

# FINANCIAL REPORT

2021





## Management report

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

## 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, 2021, 62.25% of its capital was held by the French State, 35% by Thales, and 1.58% by current and former members of staff of the company and its subsidiaries through FCPE Actionnariat Naval Group (formerly known as the FCPE Actions Naval Group) and 1,17% by Naval Group Actionnariat (indirectly wholly-owned subsidiary of Naval Group - treasury shares).

Under the collective shareholding plan adopted by the Board of Directors 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.

At its meeting of February 20, 2020, the company’s Board of Directors approved the implementation of a new collective shareholding plan up to a maximum of 210,000 Naval Group shares for a sale price of Naval Group shares “equal to the price per Naval Group share resulting from the next annual assessment carried out by the panel of experts appointed by Naval Group, which should be available at the beginning of April 2020”. In a report dated September 9, 2020, the panel of experts in charge of the annual assessment of the Naval Group share concluded that it was impossible, in the current context of the current crisis, to “present a value to date for the Naval Group share [...]”. Thus, the 2020 collective shareholding plan could not be implemented given that at the deadline for completion of this new collective shareholding operation (September 30, 2020), the new valuation of the Naval Group share was still not available.

On October 11, 2021, the “Actions Naval Group 2008” and “Actions Naval Group 2014” Sub-funds of the FCPE Actions Naval Group were merged into the “Actions Naval Group 2019” Sub-fund. Following these merger-absorption transactions, as the “FCPE

Actions Naval Group” was composed solely of the absorbing sub-fund “Actions Naval Group 2019”, this was converted on October 14, 2021 into a simple fund whose new name is “FCPE Actionnariat Naval Group”.

At its meeting of December 15, 2021, the company’s Board of Directors approved the implementation of a new collective shareholding plan up to a maximum of 330,000 Naval Group shares and subject to the ordering of defence and intervention frigates (FDI) in Greece.

During 2021, Naval Group Actionnariat purchased 138,847 treasury shares in accordance with the share buyback guarantee granted to staff. Of these, 19,188 shares related to the 2008 sub-fund of FCPE Actions Naval Group (ORS 1), 91,136 shares related to the 2014 sub-fund of FCPE Actions Naval Group (ORS 2), 6,047 related to the 2019 sub-fund of FCPE Actions Naval Group (2019 Collective Shareholding Plan) and 22,476 sub-fund of FCPE Actionnariat Naval Group following the merger of the three sub-funds.

As at December 31, 2021, Naval Group Actionnariat thus held 659,599 treasury shares acquired as part of the three aforementioned share offers (ORS 1, ORS 2 and the 2019 Collective Shareholding Plan).

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 LTIP regulation implemented in 2018 was not met, so no shares are allocated to the beneficiaries of this 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 Rézat, Jacques Hardelay, Patrice Caine and Pascal Bouchiat.

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, 2021.

The terms of office of directors appointed by the General Meeting of Eveline Spina, Nathalie Ravilly, Bernard Rézat, Jacques Hardelay, Patrice Caine and Pascal Bouchiat will

expire at the end of the General Meeting to be called in 2022 in order to approve the financial statements for the year ended December 31, 2021.

At its meeting of February 25, 2022, the Board of Directors proposed to the General Meeting to renew these six terms of office for a period of five years, *i.e.* until the end of the General Meeting called to approve the financial statements for the year ended December 31, 2026.

### 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. 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.

The directors representing employees on the Board of Directors are as follows:

- Olivier Menard;
- Laurent Chagnas;
- Béatrice Unia;
- Yvon Velly;
- Tony Lecorps;
- Didier Chavrier.

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

In addition, pursuant to the legal and regulatory provisions applicable to the company, Jacques Paultre de Lamotte, Economic and Financial Controller, Head of the Space and Armaments Industries mission of the French State's General Economic and Financial Control mission, Anne-Chantal Le Noan, General Controller of the Armies and Government Commissioner for the company, Stevan Le Ruyet, Secretary of the Central work council and Paul Teboul, censor (appointed by the Board of Directors on October 14, 2021 to replace Gabriel Cumenge) attend, without voting rights, the meetings the Board of Directors.

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.

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

### Governance

Corporate governance means the system formed by the totality of rules, behaviours and institutions that determine the manner in which the company is managed, administered and controlled. Naval Group's governance is organised around a Board of Directors and an Executive Committee. As of December 31, 2021, the Executive Committee had 13 members, including 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;
- Industry Director;
- Human Resources Director;
- Executive VP Strategy, Partnerships and Institutional Affairs;
- Chief Technical and Innovation Officer;
- Executive Vice President Operations and Performance;
- Executive Vice President, Australian Future Submarine;
- Chairman and Chief Executive Officer's special adviser.

The Communication Director joined the Executive Committee on January 1, 2022. The Executive Committee defines the group's objectives and decides on all matters having a major impact on the group's strategy, operations and commercial activities.

### 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 (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.

#### 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, 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 some 3,550 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 *Le Redoutable*, the first ballistic nuclear submarine;
- 1980: design of the stealth frigate *La Fayette*, whose innovative design went on to influence navies worldwide;
- 2000: entry into service of the aircraft carrier *Charles de Gaulle*;
- 2006: delivery of the first Mistral-class projection and command vessel, a new warship design capable of performing a wide range of civil, military and humanitarian missions;
- 2007: cutting of the steel for the frigate *Aquitaine*;
- 2008: launch of the ballistic nuclear submarine (SSBN) *Le Terrible*, 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 projection and command vessel *Dixmude* to the French Navy;
- 2013: the FREMM multi-mission frigate *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 will result in the creation of Naviris, a joint venture company equally owned by both groups, 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 (BITD) 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.

### Specific products

The group offers the following products in line with the specific requirements of its existing and prospective customers:

- ballistic nuclear submarines, which have assured a permanent, uninterrupted French presence on the oceans for 50 years;
- 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*, FREMM multi-mission frigates, amphibious helicopter-carrying vessels in the Mistral class, 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 October 16, 2020, Naval Group's Board of Directors analysed the company's strategic priorities and its new transformation program, Naval 2025 (see paragraph I.1.4). In this context, an Operations and Performance Department has been set up within the Executive Committee. It brings together the Departments of Health, Occupational Safety and Environment; Quality; Digital and Information Systems; Purchasing and Supplier Relations; Data Office. This department is responsible for managing the Naval Group transformation program for 2025. To affirm the vital importance of technique and technology in our activities, the Technical and Innovation Department also joined the Executive Committee. This adaptation of the organisation of the Executive Committee was presented to the Central Social and Economic Committee (CSEC) on November 18, 2020 as part of the social information/consultation process of this body.

In January 2022, the Communication Department joined the Executive Committee.

### 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, safety and 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 2021 FINANCIAL YEAR

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

These consolidated financial statements of Naval Group, for the financial year ended December 31, 2021, were approved by the Board of Directors on February 25, 2022 and will be submitted for approval to the General Meeting to be held on March 18, 2022.

The 2021 financial year was marked by the following major events:

- more than 3 billion orders taken;
- revenue of around €4 billion;
- operational successes, notably with the transfer to the SSN launching system *Duguay-Trouin* (Barracuda program), delivery of the FREMM *Alsace*, nominal repair procedure for the SSN *Perle*;
- notification by the Australian customer that it is shutting down the AFS program for reasons of convenience;
- cessation of Naval Energies' floating wind activity.

### I.2.2. NAVAL GROUP INCOME AND FINANCIAL POSITION

#### Revenue

The group's revenue for 2021 was €4,1 billion, a 22.0% decrease in revenue compared with 2020.

International revenue made up 27.1% of the total.

#### Backlog

Orders with a value of €3.1 billion were received during the year. The book-to-bill ratio was 0.75.

As at December 31, 2021, the group's order book stood at €14.1 billion. Its provisional execution schedule is as follows: 22.6% in 2022, 19.5% in 2023, 15.3% in 2024, 12.6% in 2025 and 30% thereafter.

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

### Income

Operating profit of €271.4 million (6.7% of revenue) before amortisation of fair value difference was recorded for the year, as compared with €62.9 million (1.9% of revenue) in 2020. Operating profit after net income from associates was €293.7 million, as compared with €81.2 million in 2020.

Net finance income (expense) showed a loss of (€4.3) million, compared with a loss of (€0.9) million in 2020.

The consolidated income tax expense was (€77.7) million.

The current tax is (€45.5) million.

The change in deferred taxes [(€32.3) million] comprises a (€2.9) million expense corresponding to the recognition of the future decrease of the current tax rate on all of the group's (positive and capitalised) temporary differences (*versus* €6.1 million as at December 31, 2020) and comprises (€10.9) million relating to the write-down in deferred tax by the subsidiary in Australia.

Net income from assets held for sale, through the application of IFRS 5, was negative (€14.8) million.

The net profit for the period was consequently €196.9 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 €1,498.3 million at December 31, 2021 (compared to €1,625.3 million at December 31, 2020) and is made up as follows:

	12/31/2021	12/31/2020
Non-current investment securities	200.0	365.0
Current investment securities	165.0	-
Cash and cash equivalents	1,133.3	1,260.3
<b>TOTAL</b>	<b>1,498.3</b>	<b>1,625.3</b>

### I.2.3. NAVAL GROUP 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.

### Industrial and commercial activity

The year 2021 was mainly marked by the end of the AFS program. During the last quarter, nearly 600 full-time equivalents (FTE) from the engineering and management sectors were reassigned to other programs, reducing the level of subcontracting.

In the field of production, industrial activity was very intense, driven by the Barracuda series for the Naval Group sites in Cherbourg and Nantes-Indret, and by the concomitance of the Gowind® export corvettes and the first FDI for Lorient. In Angoulême-Ruelle, production was sustained, thanks in particular to the site's contribution to the full cycle docking (FCD) of the SSBN *Le Terrible*.

The emblematic milestones of the year have been achieved: delivery of the FREMM *Alsace*, transfer of the SSN *Perle* in Toulon, transfer of the SSN *Duguay-Trouin* on the launching system, final launch of the first Gowind® export and switch on of the Panoramic Sensors and Intelligence Module (PSIM) of the first FDI.

The year was also marked by the start of pre-project activities for the nuclear-powered new generation aircraft carrier (PA-Ng).

The highlight of the year in terms of offers was the acceleration from September of the FDI file for Greece. Negotiations were completed at the end of the year and an announcement is expected in March 2022. This program will have a major impact on the activity of the Lorient site, which will ensure the production of FDI at a rate of six months from 2023.

Health, safety at work and environment (HS&E) performance was disappointing, with 30% more accidents with lost time than in previous years. The severity rate is nevertheless decreasing. In order to rectify the situation, an in-depth external diagnostic was carried out at the Cherbourg and Lorient sites to define the managerial action plan that will be rolled out in 2022.

In terms of quality, however, the results are improving: reduction in quality accidents, assessment scores from the French Defence Procurement Agency (DGA) higher than 17/20 on all sites, significant reduction in the age of anomaly sheets.

In the area of industrial performance, the transformation plan for the Cherbourg site was resolutely pursued during the year, and the first positive effects were noted towards the end of the incorporation process for the SSN *Duguay-Trouin* and the SSN *Tourville*. The Nantes-Indret site has rolled out a similar transformation plan, intended to secure the degeneration of propulsion equipment and nuclear boiler plant batches of production Barracuda SSNs.



The industrial sites have begun to study and carry out the first work to upgrade the industrial resources for the 3G SSBN contract: production line for the hull sections in Cherbourg, extension of the machining nave in Nantes-Indret.

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

From a human resources perspective, the engineering ramp-up project was discontinued following the end of the AFS program. The challenge for 2022 lies in strengthening the production sector, which is essential to compensate for the weakness of subcontracting in the Lorient and Cherbourg employment areas, and in strengthening the resources of the combat system sector, which is the key factor in strong growth in activity.

## Programs' business

### Submarines

#### SSBN 3G program

Following the signing of the framework agreement and the first subsequent contract in the development and construction phase at the beginning of the year, development studies were launched and the last structural technical choices were finalised. The cycle of System Requirement Review (SRR) and System Functional Review (SFR) took place throughout the year, providing a reliable base of requirements applied to the subsystems at the end of 2021.

The first long-delay supplies of the first submarine were launched. These include boiler room blanks and heavy-duty shell forgings.

Initial purchases of specific production resources have also been made and will continue at a high pace in 2022, in line with the industrial master plans of the SSBN production sites.

#### Barracuda submarines

*Suffren* (submarine no. 1): the vessel, delivered in November 2020, continued its testing program in preparation for its admission to active service. The year was marked by the first interim maintenance period, which took place in the new infrastructures of the Toulon naval base.

*Duguay-Trouin* (submarine no. 2): hydraulic strength tests on the secondary circuit of the nuclear boiler room were carried out at the beginning of the year. In addition, integration work continued throughout the year, allowing the start of global tests of the boiler room, which were completed during the month of November. Once the trials were completed, the vessel was transferred to the launching facility, where integration work continued until the first trip to sea.

*Tourville* (submarine no. 3): the clean phase started under the provisional airlock in April 2021 and then the vessel passed under the cap hatch at the end of the year, thus taking the place of

the *Duguay-Trouin* in order to continue work in the boiler room. The onboarding of the powerplant module was completed in June 2021. In addition, many cradles were integrated during this year, allowing several major junctions before the complete reconstruction of the ship, scheduled before the end of the first half of 2022.

*De Grasse* (submarine no. 4): the power unit module was transferred to the Sésame nave for testing in July. The boiler room module was delivered to Cherbourg in November. Its embarkation in January will mark the start of work to rebuild the boiler room. Major junctions were also made. Work on the hull equipment continued throughout the year and will continue in 2022. In addition, integration work has begun.

*Ruby* (submarine no. 5): the pool-support system was delivered in June to the Nantes-Indret site, and the making of the hull sections and the cofferdams continued in Cherbourg. Work is also continuing on all nuclear components, and the assembly of the boiler room module began at the end of the summer.

*Casabianca* (submarine no. 6): work on the hull and on the pool-support system continues, as well as work on the main equipment of the boiler room.

The deployment of transformation plans aimed at improving industrial performance at the Nantes-Indret and Cherbourg sites continued. In this respect, investments have been made to optimize production flows at the launch facility where the integration of the *Duguay-Trouin*. Numerous improvement projects are underway at the Cherbourg and Nantes-Indret sites (establishment of logistics hubs, optimisation of the paint phase process, etc.).

From a commercial standpoint, 2021 was marked by the signing of amendment 21, confirming the provision of additional services for the armed vessel scope and the boiler room. In addition, discussions with the DGA on future capacity changes are continuing.

#### Prosub submarines for the Brazilian Navy

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

- sea trials on the *Riachuelo* (first boat in the series) continued throughout the year and were marked by a successful torpedo launch in November;
- the delivery of the boat to the Brazilian navy is now scheduled for the end of the first quarter of 2022;
- the *Humaita*, the second boat in the series, will start its tests in the first half of 2022.

SNBR (design assistance for the non-nuclear part of Brazil's first nuclear-powered submarine):

- the execution of the amendment relating to the Initial Detailed Design Phase is being finalised. Discussions on the continuation of this phase are currently being held with the Brazilian navy in order to define the framework of the services that will be provided over the next three years.

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

### Australian Future Submarine program (AFS)

The year 2021 was marked by the unexpected decision of the Commonwealth of Australia (CoA) to terminate the AFS program on September 16, for political and strategic reasons independent of the proper execution of the program (Termination for convenience).

Throughout the year, however, both in France and Australia, despite the various lockdowns and the impossibility of traveling between the two countries, the teams worked hard to meet customer requests and prepare for the next contractual phase (the Core Workscope 2, covering the basic design of the submarine, and the Additional Workscope, covering long-term supplies).

The Chairman and Chief Executive Officer of Naval Group also travelled to Australia in February despite the severe health restrictions in force, to personally reiterate the importance of this program for Naval Group. This visit was particularly well received by the Australian authorities and notably led to the signing of the commitment of 60% of Australian content which was not in the initial contract (this one provided only for an objective to "maximise" Australian industry involvement and had no specific figures).

A new dynamic was set up with the launch of a collaborative process, consisting of joint Naval Group/CoA workshops on the main topics of the program (overall schedule, overall program costs, register of risks, information systems development plan in Australia, contractual management, etc.); momentum strengthened by the arrival of Lilian Braylé in June as new program director.

This collaborative approach (Seven Step process) initiated with the client was carried out exactly within schedule as per the initial deadlines. Thanks to this approach, the fundamentals were validated and a fully acceptable offer was submitted on the scheduled date (August, 23) to allow the start of the phase Core Work Scope 2 from September 2021. The CoA also praised the efforts made by the Naval Group teams, particularly in terms of the robustness of the overall schedule of the program associated with a stable, solid and consistent cost forecast. Various ministers and CoA officials have on several occasions in 2021 reported a clear improvement in relations with Naval Group and the stability of the program in terms of costs and deadlines. However, on September 16, the CoA announced its decision to end the Strategic Partnering Agreement (SPA) and therefore the AFS program, following the AUKUS announcement, a new strategic alliance between Australia, the United States and the United Kingdom. Australia has decided that the response best adapted to its needs is now a fleet of nuclear submarines rather than conventional submarines, which is a reversal of the strategy pursued until now. The Australian authorities also terminated the

contract "for convenience", and not for default, recognising that there was no breach by Naval Group of its obligations.

Naval Group met all of its commitments: proposal and then contractualisation of the 60% local content, closure of the last operational milestone (validation of the Systems Functional Review) on September 15, 2021, confirmation of commitments on the schedule and long-term costs, taking into account the increased wishes of the CoA regarding the partial "Australianisation" of subsequent detailed studies. All of the tasks entrusted to Naval Group were carried out in accordance with the customer's expectations as part of an unprecedented technology transfer in terms of volume and ambition. The CoA has publicly acknowledged that the Attack Class was the best possible solution for a regional superiority conventional submarine; the decision to terminate the contract is not linked to any failure by its partners but to a change in strategic need, decided by politicians.

Since September 16, the AFS program has entered a phase known as Transition Out which aims to close industrial activities (delivery of draft documents and assets developed under the contract, termination of supply and subcontracting contracts, dismantling of information systems, closure of premises, etc.), close consultation with the customer and the French State services, in accordance with the contractual provisions of the SPA. This phase should be spread over the course of 2022. At the same time, Naval Group has set up a major human resources support system to offer all its employees involved an internal repositioning solution.

### Surface vessel business

#### FREMM DCCAR

The *Alsace*, the first of the two multi-mission frigates with enhanced air defence capabilities (FREMM DA), was delivered on April 16, 2021 in accordance with the contract and admitted to active service with the French Navy on November 22, 2021 after a successful first operational deployment. This frigate precedes the *Lorraine*, currently in production. These two FREMM DAs will complement the anti-aircraft capabilities of the French Navy alongside the Horizon frigates, particularly in their missions to protect the carrier strike group.

The FREMM program, which involves six anti-submarine frigates (ASM) already in service and two air defence frigates (FREMM DA) should complete the armament of the last frigate (the *Lorraine*) in early 2022 to begin its sea trials with a delivery target of the end of 2022. In the meantime, operations to qualify the combat system in its FREMM DA configuration will begin at the end of 2021 after satisfactory initial testing in the autumn.

#### Defence and Intervention Frigate Program (FDI)

The first tranche of the defence and intervention frigate framework agreement entered into force on April 20, 2017.

It provides for the development, production, and delivery to the French Navy in 2024 of the first of these five top-tier digital frigates in the 4,000-tonne class.

The year 2021 was particularly rich with, in terms of studies, customer validation of the detailed design at the beginning of the year. Version 3 of the combat system (which covers most of the frigate's capabilities) was qualified in September 2021.

The production and assembly of the first PSIM, which includes most of the sensors and means of communication, central operation and associated technical rooms, is completed. It was powered up at the end of 2021, meaning that it can start initial testing on the combat system on land early.

At the same time, hull production continued with the machining and pre-fitting of the hull blocks as well as the setting up of the first FDI hull at the end of the year.

The 2021 financial year was also marked by the entry into force of subsequent contract no. 2 for the production of FDI no. 2 and FDI no. 3. As a reminder, the 2017 framework agreement provides for the delivery of five FDI by the end of 2029.

#### Mine Counter Measure Vessels (rMCMV) program

The program to make 12 mine hunters fitted with drones for the Belgian and Dutch navies continued its engineering activities this year and started its industrial activity.

The first vessel began machining this summer and completed its bilge milestone in Concarneau in November in the presence of the Belgian and Dutch authorities.

At the same time, the industrial cooperation plan associated with this program, whose purpose is to strengthen the Belgian BITD, is in full swing with the inauguration of the MCM Laboratory in Brussels, a centre for collaborative innovation and R&D with Belgian private and public partners, and the MIRICLE award, an R&D project funded by the European Union to define the future of European mine warfare, under the leadership of Naval Group Belgium.

#### Gowind® Egypt

The corvette *Port-Said* (second of four units in the program and first unit manufactured in Egypt) was delivered in January 2021. The Naval Group teams based in the country provided their technical expertise, thus demonstrating our effectiveness in supporting our client.

The *Al-Moez* corvette's first sea trip (third unit of the program) took place successfully in September 2021 and its delivery is scheduled for early 2022.

Work also continued on the *Alismailia* corvette, the fourth and final unit of the program, which is under construction in Alexandria and scheduled for delivery in the summer of 2022.

#### 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 (SMC) 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 Boustead Naval Shipyard was slowed down in 2020 and 2021 mainly due to the economic situation of BNS and the health crisis.

However, BNS is seeing encouraging signs to hope for nominal program reversal.

#### Gowind® United Arab Emirates (UAE)

The launching ceremony for the frigate *Bani Yas*, the first of two vessels in the program, took place in December 2021, marking a major milestone for the Lorient site. The second frigate *Al Emarat* was repositioned in terms of construction form, allowing the continuation of hull work and the embarkation of the propulsion engines.

In addition, almost all equipment has been ordered for the entire program.

#### Logistics Fleet Program (Flotlog)

This contract signed with the Joint Armament Cooperation Organisation (OCCAR) covers the construction of four force supply vessels for the French Navy, in co-contracting with Chantiers de l'Atlantique.

Naval Group designs and installs the platform's military systems as well as the combat system. In this respect, 2021 was marked by the completion of the detailed design review as well as the setting up of the first production unit, the *Jacques-Chevallier*.

#### OPV Argentina

2021 was marked by the on-time delivery of the ARA *Piedrabuena* and the ARA *Storni*, OPV nos. 1 and 2, in April and October 2021 respectively.

The final launch of the ARA *CL Cordero* (OPV no. 3) took place on September 21, 2021 in Concarneau. Delivery of this last production boat is scheduled for April 2022.

#### Ocean patrollers (PO)

The DGA launched the ocean patrol vessel program with the announcement on October 23, 2020 of a framework agreement for ten units awarded to Naval Group, CMN, Piriou and SOCARENAM.

The subsequent contract (MS1) for a pre-project and value analysis phase, announced in 2020, was accepted on June 23, 2021. The subsequent contract (MS3) for a study and design phase of the main system and support system for the ocean patrol vessels was awarded to Naval Group on October 5, 2021.

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

Senegalese patrolers (OPV58S)

In 2020, Naval Group was selected by Kership to provide combat system engineering and the supply of the CMS Polaris for three OPV 58 units for the Senegalese navy.

The program continued on a nominal basis during the 2021 financial year. In addition, an amendment for the supply of a CMS to the onshore centre in Dakar and to an existing OPV was signed on March 4, 2021.

### Service activity

In 2021, commercial activity was mainly marked by:

- notification of the SSN 21 contract in July, for the maintenance of *Ruby* and *Suffren* class SSN for a period of three and a half years, until the end of 2025;
- notification of amendments to the SSBN *Le Terrible* full cycle docking (FCD) and contracts for the modernisation of second-generation SSBNs;
- notification of subsequent contract no. 5 relating to the maintenance of the aircraft carrier *Charles de Gaulle* for the period 2022-2025.

The main operational achievements of the period are:

#### In France:

- the continuation of *Le Terrible's* FCD in Brest, with delivery scheduled for 2022;
- repair work on the SSN *Perle* in Cherbourg and then in Toulon. Resumption of FCD from the end of 2021 for a return to active service of the submarine in 2023, after the end of the FCD;
- delivery of the frigate *Le Courbet* in July, the first of three half-life renovations of the *La Fayette*-type frigates (FLF). Start of work on the second frigate *La Fayette* in October – approximately one year of work for each of the three vessels;
- 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:

- delivery of the second F706 frigate, which marks the end of the maintenance and modernisation activities provided for in the LEX contract;
- 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.

### Naval Energies business

On June 3, 2021, Saipem/Sofresid Engineering and Naval Energies signed an agreement for the acquisition of certain assets comprising the floating wind activity of Naval Energies, including

in particular a few dozen resources with expertise in modelling and simulation, Naval Energies engineering expertise with floating technology and the related intellectual property rights.

### I.2.4. RESEARCH AND DEVELOPMENT (R&D)

At Naval Group, innovation serves two major challenges: guaranteeing the technological superiority of our customer navies in line with their operational ambition, on all oceans, and guaranteeing our competitiveness in a growing competitive environment, in all continents.

#### 2021, a year full of innovations

In response to the capacity objectives of its customers and its own competitiveness objectives, Naval Group structures its innovation work around six unifying axes: *Smart Naval Force*, *Smart Ship*, *Blue Ship*, *Invulnerable Ship*, *Smart Availability*, *Smart Industry*.

Their purpose is multiple:

- provide a concise and structured 30-year vision of the group's R&D guidance, taking into account the short term, focused on the needs of the product lines and programs; the medium term (looking to the future, new threats, new uses, etc.); and the long term (guided by the forward-looking plan, science and technology S&T, and long-term development innovation). This vision is firmly focused on the customer. It identifies the capacity upgrades to be offered in different increments to given programming targets;
- gives those responsible for R&D work the vision of the technological building blocks and scientific advances required to provide the new operational capabilities identified.

In 2021, work was carried out to align the capacity and schedule needs of the programs with the innovation work. This work resulted in the dissemination of the first innovation/program roadmaps for each unifying axis.

2021 was also a year rich in the development of innovations, often resulting in remarkable demonstrations. The following points are worth a mention:

- IMS V2 intelligent maintenance system on the SSN *Suffren*;
- digital propulsion twin on SSN *Barracuda*;
- water mist firefighting during a FREMM construction site;
- data recording system on the aircraft carrier *Charles de Gaulle*;
- assessment of threats due to a swarm of drones.

Several innovative developments have reached significant levels of maturity, including:

- eco-designed propulsion (reduction of fuel consumption by adding hull appendages);
- additive manufacturing;
- the industrial digital twin (4D digital simulation of ship construction);

- the oceanic drone demonstrator (DDO) and its decision-making autonomy for drones;
- on-board energy (Li-ion battery);
- the fight against asymmetric threats (LCMA) V0;
- modular handling of weapons for submarines.

### Increasing R&D funding

The share of R&D studies funded by Naval Group for naval defence included in R&D costs amounted to €90 million in 2021. As in previous years, additional financing is required. In 2021, contracts, mainly with the DGA but also with the regions and European funds, completed our cash flow and contributed to the achievement of our strategic technological plan.

Significant efforts are made to structure collaborative programs by proposing projects to various regional, national, European and international offices. Below are some of the highlights of 2021 that deserve a mention:

- Naval Group won three projects under the Nuclear Recovery Plan (Arqane, Mecanum@, CE-NUCPN);
- the South region subsidised a major project on the future engineering for the business unit Submarine weapons (ASM BU);
- 2021 was a rich year at European level. 15 new European projects were submitted. Three EDIDP projects were won – Miricle, SeaNice and USSPS;
- the R&T contract with Naviris continued as planned with delivery of the batch Logistic of the future;
- in Australia, a €5 million contract was announced in the energy sector.

### 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, Saint-Cyr, ENSTA Paris et Bretagne, CNRS and others. INRIA.

Lastly, we are continuing our development of international research centres with the opening of a centre in Belgium in 2021.

### Innovation acceleration

In 2021, the organisation was strengthened 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.

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

### 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 collective shareholding plan.

### 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 Nederland BV (100%) and Naval Group Malaysia Sdn Bhd (not significant).

### 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 in 1990 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 rMCMv 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

On June 3, 2021, Saipem/Sofresid Engineering and Naval Energies signed an agreement for the acquisition of certain assets comprising the floating wind activity of Naval Energies, including in particular about 30 resources with expertise in modelling and simulation, Naval Energies engineering expertise with floating technology and the related intellectual property rights. Cessation of the activities of this subsidiary has been initiated.

### 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

Naval Group Australia Pty Ltd is an Australian company whose corporate purpose is to conduct the AFS program in Australia.

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.

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 new generation aircraft carrier 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 India, 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

On March 10, 2021, Naval Group and Chantiers de l'Atlantique created a joint venture dedicated to the new generation aircraft carrier (PA-NG) program, following the announcement made on December 8, 2020 by the French President regarding the choice of nuclear propulsion.

This company, called MO Porte-Avions, is a "*Société par Actions Simplifiée*" jointly controlled by Naval Group and Chantiers de l'Atlantique, which hold respectively 65% and 35% of the share capital.

It was created to provide joint program management for both companies. In particular, it ensures technical and commercial relations with the DGA and, as prime contractor for the armed vessel (excluding the boiler rooms), coordination between the industrial partners Naval Group and Chantiers de l'Atlantique. This alliance will enable the two partners to make the best use of the complementarity of their respective skills and experience, and to present common and harmonised positions to the DGA through a single contact.

MO Porte-Avions and TechnicAtome have formed a temporary grouping of companies in order to work on contracts relating to PA-Ng to be awarded to them by the joint project management of the DGA and the French Atomic Energy and Alternative Energy Commission (CEA). Within this organisation, MO Porte-Avions is in charge of overall program management, in association with TechnicAtome. A contract was announced by the DGA in December 2020 to Naval Group, Chantiers de l'Atlantique and TechnicAtome in relation to a preliminary design (APS) of the PA-Ng in a three-party co-contracting scheme. In an amendment to the contract notified on August 30, 2021, Naval Group and Chantiers de l'Atlantique transferred all their rights and obligations relating to this contract to MO Porte-Avions and are now acting as a subcontractor for the joint venture.

On the back of this first contract, MO Porte-Avions, whose head office is in the Paris premises of Naval Group, started its operational activity on October 1; for the APS phase, it employs around fifteen people from its parent companies who are located in premises located on the Naval Group site in Lorient, close to the study centre dedicated to the PA-Ng. in which work employees of Naval Group, Chantiers de l'Atlantique and TechnicAtome.

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

### 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 Accounts and Risks Audit Committee of the Board of Directors;
- 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, 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 Audit and Risk Management 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 Audit, Financial Statements and Risk Committee. It issues an annual independent opinion on the level of risk management and internal control. In 2021, an audit was carried out on the implementation of onboard fire recommendations and another audit was carried out on Naval Group's control of its subsidiaries;
- 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. 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 SA 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.

Naval Group does not have any aggressive tax planning scheme in place and does not have any relations with uncooperative states or territories aimed at gaining a tax advantage.

#### I.2.6.3. Legal risks

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

##### 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, in place since 2015, was strengthened in 2017 both in terms of risk prevention and treatment, in order to meet the highest requirements in this area.



This whistleblowing line enables group employees or stakeholders to report the existence of inappropriate conduct or situations potentially contrary to the compliance guidelines of Naval Group. Naval Group guarantees secure and confidential processing of reports.

The risk of corruption is the subject of specific dedicated mapping.

This risk is detailed in the chapter “Statement of Non-Financial Performance”.

#### **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 Department (ECD) fully exercises its responsibilities as the group's second line of 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. During the year 2021, the Export Control Department 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, a posteriori on exports and transfers of military equipment

and similar were conducted on-site by the DGA/International Development Department (DGA/DI). Corrective and preventive actions were launched following the check.

Concerning customs matters, the ECD 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.

Since December 2018, the Naval Group account has been the responsibility of the Toulouse-Blagnac customs centre of expertise.

The Toulouse Customs Department analyses our import-export flows, which are particularly complex and sensitive export activities. An internal audit of the function by the Audit and Risk Department (DAR) highlighted the need to improve flow control. An action plan managed by the DCE and monitored by the DAR is underway. All group entities are involved, in particular by conducting regular manual inventories of all “bonded equipment” with the support of the customs service provider.

The development of an IT solution for the management of regulatory reports (customs and export control), delayed due to the health crisis in particular, will be gradually rolled out at the end of 2022.

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

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

To ensure compliance through the commitment of all, Naval Group has appointed a Data Protection Officer 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.

#### **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.

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

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.

Naval Group is accelerating its dynamic of open and collaborative innovation by engaging in several international collaborative projects, particularly in Europe. In this context, in 2021 Naval Group strengthened its control and validation procedure for the provision of its intellectual assets in each project. Thus, auditing in terms of intellectual property and operating rights, and auditing in terms of technology transfer are carried out for each project. In addition, to counter the risks of attempted appropriation of its intellectual assets by third parties, Naval Group systematically time-stamps the assets involved in each project.

Following the termination of the AFS program for convenience, prevention and mitigation measures were taken by the AFS Program Department, the Intellectual Property Department and the Purchasing and Supplier Relations Department of Naval Group, in order to protect confidential information and industrial know-how belonging to the group, and prevent the risks of dissemination. These measures involve all stakeholders associated with the AFS program: CoA, Lockheed Martin Australia, suppliers, and Naval Group itself.

### Legal disputes

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

All disputes and guarantee claims are handled by or in coordination with the group's Legal Department and contract management.

Furthermore, all disputes with a potential material negative impact on the group's activities or financial position are examined at regular intervals by the Accounts and Risk Audit Committee of the Board of Directors.

All known disputes involving Naval Group SA or other group companies have been examined as at the date of issue of the financial statements and appropriate provisions have been made where necessary 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.

### I.2.6.4. 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 or even geopolitical risks concerning 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 (e.g. Australia with AUKUS) or from pressure from competing countries (United States, etc.) on our customers/prospects. Another risk is an embargo on customer countries by countries that supply subassemblies. Sovereign risk has a very 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, changes in commodity prices, etc.). The impact is a delay of a few years (three-five) 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:** exposure to defence budgets exposes Naval Group to changes in these budgets and to trade-offs with other expenses. These arbitrations may 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 remain limited for the moment but they may affect some of our customers/prospects and delay or cancel certain projects.
- **Geopolitical risks:** geopolitical tensions (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 European 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 (maintenance, technical assistance, etc.).

### Dependence on the public spending

The majority of Naval Group's business is carried out on behalf of the French State in relation to defence assets. 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 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 Bill seem to confirm this increase, marking the French State's willingness to invest in renewing its naval capabilities, including for the oceanic deterrence component. This increase must nevertheless be confirmed at the level of annual budget implementations for the period 2023-2025.

A reduction in the defence budget can lead to delays in the receipt of orders, in the timetable for the performance of contracts or in payment, or to a reduction in funding for research and development 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.

### Risks of insecurity and safety

The safety of employees, in France and abroad (on assignment or expatriates (families included) or recruited locally), is a major concern for Naval Group.

Like any company working in a sensitive area, and deployed across a number of sites in France and internationally, Naval Group may face security risks such as interference, crime,

terrorism, or health risks, political risks or social unrest, which requires the implementation of tools, procedures and concrete measures to protect Naval Group's employees and sites.

In addition to direct consequences on people and facilities, the group's image and reputation could be damaged.

To control these risks, Naval Group deploys dedicated action plans:

#### Risk of interference

The highly technical nature of Naval Group's products, its international success, its presence in a highly competitive environment and the regular increase in the mobility of its employees expose the group to the threat of espionage (from both states and competitors).

Faced with this possible interference, both human and technical, a state of awareness and vigilance is maintained within the Naval Group by the Security Department through information campaigns for employees, who also have access to e-learning information and support for their international travels. This awareness-raising includes risks related to social engineering and through information obtained by manipulating employees or subcontractors.

#### Health risk

Whether local (an affected area) or general (pandemic), the health risk is considered a threat to both the physical health of employees and the industrial activity of sites in France and abroad.

Internationally, in coordination with other Naval Group bodies (human resources [HR], HS&E, medicine, business lines, etc.) and in close collaboration with the subsidiaries and representative offices, the group Security Department plans and conducts individual and collective repatriations with the help of dedicated service providers.

#### Security risks

An international employee protection system is managed by the group Security Department (International Security Department).

It is constantly updated, and it exists to:

- monitor security in the areas where Naval Group operates (subsidiaries, representative offices, missionary deployment areas) as well as the countries of transit of these personnel;
- analyse the risk and, in coordination with the operational departments concerned, put in place the organisations adapted to the country risk;
- define and disseminate rules of behaviour and specific instructions for each sensitive country;
- carry out awareness-raising, information and training activities for both expatriate and staff on assignment and disseminate alerts. Its actions are led and supported by the network of security managers for subsidiaries that have them.

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

In addition to these preventive actions, the Safety Department monitors and controls protective security measures taken in liaison with French and local security services, conducts organisational and technical safety audits, site inspections and visits to suppliers and contractors in order to maintain a satisfactory level of security.

Against the backdrop of increased terrorism threats, the physical security of the group's sites and staff has been enhanced both in France and abroad through increased audits, the strengthening of the structure to deal with international safety arrangements, use of the services of companies specialising in managing the risks associated with international mobility, close collaboration with state departments in France and abroad and providing staff and their family members with a geolocation device to facilitate the arrival of the emergency services.

In 2021, the group Security Department supported the group's international development by selecting and securing premises or providing local services, and by setting up a tool for monitoring mission staff, information and awareness-raising before departure, location during the mission and the possibility of alert in the event of a local emergency. An e-learning indicator for monitoring passenger awareness is also under development.

Lastly, in 2021 Naval Group completed its internal training modules to introduce recent changes in regulations on the protection of national defence secrets. The deployment of awareness-raising on the protection of national defence secrets is monitored to ensure coverage of the internal population concerned.

### I.2.6.5. Successful management of bids and programs

#### Risk related to the competitive environment

The growth of the defence market around the world, predictable until the onset of the health crisis, the consequences of which are still difficult to estimate, does not guarantee growth for the military naval industry, which will face head-on competition in terms of budget for the aerospace industry.

Economic and technological competition is intensifying for Naval Group. 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.).

At the same time, competition from the United States is increasing considerably and very quickly:

- indirectly by diverting significant parts of defence budgets to other areas (missiles, aircraft) than the naval field;
- directly through the emergence of offers or proposals for new units (or the strengthening of strategic alliances capable of bringing about the abrupt termination of a program such

as AFS), or by alliance with European partners (Fincantieri, Navantia, Damen) that can carry combat systems and/or American weapons.

This increased competitive pressure could therefore negatively affect Naval Group's commercial position and profitability, as well as that of the entire French defence industrial and technological base (DITB) on which Naval Group relies.

To be able to successfully combat this competition, Naval Group must improve the competitiveness of its products and offers.

To this end, Naval Group is strengthening its research and technology effort, expanding its portfolio of offers, and consolidating and extending its international presence, notably through sustainable locations, by anticipating the most credible needs. The creation of Naviris, a joint venture with Fincantieri in surface vessels, is part of this strategy to increase competitiveness.

#### 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.

The performance of the programs may also be impacted by a major hazard, such as an accident, fire, natural disaster on a site, or the failure of an industrial tool or an information system (IS). 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. The principle of Gates Review is implemented for major programs to authorise

their continuation in a new phase of the development. On this occasion, the level of completion of the previous phase and the degree of preparation of the following phase are assessed. The project management system is also monitored by maturity measures according to the CMMI® practices grid: Capability Maturity Model Integration, an internationally recognised grid.

To encourage anticipation, the risk and opportunity management approach has been strengthened 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 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 2021, in line with 2020 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 doing it right the first time;
- risk analysis and valuation of work preparation and quality of execution in teams.

The Business Management System 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.

This function has approximately 700 people (almost all of whom report directly to the operating departments) to carry out control, quality and performance management tasks in the various

Naval Group entities. The breakdown of missions is as follows: 40% industrial controls, 40% quality assurance, 10% performance, 10% other.

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 SA and the controlled subsidiaries.

Different control principles are applied in Naval Group's operations:

- self-auditing;
- industrial controls, 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 supervisory bodies authorised by Naval Group's customers (e.g. DGA/SQ, OCCAR).

The group has put in place various methodological tools to improve performance:

- 8D and 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).

2021 news:

- reporting of the group Quality Department to the group Operations and Performance Department;
- significant improvement in the annual assessment of our management system by the quality monitoring body of our client DGA;
- renewal of ISO 9001 and AQAP 2110 certification.

Performance indicators

The main quality indicators refer to customer satisfaction, the volume and time taken to process non-compliance, and the cost of non-quality products.

Process application control is organised around quality and inspection networks (diving, pyrotechnics and nuclear safety), which verify the correct application of group standards for all products (new construction of surface vessels and submarines, operational maintenance services, implementation of upgrades, etc.).

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

The results are scrutinised at group level through:

- process performance reviews;
- the BMS overall performance review;
- the specific QSE performance review.

### I.2.6.6. 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 the events that may occur to its suppliers. Naval Group has also implemented and developed a sustainable procurement policy, which is detailed in the "Duty of care" section in the Non-financial performance statement chapter.

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, 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 group level to review identified supplier risks and decide on corresponding mitigation plans.

#### 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 aforementioned reasons) could jeopardise execution of Naval Group's programs.

Moreover, the supplier list approved at meetings of the Procurement Policy Orientation Committee (coordinated by the Procurement Department and attended by members of the operating departments and the Strategy and Finance Departments) is allowing a better appreciation of risks across the various purchase categories through the approved group strategy for the overall number of suppliers.

#### CSR risks

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

Issues relating to ethics, compliance and HS&E 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.

## 2021 news

The major event of 2021 is the potential impact on our suppliers of the termination of the AFS contract. Also, special action is taken with our suppliers involved in this program, by forwarding their compensation claims to the Australian authorities, by being attentive to their potential difficulties and by giving them our best visibility on our forecast needs for the months to come, in order to allow them to adapt.

### 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.

## 1.2.6.7. Product and business safety

### 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.** The quality and product safety risk, detailed below, has been identified as one of the main CSR risks.

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. 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 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.

### 2021 news

The CTO, previously reporting to the Chairman and Chief Executive Officer, is now a member of the Executive Committee, which strengthens the effectiveness of the chain of intervention on prevention and the treatment of any risks detected.

The technical authority took part in the various safety stoppages and in monitoring the processing of reserves during the tests of two export submarines. It also took part in the staging points before sea trials of an export 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.

### 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 Nuclear Inspectorate is charged with proposing internal nuclear safety policies and regulations to Naval Group's General Management for all of its activities and monitoring and verifying the safety measures taken in the context of those policies in line with regulatory changes, for which it ensures compliance. 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 nuclear security.

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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 2019-21 focuses 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. The 2019-2021 plan has been completed and the new 2022-2024 plan will be drawn up in consultation with the French Navy, the DGA and the SID.

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 such doses remain well below both the legal limits and the Naval Group internal limit, which is half the legal maximum, and ensures the absence of 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 diving safety regulations for all of its activities in France and abroad, and to monitor and verify the safety measures taken as part of these policies in line with regulatory changes. Its independence is guaranteed by its inclusion in the general inspectorate. The group Inspector General sends the Chairman – Chief Executive Officer an annual report on the state of diving safety.

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.

The Diving Safety Inspectorate coordinates the network of specialist dive safety engineers at the various Naval Group sites involving submarines.

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 Pyrotechnic Inspectorate is charged with proposing internal Pyrotechnic safety policies and regulations to Naval Group's General Management for all of its activities and monitoring and verifying the safety measures taken in the context of those policies in line with regulatory changes, for which it ensures regulatory watch. Its independence is guaranteed by its inclusion in the general inspectorate. The group Inspector General submits an annual report on the state of pyrotechnic safety 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.

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 risks

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.

#### HS&E risk

In order to control HS&E risks and prevent any serious safety accident, Naval Group relies on a safety policy and 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.



Naval Group was ISO 45001:2018 certified in 2021 (replacing its OHSAS 18001 certification). This certification, which adopts the same structure as ISO 9001:2015 and ISO 14001:2015, will simplify the integration of the HS&E management system into the overall management system.

This risk is detailed in the DPEF chapter.

#### 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 DPEF chapter.

### **I.2.6.8. Human resources risks**

#### 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 DPEF chapter.

#### Social relations and policies

Conscious of the risks that the company may incur through the deterioration of 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 quality of life at work an advantage for its development.

In this respect, the agreement on innovative quality of life at work, signed on July 22, 2021 with all the trade unions representing Naval Group is a good illustration of this.

The health crisis that we have been experiencing since March 2020 has also demonstrated the high quality of the company's social dialogue by making it possible to build, through negotiation, the conditions for work organisation during the lockdown and the nominal recovery of the group's activities at the end of this period.

This risk is detailed in the DPEF chapter.

### **I.2.6.9. Information security and cybersecurity**

For a high-tech defence company like Naval Group that is open to the international market, the constant development of digital information technologies, coupled with the development of teleworking, generates a significant increase in cyber risks.

Cyber-attacks can have very varied consequences depending on their mode of operation and, above all, the aim pursued.

The impacts are varied and can be direct and indirect, operational, financial or image-related (loss of data, temporary shutdown of production and exploitation, etc.).

The most significant consequences on Naval Group's activity, as well as on the operational capacities of customers, and on data confidentiality are now taken into account when designing countermeasures.

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 plan 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 cybersecurity systems, 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

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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 Data Protection Officer 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 DPEF chapter;
- IS operators and in particular, the Digital and Information Systems Department for the control of IS, 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 implementation of an anti-escape plan for sensitive data, launched in 2020 under the aegis of the group Security Department, aimed at strengthening physical and IT protection measures against 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, 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 2021, the systems put in place in 2020 to allow remote working by opening remote access to certain applications were renewed and the exposure of Naval Group to a cyberattack remained high in a context of ever-increasing risks of cyberattacks of all kinds. In 2021, there were no major cyber incidents paralyzing Naval Group'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 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. This change led to group-wide awareness-raising on information protection combined with existing cybersecurity awareness-raising and the review of system approval procedures and activities to take these changes into account.

### 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.

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.

#### **I.2.6.10. Insurance**

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's industrial sites and tools are insured at replacement value after appraisal, the latest of which was conducted in 2018.

The risks associated with the new construction and maintenance of submarines and surface vessels are covered by dedicated insurance policies which, in addition to simply covering the material damage suffered by the insured object, also cover certain financial consequences (non-material damage) resulting from the occurrence of an insured event.

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.

The tightening of the insurance markets that started in 2019 continued in 2021 with more or less significant reductions in available insurance capacity depending on the nature of the risks combined with significant increases in deductibles and premiums.

2021 was not marked by any particular loss for Naval Group, which made it possible to minimise the impact of current market conditions during the last renewal campaign of July 1 and November 1, 2021.

Not anticipating any easing of the insurance markets in the near future, study of the implementation of a reinsurance captive is continuing with a deployment target during the first half of 2022 for availability during the next renewals from July 1, 2022.

## **I.3. NAVAL GROUP SA'S POSITION DURING THE 2021 FINANCIAL YEAR**

### **I.3.1. REVENUE AND RESULTS OF NAVAL GROUP SA**

#### **Order intake**

Naval Group SA's order intake for 2021 was €3,022 million, as compared with €3,440 million in 2020.

As at December 31, 2021, Naval Group SA's order book stood at €14,069 million.

#### **Revenue**

Naval Group SA revenue amounted to €4,005 million for the 2021 financial year, compared with €3,291 million in 2020.

#### **Income**

Operating profit stood at €232.7 million, not comparable to the €3.3 million achieved in 2020 due to the consequences of the Covid-19 pandemic that year.

A net financial expense of (€2.6) million was recorded, compared with net financial income of (€86.0) million in 2020.

There was an extraordinary loss of (€8.7) million, compared with a loss of (€2.9) million in 2020.

The company's net income amounted to (€192.5) million.

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### 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	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Length of accounting period (in months)	12	12	12	12	12
<b>Capital at reporting date</b>					
Share capital	563,000,000	563,000,000	563,000,000	563,000,000	563,000,000
Number of ordinary shares	56,299,700	56,299,700	56,299,700	56,299,700	56,299,700
Number of A preference shares	300	300	300	300	300
Number of B preference shares	-	-	-	-	-
<b>Operations and results</b>					
Revenue excluding taxes	4,005,535,343	3,291,152,047	3,640,222,336	2,852,264,434	3,564,858,418
Net profit (loss) before tax, profit-sharing, depreciation, amortisation and provisions	385,639,042	42,157,590	448,058,757	494,531,839	374,653,811
Income tax charge (income)	15,438,572	(30,063,872)	66,420,666	26,880,434	99,242,850
Employee profit-sharing	13,500,000	737,294	27,798,326	9,827,394	25,647,042
Charges to depreciation, amortisation and provisions	164,230,716	127,745,124	208,595,147	321,601,011	164,318,217
Net profit (loss) after tax, profit-sharing, depreciation, amortisation and provisions	192,469,754	(56,260,957)	145,244,618	136,223,000	85,445,702
Dividends paid	97,610,050	0	94,584,000	87,828,000	57,426,000
<b>Earnings per share</b>					
Net profit (loss) after tax and profit-sharing but before depreciation, amortisation and provisions	6.34	1.27	6.28	8.13	4.44
Net profit (loss) after tax, profit-sharing, depreciation, amortisation and provisions	3.42	(1.00)	2.58	2.42	1.52
Dividend allotted to each ordinary share	1.40	0.00	0.84	0.78	0.51
Dividend allotted to each A preference share	62,633	0.00	157,640	146,380	95,710
Dividend allotted to each B preference share	-	-	-	-	-
<b>Staff</b>					
Average number of staff	13,469	12,661	11,653	10,617	9,656
Payroll expenses	807,965,758	719,117,504	704,151,812	647,111,991	566,370,319
Payroll-related costs (Social Security, staff benefits, etc.)	345,940,518	326,116,140	308,658,768	281,506,422	248,572,255

No interim dividend was paid in 2017.

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.

### 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 one 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 one day or more
Length of time overdue							
12/31/2021	Number of invoices concerned	1,931	611	301	125	53	1,320
	Total value of invoices concerned excluding tax	544.8	234.9	100.9	105.5	16.1	309.9
	Share of pre-tax revenue for the financial year		5.87%	2.52%	2.64%	0.40%	7.74%
12/31/2020	Number of invoices concerned	1,902	726	244	90	35	1,176
	Total value of invoices concerned excluding tax	434.6	141.0	120,1	77.1	7.1	293.5
	Share of pre-tax revenue for the financial year		4.29%	3.65%	2.35%	0.22%	8.93%

I. Presentation of Naval Group  
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Invoices issued that were overdue for payment in the financial year

Closing date	Total	Invoices not overdue for payment	Payment overdue by one 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 one day or more	
Length of time overdue								
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%
	Cumulative number of invoices concerned	9,714	5,332	3,001	603	232	546	4,382
12/31/2020	Total cumulative value of invoices concerned excluding tax	2,866.0	1,419.8	1,158.3	145.1	66.6	76.4	1,446.3
	Share of total value of invoices issued in year, excluding tax		48.90%	39.89%	5.00%	2.29%	2.63%	49.81%
	Cumulative number of invoices concerned							

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

<b>Closing date</b>	<b>Total</b>	<b>Invoices not overdue for payment</b>	<b>Payment overdue by one to 30 days</b>	<b>Payment overdue by 31 to 60 days</b>	<b>Payment overdue by 61 to 90 days</b>	<b>Payment overdue by more than 90 days</b>	<b>Total one day or more</b>	
Length of time overdue								
	Number of invoices concerned	17,300	13,849	1,163	544	225	1,519	3,451
12/31/2021	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%
	Number of invoices concerned	23,286	21,041	609	221	314	1,101	2,245
12/31/2020	Total value excluding tax of invoices concerned	339.1	288.4	23.6	8.0	3.3	15.9	50.8
	Share of invoices received excluding tax for the financial year		13.28%	1.09%	0.37%	0.15%	0.73%	2.34%

I. Presentation of Naval Group  
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Invoices received that were overdue for payment in the financial year

Closing date	Total	Invoices not overdue for payment	Payment overdue by one 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 one day or more
Length of time overdue							
12/31/2021	Cumulative number of invoices concerned	269,784	210,764	37,377	12,815	3,903	59,020
	Total cumulative value of invoices concerned						
	excluding tax	2,709.3	2,007.7	462.7	119.1	45.2	701.6
	Share of total value of invoices, excluding tax, paid in year		64.36%	14.83%	3.82%	1.45%	2.39%
12/31/2020	Cumulative number of invoices concerned	244,165	186,409	36,732	8,968	3,236	57,756
	Total cumulative value of invoices concerned						
	excluding tax	2,569.4	1,710.5	539.1	146.0	80.1	858.9
	Share of total value of invoices, excluding tax, paid in year		57.03%	17.97%	4.87%	2.67%	3.13%

**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 €394,635 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 2021 in respect of 2020 amounted to €317,776; 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, 2018: €87,828,000;
- in respect of the financial year ended December 31, 2019: €94,584,000;
- for the financial year ended December 31, 2020: none.



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## II. Events after the reporting period

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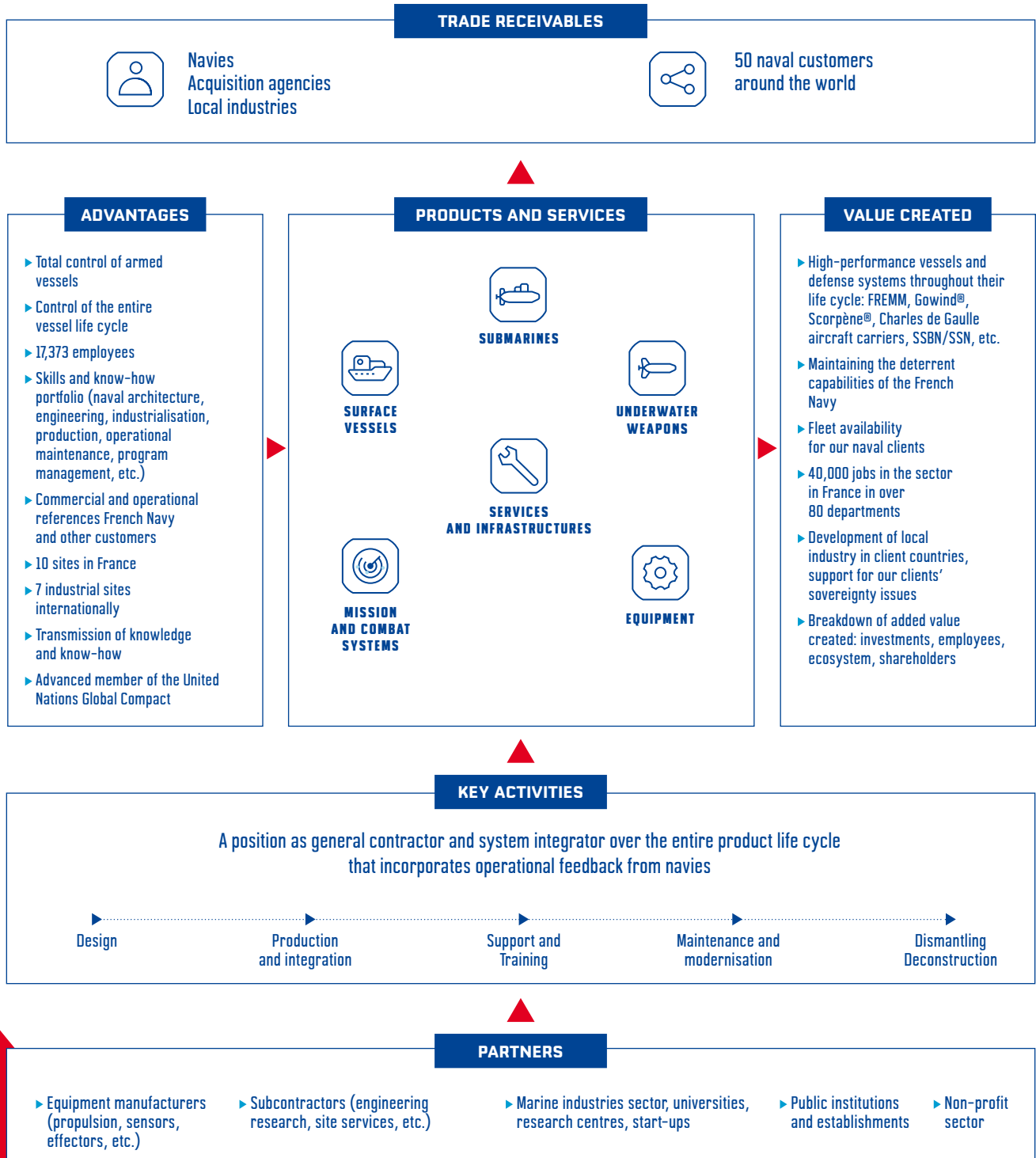


None.

# III. Statement of Non-Financial Performance (DPEF)

## III.1. INTRODUCTION

### III.1.1. BUSINESS MODEL



### 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 November 1, 2020 to October 31, 2021.

Naval Group's foreign consolidated companies make up less than 5% of the group's total number of staff. Some of these companies deploy in-service support, but most carry out design, study, technical assistance and project management, purchasing and sales and administrative support activities. They therefore generate a reduced environmental impact compared to French activities without being included in the scope of environmental reporting of the DPEF.

#### HS&E scope

Occupational health and safety indicators cover all Naval Group sites in France and all staff: employees, temporary workers, subcontractors.

#### Social scope

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

### III.1.3. STRATEGY

CSR is at the heart of Naval Group's 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 & environmental 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;

- management of the CSR strategy is carried out directly by the Executive Committee on a quarterly basis;
- transformative CSR projects are included in the Naval 2025 transformation program;
- the CSR Department reports directly to the group's General Secretary, who is a member of the Executive Committee;
- in 2022, Naval Group aims to finalise its mission statement in order to reinforce the meaning of its activity for all its stakeholders, in particular its employees.

Since 2015, Naval Group has 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 technical 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 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, corresponding to scopes 1 and 2. This ambition was included in the 2021-2023 profit-sharing agreement for group employees. For some sites, Naval Group is working on the installation of photovoltaic energy, the replacement of light bulbs with LEDs, the installation of heat recovery systems on compressed air, the installation of performance management software energy, etc.

- **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).

### III. Statement of Non-Financial Performance (DPEF)

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**

As a French naval defence manufacturer, Naval Group is at the service of the sovereignty of France. This protection contributes to a safer, more stable, more prosperous society and therefore a more sustainable 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.

#### III.1.4. CSR GOVERNANCE

Naval Group is an Advanced member of the United Nations Global Compact since 2014. The group is committed to five sustainable development goals (SDGs) out of the 17 proposed by the United Nations and, as required for Advanced members, is assessed annually on its performance and progress.

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 based on recognised international texts such as the “ten principles” of the United Nations Global Compact, the fundamental conventions of the International Labour Organization and the guiding principles of the Organisation for Economic Cooperation and Development (OECD), the Global Reporting Initiative (GRI), the ISO 26000 standard, the transposition of the European directive on the statement of non-financial performance, the law on the duty of care and the law on transparency, the fight against corruption and the modernisation of economic life, known as 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, in particular 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 DPEF;
- consolidation of the CSR report.

The CSR Department relies on a network of CSR managers at the sites. The CSR Department organises monthly meetings with the site CSR managers. 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.

The following main CSR risks are detailed in the DPEF:

- major environmental event;
- greenhouse gas emissions;
- carbon footprint of products in service;
- HS&E;
- human rights;
- social relations and policies;
- core skills;
- protection of personal data – privacy;
- fight against corruption and influence peddling (compliance);
- sustainable procurement.

The quality and product safety risk (diving safety and nuclear safety) is one of the main CSR risks and is detailed in paragraph I.2.6.7. Product and business safety and in paragraph I.2.6.5. Successful management of bids and programs.

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. EXTRA-FINANCIAL RISKS IDENTIFIED BY NAVAL GROUP

### GROUP'S ENVIRONMENTAL COMMITMENT

The sea is at the heart of the group's activities and its ambitions in the naval sector.

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 ensure this stance is an integral part of its processes, environmental protection is included in Naval Group's ethical commitments and is the subject of a quality, safety and environmental policy (QSE) deployed throughout all the group's sites. 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, this 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 management of our waste, our products and services over their entire life cycle by integrating environmental requirements into a proactive approach design and in our purchasing.

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 environmental accidents;
- limit to four the number of events with a temporary impact on the environment (significant incident).

III. Statement of Non-Financial Performance (DPEF)

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.

**2021 news**

As every year, environmental analyses of the sites were reviewed in 2021. This year, they were enhanced to take more precise account of life cycle prospects as well as the cumulative effects of environmental impacts.

**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 environmental accidents in 2021 and currently has four significant incidents 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.

43 non-significant incidents 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 2021 environmental events.

**III.2.2. GREENHOUSE GAS EMISSIONS**

**Issues**

As part of our CSR approach, Naval Group has set itself the objective of dividing its 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;
- for 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 inevitable increase in energy costs.

**Policy and structure in place**

Naval Group has set up a “Carbon Sobriety” CSR project. This project is divided into projects in line with the sources of greenhouse gas emissions.

The projects relate to:

- energy – electricity, gas and fuel oil;
- service and company vehicles;
- freight;
- company mobility plan – commuting and business travel;
- digital activities.

Each 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.

**2021 news**

2021 was an opportunity for significant progress on the subject of greenhouse gas emissions.

In the “Energy” project, two letters of intent were signed for the installation of photovoltaic installations on the Lorient and Angoulême-Ruelle sites. A third letter of intent was signed for the replacement of eleven thousand lighting points in Cherbourg to offer 100% LED lighting.

With regard to vehicle construction sites, Naval Group has eliminated diesel vehicles from the catalogue of company vehicles and introduced electric vehicles. The group is implementing a proactive approach to service vehicles, enabling a significant increase in the percentage of electric vehicles in its fleets.

In the Freight project, lower-emission transport solutions are being defined with our service provider.

With regard to travel, a major survey was launched among 15,000 employees on their travel habits between home and site. Naval Group plans to conduct this survey every two years. A detailed analysis was carried out on business travel in 2020. Changes to our travel policy have been applied in order to obtain savings on our greenhouse gas emissions.

In the digital activities project, a study is underway to optimise our data centres 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.

### Performance indicators

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. This assessment is carried out internally using the *Bilan carbone* assessment method® on all three scopes.

This report is published on the ADEME website. The results for 2016, 2018 and 2020 are available. The objective is to publish the results for a year before the end of February of the following year.

### An estimate of the greenhouse gas emissions is also produced quarterly.

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 2021 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 22,540 t. eq. CO<sub>2</sub>. This value is gross and does not take into account corrections related to changes in load and temperatures during heating periods.

The 2021 greenhouse gas emissions report will be published on the ADEME website at the end of February 2022. A presentation and analysis of this assessment will be made in the 2021 CSR report. The achievement of the 2021 greenhouse gas emissions reduction target will also be measured in the 2021 CSR report.

## III.2.3. CARBON FOOTPRINT OF PRODUCTS IN SERVICE

### Issues

In 2021, a study on our level of influence and expertise in proposing environmental improvements for each phase of the life cycle of our vessels led to the separation of objectives for each of them. Thus, the objectives currently being defined for

new vessels will be different from those for infrastructure and work carried out during the maintenance phase in operational condition (MCO) phase.

### Detailed description

The International Maritime Organisation (IMO) 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<sub>2</sub> 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 multi-mission frigate (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 multi-mission frigate (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<sub>2</sub> than a conventional diesel propulsion.

### Impact

The results in tonnes CO<sub>2</sub> 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.

### III. Statement of Non-Financial Performance (DPEF)

#### 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 SA 19 "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 Ecodesign" business segment is responsible for environment-related businesses, by delegation from the Technical and Innovation Department. An integral part of the Environmental Design business line, Environmental Design Managers (REC), housed within the Industry Department/ Naval Performance Engineering Department (DIN/IPN), a cross-functional entity, set out the environmental requirements for vessel projects and programs, support architects and the system manufacturers in their choice of design, play an active role in R&D and the definition of occupational rules, according to their needs and program feedback.

In addition, since the beginning of 2021, as part of the CSR strategy, the Ecodesign project has been tasked with rolling out the approach to all components involved in the vessel's life cycle: from R&D to production tools. This CSR project is part of the group's transformation plan.

#### 2021 news

##### At business level

The eco-design approach, which has until now been structured in three levels on the program side, is being overhauled. The "proactive" level has been split into three more precise levels, to ensure readability of maturity more in line with the standards (CMMI, Green Marine Europe, etc.).

The levels used are as follows:

- level 1: systematic application of the Naval Group regulatory standard;
- level 2: at least two environmental studies on systems;
- 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 minimum gain of 20% on the significant environmental aspects (AES) resulting from the analyses;
- level 5: proposed green technologies on all AES with a minimum gain of 50%.

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

The programs were mapped according to this new breakdown. This inventory and the R&D roadmaps and marketing vision (product line but also customer demand relating to environmental requirements), are the foundations from which objectives for the coming years will be defined.

In R&D, the integration of the environment in the technical innovation project sheets (FPIT) was redefined during the year. A criterion called the Environmental Performance Index (EPI) has been included in the FPIT format. This is used to characterise environmental considerations in the innovation studied. It will be operational from 2022, and should help better identify the environmental value the FPIT wishes to focus on (energy, waste, mass savings, etc.).

##### At program level

The activities initiated in previous years have been extended and strengthened since 2020:

- from the start, the AFS program incorporated methodologies for measuring the ship's impact on the environment. Its shutdown, announced in mid-September, has frozen activities. The experience acquired will be documented and delivered to SA19, to enrich the business;
- the third generation nuclear submarine launcher of devices (3G SSBN) is the first program for which the DGA has requested that an eco-design file for environmental risk management (DEMRE) be completed. This document justifies the inclusion of environmental requirements in the program, which mainly concern waste management and energy. The internal environmental assessment of the end of the DP2 phase was validated;
- Naval Group wants the future oceanic submarine (FSMO) to include advanced technical requirements to make it a reference program for environmental protection. Several proposals are based on the result of an environmental analysis on Brazilian Scorpène® conducted during the year;
- the ocean patrol vessels (PO) will be CLEANSHIP, an additional Bureau Veritas brand that takes into account the MARPOL requirements (IMO Maritime Pollution). Consideration of energy efficiency is particularly important;
- the new generation aircraft carrier (PA-NG) includes a file on anticipations of environmental regulations, it will also be CLEANSHIP. The consideration of environmental requirements will be managed by each partner, namely by Chantiers de l'Atlantique for the platform and by Naval Group for its own scope (combat system and Avia).

##### In terms of R&D

The two main unifying axes that support the environment are Blue Ship and Smart Industry. The aim of Blue Ship is to ensure that the armed vessel, by pooling energy and identifying hybrid sources, has the requisite energy self-sufficiency for all of its current and future missions with the smallest possible environmental footprint. Smart Industry is its equivalent for the factory of the future, whose objective is to offer a competitive, collaborative, agile, flexible, economical industrial tool with a low environmental impact.



These two unifying axes must engage Naval Group in the challenge of the ecological and energy transition.

Environmental issues are mainly focused on the “Propulsion” axis, the “Energy” axis and the “Environment and Eco-design” axis.

The “Environment and Ecodesign” axis includes, among other things, work on cleantech technology watch contributing to the preservation of the environment. These technologies are classified according to the various technical fields: energy, waste, materials, etc. For each of these fields, the technologies are reviewed and studied according to the priorities of the programs in which they can be used, regulatory developments and customer requirements.

Cleantechs are evaluated according to an Environmental Performance Index (EPI) and are added to the catalogue of Écoveille technological solutions. Based on the EPI, they can be characterised according to their environmental footprint throughout their life cycle (from resources to waste), as well as their transport on board, cost and return on investment.

#### Performance indicators

The work on prioritisation according to the five levels of the eco-design approach, presented above, will help define new objectives and therefore new indicators that will be driven by the Naval 2025 transformation program. These will be ratified in early 2022.

For continuity purposes, it was therefore decided to extend those of the 2018-2020 financial year, *i.e.* 50% of proactive projects and 20% of eco-contributory R&D sheets. The results obtained are:

- 72% of voluntary ship projects out of the number of ongoing ship projects;
- 18.5% of eco-contributing R&D sheets. Indicated in number of eco-contributory FPITs, until now, the monitoring of eco-design processing within Naval Group will evolve. The relevant indicator in the coming years will relate to the share of the budget allocated to R&D sheets that will contribute to the preservation of the environment. It will better reflect the performance of Naval Group for the integration of green technologies in our future programs and the resources given to R&D areas to achieve them, in particular those related to Blue Ship.

### III.2.4. HEALTH, SAFETY AT WORK AND ENVIRONMENT

The HS&E policy is an integral part of the group's strategy and its transformation plan. It is part of a global quality, safety and environment (QSE) policy, revised and signed by the Chairman and Chief Executive Officer. This policy puts into perspective and ensures consistency between the ambitions and requirements of the group in order to meet the needs and expectations of the group's clients, develop the culture of identification and control of risks and ensure regulatory compliance.

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

#### Organisation

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, 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 HS&E effort. Training is one of the main levers used by Naval Group to accomplish this aim.

Every new hire undergoes training upon arrival to ensure that every person entering a Naval Group site is versed in HS&E requirements. This orientation training is a *sine qua non* for obtaining an access badge.

To ensure that every person who joins the company is knowledgeable about the HS&E 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.

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

A totally separate 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.

#### HS&E performance

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 income from November 1, 2020 to October 31, 2021:

- AAA: 165;
- TF1: 6.4;
- TG: 0.135.

These results show an increase in the number of AAA and TF1 compared with previous years and also a net reduction in the severity rate. The average number of days lost over the entire period is 21 days, compared with 25 days in 2020.

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

#### Managing the health crisis

The health crisis and the lockdowns it caused had a strong impact on the activities of Naval Group. In order to resume operations in a gradual and controlled manner, a health framework for the group has been introduced.

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 2021 were falls at ground level or from a height following movements in workshops and vessels, and manual load handling and transportation. By themselves, these causes make up more than half of accidents with lost time.

Accidents occurring during travel, with and without lost time, make up around a quarter of the total number of accidents in 2021. Their severity level is high.

Major risks, such as the handling and lifting of parts or electrical risks, generated very few accidents but remain the source of a significant number of significant incidents.

#### Managing the main workplace safety risks

Preventive actions for the primary risks, which were launched several years ago, continued in 2021. 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 2021:

- 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; and
- management safety and environment inspections.

#### HS&E 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 on line, in the Naval Group internal magazine and local HS&E journals, 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 HS&E 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.

### International health and safety at work

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 occupational health and safety 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 define occupational health and safety requirements and expectations and to discuss them regularly and 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 the client's 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.

### Other key areas of serious accident prevention at Naval Group

Naval Group has also set up a strengthened system to ensure product safety, dive safety, nuclear safety and pyrotechnical safety.

*The risks and corresponding control systems are detailed above* (section I.2.6.7. Product and business safety).

## III.2.5. HUMAN RIGHTS

### Issue

As a signatory of the United Nations Global Compact, Naval Group is committed to promoting freedom of association and the effective recognition of the right to collective bargaining; eliminate all forms of forced or compulsory labour, abolish child labour and eliminate all discrimination in respect of employment and occupation (ILO Declaration on Fundamental Principles and Rights at Work and its follow-up, 1998) and eliminate all forms of harassment (International Labour Organisation Convention no. 190 on the Elimination of Violence and Harassment in the World of Work).

The risks that may arise from the aforementioned human rights are also included in the Human Rights Charter and the Code of Ethics, so that they are understood and assimilated by employees and stakeholders.

### Detailed description

The risks of violating human rights concern the following points:

- non-compliance with the provisions of the Labour Code and the Penal Code as well as local legislation and, specifically, the provisions relating to moral harassment, sexual harassment and sexist behaviour and discrimination;

- non-compliance with the rules relating to company agreements: non-compliance with the provisions on working time, leave, overtime, compensatory time off, taking time off, the agreement relating to diversity and inclusion and the quality of life at work agreement;
- non-compliance, more generally, with the provisions of international and/or national law;
- failure to apply the Naval Group Human Rights Charter.

### Impact

The company implements actions to control the risks of such violations of human rights and thus avoid the social, financial and operational impacts through additional costs and sanctions.

### Policy and structure in place

Each department must ensure strict compliance with human rights by relying on its control activities, particularly in the areas of purchasing, HR and legal matters.

In addition, the establishment of the international HR community makes it possible to involve local HR in managing this risk, by redefining their scope to include all employees, including employees under local contracts.

Naval Group has established systems at several levels to manage this risk:

- implementation and dissemination of guidelines to the entire group and its subsidiaries, as well as to its suppliers (Code of Ethics, Human Rights Charter and the supplier code of conduct).

The Code of Ethics is a reference text expressing the general rules applicable throughout the group, according to which the group intends to develop its activities.

By formalising the Human Rights Charter, Naval Group completes and clarifies its commitment to the Global Compact, in particular to support its international development in this area. This charter complies with the principles and rules laid down by major international texts, the Global Compact, the John Ruggie report of 2011, the OECD Guidelines for Multinational Enterprises (2011), the ILO Declaration on Principles and Fundamental rights at work (1998), the tripartite declaration of principles on multinational companies and social policy (ILO 2006), the Grenelle 2 law (article 225) and its decree of 2012. It also meets the criteria of ISO 26000. It explains and specifies commitments in the areas of human rights and international labour standards; it specifies their application for each of the stakeholders. This charter thus contributes to raising the group's corporate and social responsibility ambitions to its highest level. Depending on topic, a comparative analysis between group criteria and national legislation can be performed and group criteria can change according to the legislation of the country in question.

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The Supplier code of conduct defines the minimum standards that Naval Group requires its suppliers to adopt and ensure in their commercial activities. The full participation of suppliers in this plan must enable Naval Group and its customers to be guaranteed the delivery of products and/or services that comply with contractual obligations and these standards, particularly in terms of CSR;

- **freedom of association:** Naval Group undertakes to promote freedom of association within the parent company and its subsidiaries, particularly abroad, in compliance with the laws applicable in the countries concerned;
- **elimination of child labour:** Naval Group ensures that no employee is hired below the legal age according to local legislation while respecting ILO conventions (and ILO conventions nos. 138 and 182 on child labour);
- **non-discrimination in terms of employment and occupation:**
  - 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. The gender equality index, which covers the scope of France and is 88/100 (2021 – reference year 2020), demonstrates the group's commitment to these issues. Discrimination officers are appointed at each site in France as provided for by the agreement,
  - organisation and implementation of a diversity and inclusion network,
  - organisation of training on the prevention of discrimination for recruiters and managers and provision of training via e-learning on discrimination for all Naval Group employees;
- **bullying and sexual harassment:** Naval Group has implemented several systems to manage this risk:
  - organisation, structuring and coordination of the various contacts on these topics: discrimination and sexual harassment and sexist acts on each site, appointment of a CSR sexual harassment and sexist officer on the sites. The latter are being trained, in particular on legal definitions, sanctions, the Naval Group procedure and their missions,
  - updated investigation system: the update of a practical and legal investigation guide for investigators involved in these situations is underway. The purpose of this guide is to help the interviewer in his/her mission,
  - during social law days in September and October 2021, awareness-raising on the themes of moral and sexual harassment and discrimination was carried out for the entire HR community;

- **e-learning training “Understanding and integrating human rights in the company”:**

Naval Group has set up an e-learning on respect for human rights under the law on the duty of care of parent companies and contractors. The Purchasing and Supplier Relations Department has decided to train all buyers in relations with suppliers on human rights and make this training mandatory from January 2022.

#### News

Awareness-raising actions on the prevention of situations of moral and sexual harassment, and sexist behaviour will take place at the sites in 2022 and e-learning modules will be made available to all UES Naval Group employees during the year.

For controlled companies, the identification of human rights risks is based on self-assessment in internationally controlled companies based on the questionnaire Human Rights compliance Assessment Quick Check of the Danish Institute for Human Rights. It covers forced labour, child labour, non-discrimination and freedom of association. This questionnaire was completed by internationally controlled companies in 2021. The answers are currently being analysed.

In addition, Naval Group is a member of the Global Compact United Nations since 2014 and for the seventh consecutive year in 2021 achieved the level Global Compact Advanced.

### III.2.6. SOCIAL RELATIONS AND POLICIES

#### Issue

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 occupational health and safety in general.

### Impact

These situations can result in unforeseen financial costs due to the delay in meeting milestones and, eventually, missing the contractual delivery date. A poor 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, is focused on permanently maintaining direct and constructive industrial dialogue with employee representatives and trade unions. It has a corporate 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 surrounded by a person in charge of social relations, a four-person legal team and a two-person division for health and personnel with public-sector status.

Relations with the trade unions and employee representatives are structured according to the company agreement revised in 2017. This agreement dedicates two chapters to industrial dialogue, one for rules and methods of employee representation (Social and Economic Committees, CSE) 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 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.

### News

Like 2020, 2021 remains strongly marked by the health crisis of an unprecedented scale that has disrupted our company and its social calendar. Thus, the company's social dialogue during this period focused on the issues of adapting work organisation.

Despite the health crisis, the contractual dynamic resumed in 2021 with the signing of various agreements:

- the amendment to the group PEG agreement of March 31, 2021;
- two amendments to the group agreement relating to the reimbursement of healthcare expenses and personal protection insurance (January 21 and November 16, 2021);
- amendment no. 3 to the company agreement of May 3, 2021;
- the NTIC agreement of the UES Naval Group trade unions of May 3, 2021;
- the agreement on quality of life at work of July 22, 2021;
- the 2021-2023 UES Naval Group profit-sharing agreement of June 29, 2021;
- the diversity and inclusion agreement of September 29, 2021;
- the quantified GPEC agreement of November 17, 2021 for 2022;
- the agreement on the implementation of the long-term partial activity scheme of December 15, 2021.

It should be noted that amendment no. 3 to the company agreement made it possible to formalise the adjustment measures for the functioning of the SECs and their commissions.

### 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 social climate observatory has been developed and is currently in an experimental phase on three sites, the purpose of which is to anticipate the risks of social tensions or even conflicts.

## III.2.7. 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 very 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;

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- a lack of career paths;
- a failure in knowledge transmission when managing successions.

#### Impact

The consequences can be very 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 Human Resources Department (HRD) and the Communications Department have stepped up their employer brand action plan with the objectives of creating talent pools in critical areas and occupations where there is a shortage of talent. The HRD runs a partnership policy with schools and training institutions to promote recruitment in the key areas of its activity.

In addition, Naval Group supports and contributes to the development of the Naval Industries Campus, whose objective is creating "navalising" training programs and making the industry more appealing.

In order to support these actions, Naval Group has put in place a roadmap to increase its appeal to its target audiences, strengthening its network of partnerships and its employee advocacy strategy.

Moreover, the many career and geographic mobility options including international transfers, the set-up of systems for detecting high potential, 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 Mobility Unit (head office and sites), serving Human Resources Business Partners (HRBP) 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;
- a team of Appeal Managers across our major labour pools (Normandy, Brittany, Pays de la Loire, Nouvelle Aquitaine and South);
- 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 in 2020.

#### News

A strategic jobs and skills management agreement signed by all representative organisations was implemented in 2021, strengthening the actions launched to secure the control of skills. This unanimous agreement reflects the group's commitment through quantitative targets, which are reviewed annually. It is organised around the following areas:

1. continuously develop employee skills:
  - 15% of the training budget dedicated to on-the-job training,
  - strengthening occupational integration, with standard training courses for jobs with a high recruitment volume,
  - incentive to receive regular training through the personal training account (CPF), with the company's co-investment in training that contributes to the group's challenges;
2. develop knowledge transmission from experienced employees to young people:
  - by promoting and recognising the involvement of work-study tutors and encouraging knowledge transmission through end-of-career planning measures,

- by welcoming more work-study students and by strengthening employment prospects, mainly in production occupations;
- a. successful programs thanks to a GPEC close to the field:
  - by organising two GPEC meetings per year involving the Management Committees, managers, and local and group speciality managers to share their analyses and recommendations,
  - by managing the threshold of critical skills in order to maintain a sufficient level.

In 2021, Naval Group confirmed its commitments to young people:

- maintaining Naval Group's commitment to young people, welcoming nearly 1,000 young people, including more than 513 work-study students in 2021 (UES Naval Group);
- securing the recruitment path to renew skills and adjust programs to the required level of capacity. In 2021, 1,233 new employees were recruited on permanent contracts (UES Naval Group);
- plan for securing key skills as part of business continuity plans;
- acceleration of the digital roadmap: development of the distance learning offer *via* the Learning Management System platform, deployment of distance learning *via* experimenting with virtual classrooms, for example, digitising the recruitment and appeal process (We Link co-opting application, participating in 90 virtual forums, digitising recruitment interviews, etc.).

### Actions and results in 2021

In 2021, the main key skills management activities were as follows:

- **deployment of strategic resource management** to strengthen quantitative and qualitative matching between workload and internal resources, in line with the operational GPEC approach, in particular related to the needs of the third-generation nuclear submarine program and the new generation of aircraft carriers. In 2021 implementation continued of the system for detecting and managing skills based on awareness-raising, application, control and expertise. For the second year, the HR investment plan, based on the GPEC analysis, helps identify the investment needs necessary to anticipate and master skills. The objective is to accelerate transition times by level thanks to adapted systems for knowledge transmission and improved initial training.

In the context of the termination of the AFS contract, a repositioning project for impacted employees was set up in order to identify opportunities within the group. **50 employees in the HR Department are directly involved in working with the employees concerned at each site and supporting them in their repositioning.** Naval Group is committed to ensuring that everyone gets a repositioning proposal within the group. In addition, relationships with partner companies increase the opportunities through the implementation of voluntary secondments or mobility;

- **in-depth support for critical skills**, with strengthened management of the five sovereign families: Avia, diving safety, submarine architecture, nuclear propulsion, invulnerability. For each of them, the key skills, associated pools and HR actions to be undertaken are identified. Each incumbent of a key position in one of the sovereign families has an individual development plan accompanied by a plan for knowledge transmission as needed; In 2021, a sixth sovereign Propulsion family was created to meet the challenges of securing skills in this area;
- **consolidation of learning at work**, *via* strengthening of the offer of school projects (roadmap for 30 school projects of which 20 projects operational in 2021); in-depth study of seamanship under the training plan; continuation of Fridays at school, etc.;
- **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 2021, Naval Group made progress in the external recognition of its attractiveness, ranking 21<sup>st</sup> in the Universum ranking of the most popular companies by engineering schools (up four places compared to 2020) and by schools with a baccalaureate +2/+3 level (up eight places compared to 2020).

### 2021 targets

These are the objectives pursued in 2021:

- fill positions in sovereign families;
- create pools of jobs in shortage areas: followed by the filling of positions in such areas.

82% of positions filled in the current 2021 position plan in short-term business lines (quantified at the end of November 2021).

### Performance indicators

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.

## III. Statement of Non-Financial Performance (DPEF)

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 (group) had 2,031 new hires as of December 31, 2021;
- 1,672 people left the group as of December 31, 2021.

2021 was particularly marked by the closure of Naval Energies and the end of the Australian program. These events had a significant impact on the volume of departures.

### III.2.8. PERSONAL DATA PROTECTION – PRIVACY

#### Issue, detailed description and impact

Data protection has seen considerable legislative growth around the world in recent years.

This growth in applicable legal frameworks has consequences both for individuals, who benefit from better protection of their data and more rights, and for companies, which must integrate these issues into their own characteristics.

It is in this general context that Naval Group has defined its privacy policy, creating a common framework to be applied in all its offices around the world.

#### Policy and organisation

In 2021, Naval Group focused on adapting the network's privacy activities to take into account the constraints related to the health crisis.

In line with the awareness-raising work carried out in 2020, Naval Group rolled out its e-learning to all group employees and implemented privacy training for all newcomers.

#### News

In 2022 we will roll out a privacy management tool within the group and will also focus on supporting the group's subsidiaries and representative offices.

#### Performance indicator

Requests to exercise rights have multiplied this year, which has led Naval Group to create adaptable response models in order to optimise the processing of requests within the regulatory deadlines.

### III.2.9. FIGHT AGAINST CORRUPTION AND INFLUENCE PEDDLING (COMPLIANCE)

#### Issues

Naval Group applies a principle of zero tolerance to 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 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 type of process and associates them with scenarios of events that could occur if appropriate control actions were not implemented. The main risks are classified by type: purchases, commercial activities, cooperation or merger-acquisition projects, activities involving financial flows or insurance coverage. Risks related to individual behaviour such as conflicts of interest are also identified.

#### Impact

The risk of corruption and influence peddling is also analysed with regard to its potential impacts on the company, which include damage to its reputation, its economic activity, financial impact or consequences relating to market access.



### 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 associated performance indicators are updated on four themes: risks, including corruption risk mapping and the framework, and the commitment of the governing body, and the training of employees, assessment of and information to third parties as well as performance of the anticorruption system, particularly with regard to the processing of alerts received on the whistleblowing line.

### 2021 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 and meeting 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 2021, 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 of the group's corruption risk mapping;
- updating of certain instructions of the anticorruption system such as those relating to participation in community and political life, charitable activities, philanthropy or sponsorship and that relating to the identification, prevention and treatment of conflicts of interest;
- distribution of the anticorruption manual in accordance with the ISO 37001 standard;
- strengthening the training plan with the continued identification of staff most exposed to the risk of corruption and influence peddling, the creation of new thematic training modules and the delivery of training and awareness-raising *via e-learning* or by videoconference, in particular to continue these actions during the health crisis;
- 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;
- presenting progress reports to the group's management bodies on the rollout and application of the anticorruption system.

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 Political Life.

### III.2.10. SUSTAINABLE PROCUREMENT

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.3. FRENCH LAW ON THE DUTY OF CARE OF PARENT AND SUBCONTRACTING COMPANIES

#### 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:

- mapping of risks (identification, analysis and ranking of risks);
- 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:

#### 1. Development of the duty of care risk mapping

Since 2018, Naval Group has been developing a non-financial risk map.

Four risks detailed in the DPEF concern the content of the duty of care:

- health safety and environment (HS&E);
- the environment;
- human rights and fundamental freedoms;
- sustainable procurement.

The action plans associated with the mitigation of these four risks are carried out by the entities and in particular by the HR Department, the HS&E Department and the Purchasing and Supplier Relations Department; their progress is regularly reviewed by the Audit and Internal Risk Committee.

## Risk summary table

CSR pillar	Feared event	Mitigation procedures	Assessment procedures	Governance	Key performance indicators
Environment	Carbon footprint of products in service	<ul style="list-style-type: none"> <li>• Designated Environment Manager assigned to each program</li> <li>• Coordination of Business Sector 19 – Eco-design</li> <li>• Coordination of the unifying BlueShip axis</li> </ul>	<ul style="list-style-type: none"> <li>• Carbon footprint on certain products</li> <li>• Life Cycle Analysis on certain products</li> </ul>	<ul style="list-style-type: none"> <li>• HS&amp;E Department</li> <li>• CSR Department</li> <li>• Technical &amp; Innovation Department</li> </ul>	<ul style="list-style-type: none"> <li>• Percentage of vessel projects classified as “proactive” – 2021 target 50%</li> <li>• Percentage of eco-contributing R&amp;D sheets (in number) – 2021 target 20%</li> </ul>
	Greenhouse gas emissions	<ul style="list-style-type: none"> <li>• Carbon Sobriety CSR project</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly estimate of greenhouse gas emissions from sites</li> <li>• Assessment of annual site greenhouse gas emissions</li> </ul>	<ul style="list-style-type: none"> <li>• HS&amp;E Department</li> <li>• CSR Department</li> <li>• Industrial Coordination Department</li> </ul>	<ul style="list-style-type: none"> <li>• Greenhouse gas emissions from sites in France on scopes 1 and 2 – 2021 target – 5%</li> </ul>
	Environmental industrial accident	<ul style="list-style-type: none"> <li>• Environmental analyses of sites for normal and abnormal situations</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting of environmental events by site environmental advisors</li> </ul>	<ul style="list-style-type: none"> <li>• HS&amp;E Department</li> </ul>	<ul style="list-style-type: none"> <li>• Number of accidents and significant incidents – 2021 targets: zero accidents and four significant incidents</li> </ul>
Health and safety	Injury to health or safety at work	<ul style="list-style-type: none"> <li>• Manager training and support</li> <li>• ISO 45001 certification</li> <li>• Establishment of a network of HS&amp;E correspondents in the international subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Operational visits and internal audits to ensure the proper implementation of defined practices, coordinated by the Quality Department and the group Audit and Risk Department</li> </ul>	<ul style="list-style-type: none"> <li>• HS&amp;E Department</li> </ul>	<ul style="list-style-type: none"> <li>• Number of accidents with lost time</li> <li>• Frequency rate 1</li> <li>• Severity rate</li> </ul>

III. Statement of Non-Financial Performance (DPEF)

CSR pillar	Feared event	Mitigation procedures	Assessment procedures	Governance	Key performance indicators
Human rights	Human rights violations	<ul style="list-style-type: none"> <li>• Charter of Human Rights</li> <li>• Code of Ethics</li> <li>• Supplier code of conduct</li> <li>• Whistleblowing system with a network of correspondents to handle discrimination or harassment complaints</li> <li>• Organisation, structuring and coordination of the various contacts on these topics: discrimination and sexual harassment and sexist acts on each site, appointment of a CSR sexual harassment and sexist correspondent on the sites</li> <li>• Advising managers through employment law lawyers</li> <li>• Organisation and implementation of a Diversity and Inclusion network.</li> </ul>	<ul style="list-style-type: none"> <li>• Purchasing reporting in subsidiaries</li> <li>• CSR assessment of suppliers</li> <li>• Human Rights <i>Compliance Assessment Quick Check questionnaire</i> for international subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>• HR Department</li> <li>• Purchasing and Supplier Relations Department</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of appointments of various correspondents</li> <li>• Average rating (external firm) of suppliers in the industrial sectors and/or countries at risk assessed</li> </ul>
Sustainable Procurement		See table below concerning Naval Group's supply chain			

## Country risk mapping

Naval Group prepares the risk mapping of the countries in which it operates.

Country risk is assessed on the basis of the ESG index provided by Global Risk Profile, a Swiss company specialising in third-party risk management. This index is used to integrate environmental, human rights and health & safety. Based on the requirements of the law on the duty of care of parent companies and ordering companies, it is composed of 44 variables from internationally recognised sources in order to provide a relevant index for 176 countries. The risk mapping is classified by region (Europe, Americas, Africa, Middle East, Asia, Oceania).

### [Human rights fact sheets by country](#)

Naval Group's HR Legal Affairs Department prepares country reports presenting the status of human rights legislation, particularly in the main countries in which Naval Group employs staff. Topics include freedom of association, the right to collective bargaining, the right to strike, the elimination of all forms of discrimination in respect of employment or occupation, the elimination of forced or compulsory labour, and the effective abolition of child labour as well as bullying, sexual harassment and sexist behaviour. Depending on topic, a comparative analysis between group criteria and national legislation can be performed and group criteria can change according to the legislation of the country in question.

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

In 2017, Naval Group prepared a CSR risk map related to purchasing. This mapping, validated by Naval Group's Purchasing Management Committee, is used to assess the environmental, social and ethical 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. All the information is evaluated by an external service provider. Naval Group then assigns a risk-weighting depending on how critical each purchasing category is.

The CSR risk map thus highlights the high-risk purchasing categories from a CSR perspective, enabling the prioritisation of actions to be taken with Naval Group suppliers.

In 2021, Naval Group updated the CSR risk mapping of its supply chain. More than 180 types of purchases were listed according to an international standard industrial classification (ISIC). This provided an international comparison. No type of purchase presents a severe risk. The purchasing categories in the table correspond to the categories presenting the highest level of CSR risks according to the EcoVadis classification.

III. Statement of Non-Financial Performance (DPEF)

Regarding Naval Group's supply chain

Purchasing category	Feared events	Mitigation procedures	Assessment procedures	Governance	Key performance indicators
<ul style="list-style-type: none"> <li>Manufacture of batteries and accumulators</li> <li>Manufacture of chemical products (rubber products, fireworks, powder, explosives, other)</li> <li>Processing of precious and non-ferrous metals</li> <li>Demolition and site preparation, and other specialised construction activities</li> </ul>	<ul style="list-style-type: none"> <li>Energy consumption</li> <li>End of product life</li> <li>Employee health and safety</li> <li>Environmental practices of suppliers</li> <li>Waste management and chemical processing</li> <li>Corruption, conflicts of interest, fraud</li> </ul>	<ul style="list-style-type: none"> <li>Supplier code of conduct requiring compliance with the Code of Ethics and the Compliance code of <i>conduct</i> of Naval Group</li> <li>Start of the international roll-out of the mandatory internal requirements framework, taking into account relations with local subcontractors</li> <li>On-site orientation training for subcontractors within the group via an e-learning <i>module</i> available in seven languages and rolled out to all group entities</li> </ul>	<ul style="list-style-type: none"> <li>Assessments by an external firm independent of suppliers of the categories of purchases identified as the most at risk. An assessment is considered inadequate when the score obtained by the supplier is below the average for its peer group (based on type of business, size, location, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Naval Group's average score: 54.3/100</li> <li>Number of companies with an inadequate assessment result in 2021: 0</li> <li>Number of action plans put in place in 2021: 0</li> </ul>

2. Procedures to regularly assess the situation concerning subsidiaries, suppliers or subcontractors with regard to this risk mapping

Assessments within Naval Group

- Via internal control and the single standard of requirements (RUN): The requirements relating to the duty of care have been integrated into the group's internal control tool. Self-assessments are carried out every year, as are controls by the second lines of defence. The results of internal control are presented to the Audit and Internal Risks Committee and to the Audit, Accounts and Risk Committee of the Board of Directors.

Self-assessment of international subsidiaries

The identification of human rights risks is based on self-assessment in internationally controlled companies based on the questionnaire Human Rights Compliance Assessment Quick Check of the Danish Institute for Human Rights. It covers forced labour, child labour, non-discrimination and freedom of association. This questionnaire was completed by internationally controlled companies in 2021. The answers are currently being analysed;

- Via control of the Purchasing and Supplier Relations Department in the subsidiaries:

An instruction on purchasing practices, applicable to all Naval Group subsidiaries, has been in place since 2012 in both French and English versions. This instruction includes several chapters, including the organisation of purchases, the delegation of powers and separation of duties within the subsidiaries, the execution of purchasing acts and the application of purchasing strategies and the operation of the panel by the subsidiaries.

In 2021, the Purchasing and Supplier Relations Department extended its control system by introducing periodic and systematic reporting of subsidiaries' commitments, qualification criteria and conditions for listing new suppliers. This reporting system is supplemented by a feedback loop to the subsidiaries to harmonise practices and progress towards integrated management of the panel at group level.

Supplier assessments

Naval Group has been supported since 2012 by its service provider EcoVadis. The platform of the same name is a self-assessment tool according to the ISO 26000 standard for suppliers' CSR engagement. Four main themes are addressed: the environment, responsible purchasing, compliance and social.

Naval Group also accepts CSR assessments carried out by its suppliers with other independent bodies.

Naval Group's objective is to assess all suppliers in the panel, *i.e.* 1,200 companies. To achieve this objective, Naval Group teams work in stages, focusing on suppliers with a high CSR risk.

A mapping of supplier CSR risks was updated in 2021. This led to the identification of 11 types of purchases, at 450 suppliers, which present a risk for the environment, health and safety, human rights and ethics.

As happens regularly since 2012, a CSR assessment campaign was launched in November 2021 and will run until the end of the first half of 2022. It focuses on suppliers involved in the most at-risk purchases.

The inclusion of suppliers in the process of assessing their CSR performance is hampered by the fact that CSR issues are not yet sufficiently understood by many companies, particularly in the case of SMEs. This lack of understanding of the issues leads the companies concerned not wanting to invest resources in the subject. These suppliers are also contacted individually to explain the challenges of this approach and secure their support.

In 2022, the objective is to increase the number of Naval Group suppliers to commit to this approach.

Special training is provided to buyers to give them the tools to encourage suppliers' support for the Naval Group approach.

EcoVadis webinars will again be made available to suppliers so that they can take ownership of the tools.

Lastly, the CSR assessment is included in a supplier assessment sheet that also addresses the standard safety, quality, cost and lead time (SQCD) criteria.

In the event of an insufficient CSR assessment, for example when the score obtained by the supplier is lower than the average of the companies considered to be similar (activity, size, location), an action plan is put in place during the steering committee meetings held individually with all suppliers each year. The smooth running of the action plan is monitored on a regular basis and is part of the supplier risk mitigation and action plan. It may also be reviewed during a local or national Supplier Risk Committee.

The purpose of the Local Supplier Risk Committee is to analyse and mitigate the risks of single-site suppliers, and more particularly of local suppliers.

This body, led by the Site Purchasing Department, brings together production, industry, site management, supply chain, quality, etc, every two months. This makes it possible to reduce supplier risks through joint and coordinated actions with them.

A Naval Group SA body has existed since 2012. The aim is to manage and anticipate strategic or multi-site risks with global challenges.

External audits and certifications

[Supplier relations and sustainable procurement label and ISO 20400 certification](#)

Naval Group was awarded the Responsible Supplier Relations label on December 21, 2014. Naval Group was then the first private company to obtain the Responsible Supplier Relations and Purchasing label on December 21, 2017, issued by the Business Mediation Department and the National Purchasing Council, and since that date associated with the international ISO 20400 certification, which sets the guidelines for integrating CSR into purchasing processes (sustainable procurement). This label was renewed in February 2021, as was ISO 20400 certification.

[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.

The OHSAS 18001 standard was replaced by ISO 45001:2018 in 2021.

This certification, which adopts the same structure as ISO 9001:2015 and ISO 14001:2015, will simplify the integration of the HS&E management system into the overall management system.

### 3. Mitigation and prevention actions

Group policies and guidelines

[Charter of Human Rights](#)

The Naval Group Human Rights Charter complies with the principles and rules laid down by major international texts, the United Nations Global Compact, the John Ruggie report of 2011, the OECD guidelines for multinational companies (2011), the United Nations Global Compact. ILO declaration on fundamental principles and rights at work (1998), the tripartite declaration of principles on multinational companies and social policy (ILO 2006), the Grenelle 2 law (art. 225) and its 2012 decree. It also meets the criteria of ISO 26000.

It explains and specifies commitments in the areas of human rights and international labour standards; it specifies their application for each of the stakeholders.

This charter thus contributes to raising the group's corporate and social responsibility ambitions to its highest level. It is available on the Naval Group website and intranet.

### III. Statement of Non-Financial Performance (DPEF)

#### Company support for human rights (EDH)

Naval Group joined the association "Entreprises pour les Droits de l'Homme" (EdH) in January 2020. This association promotes the understanding and integration of human rights within companies through the deployment of vigilance procedures, a voluntary and multi-sectoral initiative. This association is a place for discussion, sharing of good practices and group reflection.

#### 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. The full participation of suppliers in this plan must enable Naval Group and its customers to be guaranteed the delivery of products and/or services that comply with contractual commitments and these standards, particularly in terms of CSR.

The Supplier code of conduct is available on the website in English, French, Portuguese and Arabic versions. 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. It may be adapted according to the same principles to take into account the country of origin of a foreign supplier.

#### Code of Ethics

The first Code of Ethics was published in 2008. Since then, it has been supplemented by a practical guide to ethical behaviour based on French law, translated into English, Portuguese, Spanish and Arabic. The Code of Ethics is a reference text expressing the general rules applicable throughout the group, according to which the group intends to develop its activities.

The integration day for new employees on the sites and the integration day for work-study students in Paris includes the presentation of the ethics framework and a restatement of the company's commitments in this area.

#### Group correspondents

In 2020, the various correspondents who intervene in situations of harassment, discrimination or situations contrary to the Code of Ethics and/or the compliance code of conduct have been confirmed: the ethical contacts and CSR correspondents, compliance officers, the harassment and sexist correspondents of the CSE, the harassment and sexist correspondents of the employer and the discrimination correspondents. A training course for the CSE's "sexual harassment and sexist acts" officers was carried out on February 2, 2021. During social law days in September and October 2021, awareness-raising on the themes of moral and sexual harassment and discrimination was carried out for the entire HR community.

#### Occupational health and safety guidelines

The mandatory framework of Naval Group's internal requirements for occupational safety and the environment, which includes the golden safety rules, has been improved to take on board

feedback, particularly in technical fields. Since 2019, the internationalisation of this standard takes into account the relationships with our local subcontractors. Multi-site working groups jointly develop these new requirements in line with the best available technologies. This framework was used in the same way in 2021 in the context of the health crisis and supplemented by the internal health framework allowing the group to implement the group's rules for the prevention of the risk related to Covid-19.

Actions taken in the area of occupational health and safety in 2021 in international subsidiaries

An HS&E manager for international activities, reporting to the group HS&E Director, was appointed on February 1, 2021.

Role and responsibilities:

- define an action plan integrated into the group's annual roadmap for the international scope;
- upgrade processes when necessary;
- recreate and coordinate a network of HS&E correspondents in the countries where Naval Group operates;
- disseminate group information on occupational health and safety through this network;
- set up and monitor accident indicators in these countries and consolidate them in the group dashboard;
- communicate with employee representative bodies, within the CSSCT C and the CSE C, on the health and safety of employees abroad.

In accordance with this function definition, the following actions were carried out:

- establishment of a network of CLS correspondents and a monthly meeting with each country, discussing current topics on accidentology and potential accident analyses, prevention operations carried out and potential support and training needs. This network includes Naval Group's local partners such as ICN in Brazil and BDNC in Malaysia;
- translation and distribution of the group's monthly dashboard to all international OHS correspondents;
- setting up a biannual meeting bringing together the HS&E correspondents from all countries (at two different time slots for reasons of time differences), with an update on the group's situation and exchanges of best practices. A first session in September 2021;
- completion of a general OSH awareness module, in English;
- regular presentations of the progress of the action plan to CSSCT C and CSE C.

These actions will continue in 2022.

Actions in the field of subcontractor HS&E

Naval Group aims to be among the best in the industry in occupational health, safety and the environment. The results of accident analysis of some suppliers on our sites in 2021 did not match our company's ambitions in this area.



The group is convinced that improving health and safety at work and reducing the environmental footprint of our company, extended to include our suppliers and partners, have beneficial effects on our individual and collective performance, and on the ecosystem of the naval sector.

However, a culture of safety shared with our suppliers cannot be imposed top-down. It is built over time and with a panel of companies, through cooperation and the sharing of a common global vision combining the technical approach, behaviour of management and stakeholders, consideration of human and organisational factors, ways of thinking and ways of doing things.

Taking into account the HS&E dimension in the choice of our partners is a new performance vector for our purchases: this issue is to buy better, by purchasing safer and cleaner. In doing so, we create an atmosphere conducive to demanding collective commitment to HS&E, to mutual trust and sustainable and balanced relationships with our partners to ensure transparency and full control of safety on our sites and construction sites.

The five main components of the prevention of serious accidents in HS&E at our suppliers include:

- positioning HS&E at the right level in our purchasing requirements and with the right suppliers;
- integration of the HS&E dimension when selecting suppliers, first of all when assessing suppliers to join the Naval Group panel, then in the selection during calls for tenders by integrating this criterion into the criteria selection;
- site safety preparation, including reception of suppliers on the site;
- management and conduct of operations in a safe manner for people and the environment;
- assessment of suppliers' HS&E performance *via* feedback and a continuous improvement loop.

Training actions

#### Purchases

For Naval Group, employee training is important, which is why awareness-raising sessions on anticorruption and the duty of vigilance were provided to buyers during 2021.

These training modules enable employees to identify the obligations and issues relating to the duty of care and to appropriate the tools available to them, in particular the PROVIGIS platform for collecting legal documents, or the EcoVadis platform for CSR assessments of suppliers.

#### "Understanding and integrating human rights in the company" e-learning training

Naval Group has set up e-learning on the issue of human rights in the context of the law on the duty of care of parent companies and ordering companies. The Purchasing and Supplier Relations Department has decided to train all buyers on human rights issues and to make this training mandatory from January 2022.

This e-learning course on human rights includes a second module aimed at all Naval Group employees and which was implemented in November 2021.

#### On-site reception

New hires, Naval Group employees and subcontractors are made aware of the main risks and the applicable HS&E rules as part of their on-site reception.

#### Human rights

"Discrimination" and "sexual harassment and sexist behaviour" officers have been appointed by the company at each site. "Sexual harassment and sexist behaviour" officers from the CSE have been appointed by the CSE at each site. They received training in February 2021. This training focused on their missions, the legal definitions of harassment and sexist behaviour, sanctions and the procedure for handling situations within Naval Group. A news flash was distributed in the summer of 2021 on each site presenting the "sexual harassment and sexist acts" officers appointed by the company and by the Social and Economic Committee (CSE) with their photos.

The practical and legal investigation guide for investigators involved in these situations is being updated. This guide aims to improve the quality of surveys.

Communication focus

#### Ethics

On the occasion of the United Nations Global Days in favour of human rights and the fight against corruption, Naval Group organises an ethics and compliance day at all its sites and subsidiaries every year. For the fifth consecutive year, an Ethics and compliance day was organised in early December 2021. On this occasion, the group's employees were able to ask various questions, in particular about the operation of the ethics whistleblowing line and the confidential treatment of reports issued. They were therefore informed of the results of the compliance survey carried out at the beginning of November, which included ethical issues.

#### Occupational Health, Safety and Environment (HS&E)

Awareness-raising campaigns remain an essential vehicle for sharing results, actions and programs with all employees and getting everyone on board. They are conducted on line, in the Naval Group internal magazine and local HS&E journals, 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 HS&E communication plan has been implemented with awareness-raising campaigns on shared vigilance and the golden rules. Each year, all teams take a one-hour shutdown to take a step back in order to analyse their difficulties, risks or

### III. Statement of Non-Financial Performance (DPEF)

accidents in terms of HS&E. The discussions made it possible to find solutions to the risks encountered in order to manage them and work more calmly and efficiently. This plan is also rolled out to our suppliers and subcontractors, whom we involve in this process.

#### Purchases

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

#### 4. Alert mechanism

Since 2014, Naval Group has a secure hotline and a system for collecting and processing alerts. In 2017, the hotline was renamed [ethics@naval-group.com](mailto:ethics@naval-group.com), to make it more globally accessible. This also coincided with the entry into force of the Sapin II Law and the duty of care law.

The hotline is configured to receive all internal or external whistleblowing reports within the scope of these laws. More generally, it can be used when an individual witnesses or learns of a situation in which behaviours seem contrary to Ethics and CSR standards. All reports are treated confidentially by qualified persons who are bound by a confidentiality agreement.

This hotline is open to all group employees, regardless of their status, in France and abroad, as well as to all of the group's external stakeholders (customers, suppliers, subcontractors, partners, etc.).

The email address appears on the company's website and intranet, as well as in the ethics and compliance guidelines (Code of Ethics, Compliance code of conduct and Supplier code of conduct).

In 2019, the group clarified the rules for compiling and handling whistleblowing reports in a notice available in French and English and available to all employees *via* the group's Business Management System (BMS).

#### 5. System for monitoring and assessing the effectiveness of the measures implemented

Under the governance pillar of the CSR strategy sponsored by the General Secretary, the CSR project "strengthening the duty of vigilance measures" is managed by the group's Ethics Director. The progress of CSR projects is reviewed every six months by the Executive Committee.

Key performance indicators relating to the vigilance plan

#### Environment – Performance indicators

Naval Group sites demonstrate well-managed environmental performance supported by the environmental advisors.

Environmental incidents are classified by impact level:

- report of an at-risk (CSR) situation: the event could have occurred;
- non-significant event: incident without impact on either employees or the environment, with low potential risk;
- significant event: incident having a temporary impact on the environment and/or its employees;
- major event: incidents with uncontrolled pollution and/or involving a response external to Naval Group.

Environmental incidents are categorised by impacted area:

- soil;
- water;
- air;
- waste;
- energy.

In terms of performance, the group had no environmental accidents in 2021 and currently has four significant incidents for a ceiling of four. Environmental events with a temporary impact on the environment (significant incident) have been under control for several years.

In 2021, 43 non-significant events were reported on Naval Group sites in France.

All incidents were analysed to enable corrective and preventive actions to be implemented.

#### HS&E – 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 income from November 1, 2020 to October 31, 2021:

- AAA: 165;
- TF1: 6.4;
- TG: 0.135.

These results show an increase in the number of AAA and TF1 compared with previous years and also a net reduction in the severity rate. The average number of days lost over the entire period is 21 days, compared with 25 days in 2020.

#### Human rights performance indicators

To gauge the quality of social dialogue, the company looks at the contractual dynamics (four agreements signed with employee representative bodies) 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.

# 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, 2021

	Company	Company form	Function or office	Country
Pierre Éric Pommellet	Naval Group	SA	Chairman and Chief Executive Officer	France
	Le Télégramme Média group	SA	Director	France
	Chantiers de l'Atlantique	SA	Director	France
	Naviris SPA	S.p.a	Director	Italy
	SCI JURIEEN	SCI	Partner with unlimited liability	France
	Association des Anciens de Polytechnique (AX)	Association	Board member	France
	GICAN	Employers' federation	Chairman	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
Nathalie Ravilly	Naval Group	SA	Director	France
	Thales	SA	Vice-President, Defence and Development Strategy	France
	Telespazio S.p.A	S.p.A	Chairman of the Board of Directors	Italy
	Thales Alenia Space	SA	Director	France
	Elettronica SpA	S.p.A	Director	Italy
	Thales Deutschland	GmbH	Member of the Supervisory Board	Germany
	Onera	Public industrial and commercial establishment	Director	France

## IV. Corporate governance report

	<b>Company</b>	<b>Company form</b>	<b>Function or office</b>	<b>Country</b>
Bernard Rétat	Naval Group	SA	Director	France
Jacques Hardelay	Naval Group	SA	Director	France
	Chantier naval de Marseille SAS (CNM)	SA	Chairman	France
	GICAN	Employers' federation	Director	France
	UIMM 13	Employers' federation	Director	France
	Club de la Croisière	Association	Director	France
	Grand Port Maritime de Marseille (GPMM)	National public institution	Director	France
Patrice Caine	Naval Group	SA	Director	France
	Thales	SA	Chairman and Chief Executive Officer	France
	L'Oréal	SA	Director	France
	Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS)	Professional federation	Vice-Chairman	France
	National Research and Technology Association (ANRT) (association)	Association	Chairman	France
	France Industrie (association)	Association	Vice-Chairman	France
Éveline Spina	Naval Group	SA	Director	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
Guenaëlle Pénin de la Raudière	Naval Group	SA	Director	France
	AIRBUS	SAS	Group Management Control Director	France
Geneviève Moullierat	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
	Consultation for technological innovation in the field of energy (CITEPH)	Group of companies managed and administered by EVOLEN	Chairman	France
	EVOLEN	Association 1901	Director	France

	<b>Company</b>	<b>Company form</b>	<b>Function or office</b>	<b>Country</b>
Valerie Champagne	Naval Group	SA	Director	France
	RTE	SA	Head of Subsidiaries and Investments until 04/30/2021	France
	UGAP (Union of public purchasing groups)	Public industrial and commercial establishment	Director	France
	Ministry of the Economy, Finance and the Recovery	General Inspectorate of Finance	Inspector General of Finance	France
	FDPITMA – Fund for the development of an intermodal transport policy in the Alps	National public administrative institution	Director	France
	SFTRF – Fréjus road tunnel company	Semi-public company	Director and Chairman of the Audit Committee	France
	CIRTEUS	SAS	Chairman (wholly-owned subsidiary of RTE) up to April 30, 2021	France
	RTE – Immo	SAS	Chairman (wholly-owned subsidiary of RTE) up to April 30, 2021	France
	IFA2 (joint venture held 50/50 by RTE and National Grid)	SAS	Director until April 30, 2021	France
François Geleznikoff	Naval Group	SA	Director	France
Laurent Chagnas	Naval Group	SA	Director	France
	Naval Group	SA	Technical and Administrative Secretary	France
Olivier Ménard	Naval Group	SA	Director	France
	Naval Group	SA	HR Attaché	France
	Metallurgy Federation CFE CGC	Federation	National Employment Training Representative	France
Béatrice Unia	Naval Group	SA	Director	France
	Naval Group	SA	<i>Business Developer</i>	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
	Naval Group	SA	Functional Integration Manager	France
	SCI Casacha	SCI	Manager	France

**IV.2. LIST OF AGREEMENTS 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.3. LIST OF DELEGATIONS OF POWERS OBTAINED FROM THE GENERAL MEETING UNDER ARTICLES L. 225-129-1 AND L. 225-129-2**

None.

**IV.4. 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.

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# Appendix 1

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## **PROPOSAL TO ALLOCATE THE EARNINGS OF NAVAL GROUP SA FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021**

In accordance with the IFRIC 14 accounting standard, the method for calculating retirement benefits has been modified for the consolidated financial statements and the French Accounting Standards Authority has adopted the same position for the preparation of the parent company financial statements.

This change in method led to a decrease in the company's commitments for an amount of €18,985,258, which was recognised under retained earnings, which thus changed from €178,750,748.50 at the beginning of the 2021 financial year to €197,736,006.50.

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 €192,469,754.47 for the financial year ended December 31, 2021 as follows:

- profit for the year: €192,469,754.47;
- plus retained earnings: €197,736,006.50.

For distributable profit of € 390,205,760.97:

- as a dividend to shareholders the sum of €97,610,050; and
- to carry forward the balance, i.e. the sum of €292,595,710.97.

Retained earnings thus increased from €197,736,006.50 to €292,595,710.97.

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# Appendix 2

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## **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 25, 2022.

### **AGREEMENT AUTHORISED AND SIGNED IN 2021**

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

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## AGREEMENTS SIGNED IN PREVIOUS YEARS AND STILL IN EFFECT DURING THE 2021 FINANCIAL YEAR

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

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) <i>Approved by the Board of Directors on July 17, 2018</i>	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) <i>Approved by the Board of Directors on July 17, 2018</i>	07/18/2018 (effective August 1, 2018)

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

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 <i>Approved by the Board of Directors on October 28, 2016</i>	December 15, 2016

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

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 <i>Considered by the meeting of the Board of Directors of March 22, 2007</i>	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 SIGNED IN 2003 AND APPROVED BY THE BOARD OF DIRECTORS

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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**APPENDIX 1 – INFORMATION CONSIDERED  
TO BE THE MOST IMPORTANT**

**Financial year ended December 31, 2021**  
All amounts are in millions of euros unless otherwise stated.

# I. COMPREHENSIVE INCOME STATEMENT

## Consolidated income statement

	Notes	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Revenue	2.1	4,052.9	3,320.3
Cost of sales		(3,456.0)	(2,972.4)
Research and development costs	2.2.2	(81.0)	(63.0)
Marketing and selling expenses		(106.8)	(100.0)
General and administration expenses		(137.7)	(122.0)
<b>Operating profit/(loss) from ordinary activities before amortisation of intangible assets acquired in business combinations</b>	<b>2.2</b>	<b>271.4</b>	<b>62.9</b>
Amortisation of intangible assets acquired in business combinations		(0.7)	(0.7)
<b>Operating profit/(loss) from ordinary activities</b>		<b>270.7</b>	<b>62.2</b>
Other operating income	2.2.4	1.7	5.4
Other operating expenses	2.2.5	(2.1)	(2.8)
<b>Operating profit/(loss) before net income from associates</b>		<b>270.3</b>	<b>64.8</b>
Net income from associates	3.3	23.4	16.4
<b>Operating profit/(loss) after net income from associates</b>		<b>293.7</b>	<b>81.2</b>
Interest expense on IFRS 16 contract	2.3	(1.5)	(1.2)
Income from financial investments	2.3	8.6	6.3
Other financial income	2.3.1	74.0	21.5
Other financial expenses	2.3.2	(85.4)	(27.5)
<b>Net financial expense</b>	<b>2.3</b>	<b>(4.3)</b>	<b>(0.9)</b>
Income tax	2.4	(77.7)	(10.2)
<b>Net income from continuing operations</b>		<b>211.6</b>	<b>70.1</b>
Net income from assets held for sale		(14.8)	(12.6)
<b>Net profit/(loss) for the period</b>		<b>196.9</b>	<b>57.5</b>
<b>Net profit/(loss) for the period, attributable to owners of the parent</b>		<b>196.9</b>	<b>62.3</b>
<i>of which net income from continuing operations – group share</i>		211.7	70.2
<i>of which net income from assets held for sale – group share</i>		(14.8)	(7.9)
<b>Net profit/(loss) for the period, non-audited portion</b>		<b>(0.1)</b>	<b>(4.8)</b>
<i>of which net income from continuing operations – Non-controlling interests</i>		(0.1)	(0.1)
<i>of which net profit/(loss) from assets held for sale – Non-controlling interests</i>		-	(4.7)
<b>Basic and diluted earnings per ordinary share (in €)</b>	<b>2.5</b>	<b>1.77</b>	<b>0.56</b>
<i>of which net income from continuing operations</i>		1.90	0.67
<i>of which net income from assets held for sale</i>		(0.13)	(0.11)

(1) In accordance with IFRS 5, net income from discontinued operations is presented on the separate line of the income statement "Net income from assets held for sale" for the years presented. The impact of the application of IFRS 5 on the data published in 2020 is presented in note 1.5.

## Consolidated statement of comprehensive income

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
<b>Net profit/(loss) for the period</b>	<b>196.9</b>	<b>57.5</b>
<b>Items to be subsequently reclassified to the income statement</b>	<b>-</b>	<b>1.1</b>
Changes in fair value of the cash flow hedges	-	1.1
<b>Items that cannot be reclassified to the income statement</b>	<b>17.2</b>	<b>(0.4)</b>
Translation differences on the conversion of foreign businesses	(0.3)	(1.9)
Actuarial gains and (losses)	17.5	1.5
<b>Income and expenses recognised in equity, before tax</b>	<b>17.0</b>	<b>0.7</b>
Tax recognised directly in equity	(5.0)	(0.4)
<b>Income and expenses recognised in equity</b>	<b>12.2</b>	<b>0.3</b>
<b>CONSOLIDATED COMPREHENSIVE NET INCOME</b>	<b>209.1</b>	<b>57.8</b>
attributable to owners of the parent	209.1	62.6
attributable to non-controlling interests	-	(4.8)

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

### ROC/EBITA bridge

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

- the effect of restructuring;
- impairment losses on property, plant and equipment and non-current assets (non-operating);
- 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.

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
<b>Operating profit/(loss) from ordinary activities before amortisation of intangible assets acquired in business combinations</b>	<b>271.4</b>	<b>62.9</b>
Share of operating profit/(loss) of SMEs	23.1	20.5
Other operating income	1.7	5.4
Other operating expenses	(2.0)	(2.8)
<b>EBITA</b>	<b>294.2</b>	<b>86.0</b>

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

## II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Assets

	Notes	12/31/2021	12/31/2020
Goodwill	3.2	382.8	382.8
Intangible assets	3.1.1	70.2	72.6
Rights of use	3.1	101.8	119.6
Property, plant and equipment	3.1.2	642.6	602.4
Share in net assets of associates	3.3	115.7	100.2
Non-current financial assets	4.1.1	242.5	427.9
Other non-current assets		0.1	0.3
Deferred tax assets	2.4.3	184.5	243.1
<b>Non-current assets</b>		<b>1,740.2</b>	<b>1,948.9</b>
Inventories and work in progress	3.4	442.7	423.7
Contract assets	3.9	678.6	549.2
Trade receivables	3.5	640.7	524.5
Advances and part payments paid		945.6	1,140.6
Other current financial assets	4.1.1	166.2	1.1
Current tax receivable		0.7	73.7
Other receivables	3.5	430.8	433.0
Cash and cash equivalents	4.2	1,133.3	1,260.3
<b>Current assets</b>		<b>4,438.6</b>	<b>4,406.1</b>
<b>TOTAL ASSETS</b>		<b>6,178.8</b>	<b>6,355.0</b>

## Equity and liabilities

	Notes	12/31/2021	12/31/2020
Share capital	3.6.1	563.0	563.0
Premiums		18.4	18.4
Treasury shares	3.6.6	(82.6)	(81.4)
Remeasurement of financial instruments	3.6.3	-	(0.2)
Translation differences	3.6.5	(9.7)	(9.2)
Actuarial gains and losses		(4.6)	(23.6)
Other reserves attributable to owners of the parent		636.9	572.1
Consolidated income attributable to owners of the parent		196.9	62.3
<b>Equity attributable to owners of the group</b>		<b>1,318.3</b>	<b>1,101.4</b>
Non-controlling interests		0.5	0.5
<b>Total equity</b>		<b>1,318.8</b>	<b>1,101.9</b>
Non-current provisions	3.7	132.5	208.7
Non-current financial liabilities	4.1.2	54.9	48.8
Non-current IFRS 16 lease liabilities	4.1.2	73.6	98.2
Other liabilities		1.1	2.7
Deferred tax liabilities	2.4.3	4.0	3.5
<b>Non-current liabilities</b>		<b>266.1</b>	<b>361.9</b>
Current provisions	3.7	628.2	575.1
Current financial liabilities	4.1.2	478.1	383.8
Current IFRS 16 lease liabilities	4.1.2	28.8	22.6
Contract liabilities	3.9	1,418.7	1,898.9
Suppliers	3.8	1,251.5	1,275.6
Current tax payables		50.3	19.5
Other payables	3.8	738.3	715.7
<b>Current liabilities</b>		<b>4,593.9</b>	<b>4,891.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,178.8</b>	<b>6,355.0</b>

III. Total consolidated equity

## III. TOTAL CONSOLIDATED EQUITY

	Number of shares	Share capital	Premiums	Other reserves <sup>(1)</sup>	Treasury shares	Remeasurement of financial assets and liabilities	Cash Flow hedge	Translation differences <sup>(2)</sup>	Actuarial gains and losses	Equity attributable to owners of the group	Non-controlling interests	Total equity
<b>January 1, 2020</b>	<b>55,813,740</b>	<b>563.0</b>	<b>18.4</b>	<b>702.6</b>	<b>(81.9)</b>	<b>3.9</b>	<b>(1.2)</b>	<b>(7.0)</b>	<b>(23.3)</b>	<b>1,174.5</b>	<b>16.6</b>	<b>1,191.1</b>
<b>Consolidated comprehensive net income</b>			-	<b>62.3</b>	-	-	<b>1.2</b>	<b>(1.9)</b>	<b>1.0</b>	<b>62.6</b>	<b>(4.8)</b>	<b>57.8</b>
Dividend payments			-	(94.2)	-	-	-	-	-	(94.2)	-	(94.2)
Treasury shares <sup>(3)</sup>	(34,492)			1.3	(1.8)					(0.5)		(0.5)
Other		-	-	(3.0)	2.3	(4.1)	-	-	(1.5)	(6.3)	(0.1)	(6.4)
Transactions with non-controlling interests		-	-	(34.6)	-	-	-	(0.3)	0.2	(34.7)	(11.2)	(45.9)
<b>December 31, 2020</b>	<b>55,779,248</b>	<b>563.0</b>	<b>18.4</b>	<b>634.4</b>	<b>(81.4)</b>	<b>(0.2)</b>	<b>-</b>	<b>(9.2)</b>	<b>(23.6)</b>	<b>1,101.4</b>	<b>0.5</b>	<b>1,101.9</b>
<b>Consolidated comprehensive net income</b>			-	<b>196.9</b>	-	-	-	<b>(0.4)</b>	<b>12.5</b>	<b>209.1</b>	-	<b>209.1</b>
Dividend payments			-	(0.1)	-	-	-	-	-	(0.1)	-	(0.1)
Treasury shares <sup>(3)</sup>	(138,847)			3.2	(3.2)					-		-
Other		-	-	(0.6)	2.0	0.2	-	(0.1)	6.5 <sup>(4)</sup>	7.9	-	7.9
<b>December 31, 2021</b>	<b>55,640,401</b>	<b>563.0</b>	<b>18.4</b>	<b>833.8</b>	<b>(82.6)</b>	<b>-</b>	<b>-</b>	<b>(9.7)</b>	<b>(4.6)</b>	<b>1,318.3</b>	<b>0.5</b>	<b>1,318.8</b>

(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.

(4) Following the IFRS IC reform on the application of IAS 19, a net impact of €20 million was restated in equity (see note 1.3.2).

## IV. STATEMENT OF CASH FLOWS

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
<b>Net income from continuing operations</b>	<b>211.6</b>	<b>70.1</b>
Deduct (add):		
Net depreciation/(reversal)	128.1	120.0
Net provision expense/(reversal)	61.2	(56.8)
Net asset impairment loss/(reversal)	(54.0)	(25.4)
Changes in fair value of financial instruments	(9.7)	(5.7)
Proceeds from disposals	2.7	(21.4)
Change in employee share offer liability	3.2	-
Tax expense/(income)	77.7	10.2
Share in profit/(loss) of associates	(23.4)	(16.4)
Dividends received from associates	7.2	7.4
Other dividends received (reclassified as net financial investments)	(0.8)	(0.7)
Cost of financial debt	3.3	1.7
Impact of discontinued operations	(11.7)	19.9
<b>Cash flow from operations</b>	<b>395.5</b>	<b>102.9</b>
Change in working capital requirement	(549.6)	(601.1)
Tax refunded/(paid)	61.7	(119.7)
Impact of discontinued operations	(0.9)	(5.4)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(93.3)</b>	<b>(623.3)</b>
Changes in scope of consolidation	-	(46.0)
Purchases of property, plant and equipment and intangible assets	(150.4)	(131.7)
Disposals of property, plant and equipment and intangible assets	0.2	1.2
Acquisitions of holdings, net of cash acquired/brought into scope of consolidation	(1.1)	(2.2)
Change in loans and advance payments	(18.1)	20.8
Impact of discontinued operations	52.1	(4.6)
<b>Net operating investments</b>	<b>(117.3)</b>	<b>(162.5)</b>
Decrease/(increase) in investment securities <sup>(2)</sup>	8.5	152.4
Decrease/(increase) in financial assets	1.6	(0.1)
<b>Net financial investments</b>	<b>10.1</b>	<b>152.3</b>
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(107.2)</b>	<b>(10.2)</b>
Increase in capital – non-controlling interests	-	(2.5)
Dividends paid to owners of the parent	(0.1)	(94.2)
Dividends paid to non-controlling interests	-	-
Sale/(purchase) of treasury shares	(7.9)	0.1
<b>Cash payments to or from shareholders</b>	<b>(8.0)</b>	<b>(96.6)</b>
Increase in financial liabilities	200.2	252.3
Decrease in financial liabilities	(56.2)	93.3
Repayment of IFRS 16 lease liabilities	(23.2)	(22.6)
Impact of discontinued operations	(39.9)	(13.7)
<b>Net change in financial liabilities</b>	<b>80.9</b>	<b>309.2</b>
<b>Net cash inflow/(outflow) from financing activities</b>	<b>73.0</b>	<b>212.6</b>
Effects of changes in exchange rates/fair value	0.5	(2.2)
<b>Net change in cash and cash equivalents</b>	<b>(127.5)</b>	<b>(420.9)</b>
Net cash and cash equivalents at beginning of period	1,260.3	1,683.5
<b>Closing cash and cash equivalents</b>	<b>1,133.3</b>	<b>1,260.3</b>

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

(2) In accordance with note 1.3.17, the change in investment securities mainly comprises changes in certificates of deposit, term accounts and medium-term negotiable notes with an original maturity of more than three months.

IV. Statement of cash flows

Net cash plus investment securities classified under other financial assets as per note 1.3.17 amounted to €1,498.3 million at December 31, 2021 (compared to €1,625.3 million at December 31, 2020) and is made up as follows:

	<b>12/31/2021</b>	<b>12/31/2020</b>
Non-current investment securities	200.0	365.0
Current investment securities	165.0	-
Closing cash and cash equivalents	1,133.3	1,260.3
<b>TOTAL</b>	<b>1,498.3</b>	<b>1,625.3</b>



## V. NOTES TO THE FINANCIAL STATEMENTS

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**Note 5.** Other disclosures

## 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, 2021 were approved by the Board of Directors on February 25, 2022 and will be submitted for approval to the General Meeting to be held on March 18, 2022.

The 2021 financial year was mainly marked by the following major events:

- more than 3 billion orders taken;
- revenue of around €4 billion;
- operational successes such as the transfer to the SSN launching system *Duguay-Trouin* (Barracuda program), delivery of the FREMM *Alsace*, the nominal procedure of the SSN repair *Perle*;
- notification by the Australian customer that it is shutting down the AFS program for reasons of convenience;
- cessation of Naval Energies' floating wind activity.

### 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 at December 31, 2021.

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. Mandatory interpretations

##### IAS 19 Employee Benefits

Pursuant to the IFRS IC interpretation concerning the way in which pension obligations must be provisioned by companies, the group has opted for the new method recommended by the IFRS IC, which proposes to set up a provision for employees, from a certain number of years of service, and to change the provision on a straight-line basis until the employee's retirement date. 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.

This application resulted in a recalculation of the commitment at January 1, 2021 and a decrease in the provision for €20.6 million (net of deferred tax) broken down as follows in the group's financial statements:

- an amount of €20 million (net of deferred tax) in the net position;
- an amount of €0.6 million (net of deferred tax) on the income for the period.

#### 1.3.3. 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.

#### 1.3.4. 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 3.8)

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.

### 1.3.5. 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.

### 1.3.6. 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>.

### 1.3.7. 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.

### 1.3.8. 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.

### 1.3.9. 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 1.3.13. 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 1.3.13. 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.

### 1.3.10. 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.

#### **1.3.11. 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 1.3.9, 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.

#### **1.3.12. 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: ten to 25 years;
- plant and machinery: five to 20 years;
- other property, plant and equipment: five to ten 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, 2021 is 1.27%.

#### **1.3.13. 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).

### 1.3.14. 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.

### 1.3.15. 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 PO 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, 2021, the group's order book stood at €14.1 billion. Its provisional execution schedule is as follows: 22.6% in 2022, 19.5% in 2023, 15.3% in 2024, 12.6% in 2025 and 30% 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.

### 1.3.16. 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.

### 1.3.17. 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.

### 1.3.18. 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.

#### 1.3.19. 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 in 2019, 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.

#### 1.3.20. 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.

The future decrease in the current tax rate from 28.41% to 25.83% (scheduled in 2022) involves a remeasurement of the deferred tax inventory. The impact of this decrease is recognised in profit or loss on the basis of the timetable for the reversal of temporary differences.



### 1.3.21. 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, 2021, the consolidation scope, consisting of fully consolidated subsidiaries and associates, was as follows:

<i>(in percentages)</i>	Country	Control at 12/31/2021	Interests at 12/31/2021	Control at 12/31/2020	Interests at 12/31/2020
<b>Parent</b>					
Naval Group SA	France				
<b>Exclusive control</b>					
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
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 Energia 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
<b>Significant influence</b>					
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 <sup>(1)</sup>	France	65	65	-	-
TechnicAtome	France	20	20	20	20

(1) 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 authorized 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". For comparison purposes, net income for financial year 2020 has also been reclassified to this line.

In the statement of cash flows, all flows relating to this subsidiary are presented on the line "impact of discontinued operations". The data for the 2020 financial year have been restated in the same way.

The main aggregates of the consolidated income statement of the subsidiary Naval Energies treated in accordance with IFRS 5 for the 2021 and 2020 financial years are as follows:

**Naval Energies income statement**

	<b>2021</b>	<b>2020</b>
Revenue	0.2	2.7
Cost of sales	(5.6)	(3.0)
Research and development costs	0.4	(2.5)
Marketing and selling expenses	(0.9)	(3.4)
General and administration expenses	(7.2)	(4.0)
<b>Operating profit/(loss) from ordinary activities</b>	<b>(13.1)</b>	<b>(10.2)</b>
Other operating income	-	-
Other operating expenses	(1.1)	-
<b>Operating profit</b>	<b>(14.2)</b>	<b>(10.2)</b>
Net financial expense	(0.6)	(0.2)
Income tax	-	(2.2)
<b>Net profit/(loss) for the period</b>	<b>(14.8)</b>	<b>(12.6)</b>
attributable to owners of the parent	(14.8)	(7.9)
attributable to non-controlling interests	-	(4.7)

### 1.5.1. Impact on the consolidated income statement for 2020 of the IFRS 5 restatement on Naval Energies

	Published for the 2020 financial year	Restated under IFRS 5	2020 restated under IFRS 5
Revenue	3,323.0	(2.7)	3,320.3
Cost of sales	(2,975.4)	3.0	(2,972.4)
Research and development costs	(65.5)	2.5	(63.0)
Marketing and selling expenses	(103.4)	3.4	(100.0)
General and administration expenses	(126.0)	4.0	(122.0)
<b>Operating profit/(loss) from ordinary activities before amortisation of intangible assets acquired in business combinations</b>	<b>52.7</b>	<b>10.2</b>	<b>62.9</b>
Amortisation of intangible assets acquired in business combinations	(0.7)	-	(0.7)
<b>Operating profit/loss from ordinary activities</b>	<b>52.0</b>	<b>10.2</b>	<b>62.2</b>
Other operating income	5.4	-	5.4
Other operating expenses	(2.8)	-	(2.8)
<b>Operating profit/(loss) before net income from associates</b>	<b>54.6</b>	<b>10.2</b>	<b>64.8</b>
Net income from associates	16.4	-	16.4
<b>Operating profit/(loss) after net income from associates</b>	<b>71.0</b>	<b>10.2</b>	<b>81.2</b>
Interest expense on IFRS 16 contract	(1.2)	-	(1.2)
Income from financial investments	6.3	-	6.3
Other financial income	26.0	(4.5)	21.5
Other financial expenses	(32.2)	4.7	(27.5)
<b>Net financial expense</b>	<b>(1.1)</b>	<b>0.2</b>	<b>(0.9)</b>
Income tax	(12.4)	2.2	(10.2)
<b>Net income from continuing operations</b>	<b>57.5</b>	<b>12.6</b>	<b>70.1</b>
<b>Net income from assets held for sale</b>	<b>-</b>	<b>(12.6)</b>	<b>(12.6)</b>
<b>Net profit/(loss) for the period</b>	<b>57.5</b>	<b>-</b>	<b>57.5</b>
attributable to owners of the parent	62.3	-	62.3
attributable to non-controlling interests	(4.8)	-	(4.8)

**1.5.2. Impact on the consolidated statement of cash flow for 2020 of the IFRS 5 restatement on Naval Energies**

	Published for the 2020 financial year	Restated under IFRS 5	2020 restated under IFRS 5
<b>Net income from continuing operations</b>	<b>57.5</b>	<b>12.6</b>	<b>70.1</b>
Deduct (add):			
Net depreciation/(reversal)	120.1	(0.1)	120.0
Net provision expense/(reversal)	(58.8)	2.0	(56.8)
Net asset impairment loss/(reversal)	(23.2)	(2.2)	(25.4)
Changes in fair value of financial instruments	(5.7)	-	(5.7)
Proceeds from disposals	8.6	(30.0)	(21.4)
Change in employee share offer liability	-	-	-
Tax expense/(income)	12.4	(2.2)	10.2
Share in income/(loss) of associates	(16.4)	-	(16.4)
Dividends received from associates	7.4	-	7.4
Other dividends received (reclassified as net financial investments)	(0.7)	-	(0.7)
Cost of financial debt	1.8	(0.1)	1.7
Impact of discontinued operations	-	19.9	19.9
<b>Cash flow from operations</b>	<b>102.9</b>	<b>-</b>	<b>102.9</b>
Change in working capital requirement	(606.5)	5.4	(601.1)
Tax refunded/(paid)	(119.7)	-	(119.7)
Impact of discontinued operations	-	(5.4)	(5.4)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(623.3)</b>	<b>-</b>	<b>(623.3)</b>
Changes in scope of consolidation	(46.0)	-	(46.0)
Purchases of property, plant and equipment and intangible assets	(131.8)	0.1	(131.7)
Disposals of property, plant and equipment and intangible assets	1.2	-	1.2
Acquisitions of holdings, net of cash acquired/brought into scope of consolidation	(2.2)	-	(2.2)
Change in loans and advance payments	16.3	4.5	20.8
Impact of discontinued operations	-	(4.6)	(4.6)
<b>Net operating investments</b>	<b>(162.5)</b>	<b>-</b>	<b>(162.5)</b>
Decrease/(increase) in investment securities	152.4	-	152.4
Decrease/(increase) in financial assets	(0.1)	-	(0.1)
<b>Net financial investments</b>	<b>152.3</b>	<b>-</b>	<b>152.3</b>
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(10.2)</b>	<b>-</b>	<b>(10.2)</b>
Increase in capital – non-controlling interests	(2.5)	-	(2.5)
Dividends paid to owners of the parent	(94.2)	-	(94.2)
Dividends paid to non-controlling interests	-	-	-
Sale/(purchase) of treasury shares	0.1	-	0.1
<b>Cash payments to or from shareholders</b>	<b>(96.6)</b>	<b>-</b>	<b>(96.6)</b>
Increase in financial liabilities	262.4	(10.1)	252.3
Decrease in financial liabilities	69.5	23.8	93.3
Repayment of IFRS 16 lease liabilities	(22.7)	0.1	(22.6)
Impact of discontinued operations	-	(13.7)	(13.7)
<b>Net change in financial liabilities</b>	<b>309.2</b>	<b>-</b>	<b>309.2</b>
<b>Net cash inflow/(outflow) from financing activities</b>	<b>212.6</b>	<b>-</b>	<b>212.6</b>
Effects of changes in exchange rates/fair value	(2.2)	-	(2.2)
<b>Net change in cash and cash equivalents</b>	<b>(420.9)</b>	<b>-</b>	<b>(420.9)</b>
Net cash and cash equivalents at beginning of period	1,683.5	-	1,683.5
<b>Closing cash and cash equivalents</b>	<b>1,260.3</b>	<b>-</b>	<b>1,260.3</b>

## NOTE 2. INCOME STATEMENT

### 2.1. REVENUE

group revenue for the financial year ended December 31, 2021 was €4,052.9 million (versus €3,320.3 million for the financial year ended December 31, 2020).

Of this, €2,955.3 million was generated in France (versus €2,318.1 million for the financial year ended December 31, 2020).

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Construction and maintenance contracts	3,905.8	3,205.3
Sales of goods and services	147.1	115.0
<b>REVENUE</b>	<b>4,052.9</b>	<b>3,320.3</b>

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

### 2.2. OPERATING PROFIT

The cost of sales for an amount of €3,456 million at December 31, 2021, consists of purchasing costs and personnel expenses (see note 2.2.1)

#### 2.2.1. Employee headcount and costs of own and seconded employees

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Wages and salaries (including social security charges) of own employees	(1,221.9)	(1,079.8)
Retirement and other long-term employee benefit expenses	(13.7)	(9.3)
Employees seconded by the French State	(139.5)	(150.3)
Other	(21.2)	(30.8)
<b>TOTAL</b>	<b>(1,396.3)</b>	<b>(1,270.2)</b>

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

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:

	2021	2020
Managers	7,547	7,215
Supervisors and technicians	4,852	4,677
Blue and white-collar employees	3,092	3,072
<b>Total fully consolidated French companies</b>	<b>15,491</b>	<b>14,964</b>
Other consolidated companies of the group	537	500
<b>TOTAL WORKFORCE</b>	<b>16,028</b>	<b>15,464</b>
Including seconded employees	1,795	2,022

### 2.2.2. Research and development costs

Research and development expenses, net of the research tax credit, amounted to €81 million for the financial year ended December 31, 2021 (€63 million for the financial year ended December 31, 2020).

These research and development expenses correspond to the net research and development expenses incurred by the group (see note 1.3.10).

### 2.2.3. Statutory Auditors' fees

For the financial year ended December 31, 2021, 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

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Competitiveness/restructuring plan	1.7	2.8
Other <sup>(2)</sup>	-	2.6
<b>OTHER OPERATING INCOME</b>	<b>1.7</b>	<b>5.4</b>

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

(2) At December 31, 2020, €1.4 million of the amount corresponds to the deconsolidation premium of Principia.

### 2.2.5. Other operating expenses

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Competitiveness/restructuring plan	(1.6)	(2.8)
Other	(0.5)	-
<b>OTHER OPERATING EXPENSES</b>	<b>(2.1)</b>	<b>(2.8)</b>

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

## 2.3. NET FINANCIAL INCOME/EXPENSE

Income from financial investments represents interest earned by the group on its cash investments in the amount of €8.6 million for the financial year ended December 31, 2021 (versus €6.3 million for the financial year ended December 31, 2020).

Interest expenses related to IFRS 16 contracts were (€1.5) million for the financial year ended December 31, 2021 (versus (€1.2) million for the financial year ended December 31, 2020).

### 2.3.1. Other financial income

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Changes in fair value of financial investments	1.3	0.9
Dividends received	0.8	0.7
Interest on overdue trade receivables	1.2	1.5
Foreign exchange gains	10.3	10.7
Reversal of impairments on financial assets	58.5	5.3
Reversal of impairment on provisions for long-term benefits	0.9	-
Income on cash equivalents	-	0.3
Other income	1.0	2.1
<b>OTHER FINANCIAL INCOME</b>	<b>74.0</b>	<b>21.5</b>

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

### 2.3.2. Other financial expenses

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Change in employee share offer liability	(3.2)	(0.3)
Interest on overdue trade payables	0.3	(0.2)
Foreign exchange losses	(10.5)	(12.6)
Impairment losses on provisions of long-term benefits	(1.6)	(2.8)
Impairment losses on financial assets/provisions	(5.7)	(9.9)
Interest on loans	(1.8)	(0.5)
Other expenses	(62.9)	(1.3)
<b>OTHER FINANCIAL EXPENSES</b>	<b>(85.4)</b>	<b>(27.5)</b>

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

## 2.4. INCOME TAX

### 2.4.1. Analysis of income tax expense

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Deferred tax	(32.3)	3.4
Current tax	(45.5)	(13.6)
<b>INCOME TAX</b>	<b>(77.7)</b>	<b>(10.2)</b>

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

The change in deferred taxes comprises a (€2.9) million expense corresponding to the recognition of the future decrease of the current tax rate on all of the group's (positive

and capitalised) temporary differences (versus €6.1 million as at December 31, 2020).

### 2.4.2. Reconciliation of actual and theoretical income tax expense

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Net income from continuing operations	211.6	70.1
Income tax	(77.7)	(10.2)
Operating profit/(loss) after net income from associates	23.4	16.4
<b>Net profit before tax</b>	<b>265.9</b>	<b>63.9</b>
Group theoretical tax rate	28.41%	32.02%
<b>Theoretical tax expense</b>	<b>(75.5)</b>	<b>(20.5)</b>
Offset of research tax credit in EBITA <sup>(2)</sup>	8.4	9.8
Reduction in corporate tax rate <sup>(3)</sup>	(2.9)	(6.1)
Deferred tax not recognised <sup>(4)</sup>	(13.9)	(5.8)
Difference in corporation tax rate on foreign income/(loss) <sup>(5)</sup>	0.6	0.0
Other permanent differences	5.6	12.3
<b>ACTUAL TAX EXPENSE</b>	<b>(77.6)</b>	<b>(10.2)</b>
Effective tax rate <sup>(6)</sup>	23.99%	6.90%

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

(2) The recognition of research tax credit set against operating expenses generates a theoretical income tax expense of (€8.4) million, which must be offset.

(3) The change in corporate tax rate has an impact of (€2.9) million on the future valuation of deferred tax inventory.

(4) No deferred tax has been capitalised on the losses as it is unlikely that they can be offset.

(5) The rate difference between the theoretical corporation tax rate and the current rate applied in the overseas subsidiaries and permanent establishments.

(6) Excluding losses not recognised.

### 2.4.3. Deferred taxes on the statement of financial position

	12/31/2021	12/31/2020
Deferred tax assets	184.5	243.1
Deferred tax liabilities	(4.0)	(3.5)
<b>DEFERRED TAX BALANCE</b>	<b>180.4</b>	<b>239.6</b>

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 NavalGroup tax consolidation group, which comprises all fully consolidated French companies in which its interest exceeds 95% (see note 1.5).

As of December 31, 2021, the tax loss carryforwards 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, 2020 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 55,640,401 shares and 55,779,248 shares for the financial years ended December 31, 2021 and December 31, 2020 respectively.

No dilutive instruments were issued during the financial years ended December 31, 2021 and December 31, 2020. Diluted and basic earnings per share are therefore identical.

The articles of association provide that half of the dividend paid is due to holders of Class A preference shares, up until full payment of an amount of €300 million that bears interest at 4.76%, and that the balance is allocated between all shareholders. The numerator is thus equal to half the net profit and the denominator is the average number of shares outstanding, *i.e.* 55,640,401 shares and 55,779,248 shares for the years ended December 31, 2021 and December 31, 2020 respectively (see note 3.6 on equity).

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Net profit attributable to owners of the parent <i>(in € millions)</i>	196.9	62.3
Portion attributable to holders of ordinary shares <i>(in € millions)</i>	98.5	31.2
Number of ordinary shares outstanding <i>(in millions of shares)</i>	55.6	55.8
<b>BASIC AND DILUTED EARNINGS PER SHARE <i>(IN €)</i></b>	<b>1.77</b>	<b>0.56</b>

	2021	2020 restated under IFRS 5 <sup>(1)</sup>
Earnings per share from continuing operations	1.90	0.67
Earnings per share from discontinued operations	(0.13)	(0.1)
<b>BASIC AND DILUTED EARNINGS PER SHARE <i>(IN €)</i></b>	<b>1.77</b>	<b>0.56</b>

(1) The data published for the 2020 financial year have been restated according to the impact of the presentation of Naval Energies' activity (see note 1.5).

## NOTE 3. OPERATING ASSETS AND LIABILITIES

### 3.1. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

#### 3.1.1. Intangible assets

	Patents and similar	Fair value differences	Other intangible assets	Total intangible assets
<b>Gross amounts</b>				
Opening	241.1	167.8	18.2	427.1
Acquisitions	23.3	-	-	23.3
Disposals	(0.4)	-	-	(0.4)
Other changes	-	-	(0.2)	(0.2)
<b>Closing</b>	<b>264.0</b>	<b>167.8</b>	<b>18.0</b>	<b>449.8</b>
<b>Depreciation, amortisation and impairment losses</b>				
Opening	(187.4)	(166.9)	(0.2)	(354.5)
Net depreciation for the financial year	(24.5)	(0.7)	(0.1)	(25.3)
Disposals	0.2	-	-	0.2
Other changes	-	-	-	-
<b>Closing</b>	<b>(211.7)</b>	<b>(167.6)</b>	<b>(0.2)</b>	<b>(379.5)</b>
Net amounts 12/31/2020	53.7	0.9	18.0	72.6
<b>NET AMOUNTS 12/31/2021</b>	<b>52.3</b>	<b>0.2</b>	<b>17.8</b>	<b>70.2</b>

### 3.1.2. Property, plant and equipment

	Land	Buildings	Plant and machinery	Other property, plant and equipment	Total property, plant and equipment
<b>Gross amounts</b>					
Opening	25.1	370.0	380.6	739.3	1,515.0
Acquisitions	-	31.7	39.1	52.8	123.6
Disposals	-	-	(7.2)	(9.2)	(16.4)
IFRS 16 - entry	-	6.4	5.1	-	11.5
IFRS 16 - exit	-	(7.9)	(0.2)	-	(8.1)
Other changes	-	(0.6)	0.7	1.3	1.4
<b>Closing</b>	<b>25.1</b>	<b>399.6</b>	<b>418.1</b>	<b>784.2</b>	<b>1,627.0</b>
<b>Depreciation, amortisation and impairment losses</b>					
Opening	-	(131.8)	(270.2)	(391.0)	(793.0)
Net depreciation for the financial year	-	(8.9)	(22.7)	(52.8)	(84.4)
Reversals	-	-	0.5	1.7	2.2
Disposals	-	-	6.8	7.2	14.0
Net provisions for IFRS 16 rights of use	-	(20.6)	(1.6)	-	(22.2)
Reversals of IFRS 16 rights of use	-	0.7	0.3	-	1.0
Other changes	-	(0.1)	-	-	(0.1)
<b>Closing</b>	<b>-</b>	<b>(160.7)</b>	<b>(286.9)</b>	<b>(434.9)</b>	<b>(882.5)</b>
Net amounts 12/31/2020	25.1	238.2	110.4	348.3	722.0
<b>NET AMOUNTS 12/31/2021</b>	<b>25.1</b>	<b>238.9</b>	<b>131.2</b>	<b>349.3</b>	<b>744.5</b>
<i>of which property, plant and equipment at 12/31/2021</i>	25.1	142.4	125.9	349.3	642.7
<i>of which rights of use at 12/31/2021</i>	-	96.5	5.3	-	101.8

### 3.2. GOODWILL

#### 3.2.1. Change in goodwill

	12/31/2020	Acquisitions	Disposals	Impairment losses	12/31/2021
Services	86.9	-	-	-	86.9
New buildings	295.9	-	-	-	295.9
<b>GOODWILL</b>	<b>382.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>382.8</b>

	12/31/2019	Acquisitions	Disposals	Impairment losses	12/31/2020
Services	86.9	-	-	-	86.9
New buildings	295.9	-	-	-	295.9
<b>GOODWILL</b>	<b>382.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>382.8</b>

#### 3.2.2. Assumptions used

At December 31, 2021, for all CGUs, the discount rate (WACC) of future cash flows is 6.33%. 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 point and a decrease in the perpetual growth rate of 0.5 point.

## 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	
	12/31/2021	12/31/2020	2021	2020
Principia <sup>(1)</sup>	-	-	-	0.2
Boustead DCNS Naval Corporation SDN BHD (Malaysia) <sup>(2)</sup>	(17.5)	(22.3)	5.5	5.7
Itaguaí Construções Navais SA (Brazil) <sup>(2)</sup>	2.9	2.3	0.6	(0.3)
Défense Environnement Services SAS (France) <sup>(2)</sup>	1.5	1.0	0.9	0.7
Kership SAS (France) <sup>(2)</sup>	6.6	2.2	4.4	1.0
TechnicAtome SA (France)	122.3	116.8	12.4	11.4
Naviris parent company (Italy) <sup>(3)</sup>	(0.5)	0.2	(0.7)	(2.3)
MO Porte-Avions (France) <sup>(4)</sup>	0.4	-	0.3	-
<b>TOTAL</b>	<b>115.7</b>	<b>100.2</b>	<b>23.4</b>	<b>16.4</b>

(1) Company sold in July 2020.

(2) Companies accounted for under the equity method since January 1, 2014 (IFRS 10 and 11).

(3) Company consolidated in February 2020.

(4) Company consolidated in January 2021.

### 3.3.2. Changes in "Net assets of associates"

	12/31/2021	12/31/2020
Share in net assets of associates as at January 1	100.2	90.3
Share in income/(loss) of associates	23.4	16.4
Dividends paid	(7.2)	(7.4)
Actuarial gains (losses) on pensions, net of deferred taxes	0.1	-
Translation differences	(0.8)	0.9
Consolidation scope changes	-	(2.3)
Other	-	2.3
<b>SHARE IN NET ASSETS OF ASSOCIATES</b>	<b>115.7</b>	<b>100.2</b>

### 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%)	12/31/2021	12/31/2020
<b>Total assets</b>	<b>1,069.2</b>	<b>965.8</b>
Equity restated, entity's share before net income	223.7	142.7
Actuarial gains (losses) on pensions, net of deferred taxes	(7.3)	51.5
Entity's net income	60.9	56.1
Equity restated, entity's share	277.3	250.3
Other liabilities	791.9	715.5
<b>Total equity and liabilities</b>	<b>1,069.2</b>	<b>965.8</b>
Cash and cash equivalents	773.3	678.4

<b>Consolidation in Naval Group</b>	<b>12/31/2021</b>	<b>12/31/2020</b>
Equity restated, entity's share before net income	223.7	142.7
Actuarial gains (losses) on pensions, net of deferred taxes	(7.3)	51.5
Entity's net income	60.9	56.1
<b>Equity restated, entity's share</b>	<b>277.3</b>	<b>250.3</b>
Naval Group % shareholding	20.32%	20.32%
<b>Naval Group share</b>	<b>56.3</b>	<b>50.9</b>
Goodwill	66.0	65.9
<b>Share in the joint venture</b>	<b>122.3</b>	<b>116.8</b>

<b>Income statement (100%)</b>	<b>12/31/2021</b>	<b>12/31/2020</b>
Revenue	454.0	400.9
Operating profit	82.1	75.5
Net financial expense	1.9	1.7
Tax	(23.1)	(21.1)
<b>Net income restated</b>	<b>60.9</b>	<b>56.1</b>
Naval Group % shareholding	20.32%	20.32%
<b>Share of net income of joint venture</b>	<b>12.4</b>	<b>11.4</b>

### 3.4. INVENTORIES AND WORK IN PROGRESS

	<b>12/31/2021</b>	<b>12/31/2020</b>
Raw materials and goods for resale	413.4	417.9
Work in progress	95.5	47.7
<b>Gross amounts</b>	<b>508.9</b>	<b>465.6</b>
Impairment allowances	(66.2)	(41.9)
<b>Inventories and work in progress</b>	<b>442.7</b>	<b>423.7</b>

### 3.5. TRADE AND OTHER RECEIVABLES

	<b>12/31/2021</b>	<b>12/31/2020</b>
Trade receivables, gross	666.7	550.7
Trade receivables, impairment allowance	(26.0)	(26.2)
<b>Trade receivables</b>	<b>640.7</b>	<b>524.5</b>
Tax receivables (excluding current tax)	286.1	283.6
Employment and social benefit receivables	20.0	20.2
<b>Tax, employment and social benefit receivables</b>	<b>306.1</b>	<b>303.8</b>
Deferred expenses	50.5	46.6
Other receivables, gross	74.2	82.6
<b>Other receivables, net</b>	<b>124.7</b>	<b>129.2</b>
<b>Trade and other receivables</b>	<b>1,071.5</b>	<b>957.5</b>

## 3.6. TOTAL EQUITY

### 3.6.1. Share capital

As at December 31, 2021, the parent company's share capital comprised 56,299,700 ordinary shares and 300 Class A preference shares. Under the articles of association, each Class A preference share gives its holder a right to receive a priority dividend.

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

As at December 31, 2021, shares were held as follows:

	Ordinary shares	Preference shares	Total	%
The French State	35,047,571	300	35,047,871	62.25%
Thales	19,705,000	-	19,705,000	35.00%
FCPE Actions Naval Group	887,530	-	887,530	1.58%
Naval Group Actionnariat (treasury shares)	659,599	-	659,599	1.17%
<b>TOTAL</b>	<b>56,299,700</b>	<b>300</b>	<b>56,300,000</b>	<b>100.00%</b>

There are no other securities in circulation giving access to the capital of Naval Group.

### 3.6.2. Dividend payments

The Ordinary Meeting of April 9, 2021 decided, for the financial year ended December 31, 2020, to allocate the loss for the financial year to "retained earnings" and not to distribute any dividends.

### 3.6.3. Changes in fair value of financial assets and liabilities recognised directly in equity

During the financial year ended December 31, 2021, the group recorded a change in the fair value of financial assets and liabilities for an amount of €0.2 million (vs. a decrease of €3.9 million at December 31, 2020).

### 3.6.4. Changes in fair value of the cash flow hedge reserve

As at December 31, 2021, 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 (Malaysian ringgit – MYR), Naval Group India (Indian rupee – INR), Naval Group Malaysia (Malaysian ringgit – MYR), 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, 2021, the group recorded a decrease of €0.5 million in its reserves for translation differences (versus a decrease of €2.2 million in 2020).

### 3.6.6. Treasury shares

Naval Group Actionnariat (wholly-owned by the group) acquired 34,492 and 138,847 treasury shares during the financial years ended December 31, 2020 and December 31, 2021, respectively, under the share buyback guarantee granted to employees under the two employee share offers (2008 and 2014) and the Collective Shareholding Plan (2019). As stated in note 1.3.19, 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 €82.6 million as at December 31, 2021 (€81.4 million as at December 31, 2020).

As a new valuation of the group's share was published in April 2021, 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 (€3.2) million.

At December 31, 2021, Naval Group Actionnariat held 659,599 Naval Group shares, and FCPE Actions Naval Group, whose shares are therefore held by beneficiaries of the transactions referred to above, held 887,530 shares.

All the conditions restricting the resale of shares held by staff as a result of the first employee share offer were all lifted with effect from August 2013 (2008 Employee Share Offer).

All the conditions restricting the resale of the shares held by employees as a result of the second employee share offer were all lifted from December 2019 (2014 Employee Share Offer).

Shares acquired under the 2019 Collective Shareholding Plan 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.

V. Notes to the financial statements

### 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

	12/31/2020	Expenses	Utilisation	Reversals	Other	12/31/2021
Provisions for retirement benefits <sup>(1)</sup>	125.8	15.5	(4.9)	-	(46.5)	89.9
Other non-current provisions <sup>(2)</sup>	82.9	5.3	(45.4)	-	(0.2)	42.6
<b>Non-current provisions</b>	<b>208.7</b>	<b>20.8</b>	<b>(50.2)</b>	<b>-</b>	<b>(46.8)</b>	<b>132.5</b>
Provisions for retirement benefits	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 <sup>(3)</sup>	355.0	73.9	(3.7)	(28.5)	64.6	461.3
Provisions for losses on completion <sup>(3)(4)</sup>	92.9	10.3	(4.5)	(1.9)	(64.6)	32.2
Other current provisions <sup>(5)</sup>	47.0	14.3	(5.9)	(5.9)	0.1	49.6
<b>Current provisions</b>	<b>575.1</b>	<b>116.0</b>	<b>(21.0)</b>	<b>(42.7)</b>	<b>0.8</b>	<b>628.2</b>
<b>PROVISIONS</b>	<b>783.9</b>	<b>136.8</b>	<b>(71.2)</b>	<b>(42.7)</b>	<b>(46.1)</b>	<b>760.7</b>

(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 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 1.3.18) 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.

	12/31/2019	Expenses	Utilisation	Reversals	Other	12/31/2020
Provisions for retirement benefits <sup>(1)</sup>	119.1	13.4	(5.3)	-	(1.3)	125.8
Other non-current provisions <sup>(2)</sup>	89.1	3.5	(8.7)	-	(1.2)	82.9
<b>Non-current provisions</b>	<b>208.3</b>	<b>16.9</b>	<b>(14.0)</b>	<b>-</b>	<b>(2.4)</b>	<b>208.7</b>
Provisions for retirement benefits <sup>(1)</sup>	3.8	-	-	-	-	3.6
Provisions for the competitiveness plan	6.1	-	(2.8)	-	-	3.4
Provisions under warranties	69.7	11.3	(4.8)	(2.9)	-	73.3
Provisions on contracts	483.9	24.8	(1.2)	(152.4)	0.1	355.0
Provisions for losses on completion <sup>(3)</sup>	64.4	45.9	(13.9)	(3.4)	-	92.9
Other current provisions <sup>(4)</sup>	39.8	20.5	(6.4)	(7.9)	1.1	47.0
<b>Current provisions</b>	<b>667.5</b>	<b>102.4</b>	<b>(29.1)</b>	<b>(166.6)</b>	<b>1.0</b>	<b>575.1</b>
<b>PROVISIONS</b>	<b>875.8</b>	<b>119.3</b>	<b>(43.1)</b>	<b>(166.6)</b>	<b>(1.5)</b>	<b>783.9</b>

(1) The item in the "Other" column in respect of "Provisions for retirement benefits", corresponds to the reclassification of €0.1 million between current and non-current provisions, corresponds to the actuarial gain of (€1.4) million.

(2) As at December 31, 2020, other non-current provisions include provisions for other long-term benefits (long-service bonuses, pensions and the senior time bank scheme [see note 1.3.18]) for €38.4 million, provisions for litigation and provision for liabilities relating to convertible bonds (OCABSA) for €42 million.

(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.

### 3.7.1. Provisions for retirement benefits

As at December 31, 2021, provisions for retirement benefits for the group as a whole amounted to €94.2 million, compared to €129.8 million as at December 31, 2020, mainly related to Naval Group.

The assumptions used were as follows:

- a discount rate of 0.75% (compared to 0.50% at December 31, 2020);
- inflation rate: 1.75% (unchanged from the rate used as at December 31, 2020);

- salary increase rate: 2.5% (unchanged from the rate used as at December 31, 2020).

As at December 31, 2021, the sensitivity of the net obligation to a change in the discount rate was as follows:

- reducing the discount rate by 0.5% would lead to a provision for lump-sum retirement benefits of €200.1 million;
- increasing the discount rate by 0.5% would lead to a provision for lump-sum retirement benefits of €173.0 million.

Changes in the retirement obligation were as follows:

	2021	2020
Opening obligation	169.6	164.1
Current service cost	14.2	12.9
Accretion expense	8.9	(0.6)
Benefits paid	(3.8)	(5.3)
Change in actuarial gains and losses <sup>(1)</sup>	(18.1)	(1.5)
IFRS IC reform on the application of IAS 19 <sup>(2)</sup>	(28.4)	-
<b>OBLIGATION AT END OF PERIOD</b>	<b>142.4</b>	<b>169.6</b>

(1) 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.

The change in actuarial gains and losses in 2020 is related to the differences on the assumptions made on the discount rate for (€3.5) million, the revaluation of assets for €1.2 million and on the experience for €0.6 million.

(2) Following the IFRS IC reform on the application of IAS 19, a net impact of €28.4 million was restated in equity (see note 1.3.2).

Changes in pension plan assets were as follows:

	2021	2020
Assets at start of period	39.8	41.0
Return on assets	8.4	(1.2)
<b>ASSETS AT END OF PERIOD</b>	<b>48.2</b>	<b>39.8</b>

As at December 31, 2021, the assets were invested as follows: 63.52% in equities, 15.96% in bonds and 20.51% in money-market instruments.

The net charge recognised breaks down as follows:

	2021	2020
Current service cost	(14.2)	(12.9)
Accretion expense	(0.5)	(0.6)
Benefits paid	3.8	5.3
Expected return on assets	8.4	(1.2)
<b>NET CHARGE</b>	<b>(2.5)</b>	<b>(9.4)</b>

The reconciliation of the actuarial obligation and the provision recognised in the statement of financial position is as follows:

	12/31/2021	12/31/2020
Actuarial commitment	142.4	169.6
Fair value of assets	(48.2)	(39.8)
<b>PROVISION AT END OF PERIOD</b>	<b>94.2</b>	<b>129.8</b>

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

	<b>12/31/2021</b>
Forecast benefits 2022	4.3
Forecast benefits 2023	2.7
Forecast benefits 2024	5.3
Forecast benefits 2025	5.8
<b>EXPECTED BENEFITS FOR THE NEXT FOUR YEARS</b>	<b>18.1</b>

### 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 1.3.18.

Changes in obligations to pay other long-term benefits as at December 31, 2021 were as follows:

	<b>2021</b>	<b>2020</b>
Opening obligation	41.2	37.2
Current service cost	3.1	2.8
Cost of past services	0.9	0.0
Accretion expense	0.2	0.2
Benefits paid	(1.3)	(1.0)
Actuarial gains and losses	-	2.0
<b>OBLIGATION AT YEAR-END TO PAY OTHER LONG-TERM BENEFITS</b>	<b>44.1</b>	<b>41.2</b>

### 3.8. TRADE AND OTHER PAYABLES

	<b>12/31/2021</b>	<b>12/31/2020</b>
Suppliers	1,251.5	1,275.6
Tax payables (excluding current tax)	310.6	357.0
Social benefit liabilities	251.6	189.6
Other payables	176.1	169.1
<b>TRADE AND OTHER PAYABLES</b>	<b>1,989.8</b>	<b>1,991.3</b>

### 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:

<i>(in € millions)</i>	<b>12/31/2021</b>	<b>12/31/2020</b>
Unbilled receivables, gross	4,492.9	4,647.5
Advances and part payments received from customers	(3,813.5)	(4,098.5)
Deferred income	(0.8)	0.2
<b>CONTRACT ASSETS</b>	<b>678.6</b>	<b>549.2</b>
Advances and part payments received from customers	6,802.0	8,185.7
Unbilled receivables	(5,752.8)	(6,645.2)
Deferred income	369.5	358.4
<b>CONTRACT LIABILITIES</b>	<b>1,418.7</b>	<b>1,898.9</b>

## 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	12/31/2021	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	-	-	-	-	-	-
<b>Total non-current financial assets</b>	<b>42.5</b>	<b>200.0</b>	<b>-</b>	<b>242.5</b>	<b>-</b>	<b>0.5</b>
Trade receivables	640.7	-	-	640.7	-	-
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
<b>Total current financial assets and trade receivables</b>	<b>641.7</b>	<b>1,298.5</b>	<b>-</b>	<b>1,940.2</b>	<b>-</b>	<b>8.7</b>

	Loans and receivables at amortised cost	Fair value through profit and loss	Fair value through equity	12/31/2020	Impact of the change in fair value on equity	Impact of the change in fair value on profit and loss
Investments	63.1	-	-	63.1	(3.9)	-
Loans, non-current portion	-	-	-	-	-	-
Hedging instruments, non-current portion	-	(0.2)	-	(0.2)	(0.2)	-
Investment securities	-	365.0	-	365.0	-	(0.1)
Other non-current financial assets	0.1	-	-	0.1	-	-
<b>Total non-current financial assets</b>	<b>63.2</b>	<b>364.8</b>	<b>-</b>	<b>427.9</b>	<b>(4.1)</b>	<b>(0.1)</b>
Trade receivables	524.5	-	-	524.5	-	-
Loans, current portion	-	-	-	-	-	-
Hedging instruments, current portion	-	(0.2)	-	(0.2)	(0.2)	-
Investment securities	-	-	-	-	-	-
Other current financial assets	1.3	-	-	1.3	-	-
Cash and cash equivalents	-	1,260.3	-	1,260.3	-	7.2
<b>Total current financial assets and trade receivables</b>	<b>525.8</b>	<b>1,260.1</b>	<b>-</b>	<b>1,785.9</b>	<b>(0.2)</b>	<b>7.2</b>

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	12/31/2021	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 <sup>(1)</sup>	55.8	-	-	55.8	3.2	-
Other non-current financial liabilities	-	-	-	-	-	-
<b>Total non-current financial liabilities</b>	<b>129.4</b>	<b>(0.9)</b>	<b>-</b>	<b>128.5</b>	<b>3.2</b>	<b>-</b>
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 <sup>(1)</sup>	2.9	-	-	2.9	-	-
Other current financial liabilities	-	26.0	-	26.0	-	-
<b>Total current financial liabilities and trade payables</b>	<b>1,733.2</b>	<b>25.2</b>	<b>-</b>	<b>1,758.4</b>	<b>-</b>	<b>(0.2)</b>

(1) In 2021, the ORS and PAC were reclassified according to the definition of recognition of current/non-current liabilities (see point 1.3.8).

	Loans and trade payables at amortised cost	Fair value through profit and loss	Fair value through equity	12/31/2020	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	98.2	-	-	98.2	-	-
Hedging instruments, non-current portion	-	(0.9)	-	(0.9)	-	(0.9)
ORS & PAC debt, non-current portion	49.7	-	-	49.7	(2.1)	-
Other non-current financial liabilities	-	-	-	-	-	-
<b>Total non-current financial liabilities</b>	<b>147.9</b>	<b>(0.9)</b>	<b>-</b>	<b>147.0</b>	<b>(2.1)</b>	<b>(0.9)</b>
Suppliers	1,275.6	-	-	1,275.6	-	-
Loans, current portion	250.0	-	-	250.0	-	-
IFRS 16 lease liability, current portion	22.6	-	-	22.6	-	-
Hedging instruments, current portion	-	(0.6)	-	(0.6)	-	(0.6)
ORS & PAC debt, current portion	17.1	-	-	17.1	(0.2)	-
Other current financial liabilities	-	117.3	-	117.3	-	-
<b>Total current financial liabilities and trade payables</b>	<b>1,565.3</b>	<b>116.7</b>	<b>-</b>	<b>1,682.0</b>	<b>(0.2)</b>	<b>(0.6)</b>

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

V. Notes to the financial statements

#### 4.1.3. Fair value of investments

Investments, which are qualified as financial assets, are broken down as follows (in brackets, the group's percentage interests in these companies at December 31, 2021 and their country of registration for foreign companies):

	12/31/2021	12/31/2020
Sofema SA (10%)	5.3	5.7
Chantiers de l'Atlantique (12%)	13.9	13.9
Odas SA (9%)	-	1.6
FCPR Sécurité (13%)	1.6	1.6
FCPR Financière de Brienne 1 (6%)	0.3	0.3
FCPR Financière de Brienne 2 (0%)	0.0	0.0
FCPR Financière de Brienne 3 (6%)	5.0	5.0
Atalaya (32%)	0.0	0.7
Naval Group Canada (100%) <sup>(1)</sup>	1.3	1.3
PSL Innovation Fund (7%)	5.0	5.0
Other <sup>(2)</sup>	8.8	28.0
<b>INVESTMENTS</b>	<b>42.4</b>	<b>63.1</b>

(1) The Naval Group Canada shares are unconsolidated shares held via Naval Group Participations. The Naval Group Canada subsidiary is not material.

(2) This amount essentially consists of loans between Naval Energies and OpenHydro.

#### 4.1.4. Financial debt

	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 <sup>(1)</sup>	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
<b>FINANCIAL DEBT</b>	<b>553.4</b>	<b>213.2</b>	<b>(135.5)</b>	<b>3.2</b>	<b>(0.2)</b>	<b>0.3</b>	<b>1.0</b>	<b>635.4</b>

(1) Borrowings are recognised at their redemption value. In 2021, Naval Group took out a loan of €200 million.

	12/31/2019	Increase	Decrease	Changes in fair value of debt	Changes in fair value of derivative instruments	Translation differences	Other	12/31/2020
Loans <sup>(1)</sup>	-	250.0	-	-	-	-	-	250.0
ORS & PAC liabilities	70.2	-	(1.1)	(2.3)	-	-	-	66.8
Financial liabilities	10.5	115.8	(31.8)	-	(1.5)	(0.1)	22.9	115.8
Lease liabilities								
IFRS 16	85.2	59.4	(22.7)	-	-	(0.3)	(0.8)	120.8
<b>FINANCIAL DEBT</b>	<b>165.9</b>	<b>425.2</b>	<b>(55.6)</b>	<b>(2.3)</b>	<b>(1.5)</b>	<b>(0.4)</b>	<b>22.1</b>	<b>553.4</b>

(1) Borrowings are recognised at their redemption value. In 2020, Naval Group took out a loan of €250 million.

## 4.2. NET FINANCIAL DEBT

At December 31, 2021, the group's net financial debt amounted to (€886.8) million (compared to [€1,073.0] million at December 31, 2020).

The statement of financial position items contributing to net financial debt are as follows:

	12/31/2021	12/31/2020
Cash and cash equivalents <sup>(1)</sup>	(1,133.3)	(1,260.3)
Investment securities	(365.0)	(365.0)
Current accounts & other non-current financial assets	(11.0)	103.5
Loans and other liabilities	520.1	328.0
<b>Net financial debt before lease liabilities IFRS 16</b>	<b>(989.2)</b>	<b>(1,193.8)</b>
Lease liabilities IFRS 16	102.4	120.8
<b>NET FINANCIAL DEBT</b>	<b>(886.8)</b>	<b>(1,073.0)</b>

(1) See note 1.3.17 "Cash and cash equivalents".

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.

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.

## 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).

	12/31/2019	Expenses	Reversals	Other	12/31/2020	Expenses	Reversals	Other	12/31/2021
Impairment allowances against trade receivables	(24.0)	(2.3)	-	0.1	(26.2)	(1.4)	1.7	(0.1)	(26.0)

### 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. As of December 31, 2021, the group had borrowed €450 million. The group also owes a debt to its employees through the ORS 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 on

to which the group was exposed during the period are the US dollar (USD), the Saudi riyal (SAR), the pound sterling (GBP), the Brazilian real (BRL) and the Malaysian ringgit (MYR).

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.

	12/31/2021	12/31/2020
<b>Forward purchase contracts</b>		
United States Dollar (USD)	21.1	22.2
Indian rupee (INR)	0.2	
<b>Forward sale contracts</b>		
Call options		
Pound sterling (GBP)	4.0	4.0
<b>Tunnel options</b>		
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 USD 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 DISCLOSURES

### 5.1. NOTES TO THE CASH FLOW STATEMENT

#### 5.1.1. Change in working capital requirement

	2021	2020 restated under IFRS 5
Net decrease (increase) in inventories	(0.7)	(12.5)
Net decrease (increase) in advances and part payments paid	195.2	(101.0)
Net decrease (increase) in trade receivables	(116.6)	(4.7)
Net increase (decrease) in other receivables	(20.5)	(137.4)
Net increase (decrease) in trade payables	(21.2)	85.5
Net increase (decrease) in other payables	25.0	47.0
Net increase (decrease) in contract assets and liabilities	(610.8)	(478.0)
<b>Change in working capital requirement</b>	<b>(549.6)</b>	<b>(601.1)</b>

### 5.1.2. Purchases of property, plant and equipment and intangible assets

	2021	2020 restated under IFRS 5
Purchases of intangible assets	(23.3)	(15.6)
Purchases of property, plant and equipment	(123.6)	(119.5)
<b>Purchases during the period</b>	<b>(146.9)</b>	<b>(135.1)</b>
Deferred disbursement	(3.5)	3.4
<b>PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS</b>	<b>(150.4)</b>	<b>(131.7)</b>

### 5.1.3. Disposals of property, plant and equipment and intangible assets

	2021	2020 restated under IFRS 5
Disposals of intangible assets	-	-
Disposals of property, plant and equipment	0.2	1.2
<b>Disposals during the period</b>	<b>0.2</b>	<b>1.2</b>
<b>DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS</b>	<b>0.2</b>	<b>1.2</b>

## 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, 2021, the group generated 72.9% of its revenue with the French State and government-related entities (*versus* 69.8% of its revenue for the financial year ended December 31, 2020).

In June 2020, a shareholder current account advance agreement was signed with the French State for an amount of €76.7 million, and granted for a period of 12 months. This advance was repaid in June 2021 at the annual rate of 0.75%.

### 5.2.2. Transactions with related parties (excluding the French State and government-related entities)

	2021	2020
<b>Sales</b>		
Non-controlled portion in associates	31.4	20.5
Shareholders and companies controlled by them (excluding the French State and government-related entities)		
Other (Eurotorp)	8.0	14.2

### 5.2.3. Related-party receivables and payables (excluding the French State and government-related entities)

	12/31/2021	12/31/2020
<b>Operating receivables<sup>(1)</sup></b>		
Associates	183.7	270.0
Shareholders and companies controlled by them (excluding the French State and government-related entities)		
Other (Eurotorp)		
<b>Operating payables<sup>(2)</sup></b>		
Associates	162.6	212.5
Shareholders and companies controlled by them (excluding the French State and government-related entities)		
Other (Eurotorp)		
<b>Financial liabilities<sup>(3)</sup></b>		
Associates		
Shareholders and companies controlled by them (excluding the French State and government-related entities)	58.7	67.3
Current account <sup>(4)</sup>	-	16.6

(1) Other operating receivables consist mainly of receivables from the following companies: Eurotorp, Horizon, Eurosystnav, Boustead DCNS Naval Corporation SDN BHD, Défense Environnement Services, Winacelles and Kership.

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

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

(4) In June 2020, a shareholder current account advance agreement was signed with the French State for an amount of €16.5 million, and granted for a period of 12 months. This advance was repaid in June 2021 at the annual rate of 0.75%.

### 5.2.4. Agreements signed 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, 2021 and December 31, 2020:

	2021	2020
Fixed compensation	3.1	2.6
Variable compensation	1.1	1.2
Benefits in kind and miscellaneous	0.3	0.1
Employer's social benefit contributions	1.7	1.6
<b>TOTAL</b>	<b>6.2</b>	<b>5.5</b>
Number of persons concerned	12	10

### 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.

	12/31/2021	12/31/2020
Performance bonds <sup>(1)(2)(3)</sup>	363.1	359.5
Guarantees in lieu of retentions	6.5	7.5
Other guarantees made <sup>(4)(5)</sup>	124.8	93.7
<b>Commitments made</b>	<b>494.4</b>	<b>460.7</b>

(1) Under a sale contract in the United Arab Emirates, the group's banks have issued bank guarantees of €110 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 €119.3 million were issued to guarantee performance.

(3) Under a sale contract in Egypt, the group's banks have issued bank guarantees of €66.2 million in favour of its customer 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 €62.2 million.

The maturity schedule as at December 31, 2021 was as follows:

	Due in less than one year	Due in one to five years	Due in more than five years
Performance bonds	139.4	205.8	17.9
Guarantees in lieu of retentions	6.5	-	-
Other guarantees made	59.6	65.2	-
<b>COMMITMENTS MADE</b>	<b>205.5</b>	<b>271.0</b>	<b>17.9</b>

	12/31/2021	12/31/2020
Performance bonds	94.5	77.8
Guarantees in lieu of retentions	1.4	2.6
Other guarantees received	2.2	32.3
<b>COMMITMENTS RECEIVED</b>	<b>98.1</b>	<b>112.8</b>

The maturity schedule as at December 31, 2021 was as follows:

	Due in less than one year	Due in one to five years	Due in more than five years
Performance bonds	38.6	50.4	5.5
Guarantees in lieu of retentions	1.4	-	-
Other guarantees received	2.1	0.1	-
<b>COMMITMENTS RECEIVED</b>	<b>42.1</b>	<b>50.5</b>	<b>5.5</b>

### 5.3.2. Other commitments

#### Commitments made

As at December 31, 2021, firm investment commitments totalled €113.9 million (*versus* €79.5 million as at December 31, 2020).

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.

Under the partnership with the Commonwealth of Australia (CoA) for the Australian Future Submarine program, Naval Group may be required to guarantee the obligations of its subsidiary if the latter were to enter into the contract alone and directly with the CoA for part of the program. On September 16, 2021, the CoA informed Naval Group of its decision to end the AFS program by terminating the program. Strategic Partnering Agreement for convenience.

#### 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.

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# VI. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

## FINANCIAL YEAR ENDED DECEMBER 31, 2021

To the Shareholders 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, 2021, 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, 2021 to the issue date of our report.

### OBSERVATIONS

Without calling into question the above opinion, we draw your attention to note 1.3.2 "Interpretations of mandatory application – IAS 19 Employee benefits" to the consolidated financial statements, which presents the effects of the application of the interpretation of IFRS IC on IAS 19 concerning the way in which pension obligations must be provisioned.

### JUSTIFICATION OF OUR ASSESSMENTS

The global crisis related to the Covid-19 pandemic creates special conditions for the preparation and audit of the financial statements for this financial year. Indeed, this crisis and the exceptional measures taken as part of the state of health emergency have multiple consequences for companies, particularly on their businesses and their financing, as well as increased uncertainties about their future prospects. Some of these measures, such as travel restrictions and working remotely, have also had an impact on the internal organisation of companies and the way in which audits are carried out.

It is in this complex and evolving context that, in accordance with 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 opinion: professional judgment were the most important for the audit of the annual financial statements.

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.

VI. Statutory Auditors' report on the  
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- Note 1.4.3 "Accounting rules and policies – Use of estimates – Recognition of revenue and profit on construction contracts and long-term service agreements 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 1.4.3 "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 corporate social responsibility performance provided for in article L. 225-102-1 of the French Commercial Code is included in the group's 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, March 2, 2022

The Statutory Auditors

Mazars

ERNST & YOUNG Audit




Michel Barbet Massin



Sophie Delerm

Nour-  
Eddine.Zanouda



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Nour-Eddine Zanouda

VII. Report of the independent  
verifier on the verification  
of the consolidated non-financial  
performance statement

## VII. REPORT OF THE INDEPENDENT VERIFIER ON THE VERIFICATION OF THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT

### FINANCIAL YEAR ENDED DECEMBER 31, 2021

To the Shareholders' 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](http://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, 2021 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 fairness of the disclosures made pursuant to (3) of article R. 225-105 (I) and (II) of the French Commercial Code, namely the policy outcomes, including the key performance indicators, and actions in relation to the main risks (hereinafter the “Disclosures”).

As we are responsible for making an independent conclusion on the Information as prepared by management, we are not authorized 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, to the professional guidance issued by the *Compagnie nationale des commissaires aux comptes* relating to this intervention in lieu of an audit program and to the international standard ISAE 3000 (revised)<sup>(1)</sup>.

## 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 have set up a quality control system that includes documented policies and procedures to ensure compliance with applicable laws and regulations, ethical rules and the professional doctrine of the French National Association of Statutory Auditors. to this intervention.

## MEANS AND RESOURCES

Our work was conducted by a team of five people over a period of approximately six weeks between September 2021 and February 2022.

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 group's Human Resources, Health and Safety and Environment, Ethics, Corporate Social Responsibility, Purchasing and Environment Managers.

## 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;
- 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 subparagraph of III of article L. 225-102-1 of the French Commercial Code;

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

VII. Report of the independent  
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of the consolidated non-financial  
performance statement

- 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, and
  - corroborate the qualitative information (actions and outcomes) that we considered material, as presented in Appendix 1. For certain risks, our work was carried out at the level of the consolidating entity, for the other risks, work was carried out at the level of the consolidating entity and in a selection of entities listed below: Sirenha – Techno Campus Ocean and Naval Group Lorient;
- 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 12% and 15% of the consolidated data selected for these tests (14% of the workforce, 15% of the hours worked, 12% of the sites' energy consumption, 14% of environmental accidents);
- 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

<b>Social information</b>	
<b>Quantitative information (including key performance indicators)</b>	<b>Qualitative information (shares or income)</b>
<ul style="list-style-type: none"> <li>• Total number of staff;</li> <li>• Number of admissions;</li> <li>• Number of departures;</li> <li>• Progress of the vacancy plan;</li> <li>• Number of work-related injuries with lost time;</li> <li>• Incidence of work-related injuries with lost time;</li> <li>• Work-related injury severity rate;</li> <li>• Number of collective agreements signed;</li> <li>• Gender equality index 2020;</li> <li>• Percentage of women on the Naval Group Executive Committee and Management Committees.</li> </ul>	<ul style="list-style-type: none"> <li>• Measures for the recruitment, identification and retention of key skills;</li> <li>• The results of occupational health and safety policies;</li> <li>• The results of social policies and social relations systems in place;</li> <li>• The measures implemented to combat discrimination and harassment within the company.</li> </ul>
<b>Environmental information</b>	
<b>Quantitative information (including key performance indicators)</b>	<b>Qualitative information (shares or income)</b>
<ul style="list-style-type: none"> <li>• Environmental incidents by site and significance;</li> <li>• Proportion of proactive vessel projects in view of environmental protection requirements;</li> <li>• The proportion of R&amp;D sheets drawn up with consideration for the environment;</li> <li>• The share of the vessel's carbon footprint attributable to the operational phase;</li> <li>• Energy consumption at Naval Group sites;</li> <li>• Greenhouse gas emissions from the main items of scopes 1 and 2.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization and results of the policies put in place to control the risk of serious industrial accidents;</li> <li>• The group's organisation to promote eco-design and measure the carbon footprint of products in service;</li> <li>• Monitoring of Naval Group's environmental issues in subsidiaries and suppliers.</li> </ul>
<b>Societal information</b>	
<b>Quantitative information (including key performance indicators)</b>	<b>Qualitative information (shares or income)</b>
<ul style="list-style-type: none"> <li>• The average CSR score of suppliers for the purchasing categories presenting the highest level of risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Organisation and measures put in place to mitigate the risk of human rights violations;</li> <li>• The measures implemented to combat corruption and influence peddling;</li> <li>• Organisation and measures implemented to ensure product safety in the areas of diving safety and nuclear safety;</li> <li>• Sustainable procurement measures.</li> </ul>

# 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:**

technology guide cleantech (industrial technologies and services using natural resources with a view to improving efficiency and productivity, 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 organizations – 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, pressurizer, 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 optimize 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 organizations 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 recognized 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 organizations 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. This plan aims to support projects for the modernization, development or relocation of industrial sites. 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<sub>2</sub> 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.

▼

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March 2022.

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