financial assets	1.5	1.6
Net financial investments	**(87.1)**	**10.1**
Net cash inflow/(outflow) from investing activities	**(212.7)**	**(107.2)**
Increase in capital – non-controlling interests	-	-
Dividends paid to owners of the parent	(96.7)	(0.1)
Dividends paid to non-controlling interests	-	-
Sale/(purchase) of treasury shares	(3.4)	(7.9)
Cash payments to or from shareholders	**(100.1)**	**(7.9)**
Increase in financial liabilities	13.9	200.2
Decrease in financial liabilities	(462.0)	(56.2)
Repayment of IFRS 16 lease liabilities	(23.9)	(23.2)
Impact of discontinued operations	4.0	(39.9)
Net change in financial liabilities	**(467.9)**	**80.9**
Net cash inflow/(outflow from financing activities)	**(568.0)**	**73.0**
Effects of changes in exchange rates/fair value	2.0	0.5
Net change in cash and cash equivalents	**83.1**	**(127.5)**
Net cash and cash equivalents at beginning of period	1,133.3	1,260.3
CLOSING CASH AND CASH EQUIVALENTS	**1,218.4**	**1,133.3**

Net cash plus investment securities classified under other financial assets as per note 1.3.16 amounted to €1,623.6 million on December 31, 2022 (compared to €1,498.3 million on December 31, 2021) and is made up as follows:

	12/31/2022	12/31/2021
Non-current investment securities	395.2	200.0
Current investment securities	10.0	165.0
Closing cash and cash equivalents	1,218.4	1,133.3
TOTAL	**1,623.6**	**1,498.3**

V. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. RULES METHODS, AND SCOPE

1.1. EXAMINATION OF THE FINANCIAL STATEMENTS AND HIGHLIGHTS OF THE PERIOD

These consolidated financial statements of Naval Group for the year ended December 31, 2022 were approved by the Board of Directors on February 17, 2023 and will be submitted for approval to the General Meeting to be held on March 17, 2023.

The 2022 financial year was marked by the following major events:
- more than 5 billion orders taken;
- revenue of around €4 billion;
- operational successes, notably with the admission to active service of the SSN *Suffren* as part of the Barracuda program, the launch of the first FDI for the benefit of the French Navy, and the acceptance of the *Riachuelo* by the Brazilian Navy;
- closing of the AFS program with an agreement between Naval Group and the CoA.

1.2. GENERAL PRESENTATION OF THE GROUP'S ACTIVITIES

An international player in naval defence and heir to French naval know-how, Naval Group is a partner of States in the control of their maritime sovereignty.

Naval Group develops innovative solutions to meet the needs of its customers (marine customers). Active across the entire life cycle of ships, it designs, makes, services and upgrades submarines and surface vessels and their systems and equipment, up until dismantling. It also provides services to naval bases and shipyards.

A high-tech manufacturer, it relies on its exceptional expertise, unique design and production resources and its capacity to set up strategic partnerships, particularly in terms of technology transfer.

Attentive to corporate social responsibility (CSR) issues, Naval Group is a member of the United Nations Global Compact.

Naval Group presents the segment information required by IFRS 8 "Operating Segments" on the basis of a single segment since the group's new structure, designed to support the group's strategic orientations, does not as yet enable financial information to be presented separately for each operating segment.

1.3. ACCOUNTING RULES AND POLICIES

1.3.1. Declaration of compliance

Pursuant to 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 on December 31, 2022.

The accounting rules and policies are identical to those applied in the consolidated financial statements for the year ended December 31, 2021.

1.3.2. Consolidation principles

Companies over which Naval Group 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 since January 1, 2014.

Companies over which the group 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 IAS/IFRS. Material transactions between consolidated companies and unrealised intra-group profits are eliminated.

Investments in companies excluded from the scope of consolidation are recorded as non-current financial assets available for sale.

1.3.3. Use of estimates

In preparing consolidated financial statements under IAS/IFRS, Management makes estimates and assumptions that it considers realistic and reasonable. Management regularly revises its estimates at program 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 contracts accounted for under the percentage of completion method and related provisions (notes 2.1, 3.5 and 3.9)

The recognition of revenue and gross profit on contracts accounted for under the percentage of completion method requires the income to be recognised in line with the performance of the contract, measured on the basis of the costs incurred to date. Whenever a program review reveals a negative gross profit, the loss relating to work not yet carried out is recognised immediately as a provision for the entire contract concerned.

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

The total revenue and expenses expected under a contract reflect 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 program. The financial statements are thus prepared on the basis of the contractual assumptions as they exist at the reporting date, with no anticipated changes taken into account.

These assumptions are based in particular on the latest known or reasonably estimated indicators (contracted hourly rates and price review indices) for determining revenue and costs to completion. Therefore, the group uses statistical methods to determine the probable impact of future changes in such indicators on the gross profit to completion of its programs. Movements in such indicators are only taken into account if their probable impact on gross profit to 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 from the moment they are likely. 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 program amendments, non-compliance by a supplier or subcontractor with its obligations or delays resulting from unexpected events or situations.

Measurement of assets and liabilities under retirement benefit and similar obligations (note 3.7.1)

The group's measurement of assets and liabilities under defined benefit plans (retirement benefits, long-service bonuses, senior time bank scheme, strategic jobs and skills management and 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 statement of financial position.

Measurement of assets (notes 3.1 and 3.2)

The discounted cash flow model used to determine the value in use of the groups of 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 (note 4.1)

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 (note 3.5)

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

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 3.7). Any uncertainties concerning litigation in progress are described in note 5.3.2.

1.3.4. Functional and presentation 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.

1.3.5. Translation of financial statements

The financial statements of companies with a different functional currency from the group's reporting currency are translated as follows:
- items on the statement of financial position 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) and the Egyptian pound (EGP), which were obtained from http://fr.exchange-rates.org.

1.3.6. Implementation of hedge accounting

The group uses foreign exchange derivatives to hedge the foreign exchange risk associated with its business.

When these derivatives are designated as qualifying as cash flow hedges, the following principles are applied:
- the change in the fair value of the hedging instrument is recognised directly in equity in the case of the effective portion of the hedge, until the hedged flows affect profit or loss. The ineffective portion is recognised in profit or loss;
- changes in the fair value of the discount or premium relating to the forward exchange contracts are recognised in "Other financial income/expense" since they are excluded from the hedging relationship.

When these derivatives are not designated as qualifying as hedges, the changes in their fair value are recognised in profit or loss within net financial income/expense.

1.3.7. Statement of financial position structure

Because of the nature of the group's activities, its operating cycles are very long. Therefore, all assets and liabilities relating to programs – 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 12 months hence. Other assets and liabilities (in particular provisions that do not relate to programs and financial assets and liabilities) are recognised as current assets and liabilities if their maturity date is in 12 months or less, and as non-current assets and liabilities if their maturity date is after 12 months. In accordance with note 3.9, contract assets and liabilities are presented in the consolidated statement of financial position under current assets and liabilities, without distinction between the portion due in less than one year and the portion due in more than one year.

1.3.8. 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 programs (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 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 1.3.12. 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 1.3.12. 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 or 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. They are recognised through profit or loss in the category of expenses that is appropriate in view of the asset's function when derecognised.

1.3.9. Research and development costs

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 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.

1.3.10. 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 statement of financial position.

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 1.3.8, its recoverable amount 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 all of the assets and liabilities acquired.

1.3.11. Property, plant, and equipment

Items of property, plant and equipment are recognised at acquisition cost, or at production cost when 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 as fixed assets on the statement of financial position, and the corresponding debt is recorded as financial debt on the statement of financial position. The duration corresponds to the commitment of the contract.

The rental capitalisation period corresponds to the non-cancellable period of the contract. In the event of a renewal option, the group has determined that it is reasonably certain that the option will be exercised, based in particular on the ease of replacement and the critical importance of the leased property.

The group's leases mainly relate to real estate.

The group uses the following exemptions permitted by the standard:
- exclusion of short-term leases (less than 12 months);
- exclusion of contracts where the underlying asset is of low value (new unit value less than US$5,000).

The group used discount rates corresponding to the marginal financing rate of each lessee for a maturity corresponding to the duration of the commitment. The weighted average discount rate used to value the lease liability at December 31, 2022 is 1.56%.

1.3.12. Impairment of non-current assets

In accordance with IAS 36 – Impairment of assets, the recoverability of intangible assets and property, plant and equipment is tested as soon as there is an indication of impairment, and at least once a year for assets with an indefinite useful life, which are mainly goodwill.

Goodwill is broken down by cash-generating units (CGUs), which correspond to homogeneous groups generating identifiable cash flows.

The test consists of comparing the net carrying amount of an asset or group of assets with its recoverable amount, which is defined as the higher of fair value and value in use. The value in use is determined by discounting the future cash flows expected from the use of the asset.

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.

The CGUs monitored by the group are as follows:
- new buildings (CN);
- services (SER);
- underwater weapons (ASM).

1.3.13. Inventories

Inventories not allocated to programs

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

Inventory impairment allowances consist of:
- an impairment allowance for obsolescence where consumption has been non-existent for at least two years; a graduated rate of impairment is applied based on the length of time without consumption;
- an impairment allowance for slow moving inventory whenever the quantity of inventory is higher than the quantity consumed over the last 24 months.

Inventories allocated to programs

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

1.3.14. Revenues

The group's revenue recognition principles are as follows:

Segmentation of contracts into performance obligations

A contract may include several promises to transfer goods and services to a customer. Although Naval Group has traditionally treated a series of goods and services promised under a contract as a single accounting item, a contract may be divided into several performance obligations.

When these goods and services are considered separate within the same contract, they are treated as different performance obligations to be accounted for separately:
- each performance obligation bears its own share of revenue, costs and its own margin;
- the revenue recognition method (and recognition of the corresponding costs) is determined and recorded separately for each performance obligation.

Allocation of the transaction price to contract performance obligations

The purpose of this allocation is to calculate the amount of Naval Group's consideration in exchange for the transfer of the goods or services promised for each performance obligation. Therefore, this step is only applicable and/or relevant when a contract includes several performance obligations.

In most cases, when the selling price is disaggregated into several lots in the contract which correspond to or might relate to performance obligations, Naval Group expects the project teams to allocate the contract transaction price to each performance obligation.

Where it is not possible to disaggregate the price, or where there is objective evidence that the disaggregation does not accurately reflect the allocation of the selling price to the contract's performance obligations, the transaction price is disaggregated on the basis of individual selling prices.

The variable elements included in the contract selling price are only taken into account if it is highly probable that the subsequent removal of the uncertainties surrounding the variable element will not lead to a significant reduction in the revenue already recognised or forecast.

Penalties for delay or for the improper performance of a service obligation are taken into account in the analysis upon completion of each performance obligation and are deducted from income.

Contractual amendments negotiated with customers are included in the selling price only when they become legally enforceable.

Revenue recognition

Revenue is recognised as each associated performance obligation is satisfied, *i.e.* when the customer acquires control of the promised good or service. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Control of the goods is transferred progressively to the customer, with the corresponding revenue recognised under the percentage of completion method, provided it can be demonstrated that:
- the asset sold does not have an alternative use;
- the group has an enforceable right to payment for performance completed to date (corresponding to costs incurred to date, plus a reasonable profit margin), in case of termination for reasons other than Naval Group's failure to perform.

The customer remains the owner of the asset on which Naval Group carries out maintenance, generally in the case of in-service support contracts.

The customer remains the owner of any asset undergoing a refit by Naval Group, particularly for contracts held by the Naval Group Services Department.

Revenue from services is also recognised on a percentage of completion basis through costs based on the stage of completion of the services, with the customer benefiting from the services as Naval Group performs them.

For some non-material contracts that are not accounted for under the percentage of completion method, the completed contract method is applied. The completed contract method consists of recognising the revenue and profit from the contract only on completion of the contracted work.

For reporting purposes, completion is defined as the technical completion of the programs.

Method for measuring progress

The group generally uses the percentage of completion method to measure progress: revenue is recognised on the basis of costs incurred to date, as a percentage of all expected costs to completion.

Recognition of margin

Tender costs are expensed under "marketing and selling expenses" when they are incurred. They are therefore excluded from the contract margin.

All probable losses on contracts are provided for in full as soon as they become known.

Backlog

Only firm contracts awarded by the client and in effect are entered in Naval Group's order book. Conditional tranches, options and highly probable amendments are not entered in the order book until they are awarded.

As at December 31, 2022, the group's order book stood at €15.3 billion. Its provisional execution schedule is as follows: 26% in 2023, 24% in 2024, 21% in 2025, 17% in 2026 and 12% thereafter.

Treatment on losses at completion (LOC)

Losses on completion are not considered in performance obligations (PO), a concept specific to IFRS 15. See IAS 37 "Provisions" in order to assess these situations.

IAS 37 requires a provision to be recorded where a contract becomes "costly"/loss-making. Any loss on completion must be assessed at contract level (and not PO level) regardless of which method is used to recognise revenue (percentage of completion by incurred costs or completion). Financial data in contracts with several performance obligations should, therefore, continue to be consolidated.

Where the cost to completion estimate shows an overall loss on the contract (cost to completion exceeds revenue to completion), a provision for loss on completion (LOC) must be made immediately to safeguard performance in future financial years from the negative outcome of this business.

1.3.15. Foreign currency transactions

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.

Statement of financial position items are translated at the closing rate. Income statement and cash flow statement items are translated at the average rate for the period.

1.3.16. 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. For this purpose, the group mainly chooses undertakings for collective investment in transferable securities (UCITS), certificates of deposit, term accounts with an exit option and interest rate products with an initial maturity of less than three months.

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.

1.3.17. 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's financial assets intended to cover these obligations. In accordance with IAS 19 revised, 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 standard Social Security 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 valued only from a certain number of years of service and on a straight-line basis until the date of retirement of the employee;
- the vesting period is determined from the date of retirement and no longer from the date of employment. When the rights are capped, the duration of the vesting period is limited to the length of service required at the time of the cap;
- 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 employees of the UES (Economic and Social Unit);
- actuarial gains and losses are disclosed under "Other comprehensive income" as items that cannot be reclassified to the income statement;
- the effects of the changes 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-service bonuses, are granted in some group companies subject to a minimum length of service for each category within the company. Employees of Naval Group must have at least ten years' service with the company to be eligible, in accordance with the company agreement dated April 11, 2017, together with its addenda.

In accordance with IAS 19, obligations to employees for long-service bonuses 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 senior time savings accounts

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 ten days' holiday per year in the senior time bank scheme, subject to a maximum of 130 days.

Provisions for the forward-looking management of jobs and skills (GPEC)

As part of a transfer of knowledge, the agreement of September 7, 2020 allows employees with at least five years of seniority in the group and aged over 58 years to commit to a retirement date between the first half of 2022 and the second half of 2025.

In this respect, the employer offers employees who are beneficiaries of this scheme an increase in their retirement bonus of a value of three months' salary or a buyback of quarters of up to four.

Calculations are carried out once a year at the end of the year using the probable present value of future benefits method.

The measures provided for in the strategic jobs and skills management agreement will cease to apply in September 2023 as mentioned in the agreement signed on September 7, 2020.

1.3.18. Employee share offer (ORS) and Collective Shareholding Plan

In connection with the acquisition by Thales of a 25% shareholding in Naval Group SA 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 Naval Group.

As part of the implementation of a collective shareholding plan (PAC) in 2019 and 2022, Naval Group SA shares were acquired by the beneficiaries of the plan, who immediately added them to the Compartment of FCPE Actions Naval Group created for that purpose.

These offers have been regarded as a share-based payment that will be cash-settled. The group itself ensures the liquidity of the transaction by providing a mechanism to buy back its own shares from employees who request it (see note 3.6.6. for more details).

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.

1.3.19. 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, calculated using the tax rates enacted or substantively enacted in law at the reporting date, plus or minus any adjustment to the amount of current tax due in respect of previous 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.

1.3.20. Earnings per common share

Basic earnings per ordinary share are 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.

1.4. CHANGE IN SCOPE

As at December 31, 2022, the consolidation scope, consisting of fully consolidated subsidiaries and associates, was as follows:

(in percentages)	Country	Control at 12/31/2022	Interests at 12/31/2022	Control at 12/31/2021	Interests at 12/31/2021
Parent					
Naval Group SA	France				
Exclusive control					
Alexandria Naval for Maintenance & Industry	Egypt	100	100	100	100
Armaris Quater SAS	France	100	100	100	100
Armaris Sixt SAS	France	100	100	100	100
Armaris Quint(1)	France	100	100	NC	NC
DCN International SA	France	100	100	100	100
Naval Group Actionnariat SAS	France	100	100	100	100
Naval Group Coopération SA	Belgium	100	100	100	100
Naval Energies SAS	France	100	100	100	100
Naval Group Far East PTE Ltd	Singapore	100	100	100	100
Naval Group India PTE Ltd	India	100	100	100	100
Naval Group Malaysia	Malaysia	100	100	100	100
Naval Group Participations	France	100	100	100	100
Naval Group Support SAS	France	100	100	100	100
MO PA2 SAS	France	100	100	100	100
Sirehna SA	France	100	100	100	100
Naval Group BR Sistemas de Defesa	Brazil	100	100	100	100
Prosin	Brazil	100	100	100	100
DCNS Energía Marina SpA	Chile	75	75	75	75
Naval Group Australia Pty Ltd	Australia	100	100	100	100
DCNS Zamil	Saudi Arabia	55	55	55	55
Naval Group Arabia	Saudi Arabia	100	100	100	100
Naval Group Pacific Pty Ltd	Australia	100	100	100	100
Naval Group Belgium	Belgium	100	100	100	100
Significant influence					
Boustead DCNS Naval Corporation SDN BHD	Malaysia	40	40	40	40
Défense Environnement Services SAS	France	49	49	49	49
Naviris parent company	Italy	50	50	50	50
Itaguaí Construções Navais SA	Brazil	41	41	41	41
Kership SAS	France	45	45	45	45
MO Porte-Avions(2)	France	65	65	65	65
TechnicAtome	France	20	20	20	20

(1) Fully consolidated company since 2022.
(2) Company consolidated using the equity method since 2021.

1.5. DISCONTINUED OPERATIONS AND RESTATEMENT OF COMPARATIVE INFORMATION

On February 4, 2021, the Board of Directors of Naval Group authorised the initiation of the process to terminate the activities of Naval Energies, including the search for a buyer for all or part of its activities. An agreement to sell floating wind activities was signed in June 2021 with the Italian group Saipem. As this is a separate activity, it is considered as a discontinued operation in accordance with the provisions of IFRS 5.

Accordingly, the subsidiary's net income is presented on a separate line of the income statement entitled "Net income from discontinued operations".

In the statement of cash flows, all flows relating to this subsidiary are presented on the line "impact of discontinued operations".

The main aggregates of the consolidated income statement of the subsidiary Naval Energies treated in accordance with IFRS 5 for the 2022 and 2021 financial years are as follows:

Naval Energies income statement

	2022	2021
Revenue	-	0.2
Cost of sales	(0.7)	(5.5)
Research and development costs	-	0.4
Marketing and selling expenses	(0.1)	(0.9)
General and administration expenses	2.3	(7.2)
Operating profit/loss from ordinary activities	**1.5**	**(13.1)**
Other operating income	0.1	-
Other operating expenses	(0.2)	(1.1)
Operating profit	**1.4**	**(14.2)**
Net financial expense	(0.9)	(0.6)
Income tax	-	-
NET PROFIT/(LOSS) FOR THE PERIOD	**0.5**	**(14.8)**
attributable to owners of the parent	*0.5*	*(14.8)*
attributable to non-controlling interests	-	-

NOTE 2. INCOME STATEMENT

2.1. REVENUE

Group revenue for the financial year ended December 31, 2022, was €4,353.2 million (*versus* €4,052.9 million for the financial year ended December 31, 2021).

Of this, €2,746.5 million was generated in France (*versus* €2,955.3 million for the financial year ended December 31, 2021).

	2022	2021
Construction and maintenance contracts	4,006.1	3,905.8
Sales of goods and services	347.1	147.1
REVENUE	**4,353.2**	**4,052.9**

2.2. OPERATING PROFIT/LOSS

The cost of sales for an amount of €3,540.8 million on December 31, 2022, consists of purchasing costs and personnel expenses.

2.2.1. Employee headcount and costs of own and seconded employees

	2022	2021
Wages and salaries (including social security charges) of own employees	(1,354.7)	(1,221.9)
Retirement and other long-term employee benefit expenses	(7.2)	(13.7)
Employees seconded by the French State	(139.4)	(139.5)
Other	(34.6)	(21.2)
TOTAL	**(1,535.9)**	**(1,396.3)**

The costs of own and seconded employees are recognised in the income statement under the following current operating expenses:
- cost of sales;
- research and development expense;
- marketing and selling expenses;
- general and administration expenses.

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

	2022	2021
Managers	7,587	7,547
Supervisors and technicians	4,895	4,852
Blue and white-collar employees	3,194	3,092
Total fully consolidated French companies	**15,675**	**15,491**
Other consolidated companies of the group	354	537
TOTAL WORKFORCE	**16,029**	**16,028**
of which seconded employees	*1,600*	*1,795*

2.2.2. Research and development costs

Research and development expenses, net of the research tax credit, amounted to €92.6 million for the financial year ended December 31, 2022 (€81.0 million for the financial year ended December 31, 2021).

These research and development expenses correspond to the net research and development expenses incurred by the group (see note 1.3.9).

2.2.3. Statutory Auditors' fees

For the financial year ended December 31, 2022, fees payable to the Statutory Auditors for their statutory audit services amounted to €1.5 million for the entire group.

2.2.4. Other operating income

	2022	2021
Competitiveness/restructuring plan	1.5	1.7
Other	2.4	-
OTHER OPERATING INCOME	**3.9**	**1.7**

2.2.5. Other operating expenses

	2022	2021
Competitiveness/restructuring plan	(1.3)	(1.6)
Other(1)	(7.3)	(0.5)
OTHER OPERATING EXPENSES	**(8.6)**	**(2.1)**

(1) At December 31, 2022, the amount mainly corresponded to the cost of free shares granted under the 2022 PAC.

2.3. FINANCIAL INCOME

Income from financial investments represents interest earned by the group on its cash investments in the amount of €15.7 million for the financial year ended December 31, 2022 (*versus* €8.6 million for the financial year ended December 31, 2021).

Interest expenses related to IFRS 16 contracts were (€1.8) million for the financial year ended December 31, 2022 (*versus* (€1.5) million for the financial year ended December 31, 2021).

2.3.1. Other financial income

	2022	2021
Changes in fair value of financial investments	-	1.3
Dividends received	1.5	0.8
Interest on overdue trade receivables	1.6	1.2
Foreign exchange gains	16.1	10.3
Reversal of impairment on provisions for long-term benefits	2.8	0.9
Reversal of impairments on financial assets	6.5	58.5
Other income	3.2	1.0
OTHER FINANCIAL INCOME	**31.7**	**74.0**

2.3.2. Other financial expenses

	2022	2021
Changes in fair value of financial investments	(7.0)	-
Change in employee share offer liability	(1.8)	(3.2)
Interest on overdue trade payables	0.1	0.3
Foreign exchange losses	(10.5)	(10.5)
Impairment losses on provisions of long-term benefits	(8.8)	(1.6)
Impairment losses on financial assets/provisions	(0.2)	(5.7)
Interest on loans	(0.7)	(1.8)
Other expenses	(8.2)	(62.9)
OTHER FINANCIAL EXPENSES	**(37.1)**	**(85.4)**

2.4. INCOME TAX

2.4.1. Analysis of income tax expense

	2022	2021
Deferred tax	11.9	(32.3)
Current tax	(108.4)	(45.5)
INCOME TAX	**(96.4)**	**(77.7)**

2.4.2. Reconciliation of actual and theoretical income tax expense

	2022	2021
Net income from continuing operations	338.8	211.6
Income tax	(96.4)	(77.7)
Operating profit/(loss) after net income from associates	12.4	23.4
Net profit before tax	**422.8**	**265.9**
Group theoretical tax rate	25.83%	28.41%
Theoretical tax expense	**(109.2)**	**(75.5)**
Offset of research tax credit in EBITA(1)	7.6	8.4
Reduction in corporate tax rate(2)	0.0	(2.9)
Deferred tax not recognised(3)	12.4	(13.9)
Difference in corporation tax rate on foreign income/(loss)(4)	(3.4)	0.6
Other permanent differences	(3.8)	5.6
ACTUAL TAX EXPENSE	**(96.4)**	**(77.7)**
Effective tax rate(5)	25.73%	23.99%

(1) The recognition of research tax credit set against operating expenses generates a theoretical income tax expense of (€7.6) million in 2022, which must be offset (compares with (€8.4) million in 2021).
(2) In 2021, the change in corporate tax rate has an impact of (€2.9) million on the future valuation of deferred tax inventory.
(3) No deferred tax has been capitalised on the losses as it is unlikely that they can be offset.
(4) The rate difference between the theoretical corporation tax rate and the current rate applied in the overseas subsidiaries and permanent establishments.
(5) Excluding losses not recognised.

2.4.3. Deferred taxes on the statement of financial position

	12/31/2022	12/31/2021
Deferred tax assets	187.3	184.5
Deferred tax liabilities	2.1	4.0
NET VALUE OF DEFERRED TAX	**185.2**	**180.4**

Deferred tax assets mainly involve the differences between the book basis and the tax basis of provisions on contracts and provisions for lump-sum payments payable on retirement.

Taxable units within the group include in particular the Naval Group tax consolidation group, which comprises all fully consolidated French companies in which its interest exceeds 95%.

As of December 31, 2022, the tax loss carry forwards of certain companies have not been capitalised.

2.5. EARNINGS PER SHARE

The group issued no new ordinary shares during the financial years ended December 31, 2022 and December 31, 2021.

The calculation of earnings per share is therefore based on the average number of ordinary shares outstanding after buybacks of treasury shares, which was 55,779,919 shares and 55,640,401 shares for the financial years ended December 31, 2022, and December 31, 2021 respectively.

No dilutive instruments were issued during the financial years ended December 31, 2022 and December 31, 2021. Diluted and basic earnings per share are therefore identical.

Following the dividends paid in 2022 in respect of the 2021 financial year, the provisions of the articles of association relating to category A preference shares have ended.

It should be recalled that 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.

From 2022, the income is shared among all shareholders.

The numerator is thus equal to the net profit and the denominator is the average number of shares outstanding, *i.e.* 55,779,919 shares and 55,640,401 shares for the years ended December 31, 2022 and December 31, 2021 respectively (see note 3.6 on equity).

	2022	2021
Net profit attributable to owners of the parent *(in € millions)*	339.4	196.9
Portion attributable to holders of ordinary shares *(in € millions)*	339.4	98.5
Number of ordinary shares outstanding *(in millions of shares)*	55.8	55.6
BASIC AND DILUTED EARNINGS PER SHARE *(IN €)*	**6.08**	**1.77**

	2022	2021
Earnings per share from continuing operations	6.07	1.90
Earnings per share from discontinued operations	0.01	(0.13)
BASIC AND DILUTED EARNINGS PER SHARE *(IN €)*	**6.08**	**1.77**

NOTE 3. OPERATING ASSETS AND LIABILITIES

3.1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

3.1.1. Intangible assets

	Patents & similar	Fair value differences	Other intangible assets	Total intangible assets
Gross amounts				
Opening	264.0	167.8	18.0	449.8
Acquisitions	20.9	-	-	20.9
Disposals	(0.4)	-	-	(0.4)
Other changes	3.4	-	(2.6)	0.8
Closing	**287.9**	**167.8**	**15.4**	**471.1**
Depreciation, amortisation, and impairment losses				-
Opening	(211.7)	(167.6)	(0.2)	(379.5)
Net depreciation for the financial year	(26.5)	(0.2)	(0.1)	(26.8)
Disposals	0.4	-	-	0.4
Other changes	-	-	-	-
Closing	**(237.8)**	**(167.8)**	**(0.3)**	**(405.9)**
Net amounts 12/31/2021	52.3	0.2	17.7	70.2
NET AMOUNTS 12/31/2022	**50.1**	**-**	**15.1**	**65.2**

3.1.2. Property, plant, and equipment

	Land	Buildings	Plant and machinery	Other property, plant and equipment	Total property, plant and equipment
Gross amounts					
Opening	25.1	399.6	418.1	784.2	1,627.0
Acquisitions	0.1	18.4	25.5	66.2	110.2
Disposals	-	(1.1)	(7.8)	(20.4)	(29.3)
IFRS 16 – entry	-	3.5	2.9	-	6.4
IFRS 16 – exit	-	(24.3)	(3.9)	-	(28.2)
Other changes	-	-	(0.6)	(0.4)	(1.0)
Closing	**25.2**	**396.1**	**434.2**	**829.6**	**1,685.1**
Depreciation, amortisation, and impairment losses					
Opening	-	(160.7)	(286.9)	(434.9)	(882.5)
Net depreciation for the financial year	-	(12.8)	(23.8)	(47.8)	(84.4)
Reversals	-	-	0.4	0.5	0.9
Disposals	-	1.1	7.4	19.9	28.4
Net provisions for IFRS 16 rights of use	-	(20.9)	(1.7)	-	(22.6)
Reversals of IFRS 16 rights of use		24.0	3.9	-	27.9
Other changes	-	(0.2)	0.2	(0.4)	(0.4)
Closing	**-**	**(169.5)**	**(300.5)**	**(462.7)**	**(932.7)**
Net amounts 12/31/2021	25.1	238.9	131.2	349.3	744.5
NET AMOUNTS 12/31/2022	**25.2**	**226.6**	**133.7**	**366.9**	**752.4**
of which property, plant, and equipment at 12/31/2022	*25.2*	*147.8*	*127.2*	*366.9*	*667.1*
of which rights of use at 12/31/2022	*-*	*78.8*	*6.5*	*-*	*85.3*

3.2. GOODWILL

3.2.1. Change in goodwill

	12/31/2021	Acquisitions	Disposals	Impairment losses	12/31/2022
Services	86.9	0	0	0	86.9
New buildings	295.9	0	0	0	295.9
GOODWILL	**382.8**	**0**	**0**	**0**	**382.8**

	12/31/2020	Acquisitions	Disposals	Impairment losses	12/31/2021
Services	86.9	0	0	0	86.9
New buildings	295.9	0	0	0	295.9
GOODWILL	**382.8**	**0**	**0**	**0**	**382.8**

3.2.2. Assumptions used

At December 31, 2022, for all CGUs, the discount rate (WACC) of future cash flows is 6.61%. Impairment tests use the four-year business plan adopted by General Management and presented to the Board of Directors. These assumptions take into account current market conditions, their foreseeable changes, as well as the group's assumptions about changes in the context. It should be noted that the business plan does not include impacts related to the health crisis, as they are not considered significant for the group's business. Beyond the horizon of the four-year plan, the perpetual growth rate used to calculate the value of the terminal cash flow is 1.25%.

3.2.3. Sensitivity of values in use to key assumptions

Given the high positive difference between the value in use (determined *via* the DCF) and the value of the assets to be tested, no potential impairment loss appears for all the CGUs.

The same applies to the assumption of an increase in the WACC of 0.5 points and a decrease in the perpetual growth rate of 0.5 points.

3.3. INVESTMENTS IN ASSOCIATES

3.3.1. Group share in the net assets and net income of associates

	Equity method end of period		Net income	
	12/31/2022	12/31/2021	2022	2021
Boustead DCNS Naval Corporation SDN BHD (Malaysia)[(1)]	(14.1)	(17.5)	3.6	5.5
Itaguaí Construções Navais SA (Brazil)[(1)]	(2.3)	2.9	(6.7)	0.6
Défense Environnement Services SAS (France)[(1)]	0.9	1.5	0.6	0.9
Kership SAS (France)[(1)]	8.0	6.6	5.0	4.4
TechnicAtome SA (France)	124.7	122.3	9.5	12.4
Naviris parent company (Italy)	(0.6)	(0.5)	(0.1)	(0.7)
MO Porte-Avions (France)[(2)]	1.0	0.4	0.5	0.3
TOTAL	**117.6**	**115.7**	**12.4**	**23.4**

(1) Companies accounted for under the equity method since January 1, 2014 (IFRS 10 and 11).
(2) Company consolidated in January 2021.

3.3.2. Changes in "Net assets of associates"

	12/31/2022	12/31/2021
Share in net assets of associates as at Janua^ry 1	**115.7**	**100.2**
Share in income/(loss) of associates	12.4	23.4
Dividends paid	(12.7)	(7.2)
Actuarial gains (losses) on pensions, net of deferred taxes	0.9	0.1
Translation differences	0.4	(0.8)
Other	0.9	-
SHARE IN NET ASSETS OF ASSOCIATES	**117.6**	**115.7**

3.3.3. Summary financial information relating to TechnicAtome

Naval Group holds 20.32% of the share capital of TechnicAtome, which specialises in nuclear power.

TechnicAtome's summary financial statements (prepared in accordance with IFRS) are as follows:

Summarised statement of financial position (100%)	12/31/2022	12/31/2021
Total assets	**1,023.3**	**1,069.2**
Equity restated, entity's share before net income	245.0	223.7
Actuarial gains (losses) on pensions, net of deferred taxes	(2.7)	(7.3)
Entity's net income	46.8	60.9
Equity restated, entity's share	**289.1**	**277.3**
Other liabilities	734.2	791.9
TOTAL EQUITY AND LIABILITIES	**1,023.3**	**1,069.2**
Cash and cash equivalents	772.7	773.3

Consolidation in Naval Group	12/31/2022	12/31/2021
Equity restated, entity's share before net income	245.0	223.7
Actuarial gains (losses) on pensions, net of deferred taxes	(2.7)	(7.3)
Entity's net income	46.8	60.9
Equity restated, entity's share	**289.1**	**277.3**
Naval Group % shareholding	20.32%	20.32%
Naval Group share	**58.7**	**56.3**
Goodwill	66.0	66.0
SHARE IN THE JOINT VENTURE	**124.7**	**122.3**

Income statement (100%)	12/31/2022	12/31/2021
Revenue	493.2	454.0
Operating profit	75.1	82.1
Net financial expense	(9.4)	1.9
Tax	(18.8)	(23.1)
Net income restated	**46.8**	**60.9**
Naval Group % shareholding	20.32%	20.32%
SHARE OF NET INCOME OF JOINT VENTURE	**9.5**	**12.4**

3.4. INVENTORIES AND WORK IN PROGRESS

	12/31/2022	12/31/2021
Raw materials and goods for resale	435.2	413.4
Work in progress	33.2	95.5
Finished and semi-finished products	-	-
Gross amounts	**468.4**	**508.9**
Impairment allowances	(25.4)	(66.2)
INVENTORIES AND WORK IN PROGRESS	**443.0**	**442.7**

3.5. TRADE AND OTHER RECEIVABLES

	12/31/2022	12/31/2021
Trade receivables, gross	1,022.7	666.7
Trade receivables, impairment allowance	(25.0)	(26.0)
Trade receivables	**997.7**	**640.7**
Tax receivables (excluding current tax)	286.8	286.1
Employment and social benefit receivables	29.5	20.0
Tax, employment, and social benefit receivables	**316.4**	**306.1**
Deferred expenses	55.8	50.5
Other receivables, gross	69.4	74.2
Other receivables, net	**125.2**	**124.7**
TRADE AND OTHER RECEIVABLES	**1,439.3**	**1,071.5**

3.6. EQUITY

3.6.1. Share capital

As at December 31, 2022, the parent company's share capital comprised 56,300,000 ordinary shares of a nominal value of €10.

As at December 31, 2022, shares were held as follows:

	Ordinary shares	Total	%
The French State	35,047,871	35,047,871	62.25%
Thales	19,705,000	19,705,000	35.00%
FCPE Actions Naval Group	1,027,048	1,027,048	1.82%
Naval Group Actionnariat (treasury shares)	520,081	520,081	0.92%
TOTAL	**56,300,000**	**56,300,000**	**100.00%**

There are no other securities in circulation giving access to the capital of Naval Group.

3.6.2. Dividend payments

The Ordinary General Meeting of March 18, 2022, decided, for the financial year ended December 31, 2021, to allocate earnings as follows:

- €97.6 million as shareholder dividends;
- €292.6 million as retained earnings.

3.6.3. Changes in fair value of financial assets and liabilities recognised directly in equity

During the financial year ended December 31, 2022, the group did not record a change in the fair value of financial assets and liabilities (compared to a decrease of €0.2 million at December 31, 2021).

3.6.4. Changes in fair value of the cash flow hedge reserve

As at December 31, 2022, the group no longer had any hedging instruments.

3.6.5. Translation differences (foreign subsidiaries)

As stated in note 1.3.5, 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: Naval Group Far East (Singapore dollar – SGD), Itaguaí Construções Navais, Prosin and Naval Group BR (Brazilian real – BRL), Boustead DCNS Naval Corporation and Naval Group Malaysia (Malaysian ringgit – MYR), Naval Group India (Indian rupee – INR), Naval Group Australia Pty Ltd and Naval Group Pacific (Australian dollar – AUD), DCNS Zamil and Naval Group Arabia (Saudi riyal – SAR), DCNS Energia Marina Spa (Chilean pesos – CLP) and Alexandria Naval for Maintenance & Industry (Egyptian pound – EGP).

During the financial year ended December 31, 2022, the group recorded an increase of €2.2 million in its reserves for translation differences (*versus* a decrease of €0.5 million in 2021).

3.6.6. Treasury shares

Naval Group Actionnariat (wholly-owned by the group) acquired 34,492 and 53,833 treasury shares during the financial years ended December 31, 2021, and December 31, 2022, respectively, under the share buyback guarantee granted to employees under the two employee share offers (2008 and 2014) and the Collective Shareholding Plan (2019 and 2022). As stated in note 1.3.18, Naval Group shares that are held by Naval Group Actionnariat or for which shareholders have an option to sell to Naval Group Actionnariat are recognised as a deduction from equity. The impact on equity was €83.9 million as at December 31, 2022 (€82.6 million as at December 31, 2021).

As a new valuation of the group's share was published in April 2022, it was used to revalue the reserve of treasury shares (only for those corresponding to the buyback commitment issued by Naval Group and not yet redeemed) against other reserves for (€1.8) million.

At December 31, 2022, Naval Group Actionnariat held 520,081 Naval Group shares, and FCPE Actions Naval Group, whose shares are therefore held by beneficiaries of the transactions referred to above, held 1,027,048 shares.

All the conditions restricting the resale of the shares held by employees as a result of the second employee share offer were lifted in August 2013 for the first transaction (2008 Employee Share Offer) an in December 2019 for the second transaction (2014 Employee Share Offer).

Shares acquired under the 2019 Collective Shareholding Plan (2019 PAC) are subject to a five-year lock-up period ending in July 2024. As for all assets held under the group savings plan (PEG), early releases are possible in accordance with the applicable regulations in force.

Shares acquired under the 2022 Collective Shareholding Plan (2022 PAC) are subject to a five-year lock-up period ending in July 2027. As for all assets held under the group savings plan (PEG), early releases are possible in accordance with the applicable regulations in force.

3.6.7. 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.

3.7. PROVISIONS

	12/31/2021	Expenses	Utilisation	Reversals	Other	12/31/2022
Provisions for retirement benefits(1)	89.9	15.0	(9.8)	-	(76.6)	18.4
Other non-current provisions(2)	42.6	12.7	(4.5)	-	(0.2)	50.6
Non-current provisions	**132.5**	**27.7**	**(14.3)**	**-**	**(76.8)**	**69.0**
Provisions for retirement benefits	4.2	-	-	-	0.5	4.7
Provisions for the competitiveness plan	9.3	-	(9.1)	-	0.1	0.3
Provisions under warranties	71.6	7.1	(8.1)	(2.7)	-	67.9
Provisions on contracts(3)	461.3	99.9	(5.6)	(20.3)	1.9	537.2
Provisions for losses on completion(3)	32.2	4.7	(9.3)		-	27.6
Other current provisions[4][5]	49.6	15.2	(5.8)	(13.3)	(1.6)	44.1
Current provisions	**628.2**	**126.9**	**(37.9)**	**(36.3)**	**0.8**	**681.8**
PROVISIONS	**760.7**	**154.6**	**(52.2)**	**(36.3)**	**(76.0)**	**750.8**

(1) The "Other" flow of "Provisions for retirement benefits" corresponds to the reclassification of €0.5 million between current and non-current, to the actuarial difference of (€34.1) million and to a payment on a hedging asset for (€42.1) million.

(2) At December 31, 2022, other non-current provisions included provisions for other long-term benefits (long-service bonuses, annuities, and CET for Senior employees, see note 1.3.17) for an amount of €48.3 million and provisions for litigation.

(3) For each contract, the change in the provision for losses on completion is recognised at its net amount.

(4) Other current provisions mainly include provisions relating to tax, labour, environmental and supplier disputes.

(5) Certain provisions have been reclassified.

	12/31/2020	Expenses	Utilisation	Reversals	Other	12/31/2021
Provisions for retirement benefits[1]	125.8	15.5	(4.9)	-	(46.5)	89.9
Other non-current provisions[2]	82.9	5.3	(45.4)	-	(0.2)	42.6
Non-current provisions	**208.7**	**20.8**	**(50.2)**	**-**	**(46.8)**	**132.5**
Provisions for retirement benefits[1]	3.6	-	-	-	0.6	4.2
Provisions for the competitiveness plan	3.4	7.5	(1.7)	-	0.1	9.3
Provisions under warranties	73.3	10.0	(5.2)	(6.4)	(0.1)	71.6
Provisions on contracts	355.0	73.9	(3.7)	(28.5)	64.6	461.3
Provisions for losses on completion[3][4]	92.9	10.3	(4.5)	(1.9)	(64.6)	32.2
Other current provisions[5]	47.0	14.3	(5.9)	(5.9)	0.1	49.6
Current provisions	**575.1**	**116.0**	**(21.0)**	**(42.7)**	**0.8**	**628.2**
PROVISIONS	**783.9**	**136.8**	**(71.2)**	**(42.7)**	**(46.1)**	**760.7**

(1) The "Other" flow of "Provisions for retirement benefits" corresponds to the reclassification of €0.6 million between current and non-current, the IFRS IC impact for (€28.4) million (see note 3.7.1) and the actuarial difference for (€17.5) million.

(2) At December 31, 2021, other non-current provisions included provisions for other long-term benefits (long-service bonuses, annuities, and CET for Senior employees, see note 1.3.17) for an amount of €40.7 million and provisions for litigation.

(3) Certain provisions have been reclassified.

(4) For each contract, the change in the provision for losses on completion is recognised at its net amount.

(5) Other current provisions mainly include provisions relating to tax, labour, environmental and supplier disputes.

3.7.1. Provisions for retirement benefits

As at December 31, 2022, provisions for retirement benefits for the group as a whole amounted to €23.2 million, compared to €94.2 million as at December 31, 2021, mainly related to Naval Group.

During the month of December 2022, Naval Group decided to outsource part of its retirement commitments for an amount of €42.1 million.

The assumptions used were as follows:
- a discount rate of 3.10% (compared to 0.75% on December 31, 2021);
- an inflation rate of 2% (compared to 1.75% at December 31, 2021);
- a salary increase rate of 2.80% (compared to 2.50% at December 31, 2021).

As at December 31, 2022, the sensitivity of the net obligation to a change in the discount rate was as follows:
- reducing the discount rate by 0.5 point would lead to a commitment for retirement benefits of €119.4 million;
- increasing the discount rate by 0.5 point would lead to a commitment for retirement benefits of €104.1 million.

Changes in the retirement obligation were as follows:

	2022	2021
Opening obligation	142.4	169.6
Current service cost	14.3	14.2
Accretion expense and return on assets	(1.4)	8.9
Benefits paid	(9.8)	(3.8)
Actuarial gains and losses(1)	(34.1)	(18.1)
IFRS IC reform on the application of IAS 19(2)	0.0	(28.4)
OBLIGATION AT END OF PERIOD	**111.4**	**142.4**

(1) The change in actuarial gains and losses in 2022 is related to the differences on the assumptions made on the discount rate for (€41.4) million, the revaluation of assets for (€2.4) million and on the experience for (€4.8) million.
The change in actuarial gains and losses in 2021 is related to the differences on the assumptions made on the discount rate for (€6.6) million, the revaluation of assets for (€8.4) million and on the experience for (€3.3) million.
(2) Following the IFRS IC reform on the application of IAS 19, a net impact of €28.4 million was restated in net position for 2021.

Changes in pension plan assets were as follows:

	2022	2021
Assets at start of period	48.2	39.8
Payment on hedging assets	42.1	0.0
Return on assets	(2.1)	8.4
ASSETS AT END OF PERIOD	**88.2**	**48.2**

As at December 31, 2022, the assets were invested as follows: 49% in equities, 19% in bonds, 9% in diversified assets and 23% in money-market instruments.

The net charge recognised breaks down as follows:

	2022	2021
Current service cost	(14.3)	(14.2)
Accretion expense	0.7	(0.5)
Benefits paid	9.8	3.8
NET EXPENSE	**(3.8)**	**(10.9)**

The reconciliation of the actuarial obligation and the provision recognised in the statement of financial position is as follows:

	12/31/2022	12/31/2021
Actuarial commitment	111.4	142.4
Fair value of assets	(88.2)	(48.2)
PROVISIONS AT END OF PERIOD	**23.2**	**94.2**

Forecast payments for retirement benefits for the next four years are as follows:

	12/31/2022
Forecast benefits 2023	4.9
Forecast benefits 2024	4.9
Forecast benefits 2025	5.6
Forecast benefits 2026	7.8
EXPECTED BENEFITS FOR THE NEXT 4 YEARS	**23.2**

3.7.2. Provisions for other long-term benefits

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

- pensions;
- long-service bonuses;
- CET Senior.

They are defined in note 1.3.17.

Changes in obligations to pay other long-term benefits as at December 31, 2022 were as follows:

	2022	2021
Opening obligation	44.1	41.2
Current service cost	3.3	3.1
Cost of past services	1.0	0.9
Accretion expense	0.3	0.2
Benefits paid	(1.6)	(1.3)
Actuarial gains and losses	5.0	0.0
OBLIGATION AT YEAR-END TO PAY OTHER LONG-TERM BENEFITS	**52.1**	**44.1**

3.8. TRADE AND OTHER PAYABLES

	12/31/2022	12/31/2021
Suppliers	1,446.1	1,251.5
Tax payables (excluding current tax)	210.9	310.6
Social benefit liabilities	334.9	251.6
Other payables	129.3	176.1
TRADE AND OTHER PAYABLES	**2,121.2**	**1,989.8**

3.9. CONTRACT ASSETS AND LIABILITIES

Contract assets, corresponding to the net debit position of unbilled receivables from which the corresponding advances received from customers have been deducted, and contract liabilities, corresponding to the net credit position of advances received from customers from which the corresponding unbilled receivables have been deducted, as well as deferred income.

This amount increases in line with the stage of completion of the contract and decreases as services are invoiced to the customer or as part payments are received. Contract assets and liabilities are as follows:

(in € millions)	12/31/2022	12/31/2021
Unbilled receivables, gross	4,615.8	4,492.9
Advances and part payments received from customers	(4,011.2)	(3,813.5)
Deferred income	0.4	(0.8)
CONTRACT ASSETS	**605.0**	**678.6**
Advances and part payments received from customers	8,022.5	6,802.0
Unbilled receivables	(6,373.0)	(5,752.8)
Deferred income	407.0	369.5
CONTRACT LIABILITIES	**2,056.5**	**1,418.7**

NOTE 4. FINANCIAL ASSETS AND LIABILITIES

4.1. 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 based on the accrued interest at the reporting date (level 2);
- monetary and non-monetary UCITS (fair value through profit and loss): valued at their latest known net asset value (level 1);
- negotiable medium-term notes (fair value through profit and loss): valued at their latest known net asset value (level 1);
- hedging instruments (fair value through equity) eligible for hedge accounting: valued based on the model commonly used by market operators to value financial instruments (model incorporating observable market data) (level 2);
- hedging instruments (fair value through profit and loss account) not eligible for hedge accounting: valued based on the model commonly used by market operators to value financial instruments (model incorporating observable market data) (level 2);
- investments (fair value through equity, designated as "available-for-sale"): these 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 (ORS) (fair value through profit and loss account): as stated in the section "Accounting rules and policies", this liability is re-measured annually on the basis of the valuation of Naval Group shares by a group of independent experts (level 2).

4.1.1. Fair value and classification of financial assets

	Loans and receivables at amortised cost	Fair value through profit and loss	Fair value through equity	12/31/2022	Impact of the change in fair value on equity	Impact of the change in fair value on profit and loss
Investments	43.1	-	-	43.1	-	-
Loans, non-current portion	-	-	-	-	-	-
Hedging instruments, non-current portion	-	(0.2)	-	(0.2)	-	(0.3)
Investment securities	-	395.2	-	395.2	-	(3.4)
Other non-current financial assets	0.1	-	-	0.1	-	-
Total non-current financial assets	**43.2**	**395.0**	**-**	**438.2**	**-**	**(3.7)**
Trade receivables	997.7	-	-	997.7	-	-
Hedging instruments, current portion	-	0.7	-	0.7	-	0.5
Investment securities	-	10.0	-	10.0	-	0.1
Other current financial assets	0.6	-	-	0.6	-	-
Cash and cash equivalents	-	1,218.4	-	1,218.4	-	(1.4)
TOTAL CURRENT FINANCIAL ASSETS AND TRADE RECEIVABLES	**998.3**	**1,229.1**	**-**	**2,227.4**	**-**	**(0.8)**

	Loans and receivables at amortised cost	Fair value through profit and loss	Fair value through equity	12/31/2021	Impact of the change in fair value on equity	Impact of the change in fair value on profit and loss
Investments	42.5	-	-	42.5	-	-
Loans, non-current portion	-	-	-	-	-	-
Hedging instruments, non-current portion	-	-	-	-	-	0.3
Investment securities	-	200.0	-	200.0	-	0.2
Other non-current financial assets	-	-	-	-	-	-
Total non-current financial assets	**42.5**	**200.0**	**-**	**242.5**	**-**	**0.5**
Trade receivables	640.7	-	-	640.7	-	-
Loans, current portion	-	-	-	-	-	-
Hedging instruments, current portion	-	0.2	-	0.2	-	0.4
Investment securities	-	165.0	-	165.0	-	(0.1)
Other current financial assets	1.0	-	-	1.0	-	-
Cash and cash equivalents	-	1,133.3	-	1,133.3	-	8.4
TOTAL CURRENT FINANCIAL ASSETS AND TRADE RECEIVABLES	**641.7**	**1,298.5**	**-**	**1,940.2**	**-**	**8.7**

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

4.1.2. Fair value and classification of financial liabilities

	Loans and trade payables at amortised cost	Fair value through profit and loss	Fair value through equity	12/31/2022	Impact of the change in fair value on equity	Impact of the change in fair value on profit and loss
Loans, non-current portion	-	-	-	-	-	-
IFRS 16 lease liability, non-current portion	64.2	-	-	64.2	-	-
Hedging instruments, non-current portion	-	-	-	-	-	0.9
ORS & PAC debt, non-current portion	66.7	-	-	66.7	1.8	-
Other non-current financial liabilities	-	-	-	-	-	-
Total non-current financial liabilities	**130.9**	**-**	**-**	**130.9**	**1.8**	**0.9**
Suppliers	1,446.1	-	-	1,446.1	-	-
Loans, current portion	-	-	-	-	-	-
IFRS 16 lease liability, current portion	22.8	-	-	22.8	-	-
Hedging instruments, current portion	-	-	-	-	-	0.8
ORS & PAC debt, current portion	3.5	-	-	3.5	-	-
Other current financial liabilities	-	14.6	-	14.6	-	-
TOTAL CURRENT FINANCIAL LIABILITIES AND TRADE PAYABLES	**1,472.4**	**14.6**	**-**	**1,487.0**	**-**	**0.8**

	Loans and trade payables at amortised cost	Fair value through profit and loss	Fair value through equity	12/31/2021	Impact of the change in fair value on equity	Impact of the change in fair value on profit and loss
Loans, non-current portion	-	-	-	-	-	-
IFRS 16 lease liability, non-current portion	73.6	-	-	73.6	-	-
Hedging instruments, non-current portion	-	(0.9)	-	(0.9)	-	-
ORS & PAC debt, non-current portion(1)	55.8	-	-	55.8	3.2	-
Other non-current financial liabilities	-	-	-	-	-	-
Total non-current financial liabilities	**129.4**	**(0.9)**	**-**	**128.5**	**3.2**	**-**
Suppliers	1,251.5	-	-	1,251.5	-	-
Loans, current portion	450.0	-	-	450.0	-	-
IFRS 16 lease liability, current portion	28.8	-	-	28.8	-	-
Hedging instruments, current portion	-	(0.8)	-	(0.8)	-	(0.2)
ORS & PAC debt, current portion(1)	2.9	-	-	2.9	-	-
Other current financial liabilities	-	26.0	-	26.0	-	-
TOTAL CURRENT FINANCIAL LIABILITIES AND TRADE PAYABLES	**1,733.2**	**25.2**	**-**	**1,758.4**	**-**	**(0.2)**

(1) In 2021, the ORS and PAC were reclassified according to the definition of recognition of current/non-current liabilities.

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

4.1.3. Fair value of investments

Investments, which are qualified as "available-for-sale" financial assets, are broken down as follows (in brackets, the group's percentage interests in these companies on December 31, 2022 and their country of registration for foreign companies):

	12/31/2022	12/31/2021
Sofema SA (10%)	5.2	5.3
Chantiers de l'Atlantique (12%)	13.9	13.9
Odas SA (9%)	0.0	0.0
FCPR Sécurité (13%)	0.6	1.6
FCPR Financière de Brienne 1 (6%)	0.3	0.3
FCPR Financière de Brienne 2 (10%)	0.0	0.0
FCPR Financière de Brienne 3 (6%)	3.8	5.0
Atalaya (32%)	0.0	0.0
Naval Group Canada (100%)[1]	0.0	1.3
PSL Innovation Fund (7%)	3.7	5.0
Other[2]	15.5	10.0
INVESTMENTS	**43.1**	**42.4**

(1) The Naval Group Canada shares are unconsolidated shares held via Naval Group *Participations. The Naval Group Canada subsidiary is not material.*
(2) The amount consists of a loan granted to ICN for €14.9 million.

4.1.4. Financial debt

	12/31/2021	Increase	Decrease	Changes in fair value of debt	Changes in fair value of derivative instruments	Translation differences	Other	12/31/2022
Loans	450.0	-	(450.0)	-	-	-	-	-
ORS & PAC liabilities	58.7	14.1	(4.4)	1.8	-	-	-	70.2
Other financial liabilities	26.0	-	(7.5)	-	-	0.7	(4.6)	14.6
Financial instruments	(1.7)	-	-	-	1.7	-	-	-
Lease liabilities IFRS 16	102.4	8.2	(24.3)	-	-	0.1	0.6	87.0
FINANCIAL DEBT	**635.4**	**22.3**	**(486.2)**	**1.8**	**1.7**	**0.8**	**(4.0)**	**171.8**

	12/31/2020	Increase	Decrease	Changes in fair value of debt	Changes in fair value of derivative instruments	Translation differences	Other	12/31/2021
Loans	250.0	200.0	-	-	-	-	-	450.0
ORS & PAC liabilities	66.8	-	(11.8)	3.2	-	-	0.5	58.7
Other financial liabilities	117.3	0.2	(91.8)	-	-	0.2	0.1	26.0
Financial instruments	(1.5)	-	-	-	(0.2)	-	-	(1.7)
Lease liabilities IFRS 16	120.8	13.0	(31.9)	-	-	0.1	0.4	102.4
FINANCIAL DEBT	**553.4**	**213.2**	**(135.5)**	**3.2**	**(0.2)**	**0.3**	**1.0**	**635.4**

4.2 NET FINANCIAL DEBT

At December 31, 2022, the group's net financial debt amounted to (€1,467.1) million (compared to (€886.8) million on December 31, 2021).

The statement of financial position items contributing to net financial debt are as follows:

	12/31/2022	12/31/2021
Cash and cash equivalents	(1,218.4)	(1,133.3)
Investment securities	(405.2)	(365.0)
Current accounts & other non-current financial assets	(14.9)	(11.0)
Loans and other liabilities	84.3	520.1
Net financial debt before lease liabilities IFRS 16	**(1,554.2)**	**(989.2)**
Lease liabilities IFRS 16	87.1	102.4
NET FINANCIAL DEBT	**(1,467.1)**	**(886.8)**

Net financial debt is not a financial indicator defined by IFRS and may not be comparable to indicators similarly named by other companies. This is additional information that should not be considered as a substitute for an analysis of all of the group's assets and liabilities.

4.3 RISK MANAGEMENT

4.3.1. 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. In fact, its 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.

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.

	12/31/2020	Expenses	Reversals	Other	12/31/2021	Expenses	Reversals	Other	12/31/2022
Impairment allowances against trade receivables	(26.2)	(1.4)	1.7	-	(26.0)	(0.2)	1.2	-	(25.0)

4.3.2. Liquidity risk

The liquidity risk is currently hedged by excess cash, however, in order to preserve some of its financial investments whose yield is higher than the borrowing cost, the group uses short-term credit lines. At December 31, 2022, the group had repaid a loan of €450 million taken out in 2021. The group also owes a debt to its employees through the ORS & PAC operation.

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

4.3.3. Commodity risk

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.

4.3.4. Foreign 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 are the US dollar (USD), the Saudi rial (SAR), the pound sterling (GBP) and the Brazilian real (BRL). Although the group does not systematically 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.

	12/31/2022	12/31/2021
Forward purchase contracts		
US Dollar (USD)	9.4	21.1
Indian rupee (INR)	1.7	0.2
Pound sterling (GBP)	48.2	-
Call options		
Pound sterling (GBP)	1.9	4.0
Tunnel options		
Brazilian real (BRL)		

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 forward purchase contract in US dollars corresponds to the needs of projects in Saudi Arabia.

The sensitivity of pre-tax earnings and the re-classifiable component of group equity to changes in foreign currency exchange rates are not material.

4.3.5. Interest rate risk

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

NOTE 5. OTHER INFORMATION

5.1. NOTES TO THE CASH FLOW STATEMENT

5.1.1. Change in working capital requirement

	2022	2021
Net decrease (increase) in inventories	(16.0)	(0.7)
Net decrease (increase) in advances and part payments paid	(91.2)	195.2
Net decrease (increase) in trade receivables	(356.6)	(116.6)
Net decrease (increase) in other receivables	6.9	(20.5)
Net increase (decrease) in trade payables	196.7	(21.2)
Net increase (decrease) in other payables	(62.8)	25.0
Net increase (decrease) in contract assets and liabilities	713.0	(610.8)
CHANGE IN WORKING CAPITAL REQUIREMENT	**390**	**(549.6)**

5.1.2. Purchases of property, plant and equipment and intangible assets

	2022	2021
Purchases of intangible assets	(20.9)	(23.3)
Purchases of property, plant, and equipment	(110.3)	(123.6)
Purchases during the period	**(131.2)**	**(146.9)**
Deferred disbursement	(2.8)	(3.5)
PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	**(134.0)**	**(150.4)**

5.1.3. Disposals of property, plant and equipment and intangible assets

	2022	2021
Disposals of intangible assets	-	-
Disposals of property, plant, and equipment	0.8	0.2
Disposals during the period	**0.8**	**0.2**
DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	**0.8**	**0.2**

5.2. 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 Naval Group” 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.

The 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 by revised IAS 24 (Related Party Disclosures). In accordance with 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.

5.2.1. Transactions with the French State and government-related entities

During the year ended December 31, 2022, the group generated 63.1% of its revenue with the French State and government-related entities (*versus* 72.9% of its revenue for the financial year ended December 31, 2021).

5.2.2. Transactions with related parties (excluding the French State and government-related entities)

	2022	2021
Sales		
Non-controlled portion in associates	75.6	31.4
Shareholders and companies controlled by them (excluding the French State and government-related entities)		
Other (Eurotorp)	13.6	8.0

5.2.3. Related-party receivables and payables (excluding the French State and government-related entities)

	12/31/2022	12/31/2021
Operating receivables(1)		
Associates	227.7	183.7
Shareholders and companies controlled by them (excluding the French State and government-related entities)		
Other (Eurotorp)		
Operating payables(2)		
Associates	260.0	162.6
Shareholders and companies controlled by them (excluding the French State and government-related entities)		
Other (Eurotorp)		
Financial liabilities(3)		
Associates		
Shareholders and companies controlled by them (excluding the French State and government-related entities)	70.2	58.7
Current account		-

(1) *Other operating receivables mainly comprise receivables vis-à-vis the following companies: Eurotorp, Horizon, Eurosysnav, Boustead DCNS Naval Corporation SDN BHD, Défense Environnement Services, Winacelles, MO Porte-Avions and Kership.*

(2) *Other operating payables mainly comprise payables vis-à-vis the following companies: Eurotorp, MO Porte-Avions and Défense Environnement Services.*

(3) *Financial liabilities consist of the ORS/PAC debt.*

5.2.4. Agreements concluded 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 the group. 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 Naval Group 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 to 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.

5.2.5. Executive compensation

The gross compensation and benefits in kind paid to members of the Executive Committee and employer's social benefit contributions were as follows during the financial years ended December 31, 2022 and December 31, 2021:

	2022	2021
Fixed compensation	3.8	3.1
Variable compensation	1.8	1.1
Benefits in kind and miscellaneous	0.3	0.3
Employer's social benefit contributions	2.3	1.7
TOTAL	**8.2**	**6.2**
Number of persons concerned	14	12

5.3. OFF-STATEMENT OF FINANCIAL POSITION COMMITMENTS

5.3.1. Off-statement of financial position commitments arising from commercial contracts

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

These are mainly market guarantees.

	12/31/2022	12/31/2021
Performance guarantees(1)(2)(3)	509.2	363.1
Guarantees in lieu of retentions	6.0	6.5
Other guarantees given(4)(5)(6)	129.3	124.8
COMMITMENTS MADE	**644.4**	**494.4**

(1) Under a sale contract entered into in Greece, the group's banks have issued bank guarantees of €113 million in favour of its customer to guarantee performance.

(2) Under a series of sale contracts entered into by the group in Brazil, bank guarantees for a total amount of €130.4 million were issued to guarantee performance.

(3) Under a series of sale contracts entered into by the group in the United Arab Emirates, bank guarantees for a total amount of €110 million were issued to guarantee performance.

(4) In the context of the employee share offer, the group instructed its banks to issue a €28 million financial guarantee to the management company in charge of managing the fund.

(5) Under the subcontracting law of 1975, Naval Group issued payment guarantees to its subcontractors in the amount of €49.4 million.

(6) As part of a four-year maintenance and assistance contract for the Saudi navy, Naval Group issued a parent company guarantee in the amount of €17.5 million to cover the commitments of its subsidiary Naval Group Arabia.

The maturity schedule as at December 31, 2022 was as follows:

	Due in less than one year	Due in one to five years	Due in more than five years
Performance guarantees	163.6	203.0	142.6
Guarantees in lieu of retentions	6.0	-	-
Other guarantees made	98.3	31.0	-
COMMITMENTS MADE	**267.9**	**233.9**	**142.6**

	12/31/2022	12/31/2021
Performance guarantees	74.3	94.5
Guarantees in lieu of retentions	0.7	1.4
Other guarantees received	2.6	2.2
COMMITMENTS RECEIVED	**77.6**	**98.1**

The maturity schedule as at December 31, 2022 was as follows:

	Due in less than one year	Due in one to five years	Due in more than five years
Performance guarantees	60.6	6.4	7.3
Guarantees in lieu of retentions	0.7	-	-
Other guarantees received	2.2	0.3	0.1
COMMITMENTS RECEIVED	**63.5**	**6.7**	**7.4**

5.3.2. Other commitments

Commitments made

As at December 31, 2022, firm investment commitments totalled €125.6 million (*versus* €113.9 million as at December 31, 2021).

On December 16, 2016, Naval Group undertook, primarily in favour of the other partners of Naval Energies and, on a subsidiary basis, in favour of the latter, to replace the bank financing *via* current account advances when this financing has not been obtained in whole or in part by Naval Energies. The commitment entered into by Naval Group could not exceed the amount of the bank finance, set at the amount of €40 million. Naval Group satisfied this commitment by entering into a current account agreement with Naval Energies for a maximum advance of €40 million.

Commitments received

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

5.4. EVENTS AFTER THE REPORTING PERIOD

None.

VI. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2022

To the General Meeting of Naval Group,

OPINION

Pursuant to the assignment entrusted to us by your General Meetings, we conducted our audit of the consolidated financial statements of Naval Group for the financial year ended December 31, 2022, as presented in the attachment to this report.

We certify that the consolidated financial statements for the financial year were prepared in accordance with IFRS, as adopted by the European Union and that they are lawful and genuine and give a true and fair view of income from operations for the year just ended and the financial position and assets, at the end of the year, of the group made up of the persons and entities included in the consolidation.

BASIS OF OUR OPINION

AUDITING STANDARDS

We conducted our audit in accordance with French generally accepted auditing standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors in the audit of the consolidated financial statements" section of this report.

INDEPENDENCE

We carried out our audit in pursuant to the rules of independence set out in the French Commercial Code and the Code of Ethics for Statutory Auditors, over the period from January 1, 2022, to the issue date of our report.

JUSTIFICATION OF OUR ASSESSMENTS

Pursuant to the provisions of articles L. 823 9 and R. 823 7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following assessments which, in our professional opinion, were the most significant for the audit of the consolidated financial statements for the financial year.

These assessments are made in the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We offer no opinion on individual items in these consolidated financial statements.

- Note 1.3.3. "Accounting rules and policies – Use of estimates – Recognition of revenue and profit on contracts accounted for under the percentage of completion method and related provisions" in the notes to the consolidated financial statements states that your group recognises revenue and profit on certain projects using the percentage of completion method. This involves the use by Management of estimates, in particular 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 statement of financial position. Our work consisted of understanding the processes in place 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.
- Note 1.3.3. "Accounting rules and policies – Use of estimates – Valuation of assets" states that your group conducted an annual impairment test of goodwill by using assumptions of future cash flows, discount rates and perpetual growth rates, which required the use of judgement. We assessed the conditions under which the annual impairment test was conducted and examined the assumptions used, which are justified by the information available at the reporting date.

SPECIFIC VERIFICATIONS

We also carried out specific verifications, in accordance with professional standards applicable in France and provided for by law and regulations, of the information relating to the group, given in the Board of Directors' management report.

We have no matters to report as to the fair presentation and consistency with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance provided for in article L. 225-102-1 of the French Commercial Code is included in the information on the group presented in management report, it being specified that, pursuant to the provisions of article L. 823-10 of this Code, the information contained in this statement has not been verified by us as to its fair presentation or consistency with the consolidated financial statements and is subject to a report by an independent verifier.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS benchmark, as adopted by the European Union and for such internal control as Management determines is necessary to prepare consolidated financial statements that are free from misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to said going concern and using the going concern basis of accounting, unless Management either intends to wind up the company or cease operations.

The consolidated financial statements are prepared by the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

It is our responsibility to report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free from any material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by article L. 823-10-1 of the French Commercial Code, our task of certifying the financial statements does not extend to vouching for the viability or quality of Naval Group's management.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgement throughout the audit. We also:
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, define and perform audit procedures that address these risks and obtain the evidence deemed sufficient and appropriate to form an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the overriding of internal control;
- obtain an understanding of internal control relevant to the audit in order to define audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- assess the appropriateness of accounting methods used and the reasonableness of accounting estimates and related disclosures made by Management, in the consolidated financial statements;
- assess the appropriateness of Management's use of the going concern accounting convention and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Naval Group's ability to continue as a going concern. This assessment is based on the audit evidence obtained at the date of our report. However, it should be pointed out that future events or conditions may cause Naval Group to cease to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the consolidated financial statements as regards said uncertainty or, if such disclosures are not provided or are not relevant, to certify with reservations or refuse to certify;

• assess the overall presentation of the consolidated financial statements and whether the consolidated financial statements fairly reflect the underlying transactions and events;
• obtain audit evidence that is sufficient and appropriate, regarding persons or entities included in the consolidated financial statements, to provide a basis for our opinion on the consolidated financial statements. We are responsible for managing, supervising, and conducting the audit of the consolidated financial statements and for expressing our opinion.

Paris-La Défense, February 27, 2023

The Statutory Auditors

MAZARS	ERNST & YOUNG Audit
Signature numérique de Juliette DECOUX Date : 2023.02.27 16:43:26 +01'00'	Nour-Eddine.Zanouda Digitally signed by Nour-Eddine.Zanouda DN: cn=Nour-Eddine.Zanouda, email=nour-eddine.zanouda@fr.ey.com Date: 2023.02.27 18:45:33 +01'00'
Juliette Decoux-Guillemot	Nour-Eddine Zanouda

VII. THE INDEPENDENT VERIFIER'S REPORT ON THE VERIFICATION OF THE CONSOLIDATED STATEMENT OF NON-FINANCIAL PERFORMANCE

FINANCIAL YEAR ENDED DECEMBER 31, 2022

To the General Meeting,

In our capacity as an independent verifier ("third party"), accredited by COFRAC (Accreditation COFRAC Inspection, no. 3-1681, scope available on www.cofrac.fr) and member of the network of one of the Statutory Auditors of your company (hereinafter the "entity"), we carried out work to formulate a reasoned opinion expressing a conclusion of limited assurance on the compliance of the consolidated statement of non-financial performance, for the financial year ended December 31, 2022 to the provisions of article R. 225-105 of the French Commercial Code (hereinafter the "Statement"), and on the fairness of the historical information (recorded or extrapolated) provided pursuant to paragraph 3 of I and the II of article R. 225-105 of the French Commercial Code (hereinafter the "Information") prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), presented in the management report pursuant to the provisions articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Code de commerce.

CONCLUSION

Based on the procedures we have implemented, as described in the "Nature and scope of the work" section, and the information we have collected, we have not identified any significant anomaly that would call into question. The fact that the consolidated statement of non-financial performance complies with the applicable regulatory provisions and that the Information, taken as a whole, is fairly presented in accordance with the Guidelines.

PREPARATION OF THE NON-FINANCIAL PERFORMANCE STATEMENT

The absence of a generally accepted and commonly used reference framework or established practices on which to evaluate and measure the Information allows the use of different but acceptable measurement techniques that may affect comparability between entities and within the scope of the information time.

Consequently, the Information must be read and understood with reference to the Guidelines, the significant elements of which are presented in the Statement and are available on request at the entity's head office.

LIMITATIONS INHERENT IN THE PREPARATION OF THE INFORMATION

The Information may be subject to inherent uncertainty in the state of scientific or economic knowledge and in the quality of the external data used. Certain information is sensitive to the methodological choices, assumptions and/or estimates used to prepare it and presented in the Statement.

ENTITY'S RESPONSIBILITY

The Board of Directors is responsible for:
- to select or establish appropriate criteria for the preparation of the Information;
- prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks and the results of these policies, including key performance indicators;
- as well as to put in place the internal control that it deems necessary to prepare the information that is free from material misstatement, whether due to fraud or error.

The Statement was prepared in accordance with the entity's Guidelines as mentioned above.

RESPONSIBILITY OF THE INDEPENDENT VERIFIER

It is our role, based on our work, to formulate a reasoned opinion expressing a limited assurance conclusion on:
- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the accuracy of the historical information (recorded or extrapolated) provided pursuant to (3) of I and II of article R. 225-105 of the French Commercial Code, *i.e.*, the results of policies, including key performance indicators, and actions, relating to the main risks.

As we are responsible for making an independent conclusion on the Information as prepared by management, we are not authorised to be involved in the preparation of such Information as this could compromise our independence.

It is not our responsibility to comment on:
- the entity's compliance with other applicable legal and regulatory provisions (particularly in terms of the vigilance plan and the fight against corruption and tax evasion);
- compliance of products and services with applicable regulations.

REGULATORY PROVISIONS AND APPLICABLE PROFESSIONAL DOCTRINE

Our work described below was carried out in accordance with the provisions of articles A. 225 1 *et seq.* of the French Commercial Code, the professional guidance issued by the *Compagnie nationale des commissaires aux comptes* relating to this intervention in lieu of an audit program, and the international standard ISAE 3000 (revised)[1].

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of article L. 822-11 of the French Commercial Code and the Code of Professional Conduct. In addition, we set up a quality control system that includes documented policies and procedures to ensure compliance with applicable laws and regulations, ethical rules, and professional doctrine.

MEANS AND RESOURCES

Our work was conducted by a team of four people over a total period of six weeks between September 2022 and February 2023.

To assist us in carrying out our work, we called on our specialists in sustainable development and social responsibility. We conducted around ten interviews with the people responsible for preparing the Statement, representing in particular the Human Resources, Health and Safety and Environment, and Corporate Social Responsibility Departments.

NATURE AND SCOPE OF THE WORK

We have planned and carried out our work taking into account the risk of material misstatement of the Information.

We believe that the procedures we have conducted, exercising our professional judgment, enable us to formulate a conclusion of limited assurance:
- we acknowledged the business activities of all the entities included in the consolidation scope and the description of the main risks;
- we assessed the suitability of the Criteria in view of their relevance, completeness, reliability, neutrality, and clarity, taking into account industry best practice, where appropriate;
- we verified that the Statement covers each category of social and environmental information provided for in III of article L. 225-102-1 of the French Commercial Code;

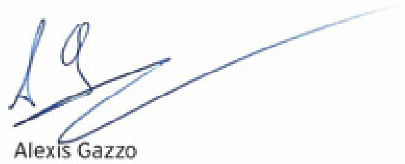
(1) ISAE 3000 (revised) – Assurance engagements other than audits or reviews of historical financial information.

- we verified that the Statement presents the information provided for in II of article R. 225-105 of the French Commercial Code when relevant with regard to the main risks and includes, where applicable, an explanation of the reasons justifying the absence of the information required by the second sub-paragraph of III of article L. 225-102-1 of the same Code;
- we verified that the Statement discloses the business model and the main business risks affecting all entities included in the consolidation scope, including, where relevant and proportionate, the risks arising from their business relationships, products and services, as well as policies, actions and outcomes, including the key performance indicators;
- we consulted the documentary sources and carried out interviews to:
  - assess the process for selecting and validating the main risks as well as the consistency of the results, including the key performance indicators selected, with respect to the main risks and policies presented,
  - corroborate the qualitative information (actions and outcomes) that we considered material, as presented in Appendix 1. For certain risks (harassment and discrimination, environmental footprint of products, deterioration of labour relations and policies, loss of key skills, interruption of activities due to extreme weather events, increased legal and regulatory changes and constraints in terms of the environment), our work was carried out at the level of the consolidating entity, for other risks (OH&S risks, major environmental event, greenhouse gas emissions of the sites), work was carried out at the level of the consolidating entity and of the Nantes Indret establishment;
- we verified that the Statement covers the entire consolidation scope, *i.e.*, all entities included in the consolidation scope in accordance with article L. 233-16 of the French Commercial Code, subject to the limits specified in the Statement;
- we acknowledged the internal control procedures and the risk management implemented by the entity and evaluated the compilation process put in place by the entity to ensure that the Disclosures are comprehensive and fair;
- for the key performance indicators and the other quantitative results that we considered material, as presented in Appendix 1, we carried out:
  - analytical procedures to check that the data compiled had been consolidated correctly and that trends in the data were consistent,
  - detailed tests based on sampling or other means of selection, consisting of verifying the correct application of definitions and procedures and reconciling the data with the supporting documents. This work was carried out with a selection of contributing entities listed hereafter and covered between 9% and 13% of the consolidated data selected for these tests (9% of the hours worked, 9% of the registered workforce, 13% of the sites' energy consumption);
- we assessed the overall consistency of the Statement with our knowledge of the entity and all entities included in the consolidation scope.

The procedures implemented as part of a moderate assurance engagement are less extensive than those required for a reasonable assurance engagement performed according to professional doctrine; a higher level of assurance would have required more extensive verification work.

Paris-La Défense, February 25, 2022

The independent verifier EY & Associés



Alexis Gazzo
Associé, Développement Durable

APPENDIX 1 – INFORMATION CONSIDERED TO BE THE MOST IMPORTANT

Social information	
Quantitative information (including key performance indicators)	***Qualitative information (shares or income)***
• Percentage of positions filled in critical positions (GPEC) • Number of collective agreements signed (including amendments) • Short-term absenteeism rate • Pay equity ratio • Percentage of women members on the Executive Committees (Executive Committee and N-1 Executive Committee) • Percentage of women managers • Employment rate of people with disabilities • Gender equality index • Percentage of women among new hires • Percentage of seniors among new hires • Number of work-related injuries with lost time; • Number of days lost • Frequency rate • Severity rate	• The organisation and results of the policies put in place to limit health and safety risks at work. • The organisation and results of the policies put in place to combat harassment and discrimination. • The organisation and results of the policies put in place to limit the deterioration of labour relations and policies. • The organisation and results of the policies put in place to prevent the risk of loss of key skills.

Environmental information	
Quantitative information (including key performance indicators)	***Qualitative information (shares or income)***
• Number of environmental accidents and significant environmental incidents • Reduction in site scopes 1 and 2 GHG emissions (ISO hours worked and ISO DJU) • Reduction in energy consumption (ISO hours worked and ISO DJU) • Number of environmental analyses of products	• The organisation and results of the policies put in place to control the risk of serious industrial accidents. • The organisation and results of the policies put in place to limit greenhouse gas emissions at Naval Group's sites in France. • The organisation of policies put in place to assess the environmental footprint of Naval Group products. • The organisation of policies put in place to assess and anticipate the risks of business interruption due to extreme weather events. • The organisation and results of the policies put in place to anticipate the increase in legal and regulatory changes and constraints in terms of the environment.

Societal information	
Quantitative information (including key performance indicators)	***Qualitative information (shares or income)***
• Suppliers at CSR risk • Suppliers at CSR risk assessed • Suppliers at CSR risk that need an improvement plan	• Data protection systems in place. • The systems put in place to prevent corruption, fraud risks, conflicts of interest and influence peddling.

GLOSSARY

This glossary lists certain technical terms used in this document. The list is not exhaustive.

3DExperience®:
cloud platform, created by Dassault Systems, that allows access to online applications and services, to design, simulate, share and collaborate with the company's ecosystem.

Framework agreement:
contract entered into by one or more buyers with one or more economic operators, the purpose of which is to establish the rules relating to the purchase orders to be issued or the terms governing the contracts to be awarded during a given period, in particular as regards the prices and, where applicable, the quantities envisaged (article 4 of Order No. 2015-899 of July 23, 2015 on public contracts).

ADEME:
the Environment and Energy Management Agency is a national public industrial and commercial establishment (EPIC) that operates under the supervision of the French ministries of the Ecological and Inclusive Transition, Higher Education, Research and Innovation. Its main areas of intervention concern energy management and environmental policies.

Admission to active service:
designates the time when the building is able to fulfil all the missions that may be entrusted to it.

AUKUS Alliance:
military alliance signed on September 15, 2021, between Australia, the United States, and the United Kingdom in the field of defence and security.

AQAP 2110 – Allied Quality Assurance Publications:
certification set up by NATO, which sets out quality requirements. It is a management tool that meets the quality requirements of ISO 9001 and the specific requirements of the "Defence" sector.

Force supply vessels:
vessels intended for the logistical support of French Navy vessels deployed on the high seas. They are used to supply fuel, spare parts, and food.

Cradles:
structures intended to support a submarine during its launch or transport.

Anti-aircraft capabilities:
set of defence systems responding to threats from aircraft or airborne weapons.

Ecoveille catalog:
guide covering cleantech technologies (industrial technologies and services using natural resources with a view to improving efficiency and productivity, and reducing the volume of waste, while preserving or improving performance).

Cofferdams or dry mesh:
space separating two parts of a ship's hull, delimited by two watertight bulkheads on either side.

Committee of Sponsoring Organisations – COSO:
internal control framework defined by the Committee of Sponsoring Organisations of the Treadway Commission.

Corvette:
medium-sized warship.

Eco-design:
set of production methods that reduce the environmental impact from the design of a product or service and during all stages of its life cycle.

Ecovadis:
global provider of corporate sustainability ratings.

Pool-support system:
interior structure of the nuclear boiler room of a submarine that supports the main components (accumulator, pressuriser, vessel, etc.).

Additive manufacturing:
manufacturing process by adding materials in successive layers. 3D manufacturing is an example of additive manufacturing.

Mutual funds (FCPE):
undertaking for collective investment in transferable securities reserved for employees of companies.

Frigate:
medium-tonnage combat vessel, intermediate between the corvette and the cruiser, with an anti-submarine vocation.

Danish Institute for Human Rights:
state institution, independent of the government, promoting the creation of sustainable solutions. It acts as a link between governments, NGOs, and companies.

ISO 9001:
standard defining the criteria and requirements for the implementation of a quality management system. The tools and methods aim to optimise the effectiveness, efficiency and excellence of the company's production processes and overall operations.

ISO 14001:
environmental management standard providing guarantees in terms of controlling environmental impacts in the company.

ISO 37001:
standard enabling organisations of all types to prevent, detect and deal with corruption issues.

ISO 45001:
standard defining the criteria and requirements for occupational health and safety. Its objective is to implement an Occupational Health and Safety (OHS) management system aimed at reducing the risk of accidents in all company functions.

Modular handling:
scalable handling system to adapt to the specific needs of the company.

Subsequent contract:
contract concluded on the basis of a framework agreement, which specifies the characteristics and terms of performance of the services requested, not defined in the framework agreement.

Seamanship:
workplace training program (AFEST). Seamanship allows experienced and recognised professionals to learn, improve and deepen their skills in stages through immersion, benefiting from their experience. It is based on the performance of professional activities in the presence of a peer, who passes on their knowledge and know-how, in particular through demonstrations: the mentor (the "seaman") shows, the employee (the "seaman"). observes then reproduces. Together, they reflect on the employee's practices.

Asymmetric threats:
threats from an adversary whose strengths and objectives are not comparable (terrorism, guerrilla warfare, etc.).

Bilan Carbone® method:
method developed by ADEME and updated by the association's carbon footprint (ABC), which defines a methodology and tools to quantify the greenhouse gas emissions generated by activities, services and/or products.

Nave Sesame:
nave housing the acoustic test station for engine equipment (SESAME) at the Nantes-Indret site.

Global Compact:
United Nations initiative based on ten principles aimed at encouraging companies, public organisations, and civil society to adopt a socially responsible attitude. These principles relate to human rights, international labour standards, the environment, and the fight against corruption.

Patroller:
small building intended for surveillance, maritime safeguarding, or attack missions in coastal areas.

Nuclear recovery plan:
support plan put in place by the Government to strengthen the skills and competitiveness of the nuclear sector. aims to support projects for the modernisation, development, or relocation of industrial sites. This plan It is operated by BPI France.

Purpose:
principles that a company may adopt, which may be specified in its articles of association and for which it intends to allocate resources in the conduct of its business.

Book-to-bill ratio:
ratio between orders taken and revenue for a given period.

Nuclear attack submarine:
nuclear-powered submarine with protection, intelligence, and defence projection missions.

Nuclear missile launcher:
very large naval nuclear-powered submarine equipped with nuclear-charged strategic ballistic missiles.

Metric tons of CO_2 equivalent:
unit of measurement created by the Intergovernmental Panel on Climate Change (IPCC), which compares the impacts of different greenhouse gases on the environment.

Torpedo:
self-propelled underwater vehicle loaded with explosives, used against maritime objectives by ships, submarines or aircraft.

Women empowerment Principles:
set of seven principles that provide guidance to companies on how to promote gender equality and the empowerment of women in the workplace. At the initiative of UN Women and the Global Compact of the United Nations, these principles are based on the interest and responsibility of companies for gender equality and women's empowerment.

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

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March 2023.
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