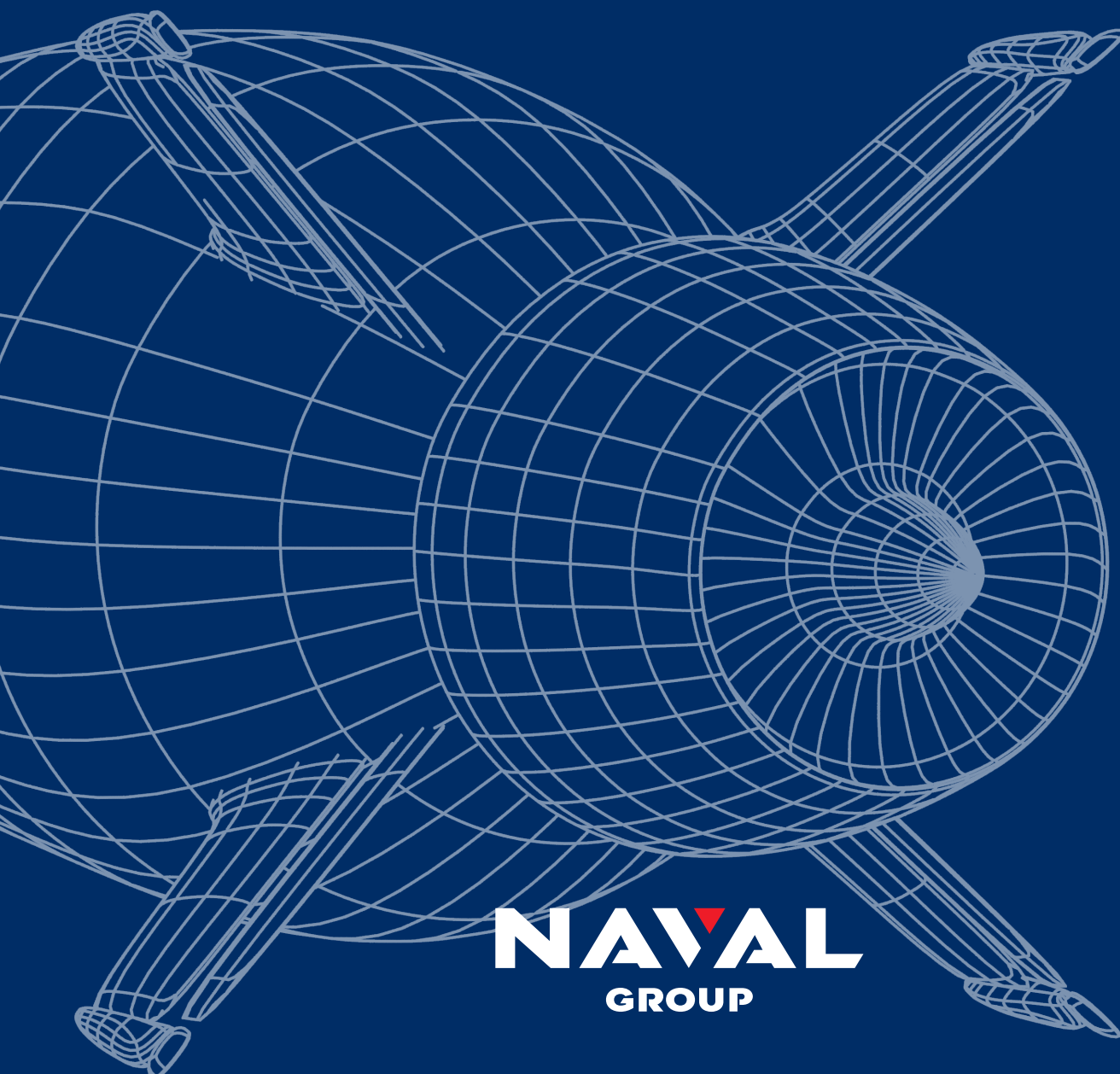




2019

TAX TRANSPARENCY REPORT



NAVAL
GROUP



Business Overview

Naval Group Australia was established in April 2015 as a wholly owned subsidiary of Naval Group.

Naval Group is a European leader in naval defence. As an international high-tech company, Naval Group uses its extraordinary know-how, unique industrial resources and capacity to arrange innovative strategic partnerships to meet its customers' requirements.

The group designs, builds and supports submarines and surface ships. It also supplies services to shipyards and naval bases. In addition, the group offers a wide range of marine renewable energy solutions. Observant of corporate social responsibility, Naval Group adheres to the United Nations Global Compact.

In April 2016, Naval Group was announced as Australia's international design and build partner for the Future Submarine Program.

Our vision is to upskill Australia to become a sovereign submarine nation by bringing international experience and technology together with local capabilities to deliver Australia's Future Submarine Program.

Reconciliation of accounting profit to tax expense

The accounting profit of Naval Group Australia for the year ended 31 December 2019 was \$3,515,534 after provision for income tax expenses of \$1,524,456. This is reconciled to profit before tax in the table below:

	\$
Profit before income tax	5,039,990
Income tax calculated at 30%	1,511,997
Tax effect of non-temporary adjustments	16,839
Adjustments for prior years	(4,380)
Income Tax Expense	1,524,456
Represented by:	
Current tax expense	
Current income tax charge for current period	4,170,563
Current income tax charge adjustment for prior period	45,459
	4,216,022
Deferred income tax expense	
Deferred tax expense relating to current period	(2,641,727)
Deferred tax adjustment for prior period	(49,839)
	(2,691,566)
Income Tax Expense	1,524,456

Reconciliation of income tax expense to income tax payable

The following table reconciles the income tax expense account as reported in the profit and loss to the income tax payable disclosed in the balance sheet

	\$
Income taxes payable at the beginning of financial year	(861,299)
Less: Income payable adjustment for prior year	(45,459)
Less: Income tax paid for prior year	906,758
Less: Income tax paid during the year	3,681,005
Income taxes payable for current financial year	(4,170,563)
Total tax payable as reported in BS	(489,558)

Effective company tax rate for Australian operations

The effective corporate tax rate of Naval Group Australia has been calculated by dividing the income tax expense by profit before tax (excluding prior year adjustments), as per below:

	\$
Accounting profit before income tax	5,039,990
Tax expense (excluding prior year adjustments)	1,528,836
Australian Effective Tax Rate (ETR)	30.33%

Naval Group Australia's ETR for the year ended 31 December 2019 was 30.33%. This rate is higher than the corporate tax rate of 30% and demonstrates that Naval Group Australia is contributing an appropriate amount of tax to the Australian economy.

Naval Group Australia's tax contribution will continue to grow as the program progresses in the future.

The ETR of Naval Group Australia is higher than the corporate tax rate of 30% due to:

- non-deductible expenditure

Identification of material temporary and non-temporary difference

Temporary difference

Naval Group Australia's material temporary differences mainly relate to:

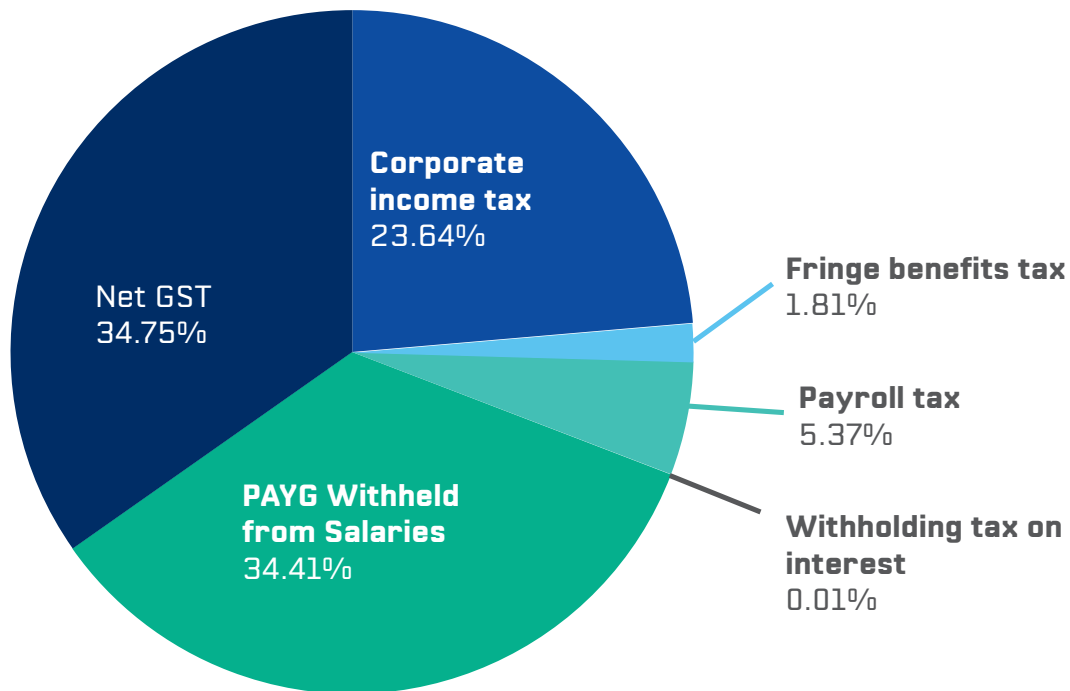
- property, plant and equipment
- employee benefits
- lease adjustments
- accruals

Non-temporary differences

Naval Group Australia's material non-temporary differences mainly relate to:

- non-deductible expenditure

Tax paid by category



Other contributions to the Australian Economy in 2019

In 2019 we ramped-up our workforce to 176 employees, and in the presence of the Prime Minister the Hon. Scott Morrison MP signed the Strategic Partnering Agreement which sets out the principles of cooperation between Naval Group and the Commonwealth of Australia.

Amongst other milestones Naval Group Australia signed the ASC Collaboration Framework Agreement, the Submarine Design Contract, and the Naval Shipbuilding Industry Strategic Workforce Plan; a commitment by the primes to build, grow and maintain the Australian shipbuilding workforce to ensure delivery of new and existing maritime programs over the decades ahead.

We remain as committed to our mission as we did back in 2016 – to upskill Australia to become a sovereign submarine nation by bringing international experience and technology together with local capabilities to deliver Australia’s Future Submarine Program.

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