FINANCIAL REPORT 2023

NAVAL GROUP

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

01

MANAGEMENT REPORT

I. PRESENTATION OF THE GROUP AND NAVAL GROUP SITUATION DURING THE FINANCIAL YEAR

I.1. PRESENTATION OF NAVAL GROUP

I.1.1. SHAREHOLDING AND GOVERNANCE

SHAREHOLDING

Naval Group (the "company") is a French "Société Anonyme" under French law. As at December 31, 2023, 62.25% of its capital was held by the French State, 35% by Thales, 1.74% by current and former members of staff of the company and its subsidiaries through the *Fonds Commun de Placement d'Entreprise Actionnariat Naval Group* (FCPE Actionnariat Naval Group), 0.99% by Naval Group Actionnariat (indirectly wholly-owned subsidiary of Naval Group – Treasury Shares) and 0.02% directly by company employees.

TREASURY SHARES

In respect of 2023, 47,503 shares were purchased by Naval Group Actionnariat as part of the employee share buyback guarantee granted to them.
As at December 31, 2023, Naval Group Actionnariat holds 554,483 treasury shares.

COMPOSITION AND FUNCTIONING 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 functioning 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. Pierre Jeannin was appointed in this capacity by decree of the Minister of the Economy, Finance and Industrial and Digital Sovereignty of February 15, 2023, to replace Vincent Le Biez.

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 Valérie 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 Éveline Spina, Nathalie Ravilly, Bernard Rétat, Jacques Hardelay, Patrice Caine and Pascal Bouchiat.

At its meeting of March 18, 2022, the General Meeting renewed the terms of office as directors of Éveline Spina, Nathalie Ravilly, Bernard Rétat, Jacques Hardelay, Patrice Caine and Pascal Bouchiat, for a period of five years ending at the conclusion of the General Meeting called, in 2027, to approve the financial statements of the financial year ending December 31, 2026.
Following the resignation of Éveline Spina as director effective from November 1, 2022, the Board of Directors, on the proposal of the French State, co-opted Monique Legrand-Larroche as director for the remainder of Éveline Spina's term of office, *i.e.* until the end of the General Meeting called, in 2027, to approve the financial statements for the financial year ending December 31, 2026.
In accordance with article L. 225-24 of the French Commercial Code, this appointment was ratified by the General Meeting on March 17, 2023.
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, 2023, pursuant to article 1.2 of the Board of Directors' internal rules.

DIRECTORS ELECTED BY EMPLOYEES

The provisions of article 7 of the Order state that employee representatives must make up one-third of the members Board of Directors. There are thus six such directors representing the employees. In accordance with article 8 of the Order, they are elected by the employees under the terms set out in title II, chapter II of the Democratisation Law.
The terms of office of directors representing employees on the company's Board of Directors took effect on December 19, 2019 for a period of five years in accordance with the provisions of the company's articles of association.
The directors representing employees on the Board of Directors are as follows:
- Olivier Menard;
- Laurent Elie;
- Béatrice Unia;
- Yvon Velly;
- Tony Lecorps;
- Didier Chavrier.

In addition, pursuant to the legal and regulatory provisions applicable to the company, Phillipe Kearney, General Economic and Financial Controller, Head of the Space and Armaments Industries mission of the French State's General Economic and Financial Control mission, Nicolas Chapon, General Controller of the Armed Forces and Government Commissioner for the company, Laurent Bailloux, Secretary of the Central Economic and Social Committee (CSEC), attend the meetings of the Board of Directors without voting rights.
Paul Teboul resigned from his duties as "censeur" on September 13, 2023.
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 Chairperson of the Board of Directors is responsible for the General Management of the company and thus holds the title of Chairman of the Board of Directors and Chief Executive Officer.
Pierre Éric Pommellet was appointed Chairman of the Board of Directors and Chief Executive Officer of the company by decree of the President of the French Republic on March 31, 2020 for the duration of his term as director.

GOVERNANCE

Corporate governance means the system formed by the totality of rules and practices, behaviours and institutions that determine the manner in which the company is managed, administered and controlled. Naval Group's governance is organised around a Board of Directors and an Executive Committee.
The Executive Committee, which meets on a bi-monthly basis and as and when necessary, defines the group's objectives and decides on all matters having a major impact on the group's strategy, operations and commercial activities. It is made up of the following 14 members: Chairman of the Board of Directors and Chief Executive Officer; Senior Executive Vice President, Finance and Real Estate; Executive Vice President, Sales and Marketing; Executive Vice President, General Secretary; Executive Vice President, Services; Executive Vice President, Surface Ships; Executive Vice President, Submarines; Executive Vice President, Human Resources; Executive Vice President, Strategy, Partnerships and Institutional Affairs; Executive Vice President, Technical; Executive Vice President, Operations and Performance; Executive Vice President, Systems, Equipment and Propulsion; Executive Vice President, Communications; Executive Vice President, Drones, Autonomous Systems and Underwater Weapons.

COLLECTIVE SHAREHOLDING TRANSACTIONS AND LTIP

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

I.1.2. ACTIVITIES

An international player in naval defence and heir to French naval know-how, Naval Group is a partner of States in the control of their maritime sovereignty.
Naval Group develops innovative solutions to meet the needs of its customers. Active across the entire life cycle of ships, it designs, makes, services and upgrades submarines and surface vessels and their systems and equipment, up until dismantling. It also provides services to naval bases and shipyards.
A high-tech industrialist, it relies on its exceptional expertise, its unique design and production resources and its ability to forge strategic partnerships, particularly in the context of technology transfers.
Attentive to corporate social responsibility (CSR) issues, Naval Group is a member of the United Nations Global Compact.

THE GROUP'S KNOW-HOW

The group can call on exceptional know-how in five major areas:
- its ability to fulfil highly complex large-scale programs;
- its technical expertise in naval systems throughout their life cycle;
- the development and integration of naval anti-aircraft combat systems, for both surface vessels and submarines, as well as drones, autonomous systems and submarine weapons, which represent a key source of added value for modern warships;
- its role in the assembly and maintenance of nuclear vessels, both as regards the installation of weapons and nuclear propulsion equipment and with respect to ongoing servicing, maintenance and infrastructure management;
- its continuous innovation serving the technological superiority of its customers.

HIGH-TECH PRODUCTS

One of Naval Group's major strengths is its ability to bring to market some of the world's most complex innovative products, such as the class of ballistic nuclear submarines (SSBN) like *Le Terrible*. Studies carried out on this topic all show that an industrial product of this kind is one of the most complex in the world, there being no other product that requires both the mastery of so many technological fields and the management of numerous partners and subcontractors.
Providing high-technology products has been the group's main objective ever since its foundation:
- 1624: creation of the *Flotte du Levant* and the *Flotte du Ponant* – the French Navy's Mediterranean and Atlantic fleets;
- 1858: launch of *La Gloire*, the world's first ironclad steam frigate;
- 1899: launch of *Le Narval*, the ancestor of the modern submarine;
- 1967: launch of *Le Redoutable*, first SSBN;
- 1980: design of the stealth frigate *La Fayette*, whose innovative design went on to influence navies worldwide;
- 2000: entry into service of the aircraft carrier *Charles de Gaulle*;
- 2006: delivery of the first Mistral-class amphibious helicopter carrier (PHA), a new warship design capable of performing a wide range of civil, military and humanitarian missions;

- 2007: cutting of the first plate of the multi-mission frigate (FREMM) *Aquitaine*;
- 2008: launch of *Le Terrible*, SSBN equipped with M51 nuclear missiles;
- 2011: the offshore patrol vessel (OPV) *L'Adroit*, an offshore patrol vessel for maritime safeguard missions, is made available to the French Navy;
- 2012: delivery of the PHA *Dixmude* to the French Navy;
- 2013: the FREMM *Aquitaine* fires its first Aster missile;
- 2014: delivery of the FREMM *Mohammed VI* to the Royal Moroccan Navy;
- 2015: delivery of the FREMM *Tahya Misr* to the Egyptian Navy; the FREMM *Aquitaine* successfully fires its first naval cruise missile;
- 2018: Naval Group completes the mid-life refit of the aircraft carrier Charles de Gaulle;
- 2019: Naval Group and Fincantieri sign the joint-venture agreement that in January 2020 would result in the creation of Naviris, a joint venture company equally owned by both companies, which will lead European projects;
- 2020: The President of the French Republic announces the launch of studies for the future nuclear-powered aircraft carrier. The choice of the President of the French Republic is a major support for the French defence industrial and technological base (DITB) and the nuclear industry, and in particular for Naval Group;
- 2021: Florence Parly, French Minister of the Armed Forces, announces the launch of the third-generation nuclear submarine launcher (3G SSBN) program for the French Navy;
- 2022: the first frigate for defence and intervention (FDI) ordered by the French National Defence Procurement Agency (DGA) and intended for the French Navy, the Amiral Ronarc'h, was launched in Lorient;
- 2023: delivery of the nuclear attack submarine (SSN) *Duguay-Trouin*.

SPECIFIC PRODUCTS

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

- SSBNs, which have ensured the presence of France at sea without interruption for 50 years;
- SSN Barracuda nuclear attack submarines, designed to provide the French Navy with defence equipment at the apex of technology;
- Scorpène®-class conventional submarines, 14 of which have already been sold around the world (to Chile, Malaysia, India, and Brazil);
- naval surface vessel systems such as the aircraft carrier *Charles de Gaulle*, the FREMMs, the Mistral-class PHAs, the Gowind® corvettes, 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 lightweight torpedoes, F21 heavyweight torpedoes and Contralto® anti-torpedo protection systems;
- crew training simulators.

I.1.3. ORGANISATION

The group's new integrated matrix and customer-oriented organisation was implemented on January 1, 2023. It is made up of five products and services departments, three cross-functional operational departments and five functional departments.

I.1.4. TRANSFORMATION PROGRAM

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

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

I.2. GROUP POSITION DURING THE 2023 FINANCIAL YEAR

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

The consolidated and separate financial statements of Naval Group for the financial year ended December 31, 2023, were approved by the Board of Directors on February 27, 2024 and will be submitted for approval to the General Meeting to be held on March 22, 2024.

The 2023 financial year was marked by the following major events:

- more than 3 billion in orders taken;
- revenue of around €4.3 billion;
- operational successes with the delivery of the SSN *Duguay-Trouin* to the French Navy, intermediate maintenance of the aircraft carrier Charles De Gaulle, the delivery of a first Gowind® corvette for the United Arab Emirates (UAE), a fifth submarine for the Indian Navy and the launch of the first FDI for the Greek Navy.

I.2.2. GROUP INCOME AND FINANCIAL POSITION

REVENUE

The group's revenue for the 2023 financial year was €4.3 billion, which is stable compared with the revenue of the 2022 financial year.

International revenue made up 30.3% of the total.

BACKLOG

Orders with a value of €3.4 billion were received during the financial year. The book-to-bill ratio was 0.79.

As at December 31, 2023, the group's order book stood at €14.4 billion. Its provisional execution schedule is as follows: 28.5% in 2024, 24.8% in 2025, 20.7% in 2026, 17.5% in 2027 and 8.5% thereafter.

INCOME

Operating profit/loss of €298.2 million (7.0% of revenue) before amortisation of fair value differences was recorded for the year, as compared with €419.2 million (9.6% of revenue) in 2022 and €271.4 million in 2021.

Operating profit/loss after net income from associates was €295.9 million, as compared with €426.7 million in 2022 and €293.7 million in 2021.
The net finance income (expense) showed a gain of €45.7 million.
The consolidated income tax expense amounted to (€79.9) million, composed of current tax for (€64.3) million and a negative change in deferred tax of (€15.6) million.
Net income from assets held for sale, through the application of International Financial Reporting Standards (IFRS) 5, was negative, amounting to (€1.1) million.
The net profit for the financial year was consequently €260.7 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 €1.3753 billion at December 31, 2023 (compared to €1.6237 billion at December 31, 2022) and is made up as follows:

	12/31/2023	12/31/2022
Non-current investment securities	385.2	395.2
Current investment securities	0.0	10.0
Cash and cash equivalents	990.3	1,218.5
TOTAL	**1,375.5**	**1,623.7**

I.2.3. PRODUCTS AND SERVICES ACTIVITIES OF NAVAL GROUP

SUBMARINES

3G SSBN

Development studies continued for the first contract following the development and construction phase of the 3G SSBN. The year 2023 was marked in particular by the restitution review no. 2, which made it possible to share the first results of the general design studies with the DGA in order to prepare the general design review, which will close this first subsequent contract.

SSN BARRACUDA

The program is continuing with a construction industrial approach and an organisation optimised to take into account the feedback acquired and the challenges of mass production.
The SSN *Duguay-Trouin*, 2nd submarine of the series, made its first sea trip in March 2023 and was delivered to the DGA and the French Navy on July 28, 2023.
On July 20, 2023, four years after the *Suffren* and less than two years after the *Duguay-Trouin*, it is the *Tourville*'s turn, 3rd of the series, to take its place on the launching system (DME) of the Cachin zone of the DGA for the continuation of the work and tests before the first sea trip scheduled for 2024.
Units 4, 5, and 6 are currently all present in the vessels of the Laubeuf project in Cherbourg at different stages of completion.

SUBMARINES FOR THE BRAZILIAN NAVY (PROSUB)

Brazilian submarines (SBR): design and construction in technology transfer of four Scorpène®-class submarines.
The Humaitá, the second submarine in the series, carried out its quayside and sea trials in 2023. The delivery ceremony was held in Brazil on January 12, 2024. The next two submarines will be delivered in 2025 and 2026.
Conventionally Armed Nuclear-Powered Submarine (SCPN): design assistance for the non-nuclear part of Brazil's first nuclear-powered submarine.

SUBMARINES FOR THE INDIAN NAVY (P75)

The INS Vagir, the fifth P75 *Kalvari*-class submarine built by the Indian shipyard Mazagon Dock Shipbuilders Ltd (MDL) on the design of Naval Group, was commissioned by the Indian Navy on January 23, 2023. The latest in the series, the INS Vagsheer, is continuing its sea trials for delivery in 2024.
At the same time, in January, Naval Group signed an agreement with the Naval Materials Research Laboratory (NMRL) for the detailed design phase of the integration of the anaerobic propulsion system, Air Independent Propulsion (AIP), on *Kalvari*-class submarines.

SURFACE VESSEL BUSINESS

FREMM

The FREMM program comprises six anti-submarine frigates (ASM) and two multi-mission frigates with enhanced air defence capability (FREMM DA).
The latest FREMM DA *Lorraine* was admitted to active service on November 13, 2023. It is now able to be deployed on the orders of the Chief of the Naval Staff.

FDI FR

The framework agreement of the FDI contract, signed on April 20, 2017, provides for the development, construction, and delivery to the French Navy of five first-rate digital frigates in the 4,000-tonne range. The first two subsequent contracts, notified in 2017 and 2021 respectively, cover the development and construction of the first three buildings.
The launch of the Amiral Ronarc'h, first FDI intended for the French Navy and the embarkation of its Panoramic Sensors and Intelligence Module (PSIM) in November 2022 gave way to the continuation of the equipment and quayside tests in view of the first sea trip scheduled for 2024.
The second FDI Amiral Louzeau is under construction at the Naval Group site in Lorient.

FDI HN

On March 24, 2022, Greece signed contracts for the completion of three FDIs, plus one as an option, and their in-service support. Two FDI HNs will be delivered in 2025, and the third in 2026.
The year 2023 was marked by the achievement of several significant milestones: the start of machining of the third FDI, HS Formion, on July 13, the launch of the first FDI, HS Kimon on September 27, followed by the launch of the second FDI, HS Nearchos, for which assembly began on October 12.

Finally, the HS Kimon PSIM was embarked on board the frigate on November 8.
Under the FDI contract, Naval Group is developing a close industrial cooperation plan with Greek manufacturers, *i.e.* more than 50 contracts with 15 Greek companies.
In March, the Greek subsidiary Naval Group Hellas was created.

NG-AC

At the 28th edition of the Euronaval naval defence fair, the design of the NG-AC was unveiled to the general public. To be commissioned in 2038, the vessel will be 310 metres long and weigh 75,000 tonnes, making it the largest warship in Europe.
The detailed pre-project study phase of the program was notified by the DGA and the French Alternative Energies and Atomic Energy Commission (CEA) in April 2023.

MINE COUNTER MEASURE VESSELS (RMCM) PROGRAM

The rMCM program was awarded in 2019 to the consortium formed by Naval Group and ECA Group (now Exail). It provides for the supply of twelve mine counter measure vessels and their drone system, as well as their in-service support, to the Belgian and Dutch navies.
In 2023, many milestones were achieved: the launch of the Oostende (MCM no. 1), in February and the launch of the Tournai (MCM no. 3) in March, the first two vessels of the Belgian series built in Concarneau. In July 2023, the Zr.Ms. Scheveningen (MCM no. 4) was launched and in September 2023, the Zr.Ms. Vlissingen (MCM no. 2) the first Dutch minehunter was launched by Kership in Lanester. Finally, the third vessels, Bruges for the Belgian navy and Zr.Ms. Ijmuiden for the Dutch navy, began construction in August and December 2023. At the end of 2023, six of the twelve vessels in the program were under construction in the Piriou shipyards at different stages.
Finally, at the end of August 2023, France officially joined Belgium and the Netherlands in mine warfare with the signing of a tripartite memorandum of understanding for the development of its future vessels for the French Navy.

GOWIND® UAE

Bani Yas, the first corvette for the UAE Navy, conducted its first sea trials in March 2023. Safety navigation training for the crew of the first corvette took place in August.
The transfer of the flag of the corvette took place on October 21, 2023 before its departure on October 23, 2023. It was delivered in Abu Dhabi (UAE) on November 28, 2023, after a stopover in Brest.
The first sea trip of the second corvette Al Emarat took place on October 24, 2023.

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 teams at the Naval Group sites in Ollioules and Bagneux.
Relaunch of the Littoral Combat Ship (LCS) contract by the Malaysian government, on May 26, 2023 during the LIMA fair, made it possible to resume negotiations with BNS. In this context, five Gowind® corvettes must be built in Malaysia.

On October 10, 2023, the signing of amendments formalized the reversal of Naval Group's activities. The group has been appointed as the design and technical assistance authority. Finalization of the Detailed Design, a key activity for the reversal of vessel production, was also entrusted to it.

LOGISTICS FLEET PROGRAM (FLOTLOG)

During a ceremony organised on July 18, 2023 in Toulon, its home port, the Jacques Chevallier, the first of the four force supply vessels (BRF) of the Flotlog program, was received by the DGA to be delivered to the French Navy.
The construction of the second unit, Jacques Stosskopf, started with the front half of the hull built in Italy.

OCEAN PATROLLERS (PO)

Launched *via* the notification by the DGA of a framework agreement to Naval Group, Chantiers Piriou, CMN, and SOCARENAM at the end of 2020, the offshore patrol vessel program plans for delivery to the French Navy between 2026 and 2030. The first phase of the program was completed in October 2023 with the DGA receiving the detailed design work carried out by Naval Group.
Naval Group was notified on November 17, 2023 of a new contract to monitor the completion of the seven vessels ordered as well as the development and supply of the Setis-C® combat steering systems and management of the Shipmaster® platform.

SERVICE ACTIVITY

In 2023, commercial activity was mainly marked by the notification of contracts for:

- maintenance, repair, and modernisation of the SSBN *Le Vigilant* as part of its periodic intervention for maintenance and repair (IPER);
- the renovation and upgrade (RMV) of two Horizon frigates of the French Navy;
- *Charles de Gaulle* aircraft carrier modernisations as part of its major technical shutdown (ATM3);
- the manufacture and supply of spare parts for Indian Navy submarines.

In France, the main operational achievements of the period are:

- the end of periodic intervention for maintenance and repair (IPER) work on the SSBN *Le Terrible* in Brest (validated by an acceptance test), and a return to its operational cycle;
- the start of periodic intervention for maintenance and repair (IPER) work on the SSBN Vigilant in Brest;
- the end of the periodic intervention for maintenance and repair (IPER) work on the SSN Perle and a return to its operational cycle, the completion of routine maintenance of the *Rubis*-class and *Suffren*-class SSNs, in particular the first unavailability for maintenance (IE) of the *Duguay-Trouin*;
- the completion of the period of unavailability for intermediate maintenance (IEI) of the aircraft carrier *Charles de Gaulle* started in May, with a return to the operational cycle expected in early 2024;
- delivery of the *La Fayette*-class frigate (FLF) Aconit in November, third and last of three French Navy FLF RMVs;
- the completion of the technical shutdowns and in-service support of the eight FREMMs, now all admitted to active service;

- the start of deconstruction of the Inflexible first-generation SSBN at the Cherbourg site, retired from active service in 2008;
- maintaining the posture and very good availability in general of the French Navy fleet.

Internationally, the main operational achievements of the period are:

- the continuation of the support contract for the Saudi Navy (technical assistance and spare parts);
- routine maintenance of the Egyptian Navy fleet (FREMM, Gowind® and PHA), this year with the inauguration of a maintenance building at the Alexandria naval base;
- the execution of the FLF combat system modernisation contract;
- delivery of spare parts and technical assistance for Indian Navy submarines. In September, Naval Group India inaugurated its new technical workshop in Karwar to support the Indian Navy's *Kalvari*-class submarines;
- maintenance of the FREMM, as well as the modernisation of surveillance frigates in Morocco;
- in Singapore, completion of platform maintenance work for frigates and ramp-up of the research and development (R&D) centre.

In addition, the Services Division is continuing its efforts to digitise its activities, and is working to improve competitiveness for the benefit of its customers.

DRONES, AUTONOMOUS SYSTEMS AND UNDERWATER WEAPONS ACTIVITIES

UNDERWATER WEAPONS

F21 FRANCE

Continuation of the integration of the F21 torpedo on the carriers of the French Navy and support as part of the force support training firing. Deliveries of batches of combat torpedoes to the French Navy continue in accordance with the schedule agreed with the customer. The incremental developments of the F21 torpedo made it possible to effectively pass the Critical Design Review at the end of 2023 for the F21 MK2. In addition, a new conditional preventive maintenance tranche was notified in November.

F21 BRAZIL

The qualification firing of the F21 Prosub torpedo carried out in September 2023 was formally validated with the Brazilian Navy in October 2023. The third delivery batch was delivered at the end of November 2023.

MU90

Notification in March 2023 of the new in-service support contract with the Organisation for Joint Armament Cooperation (Occar) with the continuation of maintenance activities for the benefit of customers in France, Germany, Italy, and Australia.

COUNTERMEASURES

Continuation of deliveries of Canto® countermeasures for the French Navy and signing of a contract for the supply of Contralto® countermeasures systems internationally (Indonesia and the Philippines).

DRONES, AUTONOMOUS SYSTEMS

SUBMARINES

First study contract for an unmanned submarine Unmanned Combat Underwater Vehicle (UCUV) notified by the DGA in March 2023 aiming to define the use cases of the target product and the high-level system architecture of the demonstrator. At the end of 2023, the DGA also notified Naval Group of a framework agreement for the studies, construction and testing of a UCUV unmanned submarine. In the meantime, the Naval Group demonstrator has conducted various internal experiments, with the French Navy and as part of European projects: Orion joint exercise, Seanice consortium, MIne RIsk CLearance for Europe (Miricle).

SURFACE VESSELS

Successful participation in the Orion exercise with a remotely operated surface platform at the beginning of the year (Remorina). Experiments at sea continued with, for example, the launch of aerial drones in swarms from a surface drone demonstrator in remotely operated mode (Sterenn Du).

AERIAL

Demonstration at sea of the VSR700 demonstrator on the FREMM Provence carried out in October as part of the aerial drone system for the navy (SDAM) contract, to demonstrate the implementation of the system integrated into the ship, as well as to test a drone/ship collaboration scenario on a detection mission and commitment.

DRONING SYSTEM

Continued development and testing of controlled decision-making autonomy (ADC®) in particular on board Naval Group submarine and surface demonstrators.

SYSTEMS, EQUIPMENT AND PROPULSION ACTIVITIES

The year 2023 was marked by the creation and implementation of the new organisation with the establishment of the Systems, Equipment and Propulsion (SEP) department, which brings together the combat systems, naval equipment, propulsion and cybersecurity activities. The activities of the SEP department are located on all of the Group's sites and in particular Bagneux, Nantes-Indret, Ollioules and Angoulême-Ruelle.

In terms of activity, 2023 was a buoyant year with the achievement of many milestones and the ramp-up of new programs, including the launch of production of the first 3G SSBN.

The emblematic milestones of the year were achieved, with the delivery of the boiler room module for the 5th unit of the Barracuda program and the integration of the engine unit module of the 4th unit, as well as the latest deliveries of the Sylver® vertical

missile launch system as part of the multi-purpose offshore patrol vessel program (PPA for Pattugliatore Polivalente d'Altura) for MBDA Italy.
Stand-alone trade was marked by the signing of several orders: a contract for the supply of shafts for the T26 frigates for Australia, a four-year contract for the in-service support of the Sylver® with MBDA, as well as the order for the 200th Sylver®.
In terms of offers, activity was very strong in submarines and surface vessels, in France and internationally.
The industrial sites are preparing for the implementation of the 3G SSBN contract and the future NG-AC with the completion of the first works in Nantes-Indret and the finalisation of the various industrial master plans. The Ollioules site is expanding to create a digital expertise centre in the Var in line with the mobility plan for the Bagneux site.
Improvement projects are continuing with the increase in the number of Belt projects focused on improving industrial and operational performance. Digitization projects continue to be rolled out across all sites.

I.2.4. R&D ACTIVITIES

Work on innovation has several objectives: guaranteeing the technological superiority of our customer navies in line with their operational ambition, improving the living conditions of seafarers and contributing to the competitiveness of our products and services. This work is systematically conducted on the basis of a proactive eco-responsible approach.
The year 2023 was marked by the anchoring of new innovation governance and development of the culture of experimentation. Innovation work remains structured around six unifying axes: Smart Naval Force, Smart Ship, Blue Ship, Invulnerable Ship, Smart Availability, Smart Industry. Two major complementary cross-functional areas make it possible to develop, on the one hand, the acquisition of upstream knowledge through science and technology (S&T) work which is necessary for the control of future technologies (or the consolidation of the technical framework), and on the other hand, work on the naval force of the future, cooperative monitoring and naval cooperative commitment.
2023 was also a year rich in the development of innovations, often resulting in remarkable demonstrations or significant progress in the following areas:

- Smart Naval Force: design of the rocket ammunition module of the multipurpose modular launcher (LMP) and conducting of several experiments (anti-drone warfare, deployment of an aerial drone from an immersed submarine);
- Smart Ship: installation of an embarked data hub (DHE) on board the FREMM Provence and launch of an action plan to accelerate the digital transformation of our products and services;
- Blue Ship: production of a prototype pack of lithium-ion batteries for conventional submarines and a prototype fuel cell for surface vessels;
- Invulnerable Ship: achievement of major milestones for several submarine innovations Black Sword Barracuda® (notably composite masts and weapon launches);
- Smart Availability: development of new drone services offered to improve vessel support and availability.

The share of R&D studies funded by Naval Group for naval defence included in R&D costs amounted to over €90 million in 2023. As in previous years, additional financing is required. In 2023, contracts, mainly with the DGA, completed our cash flow and contributed to the achievement of our strategic technological plan.
However, 2023 showed that the efforts devoted in recent years to the search for European financing are bearing fruit. In 2023, Naval Group was the winner of five European Defence Fund (EDF) projects, notably with the E-NACSOS structuring programs and European Patrol Corvette (EPC).

Academic and scientific research ecosystems, in France and abroad, are an essential lever for maintaining Naval Group at a high level of technological innovation. In particular, the group relies on ambitious and multidisciplinary scientific collaborations that result in framework agreements, joint laboratories and academic or industrial chairs. In 2023, for example, Naval Group set up a joint laboratory with the National Centre for Scientific Research (CNRS) on electromagnetic signatures and a chair with the Naval Academy on AI navalisation for decision support in operations. Naval Group has also become a partner member of the Interdisciplinary Centre for Defence and Security (CIEDS) led by IP Paris.

I.2.5. SUBSIDIARIES AT DECEMBER 31, 2023

SUBSIDIARIES

ACTIVITIES AND INCOME OF SUBSIDIARIES AND SHAREHOLDINGS

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

ARMARIS QUATER

Armaris Quater owns Naval Group Actionnariat.

ARMARIS SIXT

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

NAVAL GROUP ACTIONNARIAT

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

NAVAL GROUP PARTICIPATIONS

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

BOUSTEAD DCNS NAVAL CORPORATION SDN BHD (BDNC) (40% HOLDING)

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

DCN INTERNATIONAL

DCN International was created to manage export sales contracts for equipment and services provided by DCN (which became a national service in 2000).
Following the transfer of certain assets, rights and obligations of the *Service à Compétence Nationale* DCN by the French State to DCN, on June 1, 2003, DCN International is responsible for managing all contracts in place at the transfer date (excluding contracts transferred to Armaris). The company has undertaken no new business since then.

NAVAL GROUP FAR EAST PTE LTD

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

NAVAL GROUP INDIA PTE LTD

Naval Group India provides its local support for execution of the construction program for Indian submarines and assists the Indian Navy in its in-service support.

DEFENSE 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 solutions, positioning and landing systems for sea, air and land vehicles and drones.

NAVAL GROUP COOPERATION

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

NAVAL GROUP SUPPORT

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

NAVAL GROUP BELGIUM

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

ALEXANDRIA NAVAL FOR MAINTENANCE AND INDUSTRY

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

KERSHIP (45% HOLDING)

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

NAVAL GROUP MALAYSIA SDN BHD

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

NAVAL GROUP HELLAS

Naval Group Hellas, registered in Greece in 2023, aims to consolidate Naval Group's presence in Greece by executing the local part of Naval Group's contract programs with the Greek customer and by developing industrial and R&D cooperation with the Greek DITB.

NAVAL GROUP RÉ

Naval Group Ré, a company registered in France in 2023, is a reinsurance captive whose activity is to assume all or part of the risks of Naval Group and/or the companies it controls within the meaning of article L. 233-3 of the French Commercial Code.

NAVAL ENERGIES

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

NAVAL GROUP BR SISTEMAS DE DEFESA LTDA

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

PROJETOS E SISTEMAS NAVAIS SA (WHOLLY-OWNED BY NAVAL GROUP BR SISTEMAS DE DEFESA LTDA)

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

NAVAL GROUP AUSTRALIA PTY LTD

Following the closure of the Australian Future Submarine (AFS) program, Naval Group Australia Pty Ltd activity was suspended.

NAVIRIS (HELD AT 50%)

Naviris is a joint venture with Fincantieri and its purpose is to conduct European 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 in-service support activities on the Sawari fleets in service by being the Ministry of Defence prime contractor on in-service support topics, to cooperate with universities on applied research topics and to develop shipbuilding skills.

DCNS ZAMIL (55% HOLDING)

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

MO PORTE-AVIONS (65%)

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

ENERGÍA MARINA (75% OWNED BY NAVAL ENERGIES)

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

TECHNICATOME (20.32%)

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

JEUMONT ELECTRIC (31.47%)

On December 29, 2023, Naval Group and Framatome completed the acquisition of Jeumont Electric with the Altawest group. Jeumont Electric is an industrial company specializing in the manufacture and maintenance of engines and electrical equipment for the nuclear energy and naval defence sectors. This transaction allows Naval Group and Framatome to consolidate their activities in their respective sectors and aims to ensure the continued existence of Jeumont Electric as a world reference in its field.

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

I.2.6. RISK MANAGEMENT

I.2.6.1. RISK MANAGEMENT SYSTEM

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

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

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

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

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

The Internal Audit Department, certified since 2012 by the French Institute for Audit and Internal Control (IFACI), carries out independent internal audits according to an annual plan based on the main risks, approved by the Executive Committee and reviewed by the CACR. It issues an annual opinion on the level of risk management and internal control. In 2022 and 2023, the audits carried out focused on major programs and the associated industrial transformations (Barracuda, 3G SSBN, FDI, NG-AC), the

export control function and the monitoring of military equipment, IT reversal and continuity plans following the various cyberattack scenarios.
Each year, the Executive Committee departments and the controlled subsidiaries prepare a letter of representation, committing to risk management and internal control, fraud prevention and compliance with ethics and the rules of compliance.
Internal control helps to achieve the group's objectives, yet it is not an absolute guarantee because of the limitations inherent to any system. The group's business, operating profit/loss or financial position could be materially affected by the risks described below or by other risks and uncertainties of which the group is currently unaware or which it regards, as at the date of this document, as immaterial.

I.2.6.2. INSURANCE POLICY

The volatility of the insurance markets lasting several years is likely to expose Naval Group not only to uncertainty about the sustainability of its insurance plans, but also to an increase in the cost of risk through the combined increase in deductibles and premiums.
The result of an analysis of the company's risk profile, Naval Group then strengthened its insurance arsenal by setting up a reinsurance captive, Naval Group Ré, dedicated exclusively to covering its own risks and those of its subsidiaries.
This captive will enable Naval Group to retain its free will over the long term in controlling the terms and conditions for covering its risks and their cost, by rebalancing its relations with the traditional insurance markets.
Other current, emerging or future risks will benefit from the intervention of the captive. Their integration will be decided taking into account prudential and regulatory management requirements for the profit (loss) for the period of overall risk management of its parent company and its subsidiaries.

I.2.6.3. FINANCIAL RISKS

LIQUIDITY RISK

The risk is currently covered by excess cash; the group occasionally uses short-term credit lines to avoid any strain on its liquidity. In addition, Naval Group remains vigilant about the availability of its customers' financial resources, the limitation or decrease of which could result in the emergence of additional needs.

FOREIGN EXCHANGE RISK

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

OFF-STATEMENT OF FINANCIAL POSITION RISKS

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

INFLATION-RELATED RISKS

In the current inflationary context, Naval Group continues to strengthen its competitiveness plans and its vigilance on offers, in particular *via* price revision conditions to secure its operating margin

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

I.2.6.4. RISKS OF NON-COMPLIANCE WITH LAWS AND REGULATIONS

Naval Group is an exporter of military equipment and similar, as well as dual-use goods (civil and military). The export markets are of capital importance for the group as they contribute to the activity of the production sites, the maintenance of skills and the financing of R&D.
In fact, a strengthening of French or European or foreign regulations relating to exports or transfers of military equipment and similar, or the occurrence of international events, or changes in geopolitical factors, could prohibit or restrict the obtaining of export licenses, or even affect the execution of signed contracts. Reduced access to military export markets would have significant consequences on the group's activity and financial position.

RISK OF NON-COMPLIANCE WITH EXPORT CONTROL AND CUSTOMS REGULATIONS

Exports or intra-community transfers of military equipment and dual-use goods are subject to French, European or foreign authorisation regulations.
The Export Control and Customs Affairs Department (DCE), through the drafting of the appropriate export control guidelines, with the permanent support of the group's products and services departments and the operational departments, and with training and awareness-raising actions, carries out its mission of monitoring compliance with the various regulations.
In 2023, the DCE carried out the main actions of its internal control plan.
In addition, an *a posteriori* control of export items and transfers of military equipment and similar were conducted on-site by the DGA/International Development Department (DGA/DI).
Two internal audits were carried out in 2023, one on the monitoring of military equipment and similar, the other on the entire export control function. Following this last audit, a plan aimed at better specifying the missions and responsibilities of the players in the export control function, under the guidance of the General Secretary, was approved by the Naval Group Executive Committee.
Additional information is available in section III. Statement of Non-Financial Performance (SNFP).

RISK OF NON-COMPLIANCE WITH THE GENERAL DATA PROTECTION REGULATION (GDPR)

Data protection is experiencing considerable legislative growth around the world. In this context, Naval Group has adapted its privacy policy in order to standardise personal data protection requirements.

In addition, Naval Group has carried out a certain number of actions as part of its compliance approach, under the coordination of the Group Chief Privacy Officer, in particular:

- change in privacy management of the group by appointing a new Data Protection Officer (DPO);
- carrying out several awareness-raising actions for high-stakes privacy functions;
- deployment of a privacy compliance management tool.

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

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 anti-corruption policy to ensure that it meets the best standards.
Naval Group has set up a whistleblowing system that enables group employees and stakeholders to report the existence of inappropriate conduct that is contrary to Naval Group rules or any legal or regulatory provisions. Naval Group guarantees secure and confidential processing of reports.
Risks of corruption and influence peddling are the subject of a dedicated mapping which makes it possible to rank and prioritise them.
Additional information is available in section III. Statement of Non-Financial Performance (SNFP).

NON-COMPLIANCE WITH MULTIPLE CSR REGULATIONS

CSR, concerning environmental, labour and societal issues, is a very broad field. In recent years, CSR regulations have been strengthened and French, European and international regulations are constantly evolving.
One of the most impactful French regulatory obligations is the duty of care. Thus, in accordance with French Law no. 2017-399 on the "Duty of Care of Parent Companies and Ordering Companies", Naval Group has introduced a plan containing due diligence measures to identify risks and prevent serious violations of human rights and fundamental freedoms, human health and safety and the environment.
With regard to the environment, the industrial activities of Naval Group and the products used throughout the life cycle of vessels and their equipment are likely to impact the environment, notably in the event of accidental failure and through greenhouse gas (GHG) emissions generated. A failure to control the risks of significant environmental impact exposes Naval Group to limited financial and image impacts.
The rapid changes in CSR regulations also make it difficult to anticipate future compliance constraints and obligations on various subjects: production sites and tools, Naval Group's activities and products, materials and substances used, compliance of suppliers and supplies purchased, reporting on environmental, social and governance (ESG) matters, etc.
The risks of non-compliance with CSR regulations therefore concern Naval Group's entire value chain, with potential impacts on program costs and completion times as well as on the group's reputation.
To mitigate these risks, Naval Group has defined a CSR strategy, which breaks down into 16 projects spread across four pillars:

- governance;
- social commitment;
- environmental protection and climate resilience;
- responsible industrial partner.

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

LEGAL DISPUTES

Due to its activities, the group is exposed to technical, contractual, commercial and/or criminal disputes.
The prevention and handling of all disputes and warranty claims are carried out by the group's Legal Department and Contract Management, and in association with the Compliance Department and the DPO, where necessary.
Furthermore, all disputes likely to have a significant negative impact on the group's activities and financial position are presented to the CACR on a regular basis.
Each of the known disputes in which Naval Group or group companies are involved has been examined as at the date of closing of the financial statements, and the provisions deemed necessary by General Management have, where appropriate, been set aside to cover the estimated consequences.
Furthermore, some or all of the losses that Naval Group SA or other group companies could suffer as a result of certain disputes for which no provision has been made are covered either by the French government under the terms of agreements it made with Naval Group in the course of the government's contribution in kind on June 1, 2003 and its sale to Naval Group of a 100% shareholding in DCN International, or by Thales under the terms of agreements made with Naval Group in connection with the latter's acquisition of a 100% shareholding in TNF.
Lastly, the Legal Department and Contract Management conduct feedback sessions for the players and departments involved in order to organise the prevention of contentious situations such as those it has been called upon to deal with.

I.2.6.5. RISKS RELATED TO THE POLITICAL AND SOCIETAL ENVIRONMENT

COUNTRY RISKS

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

- Sovereign risk: Naval Group supplies its systems under State-to-State relations based on strategic partnership agreements. This risk may come from a reversal/calling into question of these agreements, whether they come from our customers or from France, or from pressure from competing countries on our customers/prospects. Another risk is an embargo on customer countries by countries that supply subassemblies. Sovereign risk has a medium to low probability but could have a major impact; it may result in the cancellation of current contracts, or significant additional costs (change of suppliers).
- Economic situation: the needs of customer navies are driven by geopolitical fundamentals and the renewal of aging fleets; these two elements mean that needs are relatively stable. However, many of Naval Group's customers are subject to economic hazards of all types (sovereign debt, health crisis, extreme volatility of commodity prices, etc.). The impact is a delay of a few years in programs following the call for tenders process, and correspondingly, the industrial load and the associated revenues and margins. Foreign exchange risks are limited because our contracts are in euros, but this risk may affect our subsidiaries that work with France. There are risks of expropriation in joint ventures with State-owned companies, due to pressure for both the dilution and eviction of projects in which we operate (we do not own any projects abroad).
- Political and social risks: Naval Group is exposed to changes in defence budgets, which may be subject to variations and arbitration, particularly in periods of high inflation and shortages. These arbitrations may also be decided following a change in political majority in client countries or a change in the social context, for example in the event of viral media campaigns impacting the image and reputation of Naval Group. These risks are increasing in the current geopolitical context and may affect some of our customers/prospects and delay or cancel certain projects.
- Geopolitical risks: geopolitical tensions (Ukraine, China Sea, Eastern Mediterranean, etc.) may accelerate projects or even redirect them towards the supply of systems within deadlines incompatible with Naval Group's capabilities, or even change priorities in favour of other needs.

To address these risks, Naval Group ensures:

- for sovereign and geopolitical risks, permanent dialogue with the French authorities (the *Élysée*, *Cabinet* of the Prime Minister, Ministry of Europe and Foreign Affairs, Ministry of the Armed Forces, French embassies abroad and embassies of client countries in France);
- for economic, political and social risks: regular communication with country directors, in charge of all customer relations in a country. In addition, thanks to its industrial facilities abroad (subsidiaries and joint ventures), Naval Group provides local activities that could not be carried out from France in satisfactory conditions (maintenance, technical assistance, etc.).

DEPENDENCE ON THE PUBLIC SPENDING

Naval Group carries out all its activity for defence goods in close collaboration with the French State. By its nature, the defence sector is dependent on orders from the public spending, in other words, on political decisions that fluctuate depending on the country's economic and geopolitical situation and industrial policy.
The 2024-2030 military planning law (LPM) continues the upward trajectory of the defence budget (€413 billion over the period) to reach €68.9 billion in 2030. After a 2019-2024 "repair" LPM, the upcoming LPM is a "transformational" LPM with significant capacity investments, the confirmation of major naval programs and the renewal of the nuclear deterrent for the French Navy centred on replacement of the submarine component and the surface component (NG-AC). The in-service support resources are confirmed with a 40% increase in budget. This LPM also reflects support for the war economy and disruptive innovation (€10 billion programmed over the period).
Nevertheless, the trajectory of the LPM should be qualified by the risk of inflation, which could reach 8 to 16% of the budget (€30 billion of inflation were included in the LPM according to an optimistic assumption of a 1.75% return). The budget increases are not linear and the increases are greater in recent years (+ €3.5 billion in 2028, 2029 and 2030). The calendar uncertainties of industrial programs are the subject of ongoing work with the DGA (details on the dates of order recording and contract execution schedules).
The 2024 finance bill (PLF) confirms the LPM guidelines with a high level of orders and deliveries, the confirmation of the credits dedicated to the equipment program and the in-service support of the deterrent, the continued development of the 3G SSBN, an increase in the budget dedicated to innovation. Public spending is therefore a real opportunity for the group.
To reduce its dependence on France, Naval Group continues to invest, in particular, in the international development of its defence activity: thus, winning international contracts is essential to maintaining the cost of French programs at contractual level and to maintain and develop the skills of Naval Group and the French DITB, as well as to strengthen the group's ability to invest in the technological and industrial innovations necessary to maintain its distinctiveness and develop attractive new products.

Autonomous and collaborative drones and systems are a strategic pillar of Naval Group and an essential pillar in this strategy of technological disruption and expansion of our customer base. In 2024, Naval Group pursues its commitment to position itself in these markets, whose development is accelerating in naval defence.

RISKS OF INSECURITY AND SAFETY

The safety of Naval Group employees, in France and abroad, is a major concern, whether they are missionaries, expatriates (including families) or locally recruited staff.
Like any company working in a sensitive area, and deployed on several sites in France and internationally, Naval Group may be confronted with several risks that could have an impact on the safety of its employees, its infrastructure or its data: health, criminal, terrorist, political and social disorder risks. In addition to direct consequences, the group's image and reputation could be damaged.
Thus, to ensure the protection of the company, Naval Group relies on several procedures and action plans.

RISK OF INTERFERENCE

The risk of espionage, whether of State or competitive origin, weighs particularly heavily on Naval Group. Its international successes, increased competition and the mobility of its employees make it a priority target, accentuated by the fact that the high-tech naval systems produced by the group contribute significantly to the sovereignty of its customers.
Faced with this possible human and technical interference, a state of awareness and vigilance must be maintained at Naval Group. To do so, the Security Department regularly raises awareness among employees, who also have information in e-learning mode as well as a support system for their international travel. This awareness-raising notably addresses risks related to social engineering and the information obtained by manipulating employees or subcontractors.
In addition, the protection of information is structured around the network of specifying entities to guarantee the protection of national defence secrets, intellectual property, assets and personal data.
The update of Interministerial General Instruction (IGI) 1300 of August 9, 2021 continues to have a significant impact on the strengthening of the systems concerning protection of national defence secrets, in particular thanks to the processes well-anchored in the uses for the mandatory inventory of classified information and media or the approval of classified information systems.

I.2.6.6. RISK OF CALLING INTO QUESTION OUR COMMERCIAL POSITIONING

RISKS RELATED TO THE COMPETITIVE ENVIRONMENT

The multiplication of conflicts and the worsening of geopolitical tensions (invasion of Ukraine by Russia, the Israel-Hamas war, tensions in the South China Sea) favour the growth of defence budgets, and therefore the size of the markets accessible to Naval Group. However, this growth benefits above all, in Europe, the American defence industry and in general the urgent needs encourage investments in aeronautical and land equipment, sometimes to the detriment of investments in naval defence. This trend is less marked in other regions (Asia in particular) where major naval capacity development programs are planned.
American competition, direct or indirect, is increasing:

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

Economic and technological competition with other players continues to intensify. In addition to the long-standing European players (Fincantieri, TKMS, Navantia, Damen), 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).
This increased competitive pressure, including in the field of in-service support, may therefore negatively affect Naval Group's commercial position and profitability as well as that of the DITB on which Naval Group relies, in an otherwise tense context of rising raw material and energy costs.
Naval Group's response to this intense competition involves continuous improvement in the technological and economic competitiveness of its offers and products. To do this, Naval Group is strengthening its research and technology effort, anticipating its customers' needs and new threats, expanding its portfolio of offers and consolidating its international presence.
In France, the clear trend of the Fleet Support Service (SSF) to more and more systematically put Naval Group in competition for in-service support contracts, or even to award them to other companies (*e.g.* the FRG23 contract) requires specific monitoring of the competitiveness of our service offerings for France.
<u>Main indicators</u>:
Naval Group measures its commercial positioning through indicators such as order intake in France in competitive and export markets.

I.2.6.7. RISK OF PROGRAM EXECUTION DEVIATIONS

PROGRAM EXECUTION RISKS

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

Certain contracts may include provisions concerning the performance level and/or delivery schedule for the products and services sold. Such provisions may prove to be demanding, particularly given the increased level of competition, and may also give rise to the payment of contractual penalties.
Program performance may also be affected by a major hazard, such as an accident, fire, natural disaster at a site, failure of an industrial tool or information system (IS) or by an uncertain environment (international conflicts, export restrictions, inflation, etc.). The occurrence of such events may have an impact on Naval Group's financial position and results. Continuity plans are developed to reduce the severity impact of these risks.
With regard to bids, a risk assessment and control system is in place and has been tightened with the implementation of the Financial Control and Evaluation Department (DCEF) to improve control of the offers.
With regard to the programs, management rituals are in place at several levels in order to verify on a monthly basis the proper progress of the technical, calendar and financial plan, making it possible to identify and prevent operational drifts. Program Committees are held three to four times a year to measure the operational progress of programs and anticipate identified risks. The programs are also marked out through Gate Reviews, authorising their continuation in a new phase after analysis of the level of completion of the previous phase and the degree of preparation of the following phase. The project management system is also monitored by maturity measures according to the CMMI® practices grid: Capability Maturity Model Integration, an internationally recognised grid. A CMMI-level-2 audit on major programs was held in 2022. The findings made it possible to formalise the level of maturity of program management practices in most areas. Internal CMMI evaluations of batches of programs took place at certain industrial sites in 2023.
To promote anticipation, the risk and opportunity management approach is implemented through a unified process and a centralising tool starting from the offer phases. 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 the beginning of 2023, Naval Group has been organised into product and service departments, bringing together the programs and main industrial entities concerned. This makes it possible to strengthen operational management, aided by the implementation of new tools. In addition, these departments bring the risk and opportunity managers of the programs together with those of the entity in order to improve their anticipation.
The contract management function is also organised to enable its members to manage contracts more effectively during their creation and execution, as well as to help maximise financial and operational performance by minimising risks and exploring all opportunities.

QUALITY CONTROL

The quality of the products and services delivered by Naval Group raises issues of image, customer satisfaction, the safety and operational capacity of user navies, and the group's competitiveness and sustainability.
Mitigating the risk of delivery of products and services that do not reach the expected level of quality and safety requires the deployment of a strong culture in terms of quality, safety and environment (QSE), actions to ensure compliant development and production and actions to detect non-compliance before delivery.
The QSE policy is signed by the Chairman of the Board of Directors and Chief Executive Officer and updated regularly. Each year, it sets out the major commitments for quality. In 2023, in line with previous years these were:

- the deployment of a quality strategy and action plan for the group;
- quality management in our programs to guarantee the delivery of products and services that meet our customers' expectations;
- employee commitment and management leadership towards zero defects impacting our customers and the satisfaction of all our customers and partners;
- valuing the preparation of work and prior risk analysis, improving the quality of execution in the teams by aiming for the right one as of the first time.

The Business Management System (BMS) operationally integrates these commitments into the group's processes and procedures. More specifically, it defines the areas of application of the procedures, the operating rules for the entire product life cycle and the certifications that cover the sites and subsidiaries.
The group Quality Department reports to the Operations and Performance Department, whose director is a member of the Executive Committee.
As a whole, the function has around 420 employees attached to the Quality Department to ensure quality management missions in the various entities of Naval Group. The controls are mainly entrusted to the operational departments and remain under quality assurance.
Quality constitutes a second line of control for operational processes and as such structures control activities and supports operational teams in the effective application of rules. This principle applies to Naval Group and the controlled subsidiaries.
Different control principles are applied in Naval Group's operations:

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

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

- 8D (8 Do) and Quick Response Quality Control (QRQC) problem-solving tools;
- risk analyses and analyses of failure modes, their effects and their criticality (FMEA);
- 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 the quality delivered by each team).

I.2.6.8. CRITICAL SUPPLY CHAIN RISKS

Naval Group's business includes a substantial proportion of bought-in products and services representing over half its revenue. These may relate to studies, industry or services.

Naval Group is thus exposed to events that may occur to its suppliers. In this context, Naval Group also set up and developed a sustainable procurement policy, which is detailed in section IV. Vigilance plan.

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

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

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

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

Naval Group is also seeing increasing pressure on international logistics flows, which began with the health crisis but which continues in the current geopolitical and economic context, and may impact Naval Group operations.

CYBERSECURITY OF THE SUPPLY CHAIN

A control system has been put in place to prevent risks related to services/supplies purchased, and a plan to strengthen the cybersecurity of the supply chain was defined and deployed, with some residual actions in 2024. Minimum security requirements in keeping with the DGA and the members of the Cyber Convention will soon be imposed from the initial stages of supplier selection and particularly for sensitive service providers. This system consists of putting suppliers in touch with the Computer Emergency Response Team (CERT) for incident monitoring.

Naval Group SA also conducts periodic audits and reviews, which are accompanied by recommendations to be implemented. Top-tier outsourcers and all major and strategic suppliers are concerned; more than 40 companies are audited annually. More generally, Naval Group conducts awareness-raising actions and, if necessary, support concerning cybersecurity.

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 address 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, performance in terms of health, safety and environment (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 Purchasing Policy Orientation Committee (coordinated by the Purchasing Department and attended by members of the operating departments and the Strategy and Finance Departments) enables a better understanding of the risks borne by a list of suppliers in the various purchasing categories, based on a purchasing strategy validated by the group.

CSR RISKS

CSR-related risks are taken into account in the supplier code of conduct.
Issues relating to compliance and OH&S are systematically reviewed in the supplier risk analysis and constitute, in themselves, elements of the impact analysis on the company.
Naval Group uses shared and specialised platforms to carry out CSR assessments of supplier candidates for the panel. In addition, risk analyses of supplier compliance are conducted thanks to a monitoring platform co-managed by the group's Compliance Department and Purchasing Department, and for each new supplier, a compliance analysis and an opinion are issued before any contractual commitment.

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The impact of the conflict in Ukraine on our suppliers was controlled by the task force put in place, and the year 2023 saw the situation return to a normal level from the point of view of the supply of materials.

PERFORMANCE INDICATORS

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

I.2.6.9. LOSS OF TECHNOLOGICAL COMPETITIVENESS

As an international player in naval defence, Naval Group is pursuing ambitious goals in terms of technological innovation and is accelerating the implementation of its roadmap:
- in the field of drones, with in particular, in 2023, the launch and the first sailings of two large UUV and USV demonstrators de-risking the UxV concepts, this in connection with the project to develop in La Londe-les-Maures in the Var, a centre of excellence for autonomous systems and underwater weapons;
- in the fight against new threats (drone attacks, fight against asymmetric threats, high-speed missiles, cyberattacks, space observation, etc.);
- on the digital transformation of our products and services, to accelerate the use of data (with what is offered today by new capture, calculation and analysis systems), and the deployment in the field of combat systems, ship management and maintenance, and to enhance the operational capabilities of naval forces;
- on new key technologies for defence innovations (AI, big data, cloud computing, quantum, connectivity, directed energy weapons, etc.);
- control of the energy chain, from energy production to its use, including its management in the vessel and the fleet, all with a concern for eco-design throughout the life cycle.

Naval Group also promotes collaborative S&T and R&D projects, with all the necessary surveillance to protect its intellectual property and work on co-innovation with its main partners and suppliers, to:
- continuously improve its products, accelerating technological innovations and their integration into vessels;
- meet the expectations of its customers, which can be adjusted in a context of a war economy, and provide them with technological superiority;
- be proactive in solutions and resolutely align with the group's ambitions in terms of social and environmental responsibility (additional information is available in section III. Statement of Non-Financial Performance (SNFP)).

Lastly, in the current context of inflation, the competitiveness challenge is even more pronounced and Naval Group's continued leadership is based on operational excellence action plans that integrate technological innovation and process innovation, as well as talent development and resource agility.
Naval Group has created dedicated spaces to develop this agile and frugal innovation within the Group and promote the spirit of innovation in each employee. The entire system has been coordinated since January 2022 by Innov' Factory Services, to better support deployment, facilitate sharing and accelerate projects.

INTELLECTUAL PROPERTY PROTECTION RISK

The intellectual property policy in place since 2006 aims to protect Naval Group's intellectual assets. It applies to all products and services and their contents, to all knowledge and know-how irrespective of whether or not it has been formally recorded or whether it is acquired through innovations made internally or from outside. Naval Group safeguards the results of its innovation by all possible means, including the imposition of secrecy, protecting them through registered rights (patents, trademarks, designs and copyrights), search engine optimisation, seizure, confidentiality and publication.
Notwithstanding the protection sought and obtained, Naval Group may find itself in a situation where its intellectual property rights are subject to challenge, infringement, invalidation proceedings or circumvention. To reduce the risk of infringement, Naval Group performs intellectual property monitoring and analysis as part of its own patent examination procedures and in the technical and development phases for its products.
Internationalisation, a major development focus for Naval Group, is very often accompanied by technology transfer operations. The localisation of value chains abroad is not without difficulty or risk in terms of intellectual property and it requires control of the company's technological portfolio. It is in this context that Naval Group strengthened its licensing system in 2023, the objective of which is to enable third parties to manufacture and sell equipment using Naval Group IP abroad. Thus, a control in terms of technology transfer and a control in terms of protection of sensitive information and export control are carried out for each licence project.

I.2.6.10. LOSS OF COMPETITIVENESS: SKILLS AND ATTRACTING TALENT

RISK OF LOSS OF KEY SKILLS

Given the technical complexity of Naval Group's products and the multitude of skills required for their design, construction, in-service support 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 recruiting or retaining talent and having the required 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) so that it can have skills available in the right place at the right time and anticipate its future needs. Additional information is available in section III. Statement of Non-Financial Performance (SNFP).

DETERIORATION OF LABOUR RELATIONS AND POLICIES

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

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

Conscious of the risks that the company may incur through the deterioration of social dialogue and working conditions, particularly in terms of performance but also the health of its employees, Naval Group strives to develop quality social dialogue where negotiation has a central place.

2022 was marked by the signing of the new metallurgical industry collective agreement (NCCM) in February, applicable from January 1, 2024. The General Management and the trade unions (TUs) therefore engaged in negotiations to adapt the company agreement to the provisions of the new collective agreement and were unable to reach an agreement in 2023. Consequently, General Management was forced to terminate the company agreement of April 11, 2017. Negotiations will therefore begin in 2024 to reach a new company agreement.

Naval Group also makes diversity and inclusion, as well as quality of life at work, assets for its development. Additional information is available in section III. Statement of Non-Financial Performance (SNFP).

I.2.6.11. RISKS OF SERIOUS ACCIDENTS, OPERATIONAL AND INDUSTRIAL

TECHNICAL SECURITY RISK

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

The three technical authorities: platform, systems and cybersecurity are responsible for the technical framework that guarantees security performance. They ensure that this framework is maintained in order to incorporate the lessons learned. They ensure that product offerings and programs respect this framework and determine whether key milestones in terms of design, production, trials and product maintenance have been met, particularly those concerning safety. The group's Chief Technical Officer is a member of the Executive Committee, which enables an optimised chain of intervention on both prevention and risk management.

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

Naval Group is convinced that our customers have safety requirements as demanding as our own, and we are certain that this factor can give us an advantage over our competitors.

The group pays great attention to this point in the preparation of tenders. Its technical experts are closely involved in tender preparation and in the associated technical reviews.
Naval Group remains at our customers' service until our products reach the end of service. In connection with the technical overhauls that we perform, we draw up safety assessments for vessels in service and assist our naval clients in researching further advances. The role of the technical authority for these specific phases is identical to that for new buildings.

2023 NEWS

The technical authority took part in the various safety staging points and in monitoring of the processing of reserves during the tests of four export submarines and three French submarines. It also took part in the staging points before sea trials of a French surface vessel. These staging points ensured the safety of Naval Group products and the absence of risks for on-board personnel and crews.
The technical authority was also called upon to issue technical opinions, at the customer's request, on many subjects concerning the various products and programs of Naval Group.
The technical authority has set up regular exchanges to have an effective chain of intervention on the prevention and management of any associated risks.

PERFORMANCE INDICATORS

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

NUCLEAR SECURITY RISK

The role of the nuclear inspectorate is to propose Naval Group's internal nuclear safety policies and regulations for all of its activities to General Management. It prepares an annual report on the state of safety of Naval Group's nuclear activities. It monitors and verifies the security measures taken under these policies in line with regulatory changes, which it monitors. Its independence is guaranteed by its inclusion in the general inspectorate.
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 2023-2025 was drawn up in consultation with the French Navy, the DGA and the Defence Infrastructure Department (SID). It is based on two axes: performance, notably with the effective implementation of operational reliability practices, including among subcontractors and talent, with the development of training projects and the professionalisation of nuclear skill management in production.

The Nuclear Inspectorate conducts inspections to verify the compliance of the group's practices with regulations and internal instructions and is regularly informed of the implementation of the resulting action plans.
It performs or takes part in, together with the Quality and HS&E Departments, investigations undertaken to analyse the year's most significant events and define the necessary corrective or preventive action.
The nuclear inspectorate manages Naval Group's radiation protection network. It therefore monitors the radiation doses received by Naval Group staff and within its establishments by its subcontractors and ensures an optimised distribution of doses. It ensures that these remain well below not only the legal limits but also the ceilings set by Naval Group (half the legal ceiling) and ensures that there is no contamination.
The Nuclear Inspector also manages the "nuclear family". To that end, the inspector proposes or approves the recruitment, training, career paths and professional development of employees specialising in the field to guarantee the development and maintenance of the key skills for this "sovereign family".

DIVING SAFETY RISK

The mission of the Diving Safety Inspectorate is to ensure the application of Naval Group's internal safety regulations for all its activities in France and abroad. It controls and verifies the security measures taken under these policies in line with regulatory changes. Its independence is guaranteed by its inclusion in the general inspectorate. The group Inspector General submits an annual report on the state of diving safety of the submarines designed and maintained by Naval Group to the Chairman of the Board of Directors and Chief Executive Officer.
The Diving Safety Inspectorate conducts inspections to verify the compliance of the group's practices with regulations and internal instructions, and receives regular reports on the implementation of the resulting action plans.
It performs or takes part in, together with the Quality and HS&E Departments, investigations undertaken to analyse the year's most significant events and define the necessary corrective or preventive action.
A few diving safety incidents, fortunately without consequences, took place in 2023. Action plans were put in place to avoid their replication.
The Diving Safety Inspectorate coordinates the network of engineers specialising in diving safety at the various Naval Group sites concerned with the French and foreign submarines designed and maintained by Naval Group.
The Diving Safety Inspector also manages the diving safety family. To that end, the inspector proposes or approves the recruitment, training, career paths and professional development of employees specialising in the field to guarantee the development and maintenance of the key skills for this sovereign family.

PYROTECHNIC SAFETY RISK

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

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

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

OH&S RISKS

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

Naval Group's OH&S performance is monitored through several indicators; 2023 results in terms of the number of accidents with lost time over frequency rate 1 are better than in 2022, although still higher than the ceilings set. The severity rate remains low.

The main levers put in place in recent years, aimed at strong managerial involvement and a change in behaviours, were continued in 2023:

- manager involvement in the process of analysing accidents and incidents, talking to staff on the ground;
- incentives for employees to commit to risk prevention by completing risk situation reports;
- conducting safety culture diagnostics and implementing associated action plans.

These levers were supplemented by cross-functional actions that aim to increase the safety culture of all Naval Group employees and improve OH&S performance:

- raising employee awareness of OH&S risks and those related to addictions (drugs, alcohol);
- dissemination of safety alerts to all managers in the event of a high-potential OH&S event;
- delivery of a safety passport to the main service providers based on their performance and management of HS&E;
- introduction of safety and environmental awards to reward team initiatives and performance.

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

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.

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

RISKS OF BUSINESS INTERRUPTION

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

I.2.6.12. RISKS OF CYBERATTACKS

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

Depending on their mode of operation and especially the purpose sought by the attackers, cyberattacks can have very different impacts – direct or indirect – at group level:

- legal impacts;
- operational impacts;
- financial impacts;
- competitive loss;
- impacts in terms of image and reputation.

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

The action plan to control these risks is reflected in:

- significant multi-year investments to modernise and secure information systems (IS);
- the launch of the construction of a new development IS that follows the group's information systems mapping process, and which allows the implementation of a unified framework for practices and technical resources and overall control of cyber risks on the Group's software development activity;
- a supply chain plan which consists of strengthening the cyber contractual requirements and the selection criteria of suppliers according to the cyber criticality of the purchase, all purchasing categories combined;
- a coordinated IS certification process;
- updating and regular monitoring of the cyber maturity plans managed by the Cybersecurity Director. The Cybersecurity Department is responsible for defining and implementing the group's cyberstrategy and for coordinating, federating and monitoring the deployment of all the systems established in roadmap of each IS, both internally and for the products and services provided by Naval Group;
- regular and independent measurement of the level of cybersecurity of our infrastructures (corporate IS, industrial IS, etc.) and our products, through reviews, audits and intrusion tests carried out by experts from the Cybersecurity Department or authorised specialised companies, appointed by the Cybersecurity Department;
- cyber requirements are now taken into consideration internally and for our products right from the design phase and throughout the life cycle of the products, backed up by the Cybersecurity Framework and skills development within the IT, engineering and production teams;
- increased coordination between the four data management systems:
  - the group Security Department for data relating to national defence secrets,
  - the Data Office for intellectual property data and all sensitive corporate information. Its mission is to implement the standards for consultation, use and communication of the group's data, whether strategic, industrial and/or operational, in compliance with regulatory and internal and external operations requirements, with the associated governance,
  - the Data Protection Officer (DPO) for the protection of personal data. His/her mission is to ensure the protection of personal data as described in the European GDPR regulation. Additional information is available in section III. Statement of Non-Financial Performance (SNFP),
  - IS operators and, in particular, the Digital Transformation and Information Systems Department (DTSI) for the control of ISs, their development, their protection and their performance;
- the extension of the scope covered by the Security Operations Centre (SOC) reporting to the group Safety Department in close collaboration with the CERT reporting to the Cybersecurity Department;
- the continuation of an action plan to prevent the escape of sensitive data, initiated in 2020 by the group Security Department. This plan aims to strengthen physical and IT protection measures to prevent any malicious or inadvertent data leaks;
- strengthening of the Cyber Department in the program purchasing phases;
- lastly, for acculturation, systematic awareness-raising on cybersecurity for all new employees of the group and those who failed the last educational phishing. As part of this acculturation plan, a plan called "Cyber Champions" is gradually being rolled out in the group's business entities. It aims to strengthen the consideration of cybersecurity requirements in our products through the rise in maturity.

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

IS services that support the group in its operation and in the creation of products and services for customers are taken into account throughout their life cycle:

- from the design phase, through a rigorous selection of suppliers (publishers, hosts and service providers) audited regularly, an analysis of security risks, a cyber analysis, definition of security requirements and verification of their implementation and effectiveness (reviews, audits, pen-tests);

- during the maintenance phase, whether preventive (application of security patches, monitoring of vulnerabilities), corrective or evolutionary (in-service safety support);
- in production, by monitoring threats and vulnerabilities in conjunction with state authorities and the community of experts, audits, identity and access governance, network monitoring (incoming and outgoing flows) and defensive IT control by the Security Operation Centre (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.

Teleworking is governed by an *ad hoc* agreement; remote access systems for teleworking applications have been stabilised.

Naval Group's exposure to a cyberattack remains high in an increasingly tense context where attacks can take several forms. In 2023, there were no major cyber incidents to paralyse Naval Group SA's production. Some of our suppliers/partners suffered attacks, some of which were serious, but their impacts did not paralyse Naval Group's production.

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

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

In addition, the regulatory changes of 2021, and the actions to raise awareness of information protection and cyber risks that followed, continue to show their positive effects on procedures and activities of systems approval.

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 this respect, the Naval Group sites in Angoulême-Ruelle, Paris, Lorient and Cherbourg were audited in 2023 by the Defence Intelligence and Security Directorate (DRSD), the IAN and the French National Authority for Security and Defence of Information Systems (ANSSI).

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

1.2.6.13. RISKS OF NON-PERFORMANCE AND IT FAILURE

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

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

To control the risks of obsolescence, data loss or cyberattacks, measures have been put in place for several years, as well as ambitious action plans, including:

- the modernisation of infrastructure (hosting, network, storage, back up, etc.);
- work on the application portfolio (streamlining of applications, analysis of business impact, criticality, documentary requirements, etc.);
- the modernisation of the international IS.

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

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

VI.3. NAVAL GROUP SA'S POSITION DURING THE 2023 FINANCIAL YEAR

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

ORDER INTAKE

Naval Group SA's order intake for 2023 was €3.332 billion, as compared with €5.578 billion in 2022.
As at December 31, 2023, Naval Group SA's order book stood at €14.363 billion.

REVENUE

Naval Group SA revenue amounted to €4.223 billion for the 2023 financial year, compared with €4.007 billion in 2022.

INCOME

Operating profit/loss was positive, amounting to €288.4 million, compared with €96.8 million in 2022.
Net finance income (expense) amounted to a profit of €71.3 million, compared with €122.4 million in 2022.
Extraordinary income amounted to a loss of (€4.2) million, compared with a profit of €216.5 million in 2022.
The company's net income amounted to a profit of €295.4 million.

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

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

Financial year ended	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Length of accounting period *(in months)*	12	12	12	12	12
SHARE CAPITAL AT REPORTING DATE					
Share capital	563,000,000	563,000,000	563,000,000	563,000,000	563,000,000
Number of ordinary shares	56,300,000	56,300,000	56,299,700	56,299,700	56,299,700
Number of A preference shares	–	–	300	300	300
Number of B preference shares	–	–	–	–	–
OPERATIONS AND RESULTS					
Revenue excluding taxes	4,223,147,848	4,007,394,057	4,005,535,343	3,291,152,047	3,640,222,336
Net profit (loss) before tax, profit-sharing, depreciation, amortisation and provisions	418,929,232	542,948,015	385,629,042	42,157,590	448,058,757
Income tax	34,849,153	60,478,918	15,438,572	(30,063,872)	66,420,666
Employee profit-sharing	25,266,352	47,287,859	13,500,000	737,294	27,798,326
Charges to depreciation, amortisation and provisions	63,412,887	107,336,152	164,230,716	127,745,124	208,595,147
Net profit (loss) after tax, profit-sharing, depreciation, amortisation and provisions	295,400,841	327,845,085	192,469,754	(56,260,957)	145,244,618
Dividends paid	129,490,000	168,900,000	97,610,050	0	94,584,000
EARNINGS PER SHARE					
Net profit (loss) after tax, profit-sharing but before depreciation, amortisation and provisions	6.37	7.73	6.34	1.27	6.28
Net profit (loss) after tax, profit-sharing, depreciation, amortisation and provisions	5.25	5.82	3.42	(1.00)	2.58
Dividend allotted to each ordinary share	2.30	3.00	1.40	0.00	0.84
Dividend allotted to each Class A preference share	-	-	62,633	0	157,640
Dividend allotted to each Class B preference share	–	–	–	–	–
STAFF					
Average number of staff	14,823	14,182	13,469	12,661	11,653
Payroll expenses	930,269,042	905,366,198	807,965,758	719,117,504	704,151,812
Payroll-related costs (Social Security, staff benefits, etc.)	407,621,983	422,055,999	345,940,518	326,116,140	308,658,768

No interim dividend was paid in 2019.
No interim dividend was paid in 2020.
No interim dividend was paid in 2021.
No interim dividend was paid in 2022.
No interim dividend was paid in 2023.

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

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

INVOICES ISSUED AND OUTSTANDING AS AT THE CLOSING DATE OF THE FINANCIAL YEAR

Closing date		Total	Invoices not overdue for payment	Payment overdue by 1 to 30 days	Payment overdue by 31 to 60 days	Payment overdue by 61 to 90 days	Payment overdue by more than 90 days	Total 1 day or more
LENGTH OF TIME OVERDUE								
12/31/2023	Number of invoices concerned	2,343	665	414	120	127	1,017	1,678
	Total value of invoices concerned excluding tax	783.3	330.5	220.3	46.5	31.7	154.3	452.8
	Share of pre-tax revenue for the financial year		7.83%	5.22%	1.10%	0.75%	3.66%	10.73%
12/31/2022	Number of invoices concerned	2,062	643	230	108	65	1,016	1,419
	Total value of invoices concerned excluding tax	722.4	300.0	110.5	159.7	2.4	149.8	422.4
	Share of pre-tax revenue for the financial year		7.10%	2.61%	3.78%	0.06%	3.54%	9.99%

INVOICES ISSUED THAT WERE OVERDUE FOR PAYMENT IN THE FINANCIAL YEAR

Closing date		Total	Invoices not overdue for payment	Payment overdue by 1 to 30 days	Payment overdue by 31 to 60 days	Payment overdue by 61 to 90 days	Payment overdue by more than 90 days	Total 1 day or more
LENGTH OF TIME OVERDUE								
12/31/2023	Cumulative number of invoices concerned	10,156	4,942	3,554	621	256	783	5,214
	Total cumulative value of invoices concerned excluding tax	4,032.1	1,650.1	1,836.9	451.0	22.9	71.2	2,382.0
	Share of total value of invoices issued in year, excluding tax		40.33%	44.87%	11.02%	0.56%	1.74%	58.18%
12/31/2022	Cumulative number of invoices concerned	10,824	5,856	3,590	640	221	517	4,968
	Total cumulative value of invoices concerned excluding tax	4,682.8	2,891.9	1,404.2	128.0	30.2	228.5	1,790.9
	Share of total value of invoices issued in year, excluding tax		59.51%	28.90%	2.63%	0.62%	4.70%	36.85%

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

INVOICES RECEIVED AND OUTSTANDING AS AT THE CLOSING DATE FOR THE FINANCIAL YEAR

Closing date		Total	Invoices not overdue for payment	Payment overdue by 1 to 30 days	Payment overdue by 31 to 60 days	Payment overdue by 61 to 90 days	Payment overdue by more than 90 days	Total 1 day or more
LENGTH OF TIME OVERDUE								
12/31/2023	Number of invoices concerned	22,227	19,976	921	339	160	831	2,251
	Total value excluding tax of invoices concerned	401.4	328.0	48.7	8.0	3.6	13.1	73.3
	Share of invoices received excluding tax for the financial year		13.92%	2.07%	0.34%	0.15%	0.56%	3.11%
12/31/2022	Number of invoices concerned	25,834	22,818	757	389	228	1,642	3,016
	Total value excluding tax of invoices concerned	293.7	243.8	18.8	6.9	3.5	20.7	49.9
	Share of invoices received excluding tax for the financial year		10.60%	0.82%	0.30%	0.15%	0.90%	2.17%

INVOICES RECEIVED THAT WERE OVERDUE FOR PAYMENT IN THE FINANCIAL YEAR

Closing date		Total	Invoices not overdue for payment	Payment overdue by 1 to 30 days	Payment overdue by 31 to 60 days	Payment overdue by 61 to 90 days	Payment overdue by more than 90 days	Total 1 day or more
LENGTH OF TIME OVERDUE								
12/31/2023	Cumulative number of invoices concerned	368,649	312,925	43,104	5,422	2,337	4,861	55,724
	Total cumulative value of invoices concerned excluding tax	3,152.7	2,401.2	495.7	128.0	49.7	78.1	751.5
	Share of total value of invoices, excluding tax, paid in year		63.77%	13.17%	3.40%	1.32%	2.08%	19.96%
12/31/2022	Cumulative number of invoices concerned	302,377	260,799	24,281	6,826	5,187	5,284	41,578
	Total cumulative value of invoices concerned excluding tax	2,798.3	2,115.6	410.4	145.7	51.7	74.9	682.7
	Share of total value of invoices, excluding tax, paid in year		65.98%	12.80%	4.54%	1.61%	2.34%	21.29%

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 €483,743 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 2023 in respect of 2022 amounted to €347,400; this remains deductible in accordance with tax rules.

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

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

- in respect of the financial year ended December 31, 2020: none;
- in respect of the financial year ended December 31, 2021: €97,610,050;
- in respect of the financial year ended December 31, 2022: €168,900,000.

II. EVENTS AFTER THE REPORTING PERIOD

None.

III. STATEMENT OF NON-FINANCIAL PERFORMANCE (SNFP)

III.1. INTRODUCTION

In this chapter, Naval Group presents its statement of non-financial performance (SNFP) in accordance with article L. 225-102-1 of the French Commercial Code, by setting out its corporate social responsibility (CSR) approach with its policies, commitments, achievements and results. This chapter III takes into account the following French legislative and regulatory requirements: order no. 2017-1180 of July 19, 2017 and decree no. 2017-1265 of August 9, 2017 transposing the European directive of October 22, 2014 as regards disclosure of non-financial information by companies.

III.1.1. BUSINESS MODEL

A MODEL SERVING OUR CUSTOMERS

TRADE RECEIVABLES

NAVIES ACQUISITION AGENCIES LOCAL INDUSTRIES

50 NAVAL CUSTOMERS AROUND THE WORLD

ADVANTAGES

- Total control of armed vessels
- Control of the entire vessel life cycle
- 18,094 employees
- Skills and know-how portfolio (naval architecture, engineering, industrialisation, production, in-service support, programme management, etc.)
- Commercial and operational references French Navy and other customers
- 10 sites in France
- 18 international locations (offices and subsidiaries)
- Transmission of knowledge and know-how
- Advanced member of the United Nations Global Compact

PRODUCTS AND SERVICES

- SUBMARINES
- SURFACE VESSELS
- DRONES, AUTONOMOUS SYSTEMS AND UNDERWATER WEAPONS (DSA)
- SYSTEMS, EQUIPMENT AND PROPULSION (SPS)
- SERVICES

VALUE CREATED

- High-performance vessels and defence systems throughout their life cycle: FREMM, Gowind®, Scorpène®, *Charles de Gaulle* aircraft carrier, SSBN/SSN
- Maintaining the deterrent capabilities of the French Navy
- Fleet availability for our naval clients
- Development of local industry in client countries, support for our clients' sovereignty issues
- Breakdown of added value created: investments, employees, ecosystem, shareholders

KEY ACTIVITIES

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

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

PARTNERS

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

III.1.2. SCOPE OF CSR REPORTING

GOVERNANCE SCOPE

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

ENVIRONMENTAL SCOPE

The environmental information covers all of the French sites of Naval Group SA, 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 greenhouse gas (GHG) emissions, and environmental incidents are prepared on a rolling year from January 1, 2023 to December 31, 2023.
The other companies in the financial consolidation scope represent less than 2% of the group's number of staff. The subsidiaries carry out design, research, technical assistance, project management assistance, purchasing and sales assistance, administrative support and in-service support activities. They consequently generate a reduced environmental impact compared to French activities and therefore are not included in the scope of environmental reporting of the SNFP.

OH&S SCOPE

OH&S indicators cover all Naval Group SA sites in France and all staff: employees and temporary workers. The other companies in the financial consolidation scope represent less than 2% of the group's number of staff and are therefore excluded from the OH&S indicators (excluding secondees).

SOCIAL SCOPE

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

III.1.3. PRINCIPLES OF CSR ACTIONS AND GOVERNANCE

Naval Group is committed to meeting the seven pillars of the ISO 26000 standard. The ISO 26000 standard defines Corporate Social Responsibility as the responsibility of an organisation with regard to the impacts of its decisions and activities on society and on the environment, resulting in ethical and transparent behaviour that:

- contributes to sustainable development, including the health and well-being of society;
- takes into account the expectations of stakeholders;
- complies with the laws in force while being consistent with international standards of behaviour;
- is integrated throughout the organisation and implemented in its relationships.

Naval Group has been part of a continuous improvement program in the non-financial domain. This approach is built on the basis of recognised international texts such as the Ten Principles of the United Nations Global Compact, the fundamental conventions of the International Labour Organization (ILO), the guiding principles of the Organisation for Economic Co-operation and Development (OECD), the transposition of the European directive on the statement of non-financial performance, the law on the duty of care, and the Sapin II law. 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 been ISO 37001 certified since 2021.
As a defence company, Naval Group has an important role to play in helping to strengthen the link between the Armed Forces and the Nation. This is reflected in the sponsorship and partnership operations implemented by the group to support initiatives related to the national defence sector.
For example, since its creation, Naval Group has supported *La Fabrique Défense*, an event initiated by the French Ministry of the Armed Forces, which aims to develop French and European defence culture among the general public and particularly among young people aged 15 to 30, irrespective of their professional ambitions.
The group also supports the missions of the Armed Forces youth commission of the French Ministry of the Armed Forces, which works to maintain the essential link between the armed forces and young people by offering visits to industrial sites and by sponsoring commission events.
On the occasion of the national reservists days 2023, Naval Group also announced the doubling of the number of days granted to Naval Group reservists, in order to support the commitment of its employees.
Finally, each year, for the ceremonies of November 11, Naval Group renews its support for *Bleuet de France* by promoting donations organised by the association on its sites.

CSR DEPARTMENT

The CSR Department guides the company's players towards a sustainable transformation through the dissemination of responsible behaviour.
The CSR Department oversees management of the CSR strategy. In particular, its role is to:

- support the sponsors and pilots of CSR projects: providing help with structuring, coordinating cross-functional actions and facilitating interactions between entities;
- ensure overall consistency;
- monitor the progress of CSR projects, in particular *via* half-yearly reporting to the Executive Committee;
- 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 of the SNFP;
- the CSR report.

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

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

MAIN CSR RISKS

Since 2018, Naval Group has been developing a non-financial risk map. The action plans are included in the entity maps.
This list was validated by the Audit and Internal Risks Committee (CARI) in June 2022 and renewed in 2023.
An update of the climate risk map was validated by the CARI in December 2023.
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.

THE GROUP'S ENVIRONMENTAL COMMITMENT

The sea is the environment in which the majority of the group's employees work and in which sailors use the products provided by Naval Group. Although the maritime space is full of business potential, it is still a fragile environment. Conscious of this reality, the group is committed to tackling environmental issues in its activities: products, services and infrastructure.
To embed this guideline in processes, respect for the environment is the subject of an HS&E policy rolled out at all its sites in France. It will also be rolled out soon in its subsidiaries. Environmental issues are included in the CSR strategy.
In addition to the requirement to comply with the regulations in force, the environmental policy is divided into two areas:

- controlling environmental risks by analysing them and implementing the necessary preventive actions;
- limiting the environmental impacts:
  - of our sites, by reducing greenhouse gas emissions and optimising waste management at our sites,
  - of our products and services over their entire life cycle by integrating environmental requirements from the design stage into a proactive approach and into our purchases.

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

III.2.1. MAJOR ENVIRONMENTAL EVENT

ISSUES

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

DETAILED DESCRIPTION

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

- failure to identify or prevent risks specific to 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

The policy and organisation put in place to control risk are described in vigilance plan IV.3.2.a.

2023 NEWS

The 2023 news is described in vigilance plan IV.3.2.a.

PERFORMANCE INDICATORS

The Naval Group sites demonstrate sustained controlled environmental performance, notably thanks to the actions of environmental advisors.
In terms of performance, the group had no major events and one significant event in 2023 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. In September 2023, Naval Group recorded 12 consecutive months without any significant or major events.
83 non-significant events (events with no impact on staff or the environment, with little risk potential) were recorded at Naval Group sites in France. All were also subject to corrective and preventive actions after an analysis of the causes (see graph below).

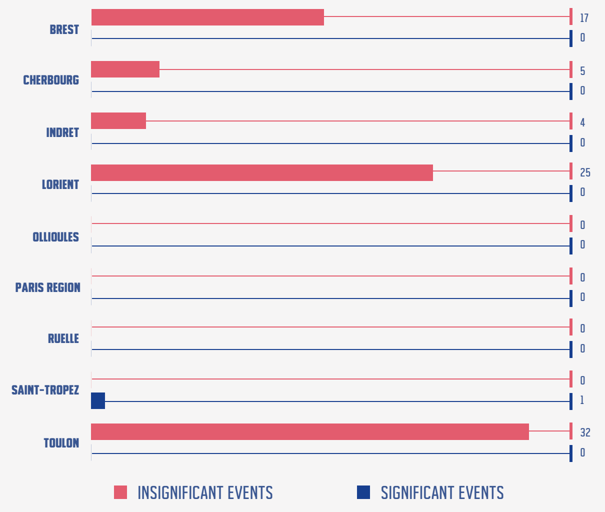


Figure 1: List of 2023 environmental events.

III.2.2. GREENHOUSE GAS EMISSIONS AT SITES

ISSUES

As part of our CSR approach, Naval Group has set itself the objective of dividing its direct greenhouse gas emissions by six by 2050 compared to 2014. This represents a decrease of around 70,000 t. CO_2-eq. Naval Group uses the *Bilan Carbone®* (v8.6) tool in operational control and location-based mode to assess greenhouse gas emissions.
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, as they involve the following:

- heat, cool and light workplaces;
- produce domestic hot water;
- supply all industrial resources;
- receive and ship equipment;
- ensure employees come to work on the sites;
- employees travel for business.

IMPACT

The transformation of sites driven by the objective of reducing greenhouse gas emissions must make it possible to:

- improve the environmental performance of sites;
- maintain or strengthen the attractiveness of Naval Group among new candidates and employees;
- communicate positively to our customers;
- limit the impact of the increase in energy costs.

POLICY AND STRUCTURE IN PLACE

The policy and organisation put in place to control risk are described in vigilance plan IV.3.2.B.

2023 NEWS

The 2023 news is described in vigilance plan IV.3.2.b.

PERFORMANCE INDICATORS

- Assessment of greenhouse gas emissions.
- Lower energy consumption[1] (ISO hours worked and ISO DJU): -19.6% for natural gas and -8.7% for electricity.

III.2.3. ENVIRONMENTAL FOOTPRINT OF PRODUCTS

ISSUES

Naval Group wishes to provide vessels whose impacts on the environment are known, measured and mitigated. Four of the results of the five environmental analyses of our vessels, launched in 2022, have been published: FDI, Gowind®, BSB and future oceanic submarine (FOS). The final results of the fifth analysis, carried out for the 3G SSBN program, are expected in 2024. An intermediate version was presented to the program.

DETAILED DESCRIPTION

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

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

These themes are taken into account in the design of Naval Group vessels, to the extent of their technical feasibility and applicability.
Concerning the last topic, since January 2013, the IMO has required that new vessels measure their effectiveness in terms of reducing CO_2 emissions. Naval Group has decided to respond by measuring the carbon footprint of its flagship products as well as their energy efficiency.
The carbon footprint of the FREMM was carried out in 2017, that of the Gowind® corvette in 2018, that of the Scorpène® submarine in 2019, and that of SSN Barracuda in 2021:

- the results of the FREMM and Gowind® carbon footprints are not comparable, as the vessels have completely different usage profiles, weights, speeds and lifetimes. However, it is interesting to note that the share attributable to the operation phase of these vessels represents respectively 80% and 90% of the overall carbon footprint, which is mainly related to the diesel used;
- the Scorpène® ratio is less pronounced. In fact, 35% of greenhouse gas emissions 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%

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

and is due to a nuclear propulsion method emitting less CO_2 than a conventional diesel propulsion. The carbon footprint makes it possible to measure the impact of our vessels concerning greenhouse gas emissions and global warming. However, it is not sufficient to measure all the impact generated by our products, such as waste management, resource scarcity or damage to biodiversity. A more encompassing approach, environmental analysis including carbon footprint, and life cycle analysis make it possible to respond to this challenge. Thus, environmental analysis, whose method has been rolled out in several programs including the FREMM in 2018, has become a mandatory step for the current product lines.

This mechanism can be found at level 3 of the eco-design approach, detailed in section IV.3.2.C of the vigilance plan.

IMPACT

The results in tonnes CO_2 equivalent (t. CO_2-eq) 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. To consolidate the methodology for measuring carbon footprints, a study was entrusted to AMVALOR, in particular on the determination of the functional unit to be considered.

Environmental analysis results may be accessed in different ways. They can be read:

- by systems or subsystems of the vessel's architecture over their entire life cycle, or over a single life phase, based on one or all criteria (resources, discharges, biodiversity). This makes it possible to obtain the footprint of the object;
- by life phase (design, manufacture, operation, maintenance, end of life), for all or part of the vessel, based on one or more criteria, which makes it possible to have the weight of the life phases by criteria, and to identify optimisations throughout the vessel, in each of its life phases (*e.g.* energy).

The purpose of these environmental analyses is to identify the significant environmental aspects (AESs), to propose solutions that will make it possible to reduce them and thus reach the next level of the approach (approach detailed in the vigilance plan, section IV.3.2.C).

POLICY AND ORGANISATION PUT IN PLACE TO CONTROL RISK

The policy and organisation put in place to control risk are described in vigilance plan IV.3.2.C.

2023 NEWS

The news is described in vigilance plan IV.3.2.C.

PERFORMANCE INDICATORS

The performance indicator is the number of environmental analyses launched on the programs. To date, four analyses have been carried out: BSB, FOS, FDI and Gowind®. An analysis is in progress: 3G SSBN. This indicator is included in the HS&E indicators.

III.2.4. RISKS OF BUSINESS INTERRUPTION DUE TO EXTREME WEATHER EVENTS

ISSUES

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

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

SCOPE

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

IMPACT

The vulnerability analysis shows the predominance of three climate hazards:

- floods/submersions;
- extreme winds;
- temperature variations.

2023 NEWS

Naval Group has completed its analysis of the resilience of the group's sites to climate change by integrating climate projections, and is developing its adaptation and resilience plans.

With regard to products, a pre-study of the impact of climate change on vessels was carried out. This work will be continued in consultation with Naval Group's customers as part of their own approaches adapted from the Climate and Defence strategy of the French Ministry of the Armed Forces of April 2022.

PERFORMANCE INDICATORS

In 2023, eight sites defined their risks of business interruption due to extreme weather events.

Faced with the increase in the number of extreme events, Naval Group has expanded its Business Continuity Plan (BCP) system to prevent and also limit the effects of climate events (in particular *via* an alert system).

III.2.5. INCREASED CHANGES AND LEGAL AND REGULATORY CONSTRAINTS IN TERMS OF THE ENVIRONMENT

ISSUES

The environmental regulations issued by international, European and national bodies are increasingly ambitious with clear and dated objectives, in particular on greenhouse gas emissions into the atmosphere.

DETAILED DESCRIPTION

The European regulatory framework for eco-design, which until now concerned only some of the products available on the market, now seems to aim to require that as much equipment as possible follows the approach in accordance with the European Green Deal declarations. Thus, Naval Group will be exposed to an increasing number of environmental constraints and obligations regarding products, services and sites.

IMPACT

This risk may result in a substantial increase for our products and sites in terms of:

- prices (energy, water, raw materials, semi-finished products);
- delays;
- adaptation and compliance costs.

POLICIES AND STRUCTURE IN PLACE

PRODUCTS

Within the business sector dedicated to eco-design, a regulatory watch unit exists to identify changes in legal and regulatory constraints in terms of the environment. They are referenced in a standard requirements document (SRD). Those applicable to vessels designed by Naval Group constitute the standard basis of this SRD. This SRD gives rise to the applicable requirements, which are mandatory for all new vessels designed by Naval Group.
The SRD supported by the eco-design business line must be applied to all new projects. It makes it possible to deal with the following topics, all stemming from regulations:

- resources;
- liquid discharges;
- solid waste;
- gaseous emissions;
- energy;
- hazardous substances;
- outdoor environments: biodiversity;
- end of life.

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

SITES

In order to monitor regulations on environmental issues at the sites, Naval Group uses the Red-on-line tool. An environmental questionnaire is filled out regularly at each site. After processing, this questionnaire is used to obtain all the requirements applicable to the site. Compliance with the applicable requirements is assessed on a regular basis. In the event of non-compliance, the necessary actions are defined and planned.
An instruction defines the regularity of the submission of the questionnaire and the verification of compliance. It also defines the roles and responsibilities in this regulatory watch.

PERFORMANCE INDICATORS

PRODUCTS

Naval Group's goal for the eco-design approach is divided into five levels. The first level is the application of the standard base defined above. The second requires that environmental studies be carried out (comparisons of systems, end-of-life recovery), the third requires that environmental analyses be carried out (inventory with regard to environmental protection), the fourth to propose improvements (technological, process, software, services), which reduce the main impacts by 20%, and the fifth to increase from 20% to 50%. The management indicator is based on level 3, *i.e.* carrying out environmental analyses or life cycle analyses of vessels designed by Naval Group (see section III.2.3 Environmental footprint of products).

SITES

The regulatory compliance rate of sites in terms of HS&E is monitored regularly. The target for 2023 was set at 90%. As of December 31, this rate was 87%.

III.2.6. OH&S RISKS

ISSUES

The HS&E policy is an integral part of the group's strategy and its transformation plan. It is signed by the Chairman of the Board of Directors and Chief Executive Officer and brings together the group's ambitions and requirements and provides a general overview thereof, in order to meet the needs and expectations of its customers, develop a culture of risk identification and control and ensure regulatory compliance.
Naval Group's global QSE management system is certified according to the ISO 9001, ISO 14001 and ISO 45001 standards.

POLICY AND ORGANISATION PUT IN PLACE TO CONTROL RISK

The policy and organisation put in place to control risk are described in vigilance plan IV.2.2.C.

PERFORMANCE INDICATORS

Naval Group's OH&S 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 and temporary workers 2023 results:

- LTAs: 133;
- FR1: 5;
- SR: 0.13.

These results show a decreasing number of LTAs and a lower FR1 compared to the previous year but higher than the ceilings set.
For comparison purposes, the Naval Group and temporary worker results in 2022 were as follows:

- LTAs: 164;
- FR1: 6.4;
- SR: 0.17.

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

2023 NEWS

The 2023 news is described in vigilance plans IV.2.1 and IV.2.2.C.

III.2.7. HARASSMENT AND DISCRIMINATION

III.2.7.1. BULLYING AND SEXUAL HARASSMENT

ISSUES

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

DETAILED DESCRIPTION

The risks that may arise from non-compliance with this commitment can be of various types:

- risk in employment law with labour disputes on these topics;
- criminal risk, notably if the company does not prevent these situations;
- risk to the company's reputation by damaging its image.

IMPACT

With regard to harassment, the company implements actions that reduce the risks mentioned above.

POLICY AND ORGANISATION PUT IN PLACE TO CONTROL RISK

The policy and organisation put in place to control risk are described in vigilance plan IV.2.2.A.

2023 NEWS

The updates implemented to manage risk are described in vigilance plan IV.2.2.A.

PERFORMANCE INDICATORS

- Number of employees who have completed training on sexual harassment and sexist behaviour, regardless of the awareness-raising method (face-to-face or digital): 323;
- Whistleblowing on harassment.

III.2.7.2. DISCRIMINATION

ISSUES

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

DETAILED DESCRIPTION

As such, Naval Group:

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

IMPACT

The occurrence of cases of proven discrimination could:

- impact the social climate and employee trust in Naval Group;
- incur civil and criminal penalties for Naval Group;
- adversely affect the Naval Group image.

POLICY AND ORGANISATION PUT IN PLACE TO CONTROL RISK

The policy and organisation put in place to control risk are described in vigilance plan IV.2.2.A.

PERFORMANCE INDICATORS

The gender equality index (scope France) remained stable in 2023 (calculated for the year 2022), remaining at 89/100, reflecting the group's commitment to these issues.

- Number of discrimination officers appointed in France: 10.
- Number of *Elles bougent* focal points: 300.
- Revenue generated by adapted companies (French *entreprises adaptées* (EA)) and work-based assistance establishments (French *établissements et service d'aide par le travail* (ESAT)): €3,904,317 at December 31, 2023.
- Percentage of women among senior executives: 15.5% at December 31, 2023.
- Percentage of people with disabilities among new hires: 1.7% at December 31, 2023.
- Percentage of employment of people with disabilities: 6.3% in 2023 (calculated over the year 2022).
- Percentage of women managers: 17.3%.
- Percentage of women among new hires: 23.4%.
- Percentage of seniors among new hires[1]: 6%.

III.2.8. DETERIORATION OF LABOUR RELATIONS AND POLICIES

ISSUES

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

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

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

To date, this policy has only been implemented in France. However, the challenge is to develop an international approach to the core components of our 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 customers, going as far as to suspend operations due to strike action.
This could also have a human impact in terms of health (psychosocial risks) and OH&S in general.

IMPACT

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

POLICY AND STRUCTURE IN PLACE

The policy and organisation put in place to control risk are described in vigilance plan IV.2.2.B.

2023 NEWS

The updates implemented to manage risk are described in vigilance plan IV.2.2.B.

PERFORMANCE INDICATORS

To measure the quality of social dialogue, the company takes into account the contractual dynamic and internal indicators: the number of irritants reported by employee representatives *via* the individual and collective complaints commissions (CRIC) in particular, and the processing of these. The conflict rate and short-term absenteeism rate are also measured.
In addition, a labour climate observatory was developed and set up at all Naval Group sites, the purpose of which is to anticipate the risks of labour tensions or conflicts. This document is prepared monthly.

III.2.9. RISK OF LOSS OF KEY SKILLS

ISSUES

Naval Group employs a wide range of specialisms and fields of expertise in the performance of its activities, making use of the varied skills of every member of its workforce. Naval Group's products include leading-edge technology systems and require specific skills and know-how.

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

DETAILED DESCRIPTION

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

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

IMPACT

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

POLICIES AND STRUCTURE IN PLACE

POLICY

To limit this risk, the group takes all possible steps to ensure it can hire, retain, redeploy or replace the skills it will need.
The HR Department and the Communication Department have strengthened their employer brand action plan, which includes the objectives of creating pools in critical areas and occupations where there is a shortage of talent. The HR Department runs a partnership policy with schools and training institutions to promote recruitment in the key areas of the group's activity.
In addition, Naval Group supports and contributes to the development of the CINav, whose objective is the creation of "navalising" training courses (training courses incorporating knowledge and know-how specific to the naval environment) and the development of the attractiveness of the sector.
In order to support these actions, Naval Group has put in place a roadmap to strengthen its attractiveness among its target audiences, strengthening its network of partnerships and its strategy of mobilising employees as ambassadors of the employer brand.
Moreover, the many career and geographic mobility options including international transfers, the set-up of systems for detecting high potential, and investment in training and knowledge transmission enhance the group's appeal.
Locally, a GPEC plan, including action plans relating to new hires or knowledge transmission. In addition, an analysis of all medium- and long-term business developments is carried out jointly with the Technical Department. Coordination of the network of 1,578 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 unique new service combining attractiveness, recruitment, diversity and inclusion (registered office and sites), at the service of operational staff who express their needs in terms of resources and in coordination with the Human Resources Business Partners (HRBP);
- a department responsible for the forward-looking strategic jobs and skills management and training, which oversees the entire GPEC system, career management with HRBP and coordinates the network of the group's specialist correspondents. It also ensures the consistency of the group's training policy with regard to strategic issues (strategic plan) and sets out the group's guidelines, which are then rolled out and enhanced by department. Naval Group University is working on optimising and enriching the offer with regard to this policy;
- four Key Account Managers (KAM) for "development and skills" to which one or more departments are assigned (HR intermediaries with business lines): they guarantee the deployment of the development and skills policy, training and recruitment; a KAM dedicated to sovereign families was set up to support dedicated heads of families.

2023 NEWS

The Group continued its commitment to young people, exceeding, for the second year in a row, its target of welcoming more than 1,000 people on internships or work-study programs.

As part of its 2023 work-study campaign, Naval Group offered 515 young people the opportunity to join its teams, 80% in the studies and production professions, an ambition that has been maintained overall for the last two years. Securing the recruitment path to renew skills and adjust programs to the required level of capacity resulted in the recruitment of 2023 new employees in 2023 (Naval Group SEU).

The HR investment plan to secure key skills is accompanied by GPEC highlights at each site involving the Executive Committees, managers, group and local specialty managers to share analyses and recommendations.

ACTIONS AND RESULTS IN 2023

In 2023, the main key skills management activities were as follows:

- anchoring the strategic management of resources to strengthen the quantitative and qualitative adequacy of the workload and the internal resources, in line with the operational GPEC approach, in particular linked to the needs of the 3G SSBN and NG-AC programs;
- deployment of learning in the workplace, by strengthening the offering at training sites (roadmap of 29 training sites, *i.e.* eight more training sites in one year, in line with the objectives set), developing seamanship as part of the training plan (seamanship is similar to mentoring and allows people to learn, improve and develop their career in stages with seasoned and recognised professionals, through immersion, benefiting from their experience), continuing Fridays at school, etc.;
- reinforcement of business line integration, in particular, with over 150 business integration courses being rolled out in the hull/welding, industrialisation, studies and product IT fields and new ones being created, for example in the field of mechanics;
- since its creation in 2018, the design school has trained 200 students. Evolving since the end of the AFS contract, the school confirms its ambition in the relocation business and is developing into a group school serving business transformation;
- 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 community, enabling employees to be leaders and share their skill in order to promote the vocations. In 2023, Naval Group made progress in the external recognition of its attractiveness, occupying 15th place in the Universum ranking of the most popular companies by engineering schools and 14th place among schools of Bac +2/+3 level;
- in 2023, a special effort was made among the priority schools to create pools of work-study students and interns, and to continue to promote Naval Group's business lines among the various training institutions. Lastly, to support and develop attractiveness, several campaigns combining digital and local media were carried out to attract employees to our business lines. For example, the workers or "Naval Group is recruiting" campaigns throughout France complement Naval Group's outreach strategy.

PERFORMANCE INDICATORS

The following objectives were pursued in 2023:

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

80% of positions open to recruitment in occupations where there is a shortage of talent were filled (estimated at the end of November 2023).

The rate of progress in the staffing plan for occupations where there is a shortage of talent and critical skills is monitored in order to measure the quality of key skills management.
In addition to the monitored objectives mentioned above, Naval Group tracks and publishes several performance indicators related to the policies implemented to reduce the risk of lack of key skills:

- Naval Group made 2,127 new hires as of December 31, 2023;
- 1,596 people left the group as of December 31, 2023;
- Naval Group departure rate (verification of staff data): 3.3%.

III.2.10. FAILURE TO COMPLY WITH THE GENERAL DATA PROTECTION REGULATION

ISSUES

The increasing digitisation of society and the evolution of global regulations are reflected in a growing awareness of the challenges of protecting personal data.
The technologies used are increasingly based on intensive data collection and processing. At the same time, they give rise to various uses that are changing very quickly.

POLICY AND ORGANISATION PUT IN PLACE TO CONTROL RISK

The policy and organisation put in place to control risk are described in vigilance plan IV.2.2.D.

2023 NEWS

The updates implemented to manage risk are described in vigilance plan IV.2.2.D.

III.2.11. FAILURE TO COMPLY WITH FRENCH AND FOREIGN ANTI-CORRUPTION REGULATIONS, RISK OF CONFLICT OF INTEREST AND INFLUENCE PEDDLING

ISSUES

Naval Group applies a principle of zero tolerance to corruption and influence peddling. The group conducts its activities in France and abroad in strict compliance with the conventions, laws and regulations applicable to it, in particular the provisions of the Sapin II law.
The group's Compliance Department, whose director is the anticorruption and influence peddling officer, is in charge of defining and deploying the group's anti-corruption system.
This system is implemented to prevent and detect any risk of corruption and influence peddling.
In France and internationally, in a constantly changing regulatory environment, Naval Group stakeholders regularly request a presentation on its anticorruption policy to ensure that it meets the best standards.

SCOPE

The risks of corruption and influence peddling are identified in the group's risk mapping, for activities conducted in France and internationally.
The mapping of the group's corruption and influence peddling risks identifies them by process and associates them with scenarios of events that could occur if appropriate control actions were not implemented.

IMPACT

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

ANTICORRUPTION SYSTEM AND ORGANISATION

The Chairman of the Board of Directors and Chief Executive Officer of Naval Group signs the group's anti-corruption policy in which he/she reaffirms the company's commitment, the necessary involvement of its governing body and the measures taken to comply with the Sapin II law.
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, simplified in 2023, the foundation of which is the anti-corruption code of conduct, supplemented by the anti-corruption manual which constitutes the business line framework in this area.
A whistleblowing system is available to Naval Group employees and stakeholders to collect and process reports made in this way.
An employee awareness-raising and training program has been rolled out for all employees and those most exposed to the risks of corruption and influence peddling.
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 to assess the level of maturity of the system deployed within each entity according to ten requirements. It aims to support and strengthen the deployment of the anti-corruption system within the group.

ANTI-CORRUPTION SYSTEM PERFORMANCE

Each month, the anti-corruption system is assessed according to management and performance indicators that cover several themes: the commitment of the governing body *via* the level of deployment of the system within their entity, employee training and awareness-raising, the assessment of third parties and the related risk levels, self-declarations of conflicts of interest, weak signals and reports including those received on the whistleblowing system.

2023 NEWS

In 2023, the ISO 37001 certification of Naval Group was confirmed, demonstrating the group's commitment to the fight against corruption and influence peddling. In addition, and in accordance with the roadmap that the Compliance Department had set, the following main actions were taken to improve the anti-corruption system:

- the simplification of the documentary framework with the overhaul of the anti-corruption code of conduct and the anti-corruption manual;
- the update of the corruption risk map following feedback from 2022;
- the overhaul of the awareness-raising module and the anti-corruption training module;
- the overhaul of the whistleblowing system;
- conducting internal controls on the level of application of the anti-corruption system at the sites and subsidiaries;
- continued implementation of the process of collecting and analysing weak signals.

III.2.12. NON-COMPLIANCE WITH EXPORT AND CUSTOMS CONTROL RULES

ISSUES

Naval Group is an exporter of military equipment and related materials, as well as dual-use goods (civil and military). The export markets are of capital importance for the group as they contribute to the activity of the production sites, the maintenance of skills and the financing of R&D.

Exports or intra-community transfers of military equipment and dual-use goods are subject to French, European or foreign authorisation regulations.

A strengthening of French or European or foreign regulations relating to exports or transfers of military equipment and related materials, or the occurrence of international events, or changes in geopolitical factors, could prevent or restrict the obtaining of export licences, or even affect the execution of signed contracts.

IMPACT

Reduced access to military export markets would have significant consequences on the group's business and financial position (the group's revenue and results).

POLICIES AND STRUCTURE IN PLACE

The DCE, through the drafting of appropriate export control criteria, the permanent support of the group's Products and Services departments and the group's operational departments, and through training and awareness-raising actions, carries out its control mission in compliance with various regulations.

2023 NEWS

In 2023, the DCE carried out the main actions of its internal control plan.

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

Two internal audits were carried out in 2023, one on the monitoring of military equipment and related materials, the other on the entire export control function. At the end of this last audit, a plan aimed at better specifying the missions and responsibilities of the players in the export control function, under the management of the General Secretary, was approved by the Naval Group Executive Committee.

The development of an IT solution for the management of regulatory reports (customs and export control) is being finalised and should be gradually rolled out in 2024.

PERFORMANCE INDICATORS

The DCE monitors Naval Group's activity through:

- monitoring of the processing of anomalies and non-compliances identified during the half-year controls by the DGA/International Development Department (DGA/DI);
- monitoring and updating of the framework of procedures for obtaining export licences;
- monitoring of the training plan and of awareness-raising of export control procedures;
- monitoring of the remediation plan following the internal audit of the export control function.

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

ISSUES

Law no. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies introduced the obligation for parent companies of groups employing more than 5,000 employees in France or 10,000 employees in France and abroad, to establish and effectively implement a vigilance plan and has therefore led Naval Group to strengthen the pre-existing group approach to taking into account the environmental and social impacts of its activities, as well as to those related to the activities of its subcontractors or leading suppliers.

This approach is presented in the Naval Group vigilance plan which appears in point IV below.

IMPACT

In the event of failure to comply with this obligation (absence of a plan, non-compliant plan, failure to comply with the plan or absence of publication of the plan), any person with an interest in taking action (trade union, association, NGO, victim, etc.) may:

- give formal notice to the company to comply with its obligations, within three months, with the possibility of a penalty payment;
- in the event of damage, invoke the civil liability of the parent company by demonstrating the direct causal link between the breach and the damage suffered, and obtain damages.

Any failure to comply with this obligation could also have an impact on Naval Group's image.

SUMMARY TABLE OF PERFORMANCE INDICATORS – CONSISTENCY WITH SNFP AND VIGILANCE PLAN

Risks	Chapters	Indicators	Methodology	2022 data	2023 data
Loss of key skills	SNFP III.2.9.	Departure rate	Number of departures on permanent/secondment contracts over a rolling 12-month period excluding natural departures (retirement)/number of staff (permanent/secondment contracts) in January of year N.	4.2	3.3
		Percentage of positions filled in critical positions (GPEC)	Number of positions filled/total positions provided for in the job description for occupations where there is a shortage of talent (permanent/fixed-term contracts).	83	80
Deterioration of labour relations and policies	SNFP III.2.8., Vigilance plan IV.2.1, Vigilance plan IV.2.2.B, Vigilance plan IV.2.3.B	Number of collective agreements signed (including amendments)	Number of collective agreements signed in year N (including amendment) (SEU scope).	13	5
		Short-term absenteeism rate	Based on the number of staff managed over the period: sum of absences of less than 10 days recorded during the analysis period divided by the sum of working days recorded (Naval Group SA).	1.2	0.7
		Pay equity ratio	Indicator 221 of the labour report: ratio between the average gross full-time salary of executives (including senior executives) versus the average compensation of workers and employees.	2.07 reference year 2021	2.04 reference year 2022
Harassment and discrimination	SNFP III.2.7., Vigilance plan IV.2.1, Vigilance plan IV.2.2.A, Vigilance plan IV.2.3.A	Number of discrimination officers appointed in France	Number of discrimination officers appointed in France.	9	10
		Number of Elles bougent focal points	Number of Elles bougent focal points. Quarterly monitoring of new registrations made on the Elles bougent website.	258	300
		% of women among all members of governing bodies	% of women among all members of salaried governing bodies (decree 2021-Rixain law).	22.1	30.6
		% of women among senior executives	% of women among all senior executives (excluding executive officers – decree 2021-Rixain law).	12.8	15.5
		% of women managers	Ratio of women managers/total managers (number of staff).	16.8	17.3
		Revenue generated by adapted companies (EAs) and work-based assistance establishments (ESATs)	Revenue generated by adapted companies (EAs) and work-based assistance establishments (ESATs) in euros.	3,644,246	3,904,317
		Employment rate of people with disabilities	Calculated once a year as part of the DOETH (and validated by URSSAF) on the basis of last year's data.	6.1 reference year 2021	6.3 reference year 2022
		Gender equality index	The gender equality index consists of five indicators scored out of 100 points that assess the inequalities between women and men in the company.	89 reference year 2021	89 reference year 2022
		% of people with disabilities among new hires	Ratio of people with disabilities hired/total new hires (excluding interns and temporary workers).	1.8	1.7
		% of women among new hires	Ratio of women in external hires out of the total number of external hires (including transformation) into full-time equivalent (FTE) employees, all contracts excluding temporary workers.	19.7	23.4
		% of seniors among new hires	Ratio of seniors (over 50) in external hires out of the total number of external hires (including transformation) into full-time equivalent (FTE), all contracts excluding temporary workers.	6	6
Non-compliance with the law on the duty of care	SNFP III.2.13.	Suppliers at CSR risk	Suppliers working in an industrial sector with a high CSR risk. In concrete terms, we map the business sectors of our suppliers, taking into account the country of operation. Use of the Ecovadis IQ module to help us in this mapping task.	300	340
		Suppliers at CSR risk assessed	Suppliers above for whom we have a CSR assessment from a third party. Preferred use of Ecovadis as an assessment body.	212	340
		Suppliers at CSR risk that need an improvement plan	These are the suppliers at CSR risk assessed (above) for which the assessment gives an insufficient level of maturity.	34	35
OH&S	SNFP III.2.6., Vigilance plan IV.2.1, Vigilance plan IV.2.2.C, Vigilance plan IV.2.3.C	Number of work-related injuries with lost time;	Number of work-related injuries with lost time.	164	133
		Average number of days lost	Average number of days lost.		3,314
		Frequency rate 1	Accidents with lost time/million hours worked.	6.4	5
		Severity rate	Ratio between days lost due to accidents and hours worked (number of days compensated x 1,000/number of hours worked).	0.17	0.13
Major environmental event	SNFP III.2.1., Vigilance plan IV.3.1, Vigilance plan IV.3.2.A, Vigilance plan IV.3.3.A	Number of environmental accidents	Number of environmental accidents.	0	0
		Number of significant environmental incidents	Number of significant environmental incidents.	2	1

Risks	Chapters	Indicators	Methodology	2022 data	2023 data
Greenhouse gas emissions at sites	SNFP III.2.2., Vigilance plan IV.3.1, Vigilance plan IV.3.2.B, Vigilance plan IV.3.3.B	Reduction in site scopes 1 and 2 GHG emissions (ISO hours worked and ISO DJU)	Use of the Bilan carbone methodology on scopes 1 and 2. A ratio is applied for hours worked (Naval Group and subcontractors) and DJU18 (unified degree days).	-9.20%	-11.60%
		Reduction in gas energy consumption (ISO hours worked and ISO DJU)	Recovery of all natural gas consumption at French sites. A ratio is applied for hours worked (Naval Group and subcontractors) and DJU18 (unified degree days).	-13.30%	-19.60%
		Reduction in electricity energy consumption (ISO hours worked and ISO DJU)	Recovery of all electricity consumption at French sites. A ratio is applied for hours worked (Naval Group and subcontractors). A ratio is applied for the DJU18 (unified degree days) at 20% of consumption (heating).	-3.20%	-8.70%
		Material recovery rate from non-hazardous waste	Recovery of all tonnages of non-hazardous waste and their treatment (supply to the SRD service provider). Ratio between non-hazardous waste subject to material recovery (excluding rubble and excavated soil) and all non-hazardous waste (excluding rubble and excavated soil).	78%	75%
Environmental footprint of products	SNFP III.2.3., Vigilance plan IV.3.1, Vigilance plan IV.3.2.C, Vigilance plan IV.3.3.C	Number of environmental analyses of products	Data reported by RSA19 (ecodesign business sector manager).	4	4
Business interruption due to extreme weather events	SNFP III.2.4.	Number of sites that have defined their risks of business interruption due to extreme weather events	Number of sites that have defined their risks of business interruption due to extreme weather events.		8
Non-compliance with export and customs control rules	SNFP III.2.12.				
Failure to comply with the General Data Protection regulation	SNFP III.2.10., Vigilance plan IV.2.1, Vigilance plan IV.2.2.D, Vigilance plan IV.2.3.D				
Failure to comply with French and foreign anti-corruption regulations, risk of conflict of interest and influence peddling	SNFP III.2.11.,				
Increased changes and legal and regulatory constraints in terms of the environment	SNFP III.2.5.				

IV. VIGILANCE PLAN

IV.1 INTRODUCTION

Law no. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies introduced, in article L. 225-102-4 of the French Commercial Code, the obligation for parent companies of groups employing more than 5,000 employees in France or 10,000 employees in France and abroad, to establish and effectively implement a vigilance plan.
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. Initially applied to Naval Group SA suppliers, this plan is now being rolled out to suppliers of Naval Group subsidiaries.
In accordance with the provisions of this law, Naval Group's vigilance plan includes the following five measures:

- risk mapping for identification, analysis and prioritisation;
- 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 mechanism for alerting and collecting alerts relating to the existence or occurrence of risks, established in consultation with the trade unions representing the company;
- a system for monitoring and assessing the effectiveness of the measures implemented.

As the management of suppliers and subcontractors is subject to specific measures, the risks, procedures and actions implemented in this context are discussed in point IV.4.

IV.1.1. PRESENTATION OF NAVAL GROUP'S CSR ACTIVITIES

NAVAL GROUP IS AN INTERNATIONAL PLAYER IN NAVAL DEFENCE

An international player in naval defence and heir to French naval know-how, Naval Group is a partner of States in the control of their maritime sovereignty.
Naval Group develops innovative solutions to meet the needs of its customers. Active across the entire life cycle of ships, it designs, makes, services and upgrades submarines and surface vessels and their systems and equipment, up until dismantling. It also provides services to naval bases and shipyards.
A high-tech industrialist, it relies on its exceptional expertise, its unique design and production resources and its ability to forge strategic partnerships, particularly in the context of technology transfers.
Attentive to CSR issues, Naval Group is a member of the United Nations Global Compact.

THE GROUP'S KNOW-HOW

The group can call on exceptional know-how in five major areas:

- its ability to fulfil highly complex large-scale programs;
- its technical expertise in naval systems throughout their life cycle;
- the development and integration of naval anti-aircraft combat systems, for both surface vessels and submarines, as well as drones, autonomous systems and submarine weapons, which represent a key source of added value for modern warships;
- its role in the assembly and maintenance of nuclear vessels, both as regards the installation of weapons and nuclear propulsion equipment and with respect to ongoing servicing, maintenance and infrastructure management;
- its continuous innovation serving the technological superiority of its customers.

CSR ISSUES

CSR is one of Naval Group's key concerns. The Chairman of the Board of Directors 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 of the Board of Directors 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 16 projects divided into four pillars: governance, social commitment, environmental protection and climate resilience, and responsible industrial partner. Each pillar is sponsored by a member of the Executive Committee and each CSR project is managed by a person specialising in the topic concerned;
- the management of the CSR strategy is carried out directly by the Executive Committee on a half-yearly basis;
- the CSR Department reports to the group's General Secretary, who is a member of the Executive Committee;
- in 2022, Naval Group adopted a purpose in order to reinforce the meaning of its activity for all its stakeholders, and in particular its employees (see the paragraph below on the "Adoption of a purpose").

Naval Group principally supports 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;
- SDG 9: Build resilient infrastructure, promote sustainable industrialisation that benefits all and encourage innovation;
- SDG 13: Take urgent action to combat climate change and its impacts;
- SDG 14: Conserve and sustainably use oceans, seas and marine resources for sustainable development;
- 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.

The concrete actions related to the UN SDGs are detailed in the CSR report, available on the group's website.

ADOPTION OF A PURPOSE

In order to promote the sustainable role of a company in society, law no. 2019-486 of May 22, 2019 on the growth and transformation of companies, known as the PACTE law, allows companies wishing to do so to adopt a purpose.
Naval Group took this opportunity to show its stakeholders, as well as society as a whole, its contribution to the general interest, its usefulness and the meaning of its action.
The purpose of Naval Group was adopted in November 2022:

"GIVING NAVIES THE MEANS TO USE THEIR POWER

The sea brings us together.
Naval Group, a sovereign industrialist, is at the service of the sailors who protect their country, and a key player in the French deterrent force.
Thanks to the diversity and commitment of its talent and a centuries-old industrial tradition, Naval Group designs, builds and maintains high-performance, sustainable and reliable vessels, systems, equipment and services, to guarantee the superiority and availability of the fleets. Thanks to the excellence of its know-how and its passion for innovation, Naval Group responsibly builds the naval system of tomorrow."

IV.1.2. SCOPE OF THE VIGILANCE PLAN

The vigilance plan covers all of Naval Group SA's French establishments and their activities, namely:
- Angoulême-Ruelle (equipment, simulators, training, driving and navigation systems);
- Bagneux (systems);
- Brest (services);
- Cherbourg (submarines);
- Lorient (surface vessels);
- Nantes-Indret, Technocampus Ocean (R&D, innovation, propulsion energy);
- Ollioules (systems, cybersecurity, CERT);
- Paris (registered office);
- Saint-Tropez (underwater weapons);
- Toulon (services).

The following group subsidiaries, which are controlled exclusively pursuant to article L. 233-16 of the French Commercial Code, are also included in the scope:
- Naval Group Arabia (Saudi Arabia);
- Naval Group BR Sistemas de Defesa LTDA (Brazil);
- Alexandria Naval for Maintenance and Industry (Egypt);
- Naval Group India PTE Ltd (India);
- Naval Group Far East Pte Ltd (Singapore);
- Sirehna (France);
- Naval Group Support (France, branch in Saudi Arabia);
- Naval Group Belgium (Belgium);
- Naval Group Hellas (Greece);
- Naval Group Malaysia Sdn Bhd (Malaysia);
- Naval Group Pacific (Australia);
- Naval Group Nederland BV (Netherlands);
- Long Marine Services;
- Naval Group Ré;
- DCN International;
- Naval Group Actionnariat;
- Naval Group Coopération;
- Naval Group Participations;
- Naval Group Technologies Canada;
- PROSIN.

IV.1.3 GOVERNANCE

Coordination of the vigilance plan is managed by the group's CSR Department under the aegis of the General Secretary and the Performance and Operations Director of the group, to whom the plan's monitoring, actions and proposals for improvements are presented every six months. This coordination is ensured *via* a quarterly steering committee attended as permanent members by the CSR, Purchasing, HS&E, HR and Legal Departments. Other departments may be invited as necessary. These departments draw up the various risk maps and implement appropriate actions to mitigate and prevent any possible serious breaches. They monitor and measure their effectiveness, particularly *via* performance indicators.
As part of monitoring of the CSR strategy, the vigilance plan was presented to the Executive Committee in June and December 2023. In July 2023, it was also presented to the Remuneration, Appointments, Ethics and CSR Committee of Naval Group SA.

IV.1.4. STAKEHOLDERS

Naval Group supports several initiatives in favour of the duty of care:

UNITED NATIONS GLOBAL COMPACT

The group has been a member of the United Nations Global Compact since 2014. This initiative requires companies to align their strategies and operations with the ten universal principles on human rights, labour, environment and anti-corruption as well as to take action to advance societal objectives and the implementation of the 17 SDGs. Each year, Naval Group publishes its communication on progress (COP) on the Global Compact website.

EDH

Naval Group joined the EDH association in January 2020. This association aims to promote understanding and integration of human rights within companies through the deployment of vigilance measures, as well as voluntary and multi-sectoral initiatives. This association is a place for discussion, sharing of best practices and collective reflection.

OBSERVATOIRE DE LA RESPONSABILITÉ SOCIÉTALE DES ENTREPRISES (ORSE)

ORSE is a multi-stakeholder organisation that supports CSR strategies in companies, particularly by providing CSR players with keys to understanding, tools and an analysis of best practices in France, Europe and internationally.

COLLÈGE DES DIRECTEURS DU DÉVELOPPEMENT DURABLE (C3D)

Naval Group is a member of the C3D association, which brings together directors working in the field of sustainable development and CSR. The purpose of the *Collège des directeurs du développement durable* is made up of four main missions: support sustainable development professionals in mastering all the skills related to their position; recognise and promote the contribution of sustainable development and CSR to the company's overall performance; detect and decipher current and future societal trends; influence decision-makers and opinion leaders to accelerate the transformation of business models.
These initiatives enable Naval Group to share best practices on the duty of care. The group also works with its more mature peers on topics related to the duty of care.

IV.1.5. NAVAL GROUP CERTIFICATIONS

Naval Group is assessed by independent verifiers on various topics related to the duty of care.

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 system have been 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. This policy defines the rules to be implemented and the good behaviours expected of all 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. All OH&S management systems at Naval Group SA's French sites are ISO 45001 certified.

ECOVADIS CERTIFICATION

In 2023, Naval Group was assessed by Ecovadis and received the "gold medal" certification. The Ecovadis rating assesses companies on specific issues according to their size, location and business sector. The themes addressed during the assessments are as follows: the environment, social and human rights, ethics and sustainable procurement.

TOP EMPLOYERS CERTIFICATION

The Top Employers certification, received by Naval Group in 2023, rewards companies that have implemented best practices in terms of management and human resources.

SUPPLIER RELATIONS AND SUSTAINABLE PROCUREMENT LABEL (*LABEL RELATIONS FOURNISSEURS ET ACHATS RESPONSABLES* – RFAR)

The sustainable procurement policy implemented by Naval Group has earned it the RFR label since 2014, which became the RFAR label in 2017. This label, combined with the ISO 20400 standard, makes it possible to distinguish companies that have demonstrated sustainable and balanced relationships with their suppliers (see IV.4.3.).

IV.2. HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

IV.2.1. RISK MAPPING

Naval Group has identified the following main risks relating to human rights and fundamental freedoms that are the most critical (level of impact and probability of occurrence):

- **harassment and discrimination**, namely the right of everyone to a workplace free from harassment and discrimination ("any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in matters of employment or occupation").
  The risks that may arise from non-compliance with this commitment can be of various types:
  - risk in employment law with labour disputes on these topics,
  - criminal risk, notably if the company does not prevent these situations,
  - risk to the company's reputation by damaging its image.

  The occurrence of cases of proven discrimination could:
  - impact the social climate and employee trust in Naval Group,
  - incur civil and criminal penalties for Naval Group,
  - adversely affect the Naval Group image;
- **deterioration of labour relations and policies**, namely the right of workers and employers to form and join organisations of their own choosing.
  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 customers, going as far as to suspend operations due to strike action;
- **OH&S breaches**, namely the right to a safe and healthy working environment. Workers must be protected against accidents and illnesses resulting from their employment.
  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 2023 were manual load handling and transportation, falls at ground level or from a height

following movements in workshops and vessels. By themselves, they make up more than half of the LTAs.
Travel accidents with and without lost time accounted for nearly one-third of the total number of accidents in 2023 and remain very serious, despite a significant decrease in the number of days lost this year.
The activities related to our major risks are: handling and lifting of parts, work at height, electrical work, work in confined spaces, work on rotating machines and fires. These activities generated few accidents but remain closely monitored;
- **failure to comply with the GDPR**, which aims to protect the fundamental rights and freedoms of Naval Group's employees and all stakeholders and in particular, their right to the protection of personal data.

The other risks relating to human rights and fundamental freedoms (in particular inadequate employment conditions, child labour and forced labour) are less critical.

IV.2.2. APPROPRIATE ACTIONS TO MITIGATE RISKS AND PREVENT SERIOUS BREACHES

A) HARASSMENT AND DISCRIMINATION

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

HARASSMENT

Naval Group has set up several systems in France to reduce the risks related to potential situations of sexual harassment and bullying.
As part of the prevention of and fight against sexual harassment and sexist behaviour, officers have been appointed at each site:
- a focal point appointed by the company, responsible for organising prevention actions, information, guidance and support for employees;
- a focal point appointed by the CSE, who is responsible for information, guidance and support for employees.

These interlocutors were trained on legal definitions, sanctions, Naval Group procedures and their missions. Specific communication was carried out at each site and distributed to all Naval Group employees. It is permanently posted at all sites.
As part of the prevention of potential situations of sexual harassment and sexist behaviour and bullying, prevention actions were carried out at the various Naval Group sites in 2022 and 2023.
Awareness-raising sessions on situations of sexual harassment and sexist behaviour were held in 2022 and 2023 for the entire group human resources community.
An e-learning module on sexual harassment and sexist behaviour has been available to all employees as of October 28, 2022 (training of 352 people in 2022 and 323 in 2023). Managers were made aware of situations of sexual harassment and sexist acts, and of prevention actions, when the module was made available on the Naval University digital platform.
An e-learning module on bullying will be available to all employees in 2024.

On January 21, 2022, Naval Group committed to the StOpE approach (stop ordinary sexism in the workplace), an initiative launched in 2018 by 30 companies (including Accor, EY and L'Oréal, which were at the origin of the approach). This approach aims to raise awareness of ordinary sexism in the workplace and to make commitments to combat it. It thus makes it possible to reduce the number of situations of sexual harassment in the workplace by taking action at the first signs of sexist behaviour in the company.
A practical and legal investigation guide was distributed to internal interviewers appointed to report potential situations of sexual harassment, bullying and/or discrimination. This guide makes it possible to professionalise the interviewers in the context of their mission with a follow-up of the stages of the investigation, practical advice for conducting the interviews in good conditions, models of letters, reports, minutes as well as the legal definitions of the concepts of harassment (sexual and moral) and discrimination. This guide is given to learners during their training sessions: five training sessions took place in 2022 and 2023, representing 41 internal interviewers from all Naval Group establishments.
Training of internal interviewers appointed to carry out investigations into potential harassment situations (bullying and sexual harassment) took place at the end of 2022 and in 2023.
The CSE's sexual harassment and sexist behaviour officers were appointed following the professional elections of October 2022; training was provided to them on May 4, 2023 to better perform their duties.
Free access to the e-learning module on sexual harassment and sexist acts is available to all employees on the Naval University training platform.

DISCRIMINATION

Equal treatment, and respect for people and differences, are major challenges for Naval Group. Pursuant to applicable international conventions and European texts, Naval Group must prevent and sanction any form of unfavourable treatment of its employees, candidates and partners, which may be based on personal characteristics (age, gender, disability, name, physical appearance, etc.).
As such, Naval Group:
- guarantees fair treatment in all its processes, and in particular its HR and managerial processes;
- makes all its employees, and in particular HR players and managers, aware of the application of the principles of non-discrimination in their behaviour and decisions;
- sets up and communicates the process for handling any alert related to potential discrimination.

Diversity and inclusion are strategic priorities for Naval Group and are integrated into the group's transformation program, managed at the level of the Executive Committee. They are regularly communicated to top management, the managerial line and employees. Notably, the commitments in favour of inclusion were the subject of a communication and poster campaign at all sites in 2023, recalling Naval Group's zero tolerance for any inappropriate or discriminatory behaviour. The general principles are set out in the group's code of ethics.
Because solidarity, respect for people and the rights of employees are principles to which Naval Group is committed, an agreement

on diversity and inclusion was signed on September 29, 2021, by all the trade unions representing Naval Group. A network of diversity and inclusion officers, present at all sites, promotes diversity and inclusion by carrying out local actions on the subject. Discrimination officers are appointed at each site in France as provided for by the agreement, and their contact details are communicated to employees, notably on our intranet. The process for handling an alert related to potential discrimination is specified in the agreement and was the subject of a practical sheet which has been made available to all employees since March 2022. Alerts on discrimination – and the associated processing – are monitored and communicated to the social partners, as provided for in the agreement, within the framework of the monitoring committees of the agreement.
Discrimination prevention awareness-raising campaigns for recruiters, HR partners and managers are being rolled out and will continue to be rolled out across all sites in 2023. Discrimination training and a discrimination quiz are also available in e-learning for all Naval Group employees.

B) DETERIORATION OF LABOUR RELATIONS AND POLICIES

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 staff 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 our group's social foundation.
The structure of Naval Group, specifically its Social Policy Department within the Human Resources Department (DRH), is focused on maintaining direct and constructive social dialogue with employee representatives and trade unions. It has a central team and industrial relations officers for each of the company's nine sites. The site's industrial relations officer reports to the establishment's Human Resources Director (HRD). He or she uses the services of a labour lawyer. At the corporate level, the Social Policy Director is supported by a person in charge of labours relations, a six-person legal team, a three-person division for health including a doctor coordinator, and personnel team with public-sector status.
Relations with the trade unions and employee representatives are structured on the basis of the company agreement revised in 2017, 2018 (amendment 2) and 2021 (amendment 3). This agreement and these amendments dedicate two chapters to social dialogue, one for rules and methods of employee representation (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, amendment 2 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, 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.
2022 was marked by the signing, on February 7, of the new collective agreement for metallurgy (NCCM), which is a major event in our social ecosystem and will be applicable from January 1, 2024. This new contractual system requires that all companies in the business unit adopt a new approach in both their HR practices and their contractual framework. It is in this context that on October 5, 2022, Naval Group and the trade unions (CFDT, UNSA and CFE-CGC) signed an agreement defining the framework and terms of consultation and negotiation on the implementation of the new collective agreement for metallurgy.
In 2023, management and the trade unions therefore initiated the negotiation of an amendment 4 to the company agreement, the purpose of which was to adapt and bring into compliance part of the text of the company agreement with the provisions of the new collective agreement. Negotiations were unable to reach an agreement.
Other negotiations were held in 2023 and resulted in the signing of the following agreements:

- amendment no. 11: Naval Group group savings plan of January 11, 2023;
- amendment no. 7: Naval Group SEU collective retirement savings plan (Perco) of July 11, 2023;
- amendment no. 1: revision of the strategic jobs and skills management (GPEC) agreement of July 11, 2023.

C) BREACHES OF OH&S

The HS&E policy is an integral part of the group's strategy and its transformation plan. It is signed by the Chairman of the Board of Directors and Chief Executive Officer and brings together the group's ambitions and requirements and provides a general overview thereof, in order to meet the needs and expectations of its customers, develop a culture of risk identification and control and ensure regulatory compliance.
Naval Group's global QSE management system is certified according to the ISO 9001, ISO 14001 and ISO 45001 standards.
The HS&E policy is the responsibility of the Operations and Performance Director, and is deployed locally by the prevention teams. They ensure that all employees are involved in the process of inspiring individual and collective vigilance so that everyone is aware of the role and responsibility incumbent on them.
These teams, present on every site, are composed of prevention facilitators and advisors, guided by prevention managers. These managers act as advisors to the site directors. Together, they enforce risk prevention, provide advice and expertise to operators and management and manage the coordination of activities from the HS&E angle.
This HS&E network also relies on experts to manage all risks generated by industrial businesses. Ergonomics, fires, hazardous chemical agents and asbestos are all areas in which these experts provide guidance.
The healthcare policy is a component of Naval Group's strategy and a sign of its operational excellence. Its implementation and monitoring involve shared governance that is integrated into process and performance reviews. It is carried out by the

Occupational Health steering committee, which meets on a half-yearly basis.
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.
The involvement of the management line and developments in the behaviours of all staff present on our sites, Naval Group employees or otherwise, are central to the OH&S effort. Training is one of the main levers used by Naval Group to accomplish this aim.
In 2023, 5,100 hours of training in OH&S topics were carried out. In addition, an awareness-raising campaign on the risks related to addictions was conducted at all sites, raising awareness among nearly 11,000 employees.
Every new hire undergoes OH&S training upon arrival to ensure that every person entering a Naval Group site is versed in OH&S requirements. This awareness-raising is a *sine qua non* condition for obtaining an access badge.
Workstation training is also administered by the manager of every person who joins the company to ensure that he/she is knowledgeable about the OH&S risks of his/her position and the procedures to be followed in the event of an accident or incident. This training is supplemented by training in the working environment.
Each manager taking up his/her duties at a Naval Group site undergoes an OH&S managerial passport training course informing him/her of his/her OH&S responsibilities. Through this training, he/she will notably be made aware of risk assessments, accident management and employee safety management.
A comprehensive panel of more specialised training is given at Naval Group to ensure that everyone has enough information so as to manage the risks related to the industrial activities in which they are involved.

FLAGSHIP ACTIONS 2023

In order to reduce the number and severity of accidents within Naval Group, several large-scale actions were launched in 2023. Thus, action plans resulting from safety culture diagnostics (conducted in 2022), data from accidents and site particularities were launched and monitored throughout the year.
An awareness-raising campaign on the risks related to addictions raised awareness among more than 11,000 employees. Several testimonial films highlighting Naval Group employees who had been involved in an accident were produced and OH&S communication posters were displayed at all sites.
OH&S trophies were also awarded to recognise employees who have achieved good results or have taken good initiatives to reduce risks within Naval Group.

Lastly, in a desire to include our service providers in our continuous improvement approach to OH&S, we have created HS&E passports and awarded them to our main service providers based on their performance and their HS&E management.

MANAGING THE MAIN OCCUPATIONAL SAFETY RISKS

The actions to prevent the main OH&S risks launched several years ago continued in 2023. 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 2023:

- manager involvement in the process of analysing accidents and incidents, talking to staff on the ground;
- incentives for employees to commit to risk prevention by completing risk situation reports;
- conducting safety culture diagnostics.

PARTICIPATION IN PHYSICAL AND SPORTING ACTIVITIES

In order to prevent musculoskeletal disorders (MSDs) and avoid anchylosis, Naval Group has taken several measures. Click and move training specific to the prevention of MSDs related to working on screens, for example, was provided by an ergonomist at several sites. Muscular awakening and warming up by adapted physical activity teachers are also being rolled out at the various sites.
Moreover, the CSEs offer various physical and sports activities *via* subsidies, and the implementation of sports activities during lunch breaks or through the establishment of company clubs.

OH&S COMMUNICATION

Awareness-raising campaigns remain an essential vehicle for sharing results, actions and programs with all employees and getting everyone on board. They are conducted online, in the Naval Group internal magazine and local OH&S newsletters and news flashes, and in connection with events such as Occupational Health & Safety Week and World Environment Day.
Local and national communications operations are also periodically conducted on the sites' key themes; interviews with the main company risk prevention participants are conducted to inform and educate staff about the prevention measures developed.

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

OH&S INTERNATIONALLY

International development is a key factor for Naval Group. The company's growth depends on our ability to meet our customers' needs in France and internationally and guarantee our employees' safety. To this end, an international OH&S network was launched in 2018. It brings together the prevention managers of the Naval Group subsidiaries with the highest numbers of staff, located in Malaysia, Saudi Arabia, India, Egypt, Brazil and Singapore. The purpose of this network is to specify OH&S requirements and expectations, and to regularly exchange views in order to share best practices.
In addition, in order to guarantee an optimal level of safety for expatriate employees or on assignment, actions launched in previous years were continued:
- the introduction of prevention plans by Naval Group and clients' activities to prevent risks and ensure good coordination between the various parties;
- the organisation and follow-up of expat 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.

D) FAILURE TO COMPLY WITH THE GENERAL DATA PROTECTION REGULATION

The increasing digitisation of society and the evolution of global regulations are reflected in a growing awareness of the challenges of protecting personal data.
The technologies used are increasingly based on intensive data collection and processing. At the same time, they give rise to various uses that are changing very quickly.
Faced with these findings, Naval Group is continuing its compliance approach to address personal data protection risks, supported by its new business model.
The group has defined and rolled out a number of actions, coordinated by the group Chief Privacy Officer and in particular:
- changes in Privacy management of the group;
- adaptation of the group privacy policy in order to standardise personal data protection requirements with the new business model;
- carrying out awareness-raising actions for high-stakes privacy functions;
- deployment of a privacy compliance management tool.

The threat of cyberattacks in 2023 required constant vigilance on the part of the group.
In this context, Naval Group has endeavoured to strengthen ties with the various internal stakeholders of the privacy ecosystem. (IS, safety, cybersecurity, legal, Data Office).

IV.2.3. SYSTEM FOR MONITORING AND ASSESSING THE EFFECTIVENESS OF THE MEASURES IMPLEMENTED

A) HARASSMENT AND DISCRIMINATION

- Number of discrimination officers appointed in France: 10 (9 in 2022).
- Percentage of women among all members of governing bodies: 30.6% (22.1% in 2022).
- Percentage of women among senior executives: 15.5% (12.8% in 2022).
- Percentage of women managers: 17.3% (16.8% in 2022).
- Revenue generated by adapted companies (EAs) and work-based assistance establishments (ESATs): €3,904,317.
- Employment rate of people with disabilities: 6.3% 2022 data (2021 rate: 6.1%).
- Gender equality index: 89/100, 2022 data.
- Percentage of people with disabilities among new hires: 1.7% (1.8% in 2022).
- Percentage of women among new hires: 23.4% (19.7% in 2022).
- Percentage of seniors among new hires: 6% (6% in 2022).
- Pay equity ratio: 2.04%, 2022 data (2021 ratio: 2.07%).

B) DETERIORATION OF LABOUR RELATIONS AND POLICIES

- Number of collective agreements signed (including amendments): 5 (13 in 2022).
- Attendance rate in employee representative bodies elections: 68% overall in October 2022.

C) BREACHES OF OH&S

In 2023
- LTAs: 133
- FR1: 5.0
- SR: 0.13

In 2022
- LTAs: 164
- FR1: 6.4
- SR: 0.17

D) FAILURE TO COMPLY WITH THE GDPR

- Rate of employees trained in GDPR e-learning of the group: 72.73% (data as of December 1, 2023, Naval Group SA).

IV.3. ENVIRONMENT

IV.3.1. RISK MAPPING

Naval Group has identified three environmental risks:
- the risk of a major environmental event;
- greenhouse gas emissions at sites;
- environmental footprint of products.

RISK OF A MAJOR ENVIRONMENTAL EVENT

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 or pollutants, for example.

GREENHOUSE GAS EMISSIONS AT SITES

Naval Group's day-to-day activities involve direct and indirect greenhouse gas emissions at all sites, as they involve the following:

- heat, cool and light workplaces;
- produce domestic hot water;
- supply all industrial resources;
- receive and ship equipment;
- ensure employees come to work on the sites;
- employees travel for business.

ENVIRONMENTAL FOOTPRINT OF PRODUCTS

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

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

These themes are taken into account in the design of Naval Group vessels, to the extent of their technical feasibility and applicability. Concerning the last topic, since January 2013, the IMO has required that new vessels measure their effectiveness in terms of reducing CO_2 emissions. Naval Group has decided to respond by measuring the carbon footprint of its flagship products as well as their energy efficiency.

IV.3.2. APPROPRIATE ACTIONS TO MITIGATE RISKS AND PREVENT SERIOUS BREACHES

A) MAJOR ENVIRONMENTAL EVENT

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

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

The risk analysis (environmental analysis) includes:

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

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

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

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

As every year, environmental analyses of the sites were reviewed in 2023. A single format for environmental analyses has been determined.

The definition of the various levels of environmental events has been refined and clarified. The objective is to integrate even more objectivity into the assessment of the severity of environmental events. This definition is included in an instruction of the Naval Group framework. It will be applicable from the beginning of 2024.

B) GREENHOUSE GAS EMISSIONS AT SITES

As part of our CSR approach, Naval Group has set itself the objective of dividing its direct greenhouse gas emissions by six by 2050 compared to 2014. This represents a decrease of around 70,000 t. CO_2-eq. Naval Group uses the *Bilan Carbone®* (v8.6) tool in operational control and in location-based mode to assess greenhouse gas emissions.

This objective supports the transformation of the sites.

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

The sub-projects relate to:

- energy, electricity, gas and fuel oil;
- service and company vehicles;
- downstream freight (1,554 t. CO_2-eq);
- company mobility plan – commuting and business travel;
- digital activities.

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

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

Details of the carbon footprint are available in the 2023 CSR report.

In 2023, Naval Group also made a first estimate of the carbon footprint of its supply chain.

This first estimate is now the reference from which actions will be conducted relating to the reduction of the carbon footprint of the supply chain.

The main levers that will be deployed in 2024 are as follows:

- acculturation of employees in the Purchasing department to climate-related issues;
- implementation of action plans to reduce the carbon footprint with the most contributing suppliers;
- Naval Group support for suppliers, mainly small and medium-sized enterprises (SMEs), in the use of systems to identify and reduce their carbon footprint.

In 2023, it was possible to implement actions in relation to greenhouse gas emissions.

In the energy sub-project, significant efforts were made to use natural gas (encouraging maintaining thermostats at 19°C, improved boiler management, connection to the district heating network). The studies necessary for the deployment of photovoltaic solutions on the sites are still in progress. The Ollioules site is expected to commission its photovoltaic panels in 2024. Naval Group is continuing campaigns to replace lighting with LED solutions. A building management system (BMS) tool has also been deployed on several sites. The ultimate goal is to have a BMS tool on all sites.

Concerning vehicle sub-projects, the group is implementing a proactive approach to service vehicles, enabling an increase in the ratio of electric vehicles in its fleets. 11% of vehicles renewed in 2023 were replaced by electric vehicles. 105 charging stations are available across all sites.

In the freight sub-project, a new logistics platform is used in Brest for supplier reception and storage. It has a roof that is entirely covered in photovoltaic panels. The same type of platform is being studied for the Nantes-Indret site. A study is underway to develop the use of railways for our exchanges between the West and South sites.

With regard to the travel sub-project, a major survey was launched among all employees on their commuting habits. This survey comes two years after the previous one and makes it possible to assess the effectiveness of the actions deployed. A decrease in the modal share of the private car and an increase in the modal share of bicycles and carpooling validate the relevance of actions in favour of bicycles (loans, repair totems, shelters) and carpooling (dedicated platforms, reserved spaces, access to the sustainable mobility package). In addition, in 2023 Naval Group decided to ban the use of aeroplanes for journeys that could be made in less than four and a half hours by train. This means that all journeys between the sites in the regions and the registered office must be made by train.

In the digital activities sub-project, a study is underway to optimise our data centres in order to reduce our energy consumption. A communication on digital sobriety is carried out regularly among our employees.

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

In order to measure the effectiveness of current and future actions, even though the regulations impose a greenhouse gas emissions assessment every four years, the group has decided to prepare an annual assessment. However, the assessment will only be filed on the French environment and energy management agency (*Agence de l'environnement et de la maîtrise de l'énergie* – ADEME) website every four years. This assessment is carried out internally using the *Bilan carbone*® method. The assessments for 2016, 2018, 2020 and 2021 are available on the ADEME website. The next assessment to be filed will therefore be that of 2025.

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

For the 2023 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 17,256 t. CO_2-eq. This value is gross and does not take into account corrections related to changes in load and temperatures during heating periods.

A presentation and analysis of the 2023 assessment were included in the 2023 CSR report. The achievement of the 2023 greenhouse gas emissions reduction target is also presented in the 2023 CSR report.

C) ENVIRONMENTAL FOOTPRINT OF PRODUCTS

Naval Group wishes to provide vessels whose impacts on the environment are known, measured and mitigated. Four of the results of the five environmental analyses of our vessels, launched in 2022, have been published: FDI, Gowind®, BSB and future oceanic submarine (FOS). The final results of the fifth analysis, carried out for the 3G SSBN program, are expected in 2024. An intermediate version was presented to the program.

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

Eco-design is driven by the "Environment and Eco-design" SA19 business sector, which coordinates the approach and draws on a network of around 50 specialists who work on projects according to their area of expertise, whether technical or organisational. The "Environment and eco-design" business sector is responsible for the environment-related businesses, by delegation of the TD. As an integral part of the "Environment and Eco-design" business sector, the Environment Design Managers apply environmental requirements to ship projects and programs, support architects and system manufacturers in their design choices, and actively participate in R&D and the definition of business rules, according to their needs and feedback from the programs.

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

As a reminder, the levels are as follows:

- level 1: systematic application of the Naval Group regulatory standard;
- level 2: at least two environmental studies on the first level of the vessel's tree structure (platform, combat system, propulsion, etc.);
- level 3: environmental analysis or life cycle analysis during the design phase, followed by the allocation of eco-design requirements;
- level 4: proposed green technologies with a 20% reduction in AESs resulting from the analyses;
- level 5: proposed green technologies on all AES with a 50% reduction in AES.

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

At the end of 2021, 80% of our vessels in design were at level 2. The objective is to gradually achieve level 4. To do this, environmental analyses (level 3) were launched in 2022 on our flagship programs and the results are available today. The environmental analysis of the 3G SSBN will be enhanced during the course of the program; it is currently based on data from the current phase. This initial version was presented internally. FDI's results were presented to the DGA in September 2023. Those of Gowind® and BSB were also presented internally. Level 3 is thus acquired for the main programs of current vessels. These analyses make it possible to identify which systems generate the main impacts (AESs).

To reduce AESs by 20% and be able to achieve level 4, the development of eco-responsible solutions (green technologies) is based on R&D. From this year, for each level of technological maturity (TRL for Technology Readiness Level), Naval Group has offered a tool that adapts to the maturity of the innovation, and in particular to the available data, to be able to measure its share of eco-contribution. The higher the TRL, the more reliable, quantified and robust the data allowing this measurement will be. Thus, for innovations, at the concept or laboratory validation stage (TRL 3/4), an environmental performance index (EPI), developed a few years ago, was reworked then renamed "environmental contribution indicator" (ECI). It is structured around the eight areas of progress resulting from life-cycle analyses (LCA): consumption of resources, energy consumption, solid waste, liquid discharges, gaseous emissions, hazardous substances, end of life and external environments (preservation of biodiversity). The solution is considered to be an eco-contributor when the energy axis is concerned or at least four of the other axes. This melting pot of eco-contributing solutions, tagged with the ECI, will be challenged on environmental issues as it matures. Thus, in TRL5, Naval Group uses a simplified LCA, then in TRL6 and if necessary, a full LCA. Throughout the maturity process, the share of eco-contribution is therefore increasingly assessed. It is verified during the Innovation Maturity Committee (CMI) review.

From a first fairly large list of eco-contributing solutions, the goal is to come up with a more restricted yet robust list, intended to enrich the catalogue of technical solutions proposed for the programs. These are solutions that will then be tagged as eco-responsible and achieve the stated objective, *i.e.* reduce the environmental impact generated and position the vessels at level 4.

To do this, a strong awareness-raising campaign was held, in particular by making the completion of e-learning in eco-design compulsory, with nearly 6,000 employees involved in the value chain: from marketing to purchases, including the design teams of all entities. In addition, on the initiative of the Submarines division, an ideas competition was organised on the theme of eco-design. The most realistic and promising sheets were transcribed into R&D project sheets for 2024.

The mapping of the SA19 network was strengthened by integrating new departments such as the Drones, Autonomous Systems and Underwater Weapons Department (DSA) or the Combat Systems Division, or new activities such as infrastructures sold by the Services Division.

IV.3.3. SYSTEM FOR MONITORING AND ASSESSING THE EFFECTIVENESS OF THE MEASURES IMPLEMENTED

All indicators a) and b) (with the exception of reductions in scope 3 GHG emissions) are reported in the HS&E dashboard. The accident report and the recovery rate are reported monthly to the Executive Committee. The "reduction in energy consumption" and "reduction in scopes 1 and 2 GHG emissions" indicators are assessed and reported to the Executive Committee on a quarterly basis.

The indicators are also calculated for each site and are reported in the same dashboard. Depending on the results, the sites implement the necessary actions to improve the results. Actions can be carried out by site management and/or HS&E departments. The indicator concerning the reduction in scope 3 GHG emissions is assessed annually (mobility section of scope 3). With regard to commuting, actions are managed at each site according to the results of the commuting survey carried out in September 2023 (use of bicycles, carpooling, public transport, etc.). For business travel, actions are managed at group level by the Mobility unit (reducing travel, restricting the use of aeroplanes in favour of trains, etc.).

A) MAJOR ENVIRONMENTAL EVENT

Number of environmental accidents and significant environmental incidents; 0 accident and 1 significant incident.

B) GREENHOUSE GAS EMISSIONS AT SITES

- Lower energy consumption (ISO hours worked and ISO DJU): -19.6% at the end of December 2023 for natural gas and -8.7% at the end of December 2023 for electricity (-13.3% for natural gas and -3.2% for electricity in 2022).
- Reduction in site scopes 1 and 2 GHG emissions (ISO hours worked and ISO DJU): -11.6% at the end of December 2023 (-9.2% in 2022).

C) ENVIRONMENTAL FOOTPRINT OF PRODUCTS

The performance indicator is the number of environmental analyses launched on the programs. To date, four analyses have been carried out: BSB, FOS, FDI and Gowind®. An analysis is in progress: 3G SSBN. This indicator is included in the HS&E indicators.

IV.4. APPROACHES TO SUPPLIERS AND SUBCONTRACTORS

IV.4.1. RISK MAPPING

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

The risk map thus highlighted the riskiest types of purchases from a CSR perspective and consequently makes it possible to prioritise the actions to be taken with the 300 Naval Group suppliers concerned by these types of purchases.
In 2023, Naval Group uses a specialised tool from an external service provider to carry out a more precise mapping. This tool makes it possible to map the level of CSR risk of each supplier, according to its field of activity, various available information sources and the country in which it operates. This made it possible to identify an additional batch of 50 suppliers that may present a CSR risk for Naval Group's activities. These additional suppliers were asked in 2023 to provide a CSR assessment.
For 2024, Naval Group will use an additional service provider that makes it possible, based on all the information available in open source for a supplier, to identify the possible risks related to insufficient maturity. This will make it possible to carry out an initial maturity assessment of all the suppliers in the panel and to identify, in view of the results, those for which an additional more in-depth CSR assessment should be carried out.

TAB1: RISK MAPPING BY TYPE OF PURCHASE

Type of purchase	ISIC Code	ISIC Name	CSR risk 1 related to the activity	CSR risk 2 related to the activity	CSR risk 3 related to the activity	CSR risk 4 related to the activity	CSR risk 5 related to the activity	CSR risk 6 related to the activity
Chemicals (excluding marine paints and raw materials for composites) and thermal and acoustic insulation materials	201	Manufacture of base chemicals, fertilizers and nitrogen products, plastics and synthetic rubber in primary forms	Energy consumption in production + delivery transport (greenhouse gas emissions)	Chemicals and waste treatment (manufacturing process)	Water consumption in production + reprocessing of water used	Consumer health and safety	Health and safety of staff	Environmental practices of suppliers
Standard and specific gaskets, tapes, sheets, sheets made of elastomers (excluding manufacturer's spare parts)	221	Manufacturing of rubber products	Energy consumption in production + delivery transport (greenhouse gas emissions)	Chemicals and waste treatment (manufacturing process)	Environmental practices of suppliers	Health and safety of staff		
Suspension studs	221	Manufacturing of rubber products	Energy consumption in production + delivery transport (greenhouse gas emissions)	Chemicals and waste treatment (manufacturing process)	Environmental practices of suppliers	Health and safety of staff		
Semi-finished nickel-based product (sheets, tubes, bars)	242	Metallurgy and primary processing of precious and non-ferrous metals	Energy consumption in production + delivery transport (greenhouse gas emissions)	Chemicals and waste treatment (manufacturing process)	Water consumption in production + reprocessing of water used	Health and safety of staff	Corruption, conflicts of interest, fraud	Environmental practices of suppliers
Semi-finished copper alloy product (sheets, tubes, bars)	242	Metallurgy and primary processing of precious and non-ferrous metals	Energy consumption in production + delivery transport (greenhouse gas emissions)	Chemicals and waste treatment (manufacturing process)	Water consumption in production + reprocessing of water used	Health and safety of staff	Corruption, conflicts of interest, fraud	Environmental practices of suppliers
Semi-finished aluminum product (sheets, tubes, bars)	242	Metallurgy and primary processing of precious and non-ferrous metals	Energy consumption in production + delivery transport (greenhouse gas emissions)	Chemicals and waste treatment (manufacturing process)	Water consumption in production + reprocessing of water used	Health and safety of staff	Corruption, conflicts of interest, fraud	Environmental practices of suppliers
Semi-finished titanium product (sheets, tubes, bars)	242	Metallurgy and primary processing of precious and non-ferrous metals	Energy consumption in production + delivery transport (greenhouse gas emissions)	Chemicals and waste treatment (manufacturing process)	Water consumption in production + reprocessing of water used	Health and safety of staff	Corruption, conflicts of interest, fraud	Environmental practices of suppliers
On-board electrical energy storage systems	272	Manufacture of batteries and accumulators	Energy consumption in production + delivery transport (greenhouse gas emissions)	Chemicals and waste treatment (manufacturing process)	Environmental impact in use (pollution)	End of life (recycling, pollution)	Health and safety of staff	
Industry standard electric accumulators	272	Manufacture of batteries and accumulators	Energy consumption in production + delivery transport (greenhouse gas emissions)	Chemicals and waste treatment (manufacturing process)	Environmental impact in use (pollution)	End of life (recycling, pollution)	Health and safety of staff	
Preparatory work and deconstruction	431	Demolition and site preparation	Water consumption in production + reprocessing of water used	Accidental pollution	Chemicals and waste treatment (manufacturing process)	Health and safety of staff		
Installation of scaffolding including lease	439	Other specialised construction activities	Energy consumption in production + delivery transport (greenhouse gas emissions)	Health and safety of staff	Corruption, conflicts of interest, fraud	Environmental practices of suppliers		

IV.4.2. SUPPLIER AND SUBCONTRACTOR ASSESSMENTS

All the suppliers in the Naval Group SA panel were assessed using the method described in the previous paragraph with the support of independent verifiers.

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

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

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

IV.4.3. APPROPRIATE ACTIONS TO MITIGATE RISKS AND PREVENT SERIOUS BREACHES

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

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

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

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

In 2023, Naval Group conducted a campaign with the directors of its subsidiaries to ensure the commitment of their suppliers to the supplier code of conduct.

In addition, suppliers with an insufficient CSR assessment are closely monitored, with a request for the implementation of an action plan to increase maturity in the points that have been assessed as at a low level, and monitoring of its effectiveness through a new CSR assessment. In addition, CSR is part of the selection criteria for suppliers in calls for tenders for types of purchases with high CSR risk, thus favouring suppliers whose CSR assessment meets the highest standards.

Special training was provided in 2022 to pilot buyers to equip them with the tools to encourage their suppliers to adopt the approach undertaken by Naval Group and to steer the action plans requested from their suppliers when their CSR assessment score was insufficient. A site survey was launched in 2023 to raise awareness among all Naval Group buyers of CSR issues.

Two targeted interventions on the decarbonisation of purchases and on OH&S took place during the last supplier agreement in November 2023, an agreement bringing together representatives of the top management of Naval Group's main suppliers, in order to mobilise them on these crucial issues. On this occasion, several awards were presented, including the award for best performance on these themes and the award for best dynamic, thus motivating suppliers to be a source of proposals.

Internally, an e-learning module concerning human rights has been set up for buyers; 72% of them have already completed it, giving them a better knowledge of this subject to better understand the issues and risks concerning the Naval Group supply chain.

A newsletter also makes it possible to communicate various topical CSR and human rights issues to the entire purchasing population, including subsidiaries, on a monthly basis.

SUPPLIER RELATIONS AND SUSTAINABLE PROCUREMENT LABEL (LABEL RELATIONS FOURNISSEURS ET ACHATS RESPONSABLES – RFAR) AND ISO 20400 CERTIFICATION

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

Awarded by the *Médiation des Entreprises* of the French Ministry of the Economy and Finance, it recognises French companies that demonstrate long-term and balanced relationships with their suppliers. Since 2017, this label has had an international scope due to the fact that it is linked to standard ISO 20400 on sustainable procurement, which sets out guidelines for incorporating CSR into procurement processes and supply chains. This label was confirmed during the follow-up audit in early 2023, as well as the ISO 20400 certification.

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

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

In 2023, a carbon assessment of Naval Group's purchases was drawn up, and an action plan is being rolled out to raise awareness among our suppliers which have the most impact on our greenhouse gas emissions, and identify a reduction path with them. To this end, Naval Group has decided to join the decarbonisation alliance (*Alliance pour la décarbonation*) launched by the *Pacte* SME, in order to provide its suppliers with the appropriate means to launch a decarbonisation approach.

Naval Group also organised a CSR day with the *Groupement des Industries de Construction et Activities Navales* (GICAN) to raise awareness of CSR and sustainable procurement issues among its members.

IV.4.4. SYSTEM FOR MONITORING AND ASSESSING THE EFFECTIVENESS OF THE MEASURES IMPLEMENTED

- Suppliers at CSR risk (suppliers working in areas with CSR risks): 340 (300 in 2022).
- Suppliers at CSR risk assessed (by a third party such as Ecovadis, Altares or other): 340 (212 in 2022).
- Suppliers at CSR risk that need an improvement plan: 35 (34 in 2022).
- Percentage of CSR criteria taken into account in the contract award or call for tenders process.

The indicators listed above are included in the Purchasing Department's monthly dashboard and are analysed every month during the Purchasing Department's Executive Committee meetings.

IV.5. WHISTLEBLOWING AND ALERT MECHANISM

Naval Group has set up a whistleblowing system in accordance with the requirements of the law on the duty of care.
It is available 24 hours a day, seven days a week. However, while an alert can be filed at any time, the processing times remain dependent on the opening times of the group's establishments.

Who can issue an alert?

Any Naval Group employee may issue an alert whether they are a member of staff, temporary worker, intern or apprentice. The same applies to any external stakeholder, *via* the group's website.

This person must act in good faith, *i.e.* having reasonable grounds to believe, in light of the circumstances and the information available to him/her, that the facts that are the subject of his/her report are true, and without expecting any personal consideration. If this is the case, the person may not be subject to reprisals or any sanction even if the facts are not proven to be materially established after processing.
Excluded from the scope of this system are elements covered by national defence secrecy, medical secrecy, secrecy of legal deliberations, investigative secrecy, judicial investigation secrecy or legal professional secrecy.

In which case should an alert be issued?

The whistleblowing system makes it possible to collect any alert issued by a person who is a victim, witness or is aware of a situation or behaviour contrary to the group's rules or any applicable legislation or regulations.

How can an alert be made?

An alert can be made:

- at the level of each institution, to the managerial line or to a dedicated contact depending on the subject, in particular the discrimination officer, the sexual harassment and sexist behaviour officer or the Compliance Officer;
- at group level, using the whistleblowing system address accessible from the website.

How is an alert handled?

All alerts are handled by a qualified person and bound by a confidentiality agreement.
The process guarantees the protection of the identity of the issuer as well as of the persons concerned and the nature of the facts.
If necessary, an investigation is carried out to establish the facts and ensure the reality and materiality of the facts reported.
Depending on the outcome of the investigation, disciplinary proceedings or legal proceedings may be initiated.

V. CORPORATE GOVERNANCE REPORT

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

V.1. LIST OF DIRECTORSHIPS AND OFFICES HELD BY EACH CORPORATE OFFICER DURING THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

	Company	Company form	Function or office	Country
Pierre Éric Pommellet	Naval Group	SA	Chairman of the Board of Directors and Chief Executive Officer	France
	MO Porte-Avions	SAS	Chairman of the Board of Directors	France
	Groupe Télégramme Médias	SA	Director	France
	Chantiers de l'Atlantique	SA	Director	France
	Naviris SpA	SpA (Italian company)	Director	Italy
Pierre Jeannin	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
	Défense Conseil International	SA	Representative of the State on the Board of Directors	France
	EURENCO	SA	Representative of the State on the Board of Directors	France
	SNPE	SA	Representative of the State on the Board of Directors	France
	KNDS	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
	Thales Corporate Venture SAS	SAS	Director	France
	Air France KLM	SA	Director	France
Nathalie Ravilly	Naval Group	SA	Director	France
	Thales	SA	Vice-President, Corporate Strategy and Development	France
	Telespazio SpA	SpA (Italian company)	Chairman of the Board of Directors	Italy
	Thales Alenia Space	SA	Director	France
	Elettronica SpA	SpA (Italian company)	Director	Italy
	ONERA	EPIC	Director	France
	Thales Germany	GmbH (German company)	Member of the Supervisory Board	Germany
Bernard Rétat	Naval Group	SA	Director	France
Jacques Hardelay	Naval Group	SA	Director	France
	Chantier naval de Marseille SAS (CNM)	SAS	Honorary Chairperson	France
	Club de la Croisière	Association	Director	France
	Grand Port Maritime de Marseille (GPMM)	Public institution	Director	France
	Union Maritime et Fluviale de Marseille Fos	Association	Director	France
	GICAN	Association	Director	France
	UIMM 13	Union des Industries et Métiers de la Métallurgie	Director	France

	Company	Company form	Function or office	Country
Patrice Caine	Naval Group	SA	Director	France
	Thales	SA	Chairman of the Board of Directors and Chief Executive Officer	France
	Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS)	Professional federation	Vice-Chairperson	France
	France Industrie	Association	Vice-Chairperson	France
	Association nationale de la recherche et de la technologie (ANRT)	Association	Chairperson	France
	L'Oréal	SA	Director	France
Monique Legrand-Larroche	Naval Group Directorate General of the Armed Forces Grade	SA	Director Inspector General of the Armed Forces Exceptional Class Engineer General of Armaments	France France
Guenaëlle Penin de la Raudière	Naval Group	SA	Director	France
	AIRBUS	SAS	Group Management Control Director	France
Geneviève Mouillerat	Naval Group	SA	Director	France
	Académie de Marine	National administrative public institution under the supervision of the Minister of the Armed Forces and under the protection of the President of the Republic	Member of the academy Science and Technology Section	France
	EVOLEN	Association	Director Co-Chairperson WE Women Energy Committee (ongoing)	France
	BEICIP-FRANLAB	Société anonyme (public limited company) with Board of Directors – wholly-owned subsidiary of Institut français du pétrole énergies nouvelles (IFPEN)	Member of the Supervisory Board	France
Valérie Champagne	Naval Group	SA	Director	France
	Ministry of the Economy, Finance and the Recovery	General Inspectorate of Finance	Inspector General of Finance	France
	SFTRF – Société française du tunnel routier de Fréjus	Semi-public company	Director and Chairperson of the Audit Committee	France
François Geleznikoff	Naval Group	SA	Director	France
Laurent Elie	Naval Group	SA	Director	France
	Naval Group	SA	HR Attaché	France
Olivier Ménard	Naval Group	SA	Director	France
	Naval Group	SA	HR Attaché	France
Béatrice Unia	Naval Group	SA	Director	France
	Naval Group	SA	Head of partnerships for naval base and events commercial offers	France
Tony Lecorps	Naval Group	SA	Director	France
	Naval Group	SA	Operational technical expertise officer 24 Relocation business sector specialist	France
Yvon Velly	Naval Group	SA	Director	France
	Naval Group	SA	HR Attaché	France
	Fédération Nationale des Travailleurs de l'État CGT		Co-General Secretary	France
Didier Chavrier	Naval Group	SA	Director	France
	CASACHA 2	SAS	Chairperson	France
	SCI Casacha	SCI	Manager	France

V.2. DIRECTOR WHOSE TERM OF OFFICE WITHIN NAVAL GROUP ENDED DURING THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

	Company	Company form	Function or office	Country
Vincent Le Biez	Naval Group	SA	Representative of the State on the Board of Directors until February 15, 2023	France
	Chantiers de l'Atlantique	SA	Representative of the State on the Board of Directors until May 24, 2023	France

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

None.

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

None.

V.5. CHOICE OF METHODS FOR EXERCISING GENERAL MANAGEMENT

Pursuant to the decision taken by the Board of Directors of the company on June 2, 2003, the Chairman of the Board of Directors is responsible for the General Management of the company and thus holds the title of Chairman of the Board of Directors and Chief Executive Officer.

APPENDIX 1

PROPOSAL TO ALLOCATE THE EARNINGS OF NAVAL GROUP SA FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

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 €295,400,840.52 for the financial year ended December 31, 2023, as follows:
- profit for the financial year: €295,400,840.52;
- plus retained earnings: €451,474,793.71,
  for distributable profit for the period of €746,875,634.23:
  - as a dividend to shareholders in the amount of €129,490,000, *i.e.* a dividend of €2.30 per share,
  - and the balance as retained earnings, *i.e.* an amount of €617,385,634.23.

Retained earnings thus increased from €451,474,793.71 to €617,385,634.23.

APPENDIX 2

LIST OF RELATED-PARTY AGREEMENTS

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

AGREEMENTS AUTHORISED AND SIGNED IN 2023

None.

AGREEMENTS SIGNED IN PREVIOUS YEARS AND STILL IN EFFECT DURING THE 2023 FINANCIAL YEAR

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

Parties to the contract	Subject matter of the contract	Date signed
Naval Group and Chantiers de l'Atlantique	Agreement joint venture of MO Porte-Avions Approved by the Board of Directors on March 2, 2021	03/10/2021

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

Parties to the contract	Subject matter of the contract	Date signed
Naval Group and the French State	Shareholder agreement of Les Chantiers de l'Atlantique (formerly STX France) Approved by the Board of Directors on July 17, 2018	07/18/2018 (effective 08/01/2018)
Naval Group, the State and COFIPME, in the presence of the company Chantiers de l'Atlantique	Shareholder agreement of Les Chantiers de l'Atlantique (formerly STX France) Approved by the Board of Directors on July 17, 2018	07/18/2018 (effective 08/01/2018)

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

Parties to the contract	Subject matter of the contract	Date signed
DCNS, Areva SA, the French State and the CEA French Atomic Energy and Alternative Energy Commission	Contract on the sale and acquisition of shares relating to Société Technique pour l'Énergie Atomique Approved by the Board of Directors on October 28, 2016	12/15/2016

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

Parties to the contract	Subject matter of the contract	Date signed
DCN, Thales and Armaris	Letter concerning the transfer by Armaris to Thales of the benefit of its rights under the DCN letter of October 5, 2005 no. 05000162 OL/NP Approved by the Board of Directors of March 22, 2007	03/29/2007
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	01/30/2007

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

Parties to the contract	Subject matter of the contract	Date signed
French State and DCN Développement	Contribution agreement describing the rights, property and obligations of the "service à compétence nationale" of 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	05/26/2003
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	05/26/2003

02

CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended December 31, 2023
All amounts are in millions of euros unless otherwise stated.

I. COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

	Notes	2023	2022
Revenue	2.1	4,257.4	4,353.2
Cost of sales		(3,562.6)	(3,540.8)
Research and development costs	2.2.2	(104.5)	(92.6)
Marketing and selling expenses		(118.4)	(121.4)
General and administration expenses		(173.7)	(179.2)
OPERATING PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE AMORTISATION OF FAIR VALUE DIFFERENCES	2.2	**298.2**	**419.2**
Amortisation of intangible assets acquired in business combinations		-	(0.2)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**298.2**	**419.0**
Other operating income	2.2.4	0.5	3.9
Other operating expenses	2.2.5	(5.6)	(8.6)
OPERATING PROFIT/(LOSS) BEFORE NET INCOME FROM ASSOCIATES		**293.1**	**414.3**
Net income from associates	3.3	2.8	12.4
OPERATING PROFIT/(LOSS) AFTER NET INCOME FROM ASSOCIATES		**295.9**	**426.7**
Interest expense on IFRS 16 contract	2.3	(2.6)	(1.8)
Income from financial investments	2.3	31.1	15.7
Other financial income	2.3.1	34.4	31.7
Other financial expenses	2.3.2	(17.2)	(37.1)
NET FINANCIAL EXPENSE	**2.3**	**45.7**	**8.5**
Income tax	2.4.1	(79.9)	(96.4)
NET INCOME FROM CONTINUING OPERATIONS		**261.8**	**338.8**
Net income from assets held for sale	1.5	(1.1)	0.5
NET PROFIT/(LOSS) FOR THE PERIOD		**260.7**	**339.3**
NET PROFIT/(LOSS) FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE PARENT		**260.7**	**339.4**
of which net income from continuing operations		*261.8*	*338.9*
of which net income from assets held for sale		*(1.1)*	*0.5*
NET PROFIT/(LOSS) FOR THE PERIOD, NON-AUDITED PORTION		**-**	**(0.1)**
of which net income from continuing operations		*1.0*	*(0.1)*
of which net income from assets held for sale		*(1.0)*	*-*
BASIC AND DILUTED EARNINGS PER COMMON SHARE *(IN €)*	**2.5**	**4.68**	**6.08**
of which net income from continuing operations		*4.70*	*6.07*
of which net income from assets held for sale		*(0.02)*	*0.01*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
PROFIT/(LOSS) FOR THE PERIOD	260.7	339.3
Items to be subsequently reclassified to the income statement	-	-
Changes in fair value of the cash flow hedges	-	-
Items that cannot be reclassified to the income statement	***(11.5)***	***37.6***
Translation differences on the conversion of foreign businesses	(0.5)	2.1
Actuarial gains and losses	(11.0)	35.5
INCOME AND EXPENSES RECOGNISED IN EQUITY, BEFORE TAX	(11.5)	37.6
Tax recognised directly in equity	2.8	(9.2)
INCOME AND EXPENSES RECOGNISED IN EQUITY	(8.6)	28.3
CONSOLIDATED COMPREHENSIVE NET INCOME	**252.1**	**367.6**
attributable to owners of the parent	*252.1*	*367.7*
attributable to non-controlling interests	-	*(0.1)*

ROC/EBITA BRIDGE

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

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

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

	2023	2022
Operating profit/(loss) from continuing operations before amortisation of fair value differences	**298.2**	**419.2**
Share of operating profit/(loss) of SMEs	1.4	12.3
Other operating income	0.5	3.9
Other operating expenses	(5.6)	(8.6)
EBITA	**294.5**	**426.8**

II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	Notes	12/31/2023	12/31/2022
Goodwill	3.2	382.8	382.8
Intangible assets	3.1.1	65.5	65.2
Rights of use	3.1.2	95.4	85.3
Property, plant, and equipment	3.1.2	719.6	667.1
Investments in associates	3.3	124.0	117.6
Non-current financial assets	4.1.1	437.5	438.2
Other non-current assets		0.2	0.1
Deferred tax assets	2.4.3	175.6	187.3
NON-CURRENT ASSETS		**2,000.5**	**1,943.6**
Inventories and work in progress	3.4	482.3	443.0
Contract assets	3.9	673.1	605.0
Trade receivables	3.5	905.8	997.7
Advances and part payments paid		1,300.6	1,037.0
Current financial assets	4.1.1	2.1	11.3
Current tax receivable		19.0	13.9
Other receivables	3.5	438.9	441.6
Cash and cash equivalents	4.2	990.3	1,218.4
CURRENT ASSETS		**4,812.0**	**4,767.9**
TOTAL ASSETS		**6,812.5**	**6,711.5**

EQUITY AND LIABILITIES

	Notes	12/31/2023	12/31/2022
Share capital	3.6.1	563.0	563.0
Premiums		18.4	18.4
Treasury shares	3.6.6	(87.2)	(83.9)
Remeasurement of financial instruments	3.6.3	–	–
Translation differences	3.6.5	(8.0)	(7.5)
Actuarial gains and losses		13.9	21.4
Other reserves attributable to owners of the parent		922.2	747.2
Consolidated income attributable to owners of the parent		260.7	339.3
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP		**1,683.1**	**1,597.9**
Non-controlling interests		0.4	0.4
EQUITY		**1,683.5**	**1,598.3**
Non-current provisions	3.7	81.0	69.0
Non-current financial liabilities	4.1.2	66.8	66.7
Non-current IFRS 16 lease liabilities	4.1.2	74.9	64.2
Other liabilities		–	1.5
Deferred tax liabilities	2.4.3	2.7	2.1
NON-CURRENT LIABILITIES		**225.4**	**203.5**
Current provisions	3.7	635.2	681.8
Current financial liabilities	4.1.2	35.2	18.1
Current IFRS 16 lease liabilities	4.1.2	23.0	22.8
Contract liabilities	3.9	1,829.2	2,056.5
Suppliers	3.8	1,694.2	1,446.1
Current tax payables		10.5	9.3
Other payables	3.8	676.4	675.1
CURRENT LIABILITIES		**4,903.6**	**4,909.7**
TOTAL EQUITY AND LIABILITIES		**6,812.5**	**6,711.5**

III. TOTAL CONSOLIDATED EQUITY

	Number of shares	Share capital	Premiums	Other reserves[1]	Treasury shares	Translation differences[2]	Actuarial gains and losses	Equity attributable to owners of the group	Non-controlling interests	Equity
01/01/2022	55,640,401	563.0	18.4	833.8	(82.6)	(9.7)	(4.6)	1,318.3	0.5	1,318.8
Consolidated comprehensive net income			**-**	**339.3**	**-**	**2.1**	**26.3**	**367.7**	**(0.1)**	**367.6**
Dividend payments			-	(96.7)	-	-	-	(96.7)	-	(96.7)
Treasury shares[3]	139,518			1.8	(1.8)			-		-
Other		-	-	8.3	0.5	0.1	(0.3)	8.6	-	8.6
12/31/2022	55,779,919	563.0	18.4	1,086.5	(83.9)	(7.5)	21.4	1,597.9	0.4	1,598.3
Consolidated comprehensive net income			**-**	**260.7**	**-**	**(0.5)**	**(8.1)**	**252.1**	**-**	**252.1**
Dividend payments			-	(167.4)	-	-	-	(167.4)	-	(167.4)
Treasury shares[3]	(34,402)			3.7	(3.7)			-		-
Other		-	-	(0.6)	0.4	-	0.6	0.3	-	0.3
12/31/2023	55,745,517	563.0	18.4	1,182.9	(87.2)	(8.0)	13.9	1,683.1	0.4	1,683.5

(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 Actionnariat.

IV. STATEMENT OF CASH FLOWS

	2023	2022
NET INCOME FROM CONTINUING OPERATIONS	261.8	338.8
Deduct (add):		
Net depreciation/(reversal)	134.1	132.9
Net provision expense/(reversal)	(44.5)	69.4
Net asset impairment loss/(reversal)	0.7	(5.7)
Changes in fair value of financial instruments	(4.3)	7.0
Proceeds from disposals	4.0	(0.8)
Change in employee share offer liability	3.7	1.8
Tax expense/(income)	79.9	96.4
Share in income/(loss) of associates	(2.8)	(12.4)
Dividends received from associates	11.7	12.7
Other dividends received (reclassified as net financial investments)	(1.0)	(1.5)
Cost of financial debt	4.1	2.4
Impact of discontinued operations	(2.1)	(3.0)
CASH FLOW FROM OPERATIONS	445.2	638.0
Change in working capital requirement	(261.6)	390.0
Tax refunded/(paid)	(68.2)	(163.1)
Impact of discontinued operations	(0.5)	(1.1)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	114.8	863.8
Purchases of property, plant and equipment and intangible assets	(159.6)	(134.0)
Disposals of property, plant and equipment and intangible assets	0.2	0.8
Acquisitions of holdings, net of cash acquired/brought into scope of consolidation	(1.0)	(0.5)
Change in loans and advance payments	(9.1)	8.0
Impact of discontinued operations	-	0.1
NET OPERATING INVESTMENTS	(169.5)	(125.6)
Decrease/(increase) in investment securities(1)	20.7	(88.6)
Decrease/(increase) in financial assets	1.0	1.5
NET FINANCIAL INVESTMENTS	21.7	(87.1)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(147.8)	(212.7)
Increase in capital – non-controlling interests	(13.9)	-
Dividends paid to owners of the parent	(167.4)	(96.7)
Dividends paid to non-controlling interests	-	-
Sale/(purchase) of treasury shares	(3.1)	(3.4)
CASH PAYMENTS TO OR FROM SHAREHOLDERS	(184.4)	(100.1)
Increase in financial liabilities	35.0	13.9
Decrease in financial liabilities	(21.3)	(462.0)
Repayment of IFRS 16 lease liabilities	(25.7)	(23.9)
Impact of discontinued operations	2.3	4.0
NET CHANGE IN FINANCIAL LIABILITIES	(9.7)	(467.9)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(194.1)	(568.0)
Effects of changes in exchange rates/Fair value	(1.2)	2.0
NET CHANGE IN CASH AND CASH EQUIVALENTS	(227.0)	83.1
Net cash and cash equivalents at beginning of period	1,218.4	1,133.3
CLOSING CASH AND CASH EQUIVALENTS	990.3	1,218.4

(1) In accordance with note I.3.17, investment securities mainly include changes in certificates of deposit, term deposits and negotiable medium-term notes with an original maturity of more than three months.

Net cash plus investment securities classified under other financial assets as per note 1.3.17 amounted to €1,375.5 million on December 31, 2023 (compared to €1,623.6 million on December 31, 2022) and is made up as follows:

	12/31/2023	12/31/2022
Non-current investment securities	385.2	395.2
Current investment securities	–	10.0
Closing cash and cash equivalents	990.3	1,218.4
TOTAL	**1,375.5**	**1,623.6**

V
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. RULES, METHODS AND SCOPE

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

These consolidated financial statements of Naval Group for the financial year ended December 31, 2023 were approved by the Board of Directors on February 27, 2024 and will be submitted for approval to the General Meeting to be held on March 22, 2024.
The 2023 financial year was marked by the following major events:

- more than 3 billion orders taken;
- revenue of around €4.3 billion;
- operational successes with the delivery of the SSN *Duguay-Trouin* to the French Navy, the interim maintenance of the Charles De Gaulle aircraft carrier, the delivery of the first Gowind® corvette for the United Arab Emirates (UAE), a fifth submarine for the Indian Navy and the launch of the first FDI for the Greek Navy.

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 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 IAS/IFRS (International Financial Reporting Standards) as adopted by the European Union on December 31, 2023.
The accounting rules and policies are identical to those applied in the consolidated financial statements for the financial year ended December 31, 2022.

1.3.2. NEW MANDATORY STANDARDS AND INTERPRETATIONS

1.3.2.1. IAS 12 INCOME TAXES

On May 23, 2023, the IASB published the final amendments to IAS 12, concerning Pillar II rules, published in December 2021 by the OECD.
The OECD has published model rules (Global Anti-Base Erosion Rules or "GloBE") for multinational enterprises whose consolidated financial statements show revenue in excess of €750 million in at least two of the last four financial years. They will have to calculate an effective tax rate (ETR) in accordance with the GloBE rules in each of the jurisdictions in which they operate, and will be liable for a top-up tax if this rate is below the minimum rate of 15%.
The group has launched a project to identify the impacts, and to organise the processes needed to comply with its obligations. Given the current regulations in the countries in which the group operates, and subject to future regulatory clarifications, the financial consequences are being assessed.

In May 2021, the IASB published an amendment to IAS 12. This amendment reduces the scope of the exemption relating to the initial recognition of deferred tax for transactions such as decommissioning obligations and leases.
This amendment is mandatory for financial years beginning on or after January 1, 2023. This has no impact on Naval Group's financial statements.

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 3.9)

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

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

These assumptions are based in particular on the latest known or reasonably estimated indicators (contracted hourly rates and price review indices) for determining revenue and costs to completion. Therefore, the group uses statistical methods to determine the probable impact of future changes in such indicators on the gross profit to completion of its programs. Movements in such indicators are only taken into account if their probable impact on gross profit to completion is negative.

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

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

MEASUREMENT OF ASSETS AND LIABILITIES UNDER RETIREMENT BENEFIT AND SIMILAR OBLIGATIONS (NOTE 3.7.1)

The group's measurement of assets and liabilities under defined benefit plans (retirement benefits, long-service bonuses, senior time bank scheme, strategic jobs and skills management and annuities) requires the use of statistical data and other variables to forecast future trends. These variables include the discount rate, the expected return on plan assets, the rate of salary increases and the employee turnover and mortality rates. If the actuarial assumptions are materially different from the actual data experienced subsequently, this may result in substantial changes in the expense for retirement and similar benefit obligations recognised through profit or loss and in the related assets and liabilities shown in the statement of financial position.

MEASUREMENT OF ASSETS (NOTES 3.1 AND 3.2)

The discounted cash flow model used to determine the value in use of the groups of cash-generating units 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, with the exception of the Saudi riyal (SAR), Egyptian pound (EGP) and Chilean peso (CLP), 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.
Non-current 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: 10 to 25 years;
- plant and machinery: 5 to 20 years;
- other property, plant, and equipment: 5 to 10 years.

Finance leases are recorded as fixed assets on the statement of financial position, and the corresponding debt is recorded as financial debt on the statement of financial position. The duration corresponds to the commitment of the contract.

The rental capitalisation period corresponds to the non-cancellable period of the contract. In the event of a renewal option, the group has determined that it is reasonably certain that the option will be exercised, based in particular on the ease of replacement and the critical importance of the leased property.

The group's leases mainly relate to real estate.

The group uses the following exemptions permitted by the standard:

- exclusion of short-term leases (less than 12 months);
- exclusion of contracts where the underlying asset is of low value (new unit value less than US$5,000).

The group used discount rates corresponding to the marginal financing rate of each lessee for a maturity corresponding to the duration of the commitment. The weighted average discount rate used to value the lease liability at December 31, 2023 is 2.12%.

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:

- surface vessels (SV);
- submarines (SM);
- services (SER);
- drones, autonomous systems and underwater weapons (DSASM);
- systems, equipment and propulsion (SEP).

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 performance obligation bears its own share of revenue, costs and its own margin;
- the revenue recognition method (and recognition of the corresponding costs) is determined and recorded separately for each performance obligation.

ALLOCATION OF THE TRANSACTION PRICE TO CONTRACT PERFORMANCE OBLIGATIONS

The purpose of this allocation is to calculate the amount of Naval Group's consideration in exchange for the transfer of the goods or services promised for each performance obligation. Therefore, this step is only applicable and/or relevant when a contract includes several performance obligations.

In most cases, when the selling price is disaggregated into several lots in the contract which correspond to or might relate to performance obligations, Naval Group expects the project teams to allocate the contract transaction price to each performance obligation.
Where it is not possible to disaggregate the price, or where there is objective evidence that the disaggregation does not accurately reflect the allocation of the selling price to the contract's performance obligations, the transaction price is disaggregated on the basis of individual selling prices.
The variable elements included in the contract selling price are only taken into account if it is highly probable that the subsequent removal of the uncertainties surrounding the variable element will not lead to a significant reduction in the revenue already recognised or forecast.
Penalties for delay or for the improper performance of a service obligation are taken into account in the analysis upon completion of each performance obligation and are deducted from income.
Contractual amendments negotiated with customers are included in the selling price only when they become legally enforceable.

REVENUE RECOGNITION

Revenue is recognised as each associated performance obligation is satisfied, *i.e.* when the customer acquires control of the promised good or service. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.
Control of the goods is transferred progressively to the customer, with the corresponding revenue recognised under the percentage of completion method, provided it can be demonstrated that:

- the asset sold does not have an alternative use;
- the group has an enforceable right to payment for performance completed to date (corresponding to costs incurred to date, plus a reasonable profit margin), in case of termination for reasons other than Naval Group's failure to perform.

The customer remains the owner of the asset on which Naval Group carries out maintenance, generally in the case of in-service support contracts.
The customer remains the owner of any asset undergoing a refit by Naval Group, particularly for contracts held by the Naval Group Services Department.
Revenue from services is also recognised on a percentage of completion basis through costs based on the stage of completion of the services, with the customer benefiting from the services as Naval Group performs them.
For some non-material contracts that are not accounted for under the percentage of completion method, the completed contract method is applied. The completed contract method consists of recognising the revenue and profit from the contract only on completion of the contracted work.
For reporting purposes, completion is defined as the technical completion of the programs.

METHOD FOR MEASURING PROGRESS

The group generally uses the percentage of completion method to measure progress: revenue is recognised on the basis of costs incurred to date, as a percentage of all expected costs to completion.

RECOGNITION OF MARGIN

Tender costs are expensed under "marketing and selling expenses" when they are incurred. They are therefore excluded from the contract margin.
All probable losses on contracts are provided for in full as soon as they become known.

BACKLOG

Only firm contracts awarded by the client and in effect are entered in Naval Group's order book. Conditional tranches, options and highly probable amendments are not entered in the order book until they are awarded.
As at December 31, 2023, the group's order book stood at €14.4 billion. Its provisional execution schedule is as follows: 29% in 2024, 25% in 2025, 21% in 2026, 18% in 2027, and 9% 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 updated;
- 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 on September 7, 2024, as specified in mentioned 1, signed on July 11, 2024.

1.3.19. EMPLOYEE SHARE OFFER (ORS) AND COLLECTIVE SHAREHOLDING PLAN (PAC)

As part of Thales' acquisition of a 25% stake in Naval Group SA in 2007, followed by a 35% stake in 2011, two employee share offers were made for group employees to acquire Naval Group shares.
As part of the implementation of a collective shareholding plan (PAC) in 2019 and 2022, Naval Group SA shares were acquired by the beneficiaries of the plan, who immediately added them to the Compartment of FCPE Actions Naval Group created for that purpose.
These offers have been regarded as a share-based payment that will be cash-settled. The group itself ensures the liquidity of the transaction by providing a mechanism to buy back its own shares from employees who request it (see note 3.6.6. for more details). The liability corresponding to the group's obligation to buy back shares is remeasured annually on the basis of a share valuation performed by a group of independent experts. The change in value of this liability is recognised under financial income and expenses.

1.3.20. 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.

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.

1.3.22 RETENTION PLAN (LONG-TERM INCENTIVE PLAN OR LTIP)

At its meeting on February 20, 2019, the Board of Directors decided to make use of the authorisation granted to it by the General Meeting and approved a Long-Term Incentive Plan, or LTIP, covering the 2019–2022 period and relating to the allocation of 69,000 free shares in the company to certain employees of Naval Group, subject to the achievement of the performance conditions set out in the plan.
At its meeting on February 17, 2023, the Board of Directors noted that the performance conditions set out in the 2019–2022 LTIP had been met, and that 13,101 existing ordinary shares in the company had been definitively allocated and delivered by the company to the beneficiaries concerned by this plan.

1.4. CHANGE IN SCOPE

As at December 31, 2023, the consolidation scope, consisting of the main fully consolidated subsidiaries and associates, was as follows:

(in percentages)	Country	Control at 12/31/2023	Interests at 12/31/2023	Control at 12/31/2022	Interests at 12/31/2022
PARENT					
Naval Group SA	France				
EXCLUSIVE CONTROL					
Alexandria Naval for Maintenance & Industry	Egypt	100	100	100	100
Armaris Quater SAS	France	100	100	100	100
Armaris Sixt SAS	France	100	100	100	100
Armaris Quint(2)	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 Energía Marina SpA	Chile	75	75	75	75
Naval Group Australia Pty Ltd	Australia	100	100	100	100
DCNS Zamil	Saudi Arabia	55	55	55	55
Naval Group Arabia	Saudi Arabia	100	100	100	100
Naval Group Pacific Pty Ltd	Australia	100	100	100	100
Naval Group Belgium	Belgium	100	100	100	100
Naval Group RE(1)	France	100	100	-	-
Naval Group Hellas(1)	Greece	100	100	-	-
SIGNIFICANT INFLUENCE					
Boustead DCNS Naval Corporation SDN BHD	Malaysia	40	40	40	40
Défense Environnement Services SAS	France	49	49	49	49
Naviris parent company	Italy	50	50	50	50
Itaguaí Construções Navais SA	Brazil	41	41	41	41
Kership SAS	France	45	45	45	45
MO Porte-Avions	France	65	65	65	65
TechnicAtome	France	20	20	20	20
Jeumont Electric SAS(1)	France	31	31	-	-

(1) Company consolidated since 2023.
(2) Company consolidated since 2022.

1.5. DISCONTINUED OPERATIONS AND RESTATEMENT OF COMPARATIVE INFORMATION

In accordance with the provisions of IFRS 5 – Non-current assets held for sale and discontinued operations, the presentation impacts are as follows:

- the subsidiary's net income is presented on a separate line of the income statement entitled "Net income from discontinued operations";
- in the statement of cash flows, all flows relating to this subsidiary are presented on the line "Impact of discontinued operations".

The main aggregates of the consolidated income statement of the subsidiary Naval Energies treated in accordance with IFRS 5 for the 2023 and 2022 financial years are as follows:

NAVAL ENERGIES INCOME STATEMENT

	2023	2022
Cost of sales	–	(0.7)
Marketing and selling expenses	–	(0.1)
General and administration expenses	0.9	2.3
PROFIT (LOSS) FROM CONTINUING OPERATIONS	0.9	1.5
OPERATING PROFIT	0.8	1.4
Net financial expense	(1.9)	(0.9)
NET PROFIT/(LOSS) FOR THE PERIOD	(1.1)	0.5

NOTE 2. INCOME STATEMENT

2.1. REVENUE

Group revenue for the financial year ended December 31, 2023, was €4,257.4 million (*versus* €4,353.2 million for the financial year ended December 31, 2022).

	Surface vessels	Submarines	Services	Other	2023
Construction contracts	1,260.2	1,266.9	1,522.9	75.1	4,125.1
Sales of goods and services	2.1	2.7	57.3	70.2	132.3
REVENUE	**1,262.3**	**1,269.6**	**1,580.2**	**145.2**	**4,257.4**
France share	–	–	–	–	*69.7%*
Foreign share	–	–	–	–	*30.3%*

	Surface vessels	Submarines	Services	Other(1)	2022
Construction contracts	1,151.2	1,032.3	1,415.0	407.6	4,006.1
Sales of goods and services	0.6	0.1	49.3	297.1	347.0
REVENUE	**1,151.8**	**1,032.4**	**1,464.3**	**704.7**	**4,353.2**
France share	–	–	–	–	*63.1%*
Foreign share	–	–	–	–	*36.9%*

(1) At December 31, 2022, the amount included revenue of €555 million from the Australian Future Submarine (AFS) program.

2.2. OPERATING PROFIT/LOSS

The cost of sales for an amount of €3,562.6 million on December 31, 2023, consists of purchasing costs and employee benefits expenses.

2.2.1. EMPLOYEE HEADCOUNT AND COSTS OF OWN AND SECONDED EMPLOYEES

	2023	2022
Wages and salaries (including social security charges) of own employees	(1,380.7)	(1,354.7)
Retirement and other long-term employee benefit expenses	(7.5)	(7.2)
Employees seconded by the French State	(122.0)	(139.4)
Other	(35.3)	(34.6)
TOTAL	**(1,545.5)**	**(1,535.9)**

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:

	2023	2022
Managers	7,861	7,587
Supervisors and technicians	4,910	4,895
Blue and white-collar employees	3,239	3,194
TOTAL FULLY CONSOLIDATED FRENCH COMPANIES	**16,009**	**15,675**
Other consolidated companies of the group	316	354
TOTAL WORKFORCE	**16,325**	**16,029**
Of which seconded employees	*1,416*	*1,600*

2.2.2. RESEARCH AND DEVELOPMENT COSTS

Research and development expenses, net of the research tax credit, amounted to €104.5 million for the financial year ended December 31, 2023 (€92.6 million for the financial year ended December 31, 2022).

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, 2023, fees payable to the Statutory Auditors for their statutory audit services amounted to €1.3 million for the entire group.

2.2.4. OTHER OPERATING INCOME

	2023	2022
Competitiveness/restructuring plan	0.2	1.5
Other	0.3	2.4
OTHER OPERATING INCOME	**0.5**	**3.9**

2.2.5. OTHER OPERATING EXPENSES

	2023	2022
Competitiveness/restructuring plan	(0.2)	(1.3)
Other(1)(2)	(5.4)	(7.3)
OTHER OPERATING EXPENSES	**(5.6)**	**(8.6)**

(1) At December 31, 2023, the amount mainly corresponded to the relative cost of the Bagneux site closure.
(2) At December 31, 2022, the amount mainly corresponded to the cost of free shares granted under the 2022 PAC.

2.3. NET FINANCE INCOME (EXPENSE)

Income from financial investments represents interest earned by the group on its cash investments in the amount of €31.1 million for the financial year ended December 31, 2023 (*versus* €15.7 million for the financial year ended December 31, 2022

Interest expenses related to IFRS 16 contracts were (€2.6) million for the financial year ended December 31, 2023 (*versus* (€1.8) million for the financial year ended December 31, 2022).

2.3.1. OTHER FINANCIAL INCOME

	2023	2022
Changes in fair value of financial investments	4.3	-
Dividends received	1.0	1.5
Interest on overdue trade receivables	4.2	1.6
Foreign exchange gains	4.7	16.1
Reversal of impairment on provisions for long-term benefits	10.2	2.8
Reversal of impairments on financial assets	0.3	6.5
Revenues from cash equivalents	0.1	-
Interest on bank accounts	9.0	0.8
Other income	0.6	2.4
OTHER FINANCIAL INCOME	**34.4**	**31.7**

2.3.2. OTHER FINANCIAL EXPENSES

	2023	2022
Changes in fair value of financial investments	-	(7.0)
Change in employee share offer liability	(3.7)	(1.8)
Interest on overdue trade payables	(1.9)	0.1
Foreign exchange losses	(5.0)	(10.5)
Impairment losses on provisions of long-term benefits	(2.9)	(8.8)
Impairment losses on financial assets/provisions	(1.0)	(0.2)
Interest on loans	(1.5)	(0.7)
Other expenses	(1.2)	(8.2)
OTHER FINANCIAL EXPENSES	**(17.2)**	**(37.1)**

2.4. INCOME TAX

2.4.1. ANALYSIS OF INCOME TAX EXPENSE

	2023	2022
Deferred tax	(15.6)	11.9
Current tax	(64.3)	(108.4)
INCOME TAX	**(79.9)**	**(96.4)**

2.4.2. RECONCILIATION OF ACTUAL AND THEORETICAL INCOME TAX EXPENSE

	2023	2022
Net income from continuing operations	261.8	338.8
Income tax	(79.9)	(96.4)
Operating profit/(loss) after net income from associates	2.8	12.4
NET PROFIT BEFORE TAX	338.9	422.8
Group theoretical tax rate	25.83%	25.83%
THEORETICAL TAX EXPENSE	(87.5)	(109.2)
Offset of research tax credit in EBITA[1]	7.2	7.6
Deferred tax not recognised[2]	0.0	12.4
Difference in corporation tax rate on foreign income/(loss)[3]	0.4	(3.4)
Other permanent differences	0.1	(3.8)
ACTUAL TAX EXPENSE	(79.9)	(96.4)
Effective tax rate[4]	23.57%	25.73%

(1) The recognition of research tax credit set against operating expenses generates a theoretical income tax expense of (€7.2) million, which must be offset.
(2) No deferred tax has been capitalised on the losses as it is unlikely that they can be offset.
(3) The rate difference between the theoretical corporation tax rate and the current rate applied in the overseas subsidiaries and permanent establishments.
(4) Excluding losses not recognised.

2.4.3. DEFERRED TAXES ON THE STATEMENT OF FINANCIAL POSITION

			Net position excluding associates		
	12/31/2022	Net income	OCI	Other	12/31/2023
Deferred tax assets	187.3	(15.0)	2.8	0.6	175.6
Deferred tax liabilities	(2.1)	(0.6)	-	-	(2.7)
DEFERRED TAX BALANCE	**185.2**	**(15.6)**	**2.8**	**0.6**	**172.9**
of which impairment of deferred tax	-	-	-	-	-

			Net position excluding associates		
	12/31/2021	Net income	OCI	Other	12/31/2022
Deferred tax assets	184.5	10.9	(8.8)	0.5	187.3
Deferred tax liabilities	(4.0)	0.9	(0.4)	1.5	(2.1)
DEFERRED TAX BALANCE	**180.5**	**11.9**	**(9.2)**	**2.0**	**185.2**
of which impairment of deferred tax	*(10.9)*	*11.3*	*(0.3)*	-	-

Deferred tax assets mainly involve the differences between the book basis and the tax basis of provisions on contracts and provisions for lump-sum payments payable on retirement.

Taxable units within the group include in particular the Naval Group tax consolidation group, which comprises all fully consolidated French companies in which its interest exceeds 95%.
As of December 31, 2023, the tax loss carry forwards of certain companies have not been capitalised.

2.5. EARNINGS PER SHARE

The group issued no new ordinary shares during the financial years ended December 31, 2023 and December 31, 2022.

The calculation of earnings per share is therefore based on the average number of ordinary shares outstanding after buybacks of treasury shares, which was 55,745,517 shares and 55,779,919 shares for the financial years ended December 31, 2023, and December 31, 2022 respectively.

No dilutive instruments were issued during the financial years ended December 31, 2023 and December 31, 2022. Diluted and basic earnings per share are therefore identical.
The numerator is equal to the net profit and the denominator is the average number of shares outstanding, *i.e.* 55,745,517 shares and 55,779,919 shares for the years ended December 31, 2023 and December 31, 2022 respectively (see note 3.6 on equity).

	2023	2022
Net profit attributable to owners of the parent *(in € millions)*	260.7	339.4
Number of ordinary shares outstanding *(in millions of shares)*	55.7	55.8
BASIC AND DILUTED EARNINGS PER SHARE *(IN €)*	**4.68**	**6.08**

	2023	2022
Earnings per share from continuing operations	4.70	6.07
Earnings per share from discontinued operations	(0.02)	0.01
BASIC AND DILUTED EARNINGS PER SHARE *(IN €)*	**4.68**	**6.08**

NOTE 3. OPERATING ASSETS AND LIABILITIES

3.1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

3.1.1. INTANGIBLE ASSETS

	Patents & similar	Fair value differences	Other intangible assets	Total intangible assets
Gross amounts				
Opening	287.9	167.8	15.4	471.1
Acquisitions	23.6	-	-	23.6
Disposals	(0.2)	-	-	(0.2)
Other changes	(8.9)	(10.7)	8.8	(10.8)
CLOSING	**302.4**	**157.1**	**24.3**	**483.8**
Depreciation, amortisation, and impairment losses				-
Opening	(237.8)	(167.8)	(0.3)	(405.9)
Net depreciation for the financial year	(23.3)	-	-	(23.3)
Disposals	0.2	-	-	0.2
Other changes	-	10.7	-	10.7
CLOSING	**(260.9)**	**(157.1)**	**(0.3)**	**(418.3)**
Net amounts 12/31/2022	50.1	-	15.1	65.2
NET AMOUNTS 12/31/2023	**41.5**	**-**	**24.0**	**65.5**

3.1.2. PROPERTY, PLANT AND EQUIPMENT AND RIGHTS OF USE

	Land	Buildings	Plant and machinery	Other property, plant and equipment	Total property, plant and equipment
Gross amounts					
Opening	25.2	396.1	434.2	829.6	1,685.1
Acquisitions	–	25.9	37.7	78.5	142.1
Disposals	–	(4.1)	(5.9)	(14.6)	(24.6)
IFRS 16 – entry	–	33.6	0.4	–	34.0
IFRS 16 – exit	–	(10.7)	(0.2)	–	(10.9)
Other changes	–	–	(0.6)	0.8	0.2
CLOSING	**25.2**	**440.7**	**465.7**	**894.3**	**1,825.9**
Depreciation, amortisation, and impairment losses					
Opening	–	(169.5)	(300.5)	(462.7)	(932.7)
Net depreciation for the financial year	–	(10.6)	(25.4)	(52.8)	(88.8)
Reversals	–	0.8	0.3	0.7	1.8
Disposals	–	3.1	5.7	12.6	21.4
Net provisions for IFRS 16 rights of use	–	(21.8)	(2.0)	–	(23.8)
Reversals of IFRS 16 rights of use		10.7	0.2	–	10.9
Other changes	–	0.1	0.1	0.1	0.3
CLOSING	**-**	**(187.2)**	**(321.6)**	**(502.1)**	**(1,010.9)**
Net amounts 12/31/2022	25.2	226.6	133.7	366.9	752.4
NET AMOUNTS 12/31/2023	**25.2**	**253.5**	**144.1**	**392.2**	**815.0**
of which property, plant, and equipment at 12/31/2023	*25.2*	*163.0*	*139.2*	*392.2*	*719.6*
of which rights of use at 12/31/2023	*–*	*90.5*	*4.9*	*–*	*95.4*

3.2. GOODWILL

3.2.1. CHANGE IN GOODWILL

	12/31/2022	Acquisitions	Disposals	Impairment losses	12/31/2023
Services (SER)	86.9	0	0	0	86.9
Surface vessels (SV)(1)	196.8	0	0	0	196.8
Submarines (SM)(1)	99.1	0	0	0	99.1
GOODWILL	**382.8**	**0**	**0**	**0**	**382.8**

	12/31/2021	Acquisitions	Disposals	Impairment losses	12/31/2022
Services (SER)	86.9	0	0	0	86.9
Surface vessels (SV)(1)	196.8	0	0	0	196.8
Submarines (SM)(1)	99.1	0	0	0	99.1
GOODWILL	**382.8**	**0**	**0**	**0**	**382.8**

(1) In 2023, the New Buildings CGU, which included €295.9 million of goodwill, was split into two CGUs: the Surface Vessels (SV) CGU for €196.8 million and the Submarines (SM) CGU for €99.1 million.

3.2.2. ASSUMPTIONS USED

At December 31, 2023, for all CGUs, the discount rate (WACC) of future cash flows is 7.77%. 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. 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	
	12/31/2023	12/31/2022	2023	2022
Boustead DCNS Naval Corporation SDN BHD (Malaysia)(1)	(6.3)	(14.1)	6.9	3.6
Itaguaí Construções Navais SA (Brazil)(1)	(30.1)	(2.3)	(27.4)	(6.7)
Défense Environnement Services SAS (France)(1)	1.0	0.9	0.7	0.6
Kership SAS (France)(1)	6.2	8.0	2.3	5.0
TechnicAtome SA (France)	137.7	124.7	18.7	9.5
Naviris parent company (Italy)	0.1	(0.6)	0.8	0.6
MO Porte-Avions (France)	1.5	1.0	0.8	(0.2)
Jeumont Electric SAS (France)(2)	13.9	-	-	-
TOTAL	**124.0**	**117.6**	**2.8**	**12.4**

(1) Companies accounted for under the equity method since January 1, 2014 (IFRS 10 and 11).
(2) Company consolidated in December 2023.

3.3.2. CHANGES IN "NET ASSETS OF ASSOCIATES"

	12/31/2023	12/31/2022
INVESTMENTS IN ASSOCIATES AS AT JANUARY 1	**117.6**	**115.7**
Share in income/(loss) of associates	2.8	12.4
Dividends paid	(11.7)	(12.7)
Actuarial gains (losses) on pensions, net of deferred taxes	0.8	0.9
Translation differences	0.5	0.4
Changes in scope	13.9	-
Other	0.1	0.9
INVESTMENTS IN ASSOCIATES	**124.0**	**117.6**

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%)	12/31/2023	12/31/2022
TOTAL ASSETS	1,181.1	1,023.3
Equity restated, entity's share before net income	260.3	245.0
Actuarial gains (losses) on pensions, net of deferred taxes	0.6	(2.7)
Entity's net income	91.8	46.8
Equity restated, entity's share	**352.8**	**289.1**
Other liabilities	828.3	734.2
TOTAL EQUITY AND LIABILITIES	1,181.1	1,023.3
Cash and cash equivalents	836.3	772.7

Consolidation in Naval Group	12/31/2023	12/31/2022
Equity restated, entity's share before net income	260.3	245.0
Actuarial gains (losses) on pensions, net of deferred taxes	0.6	(2.7)
Entity's net income	91.8	46.8
Equity restated, entity's share	**352.8**	**289.1**
Naval Group % shareholding	20.32%	20.32%
NAVAL GROUP SHARE	71.7	58.7
Goodwill	66.0	66.0
SHARE IN THE JOINT VENTURE	137.7	124.7

Income statement (100%)	12/31/2023	12/31/2022
Revenue	554.5	493.2
Operating profit	94.8	75.1
Net financial expense	22.4	(9.4)
Tax	(25.4)	(18.8)
NET INCOME RESTATED	91.8	46.8
Naval Group % shareholding	20.32%	20.32%
SHARE OF NET INCOME OF JOINT VENTURE	18.7	9.5

3.4. INVENTORIES AND WORK IN PROGRESS

	12/31/2023	12/31/2022
Raw materials and goods for resale	464.5	435.2
Work in progress	45.6	33.2
Finished and semi-finished products	0.5	-
GROSS AMOUNTS	510.6	468.4
Impairment	(28.3)	(25.4)
INVENTORIES AND WORK IN PROGRESS	482.3	443.0

3.5. TRADE AND OTHER RECEIVABLES

	12/31/2023	12/31/2022
Trade receivables, gross	927.0	1,022.7
Trade receivables, impairment allowance	(21.3)	(25.0)
TRADE RECEIVABLES	905.8	997.7
Tax receivables (excluding current tax)	345.2	286.8
Employment and social benefit receivables	9.9	29.5
TAX, EMPLOYMENT, AND SOCIAL BENEFIT RECEIVABLES	355.1	316.4
Deferred expenses	56.5	55.8
Other receivables, gross	27.3	69.4
OTHER RECEIVABLES, NET	83.8	125.2
TRADE AND OTHER RECEIVABLES	1,344.6	1,439.3

3.6. EQUITY

3.6.1. SHARE CAPITAL

As at December 31, 2023, the parent company's share capital comprised 56,300,000 ordinary shares of a nominal value of €10.
As at December 31, 2023, shares were held as follows:

	Ordinary shares	Total	%
The French State	35,047,871	35,047,871	62.25%
Thales	19,705,000	19,705,000	35.00%
FCPE Actions Naval Group	981,458	981,458	1.74%
Naval Group Actionnariat (treasury shares)	554,483	554,483	0.98%
Individual shareholders	11,188	11,188	0.02%
TOTAL	56,300,000	56,300,000	100.00%

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

3.6.2. DIVIDEND PAYMENTS

The Ordinary General Meeting of March 17, 2023, decided, for the financial year ended December 31, 2022, to allocate earnings as follows:

- €168.9 million as shareholder dividends.

3.6.3. CHANGES IN FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES RECOGNISED DIRECTLY IN EQUITY

During the financial year ended December 31, 2023, the group did not record a change in the fair value of financial assets and liabilities.

3.6.4. CHANGES IN FAIR VALUE OF THE CASH FLOW HEDGE RESERVE

At December 31, 2023, the Group had hedging instruments, but these were not recognised using hedge accounting with an offsetting entry in other comprehensive income (within the meaning of IFRS 9), but at fair value through profit or loss.

3.6.5. TRANSLATION DIFFERENCES (FOREIGN SUBSIDIARIES)

As stated in note 1.3.5, this item comprises differences arising on the translation of the financial statements of foreign companies on the basis of the closing and average exchange rates.

The following group companies do not use the euro as their functional currency: Naval Group Far East (Singapore dollar – SGD), Itaguaí Construções Navais, Prosin and Naval Group BR (Brazilian real – BRL), Boustead DCNS Naval Corporation and Naval Group Malaysia (Malaysian ringgit – MYR), Naval Group India (Indian rupee – INR), Naval Group Australia Pty Ltd and Naval Group Pacific (Australian dollar – AUD), DCNS Zamil and Naval Group Arabia (Saudi riyal – SAR), DCNS Energía Marina SpA (Chilean pesos – CLP) and Alexandria Naval for Maintenance & Industry (Egyptian pound – EGP).
During the financial year ended December 31, 2023, the group recorded a decrease of €0.5 million in its reserves for translation differences (compared with an increase of €0.5 million in 2022).

3.6.6. TREASURY SHARES

During the financial years ended December 31, 2022 and December 31, 2023, 53,833 and 47,503 treasury shares respectively were bought back by Naval Group Actionnariat (a wholly owned subsidiary of the Group) under the mechanism set up to ensure the liquidity of the shares acquired in connection with the employee share offers carried out in 2008 and 2014, the collective shareholding plans carried out in 2019 and 2022 and the 2019 LTIP.

In accordance with note 1.3.18, Naval Group shares held by Naval Group Actionnariat and those whose liquidity must be ensured by the latter in the context of the aforementioned transactions were deducted from shareholders 'equity.

The impact on equity was €87.2 million as at December 31, 2023 (€83.9 million as at December 31, 2022).
As a new valuation of the group's share was published in April 2023, 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 (€3.7) million.
At December 31, 2023, Naval Group Actionnariat held 554,483 Naval Group shares, and FCPE Actions Naval Group, whose shares are therefore held by beneficiaries of the transactions referred to above, held 981,458 shares.
The conditions restricting the resale of shares held by employees have all been lifted since August 2013 for the first operation (the 2008 employee share offer) and since December 2019 for the second operation (the 2014 employee share offer).
Shares acquired under the 2019 Collective Shareholding Plan (2019 PAC) are subject to a five-year lock-up period ending in July 2024. As for all assets held under the group savings plan (PEG), early releases are possible in accordance with the applicable regulations in force.
Shares acquired under the 2022 Collective Shareholding Plan (2022 PAC) are subject to a five-year lock-up period ending in July 2027. As for all assets held under the group savings plan (PEG), early releases are possible in accordance with the applicable regulations in force.

3.6.7. CAPITAL MANAGEMENT

The group's cash position, net of financial debt, is positive. Under its current strategic plan, the group therefore does not envisage altering its share capital as its funds are considered to be sufficient.
Nevertheless, subject to legal and contractual provisions, the shareholder structure may alter due to exchanges of shares between shareholders, as they decide.

3.7. PROVISIONS

	12/31/2022	Allocations	Utilisation	Reversals	Other	12/31/2023
Provisions for retirement benefit(1)	18.4	11.7	(6.3)	-	10.3	34.1
Other non-current provisions(2)	50.6	8.3	(12.0)	-	0.1	46.9
NON-CURRENT PROVISIONS	69.0	19.9	(18.3)	-	10.4	81.0
Provisions for retirement benefit	4.7	-	-	-	0.7	5.4
Provisions for the competitiveness plan	0.4	-	(0.4)	-	-	-
Provisions under warranties	67.9	10.7	(5.9)	(3.5)	-	69.2
Provisions on contracts(3)	537.2	96.5	(102.5)	(53.9)	-	477.3
Provisions for losses on completion(3)	27.6	14.1	(1.0)	(2.4)	-	38.3
Other current provisions(4)	44.1	22.9	13.3	(35.2)	(0.1)	45.0
CURRENT PROVISIONS	681.8	144.3	(96.5)	(95.0)	0.6	635.2
PROVISIONS	750.8	164.2	(114.9)	(95.0)	11.0	716.2

(1) The "Other" flow of "Provisions for retirement benefits" corresponds to the reclassification of €0.7 million between current and non-current, to the actuarial difference of €11 million.
(2) At December 31, 2023, 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 €46.9 million and provisions for litigation.
(3) For each contract, the change in the provision for losses on completion is recognised at its net amount.
(4) Other current provisions mainly include provisions relating to tax, labour, environmental and supplier disputes.

	12/31/2021	Allocations	Utilisation	Reversals	Other	12/31/2022
Provisions for retirement benefit(1)	89.9	15.0	(9.8)	-	(76.6)	18.4
Other non-current provisions(2)	42.6	12.7	(4.5)	-	(0.2)	50.6
NON-CURRENT PROVISIONS	132.5	27.7	(14.3)	-	(76.8)	69.0
Provisions for retirement benefit(1)	4.2	-	-	-	0.5	4.7
Provisions for the competitiveness plan	9.3	-	(9.1)	-	0.1	0.3
Provisions under warranties	71.6	7.1	(8.1)	(2.7)	-	67.9
Provisions on contracts	461.3	99.9	(5.6)	(20.3)	1.9	537.2
Provisions for losses on completion(3)	32.2	4.7	(9.3)		-	27.6
Other current provisions(4)	49.6	15.2	(5.8)	(13.3)	(1.6)	44.1
CURRENT PROVISIONS	628.2	126.9	(37.9)	(36.3)	0.8	681.8
PROVISIONS	760.7	154.6	(52.2)	(36.3)	(76.0)	750.8

(1) The "Other" flow of "Provisions for retirement benefits" corresponds to the reclassification of €0.5 million between current and non-current, to the actuarial difference of (€34.1) million and to a payment on a hedging asset for (€42.1) million.
(2) At December 31, 2022, other non-current provisions included provisions for other long-term benefits (long-service bonuses, annuities, and CET for Senior employees, see note 1.3.18) for an amount of €48.3 million and provisions for litigation.
(3) For each contract, the change in the provision for losses on completion is recognised at its net amount.
(4) Other current provisions mainly include provisions relating to tax, labour, environmental and supplier disputes.

3.7.1. PROVISIONS FOR RETIREMENT BENEFIT

As at December 31, 2023, provisions for retirement benefits for the group as a whole amounted to €39.5 million (compared to €23.2 million as at December 31, 2022), mainly related to Naval Group.

The assumptions used were as follows:

- a discount rate of 3.20% (compared to 3.10% at December 31, 2022);
- an inflation rate of 2% (idem as at December 31, 2022);
- a salary increase rate of 2.80% (same as at December 31, 2022).

As at December 31, 2023, the sensitivity of the net obligation to a change in the discount rate was as follows:

- reducing the discount rate by 0.5 point would lead to a commitment for retirement benefits of €135.6 million;
- increasing the discount rate by 0.5 point would lead to a commitment for retirement benefits of €118.8 million.

The pension reform on retirement age had an insignificant impact on our financial statements (€0.3 million) recognised in net position.

Changes in the retirement obligation were as follows:

	2023	2022
Opening obligation	111.4	142.4
Current service cost	10.9	14.3
Accretion expense	(0.1)	(1.4)
Benefits paid	(6.3)	(9.8)
Actuarial gains and losses(1)	11.0	(34.1)
OBLIGATION AT END OF PERIOD	**126.9**	**111.4**

(1) The change in actuarial gains and losses in 2023 is mainly related to the differences on the assumptions made on the discount rate for (€1.6) million, the revaluation of assets for €3.6 million and on the experience for €9.5 million.
The change in actuarial gains and losses in 2022 is related to the differences on the assumptions made on the discount rate for (€41.4) million, the revaluation of assets for €2.4 million and on the experience for €4.8 million.

Changes in pension plan assets were as follows:

	2023	2022
Assets at start of period	88.2	48.2
Payment on hedging assets	0.0	42.1
Return on assets	(0.9)	(2.1)
ASSETS AT END OF PERIOD	**87.3**	**88.2**

As at December 31, 2023, the assets were invested as follows: 54.32% in equities, 27.71% in bonds, 8.71% in diversified assets and 14.27% in money-market instruments.

The net charge recognised breaks down as follows:

	2023	2022
Current service cost	(10.9)	(14.3)
Accretion expense	(0.8)	(0.7)
Benefits paid	6.3	9.8
NET EXPENSE	**(5.4)**	**(5.2)**

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

	12/31/2023	12/31/2022
Actuarial commitment	126.8	111.4
Fair value of assets	(87.3)	(88.2)
PROVISIONS AT END OF PERIOD	**39.5**	**23.2**

Forecast payments for retirement benefits for the next four years are as follows:

	12/31/2023
Forecast benefits 2024	4.0
Forecast benefits 2025	2.2
Forecast benefits 2026	5.9
Forecast benefits 2027	7.8
EXPECTED BENEFITS FOR THE NEXT 4 YEARS	**19.9**

3.7.2. PROVISIONS FOR OTHER LONG-TERM BENEFITS

The provision for other long-term benefits concerns the following:
- 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, 2023 were as follows:

	2023	2022
Opening obligation	52.1	44.1
Current service cost	4.7	3.3
Accretion expense	1.6	0.3
Benefits paid	(1.8)	(1.6)
Actuarial gains and losses	(9.7)	5.0
OBLIGATION AT YEAR-END TO PAY OTHER LONG-TERM BENEFITS	**46.9**	**52.1**

3.8. TRADE AND OTHER PAYABLES

	12/31/2023	12/31/2022
Suppliers	1,694.2	1,446.1
Tax payables (excluding current tax)	267.3	210.9
Social benefit liabilities	286.9	334.9
Other payables	122.2	129.3
TRADE AND OTHER PAYABLES	**2,370.6**	**2,121.2**

3.9. CONTRACT ASSETS AND LIABILITIES

Contract assets, corresponding to the net debit position of unbilled receivables from which the corresponding advances received from customers have been deducted, and contract liabilities, corresponding to the net credit position of advances received from customers from which the corresponding unbilled receivables have been deducted, as well as deferred income.

This amount increases in line with the stage of completion of the contract and decreases as services are invoiced to the customer or as part payments are received. Contract assets and liabilities are as follows:

(in € millions)	12/31/2023	12/31/2022
Unbilled receivables, gross	10,125.1	4,615.8
Advances and part payments received from customers	(9,452.5)	(4,011.2)
Deferred income	0.6	0.4
CONTRACT ASSETS	**673.1**	**605.0**
Advances and part payments received from customers	3,522.4	8,022.5
Unbilled receivables	(2,173.0)	(6,373.0)
Deferred income	479.8	407.0
CONTRACT LIABILITIES	**1,829.2**	**2,056.5**

NOTE 4. FINANCIAL ASSETS AND LIABILITIES

4.1. SUMMARY OF 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 models 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	12/31/2023	Impact of the change in fair value on equity	Impact of the change in fair value on profit and loss
Investments	52.4	-	-	52.4	-	-
Hedging instruments, non-current portion	-	(0.2)	-	(0.2)	-	-
Investment securities	-	385.2	-	385.2	-	(0.5)
Other non-current financial assets	0.1	-	-	0.1	-	-
TOTAL NON-CURRENT FINANCIAL ASSETS	**52.5**	**385.0**	**-**	**437.5**	**-**	**(0.5)**
Trade receivables	905.8	-	-	905.8	-	-
Hedging instruments, current portion	-	0.9	-	0.9	-	0.2
Other current financial assets	1.2	-	-	1.2	-	-
Cash and cash equivalents	-	990.3	-	990.3	-	2.2
TOTAL CURRENT FINANCIAL ASSETS AND TRADE RECEIVABLES	**907.0**	**991.2**	**-**	**1,898.1**	**-**	**2.4**

	Loans and receivables at amortised cost	Fair value through profit and loss	Fair value through equity	12/31/2022	Impact of the change in fair value on equity	Impact of the change in fair value on profit and loss
Investments	43.1	-	-	43.1	-	-
Hedging instruments, non-current portion	-	(0.2)	-	(0.2)	-	(0.3)
Investment securities	-	395.2	-	395.2	-	(3.4)
Other non-current financial assets	0.1	-	-	0.1	-	-
TOTAL NON-CURRENT FINANCIAL ASSETS	**43.2**	**395.0**	**-**	**438.2**	**-**	**(3.7)**
Trade receivables	997.7	-	-	997.7	-	-
Hedging instruments, current portion	-	0.7	-	0.7	-	0.5
Investment securities	-	10.0	-	10.0	-	0.1
Other current financial assets	0.6	-	-	0.6	-	-
Cash and cash equivalents	-	1,218.4	-	1,218.4	-	(1.4)
TOTAL CURRENT FINANCIAL ASSETS AND TRADE RECEIVABLES	**998.3**	**1,229.1**	**-**	**2,227.4**	**-**	**(0.8)**

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	12/31/2023	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	74.9	-	-	74.9	-	-
Hedging instruments, non-current portion	-	(0.5)	-	(0.5)	-	(0.4)
ORS & PAC debt, non-current portion	69.4	-	-	69.4	(0.1)	3.7
Other non-current financial liabilities	-	-	-	-	-	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**144.3**	**(0.5)**	**-**	**143.8**	**(0.1)**	**3.3**
Suppliers	1,694.2	-	-	1,694.2	-	-
Loans, current portion	-	-	-	-	-	-
IFRS 16 lease liability, current portion	23.0	-	-	23.0	-	-
Hedging instruments, current portion	-	(0.6)	-	(0.6)	-	(0.6)
ORS & PAC debt, current portion	1.5	-	-	1.5	(3.5)	-
Other current financial liabilities	-	32.2	-	32.2	-	-
TOTAL CURRENT FINANCIAL LIABILITIES AND TRADE PAYABLES	**1,718.7**	**31.6**	**-**	**1,750.3**	**(3.5)**	**(0.6)**

	Loans and trade payables at amortised cost	Fair value through profit and loss	Fair value through equity	12/31/2022	Impact of the change in fair value on equity	Impact of the change in fair value on profit and loss
Loans, non-current portion	-	-	-	-	-	-
IFRS 16 lease liability, non-current portion	64.2	-	-	64.2	-	-
Hedging instruments, non-current portion	-	-	-	-	-	0.9
ORS & PAC debt, non-current portion	66.7	-	-	66.7	(1.0)	1.8
Other non-current financial liabilities	-	-	-	-	-	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**130.9**	**-**	**-**	**130.9**	**(1.0)**	**2.6**
Suppliers	1,446.1	-	-	1,446.1	-	-
Loans, current portion	-	-	-	-	-	-
IFRS 16 lease liability, current portion	22.8	-	-	22.8	-	-
Hedging instruments, current portion	-	-	-	-	-	0.8
ORS & PAC debt, current portion	3.5	-	-	3.5	(2.9)	-
Other current financial liabilities	-	14.6	-	14.6	-	-
TOTAL CURRENT FINANCIAL LIABILITIES AND TRADE PAYABLES	**1,472.4**	**14.6**	**-**	**1,487.0**	**(2.9)**	**0.8**

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

4.1.3. FAIR VALUE OF INVESTMENTS

Investments, which are qualified as "available-for-sale" financial assets, are broken down as follows (in brackets, the group's percentage interests in these companies on December 31, 2023 and their country of registration for foreign companies):

12/31/2023	Gross	FCPR unrealized payments	Depreciation	Net
Sofema SA (10%)	10.8		(6.1)	4.7
Chantiers de l'Atlantique (12%)	13.9			13.9
Odas SA (9%)	2.7		(2.7)	0.0
FCPR Sécurité (13%)	1.6		(1.3)	0.3
FCPR Financière de Brienne 1 (6%)	0.3		(0.1)	0.2
FCPR Financière de Brienne 3 (2.9%)	5.0	(0.6)		4.4
PSL Innovation Fund (7%)	5.0	(0.6)		4.4
Itaguaí Construções Navais	21.0			21.0
Jeumont Electric SAS	2.6			2.6
Other	0.9			0.9
INVESTMENTS				**52.4**

4.1.4. FINANCIAL DEBT

	12/31/2022	Increase	Decrease	Changes in Fair Value of debt	Changes in Fair Value of derivative instruments	Translation differences	Other	12/31/2023
Loans	-	-	-	-	-	-	-	-
ORS & PAC liabilities	70.2	1.0	(4.0)	3.7	-	-	-	70.9
Other financial liabilities	14.6	17.8	0.1	-	-	0.2	(0.5)	32.2
Financial instruments	-	-	-	-	(1.0)	-	-	(1.1)
Lease liabilities IFRS 16	87.0	36.6	(25.7)	-	-	(0.1)	(0.1)	97.9
FINANCIAL DEBT	**171.8**	**55.4**	**(29.6)**	**3.7**	**(1.0)**	**0.1**	**(0.6)**	**199.9**

	12/31/2021	Increase	Decrease	Changes in Fair Value of debt	Changes in Fair Value of derivative instruments	Translation differences	Other	12/31/2022
Loans	450.0	-	(450.0)	-	-	-	-	-
ORS & PAC liabilities	58.7	14.1	(4.4)	1.8	-	-	-	70.2
Other financial liabilities	26.0	-	(7.5)	-	-	0.7	(4.6)	14.6
Financial instruments	(1.7)	-	-		1.7	-	-	-
Lease liabilities IFRS 16	102.4	8.2	(24.3)	-	-	0.1	0.6	87.0
FINANCIAL DEBT	**635.4**	**22.3**	**(486.2)**	**1.8**	**1.7**	**0.8**	**(4.0)**	**171.8**

4.2. NET FINANCIAL DEBT

At December 31, 2023, the group's net financial debt amounted to (€1,200.2) million (compared to (€1,467.1) million on December 31, 2022).
The statement of financial position items contributing to net financial debt are as follows:

	12/31/2023	12/31/2022
Cash and cash equivalents	(990.3)	(1,218.4)
Investment securities	(385.2)	(405.2)
Current accounts & other non-current financial assets	(6.4)	(14.9)
Loans and other liabilities	83.6	84.3
NET FINANCIAL DEBT BEFORE LEASE LIABILITIES IFRS 16	(1,298.3)	(1,554.2)
Lease liabilities IFRS 16	97.9	87.1
NET FINANCIAL DEBT	(1,200.4)	(1,467.1)

Net financial debt is not a financial indicator defined by IFRS and may not be comparable to indicators similarly named by other companies. This is additional information that should not be considered as a substitute for an analysis of all of the group's assets and liabilities.

4.3. RISK MANAGEMENT

4.3.1. CREDIT RISK

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

The group considers that the risk of a counterparty default in respect of its trade receivables that could materially affect its financial situation and earnings is limited. In fact, its counterparties are generally sovereign states that have adequate resources to meet their financial obligations. Where this is not the case, the group covers such credit risk through public (Coface) or private insurers.
All impairment allowances against trade receivables are assessed on a case-by-case basis.
Financial market transactions are only entered into with banks or institutions with first-class ratings and within the authorised levels set by General Management for each counterparty.

	12/31/2021	Allocations	Reversals	Other	12/31/2022	Allocations	Reversals	Other	12/31/2023
Impairment allowances against trade receivables	(26.0)	(0.2)	1.2	-	(25.0)	(0.1)	3.8	0.1	(21.3)

4.3.2. LIQUIDITY RISK

Liquidity risk is currently covered by excess cash. The group occasionally uses short-term credit lines to avoid any strain on its liquidity. In addition, Naval Group remains vigilant about the availability of its customers' financial resources, which, if limited or reduced, could result in the emergence of additional requirements.

The group also owes a debt to its employees through the ORS, PAC and LTIP operation.

4.3.3. COMMODITY RISK

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

4.3.4. FOREIGN EXCHANGE RISK

The group has no financial debts in currencies other than the euro. As part of its normal activities, the group may be faced with foreign currency exchange rate issues on tenders submitted in foreign currency, contracts awarded and all future disbursements denominated in foreign currency. The main currencies to which the group was exposed during the period are the US dollar (USD), the Saudi riyal (SAR), the pound sterling (GBP) and the Brazilian real (BRL). In accordance with group policy, all significant transactions in foreign currencies are subject to a foreign exchange 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 whenever possible. Residual exposure is then hedged by purchasing forward contracts or foreign exchange options on these currencies.

	12/31/2023	12/31/2022
FORWARD PURCHASE CONTRACTS		
US Dollar (USD)	14.9	9.4
Pound sterling (GBP)	25.5	48.2
Brazilian real (BRL)	8.8	
Indian rupee (INR)	1.6	1.7
CALL OPTIONS		
Pound sterling (GBP)	1.8	1.9

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.

4.3.5. INTEREST RATE RISK

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

4.3.6. INFLATION-RELATED RISKS

In the current inflationary context, Naval Group is continuing to strengthen its competitiveness plans and its vigilance with regard to bids, in particular by means of price revision conditions enabling us to secure our operating margin.

NOTE 5. OTHER INFORMATION

5.1. NOTES TO THE CASH FLOW STATEMENT

5.1.1. CHANGE IN WORKING CAPITAL REQUIREMENT

	2023	2022
Net decrease (increase) in inventories	(39.3)	(16.0)
Net decrease (increase) in advances and part payments paid	(263.8)	(91.2)
Net decrease (increase) in trade receivables	90.9	(356.6)
Net increase (decrease) in other receivables	0.2	6.9
Net increase (decrease) in trade payables	251.6	196.7
Net increase (decrease) in other payables	(6.5)	(62.8)
Net increase (decrease) in contract assets and liabilities	(294.8)	713.0
CHANGE IN WORKING CAPITAL REQUIREMENT	**(261.6)**	**390.0**

5.1.2. PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2023	2022
Purchases of intangible assets	(23.6)	(20.9)
Purchases of property, plant, and equipment	(142.0)	(110.3)
PURCHASES DURING THE PERIOD	(165.7)	(131.2)
Deferred disbursement	6.1	(2.8)
PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	**(159.6)**	**(134.0)**

5.1.3. DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2023	2022
Disposals of intangible assets	-	-
Disposals of property, plant, and equipment	0.2	0.8
DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	**0.2**	**0.8**

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, 2023, the group generated 69.7% of its revenue with the French State and government-related entities (*versus* 63.1% of its revenue for the financial year ended December 31, 2022).

5.2.2. TRANSACTIONS WITH RELATED PARTIES (EXCLUDING THE FRENCH STATE AND GOVERNMENT-RELATED ENTITIES)

	2023	2022
SALES		
Associates	122.5	87.8
Shareholders and companies controlled by them (excluding the French State and government-related entities)	-	-
Other	17.2	13.6

5.2.3. RELATED-PARTY RECEIVABLES AND PAYABLES (EXCLUDING THE FRENCH STATE AND GOVERNMENT-RELATED ENTITIES)

	12/31/2023	12/31/2022
OPERATING RECEIVABLES(1)		
Associates	505.7	354
Shareholders and companies controlled by them (excluding the French State and government-related entities)	-	-
Other	18.6	12.5
OPERATING PAYABLES(2)		
Associates	578.1	371.5
Shareholders and companies controlled by them (excluding the French State and government-related entities)	-	-
Other	48.4	25.6
FINANCIAL LIABILITIES(3)		
Associates	18.5	0.5
Shareholders and companies controlled by them (excluding the French State and government-related entities)	70.9	70.2
Other	-	-

(1) Other operating receivables mainly comprise receivables vis-à-vis the following companies: Boustead DCNS Naval Corporation, Défense Environnement Services, Kership, Jeumont Electric SAS, TechnicAtome, Mo Porte Avions and Eurotorp.

(2) Other operating payables mainly comprise payables vis-à-vis the following companies: Boustead DCNS Naval Corporation, Jeumont Electric SAS, Kership, TechnicAtome, Eurotorp, MO Porte-Avions and Chantiers de l'Atlantique.

(3) Financial liabilities comprise ORS/PAC debt and the current accounts of associates.

5.2.4. AGREEMENTS CONCLUDED WITH THALES

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

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

- the non-resumption by Thales (whether directly or indirectly) of any of the activities carried out by TNF, Armaris or 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, 2023 and December 31, 2022:

	2023	2022
Fixed compensation	3.7	3.8
Variable compensation	2.1	1.8
Benefits in kind and miscellaneous	0.5	0.3
Employer's social benefit contributions	2.3	2.3
TOTAL	**8.6**	**8.2**
Persons concerned	14	14

5.3. OFF-STATEMENT 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.

COMMITMENTS MADE

	12/31/2023	12/31/2022
Performance guarantees(1)(2)(3)	517.1	509.2
Guarantees in lieu of retentions	5.6	6.0
Other guarantees made(4)(5)	186.7	129.3
COMMITMENTS MADE	**709.3**	**644.4**

(1) Under a sale contract entered into in Greece, the group's banks have issued bank guarantees of €116 million in favour of its customer to guarantee performance.
(2) Under a series of sale contracts entered into by the group in Brazil, bank guarantees for a total amount of €130.4 million were issued to guarantee performance.
(3) Under a series of sale contracts entered into by the group in the United Arab Emirates, bank guarantees for a total amount of €126.5 million were issued to guarantee performance.
(4) In the context of the employee share offer, the group instructed its banks to issue a €28 million financial guarantee to the management company in charge of managing the fund.
(5) Under the subcontracting law of 1975, Naval Group issued payment guarantees to its subcontractors in the amount of €105.2 million.

The maturity schedule as at December 31, 2023 was as follows:

	Due in less than one year	Due in one to five years	Due in more than five years
Performance guarantees	103.8	353.1	60.2
Guarantees in lieu of retentions	5.6	-	-
Other guarantees made	24.5	132.1	30.0
COMMITMENTS MADE	**133.9**	**485.2**	**90.2**

COMMITMENTS RECEIVED

	12/31/2023	12/31/2022
Performance guarantees	62.5	74.3
Guarantees in lieu of retentions	0.2	2.6
Other guarantees received	13.9	0.7
COMMITMENTS RECEIVED	**76.6**	**77.6**

The maturity schedule as at December 31, 2023 was as follows:

	Due in less than one year	Due in one to five years	Due in more than five years
Performance guarantees	41.1	14.5	6.9
Guarantees in lieu of retentions	0.2	-	-
Other guarantees received	11.4	2.0	0.6
COMMITMENTS RECEIVED	**52.7**	**16.5**	**7.4**

5.3.2. OTHER COMMITMENTS

COMMITMENTS MADE

As at December 31, 2023, firm investment commitments totalled €114.3 million (*versus* €125.6 million as at December 31, 2022).
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.
The DGA is requesting that Naval Group and Chantiers de l'Atlantique guarantee the performance of each contract for the new generation aircraft carrier (NG-AC) program for which MO Porte-Avions (MO PA) – a joint company owned 65% by Naval Group and 35% by Chantiers de l'Atlantique – is the contractor.

In this context, the Board of Directors of Naval Group authorised the issuance of four guarantees under the terms of which Naval Group has irrevocably undertaken to take over the rights and obligations of MO PA under the following contracts, in the event of a substantial breach by MO PA affecting the performance of said contracts:
- detailed preliminary design contract, first subsequent contract (authorised February 17, 2023);
- EIS/ASN4G contract (authorised June 27, 2023);
- derisking contract, second subsequent contract (authorised June 27, 2023);
- risk mitigation survey contract, third subsequent contract (authorised October 17, 2023).

COMMITMENTS RECEIVED

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

5.4. EVENTS AFTER THE REPORTING PERIOD

None.

VI. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended December 31, 2023

To the General Meeting of Naval Group,

OPINION

Pursuant to the assignment entrusted to us by your General Meetings, we conducted our audit of the consolidated financial statements of Naval Group for the financial year ended December 31, 2023, 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, 2023, to the issue date of our report.

JUSTIFICATION OF OUR ASSESSMENTS

Pursuant to the provisions of articles L. 821-53 and R. 821-180 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following assessments which, in our professional opinion, were the most significant for the audit of the consolidated financial statements for the financial year.
These assessments are made in the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We offer no opinion on individual items in these consolidated financial statements.

- Note 1.3.4. "Accounting rules and policies – Use of estimates – Recognition of revenue and profit on contracts accounted for under the percentage of completion method and related provisions" in the notes to the consolidated financial statements states that your group recognises revenue and profit on certain projects using the percentage of completion method. This involves the use by Management of estimates, in particular to determine the profit on completion of each contract, made on the basis of the most up-to-date information available with regard to its progress. These estimates affect net income as well as the assets and liabilities recorded in the statement of financial position. Our work consisted of understanding the processes in place by your group in this area and assessing the underlying data and assumptions on which these estimates are based. We also assessed the reasonableness of these estimates, on the basis of the information available at the time the financial statements were prepared.
- Note 1.3.4. "Accounting rules and policies – Use of estimates – Valuation of assets" in the notes to the consolidated financial statements states that your group conducted an annual impairment test of goodwill by using assumptions of future cash flows, discount rates and perpetual growth rates, which required the use of judgement. We assessed the conditions under which the annual impairment test was conducted and examined the assumptions used, which are justified by the information available at the reporting date.

SPECIFIC VERIFICATIONS

We also carried out specific verifications, in accordance with professional standards applicable in France and provided for by law and regulations, of the information relating to the group, given in the Board of Directors' management report.

We have no matters to report as to the fair presentation and consistency with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance provided for in article L. 225-102-1 of the French Commercial Code is included in the information on the group presented in management report, it being specified that, pursuant to the provisions of article L. 823-10 of this Code, the information contained in this statement has not been verified by us as to its fair presentation or consistency with the consolidated financial statements and is subject to a report by an independent verifier.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS benchmark, as adopted by the European Union and for such internal control as Management determines is necessary to prepare consolidated financial statements that are free from misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to said going concern and using the going concern basis of accounting, unless Management either intends to wind up the company or cease operations.

The consolidated financial statements are prepared by the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

It is our responsibility to report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free from any material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by article L. 821-55 of the French Commercial Code, our task of certifying the financial statements does not extend to vouching for the viability or quality of Naval Group's management.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgement throughout the audit. We also:

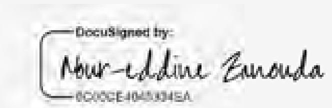
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, define and perform audit procedures that address these risks and obtain the evidence deemed sufficient and appropriate to form an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the overriding of internal control;
- obtain an understanding of internal control relevant to the audit in order to define audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- assess the appropriateness of accounting methods used and the reasonableness of accounting estimates and related disclosures made by Management, in the consolidated financial statements;
- assess the appropriateness of Management's use of the going concern accounting convention and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Naval Group's ability to continue as a going concern. This assessment is based on the audit evidence obtained at the date of our report. However, it should be pointed out that future events or conditions may cause Naval Group to cease to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the consolidated financial statements as regards said uncertainty or, if such disclosures are not provided or are not relevant, to certify with reservations or refuse to certify;
- assess the overall presentation of the consolidated financial statements and whether the consolidated financial statements fairly reflect the underlying transactions and events;
- obtain audit evidence that is sufficient and appropriate, regarding persons or entities included in the consolidated financial statements, to provide a basis for our opinion on the consolidated financial statements. We are responsible for managing, supervising, and conducting the audit of the consolidated financial statements and for expressing our opinion.

Paris-La Défense, February 29, 2024

The Statutory Auditors

MAZARS
Juliette Decoux-Guillemot

ERNST & YOUNG Audit
Nour-Eddine Zanouda



VII. REPORT OF THE INDEPENDENT VERIFIER ON THE VERIFICATION OF THE CONSOLIDATED STATEMENT OF NON-FINANCIAL PERFORMANCE INCLUDED IN THE MANAGEMENT REPORT

Financial year ended December 31, 2023

To the General Meeting,

In our capacity as an independent verifier, member of the Mazars network, Statutory Auditor of Naval Group, accredited by COFRAC Inspection under number 3-1895 (accreditation for which the list of sites and scope are available on www.cofrac.fr), we have performed work designed to provide a reasoned opinion expressing a moderate level of assurance on the historical information (observed or extrapolated) of the consolidated statement of non-financial performance (hereinafter the "Information" and the "Statement", respectively), prepared in accordance with the procedures of the Entity (hereinafter the "Criteria"), for the year ended December 31, 2023, presented in the management report of Naval Group (hereinafter the "company" or the "Entity"), pursuant to the provisions of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

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 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.

The Information must therefore be read and understood with reference to the Criteria, the significant elements of which are presented in the Statement.

LIMITATIONS INHERENT IN THE PREPARATION OF THE INFORMATION

As indicated in the Statement, 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.

COMPANY'S RESPONSIBILITY

The Board of Directors is responsible for:

- to select or establish appropriate criteria for the preparation of the Information;
- prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks and the results of these policies, including key performance indicators;
- as well as to put in place the internal control that it deems necessary to prepare the information that is free from material misstatement, whether due to fraud or error.

The Statement was prepared in accordance with the entity's Guidelines as mentioned above.

RESPONSIBILITY OF THE INDEPENDENT VERIFIER

It is our role, based on our work, to formulate a reasoned opinion expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the accuracy of the historical information (recorded or extrapolated) provided pursuant to (3) of I and II of article R. 225-105 of the French Commercial Code, *i.e.* the results of policies, including key performance indicators, and actions, relating to the main risks.

We conducted our work in order to provide a reasoned opinion expressing a moderate level of assurance on the historical, observed and extrapolated information.

As we are responsible for making an independent conclusion on the Information as prepared by management, we are not authorised to be involved in the preparation of such Information as this could compromise our independence.

It is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions (particularly in terms of the vigilance plan and the fight against corruption and tax evasion);
- compliance of products and services with applicable regulations.

REGULATORY PROVISIONS AND APPLICABLE PROFESSIONAL DOCTRINE

Our work described below was carried out in accordance with the provisions of articles A. 225 1 *et seq.* of the French Commercial Code, the professional standards issued by the CNCC (*Compagnie Nationale des Commissaires aux Comptes* – French National Statutory Auditor Body) relating to this audit in lieu of an audit programme, and with ISAE 3000 (Revised).

This report has been drawn up in accordance with the audit program, RSE_SQ_Programme de vérification_DPEF.

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 for Statutory Auditors. In addition, we set up a quality control system that includes documented policies and procedures to ensure compliance with applicable laws and regulations, ethical rules, and professional doctrine of the Compagnie Nationale des Commissaires aux Comptes relating to this activity.

MEANS AND RESOURCES

Our work was conducted by a team of five people over a total period of six weeks between September 2023 and February 2024.
We conducted around ten interviews with the people responsible for preparing the Statement, representing in particular the General Management, CSR, Risk Management, Compliance, Human Resources, Innovation, Health and Safety and Environment Departments.

NATURE AND SCOPE OF 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:

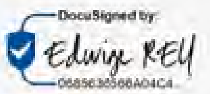
- we acknowledged the business activities of all the entities included in the consolidation scope and the description of the main risks;
- we assessed the suitability of the Criteria in view of their relevance, completeness, reliability, neutrality, and clarity, taking into account industry best practice, where appropriate;
- we have verified that the Statement covers each category of social and environmental information provided for in III of article L. 225 102 1;
- we verified that the Statement presents the information provided for in II of article R. 225-105 when relevant with regard to the main risks and includes, where applicable, an explanation of the reasons justifying the absence of the information required by the second sub-paragraph of III of article L. 225-102-1;
- 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 (increased changes and legal and regulatory constraints in terms of the environment, breach of the General Data Protection Regulation, breach of French and foreign anti-corruption regulations, risk of fraud, conflict of interest and influence peddling, etc.), 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[1];
- we have verified that the Declaration covers the entire consolidation scope, *i.e.* all entities included in the consolidation scope in accordance with article L. 233-16, subject to the limitations 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 on a selection of contributing entities[1], covering between 33% and 100% of the consolidated data selected for these tests;
- we assessed the overall consistency of the Statement with our knowledge of the entity and all entities included in the consolidation scope.

The procedures performed as part of a moderate assurance engagement are not as extensive as those required for a reasonable assurance engagement performed in accordance with the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes; a higher level of assurance would have required more extensive verification work.

Paris-La Défense, February 29, 2024

The independent verifier,
Mazars SAS

Edwige Rey
CSR & Sustainable Development Partner



(1) Sites audited: Toulon and Cherbourg.

APPENDIX 1: INFORMATION CONSIDERED TO BE THE MOST IMPORTANT

Qualitative information
• Non-compliance with export and customs control rules • Breach of the General Data Protection Regulation • Breach of French and foreign anti-corruption regulations, risk of fraud, conflict of interest and influence peddling (detail) • Increased changes and legal and regulatory constraints in terms of the environment (mention)
Quantitative information
• Percentage of positions filled in critical positions (GPEC) • Number of collective agreements signed (including amendments) • Short-term absenteeism rate • Percentage of women among senior executives • % of women managers • % of women among new hires • % of seniors among new hires • Suppliers at CSR risk • Suppliers at CSR risk assessed • Suppliers at CSR risk that need an improvement plan • Number of work-related injuries with lost time NG S/T • Average number of days lost • Frequency rate 1 NG S/T • Severity rate • Number of environmental accidents • Number of environmental incidents • Reduction in site scopes 1 and 2 GHG emissions (ISO hours worked and ISO DJU) • Reduction in gas energy consumption (ISO hours worked and ISO DJU) • Reduction in electric energy consumption (ISO hours worked and ISO DJU) • Number of environmental analyses of products

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 CATALOGUE:
guide covering cleantech technologies (industrial technologies and services using natural resources with a view to improve efficiency and productivity, and reduce the volume of waste, while preserving or improving performance).

COFFERDAMS OR DRY MESH:
space separating two parts of a ship's hull, delimited by two watertight bulkheads on either side.

COMMITTEE OF SPONSORING ORGANISATIONS – COSO:
internal control framework defined by the Committee of Sponsoring Organisations of the Treadway Commission.

CORVETTE:
medium-sized warship.

ECO-DESIGN:
set of production methods that reduce the environmental impact from the design of a product or service and during all stages of its life cycle.

ECOVADIS:
global provider of corporate sustainability ratings.

POOL-SUPPORT SYSTEM:
interior structure of the nuclear boiler room of a submarine that supports the main components (accumulator, pressuriser, vessel, etc.).

ADDITIVE MANUFACTURING:
manufacturing process by adding materials in successive layers. 3D manufacturing is an example of additive manufacturing.

MUTUAL FUNDS (FCPE):
undertaking for collective investment in transferable securities reserved for employees of companies.

FRIGATE:
medium-tonnage combat vessel, intermediate between the corvette and the cruiser, with an anti-submarine vocation.

DANISH INSTITUTE FOR HUMAN RIGHTS:
state institution, independent of the government, promoting the creation of sustainable solutions. It acts as a link between governments, NGOs, and companies.

ISO 9001:
standard defining the criteria and requirements for the implementation of a quality management system. The tools and methods aim to optimise the effectiveness, efficiency and excellence of the company's production processes and overall operations.

ISO 14001:
environmental management standard providing guarantees in terms of controlling environmental impacts in the company.

ISO 37001:
standard enabling organisations of all types to prevent, detect and deal with corruption issues.

ISO 45001:
standard defining the criteria and requirements for occupational health and safety. Its objective is to implement an Occupational Health and Safety (OHS) management system aimed at reducing the risk of accidents in all company functions.

MODULAR HANDLING:
scalable handling system to adapt to the specific needs of the company.

SUBSEQUENT CONTRACT:
contract concluded on the basis of a framework agreement, which specifies the characteristics and terms of performance of the services requested, not defined in the framework agreement.

SEAMANSHIP:
workplace training program (AFEST). Seamanship allows experienced and recognised professionals to learn, improve and deepen their skills in stages through immersion, benefiting from their experience. It is based on the performance of professional activities in the presence of a peer, who passes on their knowledge and know-how, in particular through demonstrations: the mentor (the "seaman") shows, the employee (the "seaman"). observes then reproduces. Together, they reflect on the employee's practices.

ASYMMETRIC THREATS:
threats from an adversary whose strengths and objectives are not comparable (terrorism, guerrilla warfare, etc.).

BILAN CARBONE® METHOD:
method developed by ADEME and updated by the association's carbon footprint (ABC), which defines a methodology and tools to quantify the greenhouse gas emissions generated by activities, services and/or products.

NAVE SESAME:
nave housing the acoustic test station for engine equipment (SESAME) at the Nantes-Indret site.

GLOBAL COMPACT:
United Nations initiative based on ten principles aimed at encouraging companies, public organisations, and civil society to adopt a socially responsible attitude. These principles relate to human rights, international labour standards, the environment, and the fight against corruption.

PATROLLER:
small building intended for surveillance, maritime safeguarding, or attack missions in coastal areas.

NUCLEAR RECOVERY PLAN:
support plan put in place by the Government to strengthen the skills and competitiveness of the nuclear sector. This plan aims to support projects for the modernisation, 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 SUBMARINE LAUNCHER:
very large naval nuclear-powered submarine equipped with nuclear-charged strategic ballistic missiles.

METRIC TONS OF CO_2 EQUIVALENT:
unit of measurement created by the Intergovernmental Panel on Climate Change (IPCC), which compares the impacts of different greenhouse gases on the environment.

TORPEDO:
self-propelled underwater vehicle loaded with explosives, used against maritime objectives by ships, submarines or aircraft.

WOMEN EMPOWERMENT PRINCIPLES:
set of seven principles that provide guidance to companies on how to promote gender equality and the empowerment of women in the workplace. At the initiative of UN Women and the Global Compact of the United Nations, these principles are based on the interest and responsibility of companies for gender equality and women's empowerment.

MANAGEMENT REPORT

I. PRESENTATION OF THE GROUP AND NAVAL GROUP SITUATION DURING THE FINANCIAL YEAR

II. EVENTS AFTER THE REPORTING PERIOD

III. STATEMENT OF NON-FINANCIAL PERFORMANCE (SNFP)

IV. VIGILANCE PLAN

CONSOLIDATED FINANCIAL STATEMENTS

Communications Department
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