



CONSTRUCTIONS INDUSTRIELLES DE LA MÉDITERRANÉE (CNIM)

Société anonyme having a Management Board and a Supervisory Board with share capital of €6,056,220

Registered office: 35 rue de Bassano - 75008 Paris

Paris Trade and Companies Register Number 662 043 595

Registration document
including the Annual Financial Report
and the Corporate Social and Environmental Responsibility
Report

2016



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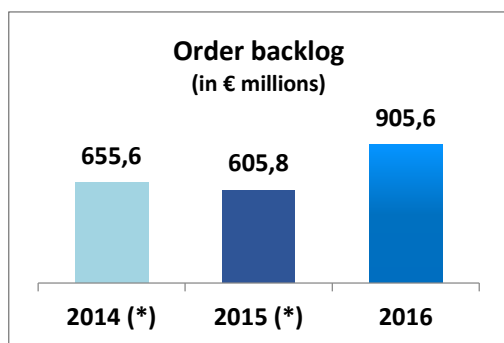
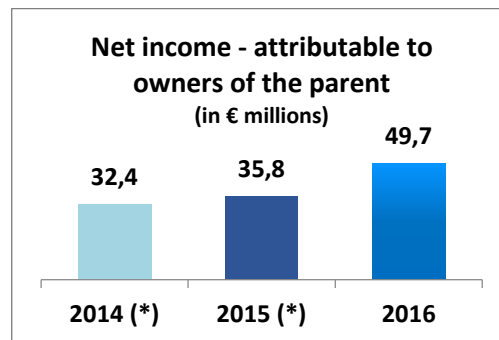
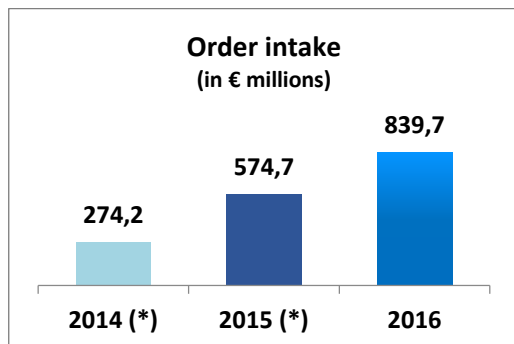
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1 ACTIVITIES, MARKETS, RESULTS, STRATEGY AND OUTLOOK^(AFR)

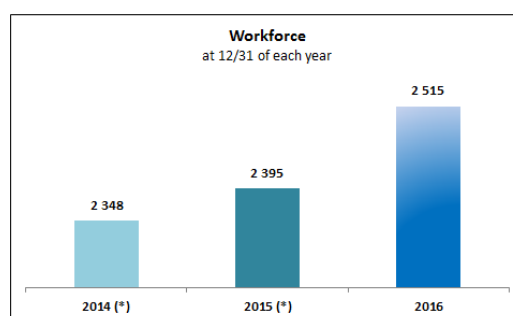
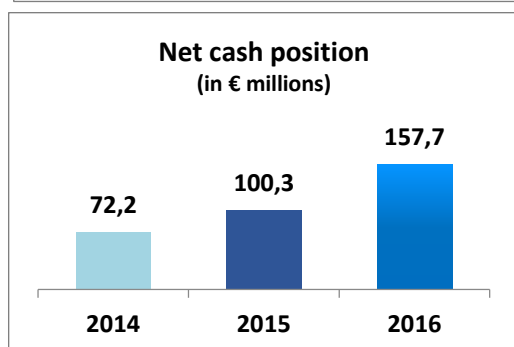
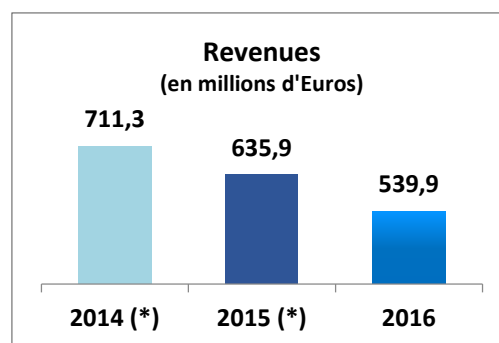
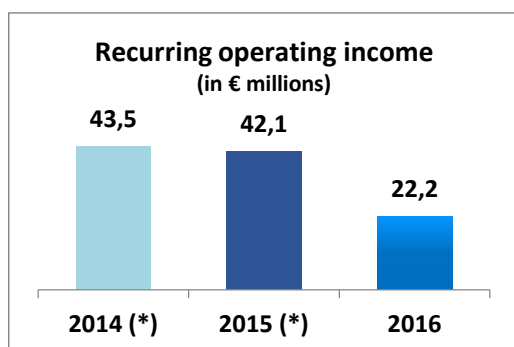
1.1 Key figures

The figures in Section 1 are presented in € millions.



In 2016, 54.6% of Group revenues were achieved by exports.

A breakdown of revenue by Sector is presented in Section 1.4.3.2. A geographical breakdown is presented in point 1.4.3.1.



(*) Data restated for the sold Babcock Wanson subsidiaries (cf. 1.4.1)

Detailed information for all key figures is presented and discussed in Sections 1.4 to 1.6.

1.2 Activities and markets, R&D, strategies and outlook, key events and highlights of 2016

This part of the registration document consists in a general overview of the Group and describes its activities by Sector by introducing the various product ranges and services, the markets in which the Sectors are developing, the R&D programs and the industrial and commercial strategies implemented, as well as their competitive positions.

1.2.1 General overview of the Group

The CNIM Group develops, designs and manufactures turnkey industrial solutions with high technological content and provides expertise, services and operating capability in the areas of environment, energy (thermal, nuclear and renewables), defense and industry. Thermal and mechanical engineering, robotics, instrumentation and control systems, machining large-scale parts, ergonomics, software services and solutions for IT security and big data are just a few of the skills on which CNIM's capacity to innovate is based.

Founded in 1856, the Group has a family-shareholder base that guarantees stability for future development. At December 31, 2016, CNIM employed 2,515 staff and achieved revenues of €539.9 million, of which 54.6 % derived from exports. CNIM shares trade on the Paris Euronext market, and it is classed as an "Intermediate-sized enterprise", a category of companies characterized by their performance in the international arena, their entrepreneurial capacity and their commercial prowess which make a notable contribution to the growth and competitiveness of the French economy.

The Group is divided into two Sectors, and a brief overview of each one is provided in table form below.

The Group has first-rate industrial facilities, with a main site located at La Seyne-sur-Mer in the Var and two other specialized sites elsewhere in the world; see 1.2.1.3.

Environment	Innovation & Systems
ORGANIZATION, PRODUCTS AND SERVICES	
<ul style="list-style-type: none"> - Construction of waste-to-energy and biomass-to-energy centers - Operation and maintenance of waste-to-energy and biomass-to-energy centers - Services and revamping of waste-to-energy and biomass-to-energy centers - Flue gas and bottom ash treatment systems and incineration residue recovery systems - Construction of solar power plants - Optimization, refurbishment and maintenance of combustion plants 	<p>The Innovation & Systems Sector comprises:</p> <ul style="list-style-type: none"> - the Industrial Systems Division, which is made up of CNIM Industrial Systems, a unit of CNIM SA based at La Seyne-sur-Mer, and the operating subsidiaries CNIM Transport Equipment (CTE) in China, CNIM Singapore and CNIM Babcock Morocco; - Bertin Technologies and its subsidiaries. <p>The Industrial Systems Division provides a unique range of services offering the development, production, installation and maintenance of innovative equipment and systems. It also performs manufacturing subcontracting contracts for various industrial sectors. Bertin Technologies and its subsidiaries operate in four major fields of activity:</p> <ul style="list-style-type: none"> - consultancy, system ergonomics and innovative engineering; - development and supply of instrumentation systems and equipment; - software solutions and related services for IT security and digital intelligence; - research and development services for the pharmaceutical industry and biotechnologies.
MARKETS	
<p>Customers: local authorities, plant operators, public service contractors, private investors, energy producers and public or private service companies (especially chemicals, petrochemicals, agri-food, paper,</p>	<p>Customers: large customers in France and internationally Markets: defense and security, maritime, air and space, nuclear power, environment and life sciences.</p>

<p>pharmaceuticals, plant operators and major service providers).</p> <p>Markets: Strategy of commercial development in countries which are actively pursuing policies:</p> <ul style="list-style-type: none"> - to build up their waste-to-energy strategies; - to refurbish and upgrade existing plants and services: thermal power equipment running on all types of fuel, waste recovery plants; - to reduce emissions into the air and recover incineration residues; - to develop solar energy. 	
OUTLOOK	
<ul style="list-style-type: none"> - In the French market, CNIM is continuing to generate business from the refurbishment of waste recovery centers - Ongoing strategy of commercial development in countries which are actively pursuing policies to build up their waste-to-energy strategies, in which field CNIM can supply design, construction and operating expertise: <ul style="list-style-type: none"> ➤ in Europe: mainly in the UK; ➤ in the Gulf countries and Asia. - LAB's strategy is to enhance its position in the international markets for waste-to-energy, biomass-to-energy and thermal plants, with an ongoing focus on its traditional markets in Scandinavia and western and central Europe. LAB is exploring opportunities to expand in the United States, the Middle East, the Far East and south-east Asia. - Solar energy: SUNCNIM aims to grow in geographical regions with intense sunshine. Growth prospects in the Middle East, South America and China. - Services: As the most important organization in the refurbishment and upgrade of thermal power plants in France, CNIM Babcock Services' strategy is to assist industrial firms worldwide in their energy transition and efficiency approach. 	<p>Defense Adapting the portfolio to match the Armed Forces' new requirements, with investments in cybersecurity in France and strong international growth in systems for the land-based and maritime projection of military force. Strong international growth thanks to a unique range of equipment and systems to counter nuclear, radiological, biological and chemical (NRBC) threats for the Armed Forces and civilian security.</p> <p>Nuclear power and large scientific instruments The targeted market is the French and international nuclear plant refurbishment market and projects for the construction of new plants. Strategy of development in Large Scientific Instruments and Research Reactors.</p> <p>Industry Development objective in the Space and Oil & Gas Sectors.</p> <p>Pharma and biotech Bertin Pharma is prioritizing biotech molecules (vaccines, proteins, therapeutic antibodies, gene therapy) and family or over-the-counter (OTC) medication. Bertin Pharma is offering a new range of products that are ready for submission to the registration authorities and are likely to be licensed to operators of pharmaceutical laboratories.</p>

1.2.1.1 Strategy and outlook

As an independent intermediate-sized enterprise, CNIM operates across the whole life cycle of high-added-value technical and industrial equipment.

Its strategy is based on:

- a diverse range of specialisms and a presence in the fields of the environment, energy, defense and security, making it relatively independent of economic cycles;
- the quality of its engineering and design department and industrial resources;
- innovation – the engine of the Group's growth – maintained by high levels of expertise and leading to selectivity in capital spending;
- growth of recurring business over the long term;
- improving competitiveness and profitability to ensure financing needs are met.

The strategies adopted for each Sector in accordance with the Group's general policies are described in the sectoral overviews.

1.2.1.2 Research and Development

Innovation at the heart of its projects

For CNIM, innovation is a response to the technological challenges presented by its customers in the private and public sectors. It is the keystone of its technological leadership, its competitiveness and its development. The Group's achievements are often world firsts.

In the CNIM Group, there are two types of R&D activity:

- research carried out on behalf of customers (this forms a significant part of Bertin Technologies' activities in particular);
- self-financed R&D programs, which are described by Sector.

For CNIM Group, innovation involves:

- a continuous improvement program aimed at optimizing existing equipment;
- the development of uniquely designed and constructed new products;
- a dynamic intellectual property policy with a portfolio of 139 groups of patents and 108 trademarks;
- the development of civil applications from defense projects;
- partnerships with research organizations in France and internationally;
- full participation in the development of major competitiveness clusters in France;
- the development of services aimed at optimizing customers' facilities, enabling them to improve equipment uptime and control their operating costs and environmental impact.

R&D programs are carried out at the level of each Sector which determine what action needs to be taken for their own technological areas within the framework of the Group's innovation strategy. These actions are described in the sectoral overviews.

1.2.1.3 First-rate industrial facilities

CNIM has made the strategic choice to concentrate on the design, manufacturing and operational maintenance of large-scale, high-precision mechanical and thermal equipment.

These technical items are manufactured in small or medium quantities for the defense, nuclear and energy industries in factories equipped with state-of-the-art machinery.

Engineers work closely with production in integrated project teams. Such close collaboration explains the strength of the value chain provided to our clients, as well as the continuous improvement in the execution of our projects.

On CNIM's main industrial site at La Seyne-sur-Mer in the Var (France), you can find all the professions from the Environment and Innovation & Systems Sectors:

- stages of development: R&D, engineering and design, systems and process engineering, dimensioning, calculations, automated systems, instrumentation and control systems;
- construction: clean room activities, machining, welding, boiler-making, set-up/assembly, quality control;
- services: work site coordination and monitoring, commissioning and operational maintenance, client training.

With a view to constantly improving its production facilities, CNIM invested in this site in 2013 by constructing of a new high-bay factory building and renovating an existing building for the construction of large-scale, high-precision industrial parts. As a result of these improvements, the site's production capacity has increased by more than 30%.

The Group's other industrial facilities are as follows:

- CNIM Babcock Morocco's Casablanca site provides efficient and competitive production/assembly/boilermaking capacity to customers within and outside the Group;
- mechanical equipment for Chinese nuclear plants is manufactured at the Gaoming site in China.

In 2016, the La Seyne-sur-Mer, Gaoming and Casablanca sites jointly carried out several contract manufacturing agreements for industrial customers. Such services are important to ensure that facilities and personnel remain competitive and able to develop into new industries.

Bertin Technologies' research laboratories and multi-disciplinary capabilities complete this package aimed at industrial innovation.

1.2.1.4 Key success factors

The different Sectors presented all share:

- mechanical and heating engineering capabilities, which form the historical basis of our activities and are combined with first-rate industrial facilities;
- the experience and capacity to lead complex projects;
- opportunities in high- technology industries (with an important design component, quantitatively and qualitatively).

Moreover, the Group has favored a mix of businesses that makes it possible:

- to cover the whole value chain (R&D, design, equipment manufacturing, installation of the finished product, maintenance and services);
- to weather the effects of cyclical variations in each Sector.

1.2.1.5 Segment information

This information can be found in Section I.4 "Group results".

Information required under IFRS is presented in the notes to the 2016 consolidated accounts (Note 5, Section 5.1 "Consolidated financial statements at December 31, 2016").

Comprehensive information on subsidiaries and other holdings is provided in this document in:

- Section 5.2 of the financial statements (Note 25 to the 2016 CNIM SA Financial Statements);
- – Note 3 "Scope of consolidation" to the 2016 consolidated financial statements;
- Structure of the main Group companies, point 1.2.7.

1.2.2 Key events and highlights of 2016

A. CNIM Group

- As a desire to refocus on its core business as an industrial equipment manufacturer supplying major customers in the private and public sectors in France and worldwide, CNIM sold its Babcock Wanson subsidiaries (excluding CNIM Babcock Morocco) to the FCDE (Fonds de Consolidation et de Développement des Entreprises) in July 2016, thus enabling Babcock Wanson — with the support of a new shareholder that is respectful of its industrial heritage — to pursue its international expansion.

B. Environment Sector

- In 2016, the Construction business was marked by the completion of projects in Leeds and Wilton in the UK and the Estrées-Mons biomass plant in France.
- CNIM received new orders for turnkey energy recovery facilities for Wheelabrator at Kemsley and Parc Adfer in the UK. In late 2016, CNIM won SIDOMPE's call for tender on the design, production, operation, maintenance and energy optimization of the waste-to-energy plant at Thiverval (Yvelines) in France.
- In 2016, SUNCNIM finalized the financing of the joint venture company, eLlo, set up for the construction and operation of the concentrated solar power plant at Llo in the Pyrénées-Orientales (France). It will be the first Fresnel thermodynamic solar power plant in the world, with a storage capacity of several hours. The Llo solar power plant, which will be constructed and operated by SUNCNIM, is the outcome of a call for tender issued by the French Energy Regulatory Commission won by CNIM in 2012. The plant will have a thermal energy storage unit and will produce 9 MW of renewable electricity for export to the EDF grid – enough to supply power to over 6,000 households.
- In the city of Paris, CNIM Babcock Services and LAB Service have refurbished the Bercy steam generation plant operated by CPCU. The assignment, one of the largest environmental upgrades to be carried out in France in recent years, involved converting boilers that supply the Parisian urban heating and hot water network to run on gas and biofuel. This assignment illustrates how one of the Group's traditional fields of know-how contributes to the achievement of pollution reduction targets and to the transition to renewable energy.
- Clichy Énergie Verte (CEVE), the Idex-Coriance partnership that operates the steam production of the heating network of Clichy-la-Garenne (Hauts-de-Seine, France), called on CNIM Babcock Services in 2016 following a leak in the tubes. This initial action helped to detect weaknesses due to the wear and tear of materials. The operator has therefore entrusted CBS with a more complete plan for monitoring the condition of the generators and making them more reliable. This partnership will be continued in 2017.

C. Innovation & Systems Sector

- In 2016, CNIM delivered two L-CAT® amphibious landing vessels to the Egyptian navy.
- NOVARKA, a joint venture formed by Vinci and Bouygues responsible for the construction of the Chernobyl arch, entrusted CNIM with several contracts, which are in progress:
 - the waterproof membrane between the arch and the sarcophagus;
 - a garage transfer system mounted on the main bridge of the arch;
 - a maintenance trolley on the main bridge of the arch.
- The contract for the manufacture of radial plates for the ITER reactor is progressing at a nominal rate. New contracts relating to various components of the ITER reactor were awarded to CNIM in 2016 (Port Plug Structures and Purpose Built Tools).
- In 2016, the Systems and Instrumentation Business Unit of the subsidiary, Bertin, rolled out three new items of equipment on the market:

- FusionSight®: a handheld monocular particularly suited to the needs of infantry commanders and special forces;
- AlphaGUARD: a new generation of equipment for measuring radon radioactive gas;
- InCellis: a new digital microscope designed to generate high-quality images and facilitate cell observation.

1.2.3 Environment Sector

1.2.3.1 Profile

CNIM has developed a specific range dedicated to the fields of:

- household, industrial and biomass waste-to-energy recovery;
- flue-gas and ash treatment;
- production of concentrated solar power energy.

The Group provides its public and private customers with a turnkey offer of design, construction and operation in strict compliance with regulatory and environmental impact management standards.

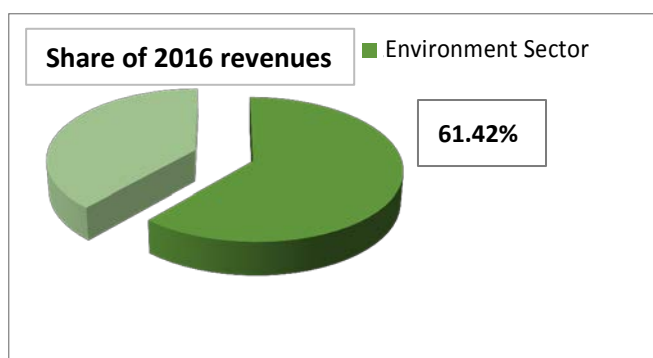
CNIM is one of the leading European specialists in the waste-to-energy and biomass-to-energy fields. Recovery means:

- transforming waste into electric energy and heat (urban district heating, industrial processes);
- extracting materials from waste that can be reused in productive cycles.

CNIM also offers its customers an extensive range of equipment, systems, expertise and services that ensures rational energy management. This offer is promoted by CNIM Babcock Services and is centered around an overall approach encompassing energy efficiency and reducing the environmental impact of its clients. Its teams are involved in all types of fuel: fossil, waste, biomass and nuclear.

Its customers are energy producers, local authorities and industries of all kinds, especially chemicals, petrochemicals, agri-food, paper, pharmaceuticals, plant operators and major service providers.

Revenues Environment Sector (in millions of euros)		
2014	2015	2016
548.4	418.3	331.6



1.2.3.2 Products and services

In the waste treatment field, CNIM operates at different levels:

- energy recovery;
- sorting and recycling;
- composting;
- treatment of flue gas resulting from the waste incineration process;
- treatment of residue (ash and bottom ash) resulting from waste incineration:
 - o inerting;
 - o extraction of precious materials, such as minerals and metals;
- treatment of specific waste types such as hospital waste, water treatment plant sludge or green algae in Brittany.

CNIM has 166 waste-to-energy plants, i.e. 285 units with a capacity of 26 million tonnes per annum of residual municipal waste (i.e. the production of 100 million people).

In tandem, CNIM has developed a range in the field of construction and operation of solar power plants.

A. Construction of waste-to-energy and biomass-to-energy centers

CNIM designs, builds and commissions turnkey waste-to-energy and biomass-to-energy plants, using proprietary technologies that comply with the strictest performance and environmental impact management standards and are integrated within a multi-channel approach.

B. Operation and maintenance of waste-to-energy and biomass-to-energy centers

CNIM operates and maintains waste-to-energy and biomass-to-energy centers. The Group also provides operational assistance, overhaul, environmental compliance and maintenance services with a view to optimizing equipment performance, improving operational availability and reducing operating costs.

C. Services and revamping of waste-to-energy and biomass-to-energy centers

CNIM provides operators with technical assistance services (specialized maintenance work, boilers, instrumentation and control systems, flue gas treatment, etc.). The Group also provides refurbishment, modernization and environmental compliance services for existing facilities with a view to optimizing equipment performance, improving operational availability and energy efficiency, and reducing operating costs.

D. Flue gas and bottom ash treatment systems and incineration residue recovery systems

CNIM's subsidiaries LAB SA and LAB GmbH design, build, install and commission treatment systems for the flue gases produced by waste-to-energy and biomass-to-energy plants, power plants and industrial boiler houses. They also provide refurbishment and maintenance services for flue gas treatment systems, using their expertise to improve performance at existing facilities.

They also offer treatment systems for the ash and clinker produced by waste incineration, enabling ferrous metals, non-magnetic light metals (e.g. aluminum and copper) and precious metals to be extracted and facilitating disposal.

All processes used comply with European "Best Available Techniques".

E. Construction of solar power plants

As a subsidiary of the CNIM Group, SUNCNIM is the first joint venture of the SPI ("Industrial project companies") fund, which is financed by the French Future Investments Program and managed by the funding and development bank Bpifrance. SUNCNIM will develop and construct turnkey concentrated solar power plants for the global market.

F. Optimization, refurbishment and maintenance of combustion plants

As the most important organization in the refurbishment of thermal power plants in France, CNIM Babcock Services provides its customers – in France and abroad – with the comprehensive know-how of a manufacturer whose activities cover design, production, operational monitoring and performance feedback for boilers of all types, brands and fuels.

The company has a range of services on offer:

- operational performance optimization to improve energy efficiency, equipment management and environmental performance;
- maintenance and refurbishment of thermal power plant boilers, industrial power boilers (including fuel oil, gas, coal and biomass) and household or industrial waste-to-energy plants;
- environmental compliance and switching fuel types;
- turnkey construction and refurbishment of boiler houses;
- maintenance work on nuclear power plants;
- maintenance and assembly work on large scientific instruments (LMJ, RES, etc.);
- consultancy and expertise, technical assistance, training;
- supply of spare parts.

1.2.3.3 The market in 2016

A. Construction of waste-to-energy and biomass-to-energy centers

In 2016, CNIM confirmed its activity in the UK market with the signing of two contracts for the construction of waste-to-energy centers, thus consolidating its position as leader in this market with the completion of 12 plants in the last five years.

The French market saw a flurry of activity in 2016 with a contract awarded to CNIM for a plant extension in the Paris region and another for the construction of a new plant.

Outside Europe, CNIM is focusing its business activity on the Middle Eastern and Asian markets, with quotes made for several leads.

B. Operating and maintenance of waste-to-energy and biomass-to-energy centers

CNIM operates plants in France, the UK and Azerbaijan and provides environmental upgrading and improvement services worldwide. The market concerns the waste-to-energy units constructed by CNIM and covered by an operation contract, as well as the units built by other operators whose expiring concessions offer opportunities for the Group. The Group currently operates eight waste-to-energy centers (including one equipped with a waste sorting center), one organic waste recovery center (with waste sorting and green algae treatment) and one biomass-to-energy plant.

C. Services and revamping of waste-to-energy and biomass-to-energy centers

CNIM is positioning itself in the French waste-to-energy plant refurbishment and modernization market. The main priorities of this activity include making plants compliant with the new regulations, improving energy efficiency, reducing operating costs, increasing treatment capacity and extending their useful life. One project worth mentioning in this field in 2016 is the major order won by CNIM for the complete refurbishment and modernization of a waste-to-energy plant in France.

D. Flue gas and bottom ash treatment systems and incineration residue recovery systems

Since 1963, LAB has completed over 400 contracts in more than 20 countries.

The market comprises several European countries, primarily France, the UK, Scandinavia, Finland, Germany, Switzerland and central Europe.

In Europe, LAB works:

- within the framework of CNIM turnkey construction projects;
- independently on facilities constructed by other builders;
- as a supplier of services for the treatment of ash, clinker and incineration residues, including metals recovery;
- as a supplier of maintenance and refurbishment services.

LAB's marine scrubber range is now market-ready and the company now intends to devote resources to the commercial development of this business area. The first contract in this field was received in 2015 and delivered in 2016 for three vessels.

In 2015, LAB obtained two contracts in the incineration ash treatment field, one in Washington State, USA, the other in the Zurich region in Switzerland.

E. Construction of solar power plants

In the thermal energy segment, the simple and robust solar steam generator technology developed by SUNCNIM provides saturated or slightly superheated steam (80 bars maximum) at a competitive price compared with fossil energies in many countries.

The main applications referred to are:

- supply of steam for enhanced oil recovery (EOR);
- supply of steam for industry;

- hybridization with conventional cycles (gas, coal).

F. Optimization, refurbishment and maintenance of combustion plants

CNIM Babcock Services' market is defined by maintenance and modernization contracts for large customers – in France, 184 "GICs" (Large Combustion Plants) and 119 waste recovery plants, as well as combustion-based and nuclear power plants – which provides a significant volume of recurring sales.

As the number of power boilers worked on by CNIM Babcock Services falls or changes following the closure of major sites or the switch to gas in the case of large combustion plants, CNIM Babcock Services has diversified its energy transition and nuclear energy activities.

In a related area requiring works to be completed in accordance with cleanliness and time constraints, the company is now performing assembly services on the Laser Mégajoule (LMJ) site, as well as maintenance work on the RES experimental reactor at Cadarache.

CNIM Babcock Services has also developed international services contracts with large energy operators which generate recurring revenues.

1.2.3.4 Market position (internal sources)

A. Construction of waste-to-energy and biomass-to-energy centers

Three major competitors share the market with CNIM: Hitachi Zosen Inova, Steinmüller Babcock Environment, Babcock & Wilcox Volund. Other players are Doosen Lentjes GmbH, Keppel-Seghers Technology, Baumgarte Boiler Systems and Termomeccanica Ecologia. Other companies such as Vinci Environnement and Altawest-Inova (in France) are active in the market on a more occasional basis. Some local competitors also operate in this market.

B. Operation and maintenance of waste-to-energy and biomass-to-energy centers

The main players in France are Suez Environnement, Veolia Environnement, TIRU, Urbaser and IDEX.

C. Flue gas and bottom ash treatment systems and incineration residue recovery systems

Competitors of various types operate in the market:

- suppliers of turnkey recovery centers with flue gas treatment capabilities – Hitachi Zosen Inova, Steinmüller Babcock, Babcock & Wilcox Volund (and its subsidiary Götaverken Miljö), Dosan Lentjes, Andritz, Valmet and Vinci Environnement;
- engineering firms specializing in flue gas treatment systems – ALSTOM/General Electric, Götaverken Miljö AB, Inova Groupe Altawest, Hamon;
- firms specializing in flue gas treatment systems with their own manufacturing capacity – Lühr, Disa, Redecam, Ecoinstall, Indutec, Turbofilter, Area Impianti, ATS, Radscan

D. Construction of solar power plants

In the steam production market, the competition is fragmented as it consists of local operators or operators that use specific industrial applications (oil & gas, process steam, boosters for electrical power plants). In the electricity market, the major players are mostly Spanish and American: Sener, Abengoa, Bright Source and Solar Reserve.

E. Optimization, refurbishment and maintenance of combustion plants

Depending on the market type, CNIM Babcock Services faces competitors from a variety of different backgrounds: manufacturers (CMI, Ansaldo, Babcock Borsig, Altawest), large generalist maintenance companies such as Endel or Camom, or manufacturing subcontractors.

1.2.3.5 R&D and new products

A. Construction of waste-to-energy and biomass-to-energy centers

CNIM is positioning itself in major export markets and working on streamlining the waste-to-energy process by taking geographical characteristics and locally forged industrial partnerships into account.

The two priorities for R&D in the Environment Sector are defined as:

- the particularly abundant feedback in the UK where the Group has completed numerous plants in recent years and where constructions are currently under way, with a high standard of quality and performance. This feedback allows it to streamline all of the processes implemented, including the yield obtained from the waste-to-energy process (simplification of the boiler, improvement in energy and steam production performance) and efficiency of flue gas and nitrogen oxide treatments;
- its presence on the ground, in close contact with the customers it serves, through its service structure (WEMS constructions and services) and through its local sales representations, enables it to anticipate their process, product and service needs aimed at maximizing the plants' economic and environmental performance.

This R&D approach also forms part of an overall drive based on the circular economy concept.

The main areas for development in the Environment Sector in 2016 are the following:

- improvement in the useful life of boiler equipment: use of new corrosion-resistant materials on the hottest sections of a waste combustion boiler coupled to the physico-chemical cleaning device, which impacts on the morphology and composition of the ash deposits responsible for corrosion;
- development of a new boiler cleaning approach adapted to all the exchange surfaces by keeping the associated water consumption to a minimum (considerably adapted to the future markets referred to in the Middle East and Asia). This new strategy, which is both preventive and curative, uses a patented physico-chemical device coupled to micro-explosions;
- the development of a system for treating nitrogen oxides at less than 80 mg/Nm³ that is perfectly integrated in the boiler: TERMINOx high dust. Apart from its compactness, this system minimizes the loss of loads and therefore the electrical consumption of fans and reduces ammonia leakage to below 5 mg/Nm³.
- As regards markets in which the overall performance requirements are more modest, the priorities are more geared towards the search for simplification of the process and a better match between supply and demand.

B. Flue gas and bottom ash treatment systems and incineration residue recovery systems

The Environment sector has developed its own catalog of procedures. LAB holds 59 groups of patents, 40 of which are extended to abroad, mainly in Europe, and 26 trademarks, 22 of which are extended to abroad. LAB files on average 6-7 patents per year, more than two thirds of which are immediately put to use in its products and construction projects. These enable it to avoid dependency on third-party technologies and offer a range of processes that can be implemented in standard or customized configurations.

Its LAB Service structure, in close contact with the customers it serves, enables it to anticipate their process, product and service needs. It industrializes the processes resulting from R&D, the last stage before integration in the LAB catalog that enables it to move from a prototype installation to a reliable high-performance industrial product.

LAB has developed a wet scrubbing technology, marketed under the DeepBlueLAB™ brand, that responds to the needs of the shipping industry for flue gas depollution systems. Perfecting this new product required LAB to comply with existing environmental directives and also to take account of specific restrictions concerning installation on vessels, such as the space available, the weight of the equipment and the necessary reduction of power consumption. Following the development of plastic scrubbing systems (offline), LAB has supplemented its range of shipping processes with metal alloy scrubbing systems (inline) that are resistant to both corrosion and temperature and are installed in place of mufflers. To do this, LAB has had to design scrubbers that deliver the same noise reduction performance as mufflers.

LAB's GEODUR subsidiary has developed and patented an original system for treating residues from flue gas cleaning that is perfectly suited to the Middle Eastern market, which uses waste water and fine fraction of bottom ash, polluting effluents, as a reagent to ensure stabilization.

C. Synergy of R&D methods for CNIM and LAB

The expert staff of CNIM and LAB analyze and coordinate different markets' needs in order to develop the right products to meet them. They have significant material resources at their disposal in the form of the CNIM & LAB Test Center and its mobile on-site analysis and investigation units, of which DemoLAB® is the best example.

D. Construction of solar power plants

In 2016, SUNCNIM worked on expanding its offer to provide technical solutions tailored to sectors other than electricity generation, particularly in the sector for the supply of steam for heavy oil extraction.

To respond to the specific restrictions of this application, such as desert conditions or potentially poor feed water quality, SUNCNIM has developed specific solutions that will enable it to offer a more robust bespoke solution.

SUNCNIM holds seven groups of patents, three of which are extended to abroad, and three trademarks, one of which is extended to abroad.

1.2.3.6 Advantages

A. Waste-to-energy and biomass-to-energy projects

CNIM's advantages include:

- its particularly flexible business approach (industrial partnerships, civil engineering, business partnerships, developers and operators adapted to local markets);
- its ability to adapt to the specific requirements of local markets;
- its industrial expertise (Martin grid);
- its historical expertise as a supplier;
- and its capacity for technological innovation in order to offer solutions that are always competitive, while also guaranteeing reliable operation.

In a highly competitive environment, CNIM's ability to establish joint project operation companies and offer financing solutions for certain projects that combine construction with a plant operation contract is an indispensable asset.

Project financing allows:

- new turnkey contracts to be won;
- new operation and maintenance contracts to be won, which also generates feedback and thus helps to improve the technologies and procedures employed by the Group throughout the design and construction stages;
- CNIM to take minority shareholdings in the joint venture companies established to run the projects, enabling it to monitor both the contracts and their financing. This possibility of participating in project financing is entirely dependent on the specific nature of the local market and operators present.

B. Flue gas and bottom ash treatment and incineration residue recovery

LAB's long-standing experience gained in numerous countries and its complete portfolio of technologies ranging from dry treatment to wet treatment, including SCR technology and condensation units, are its main advantages.

C. Combustion plants

- The management of upgrade projects, particularly environmental and power boiler standards;
- CNIM Babcock Services' capacity to work on the modernization of large combustion installations in Europe;
- increased activities of CNIM Babcock Services in nuclear energy and energy transition;
- international partnerships for the management of decommissioning of thermal power plants;
- ability to respond very quickly to large-scale projects to repair massive damaged boilers.

1.2.3.7 Strategy and outlook

A. Construction of waste-to-energy and biomass-to-energy centers

In the French market, CNIM is continuing to generate business from the refurbishment of waste recovery centers which need to be updated or in some cases rebuilt to improve their energy efficiency and environmental performance. The customers are local authorities keen to keep older facilities running over the long term.

The Environment Sector has continued its strategy of commercial development in countries which are actively pursuing policies to build up their waste-to-energy strategies, in which field CNIM can supply design, construction and operating expertise:

- in Europe: mainly in the UK;
- in the Gulf countries and Asia.

CNIM selects projects and markets with extreme care in order to avoid any exposure to unmanageable risks.

B. Operation and maintenance of waste-to-energy and biomass-to-energy centers

The plant operation business, which now covers waste processing plants built both by CNIM and other constructors, represents a strategic growth area for the Group. CNIM is continuing its business efforts in this field which ensures recurring revenues thanks to long-term contracts (5-20 years). This positioning is justified by CNIM's experience in this field and the Group's technical expertise as a constructor.

CNIM is continuing its development in countries which are actively pursuing waste-to-energy policies.

C. Services and revamping of waste-to-energy and biomass-to-energy centers

CNIM is positioning itself as a major player in the French plant modernization market. This positioning is justified by its expertise as a constructor, repairer and operator in waste-to-energy, flue gas treatment and instrumentation and control systems.

D. Flue gas and bottom ash treatment systems and incineration residue recovery systems

LAB's strategy is to continue to defend and enhance its position in the international markets for waste-to-energy, biomass-to-energy and thermal plants, with an ongoing focus on its traditional markets in Scandinavia and western and central Europe.

LAB is also examining growth opportunities in markets farther afield such as the United States, the Middle East, the Far East and south-east Asia.

During 2016, confirmation of the growth prospects in these new markets was provided by the delivery of three vessels equipped with marine scrubbers and the construction of the first plants for treating incinerator bottom ash.

E. Construction of solar power plants

Various successful contracts in France notwithstanding, the concentrated solar power (CSP) market will essentially be an export market, owing to the requirement for intense direct sunshine. The key areas for business opportunities concern mainly the Middle East, South America and China.

Alongside its solar steam generator offer for industry, SUNCNIM is positioning itself in two added-value photovoltaic market segments:

- PV power plants with batteries to control the integration of an intermittent source in the grid;
- consumption of self-produced electricity resulting in reduced energy bills for customers in many countries.

F. Optimization, refurbishment and maintenance of combustion plants

- Local expertise and services provided by CNIM Babcock Services ensure the maximum uptime of customers' equipment;
- CNIM Babcock Services assists its customers in their energy transition approach by providing environmental compliance services;
- CNIM Babcock Services continues to diversify in the maintenance of nuclear plants in synergy with CNIM Industrial Systems.

1.2.3.8 Activity in 2016

A. Construction of waste-to-energy and biomass-to-energy centers

In 2016, the Construction business was marked by the completion of projects in Leeds and Wilton in the UK and the Estrées-Mons biomass plant in France.

- **Completion of waste-to-energy and biomass-to-energy centers**

Leeds, Yorkshire, UK

- Client: Veolia Environmental Services.
- Features: the facility is being built in partnership with Clugston, which is in charge of the civil engineering side of things. It will treat a total of 214,000 tonnes of household waste per annum, including 50,000 tonnes of recycled waste coming from a sorting plant integrated into the site (the operation of which Veolia has directly entrusted to the German company WTT). It is fitted with one unit having a waste capacity of 20.5 t/h, and will generate 15.5 MWe. SecoLAB™ flue gas treatment will be provided by LAB (a CNIM subsidiary). This WEP will contribute significantly to the county's objective of recycling over 60 % of its waste.
- Delivered in May 2016.

Wilton, Middlesbrough, UK

- Client: Sita-Sembcorp-Itochu.
- Features: the facility is being built in partnership with Clugston, which is in charge of the civil engineering side of things. It will be fitted with two units having a capacity of 29.2 t/h, giving an annual capacity of 470,000 tonnes. It will produce 50 MWe. Flue gas treatment will be of VapoLAB™ type. Waste will be transported by train from the west coast of the UK (Merseyside, near Liverpool) to the east coast (Middlesbrough, to the south of Newcastle). The plant is located in a sizable industrial estate, and all or part of the steam produced by the plant will power the processes of various industrial companies present in the estate.
- Delivered in December 2016.

Estrées-Mons, Somme, France

- Client: CBEM (joint-venture company).
- Features: this power plant is fueled by clean biomass (wood from forest exploitation, sawmill by-products, wood from energy crops, shredded wood used in packaging and wood from the maintenance of green areas). It will generate 13 MWe, and will supply energy in the form of steam to a nearby industrial company, which it will use in its processes. SecoLAB™ flue gas treatment.
- Delivered in February 2016 and operated by CNIM.

- **Ongoing design and production contracts for turnkey waste-to-energy plants**

South London, Beddington, UK

- Client: VIRIDOR.
- Features: the facility is being built in partnership with the civil engineering firm Lagan, and is fitted with two units having a capacity of 17.6 t/h, giving a treatment capacity of 275,000 tonnes of waste per annum. It will generate 24 MWe. VapoLAB™ flue gas treatment will be provided by LAB (a CNIM subsidiary).
- Delivery scheduled for March 2018.

- **New orders for turnkey waste-to-energy plants**

Kemsley, UK

- Client: Wheelabrator.
- Features: the facility is being built in partnership with the civil engineering firm Clugston, and is fitted with two units having a capacity of 35 t/h, giving a treatment capacity of 275,000 tonnes of waste per annum. It will generate 60 MWe. VapoLAB™ flue gas treatment will be provided by LAB (a CNIM subsidiary).
- Delivery scheduled for mid-2019.

Parc Adfer, UK

- Client: Wheelabrator.
- Features: the facility is being built in partnership with the civil engineering firm Clugston, and is fitted with one unit having a capacity of 28.3 t/h, giving a treatment capacity of 225,000 tonnes of waste per annum. It will generate 17 MWe. VapoLAB™ flue gas treatment will be provided by LAB (a CNIM subsidiary). The plant will supply 30,000 households or industries with electricity.
- Delivery scheduled for late 2019.

Thiverval, France

- Client: SIDOMPE.
- Features: In late 2016, CNIM won the call for tender on the “design, production, operation, maintenance and energy optimization of the waste-to-energy plant”. The work aims at improving energy efficiency and flue gas treatment, and operating the plant for a period of ten years. The work involves replacing the first two units with a new unit, modernizing Line 3, replacing the turbo generator and modernizing the existing flue gas treatment facilities with VapoLAB™, using quicklime + SNCR/TerminoLAB™. After the work, the overall electrical power produced by the plant will be 17MWe. It will supply electricity to 15,000 homes (as opposed to 6,000 before the work).
- Delivery scheduled for late 2018.

B. Operation and maintenance of waste-to-energy and biomass-to-energy centers

From an operational perspective, the French market is starting to present many opportunities arising, on the one hand, from the requirements of upcoming regulations for promoting energy recovery and, on the other, from the need to upgrade and refurbish the installations affected by expiring outsourced public service contracts. Responding to calls for tender was therefore stepped up and opportunities started to materialize.

The Group currently operates eight waste-to-energy centers (including one equipped with a waste sorting center), one organic waste recovery center (with waste sorting and green algae treatment) and two biomass-to-energy plants.

- **Operation of waste-to-energy plants: work currently underway**

Baku, Azerbaijan

- Client: Azeri Ministry of the Economy and Industry/Tamiz Shahar for the operation phase.
- Continuation of work that started in June 2013. Launch of contractual operation phase in December 2015 for a 20-year period.
- Features: two units having a capacity of 33 t/h, which can treat, in total, 500,000 tonnes of municipal waste and 10,000 tonnes of hospital waste per annum. The plant is big enough to export 231,500 MWh of electricity per annum to the grid (with a waste calorific value of 8,500 MJ/t), which corresponds to the electricity consumed by 50,000 homes. With the plant replacing the use of landfill, over one tonne of CO₂ is saved for every tonne of waste incinerated, giving a total reduction of at least 500,000 tonnes of CO₂ per annum.

Estrées-Mons, Somme, France

- Client: CBEM (joint-venture company).
- Delivered in February 2016 and operated by CNIM.
- Features: this power plant is fueled by clean biomass (wood from forest exploitation, sawmill by-products, wood from energy crops, shredded wood used in packaging and wood from the maintenance of green areas). It will generate 13 MWe, and will supply energy in the form of steam to a nearby industrial company, which it will use in its processes. SecoLAB™ flue gas treatment.

Nesle, Somme, France

- Client: Kogeban (joint-venture company).
- Delivered in 2014. Run by CNIM.
- Features: the unit fueled by clean biomass (wood from forest exploitation, sawmill by-products, wood from energy crops, shredded wood used in packaging and wood from the maintenance of green areas) is now in operation. The power it generates is enough to meet the needs of a town of 5,000 houses; three million tonnes of CO₂ will be saved over twenty years. Each year, 130 GWh of electricity and 300 GWh of heat energy will be able to be generated from 250,000 tonnes of biomass, and used by an industrial company.

Plouharnel, Morbihan, France

- Client: AQTA (Auray Quiberon Terre Atlantique).
- CNIM has operated the plant since December 2014. A feasibility study (firm tranche) for the installation of an energy recovery facility and an electricity generation facility was commissioned in 2014 and 2015.
- Features: the incinerator, which treats 31,500 tonnes of waste per annum, was built in the early 1970s and does not have a waste-to-energy facility. CNIM has been tasked with operating and modernizing the plant and with performing the work needed to implement waste-to-energy treatment.

Saint-Pantaléon de Larche, Corrèze, France

- Client: SYTTOM 19.
- CNIM has been running the plant since 2013, and has replaced the previous flue-gas treatment process with a modern, patented treatment process that is capable of improving environmental performance while reducing the amount of resources consumed (75,000 m³ of water saved per annum).
- Features: the facility, which is able to treat up to 70,000 tonnes of waste per annum, was built in the early 1970s. It is fitted with three energy recovery units, which supply energy to an industrial company and heat municipal greenhouses. A new dry flue-gas treatment system has recently come into service (work carried out in late 2013), which has seen NO_x emissions drop from 200 mg/Nm³ to 80 mg/Nm³ and resulted in the 'R1' energy efficiency rating being obtained. In 2014, CNIM was awarded the contract to build and operate an electricity generation unit to add to the WEP's existing facility for energy recovery in the form of heat (work carried out in 2014). This facility has been in production since early 2015.

Thiverval, Yvelines, France

- Client: SIDOMPE.
- Features: In late 2016, CNIM won the call for tender on the "design, production, operation, maintenance and energy optimization of the waste-to-energy plant". The work aims at improving energy efficiency and

flue gas treatment, and operating the plant for a period of ten years. The work involves replacing the first two units with a new unit, modernizing Line 3, replacing the turbo generator and modernizing the existing flue gas treatment facilities with VapoLAB™, using quicklime + SNCR/TerminOXLAB™. After the work, the overall electrical power produced by the plant will be 17MWe. It will supply electricity to 15,000 homes (as opposed to 6,000 before the work).

- Delivery scheduled for late 2018.

Pluzunet, Côtes d'Armor, France

- Client: SMITRED.
- CNIM has been operating the waste-to-energy plant since 2007. In 2016, CNIM won the call for tender for renewal of the operating contract.
- Features: the waste-to-energy plant, which treats 57,000 tonnes of waste per annum, was put into operation in 1997. This facility is fitted with a boiler and a turbo-alternator, capable of generating around 17 GWh of electricity per annum and also heat energy which is used for heating horticultural and vegetable greenhouses.

Lantic, Côtes d'Armor, France

- Client: KERVAL.
- CNIM has been operating the waste-to-energy plant since 2009. CNIM modernized the site in 2009, and a year later built a unit for treating green algae, having a capacity of 20,000 tonnes per annum.
- Features: the waste-to-energy plant, which receives around 35,000 tonnes of waste per annum, was put into operation in 1999. This facility is fitted with two micro-biological treatment units and a non-hazardous waste storage facility. The compost produced (around 10,000 tonnes per annum) is approved for use in organic agriculture.

Stoke-on-Trent, Midlands, UK

- Client: Hanford Waste Services.
- CNIM built the waste-to-energy plant and has been operating it since 1999 through its subsidiary MES Environmental Ltd.
- Features: 210,000 tonnes of household waste are treated per annum via two units having a capacity of 12 t/h, generating 98,000 MWh of electricity per annum.

Wolverhampton, Midlands, UK

- Client: Wolverhampton Waste Services.
- CNIM built the waste-to-energy plant and has been operating it since 1999 through its subsidiary MES Environmental Ltd.
- Features: 110,000 tonnes of household waste are treated per annum via two units having a capacity of 7 t/h, generating 45,000 MWh of electricity per annum.

Dudley, Midlands, UK

- Client: Dudley Waste Services.
- CNIM built the waste-to-energy plant and has been operating it since 1999 through its subsidiary MES Environmental Ltd.
- Features: 90,000 tonnes of household waste are treated per annum via two units having a capacity of 6 t/h, generating 36,000 MWh of electricity per annum.

Saint Saulve, Nord, France

- Client Ecovalor.
- In 2016, CNIM won the energy optimization contract for the Saint Saulve plant.
- Work contract for energy optimization of the plant, implementation of cogeneration on the steam turbine and creation of "high temperature" heating network.

C. Construction, operation and maintenance of waste sorting plants

Thiverval, Yvelines, France

- Client: SIDOMPE.
- CNIM has been operating the waste sorting plant since July 1, 2008.
- Features: the treatment capacity of the treatment plant is now 30,000 tonnes per annum.

Paris 17th, France

- Client: Sycdom.
- CNIM is taking charge of the design, construction and operation of this selective collection waste sorting plant based in central Paris. Completely automated, it will carry out waste recovery from more than one million residents. With its 13 optical sorting machines, this cutting-edge, high-performance plant will be able to treat up to 15 tonnes per hour. Adapted to sorting new plastics as part of the extended sorting instructions, it will enable us to go a step further in the recycling of household packaging.

D. Flue gas and bottom ash treatment systems and incineration residue recovery systems

In 2016, LAB continued and accelerated its efforts to branch out from being Europe's number-one flue-gas treatment specialist and become a genuine global figurehead in the engineering, construction and services sectors, capable of offering its clients – waste-to-energy companies, energy producers and industrial firms – integrated solutions for reducing their emissions into the air, water and ground.

In the "Plant Construction" business, LAB is consolidating its status as one of the most innovative and competitive providers of flue gas treatment solutions. As an indication of its ability to adapt to the latest market trends, the orders that it has received from clients operating in the renewable energies sector have, for the first time, eclipsed those received from the traditional fossil energies and waste treatment sectors. In addition, over the course of 2016 significant commercial progress was made regarding the provision of marine scrubbers.

The 'Operation' business, which now also incorporates the construction and operation of bottom ash treatment plants following the acquisition of Geodur in 2013, continued to develop strongly in 2016. This development can be seen through the first contracts that have been signed, and the first plant constructed by LAB in line with this business model became operational in 2016.

By combining a strong presence, cutting-edge technological solutions, competitiveness and expertise, LAB is particularly well positioned in its new market sectors.

- **Major orders and ongoing contracts in 2016 with the parent company CNIM in relation to turnkey design and production of waste-to-energy or biomass recycling plants**

Waste treatment

- Leeds: SecoLAB™ and SNCR DeNOx flue gas treatment. Delivered.
- Wilton, Middlesborough: VapoLAB™ and SNCR DeNOx flue gas treatment. Commissioning.
- Ridham Dock, Kent: VapoLAB™ and SNCR DeNOx flue gas treatment. Delivered.
- Beddington, South London: VapoLAB™ flue gas treatment with injection of slaked lime and activated carbon. Currently under construction.
- Kemsley: VapoLAB™ flue gas treatment with injection of slaked lime and activated carbon. Study phase
- Parc Adfer: VapoLAB™ flue gas treatment with injection of slaked lime and activated carbon. Study phase
- Thiverval: replacement of wet flue gas treatment by VapoLAB™ using quicklime + SNCR/TerminoLAB™. Currently being studied.

Biomass treatment

- Estrées-Mons, France: SecoLAB™ flue gas treatment. Delivered.
- Treatment of flue gas generated by heat power plant for urban network.
- CPCU Bercy, France: DeNOx SCR flue gas treatment. Commissioning.

- **Major orders and ongoing projects contracted directly by LAB in 2016**

Waste treatment

- Nordforbraending – Hoersholm, Denmark: SecoLAB™ flue gas treatment with condenser, water treatment, heat pumps. Commissioning.
- ARC – Amagerforbraending, Denmark: GraniLAB™ flue gas treatment with condenser, water treatment, heat pumps. Commissioning.
- MVV – Plymouth, UK: BicarLAB™ flue gas treatment. Delivered.
- Gloucester EfW – UBB Gloucestershire Construction JV, UK: SecoLAB™ flue gas treatment. Being studied.
- Saint Saulve – Ecovalor, France: study for modernization of the flue-gas treatment. Being studied.
- Leuna - VapoLAB®. Commissioning.

(Conventional) electricity generation

- Localstyrelsen – Longyearbyen, Norway: GraniLAB™ flue gas desulfurization with seawater scrubber. Delivered.
- CEH – Paroseni, Romania: flue-gas desulfurization process by means of a wet scrubber using milk of lime (Limestone FGD). Construction
- Veolia/Dalkia – Trebovice, Czech Republic: SecoLAB™ flue gas treatment. Line 1 delivered; Line 2 currently being studied.
- Solvay – Tavaux, France: SecoLAB™ flue gas desulfurization. Commissioning.
- BWE - Aarhus, Denmark: BicarLAB™ flue gas treatment with a condensation unit and SCR DeNOx. Commissioning.
- Albioma – Le Gol, Réunion, France: flue-gas desulfurization by means of wet treatment for a coal-fired plant. Commissioning.

Biomass energy generation

- Chilton: SecoLAB™, commissioning.
- Helsingor: SecoLAB™ + condensation + condensates treatment, currently being studied.
- Hofor: SecoLAB™ + condensation + condensates treatment, currently being studied.

Marine scrubbers

- STX France: wet flue-gas treatment for three vessels of Brittany Ferries (Mont Saint-Michel, Armorique and Pont Aven). Delivered.

Incineration ash treatment

- KVA Linthgebiet Niederurnen, Switzerland: ash treatment and metals recovery (20 tonnes/h).
- Roosevelt, USA: ash treatment (180,000 tonnes/year).

Stabilization/solidification of incinerator bottom ash and dust resulting from flue-gas treatment

- Posco – Krakow, Poland: StabiLAB™ treatment of flue gas cleaning residues from household waste incineration. Delivered.

E. Construction of solar power plants

In 2016, SUNCNIM finalized the financing of the joint venture company, eLlo, set up for the construction and operation of the concentrated solar power plant at Llo in the Pyrénées-Orientales. It will be the first Fresnel thermodynamic solar power plant in the world, with a storage capacity of several hours.

The Llo solar power plant, which will be constructed and operated by SUNCNIM, is the outcome of a call for tender issued by the French Energy Regulatory Commission won by CNIM in 2012.

The plant will have a thermal energy storage unit and will produce 9 MW of renewable electricity for export to the EDF grid – enough to supply power to over 6,000 households.

F. Optimization, refurbishment and maintenance of combustion plants

CNIM Babcock Services' sales in 2016 were up on 2015, owing to the confirmation of contracts deferred during the previous year.

- **Major orders and completed projects in 2016**

Thermal power plants

- Renewal of all leak contracts at EDF and EON (now UNIPER).
- New international contracts for thermal power plants.

Urban heating

- Winning of the three-year contract from CPCU Saint-Ouen (France's biggest biomass and coal-fueled district heating boiler).
- CNIM Babcock Services and LAB Service have refurbished the Bercy steam generation plant operated by CPCU. The assignment, one of the largest environmental upgrades to be carried out in France in recent years, involved converting boilers that supply the Parisian urban heating and hot water network to run on gas and biofuel. The work carried out will ultimately enable CPCU to announce emissions cuts of 85% for nitrogen oxides, 98% for sulfur dioxide, 90% for particulates and 25% for carbon dioxide. This assignment illustrates how one of the Group's traditional fields of know-how contributes to the achievement of pollution reduction targets and to the transition to renewable energy.
- Clichy Énergie Verte (CEVE), the Idex-Coriance partnership that operates the steam production of the heating network of Clichy-la-Garenne (Hauts-de-Seine, France), called on CNIM Babcock Services in 2016 following a leak in the tubes. This initial action helped to detect weaknesses due to the wear and tear of materials. The operator has therefore entrusted CBS with a more complete plan for monitoring the condition of the generators and making them more reliable (mapping for tube thickness measurements, replacement of a superheater and assistance with equipment management). This partnership will be continued in 2017.

Petrochemicals

France:

- A French refinery operator wanted to modify the conditions for use of two CNIM boilers equipping its site by increasing the proportion of burnt fuel. Having instructed CNIM Babcock Services to conduct a feasibility study in 2012 in order to determine the changes to be made to the geometry of the steam generator of the first boiler, the operator awarded it, in 2016, the contract to study and make the change to the second boiler. Delivery of all the equipment for this boiler is scheduled for the first half of 2017.
- In France, one of the sites of an international petrochemical specialist is equipped with four Babcock process boilers. As part of the changeover to 100% combustion using natural gas and fuel gas and extension of the useful life of the steam generators, the manufacturer entrusted CNIM Babcock Services with the on-site studies, supply and replacement of the entire convection system and changes to the process of one of the boilers. This project required nearly 3,300 welds within very tight timeframes. The work was accepted in October 2016.

International:

- In Senegal: For ICS, performance of the refurbishment contract for the recovery boiler located behind the sulfur furnace.

- Caribbean zone: CNIM Babcock Services is assisting a national electricity producer in the refurbishment and maintenance of its main thermal power plant. Technical audits performed to determine the condition of equipment, recommendation for action to be taken and supply of essential spare parts for the unit's operation.
- In Russia: supply of renewable major maintenance equipment for power boilers.

Steelworks

- CNIM Babcock Services won the contract to repair a boiler at the Fos-sur-Mer steelworks in France.

Nuclear energy

- Re-assessment of pressure equipment on the Cattenom and Saint Alban nuclear power plants in France.
- Post-Fukushima modification of extinguisher mounts on the Dampierre nuclear power plant in France.
- As part of the assembly work carried out at the LMJ site, the CEA has exercised an option for the fitting of two additional chains. This new order executed in synergy with CNIM Industrial Systems was delivered in 2016.

1.2.4 Innovation & Systems Sector

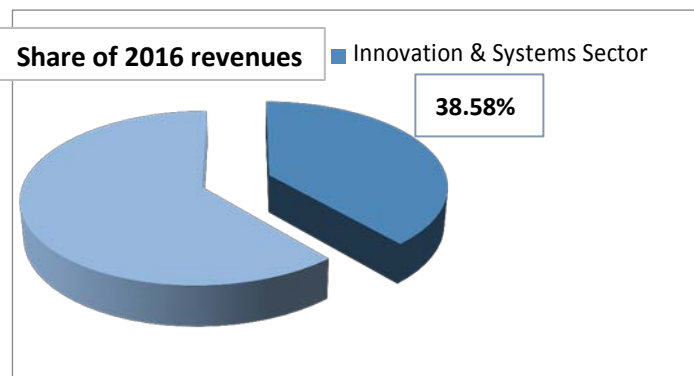
1.2.4.1 Profile

The Innovation & Systems Sector comprises:

- the CNIM Industrial Systems Division, which is made up of CNIM Industrial Systems, a unit of CNIM SA based at La Seyne-sur-Mer, and the operating subsidiaries CTE (China), CNIM Singapore and CNIM Babcock Morocco;
- Bertin Technologies and its subsidiaries.

It has mainly French and international large customers in the defense and security, maritime, air and space, nuclear, environmental and life sciences industries.

Revenues Innovation & Systems Sector (in millions of euros)		
2014	2015	2016
162.9	217.6	208.3



1.2.4.2 Products and services

A. CNIM Industrial Systems Division

The Industrial Systems Division provides a unique range of services offering the development, production, installation and maintenance of innovative equipment and systems. It also performs manufacturing subcontracting contracts for various industrial sectors.

These products and services are based on multidisciplinary technical competencies and first-rate manufacturing and integration resources.

The Division's main client sectors are:

a. Defense

- **Deterrence**

CNIM has been particularly active in the field of strategic missile launch systems for ballistic nuclear submarines for more than 50 years. CNIM has therefore equipped the four generations of ballistic nuclear submarines of the Strategic Oceanic Force, which represents more than 250 missile-launch systems produced, tested and installed by CNIM on board submarines.

- **Bridging systems**

CNIM has been developing systems for bridging ravines and waterways for armies worldwide for many years and offers two product lines:

- the motorized floating bridge (PFM) which enables armored vehicles and combat tanks to cross waterways; used by a number of armed forces, including the French army;
- the modular assault bridge (PTA) which performs exceptionally well in terms of crossing gaps using armored vehicles and combat tanks; used by the French army.

CNIM provides all services relating to technical support, maintenance, training and modernization of this equipment in the armed forces concerned.

- **Maritime projection of force**

CNIM has developed L-CAT®, a highly innovative amphibious landing vessel that delivers unparalleled performance in terms of payload, operating and beaching speed in ship-to-shore missions. CNIM sold four L-CAT vessels to the French navy in 2011-12 and provides all services relating to technical support, maintenance, training and modernization of these vessels in the armed forces. In 2016, CNIM delivered two L-CAT® amphibious landing vessels to the Egyptian navy.

CNIM currently offers a shore-to-shore version of the L-CAT®. This vessel can carry out missions in full autonomy from any infrastructure or beach/quay.

b. Nuclear power and large scientific instruments

- **Nuclear power**

CNIM is active throughout the nuclear cycle, i.e. from front-end contracts (uranium conversion and enrichment plant) to power and experimental nuclear reactors, right through to waste processing and dismantling.

The scope of CNIM's services is tailored to customers' requirements and covers the following areas:

- expertise and engineering;
- turnkey design, construction and commissioning of systems and equipment;
- production according to plan;
- on-site installation and maintenance services.

- **Large scientific programs**

For more than 15 years, CNIM has been designing, producing and integrating complex systems and equipment for large scientific instruments (ITER, Laser Mégajoule) based on the previously mentioned priorities.

c. Industry and manufacturing subcontracting

The industrial site at La Seyne-sur-Mer operates in the energy, aeronautical and space industries, notably through contracts for the manufacture of high added value parts.

The Chinese subsidiary CTE provides high-quality, competitive production services to the Chinese market and to the site at La Seyne-sur-Mer. CTE also continues to produce escalators and parts under international metro contracts.

The subsidiary CNIM Babcock Morocco provides on-site boiler-making services to the local market and under manufacturing sub-contracts to other units in the Group.

B. Bertin Technologies and its subsidiaries

Bertin has more than 700 employees, two-thirds of whom are high-level engineers and management staff. Its operations cover four major fields of activity:

- consultancy, system ergonomics and innovative engineering;
- development and supply of instrumentation systems and equipment;
- software solutions and related services for IT security and digital intelligence;
- research and development services for the pharmaceutical industry and biotechnologies.

1.2.4.3 The market in 2016

A. CNIM Industrial Systems Division

a. Defense

- **Deterrence**

Today, CNIM provides very high added value technology services and equipment for ballistic nuclear submarines in service and for the future nuclear deterrent program. CNIM has a long-term approach on this subject, in terms of both implementation and R&D.

- **Bridging systems (systems for crossing wet or dry gaps)**

The main characteristics of this market are:

- a mature, consolidating European land armaments market;
- offering major export opportunities that could soon result in contracts.

- **Maritime projection of force**

In naval business, the target market for landing craft and coastal patrol boats (main applications: defense and civilian security) provides sales opportunities in different countries worldwide.

b. Nuclear power and large scientific instruments

- **Nuclear energy**

The front-end contracts referred to cover the refurbishment and upgrade of French uranium conversion and enrichment plants (Tricastin and Malvesi sites).

With some 58 reactors in operation, French nuclear plants represent a major target in terms of improving and refurbishing systems and equipment as part of the “major overhaul” and 10-yearly inspections.

The construction of new power stations in the UK (including the two EPRs at Hinkley Point C) and China’s new nuclear program are CNIM’s preferred international markets.

CNIM is also positioning itself with the CEA (French Atomic Energy and Alternative Energies Commission) as regards research reactors such as ASTRID and RES NM. CNIM’s involvement in the Jules Horowitz Reactor is continuing with the supply and assembly of reactor block equipment.

Lastly, back-end contracts also constitute a major potential market, with the CIGEO deep storage facility and the program for refurbishment of the fuel re-treatment plant in The Hague.

- **Large scientific instruments**

- Laser Mégajoule (LMJ): this CEA (French Atomic Energy and Alternative Energies Commission) program, with a strong technology focus, is for the long term (2000-2025). CNIM and its subsidiary Bertin Technologies have been involved in the LMJ in a design, manufacturing and maintenance capacity since the start and operate at the LMJ site near Bordeaux;
- Nuclear Fusion Reactor ITER: CNIM is currently a strategic partner of the ITER project. Its contribution is a long-term commitment (2025 and beyond) to three types of work: manufacture of large-scale equipment, design and production of complex systems, and on-site assembly.

B. Bertin Technologies and its subsidiaries

Bertin Technologies operates in sectors in which the technological issues are highly complex – defense and security, air and space, energy and the environment and life sciences – with the aim of achieving international growth.

- **Systems & instrumentation:**

- The Systems and Instrumentation Business Unit, which two years ago merged with Saphymo — a leader in the field of ionizing radiation measuring equipment and networks — is structured around three major areas:
- instrumentation products and networks in sectors with high added value (nuclear energy, life sciences and defense);
- systems for converting hospital waste (Potentially Infectious Medical Waste - PIMW) to regular waste (technology owned by Sterilwave);
- contracts for development of systems based on customer specifications, particularly in the space, large scientific instruments, nuclear energy and defense fields.

- **Information technology:**

Bertin IT and its subsidiaries Vecsys, a vocal technology specialist, and AMI Software, a leading software provider for the collection and processing of data from the internet, offer a range of software services and solutions in the following fields:

- cybersecurity for the deep defense of information systems of Operators of Vital Importance;
- cyberintelligence for anticipating major threats and risks and investigation of open sources on behalf of players in the defense and security sector;
- speech processing for the purposes of utilization of multilingual audio and video sources for various applications, notably media monitoring, banking compliance and streamlining of contact center performance;
- strategic intelligence for detection of risks and opportunities in terms of markets and competition, innovation or regulations.

- **Pharma & biotech:**

Bertin Pharma operates in the life sciences markets (pharmaceutical, veterinary, nutraceutical and cosmetic, among others) using two complementary business models:

- supply of bioanalysis tools and biological reagents for R&D purposes;
- provision of R&D services for:
 - o pharmaceutical development;
 - o translational research, pre-clinical and clinical studies;
 - o analysis and bioanalysis;
 - o biosecurity.

- **Consultancy & Engineering**

The Expertise and Innovative Processes department operates in:

- technological management consultancy;
- multiphysical and modeling expertise;
- processes and energy systems engineering;
- risk management.

Bertin Ergonomie & Facteur Humain operates in the following fields:

- digital business and organization transformation;
- ergonomics of complex systems, including management of risks related to human factors.

1.2.4.4 Market position (internal sources)

Generally, in the defense and nuclear power sectors, CNIM's industrial competitors may be direct competitors, partners, customers or even suppliers themselves, depending on the business context.

- **French deterrent force**

For the LMJ program, the main competitors or partners are large industrial prime contractors in the defense sector or SMEs/midcap companies specializing in mechanical engineering.

- **Systems for the land-based projection of force**

Present in this field are the main systems manufacturers of land armaments (General Dynamics, RheinMetall) and SMEs/midcap companies specializing in mechanical engineering.

- **Maritime projection of force**

Present in this field are the main defense systems manufacturers (Navantia, Lockheed Martin, Textron, etc.), as well as local shipbuilders.

- **Nuclear power and large scientific instruments**

- Nuclear energy: large systems integrators: Skoda, REEL, NFM, Cegelec, Ansaldo, Babcock Noell, ONET Technologies, Nuvia, Nukem, AREVA, Eiffage CM.
- Large scientific instruments: Cegelec, Airbus Defence and Space, Mitsubishi.

- **Industry**

European industrial SMEs and midcap companies manufacturing high added value mechanical parts.

- **Bertin Technologies and its subsidiaries**

The operators vary significantly between sectors:

- in defense and security: the large industrial prime contractors and international equipment manufacturers such as Brücker, Smith Engineering;
- in equipment for life sciences: international competition specializing in this field (large industrial firms and distributors).

- **Bertin Pharma**

Companies active in this field include both:

- large international Pharma services groups (large Anglo-Saxon Contract Research Organizations (CROs) or Contract Development and Manufacturing Organizations (CDMOs));
- local SMEs specializing in individual pharmaceutical R&D services (drug formulation, toxicology, immunology, pre-clinical trials, etc.);
- local, regional and global suppliers of laboratory consumables and reagents such as VWR, Thermo-life Science and their distribution networks.

Bertin Pharma also draws on its historical close partnerships with the Life Sciences Division of the CEA (French Atomic Energy and Alternative Energies Commission), the Bordeaux Institute of Industrial Pharmacy, Cayman Chemical (Ann Arbor, MI, USA) and Proteomedix Frontiers (Sendai, Japan).

1.2.4.5 R&D and new products

A. CNIM Industrial Systems Division

Research work performed in the Industrial Systems Division is aimed at maintaining state-of-the-art capabilities and developing proprietary technologies and products for the Division's target markets. This includes inter alia research in the following areas:

- systems for the maritime projection of force: naval architecture and designs derived from the L-CAT®;
- offshore wind farm support boats;

- bridging systems: innovative systems for bridging ravines and waterways;
- nuclear power: development of the design of systems for the handling of fuel, transportation and storage of spent fuel, nuclear doors and airlocks, special exchangers and anti-seismic composite blocks.

CNIM is moreover continuing its research efforts into metallic and composite materials and industrial processes such as welding technology and the manufacture of composite materials.

B. Bertin Technologies and its subsidiaries

Bertin Technologies undertakes research and development projects for customers as well as proprietary research projects aimed at developing skills and technologies in the key markets in which it operates.

Bertin Technologies organizes an “Experts” network, the goal of which is not only to promote technical excellence and to boost its profile in the scientific and industrial communities but also to identify, develop and get the most out of scientific and technical talent in its own workforce.

Bertin Technologies can also draw on outstanding scientific and industrial partnerships for both internal and joint projects. With their multi-sector, cross-disciplinary expertise, Bertin Technologies and its subsidiaries are thus involved in some ten French competitiveness clusters, including System@tic (IT), SCS (Secure Communication Solutions), Capenergies (energy with low greenhouse gas emissions), Mer PACA (sustainable development and safety in the Mediterranean), Risks (environmental, commercial, technical risks etc.), Pégase (air and space) and Medicen (innovative technology for health and new medical treatments).

Bertin Technologies is a member of the ASRC (association of contract research organizations) and is designated as a "contractual research structure" by BPI France.

Bertin Pharma is the chair of the AFSSI (French Association of Service and Innovation Companies in Life Sciences) and sits on the Executive Board of the Medicen Paris Region competitiveness cluster.

In 2016, Bertin Technologies and ONERA, the French national aerospace research center, signed a research and innovation partnership agreement. This three-year agreement covers the creation of a common laboratory called CUBIX (spectral imager-based payload) aimed at developing a new generation of multispectral infrared remote gas detector cameras.

1.2.4.6 Advantages

- International growth drawing on all the CNIM Group's core skills;
- expanding the portfolio of proprietary technologies;
- developing original designs such as:
 - o L-CAT® which is already used by the French Navy and for export;
 - o the WindKeeper® project for a specially designed maintenance and safety vessel for offshore wind farms;
- a perfect command of leading-edge technology and large-scale project management together with an ability to adapt to the varying needs of our customers;
- knowledge transfer between the different businesses.

1.2.4.7 Strategy and outlook

A. Defense

In response to strategic orientation, as visible in France's Military Programming Act, the CNIM Group is adapting its defense portfolio to match the Armed Forces' new requirements, with investments in cybersecurity in France and strong international growth in systems for the land-based and maritime projection of military force.

Bertin Technologies is also continuing its strong international growth thanks to its unique range of equipment and systems to detect nuclear, radiological, biological and chemical (NRBC) threats and optronic surveillance systems for the Armed Forces and civilian security.

B. Nuclear power and large scientific instruments

CNIM continues to deploy its strategy of growth in Large Scientific Instruments and Research Reactors such as ITER and JHR. With its subsidiary Bertin Technologies, CNIM is targeting the French and international nuclear refurbishment market and projects for the construction of new plants and participation in front-end and back-end contracts.

C. Industry

CNIM and Bertin Technologies are capitalizing on their multidisciplinary approach and expertise in the design and manufacture of equipment subjected to harsh environments, in order to grow in the Space and Oil & Gas industries.

D. Pharma and biotech

In 2016, Bertin Pharma incorporated new product ranges in its bioanalysis tools and biological reagents portfolio.

In terms of high added value R&D, Bertin Pharma is prioritizing biotech molecules (vaccines, proteins, therapeutic antibodies, gene therapy) and family or over-the-counter (OTC) medication. In particular, the company has significantly invested in innovative formulation platforms that can respond to the latest market trends and patients' needs. Bertin Pharma is supplementing its range by offering new products that are ready for submission to the registration authorities and are likely to be licensed to operators of pharmaceutical laboratories.

E. Developing synergies

Pooling CNIM's and Bertin Technologies' sales and technical teams and the multidisciplinary capabilities of their staff enables the Group to offer differentiating design services for nuclear systems, large scientific instruments and defense, as illustrated by the ITER and the Laser Mégajoule projects and the refurbishment of the PFM.

Boiler manufacturing capabilities at La Seyne-sur-Mer for Energy and Environment Sector applications are also complemented by facilities at the CNIM Babcock Morocco subsidiary.

1.2.4.8 Activity in 2016

A. CNIM Industrial Systems Division

a. Defense and maritime

- **Deterrence**

Program for replacing the M45 missile with the M51 missile

In 2016, CNIM won a new contract for replacement of the missile-launching tubes of the submarine "Le terrible", as well as a contract for production of submarine suspension systems.

- **Maritime projection**

L-CAT® Egypt

In 2016, CNIM delivered two L-CAT® amphibious landing vessels to the Egyptian navy. The L-CAT® are highly innovative vessels designed by CNIM that allow the deployment of land forces up to undeveloped shorelines by means of a helicopter-carrying vessel (BPC Mistral).

- **Land-based projection and special vehicles**

Transporting obsolete chemical weapons

CNIM has been contracted to transport obsolete chemical weapons for the French Directorate-General for Armaments (DGA) since 2011. This requires not only four vehicles for transporting the obsolete chemical weapons, but also two systems for loading/unloading that vehicle. The first vehicle was delivered in 2015, the other three in 2016.

Refurbished motorized floating bridge (PFM)

Under the contract notified by the French General Directorate for Armament (DGA) in 2015, CNIM carried out the refurbishment studies and the prototyping of new functions for the French Army's motorized floating bridges (PFM) in 2016.

A PFM is a system providing continuous (bridge) and discontinuous (door or ferry) crossings (essentially logistical crossings carried out in the rear zone or during natural disasters).

- **Maritime systems**

CNIM Group's wide-ranging expertise means that it can offer equipment and services adapted to the needs of the maritime market:

- special vessels that can operate in difficult conditions: L-CAT®, WindKeeper®;
- clean and cost-effective on-board equipment: scrubbers, absorption chillers, boilers;
- secure transfer systems for passengers;
- related top-of-the-range services: ergonomics, consultancy & modeling, integrated logistical support, market research, etc.

WindKeeper® is a vessel for providing support and maintenance for offshore wind farms that is in the process of being studied at CNIM, in partnership with the owner Compagnie Maritime Chambon. Thanks to its high level of stability at sea, innovative equipment and efficient transfer bridging, WindKeeper® can transfer maintenance technicians to wind farms even when waves are three meters high, thus doubling the rate of accessibility compared with a CTV (Crew Transfer Vessel).

b. Nuclear power and large scientific instruments

- **Nuclear energy**

Secure handling systems for EPRs

CNIM designed and delivered a machine for transferring spent fuel from the nuclear power plants in Taishan (China) and Olkiluoto (Finland). The complete system includes a trolley and components inserted into concrete interfaced with the spent fuel storage pool. The system's largest component is the trolley that weighs 55 tonnes and is 8 meters high and 5 meters wide.

The Taishan machine and its equipment are in the process of being assembled and installed.

The JHR project – Jules Horowitz Reactor (JHR)

The experimental JHR nuclear reactor is intended to study the behavior of fuels and materials for nuclear power plants in order to help to make existing nuclear reactors safer and perform at optimal levels, and also to develop the reactors of tomorrow. It will also produce radioelements for nuclear medicine (medical imaging). This European research project into nuclear energy includes agreements with Japan and India.

In 2014, Areva TA awarded CNIM a contract to manufacture large components for the reactor block (or "cell block") forming the core of the Jules Horowitz Reactor (JHR). This manufacturing contract will call on CNIM's skills and expertise in the fields of electron-beam welding and machining of large-scale components, in which it will also need to be extremely precise. In 2015, the machining work on the component designs and the aluminum and stainless steel welding were carried out at La Seyne-sur-Mer. In 2016, the manufacture continued in strict compliance with the stringent quality requirements imposed on this equipment.

NOVARKA project

NOVARKA is a joint venture formed by Vinci and Bouygues responsible for the construction of the Chernobyl arch. This arch is a system for containing reactor no. 4 of the Chernobyl nuclear power plant in Ukraine and its damaged sarcophagus. It is an arch-shaped metal structure that is 108 meters high and 162 meters wide and extends over 257 meters.

NOVARKA has entrusted CNIM with several contracts, which are in progress:

- the waterproof membrane between the arch and the sarcophagus;
- a garage transfer system mounted on the main bridge of the arch;
- a maintenance trolley on the main bridge of the arch.

- **Large scientific instruments**

ITER experimental reactor (Nuclear fusion)

ITER is an international scientific experiment aimed at demonstrating the technological feasibility of fusion energy, with a view to its industrial and commercial exploitation. The contracts awarded to CNIM since 2009 are a reflection of the Group's strategic decision to position itself as a long-term supplier under this program.

Manufacture of radial plates

Radial plates are mechanical structures made of stainless steel weighing 5.5 tonnes or 9.8 tonnes depending on the model. They constitute the backbone for the eighteen toroidal field coils required to keep the plasma confined in the ITER vacuum chamber. In 2012, the EU's Fusion For Energy (F4E) agency, which is responsible for the contributions made by European countries to the ITER project, awarded the manufacturing contract for 70 radial plates to the Franco-Italian consortium SIMIC-CNIM.

So that it could start manufacturing the plates, in 2013 CNIM took steps to put the finishing touches to its industrial facilities. After having been installed and approved, these facilities are operational. The manufacturing contract is progressing on a nominal basis. Thirty plates were delivered in 2016. This contract will be completed in 2017.

Mechanical Handling Equipment for In-Vessel Assembly

The ITER Organization awarded the Mechanical Handling Equipment for In-Vessel Assembly (MHE) contract to CNIM in December 2015. This involves studying, producing and approving the resources that will be used during the ITER project for the assembly of the reactor's internal components.

In-Vessel Viewing System

F4E has used the CNIM-Bertin partnership for the supply of the In-Vessel Viewing System (IVVS), a remotely operated metrology and visual inspection system that can operate in the vacuum chamber of the reactor between two plasmas. Experience gained from Laser Mégajoule contracts has been vital as it has enabled the CNIM Group to demonstrate unique expertise in metrology and remotely operated systems in harsh environments. Thanks to the IVVS contract, the CNIM Group is positioning itself as the leader in the study and production of complex systems.

Manufacture of poloidal field coils

The poloidal field coils are the six superconducting magnets installed horizontally in the ITER machine. Of these, four are too large (up to 25 meters in diameter) to be manufactured far from ITER. CNIM will manufacture and test them in a building already constructed by F4E a few meters from the ITER reactor building. Signed with F4E in December 2015, the PF Coils Manufacturing contract opens up new possibilities for CNIM in terms of working on the ITER site.

Port Plug Structures

In 2016, ITER Org awarded CNIM a contract to manufacture "passage crossings", i.e. tunnels that allow access to the reactor.

A large number of diagnostics (measuring equipment) will be used in these crossings to measure the characteristics of the plasma and first protection screen in the toric vacuum chamber. Port plugs will be used both as a protective container for these diagnostics and as a seal with the toric chamber. CNIM will manufacture 14 upper plugs and 8 equatorial plugs, each with a mass of between 10 and 15 tonnes, at its workshop in La Seyne-sur-Mer.

PBT (Purpose Built Tools) contract

This is a framework contract won in 2016 for the design, supply and on-site installation of equipment for assembly of the ITER tokamak.

Megajoule Laser (LMJ) Program

The LMJ is a major installation of the CEA Simulation program. It is used to study the behavior of materials in extreme conditions and, thanks to the addition of the PETAL Laser, it is the most powerful industrial laser known.

The French Atomic Energy and Alternative Energies Commission (CEA), and more specifically its Military Applications Division (DAM), has been involved in the preparatory phase of the LMJ since 1999. In 2003, it awarded CNIM Group a contract for chamber and integration equipment, and in 2009 a second contract for a laser beam focusing and frequency conversion system. In late 2016, CNIM manufactured and assembled on site six frequency conversion systems out of the 44 planned.

The CNIM Group has been assisting the CEA/DAM in the operation and operational maintenance of delivered systems since 2015.

c. Construction projects (La Seyne-sur-Mer and subsidiaries)

France: CNIM has been manufacturing the lateral booster nozzle structures of the Ariane V launcher since 2004. In December 2016, its workshops produced the 150th rocket casing.

In 2016, CNIM invested in new industrial equipment (large welding and machining capacity) and obtained new orders in the aeronautical sector (test bed and assembly equipment).

China: In tandem with escalator production, CNIM's Chinese subsidiary, CTE, is continuing to expand and diversify via industrial equipment contracts (nuclear energy, medical, infrastructure, etc.).

Morocco: CNIM Babcock Morocco is extending its boiler-making sub-contracting services to the European market, while also continuing to offer its industrial maintenance services.

B. Bertin Technologies and its subsidiaries

a. Systems and instrumentation

The Systems and Instrumentation Business Unit develops and markets instrumentation products and systems (measuring, identification and analysis equipment and systems in the nuclear energy, life sciences and defense sectors), systems for converting hospital waste (PIMW) to regular waste, and systems according to customers' specifications, particularly in the space, large scientific instruments, nuclear energy and defense sectors.

- **Defense equipment**

FusionSight®: when the night becomes your ally

FusionSight® is a handheld monocular launched in 2016. It provides low light digital color and thermal images. Particularly suited to meet the needs of infantry commanders and special forces, this reliable, lightweight device is effective in the field during operations, when facing hidden or camouflaged enemies. Equipped with an ergonomic design that meets users' needs, FusionSight® records images and feeds them "live" to a remote screen.

SecondSight®MS integrated on board reconnaissance military vehicles

In 2016, SecondSight®MS was selected to equip armored vehicles destined for south-east Asia. Mounted on the roof of the vehicle, the Second Sight camera is integrated in the entire system for detecting chemical, biological and radiological threats. With a range of up to 5 km, each SecondSight®MS camera can detect any chemical threat in real time. The first unit was delivered in late 2016; the other three will be delivered in 2017.

- **Nuclear/Environment equipment**

AlphaGUARD: a new generation of equipment for measuring radon radioactive gas

AlphaGUARD, a handheld device for measuring radon gas developed using Saphymo's expertise, has been redesigned to make instantaneous or continuous measurements of radon gas activity. It has excellent ergonomics, high sensitivity and an integrated digital display. AlphaGUARD is used as the benchmark by many international scientists and experts for programs that measure radon in the environment, mines, laboratories and to monitor homes and the workplace.

Development and design of the IRWST filtration system of the Hualong-1 nuclear power plant (China)

In June 2015, CNPE (China Nuclear Power Engineering) awarded Bertin Technologies a technical cooperation contract for the design and certification on test loops in Europe of safety filters for the IRWST (In-containment Refueling Water Storage Tank) of the future reactor of the third generation Hualong-1 plant. This contract was successfully completed in 2016 and helps to consolidate Bertin Technologies' position as the technological and scientific benchmark in the field of sump filters for nuclear power plants.

- **Laboratory/Life Sciences equipment**

InCellis: a new cellular imagery approach

In 2016, Bertin rolled out InCellis, a new digital microscope designed to generate high-quality images and facilitate cell observation in the field of cellular biology. Equipped with a color camera used for military applications, InCellis offers unparalleled image quality in any application: white light, phase contrast and fluorescence. Bertin's teams

have developed an intuitive man/machine interface that enables the user to save time when obtaining scientific results.

Hospital waste treatment equipment: Sterilwave's successful major export

Sterilwave automatically converts Potentially Infectious Medical Waste (PIMW) to regular waste at the hospital site. Its international success was consolidated in 2016. Dozens of items of equipment have been delivered resulting in global recognition from the World Health Organization and the World Bank.

- **Systems for the Space industry**

Having won, in 2015, an initial contract from Airbus Defence & Space relating to the study and production of a fiber-optic system, Bertin was awarded a new contract, in 2016, for the study and production of a laser diode system. Both these systems will be mounted on a satellite in the IASI-NG (Infrared Atmospheric Sounding Interferometer - New Generation) that Airbus Defence & Space will supply to CNES as part of METOP-SG, the European program for forecasting the weather and monitoring the climate between 2020 and the mid-2040s.

b. Information technology

Bertin IT offers software solutions and services for cybersecurity, cyberintelligence, speech processing and strategic intelligence.

- **Cybersecurity**

A solution for integrated management of "chatting" with differing levels of sensitivity

In 2016, Bertin IT presented a software solution that allows information with differing levels of sensitivity to be exchanged from a single workstation via instant messaging. This alternative to physical network separation, which is required for a workstation according to the type of data, improves operational performance while also streamlining the number of embedded computer workstations at navy buildings. This solution is based on PolyXene®, the EAL 5+ certified security hypervisor awarded the France Cybersecurity label.

- **Digital intelligence**

Bertin IT rolls out a technological monitoring platform for CNES

In 2016, the Centre national d'études spatiales (CNES) undertook to overhaul its monitoring system and chose to implement the AMI Software platform proposed by Bertin IT. The CNES's objectives are to switch from manual to industrial monitoring and to construct an information asset with high added value. Following a five-month assessment period, this project — which concerns all CNES divisions — has entered its rollout phase.

Auxipress boosts its performance with Bertin IT

Auxipress, the leader in the field of media monitoring and analysis in Belgium, has used the voice processing (Vecsys) and image analysis solutions proposed by Bertin IT to extend its reach of radio & TV monitoring and to increase the responsiveness to its media alerts. Thanks to speech-to-text audio transcription in French and Flemish and the automatic extraction of text and titles contained in videos (pixel-to-text), Auxipress provides in-depth media monitoring and offers innovative services to its customers that is always of the highest quality.

c. Pharma and biotech

Bertin Pharma operates in the life sciences markets, offering bioanalysis tools and biological reagents, as well as R&D services.

An agreement for the distribution of nuclear receptor assay kits in Europe

Bertin Pharma has signed an agreement with Indigo Biosciences to distribute nuclear receptor assay kits in Europe. In light of its long-standing experience as a distributor and well-proven distribution network, Bertin Pharma will distribute the kits developed by Indigo Biosciences. European researchers will therefore have at their disposal more than 40 references which they will be able to use as part of their work on metabolic disorders, cardiovascular diseases and endocrinology.

Assessing medications for innovative therapies in terms of patient safety

Bertin Pharma assists biotech companies involved in the development of highly innovative therapeutic approaches, such as cellular and gene therapy. It involves the use of DNA vector-based treatments to reduce deficiencies in the organism affecting certain physiological functions. The monitoring of biodistribution in the organism requires specific analytical tools such as qPCR. Bertin Pharma is a highly qualified and experienced partner in the practice of this technology, which means that sensitive data on the treatment's effectiveness can be quickly obtained.

Improving the life of sick children through innovation and expertise

Under a 2007 European regulation, manufacturers are required to initiate a pediatric development plan which consists in transposing adult medications to children. This is where Bertin Pharma's expertise comes into play: mini-tablets, an innovative form of dosage that results in better medication compliance and therefore a more effective treatment. Its advantages? A flavored pharmaceutical form that is easier to swallow, combines one or more active ingredients and also enables a personalized dosage. A raft of benefits for children so that their illnesses have less of an impact on their day-to-day lives.

Development of a drug to combat autoimmune and inflammatory diseases

Bertin Pharma is developing a repositioned drug derived from biotechnologies by using low doses of Interleukin 2 to combat autoimmune and inflammatory diseases such as juvenile diabetes and lupus. From taking charge of the formulation by way of analysis, the manufacture of clinical batches and ending up with stable pilot batches, Bertin Pharma has, on behalf of the French biotech company Iltoo Pharma, drawn on a broad range of its human and technical expertise. This collaboration, which started in 2013, has enabled Iltoo Pharma to forge ahead with the development of one of its flagship drugs.

d. Consultancy & innovative engineering

- **Expertise and innovative processes**

Bertin offers a range of consultancy and engineering services, providing innovative technological solutions for energy, the environment and industry.

ASTRID reactor: study to assess and improve the maturity of instrumentations

In 2016, Bertin Technologies was retained by the CEA to carry out a study to assess and improve the level of maturity of instrumentations developed for on-going monitoring of the core of the sodium-cooled reactor (fourth generation) as part of the ASTRID project. The methodology proposed by Bertin Technologies has been applied for a long time as part of its "technological consulting" activities, particularly in the oil, marine and defense sectors.

Managing the impact of meteorology and oceanography in the armed forces

In late 2016, Airbus Defence and Space entrusted Bertin with the production of a decision-making tool based on the Bertin Lab Metoc product. It concerns software for measuring the impact of meteorology and oceanography on military operations. The tool will provide a careful analysis of the environmental conditions and enable the chain of command of the armed forces to make decisions taking this key factor into account. The software tool will be delivered in 2020.

Optimization of performance from the design stage thanks to model reduction

Bertin Technologies is involved in a collaborative project to reduce complex phenomena models (MECASIF, endorsed by the System@tic business cluster). For the manufacturer Fairwind, Bertin and its partners have therefore modeled, then reduced (from two days to a few seconds), the model for the wake effect of a wind turbine. Objective: to maximize the total electricity generated by the farm by optimizing the interaction between wind turbines. Started in 2014, the project is at the completion stage.

A Bertin Technologies study for the "Smart Grid Campus" project in Grenoble

In partnership with the Grenoble Chamber of Commerce and Industry (CCI), Schneider Electric is undertaking a Future Investment Project on the theme "Smart Grid Campus". The project aims to produce a micro-energy grid at the level of the Institut des Métiers et des Techniques de Grenoble by integrating renewable energies and energy savings, with the dual aim of local energy consumption of self-produced electricity and generation of renewable energy. During the feasibility phase, Bertin Technologies carried out a parametric study in 2016 using its EMS (Energy Management System) software tool, followed by a preliminary study to define the different integrated energy systems.

Bertin Technologies assists in the drive to reduce polluting emissions of an agri-food group

One international agri-food group involved in the processing of agricultural produce used steam produced by a coal-fueled boiler. As this group wanted to comply with the regulations concerning large combustion installations, it embarked on a drive to reduce pollutants and in 2016 asked Bertin Technologies to produce a preliminary design in order to make the emissions from the coal-fueled boiler compliant. This project provided the opportunity to collaborate with other CNIM entities: CNIM Babcock Services for the fuel changeover and LAB for the flue gas treatment.

- **Ergonomics and human factor**

Bertin Ergonomie & Facteur Humain operates in the following markets:

- digital business and organization transformation;
- ergonomics of complex systems, including management of risks related to human factors.

Bertin Ergonomie helps to define micro-zoning at RTE head office

RTE wanted to be assisted by an ergonomics expert to determine the layout of its future head office at La Défense. RTE selected Bertin Ergonomie, which offered to conduct a study based on an iterative and participatory approach involving all the parties affected by the project, as well as representatives from various teams. Its objective is to ensure that the decisions made meet the applicable normative guidelines and users' needs as much as possible in order to facilitate adoption and acceptance of the project by the employees concerned. The study was launched in 2016 and should be completed in early 2017.

Bertin Ergonomie helps La Poste to transform its offering

Bertin Ergonomie has been selected by La Poste to join Vivier Innovation, which brings together a selection of preferred partners to work on innovative projects.

In this respect, Bertin Ergonomie is assisting La Poste in the digital conversion of its services and diversification of its offering. Bertin's ergonomists provided various services in 2016:

- assisting La Poste in the implementation of a solution dedicated to retailers in order to boost their sales and give it a foothold in the e-commerce market;
- formalizing an interface and style guide for local services offered by La Poste through its mail distribution service;
- designing and assessing a parcel-tracking site for businesses.

1.2.5 Principal changes since year end

None.

1.2.6 Patents, licenses and trademarks

The CNIM Group holds a portfolio of 139 groups of patents, 87 of which are extended to abroad, and 108 trademarks.

These patents cover the Company's two sectors and in particular flue gas treatments, residue treatments, activities performed by the Industrial Systems Division and those carried out by the Solar Energy Division.

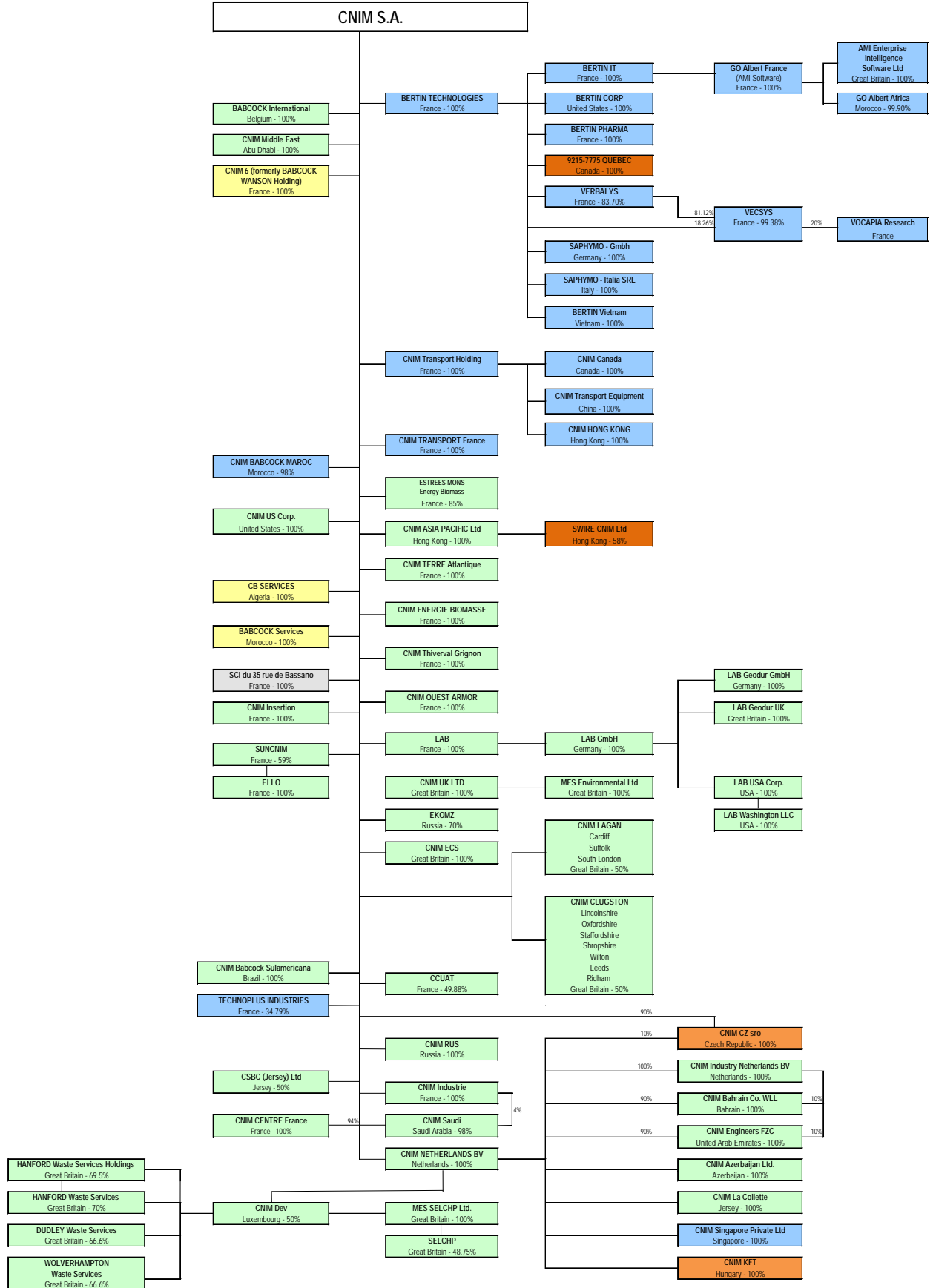
The CNIM Group's portfolio is divided between the parent company and the various Group subsidiaries, as specified below:

- CNIM holds 29 groups of patents and 19 trademarks (17 of which are proprietary and 2 are managed on behalf of wholly owned subsidiaries);
- majority-owned by CNIM, SUNCNIM owns seven groups of patents and three trademarks;
- wholly owned by CNIM, LAB owns 59 groups of patents and 26 trademarks;
- Bertin and its subsidiaries own 44 groups of patents and 60 trademarks.

The Group does not earn any revenues of consequence using patents owned by third parties.

1.2.7 Principal companies in the CNIM Group at December 31, 2016

The Group's subsidiaries are listed by Sector in Note 3 to the 2016 Consolidated Financial Statements.



- Environment Sector
- Innovation & Systems Sector
- Energy Sector
- Property companies
- In liquidation

Financial information on the Group's main subsidiaries is provided mainly in:

- Note 16 to the 2016 Consolidated Financial Statements (equity affiliates);
- Note 25 to the 2016 CNIM SA Financial Statements (parent company's subsidiaries and other holdings).

No companies were proportionately consolidated in 2016.

Jointly owned companies mainly comprise:

Environment Sector:

- joint ventures established to perform waste recovery plant contracts in partnership with a civil engineering firm, which cede the relevant shares of the contract back to each partner¹;
- company under joint control with the investment firm Cube: CNIM Development, which holds investments in project companies in the UK;
- company under joint control with Novergie: CCUAT (operation of waste recovery plant in France), dormant company;
- undertaking controlled by the Company, formed with the Industrial Joint Venture Companies (SPI) fund: SUNCNIM S.A.S. (turnkey construction of concentrated solar power plants);
- undertaking jointly controlled with the Caisse des Dépôts et Consignations (Deposits and Consignments Fund): ELlo S.A.S. (construction and operation of a power plant generating electricity from concentrated solar power energy).

Innovation & Systems Sector:

- company majority-owned by AVA Conseil: Technoplus Industries.

Details of land and buildings held by the Group's main subsidiaries are provided in Section 1.6.1 of the registration document.

The bulk of the assets, especially real estate, are owned by the parent company of the Group.

1.3 Risk prevention and management

The Company has conducted a review of the risks which could have a significant unfavorable effect on its activity, its financial position or its results (or on its ability to achieve its objectives) and considers that there are no other significant risks apart from those presented here.

The report from the Chair of the Supervisory Board on internal control and risk management procedures (4.3) describes the approach adopted by the Group.

This section sets out the prevention and management measures taken in respect of the principal business risks.

1.3.1 Industrial and environmental risks

1.3.1.1 Exposure

The Group's activities, whether during construction, maintenance, or plant operation by the company or by a third party, are subject to risks of:

- **personal injury**, which may occur as the result of a design error, inadequate safety arrangements during manufacture or assembly, or the consequences of a fault during operations. Protective measures, along with the rate of accidents at work, which is extremely low in comparison to the national average, are set out in the Social and Environmental Responsibility Report in Section 3.2.4; these measures include the prevention of occupational diseases and psychosocial risks;
- **events resulting in damage to the environment** (for example, accidental discharges in excess of permitted limits) due to a design fault, failure of maintenance or an operational error. No event resulting in accidental

¹ Under these joint ventures, which exclusively concern projects in the United Kingdom, the company is responsible for issuing performance bonds on the contract to the end customer. In consideration, the company receives matching counter-guarantees from its partners based on their respective scope of duties.

or chronic pollution has been recorded for several years, no provisions have been allocated for this purpose and no claims on the insurance policies have been made in this area.

1.3.1.2 Prevention and management measures

A breakdown is presented in the Social and Environmental Responsibility Report, 3.2 – A – B – C – D.

These risks are spread across numerous locations and construction sites, which reduces their individual criticality.

The Group sets particularly high standards for accident prevention, adherence to fundamental workplace safety rules, and the protection of health and the environment:

- authority limits set by the Management Board via its Chairman are adhered to;
- each company site has a Health and Safety Officer and procedures are laid down in good time in partnership with personnel representatives;
- appropriate safety and risk prevention measures are taken at each construction site and for all work performed on client premises;
- production resources conform to required safety standards;
- observation of psychosocial risks is established as required;
- an inquiry is held into the causes of every accident or physical incident and prevention and training solutions are proposed in order to minimize the likelihood of the risks materializing;
- no effort is spared to ensure that legal requirements are observed;
- the majority of facilities and sites take pro-active steps to obtain and retain certifications such as MASE (French corporate safety improvement manual) or OHS 18 001 (British standard to assist companies in identifying and preventing occupational health and safety risks).

1.3.2 General business risks

1.3.2.1 Exposure

As a result of the diversity of the businesses and sectors in which the Group works, the main business risks are:

- 1) Risks encountered during the sales, negotiation and contracting phase of business agreements.
- 2) Risks encountered during the performance of contracts.
- 3) Risks occurring after contract performance.
- 4) Risks linked to the technology content of the services/products provided.
- 5) Risks linked to the macroeconomic environment.

Risk factors 2, 3 and 4 also concern high-value, longer-term contracts such as servicing of existing installations or plant operation activities. Actual loss may be caused to the customer due to a delay in starting, unavailability of its facilities or inadequate performance. All the measures taken to minimize exposure cannot completely eliminate the probability, as unlikely as it may be, of a dispute occurring due to harm caused to a client. The Group is therefore particularly vigilant in relation to contractual terms and conditions, so as to prevent risks and contain their financial consequences. The provisions recorded in the balance sheet are indicated in the Notes to the Consolidated Financial Statements in Section 21. The Group holds insurance policies (see paragraph H of the same Section); the Group has never been ordered to pay compensation in excess of the coverage provided by its insurance policies. However, the Group cannot exclude the possibility that it could be held liable for an amount that is higher than the coverage provided by its insurance in the event of a failure to observe its contractual commitments.

1.3.2.2 Prevention and management measures

A. Risks during the pre-contract phase

All sales-related agreements, such as agency and partnership agreements, are subject to strict rules on the delegation of signing authority. Moreover, a procedure to select and monitor agents and/or consultants, "Procedure for the selection and monitoring of agents" was disseminated in October 2013 throughout the companies of the

Group. The Sector CEOs are responsible for the promotion and implementation of this procedure in their respective Sectors.

Each CNIM division or subsidiary attached to a Sector and under the responsibility of the Sector CEO draws up its own technical and sales bids.

These include:

- a technical draft which chiefly sets out the type of equipment to be supplied, the scope of the supplies and the guarantees offered to the client(s);
- a fixed-price commercial bid (price, price adjustment, payment terms, etc.) based on data in the technical draft and data controlled and provided by the Finance Department on hourly labor costs and overhead absorption factors.

Bid review procedures, specific to each Sector, division or subsidiary, allow it to be verified that sales and technical risks have been analyzed and that instructions regarding contract terms, breaking even and margins are complied with. Major and/or specific high-risk projects are presented to the Chairman of the Management Board.

The bid review procedures identify and assess risks in respect of:

- finance;
- policies/countries (export projects) - see Section F below;
- contracts (including limits of liability) and legal matters;
- project issues;
- specifications and quality requirements for products and/or services;
- product performance;
- manufacturing capacity to make the product;
- lead times and penalties;
- commissioning;
- operation.

B. Risks encountered during contract performance

CNIM undertakes projects which may be of substantial size and take several years to complete.

After an order is received, the Chief Executive of the Sector or subsidiary concerned performs (or formally delegates the performance of) a contract review based on a review of the bid, contract terms and objectives associated with the contract.

Every contract is placed under the responsibility of a project manager, who serves as the client contact and is responsible to the Chief Executive of the Sector/subsidiary for ensuring that contractual obligations are met.

In addition to the risks addressed during the contract bid review, deficiencies may appear in relation to design, purchases or suppliers/subcontractors or possible co-contractors, manufacturing, transport or construction which pose risks of additional costs and delays and may impact the profitability of the contract.

Projects are organized, and monitoring and control processes put in place, in such a way as to identify and mitigate these risks; the parent company and all subsidiaries are subject to a quarterly Sector-by-Sector and contract-by-contract review. These quarterly reviews take place in the presence of the Chairman of the Management Board, the Chief Executive of the Sector concerned, the relevant management controller, the Finance Department and the project manager or Subsidiary Manager.

C. Risks occurring after contract performance

After delivery, costs that may arise during the guarantee period are covered by provisions recorded in the financial statements (see Note 22 to the 2016 consolidated financial statements).

D. Risks linked to the technology content of the services/products

Various aspects of the Group's organization limit technology risks:

- the Group's technology and R&D strategy avoids dependence on third-party patents;

- bid and contract reviews (see above) which take into consideration the following technical points: product or service definitions; quality/completion of the product or service; product performance; industrial capacity to make the product;
- Quality procedures which includes design reviews and monitoring programs;
- the personnel training policy, particularly for start-up or operating phases.

E. Risks linked to the macroeconomic environment

The diversity of business areas and customers and the growing portion of sales derived from recurring service work limit cyclical effects on revenues.

F. Geopolitical risks

Some projects are located in countries which present a geopolitical risk. Such projects are subject to specific measures, primarily to ensure the safety of the personnel involved.

Country risk analysis is included under point 1.3.3 “Legal risks”.

1.3.3 Legal risks

1.3.3.1 Exposure

Most legal risks are contract-related risks, as outlined in point 1.3.2.

As the Group has a large number of subsidiaries, it must also ensure that all of them comply with applicable national legislation and regulations.

The Group has not been convicted of any offenses in relation to this risk. Provisions for contractual disputes and other risks are listed in Note 22 to the 2015 Consolidated Financial Statements.

- Litigation provisions mainly relate to contract performance issues such as: technical implementation, client reservations, non-compliance with schedules or technical performances that may incur penalties, requests for additional work or replacement of components;
- issues relating to partners, suppliers and subcontractors such as: claims for damages or requests for value-added services or non-fulfillment of obligations;
- early termination issues that may result in the Group being required to pay compensation for termination.

Provisions set aside as at December 31, 2016 mainly relate to case 1, within the context of either settlement negotiations or disputes in the pre-trial phase.

Furthermore, neither CNIM nor any of its subsidiaries is or has been — particularly during the last twelve months — party to government, legal or arbitration proceedings that are likely to call these evaluations into question.

1.3.3.2 Prevention and management measures

The Group's Legal Department is responsible for implementing all preventive measures aimed at avoiding lawsuits and claims against Group companies, and in particular for:

- overseeing the establishment and updating of general terms of purchasing and sale;
- opining on any document liable to commit the Company and/or its subsidiaries, in particular bids and contracts, whether directly or through instructions or standard documents;
- managing, in conjunction with the Company's and/or its subsidiaries' lawyers in France and abroad, all third-party claims for which the Group may be held liable and conducting defense or appeals before the relevant judicial bodies, whether courts or arbitration tribunals;
- periodically examining the various legal cases, developments therein, risks incurred, insurance cover and the accounting provisions recorded.

A specific meeting, involving the Group Finance Director and, where necessary, the Sector Chief Executive concerned, is held several times a year to analyze developments in losses and legal disputes and their consequences at Group level and also, where appropriate, to determine the accounting provisions to be recorded as well as the preventive or corrective measures required.

Particular attention is paid to risks relating to competition law, representation or business introduction contracts, and anti-corruption law. In this regard, a selection procedure for sales agents/consultants and an ethical charter were circulated in October 2013 and February 2014 respectively. This ethical charter formalizes the translation of CNIM's values and the principles that each employee of the Company and its subsidiaries must comply with as part of their work. The Group Legal Department is also responsible for ensuring that each subsidiary complies with all legal filing requirements.

1.3.4 Financial risks

1.3.4.1 Foreign exchange risk

A. Operational foreign exchange risk

a. Exposure

The foreign exchange risk associated with calls to tender is the financial risk to which Group companies are exposed when they respond to a bid in a currency other than the Group's functional currency. This risk occurs when the bid is tendered, lasts for as long as the bid is valid and materializes only if the bid becomes a contract. This risk becomes real (or certain) when the contract is signed.

b. Risk mitigation

In accordance with the Group policy on operational management of the transactional currency risk during the quoting and contract phases:

A full analysis of foreign exchange risk is conducted for each project during the tender period, in consideration of cash inflows and outflows by currency.

Every commercial effort is made to obtain natural hedging by aiming to balance projected foreign currency receipts and disbursements.

Where the tender phase involves residual exposure to foreign exchange risk, any hedging, based on the estimated probability of the contract being won and market conditions, is obtained via specific export insurance policies (Coface-type policies) or via options classed as financial derivatives.

For each contract order, exposure to foreign exchange risk is hedged by the forward purchases and sales of foreign currency. These instruments are used to hedge highly probable or certain cash flows.

Foreign exchange hedge contracts for Group companies are taken out by the Group's Finance/Treasury department and overseen by the Group Finance Director in line with completion projections for foreign currency receipts and disbursements, as notified by the project manager or the chief financial officer of the entity or Division in question.

Throughout the performance of each contract in question, the hedge portfolio is adjusted as a result of dynamic oversight of exposures to foreign exchange risk.

B. Financial foreign exchange risk

At December 31, 2016, no external financial debt had been contracted in a currency other than the contracting subsidiary's functional currency.

C. Foreign exchange risk associated with net investment in foreign operations

The foreign exchange risk associated with net investment in foreign operations corresponds to the translation risk (balance sheet) generated by the consolidation of subsidiaries with a different functional currency from that of the parent company.

The Group continues to have little exposure to this risk, given the preponderance in its consolidated net assets of integrated subsidiaries whose functional currency is the euro.

As a result, the Group has no hedges in place for net investment in foreign operations.

The impact of foreign exchange rate fluctuations, referred to in 1.3.4.1 – B and 1.3.4.1 – C above, is stated in 5.1.3 and Note 8.B of the 2016 consolidated financial statements.

1.3.4.2 Interest rate risk

A. Debt

Variable-rate loans where there is no definite intention to draw are not hedged.

Variable-rate debt represented an immaterial amount at December 31, 2016 (cf. Note 22.A to the 2016 Consolidated Financial Statements.)

B. Cash and cash equivalents

The Group's cash management policy aims to obtain a slightly higher yield than the money market while still maintaining high levels of liquidity for managed assets, mainly invested in short-term interest-bearing products.

The Group has no investments in shares or bonds.

1.3.5 Counterparty risk

1.3.5.1 Exposure

Counterparty risk corresponds to the loss that the Group could incur if counterparties failed to fulfill their contractual obligations.

The Group is exposed to counterparty risk:

- within the context of its operational activities:
 - o risk associated with trade receivables from customers;
 - o risk associated with partners, subcontractors and suppliers;
- within the context of its investment and hedging activities.

Please note that the level of concentration of the customer portfolio is linked to the progress of major contracts and is not, therefore, reproducible year-on-year.

1.3.5.2 Risk mitigation

A. Credit risk associated with trade receivables from customers

Depending on the country risk assessment, guarantees may be taken out in relation to turnkey export contracts to cover the risk of:

- market disruption before they expire, owing to default by the buyer, a political event or a natural catastrophe;
- non-payment;
- abusive calls to the benefit of the purchaser on bank guarantees that are payable on first demand.

Within the context of its private contracts:

- prior to signing, the Group carries out a credit risk assessment, in particular by consulting information provided by companies specializing in the provision of business data. During the contract phase, the risk of non-payment is mitigated by:
 - o the negotiation of suitable payment methods such as standby letters of credit and/or documentary credits;
 - o the negotiation of payment terms (down payments and progress payments according to the production process to cover irrevocably incurred expenses as best as possible);
 - o obtaining guarantees from customers' parent companies;

Past-due trade receivables are followed up systematically and ranked according to lateness of payment based on the aging of client arrears.

In 2016, and as at the date of this registration document, no significant arrears had been recorded for one or more of the Group's customers

B. Counterparty risk associated with partners, subcontractors and suppliers

CNIM's selection process for partners, subcontractors and suppliers includes a risk assessment, the results of which may lead:

- to a decision not to sign a contract with one or other partner, subcontractor or supplier;
- to requests for bank guarantees to be issued for the third parties in question;
- to payment terms being adapted according to the risks incurred.

Despite this process, technical or financial defaults on the part of partners, subcontractors or suppliers may occur, incurring additional obligations for the Group that are liable to impact on its results.

C. Counterparty risk associated with cash investments and hedging activities

The Group is exposed to counterparty risk on the investment of its cash surpluses and via the use of derivative contracts to hedge foreign exchange and interest rate risks. In this last instance, the counterparty risk corresponds to the fair value of instruments contracted with a counterparty, if positive.

The Group minimizes the counterparty risk by systematically limiting the choice of bank counterparties to leading financial institutions.

1.3.6 Liquidity risk

Liquidity risk corresponds to the Group's ability to access the financial resources required in order to meet its commitments.

The Company conducted a specific review of its liquidity risk and considers itself to be in a position to meet its maturities.

In this respect, the Group considers itself to have a low level of exposure to liquidity risk. In fact, at December 31, 2016:

- the Group's net cash position (cash and cash equivalents net of financial debt) stood at €157.7 million, as opposed to €100.3 million at December 31, 2015;
- the Group also has a €120 million medium-term borrowing facility, none of which had been drawn down as of December 31, 2016, nor had been drawn down as at the date of filing of this registration document. As the Group had gross cash of €183.7 million (€138.4 million at December 31, 2015), available liquidity at December 31, 2016 stood at €303.7 million (as opposed to €258.4 million at December 31, 2015);
- finally, as mentioned in Note 22.A to the 2016 Consolidated Financial Statements, the medium-term facility referred to above is subject to the following covenant in relation to the consolidated financial statements: net debt must be less than or equal to 2.5 times EBITDA. This covenant was complied with as at the end of 2015.

A full analysis of borrowing and financial debts is shown in Note 22 to the 2016 Consolidated Financial Statements.

1.3.7 IT and asset risks

1.3.7.1 Exposure

As with all companies, IT network and data storage security are now crucial issues. It is essential to avoid accidental data loss and extended network downtime, not only to ensure the continuity of operations or financial software but also to protect against any malevolent act, whatever its aim.

CNIM sets, measures and achieves extremely high availability objectives for networks and applications and high standards of data integrity in its IT systems.

1.3.7.2 Prevention and management measures

The head of each location is responsible for taking all preventive and corrective measures required at each location to protect and preserve the Company's assets and real estate. Such measures include servicing, maintenance, caretaking, monitoring, etc.

The Company has taken out an insurance policy on behalf of itself and all CNIM Group companies to cover the whole of the Group's real estate, fixed assets, merchandise and stock.

This policy covers major risks such as fire, explosion, lightning strike, storm, hail, landslide, water damage, vandalism and natural disaster along with consequential business interruption losses.

Maximum overall insurance cover amounted to €150 million. Deductibles are dependent on contract size.

Particular attention is paid to protection and continuity measures for IT systems:

- all systems include redundancies and systematic safeguards, and ensuring their availability is the primary focus of the IT Systems Department;
- the Company has appointed an IT Security Manager who is responsible for the security policy and its application, both in terms of ensuring the physical and data security of the IT system and in terms of regulatory compliance;
- risks relating to data confidentiality or cyber-attacks are specially monitored;
- all staff are made aware of the IT security charter and have a duty to comply with it. In addition, various documents raising awareness of IT security have been distributed to staff;
- the Company has also appointed an IT and personal freedom representative.

1.3.8 Fraud risk

In common with any company, CNIM is likely to be a victim of internal or external fraud. This risk is mainly minimized by the following prevention measures:

- sessions to raise awareness of the risk of fraud covering the exposed functions;
- under the responsibility of the Group Finance Department, circulation, in all the Group entities, of a specific warning about any attempted fraud suffered by one of the entities;
- procedure for selecting and monitoring agents and consultants - see point 1.3.2.2 A) above;
- ethical charter;
- ethical warning line, i.e. possibility of flagging any violation or suspected violation of the ethical charter to the Group Legal Director;
- purchasing code of conduct;
- internal, manual, semi-manual or automated controls (separation of incompatible functions, delegation of signing authority, double signatures, etc.) incorporated in all the operational processes contributing to the production of accounting and financial information;
- protection and information systems continuity measures - see point 1.3.7.2 above.

1.3.9 Insurance

To prevent information from being used in ways harmful to the interests of the Group and its shareholders, particularly in connection with legal disputes, the Group takes care to maintain strict confidentiality over the amount of premiums and terms of indemnity, especially with regard to liability insurance.

- Material damage policies: the level of cover for material damage policies is set in line with the assets to be insured or, where this is not possible, at a maximum level representing a catastrophe scenario, up to the limits offered in the contract.
- Site insurance: most of the time, the amounts covered are equal to the contract value.
- Liability insurance: liability policies insure losses incurred by third parties for which Group companies may be liable. As these companies vary substantially in terms of business type and size, the amounts insured are set in accordance with the risks entered into.

The Group considers that the current insurance policies are appropriate to its exposure profile, given the possibilities available in the insurance market in terms of capacity, scope of cover and terms. The policies described above include, in accordance with the constraints of the market, exclusions and/or limitations. They are liable to change in accordance with changes in market conditions or in the risks faced by the Group.

1.3.10 Human Resources

Risks associated with employee health and safety are dealt with in point 1.3.1 of this same section.

Skills availability is crucial for the Group owing to its wide-ranging business activities which require varied and specific skills and the organization of major projects requiring teams to be assembled by given deadlines.

Initiatives launched in relation to recruitment, training, mobility, labor relations and career management, and the results of such initiatives, are outlined in the social and environmental responsibility report, 3.1 – 3.2 – 3.3 – 3.4 – 3.5.

1.4 Group results

1.4.1 Highlights of the period under review

On 20 July 2016, the Group sold its Babcock Wanson subsidiaries (excluding Babcock Wanson Morocco, now renamed CNIM Babcock Morocco) to the FCDE (Fonds de Consolidation et de Développement des Entreprises). As a result of the disposal, the companies concerned have been treated as “discontinued operations” with effect from January 1, 2016 and have been excluded from the 2016 figures for order intake and revenue.

The CNIM Babcock Services business (optimization, refitting and maintenance of combustion facilities) has been included in the Environment sector in the sector information below.

Comparative figures have been restated to take account of this reclassification.

1.4.2 Business in 2016

1.4.2.1 Order intake

Compared with 2015, the Group's order intake grew strongly in 2016 in the Environment sector. Overall, orders of €839.7 million were received, the highest amount in the last five years.

The detailed breakdown of the order intake within each sector by product line in 2014-2016 is as follows:

(in € millions)

	2016	2015 (restated)	2015 (published)	2014 (restated)
Environment	683.6	316.8	292.1	143.1
Innovation & Systems	156.1	257.9	257.9	131.1
Energy	0	0	115.3	0.0
Group total	839.7	574.7	665.3	274.2

a. Environment

(in € millions)

	2016	2015 (restated)	2015 (published)	2014 (restated)
Turnkey plants (EPC)	411.5	173.9	173.9	1.7
Flue gas treatment systems (WETS)	88.9	29.1	29.1	35.7
Plant operation (WEMS)	79.0	89.1	89.1	69.6
Solar power	57.5			
Energy (CBS)	46.7	24.7		36.1
Total Environment	683.6	316.8	292.1	143.1

Five Business Divisions have been defined in the Environment Sector:

- Turnkey household waste-to-energy plants (EPC)
- Waste Energy Technical Solutions (WETS) combining flue gas treatment for household waste-to-energy plants, flue gas treatment systems for engines of merchant vessels, systems for extracting metals from ash following waste incineration and ancillary services.
- Waste Energy Management Solutions (WEMS) for integrated offers (project development, construction and operation) of household waste-to-energy or biomass-to-energy plants
- Solar power
- CNIM Babcock Services (CBS): optimization, refurbishment and maintenance of combustion plants

These new designations did not generate any restatement or reclassification of the 2015 figures.

- **Turnkey plants (EPC): 411.5 million euros**

Orders for turnkey contracts are recorded on receipt of the instruction to commence work and not on signing; by nature they do not present a linear trend.

In 2016, the Group recorded orders for the turnkey construction of the waste-to-energy plants in Kemsley and Parc Adfer (UK), as well as addenda to current contracts.

- **Flue gas treatment systems (WETS): 88.9 million euros**

In the Waste Energy Technical Solutions (WETS) Business Division, LAB SA recorded a major order in Denmark for the turnkey construction of flue gas treatment and heat recovery systems at a new biomass incineration plant. This order, and that concerning the Gloucester plant in the UK, means that the WETS Business Division observed a sharp rise in non-Group orders compared with 2015 and previous years.

- **Plant operation and renovation (WEMS): 79.0 million euros**

The WEMS Division recorded the order to adapt and optimize the waste-to-energy plants in Colmar and Thiverval (France).

As of December 31, 2016, the Group operated the following waste-to-energy and biomass-to-energy plants:

- France: Thiverval (78), Pluzunet and Lantic (22), Saint-Pantaléon de Larche (19), Plouharnel (56), Nesle and Estrées-Mons (80);
- UK: Stoke-on-Trent, Wolverhampton, Dudley;
- Azerbaijan: Baku.

- **Solar power: 57.5 million euros**

In 2016, the Group, through its SUNCNIM subsidiary, recorded the order for the Llo solar power plant in the Pyrénées-Orientales. This will be the first plant in France that uses concentrated solar power Fresnel technology.

- **CNIM Babcock Services: 46.7 million euros**

Orders received in 2016 by CNIM Babcock Services rose sharply compared with 2015, mainly on the back of major contracts for repairing power boilers at the Arcelor Mittal site in Fos-sur-Mer.

b. Innovation & Systems

(in € millions)

	2016	2015 (restated)	2015 (published)	2014 (restated)
Industrial Systems Division	67.8	162.7	162.7	80.4
Bertin subsidiaries	88.3	95.2	95.2	50.7
Total Innovation & Systems	156.1	257.9	257.9	131.1

- **Industrial Systems Division: 67.8 million euros**

Following a high level of orders received in 2015 for the following contracts:

- equipment relating to the ITER program;
- equipment installation in relation to nuclear deterrence;
- equipment in relation to land-based projection (Motorized Floating Bridges);
- supply of 220 escalators for the Canton metro network (China).

In 2016, the Industrial Systems Division signed various contracts as part of the ITER program.

- **Bertin sub-group: 88.3 million euros**

The breakdown by business is as follows:

- Systems and Instrumentation: 60 %
- Information technology: 7 %
- Consultancy: 17 %
- Pharma: 16 %

The merger with Saphymo in 2015 resulted in a large share of radioactivity measuring equipment in the Systems and Instrumentation business activity.

1.4.2.2 Order backlog

Movement in the backlog of each of the Group's three sectors over the last three years is as follows:

(in € millions)

	Backlog at 01-01-2016 (published)	Effect of changes in scope of consolidation	Reclassification	Backlog at 01-01-2016 (restated)	2016		Backlog at 12-31-2016	Orders/Revenues	Backlog in months of revenue
					Orders	Revenues			
Environment	287.6		12.6	300.2	683.6	331.6	652.2	2.06	23.6
Innovation & Systems	305.6			305.6	156.1	208.3	253.4	0.75	14.6
Energy	37.9	(25.3)	(12.6)	-	-	-	-	-	-
Group total	631.1	(25.3)	0.0	605.8	839.7	539.9	905.6	1.56	20.1

The amount of the changes in the scope of consolidation corresponds to the backlog, at January 1, 2016, of the transferred Babcock Wanson subsidiaries. Reclassification corresponds to the inclusion of CNIM Babcock Services in the Environment Sector.

The Group's backlog rose by 49.5% (on a like-for-like basis), standing at €905.6 million at December 31, 2016.

For the Environment Sector, this represents the equivalent of two years of 2016 revenues.

1.4.3 Consolidated results

The consolidated income statement for the Group for 2015 and 2016 is set out below:

(in € millions)

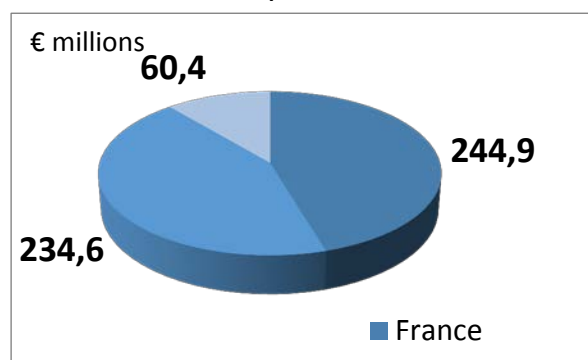
	2016	2015 (restated)	2015
Revenues	539.9	635.9	727.0
EBITDA	38.5	57.2	63.8
Recurring operating income	22.2	42.1	47.1
Other income & expenses	(3.2)	(0.6)	(0.6)
Operating income	19.1	41.4	46.5
Share in net income from associates	2.6	3.3	3.3
Operating income including share in net income from associates	21.7	44.7	49.8
Total financial income/(loss)	(0.6)	2.7	2.9
Net result before income tax	21.0	47.4	52.7
Income tax expense	(7.1)	(16.1)	(17.6)
Net income/(loss) for the year	14.0	31.3	35.0
Net income/(loss) from continuing operations	34.1	3.7	-
Income/(loss) attributable to non-controlling interests	(1.6)	(0.8)	(0.8)
Net income attributable to owners of the parent	49.7	35.8	35.8

The 2016 financial year was characterized by:

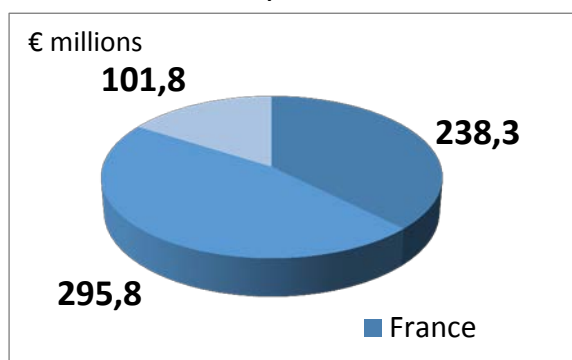
- an upward trend in the orders received and order backlog, as shown in paragraph 1.2;
- lower revenues than the previous year, mainly due to the turnkey household waste-to-energy plant construction business (Environment Sector);
- recurring operating income affected by this lower level of business activity;
- high level of net income following the sale of the Babcock Wanson subsidiaries.

1.4.3.1 Revenues by geographical region

2016 – France: 45.4 % Export: 54.6 %



2015 – France: 37.5 % Export: 62.5 %



Exports continue to remain extremely important to the Group, with revenues from outside France, principally in Europe, representing 54.6 % of the total.

1.4.3.2 Revenues and recurring operating income

(in € millions)

	2016					2015 (restated)				
	Revenues	EBITDA	EBITDA/Revenues	Op. income (recurring)	Op. margin	Revenues	EBITDA	EBITDA/Revenues	Op. income (recurring)	Op. margin
Environment	331.6	16.8	5.1%	12.9	3.9%	418.3	33.1	7.9%	30.4	7.3%
Innovation & Systems	208.3	21.7	10.4%	9.3	4.5%	217.6	24.1	11.1%	11.7	5.4%
Total	539.9	38.5	7.1%	22.2	4.1%	635.9	57.2	9.0%	42.1	6.6%

Overall Group revenues have fallen by 15.1 % relative to 2015. By sector:

- Environment -20.7 %
- Innovation & Systems -4.3 %

Recurring operating income represented 4.1 % of revenues in 2016, as opposed to 6.6 % in 2015.

The change in the Group's recurring operating income is mainly due to the dip in activity in the Environment Sector; the turnkey plant construction business was weaker in 2016 than in 2015. This drop should be seen against the background of the non-linear nature of business in this type of market and the positive movement in the order backlog as at December 31, 2016.

a. Environment Sector

The Environment Sector achieved revenues of €331.6 million in 2016.

The Sector's operating margin was 3.9 % of revenue in 2016, which was hit by the level of activity (EPC and WETS Business Divisions), business set-up costs in new geographical regions (WEMS Business Division) and earnings that remained negative for the Solar Energy Business Division, which is in the start-up phase.

With revenues up 5.8 %, earnings for CNIM Babcock Services were close to breaking even following a difficult year in 2015.

As the sector does not require investment in property, plant and equipment, EBITDA is close to operating income.

b. Innovation & Systems Sector

Revenues for the Innovation & Systems Sector were slightly down on 2015, with two opposing trends:

- Industrial Systems Division -14.8 %; this drop in revenues was mainly due to the respective advancement in 2015/2016 of contracts in Defense and Large Scientific Instruments business;
- Bertin +12.7 %; the Bertin Systems and Instrumentation Business Unit posted a sharp rise.

Innovation & Systems posted recurring operating income of +€9.3 million in 2016, as compared to +€11.7 million in 2015 and -€5.1 million in 2014.

The 2015 earnings for the Industrial Systems Division were positively affected by non-recurring items.

As regards the Bertin Business Units, the increased revenues for Bertin Systems and Instrumentation, together with the finalization of the inclusion of Saphymo, helped to boost total earnings, while the IT business remained loss-making.

The Innovation & Systems Sector is characterized by a marked capacity for innovation, with a track record of major development programs and a strong industrial base which provide the means to associate innovation potential with capacity to deliver industrial implementation.

It therefore requires more capital expenditure, and depreciation thus plays a significant part in the income statement.

At €21.7 million, the sector's EBITDA represented 10.4 % of revenues.

The activities of the two sectors are very different:

- turnkey installations, operation of waste-to-energy plants and service contracts in the field of thermal energy for Environment;
- development and production of small and mid-range mechanical and electromechanical engineering products for Innovation & Systems.

These differences in the nature of the activities carried out within each of the sectors make it impossible to undertake a meaningful comparative analysis of the differences between their results.

1.4.3.3 Non-recurring income (loss)

In 2016, the Group's non-recurring income was affected by the goodwill impairment relating to Bertin's IT business, amounting to €3 million, in view of the delay in the development prospects for the business and the change in the discount rate taken into account in the estimate of the recoverable value of this Business Unit.

1.4.3.4 Share in net income from associates

(in € millions)

	2016	2015
Share of net income of equity-accounted associates	2.6	3.3

Income from associates in 2016 was €2.6 million, this figure deriving essentially from associates operating in the Environment Sector.

1.4.3.5 Financial income

(in € millions)

	2016	2015 (restated)	2015
Net financial income/expense	0.0	(0.0)	0.2
Foreign exchange	(0.3)	3.6	3.6
Other	(0.3)	(0.9)	(0.9)
Financial income	(0.6)	2.7	2.9

Net financial income for 2016 comprised:

- foreign exchange gains (losses): (0.3) million euros
The exchange rate differences had been affected by Azerbaijan's decision to switch to a floating exchange rate on December 21, 2015, as the billing of the CNIM subsidiary in this country is expressed in euro;
- other financial income/expenses, mainly incorporating impairment of financial assets: (0.3) million euros

1.4.3.6 Income tax

(in € millions)

	2016	2015 (restated)	2015
Income tax expense	(7.1)	(16.1)	(17.6)

Tax, including the enterprise added value contribution (*cotisation sur la valeur ajoutée des entreprises*) represented 38.3% of pre-tax income, excluding income from associates.

1.4.3.7 Net income/(loss) from continuing operations

Net income/(loss) from discontinued operations comprised:

- earnings after tax from sold companies, from January 1, 2016, to the date of sale (July 20, 2016): 2.1 million euros
- gain realized on the sale of sold companies, after tax: 32.0 million euros

1.4.3.8 Net income

Changes in the consolidated net income attributable to owners of the parent, excluding minority interests (which primarily concern Vecsys, a subsidiary of Bertin Technologies, and SUNCNIM), were as follows:

(in € millions)

	2016	2015
Net income attributable to owners of the parent	49.7	35.8

At 9.2% of revenues, Group net income rose and held steady, owing to non-current items for the period.

1.4.4 Definitions

“Order intake”:

- Contracts for the supply of turnkey plants are recorded as orders at the start of operations;
- Contracts for recurring services, such as the operation of waste recovery plants, are recorded as orders in the year to which each part relates, either at the start of the year or on the date of signing.

“Backlog”:

- The backlog at a given date corresponds to revenues not yet entered into the accounts in relation to recorded orders, i.e. total contract revenue less revenue recognized over the course of the contract.

“EBITDA”: Defined as:

- Operating income;
- excluding depreciation;
- excluding impairments of non-current assets;
- excluding gains and losses of disposals of non-current assets.

“Free Cash Flow”: Defined as:

- EBITDA;
- plus change in working capital;
- less capital expenditure (net of disposals);
- less income taxes.

“Gross Cash”: Equal to cash as shown on the asset side of the balance sheet, i.e. the sum of:

- cash equivalents;
- cash.

“Net Cash Position”: The calculation of the net cash position is stated in section 1.6.5. It corresponds to the net total of the following items:

- Gross cash

- Current and non-current financial liabilities (cf. Note 22 to the consolidated financial statements)

1.5 Investments and significant property, plant and equipment

1.5.1 The Group's principal fixed assets

Movements in fixed assets by sector were as follows:

	Environment		Innovation & Systems		Energy		Group total	
	12.31 2016	12.31 2015 (restated)	12.31 2016	12.31 2015 (restated)	12.31 2016	12.31 2015 (restated)	12.31 2016	12.31 2015 (restated)
Intangible assets	9.1	8.2	16.0	15.7		0.4	25.1	24.3
Goodwill	31.2	31.2	14.7	17.7		3.0	45.9	51.9
Property, plant and equipment	28.3	20.7	34.9	39.0		11.2	63.2	70.9
Non-current financial assets	11.1	9.4	1.8	2.0		0.1	12.9	11.4

Energy (restated) = only Babcock Wanson subsidiaries as the other companies are reclassified under Environment Sector.

Note: Non-current financial assets as stated above do not include shares in the net assets of associates. Holdings in associates relate principally to the Environment sector and are set out in detail in note 16 to the consolidated financial statements. The changes in items compared with 2015 are commented on in note 1.5.2.

1.5.1.1 Environment Sector

This sector is characterized by low levels of property, plant and equipment along with a main business as a turnkey supplier of household waste-to-energy plants.

The principal fixed asset investments in this sector are financial.

The major part of the Group's financial investments take the form of equity holdings and subordinated loans in joint-venture plant operating companies. Such companies purchase waste-to-energy plants from CNIM and then subcontract operation of the plant back to the Group.

The Group's holdings in these companies have been consolidated using the equity method (see chapter 5 "Financial Statements", note 16 to the consolidated financial statements).

1.5.1.2 Innovation & Systems Sector

This sector is characterized by:

- a strong capacity for innovation, with a track record in major development programs;
- a strong industrial base, including the site at La Seyne-sur-Mer and the plants in China and Morocco, enabling this innovation to be coupled with the resources for industrial production. Innovation & Systems thus accounts for the largest share of the Group's property, plant and equipment (held chiefly by CNIM SA, CNIM Transport Equipment and CNIM Babcock Morocco).

The production staff and equipment at the Group's site at La Seyne-sur-Mer are capable of large-scale precision manufacturing, high speed machining, conventional and specialist welding (particularly electron beam welding), boilermaking and working with synthetic materials such as composites and polyurethane.

Details of goodwill are set out in note 13 to the 2016 consolidated financial statements.

Property, plant and equipment includes the following land and buildings:

	LAND			BUILDINGS	
	Location		Area	Industrial buildings	Offices
	Country	City	(m ²)	(m ²)	(m ²)

Babcock Services	Morocco	Casablanca	132,248		
Bertin Technologies	France	Tarnos (40)	9,362		956
		Aix (13)	4,693		3,086
Bertin Pharma	France	Martillac (33)	6,800	930	570
CNIM Transport Equipment	China	Gaoming		19,515	
SCI Bassano du 35 rue de Bassano	France	Paris, 8th <i>arrondissement</i>			1,395
CNIM	France	Brégaillon	81,000	15,950	9,195
		Lagoubran	197,000	27,030	770
		Mouissèques	40,000	17,000	1,000
		La Seyne-sur-Mer (83)	318,000	59,980	10,965

CNIM Transport Equipment – CTE (Gaoming, China) has a fifty-year lease on a site of 39,315 m². The rights under the lease are recorded as an intangible asset with a net book value of CNY 7,522,647 / €1,027,594 at December 31, 2016.

The fixed assets of Bertin Technologies in Aix-en-Provence are subject to lease financing, expiring in 2020.

Details of the classification of companies by Sector are set out in note 3 to the consolidated financial statements.

1.5.2 Group capital expenditure

(in € millions)

	Environment		Innovation & Systems		Energy		Total	
	2016	2015 <i>(restated)</i>	2016	2015 <i>(restated)</i>	2016	2015 <i>(restated)</i>	2016	2015 <i>(restated)</i>
Intangible assets	1.4	3.9	5.4	3.9	-	0.1	6.8	8.0
Property, plant and equipment	9.1	7.5	5.2	3.0	-	0.6	14.3	11.1
Financial assets	0.0	0.0	0.0	0.2	-	0.0	0.0	0.2
Total	10.5	11.4	10.6	7.1	0.0	0.7	21.1	19.2

In 2016, there was less growth investment in the Solar Energy business, but this remains significant at Group level.

The increase in capital expenditure in 2016 was mainly due to the refurbishment of the head office.

1.5.3 Capital expenditure program

At December 31, 2016, the Group was engaged in the following capital expenditure programs:

- expenditure required year by year in connection with the maintenance of its various manufacturing facilities;
- equity holdings in project companies operating in the field of household waste-to-energy treatment for project financing, subject to favorable client decisions as part of competitive processes.

1.6 Group financing - Cash

The Group's cash flows in 2015 and 2016 are summarized as follows:

(in € millions)

	2016	2015
Net income	48.1	35.0
<i>Less: Net income/(loss) from continuing operations</i>	<i>(34.1)</i>	<i>(3.7)</i>
Net income/(loss) from continuing operations	14.0	31.3
Expenses and income with no cash effect	18.2	33.9
Cash flow from continuing operations	32.1	65.2
Income tax and changes in working capital	14.5	(22.6)
<i>Other cash flow items relating to discontinued operations</i>	<i>2.3</i>	<i>9.1</i>
Net cash flow from operating activities (A)	49.0	51.8
Company acquisitions/disposals	(0.7)	13.4
Acquisition of property, plant and equipment and intangible assets	(21.3)	(18.4)
Other	5.6	2.0
<i>Cash flow items relating to discontinued operations</i>	<i>43.0</i>	<i>(0.7)</i>
Net cash flow from investing activities (B)	26.7	(3.6)
Dividends paid (cf. note 1.6.7)	(17.0)	(15.4)
Proceeds from /repayment of borrowings	(11.7)	(7.6)
Treasury shares	(0.1)	(0.0)
<i>Cash flow items relating to discontinued operations</i>	<i>0.1</i>	<i>0.2</i>
Net cash flow from financing activities (C)	(28.7)	(22.8)
Interest paid (D)	(0.2)	0.0
Net foreign exchange differences (continuing operations) (E)	(2.0)	5.3
<i>Net foreign exchange differences (discontinued operations) (F)</i>	<i>(0.3)</i>	<i>(0.3)</i>
Net increase (decrease) in cash and cash equivalents (A+B+C+D+E+F)	44.4	30.4
Cash at year end (*)	181.3	136.9
Cash at start of year	136.9	106.6
Net cash flow	44.4	30.4

(*) Gross cash (stated in paragraph 1.6.5 less current bank overdrafts)

1.6.1 Net cash from operations (before changes in working capital and before cost of debt and income tax)

NB: net cash from operations (before changes in working capital and before cost of debt and income tax) includes EBITDA, changes in provisions not restated in EBITDA and financial income excluding net borrowing cost.

Cash flow from continuing operations (before changes in working capital and before cost of debt and income tax) was €32.1 million in 2016, compared with €65.2 million in 2015.

This positive change is the result of:

- the change in the operating margin stated in paragraph 1.3.2;
- the change in allocations to/reversals of provisions related to the status of the order backlog.

1.6.2 Changes in working capital

WCR items are detailed below for December 31, 2015 and 2016.

(in € thousands)

	2016	2015	Change in working capital (balance sheet items) (*)	Change in working capital (cash flow)	Discontinued operations	Change in working capital (cash flow) (continuing operations)
Assets						
Inventories and work-in-progress	24.5	40.8	(16.3)	(4.2)	0.4	(4.5)
Advances and down payments on orders to suppliers	6.2	3.8	2.3	2.6	0.3	2.4
Trade and other receivables (including accrued income)	174.3	174.6	(0.3)	20.9	(3.0)	24.0
Accrued income from contracts in progress	46.9	51.6	(4.7)	(1.7)	0.2	(1.9)
Prepaid expenses	5.2	7.3	(2.1)	(0.6)	0.0	(0.7)
Other receivables (tax, social security etc.)	59.2	49.5	9.7	11.9	(0.7)	12.7
Sub-total	316.2	327.6	(11.4)	29.0	(2.9)	31.9
Liabilities						
Advances and down payments received from customers	(20.7)	(10.1)	(10.6)	(13.2)	0.7	(13.9)
Suppliers	(116.1)	(117.3)	1.2	(8.0)	3.7	(11.7)
Deferred income	(157.9)	(137.1)	(20.8)	(33.1)	(2.0)	(31.1)
Social security and tax payables	(64.3)	(73.2)	8.9	0.1	(0.1)	0.2
Other payables	(4.1)	(8.7)	4.6	1.1	0.2	0.9
Sub-total	(363.1)	(346.4)	(16.7)	(53.1)	2.4	(55.5)
Working capital	(46.9)	(18.8)	(28.1)	(24.1)	(0.4)	(23.6)

(*) Changes in working capital as per the balance sheet include exchange rate differences and changes in the scope of consolidation.

The Group's working capital was negative at the start and end of each of the last three years, and thus represents a resource, amounting to €46.9 million at December 31, 2016.

Due to the nature of its business, in which long term contracts play a significant role, the Group may experience significant fluctuations in its working capital on account of the timings of customers' payments and the schedule of contracted work.

1.6.3 Investments

The Group's investments are set out in section 1.5.2 of the registration document.

Net cash flows from investing activities include:

- the disposal of Babcock Wanson subsidiaries in 2016;
- the equity contribution made by the SPI fund to SUNCNIM in 2015.

1.6.4 Dividends

During 2016, the Group paid a dividend of €5.90 per share in accordance with the resolution passed at the Annual General Meeting of May 24, 2016. This dividend was paid on July 4, 2016, resulting in a payment, net of the effects of treasury shares, of €17.0 million.

1.6.5 Group cash position

Changes in the Group's net cash position were as follows:

(in € millions)

	2016	2015
Cash equivalents	20.7	67.3
Cash position	163.0	71.1
Gross cash	183.7	138.4
Non-current financial liabilities	(15.9)	(16.9)
Current financial liabilities	(10.1)	(21.2)
Net cash position	157.7	100.3

Compared with December 31, 2015, the Group's net cash position was up by €57.4 million.

1.6.6 Debt

(in € millions)

	12.31.2016			12.31.2015		
	Non-current financial liabilities	Current financial liabilities	Total	Non-current financial liabilities	Current financial liabilities	12.31.2015
Loan facility for the investment in the joint venture company Kogeban			0.0		0.5	0.5
Loan facility for the investment in the joint venture company Estrées-Mons	0.8	0.6	1.4	1.4	0.6	2.0
Loan facility for the acquisition of Vecsys (Bertin sub-group)			0.0		0.1	0.1
Loan to finance R&D projects in Saphymo France	1.6	0.4	2.0	1.2	0.4	1.6
Loan to finance investments in AMI France	0.4	0.0	0.4	0.3	0.1	0.4
Loan to finance work in SCI Bassano	3.4	1.1	4.5	2.5	0.5	3.0
Short-term financing: CNIM Singapore			0.0		4.5	4.5
Advance of the capitalizable CDC - Ello			0.0		0.6	0.6
Repayable advances	5.1	0.8	5.8	5.8	1.4	7.2
Assignments of receivables	4.0	4.7	8.7	5.0	7.2	12.2
Finance leases, others	0.6	0.2	0.8	0.7	3.7	4.4
Sub-total	15.9	7.8	23.6	16.9	19.7	36.6
Bank overdrafts, current accounts		2.4	2.4		1.5	1.5
Total	15.9	10.1	26.0	16.9	21.2	38.1

At December 31, 2016, the Group's indebtedness was €26.0 million — down €12.1 million year-on-year; this drop was mainly due to the following items:

- no drawing on the financing facility for a contract in Singapore at the end of 2016;
- less use of assignments of receivables.

The maturity dates of non-current financial liabilities and a detailed breakdown of the annual repayments on medium-terms loans are provided in note 22 to the consolidated financial statements.

Covenants:

- The loan facility financing CNIM's investments in Estrées-Mons is subject to two six-month covenants linked to the consolidated financial statements. Both covenants were fulfilled at 2016 closure, the Group's net cash position being positive: the ratio of net debt to equity was less than 0.8 and net debt/EBITDA was less than two;
- the 2014 medium-term loan and the loan to finance work at the head office are subject to a six-monthly covenant linked to the consolidated financial statements: net debt must be less than or equal to 2.5 times EBITDA. The covenant was fulfilled at 2016 closure, the Group's net cash position being positive;

Associates carrying debts, set out in detail in note 16 to the consolidated financial statements, are companies established for the construction and operation of domestic waste recycling plants, developed with project funding in the form of non-recourse financing, in particular from the CNIM Group.

Available liquidity

(in € millions)

	12.31.2016	12.31.2015
Gross cash	183.7	138.4
Medium term credit facility	120.0	120.0
Amount of facility drawn down	-	-
Sub-total	303.7	258.4

The medium-term credit facility of €120 million made available to the Group was not drawn down at December 31, 2016.

1.6.7 Equity

Movements in Group equity were as follows:

(in € millions)

	2016	2015
As at January 1	152.0	127.6
Net income for the year	49.7	35.8
Dividends paid	(17.0)	(15.4)
Others: currency translation differences, changes in scope of consolidation	(5.5)	4.0
As at December 31	179.3	152.0

The change in the "Others" item is mainly the result of:

- in 2015, the Industrial Joint Venture Companies fund's contribution to SUNCNIM and currency translation differences;
- in 2016, currency translation differences.

1.6.8 Other elements

The contract bank guarantees listed in note 26 to the consolidated financial statements represent guarantees issued in relation to contract performance. The principal types of guarantee issued are as follows:

- return of down payment, covering the risk to the customer that CNIM might fail to carry out the contract notwithstanding the down payment. The validity period of these guarantees depends on the affectation of down payments as defined in the contractual invoicing and payment schedule;
- performance, covering the risk for the customer that CNIM might fail to honor its undertakings on the timing of delivery or performance. The validity period of these guarantees depends on the contractual performance schedule (generally around three years for contracts for turnkey household waste recovery plants in the Environment Sector);

- warranties covering the period following project handover which address the risk to the customer that CNIM might not fulfill post-delivery equipment contractual guarantees. The validity period of these guarantees depends on the length of the contractual guarantee period.

1.7 Financial statements of CNIM SA

1.7.1 Results

The principal items in the 2016 income statement are shown below: (in € millions)

	2016	2015
Revenues	319.8	384.7
Operating income	3.9	13.4
Financial income	11.7	33.5
Exceptional income	(2.1)	0.9
Income before tax and profit-sharing	13.6	47.9
Profit-sharing	0.0	(0.2)
Income tax expense/(income)	5.6	4.1
Net income (CNIM SA)	19.2	51.7
Net income margin	6.0%	13.4%

The Company's revenues fell by 16.9 % compared with 2015, in line with the reduced business for the Environment Sector in 2016.

Operating income for 2016 was €3.9 million, which was affected by less business activity and commercial development drives in new geographical regions.

Net financial income of €13.6 million mainly includes financial returns on equity interests (see Note 18 to the CNIM SA financial statements).

Net income, at €19.2 million, represented 6.0 % of revenues.

1.7.2 Cash position

The Company's cash flows are summarized below:

(in € millions)

	2016	2015
Net income for the year	19.2	51.7
Expenses and income with no cash effect	10.6	4.0
Net cash from operations (before changes in working capital and before cost of debt and income tax)	29.8	55.7
Movements in working capital	1.8	(12.6)
Net cash flows from operating activities	31.7	43.2
Net cash flows from investing activities	(1.0)	(16.3)
Dividends paid	(17.0)	(15.5)
Proceeds from /repayment of borrowings	(1.7)	(1.8)
Other	(3.3)	7.1
Net cash flows from financing	(22.0)	(10.2)
Net cash flow	8.7	16.6
Cash at year end	45.8	37.1
Cash at start of year	37.1	20.4
Net cash flow	8.7	16.6

The Company's cash position improved thanks to effective cash-flow management related to the business and a sharp fall in financial investments; 2015 had been marked by investment in SUNCNIM.

1.7.3 Other elements

Supplier payment terms

At December 31, 2016:

(in € thousands)	Total supplier balance	Not yet due	Due and payable	0-30 days	30-60 days	Over 60 days
French suppliers	22,747	13,170	9,579	4,566	809	4,204
	100%	58%	42%	20%	4%	18%
of which orders prior to 1/1/2012	149		149			149
of which Group French suppliers	9,909	4,737	5,171	3,928	39	1,204
of which disputes	133		133			133
Total	12,558	8,432	4,126	637	770	2,719
Foreign suppliers	37,127	17,581	19,546	8,590	1,640	9,315
	100%	47%	53%	23%	4%	25%
of which Group foreign suppliers	5,682	663	5,020	715	0	4,305
Total	59,874	30,751	29,125	13,156	2,449	13,520
	100%	51%	49%	22%	4%	23%
of which Group suppliers	15,591	5,400	10,191	4,643	39	5,509

At December 31, 2015:

(in € thousands)	Total supplier balance	Not yet due	Due and payable	0 - 30 days	30 - 60 days	Over 60 days
French suppliers	19,965	14,009	5,956	1,759	1,293	2,904
	100%	70%	30%	9%	6%	15%
of which orders prior to January 1, 2009	7,393	6,052	1,341	365	412	564
of which Group French suppliers	130		130			130
of which disputes	0		0			
Total	12,442	7,957	4,485	1,394	881	2,210
Foreign suppliers	23,245	5,843	17,402	2,068	4,716	10,618
	100%	25%	75%	9%	20%	46%
of which Group foreign suppliers	9,400	639	8,761	587	1,430	6,744
Total	43,210	19,852	23,358	3,827	6,009	13,522
	100%	46%	54%	9%	14%	31%
of which Group suppliers	16,794	6,691	10,103	952	1,842	7,308

- **Company's results over the last five years**

(in € thousands for monetary data)

	2012 financial year (45th period) 12 months	2013 financial year (46th period) 12 months	2014 financial year (47th period) 12 months	2015 financial year (48th period) 12 months	2016 financial year (49th period) 12 months
1 Financial position at year end					
Share capital	6,056	6,056	6,056	6,056	6,056
Number of shares issued	3,028,110	3,028,110	3,028,110	3,028,110	3,028,110
Number of bonds convertible into shares					
2 Overall result of current operations					
Revenues	469,943	551,933	541,507	384,717	319,832
Profit before income tax, profit-sharing, depreciation & provisions	33,794	50,080	23,523	49,337	29,270
Income tax	8,284	- 3,083	- 2,257	4,063	5,627
Profit-sharing	- 561	- 402	- 285	- 205	23
Profit after income tax, profit-sharing, depreciation & provisions	15,770	35,359	23,621	51,742	19,214
Distributed earnings	10,088	103,883	16,200	16,550	-
3 Earnings per share					
Profit after income tax and profit-sharing but before depreciation & provisions	14	15	7	19	11
Profit after income tax, profit-sharing, depreciation & provisions	5	12	8	17	6
Dividend	3.40	35.00	5.35	5.90	-
4 Staff					
Average workforce of the period under review	1,050	1,097	1,096	1,026	997
Total payroll	56,280	59,691	59,852	56,619	56,007
Amounts paid in respect of social benefits (social security, social welfare, etc.)	26,819	27,233	27,435	25,153	25,569

2 SHAREHOLDERS & STOCK MARKET LISTING

2.1 Shareholders

2.1.1 Share capital and voting rights

2.1.1.1 Amount of subscribed capital

CNIM's share capital of €6,056,220 is divided into 3,028,110 shares with a nominal value of €2 each, fully paid up and forming a single class. Shares are either registered or bearer shares, at the election of the shareholder.

Ownership of CNIM's share capital is distributed as shown in section 2.1.1.7 below and, as regards treasury shares, in Note 21 to the Consolidated financial statements for the year ended December 31, 2016.

2.1.1.2 Shares not representing capital

At the date of filing, there are no securities in issue that do not represent share capital in the Company.

2.1.1.3 Shares held by the issuer itself

At the Ordinary and Extraordinary General Meeting of May 24, 2016 (Tenth Resolution), the Management Board was authorized, in accordance with Article L. 225-209 of the Commercial Code, to purchase shares up to a total of 10% of the Company's share capital.

This authorization is valid for a term of eighteen months from the date of the aforesaid General Meeting.

The maximum unit purchase price is €200 per share, subject to adjustments linked to any changes made to the Company's share capital. The overall total amount allocated to the share repurchase program therefore cannot exceed €60,562,200.

The objectives of the share repurchase program are:

- to enable these shares to be canceled by way of a reduction in share capital;
- to retain them and reissue them in the context of acquisitions and mergers;
- to stimulate the market in CNIM shares;
- to enable free shares to be allocated for the benefit of employees or directors of the Company or the CNIM Group under the terms of Articles L. 225-197-1 et seq. of the Commercial Code;
- to grant stock options to the employees or directors of the Company or the CNIM Group under the terms of Articles L. 225-179 et seq. of the Commercial Code.

The last two objectives require the Supervisory Board to give its prior approval and determine the relevant conditions.

Purchases are executed via an investment services provider within the framework of a liquidity and market stimulation agreement for the shares.

The repurchase transactions thus authorized must be executed in accordance with the conditions and obligations imposed by Articles L. 225-209 to L. 225-212 of the Commercial Code, by Regulation (EU) no. 2273/2003 of December 22, 2003, by Article L. 451-3 of the Monetary and Financial Code and in the provisions of the General Regulations of the Autorité des Marchés Financiers (Financial Markets Authority) concerning:

- the volume purchased (for transactions affecting the market price);
- the amount of the purchase price;
- and abstention periods.

In particular, they must not represent more than 25% of the average daily volume of shares traded on the market, evaluated on the basis of the average daily volume over the twenty trading days preceding the purchase price, nor may they be executed at a price higher than that of the most recent independent transaction.

Information required under Article L. 225-211 of the Commercial Code appears in note 21 to the consolidated financial statements.

At the Ordinary and Extraordinary General Meeting of May 24, 2016 (Fourteenth Resolution), the Management Board was authorized to reduce the share capital by canceling shares held by the Company in its own capital.

The Management Board, in accordance with the provisions of Article L. 225-209 of the Commercial Code, was authorized to cancel, by its own decision, on one or more occasions, all or some of the shares that the Company holds or may hold in treasury as a result of exercising the various authorizations to purchase shares granted to the Management Board in the General Meeting, up to a limit of 10% of the share capital per twenty-four month period;

This authorization is valid for a term of eighteen months from the date of the aforesaid General Meeting.

The General Meeting also delegated to the Management Board, along with the capacity to sub-delegate insofar as permitted by law, all powers necessary to carry out the reduction(s) in share capital arising from cancellations authorized by the fourteenth resolution, to cause the necessary accounting entries to be made, to attribute the difference between the purchase price and the nominal value of the canceled shares to any balance sheet position for issue premiums or available reserves, to make corresponding amendments to the bylaws and, generally, to complete all necessary formalities;

2.1.1.4 Convertible securities, exchangeable securities or securities with warrants

At the date of filing, there are no securities in issue giving access to the Company's capital.

2.1.1.5 Acquisition rights and/or obligations in relation to capital authorized but not issued

All delegations and authorizations granted to the Management Board by the Ordinary and Extraordinary General Meeting of May 24, 2016 are summarized in the Management Board's annual report.

2.1.1.6 Movements in share capital

The company share capital set out in 2.1.1.1 above has not changed over the last three years.

2.1.1.7 Allocation of share capital and voting rights

As previously reported, on July 17, 2014, Soluni, the Company's largest shareholder, purchased the entire holdings of Compagnie Nationale de Navigation ("CNN") and Martin GmbH für Umwelt- und Energietechnik ("Martin GmbH"), which respectively amounted to 566,010 shares (18.69% of the share capital) and 310,518 shares (10.25% of the share capital), in total representing 28.94% of the Company's share capital.

Following the acquisition of the aforesaid holdings and the ensuing simplified public tender offer, Soluni directly held 1,708,633 shares in the company as at December 31, 2015 representing 2,538,402 voting rights, i.e. 56.43% of the Company's share capital and 57.89% of the voting rights. Details of holdings in the Company's share capital as at December 31, 2016 are provided below.

(i) The list of holders of registered shares as at December 31, 2016 shows that on that date the Company's largest shareholder was:

At 12.31.2016	No. of shares	%	No. of voting rights	% Theoretical	% Exercisable
Soluni SA	1,708,633	56.43 %	3,417,266	62.66 %	64.46 %
Total	1,708,633	56.43 %	3,417,266	62.66 %	64.46 %

As at December 31, 2016, the grouping made up of Soluni SA, Mrs. Christiane Dmitrieff and the other members of the Dmitrieff family (including Mr. Nicolas Dmitrieff) held 1,712,735 shares representing 56.56% of the share capital and 64.61% of the exercisable voting rights (62.81% of the theoretical voting rights).

On the basis of the information available to the Company, the share capital and voting rights at December 31, 2015 and December 31, 2016 were distributed as follows:

CNIM shareholder base at December 31, 2015						
Shareholders	No. of shares	No. of theoretical voting rights	No. of exercisable voting rights	% of share capital	% of theoretical voting rights ⁽¹⁾	% of exercisable voting rights ⁽²⁾
Soluni S.A.	1,708,633	2,538,402	2,538,402	56.43%	57.89%	59.97%
Mrs. Christiane Dmitrieff	1,295	2,590	2,590	0.04%	0.06%	0.06%
Other members of the Dmitrieff family	2,805	5,609	5,609	0.09%	0.13%	0.13%
Dmitrieff family group (3)	1,712,733	2,546,601	2,546,601	56.56%	58.08%	60.16%
Fraeli S.A.	452,650	755,571	755,571	14.95%	17.23%	17.85%
Frel S.A.	1,700	3,400	3,400	0.06%	0.08%	0.08%
Mr. François Herlicq	12,065	20,080	20,080	0.40%	0.46%	0.47%
Herlicq family group (4)	466,415	779,051	779,051	15.40%	17.77%	18.40%
CNIM Participation (employee shareholders)	97,640	167,111	167,111	3.22%	3.81%	3.95%
Treasury shares	145,618	145,618	-	4.81%	3.32%	-
Liquidity contract (Exane BNP Paribas)	6,216	6,216	-	0.21%	0.14%	-
Treasury shares (held by subsidiary)	151,834	151,834	-	5.01%	3.46%	-
Public	599,488	740,259	740,259	19.80%	16.88%	17.49%
TOTAL	3,028,110	4,384,856	4,233,022	100.00%	100.00%	100.00%

(1) This number is calculated on the basis of the totality of shares with voting rights, including non-voting shares, in accordance with Article 223-11 of the General Regulation of the Financial Markets Authority on the calculation of movement across voting rights thresholds.

(2) For information: number calculated net of non-voting shares.

(3) Soluni is controlled by Mrs. Christiane Dmitrieff through Arnina, a company in which she is the majority shareholder and which is managed by Mr. Nicolas Dmitrieff.

(4) The sub-group made up of Fraeli, FREL and Mr. François Herlicq is mainly held by the Herlicq family.

CNIM shareholder base at December 31, 2016						
Shareholders	No. of shares	No. of theoretical voting rights	No. of exercisable voting rights	% of share capital	% of theoretical voting rights (1)	% of exercisable voting rights (2)
Soluni S.A.	1,708,633	3,417,266	3,417,266	56.43%	62.66%	64.46%
Mrs. Christiane Dmitrieff	1,295	2,590	2,590	0.04%	0.05%	0.05%
Other members of the Dmitrieff family [Lucile Dmitrieff , Nicolas Dmitrieff , Nikita Dmitrieff & Sophie Dmitrieff]	2,807	5,611	5,611	0.09%	0.10%	0.11%
Dmitrieff family group (3)	1,712,735	3,425,467	3,425,467	56.56%	62.81%	64.61%
Fraeli S.A.	452,750	905,400	905,400	14.95%	16.60%	17.08%
Frel S.A.	1,700	3,400	3,400	0.06%	0.06%	0.06%
Mr. François Herlicq	11,315	22,630	22,630	0.37%	0.41%	0.43%
Herlicq family group (4)	465,765	931,430	931,430	15.38%	17.08%	17.57%
CNIM Participation (employee shareholders)	91,412	181,694	181,694	3.02%	3.33%	3.43%
Treasury shares	145,618	145,618	-	4.81%	2.67%	-
Liquidity contract (Exane BNP Paribas)	6,262	6,262	-	0.21%	0.11%	-
Treasury shares (held by subsidiary)	151,880	151,880	-	5.02%	2.78%	-
Public	606,318	763,190	763,190	20.02%	13.99%	14.39%
TOTAL	3,028,110	5,453,661	5,301,781	100.00%	100.00%	100.00%

(1) This number is calculated on the basis of the totality of shares with voting rights, including non-voting shares, in accordance with Article 223-11 of the General Regulation of the Financial Markets Authority on the calculation of movement across voting rights thresholds.

(2) For information: number calculated net of non-voting shares.

(3) Soluni is controlled by Mrs. Christiane Dmitrieff through Arnina, a company in which she is the majority shareholder and which is managed by Mr. Nicolas Dmitrieff.

(4) The sub-group made up of Fraeli, FREL and Mr. François Herlicq is mainly held by the Herlicq family.

CNIM shareholder base at February 28, 2017						
Shareholders	No. of shares	No. of theoretical voting rights	No. of exercisable voting rights	% of share capital	% of theoretical voting rights (1)	% of exercisable voting rights (2)
Soluni S.A.	1,708,633	3,417,266	3,417,266	56.43%	62.68%	64.48%
Mrs. Christiane Dmitrieff	1,295	2,590	2,590	0.04%	0.05%	0.05%
Other members of the Dmitrieff family [Lucile Dmitrieff , Nicolas Dmitrieff , Nikita Dmitrieff & Sophie Dmitrieff]	2,807	5,611	5,611	0.09%	0.10%	0.11%
Dmitrieff family group (3)	1,712,735	3,425,467	3,425,467	56.56%	62.83%	64.64%
Franeli S.A.	452,750	905,400	905,400	14.95%	16.61%	17.09%
Frel S.A.	1,700	3,400	3,400	0.06%	0.06%	0.06%
Mr. François Herlicq	11,315	22,630	22,630	0.37%	0.42%	0.43%
Herlicq family group (4)	465,765	931,430	931,430	15.38%	17.08%	17.58%
CNIM Participation (employee shareholders)	89,972	179,944	179,944	2.97%	3.30%	3.40%
Treasury shares (held by parent)	145,618	145,618	-	4.81%	2.67%	-
Liquidity contract (Exane BNP Paribas)	7,038	7,038	-	0.23%	0.13%	-
Treasury shares (held by subsidiary)	152,656	152,656	-	5.04%	2.80%	-
Public	606,982	762,511	762,511	20.04%	13.99%	14.39%
TOTAL	3,028,110	5,452,008	5,299,352	100.00%	100.00%	100.00%

(1) This number is calculated on the basis of the totality of shares with voting rights, including non-voting shares, in accordance with Article 223-11 of the General Regulation of the Financial Markets Authority on the calculation of movement across voting rights thresholds.

(2) For information: number calculated net of non-voting shares.

(3) Soluni is controlled by Mrs. Christiane Dmitrieff through Arnina, a company in which she is the majority shareholder and which is managed by Mr. Nicolas Dmitrieff.

(4) The sub-group made up of Franeli, FREL and Mr. François Herlicq is mainly held by the Herlicq family.

(ii) Employees

Under the Company Savings Plan, 91,412 shares in the Company (3.02% of the share capital) at December 31, 2016 were held by staff via FCPE CNIM Participation (the employee shareholding fund).

2.1.1.8 Movements across the disclosure thresholds during the financial year (Article L.233-13 of the Commercial Code)

None.

2.1.2 Voting rights

The Company's bylaws provide that a double voting right is conferred on all fully paid-up shares for which it can be shown that they have been registered for at least two years in the name of the same shareholder under the conditions prescribed by law.

The bylaws do not provide for any restriction on the exercise of voting rights or on transfers of shares. The Company's bylaws do provide, however, that any individual or legal entity, acting alone or in concert with others, who passes the threshold of 2.5% of the share capital or voting rights or a multiple of this percentage is obliged to declare the total number of shares in their possession to the Company in accordance with said bylaws within fifteen days of passing the threshold, by registered letter with advice of receipt.

Non-compliance with this obligation is punishable by the withdrawal of voting rights from those shares exceeding the percentage which should have triggered a declaration, for a period of two years following the date on which the situation was regularized by the due submission of a declaration. This sanction only applies in the event of a request, recorded in the minutes of the General Meeting, by one or more shareholders holding at least 2.5% of the Company's share capital or voting rights.

No agreement in force has been brought to the Company's attention pursuant to Article L. 233-11 of the Commercial Code.

2.1.3 Control of the Company

Prior to July 16, 2014, none of the shareholders listed in section 2.1.1.7 of this registration document controlled the Company in the sense of Article L. 233-3 of the Commercial Code. Since July 17, 2014, Soluni has controlled the company in the sense of Article L. 233-3 of the Commercial Code.

This assumption of control was a consequence of the acquisition by Soluni on July 17, 2014 of the entire holdings in CNIM SA of Compagnie Nationale de Navigation and Martin GmbH für Umwelt und Energietechnik, that is, a total of 876,528 CNIM shares representing 28.94% of the Company's share capital. This acquisition gave rise to the filing of a simplified public tender offer with the AMF (see section 2.1.1.7).

To the best of the Company's knowledge, none of the shareholders have declared that they are acting in concert.

The Company has taken no specific action, other than the appointment of independent directors, to avoid abusive exercise of control.

The report on internal controls included in this registration document sets out the arrangements for the preparation and conduct of the work of the Supervisory Board.

2.1.4 Agreements with potential to lead to a change of control

None.

2.1.5 Shareholder agreements

None.

2.1.6 Dutreil undertakings

Two separate joint undertakings to retain CNIM stock were made by private contract on December 21, 2015 between Soluni SA and Mr. Nicolas Dmitrieff on the one part and the members of the Herlicq family group on the other. The first of these agreements is a joint undertaking to retain shares in CNIM for a period of two years in application of Article 885 I *bis* of the General Tax Code, while the second is a joint undertaking to retain shares in CNIM for a period of two years in application of Article 787 B of the General Tax Code.

These undertakings were publicly announced by the AMF on January 8, 2016 under number 216C0072.

2.2 Stock market listing

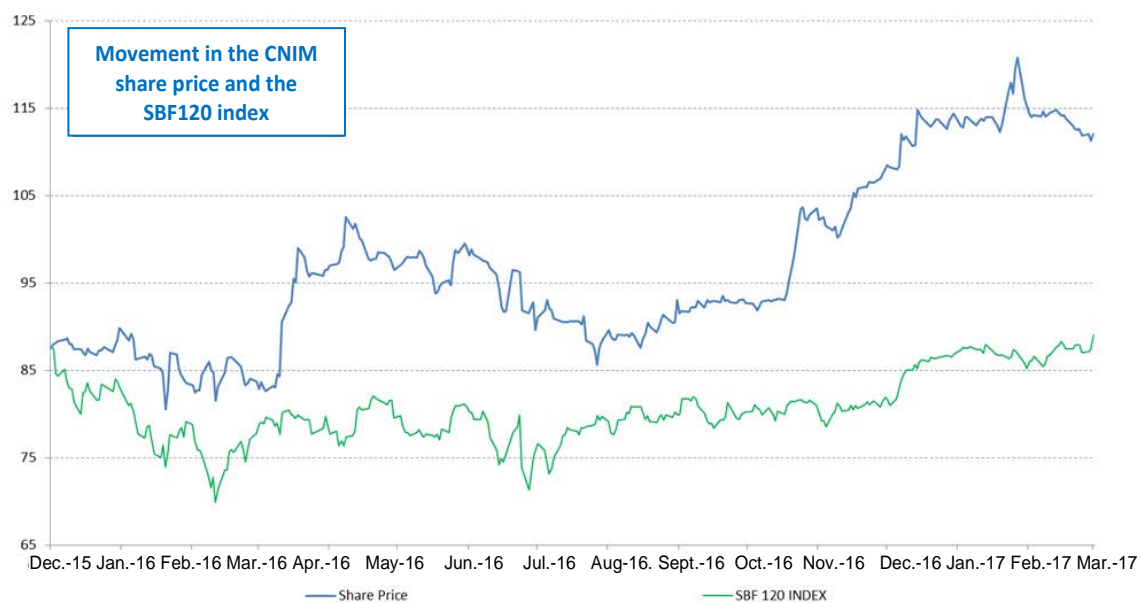
2.2.1 Listing

CNIM shares trade on a single regulated market: Euronext Paris.

CNIM shares are the only listed securities issued by the Company.

CNIM shares are included in the CAC All Shares index.

2.2.2 Movements in the share price



Price:

- As at 12/31/2015 89.81
- As at 12/30/2016 114.42

Annual extremes in 2016:

- High 12/14: 114.84
- Low 1/20: 80.5

Movement from 12/31/2015 to 12/31/2016:

- CNIM: 27.40%
- SBF 120: 4.69%
- CAC 40: 4.86%

2.3 Dividends: policy and distribution record

The General Meeting of shareholders on May 24, 2016 resolved to pay a dividend of €5.90 per share for the year ending December 31, 2015, representing a total cash distribution of €17,865,849.

Over the last three financial years, the value of dividends and the number eligible for the 40% tax abatement were as follows:

(in €)	2015	2014	2013
No. of shares	3,028,110	3,028,110	3,028,110
Dividend	5.90	5.35	35.00 ⁽¹⁾

⁽¹⁾ The amount of €35 represents the sum of the dividend of €5 resolved upon at the Annual General Meeting of May 21, 2014 and the exceptional dividend of €30 resolved upon by the General Meeting of September 8, 2014.

In the light of the Company's results, it has been decided that a proposal will be put to the Ordinary and Extraordinary General Meeting of the Company on June 7, 2017 for the distribution of a dividend of €6.70 per share in respect of the 2016 financial year. This dividend will be paid in cash on July 4, 2017.

3 CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY REPORT

Introduction

Since 2012, the CNIM Group has provided, in addition to its management reports, an annual report on the social and environmental impact of its activities, referred to as the Corporate Social Responsibility (CSR) Report.

A significant proportion of CNIM's activities and its future development is founded on its capacity for innovation in environmental matters: producing energy from waste or biomass, improving energy efficiency at its industrial facilities, cutting emissions of pollutants into the air and generating renewable energy. In these activities, the Group's current and future commercial success is therefore directly linked to the challenges of sustainable development and CSR.

With its strong commitment to health, safety and the environment, the Group is mobilizing all of its staff and making them aware of their responsibilities in the face of these major challenges, using corporate social responsibility as a means of adding momentum to its progress. By implementing a pro-active CSR initiative, CNIM aims to pursue its economic development, ensuring that balanced and sustainable relationships are maintained with all of its partners and stakeholders.

Gaïa Index bears witness to rapid advances in CNIM's CSR performance

For the second year in succession, CNIM is among the top 70 companies monitored by Gaïa Index, the Ethifinance subsidiary that specializes in analyzing and scoring CSR performance for SMEs and mid-sized companies in Europe. Gaïa Index gave CNIM a score of 86/100 for its CSR policy in 2015. For CNIM, this performance is proof of the commitment of our management and staff to the sustainable development of the Group's activities. Over 500 small-cap and mid-cap companies were assessed by Gaïa-Index in 2016. The data collected is used to score the transparency and performance level of the companies concerned. The top 70 performers make up the Gaïa Index.

3.1 The people of CNIM

3.1.1 About us

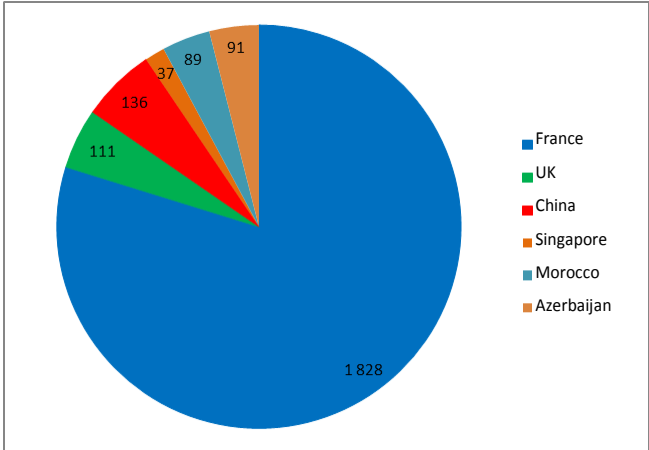
3.1.1.1 Total staff and breakdown of employees

Total staff* and breakdown of employees by company, by gender and by geographical area

	Men	Women	Total	
Bertin IT	76%	24%	43	2%
Bertin Technologies	64%	36%	533	23%
CBM	93%	7%	89	4%
CNIM Azerbaijan	91%	9%	91	4%
CNIM Centre France	100%	0%	23	1%
CNIM Énergie Biomasse	97%	3%	29	1%
CNIM Insertion	61%	39%	30	1%
CNIM Ouest Armor	97%	3%	30	1%
CNIM SA	80%	20%	977	43%
CNIM Singapore	86%	14%	37	2%
CNIM Terre Atlantique	100%	0%	16	1%
CNIM Thiverval Grignon	81%	19%	16	1%
LAB SA	79%	21%	83	4%
MES Environmental Ltd	92%	8%	111	5%
SUNCNIM	80%	20%	24	1%
Vecsys	76%	24%	25	1%
CNIM Transport Equipment	90%	10%	136	6%
Combined total	79%	21%	2291	100%

*Average total number of employees.

On a like-for-like basis, staff numbers have fallen by 0.1% relative to 2015. The proportion of women in the workforce has risen by +0.4 percentage points since 2015, again on a like-for-like basis. More than 90% of the Group's total workforce is covered by the CSR report. Over 80% of the staff covered are based in France, with the rest distributed evenly between the UK, Asia, Morocco and Azerbaijan. 21% of the Group's staff are female, but it should be noted that this low figure is partly due to the subsidiaries which operate waste processing sites.



Proportion of executives, employees and blue collar workers in the average total number of employees

	Engineers and Executives (Managers)	Employees, Technicians, Supervisors (White-collar staff)	Workers (Blue-collar staff)
Bertin IT	97%	3%	0%
Bertin Technologies	69%	29%	3%
CBM	16%	21%	62%
CNIM Azerbaijan	25%	31%	44%
CNIM Centre France	13%	43%	43%
CNIM Énergie Biomasse	7%	67%	26%
CNIM Insertion	1%	3%	96%
CNIM Ouest Armor	19%	47%	34%
CNIM SA	57%	24%	19%
CNIM Singapore	12%	21%	67%
CNIM Terre Atlantique	6%	6%	87%
CNIM Thiverval Grignon	11%	56%	33%
LAB SA	87%	13%	0%
MES Environmental Ltd	12%	10%	78%
SUNCNIM	73%	23%	4%
Vecsys	45%	55%	0%
CNIM Transport Equipment	24%	20%	56%
Combined total	51%	25%	24%

The CNIM Group is mainly made up of engineers and executives, but substantial variation exists: companies such as LAB and Bertin IT are made up of over 80% engineers and executives, while others, particularly the operating divisions, have a lower number because of the nature of their business. Almost one worker in four is a manual worker, which demonstrates the importance of industrial relations to the Group.

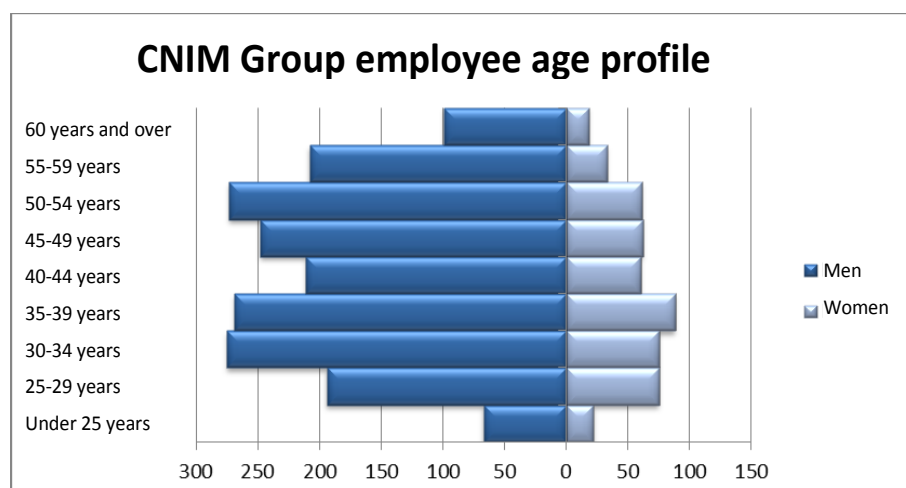
Proportion of staff employed under fixed-term / permanent contracts*

	Fixed-term	Permanent
Bertin IT	6%	94%
Bertin Technologies	3%	97%
CBM	0%	100%
CNIM Azerbaijan	16%	84%
CNIM Centre France	0%	100%
CNIM Énergie Biomasse	0%	100%
CNIM Insertion	97%	3%
CNIM Ouest Armor	0%	100%
CNIM SA	3%	97%
CNIM Singapore	0%	100%
CNIM Terre Atlantique	0%	100%
CNIM Thiverval Grignon	6%	94%
LAB SA	4%	96%
MES Environmental Ltd	4%	96%
SUNCNIM	4%	96%
Vecsys	0%	100%
CNIM Transport Equipment	43%	57%
Combined total	7%	93%

*Statistics for December of the year in question, in accordance with French legislation on human resources reporting.

Seven per cent of CNIM Group employees are employed on fixed-term contracts. This proportion is mainly due to CNIM Transport Equipment (CTE) and to CNIM Insertion, which employs almost all of its staff under fixed term employment integration contracts. When these subsidiaries, which have specific operational functions, are excluded, the percentage of fixed-term contracts falls to 3.5%. By comparison, the rate of fixed-term to temporary contracts in France (Source: INSEE, Q3 2015) is 7.4%.

Average age and employee age profile



The Group's employees have an average age of 42 years.

3.1.1.2 Turnover

A. Hiring

	Men	Women	Total	
< 25 years	8%	4%	73	12%
25-29 years	14%	4%	83	18%
30-34 years	13%	4%	67	17%
35-39 years	10%	3%	31	13%
40-44 years	9%	2%	47	10%
45-49 years	9%	2%	25	11%
50-54 years	7%	2%	12	9%
55-59 years	4%	2%	33	7%
> 60 ans	2%	0%	14	9%
Total	75%	25%	385	100%

Almost 5 out of 10 new hires were aged under 35. One in four new recruits is female.

It should be also noted that the Group is attentive to skills and expertise, and does not discriminate on the basis of age: 18% of staff recruited in 2016 were aged 50 or above. Furthermore, almost 60% of new hires were permanent contracts.

B. Departures

	Men	Women	Total		Departure rate
< 25 years	6%	2%	37	8%	2%
25-29 years	11%	6%	78	17%	3%
30-34 years	15%	4%	89	19%	4%
35-39 years	10%	2%	58	12%	3%
40-44 years	8%	2%	46	10%	2%
45-49 years	7%	2%	42	9%	2%
50-54 years	6%	1%	33	7%	1%
55-59 years	5%	2%	35	7%	2%
> 60 ans	9%	2%	53	11%	2%
Total	77%	23%	471	100%	21%

The age groups with the highest turnover rates were the youngest and oldest categories. These two categories represent over half of all departures. This is explained by two factors: the youngest are the principal group employed under fixed-term contracts. At the other extreme, retirement is the most common cause of departure. Note that staff on fixed-term contracts represent almost 45% of departures.

	Men	Women	Total		Departure rate
Involuntary turnover	14%	4%	82	18%	4%
Voluntary turnover	36%	9%	203	45%	9%
Retirement	7%	2%	42	9%	2%
End of contract	19%	9%	127	28%	6%
Total	77%	23%	454	100%	20%

Fewer than one in five departures was due to termination of the contract by the employer. Seventeen people made transfers within the Group in 2016.

3.1.1.3 Remuneration and changes in remuneration

The annual payroll for 2016, including wages and social security contributions, as recorded in the accounts of the 18 companies covered by the report, is €147.5 million.

On a like-for-like basis, the annual payroll fell by 0.8% from 2015 to 2016. This change is due to the 0.7% fall in the size of the workforce over the same period. The average wage bill per employee changed very little from 2015 to 2016 (+0.3%). Based on the same companies taken into account in the 2015 report, the annual average wage bill per employee for 2016 was relatively steady at €63,960.

3.1.2 Organization of work

3.1.2.1 Working time

In accordance with the agreement on gender equality at work signed in 2012, a "Charter on Work-Life Balance" was produced at the end of 2013 by a working group comprising management and the representative labor union organizations of CNIM SA.

The aim of this charter is to foster employees' work-life balance, while taking business constraints into consideration.

In terms of the organization of working time, managers are encouraged to pay attention to the following matters:

- avoid scheduling meetings at late hours and allow travel to take place during working hours;
- adhere to the notice periods regarding changes to working time, except in exceptional or urgent circumstances;
- ensure adherence to the time slots during which portable business communication tools must not be used, except where justified by exceptional circumstances;
- implement a system of delegation during vacations, to ensure optimum cover for staff absences.

The charter was rolled out in early 2014 through various internal channels for all CNIM SA staff, before being extended to other Group companies such as Bertin Technologies. It is also referred to in the gender equality agreement signed on June 2016.

3.1.2.2 Breakdown of contracts: full-time, part-time

	Fixed-term	Permanent
Bertin IT	96%	4%
Bertin Technologies	94%	6%
CBM	100%	0%
CNIM Azerbaijan	100%	0%
CNIM Centre France	100%	0%
CNIM Énergie Biomasse	100%	0%
CNIM Insertion	100%	0%
CNIM Ouest Armor	97%	3%
CNIM SA	96%	4%
CNIM Singapore	100%	0%
CNIM Terre Atlantique	100%	0%
CNIM Thiverval Grignon	100%	0%
LAB SA	95%	5%
MES Environmental Ltd	92%	8%
SUNCNIM	88%	12%
Vecsys	65%	35%
CNIM Transport Equipment	100%	0%
Combined total	96%	4%

4% of Group staff are employed part-time. This figure is far below the OECD average of 16.8% (source: OECD, 2015) The great majority of part-time contracts are a matter of employee choice. The norm is for staff to be hired on full-time contracts.

3.1.2.3 Absenteeism

Group-wide, compared to 2015 there was a slight increase in the absenteeism rate, which rose to 5.5%.

3.2 Staff health and safety

3.2.1 A priority of the Management Board

The CNIM Group sets particularly high standards for accident prevention, adherence to fundamental workplace safety rules, the protection of health and conservation of the environment:

- the delegation of responsibilities by the Chairman of the Management Board is implemented;
- appropriate safety and risk prevention measures are taken at each construction site and for all work performed on client premises;
- an inquiry is held into the causes of every accident or physical incident, and prevention and training solutions are proposed in order to further reduce risks;
- all steps are taken to ensure that legal provisions are respected.

This commitment by the Management Board translates into the close involvement of all Group staff at all levels of seniority, and recognition through numerous certifications, in relation both to quality, health and safety, as well as preservation of the environment.

	COMPANY	SITES / ACTIVITIES	CERTIFICATE						
			QUALITY	HEALTH & SAFETY			ENVIRON.		
			ISO 9001	OHSAS 18001	MASE	Other	ISO 14001	Other	
ENVIRONMENT SECTOR	CNIM SA	Paris	o			CEFRI	o		
	LAB SA	Lyon and La Seyne-sur-Mer	o	o	o		o		
	CNIM Thiverval Grignon	Waste processing site		o			o		
		Thiverval Grignon sorting center		o			o		
	CNIM Ouest Armor	Waste processing site at Pluzunet		o			o		
		Waste composting and green algae processing site at Lantic		o			o		
	CNIM Centre France	Saint Pantaléon de Larche waste processing site.		o			o		
	CNIM Terre Atlantique	Waste processing site at Plouharnel					o		
	MES ENVIRONMENTAL LTD	Waste processing site at Dudley		o	o		RoSPA	o	
		Waste processing site at Stoke on Trent		o	o		RoSPA	o	
Waste processing site at Wolverhampton			o	o		RoSPA	o		
INNOVATION & SYSTEMS SECTOR	CNIM SA	Paris				CEFRI			
	CNIM SA	La Seyne-sur-Mer	o	o		CEFRI			
	CNIM Transport Equipment	Foshan (China)	o						
	CNIM Singapore	Singapore	o	o			o		
	Bertin Technologies	Montigny le Bretonneux, Aix en Provence, Tarnos, Thiron Gardais		o	o			o	
		Montigny le Bretonneux, Thiron Gardais, Montbonnot					CEFRI		
Énergie Process Environnement - Tarnos			o	o	o		o	OPQIBI	
ENERGY SECTOR	CNIM SA - Babcock Services	La Plaine Saint Denis	o			CEFRI			
		Gardanne	o		o				
		Villepinte	o		o				

In 2016, 81% of Group staff (based on the companies included in the scope of this report) were represented on mixed management/employee health and safety committees set up to supervise and provide opinions on health and safety at work programs.

3.2.2 Health and safety: a shared concern

Below are a few examples of the operational measures taken in 2016 with a view to achieving the set objectives and involving all staff in the improvement of health and safety.

Safety of employees traveling to high-risk countries: a priority for the Group

CNIM Group pays particular attention to identifying and preventing risks that affect Group employees traveling to high-risk countries. The safety structure was updated in 2014 and communicated to all staff. Further work was carried out in 2016 in the form of training and discussion sessions organized at the Group's main sites. The sessions were aimed at all managers, staff and assistants affected by travel to high-risk countries. They enabled 337 people to enhance their awareness of the issues involved and ensured that the safety process is known, understood and followed by everyone concerned.

Health and Safety: a dedicated structure for UK projects

Over the past five years, CNIM has carried out a number of projects in the UK, building three plants for Veolia, two for Suez/Sita, one for FCC, two for Viridor and one for MVV. During this time, CNIM has developed a Health & Safety culture, establishing a very robust management structure in strict compliance with procedures and regulations. These measures are put into practice at each site by a dedicated safety team, which ensures that everyone involved is on board and follows the company's safety rules. CNIM SA reinforces its safety and security culture through regular on-site audits led by Group staff or external bodies and has begun the work required to obtain certification under OHSAS 18001 in 2017.

CNIM has also set up a dedicated independent team to fulfill the Principal Design role as defined in Britain's CDM 2015 (Construction Design and Management) regulations.

Statistics prove that the system put in place by CNIM in the UK works: over the course of 10 million hours worked, CNIM's RIDDOR* accident rate is 0.088, well below the UK average of 0.4.

**Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.*

Risk prevention: 986 days and no accidents in the Composites and Polyurethane shop

Risk prevention is central to the CNIM Group's corporate culture. A series of measures has been implemented in our workshops including "Zero Accident" training, "Safety Minutes", etc., so as to identify and analyze hazardous situations in day-to-day work and to propose and test solutions for their elimination, in conjunction with Production management. These measures, and respect for safety instructions generally, have enabled the Composites and Polyurethane shop at La Seyne-sur-Mer to go 986 consecutive days without an accident – an impressive result.

La Seyne-sur-Mer: good results from the second Safety at Work Day

Following on from the success of the first Safety at Work Day in 2015, the Risk Prevention Cluster at the La Seyne-sur-Mer site chose to hold a second event in 2016. This year, the focus area was road safety. Both shop-floor and office staff had the chance to attend interactive workshops on riding on a motorbike track, car accident simulators, "technical check-ups" with a visual inspection of vehicle safety features, and sessions on how to complete a non-disputed accident report. The workshops were led by partner organizations such as Maison de la Sécurité.

More generally, at the La Seyne-sur-Mer site, the number of accidents with or without lost-time and minor incidents fell by more than half between 2014 and 2016, despite a rise in the number of productive hours.

Implementing a radiation protection policy at CNIM SA

In December 2016, CNIM SA obtained CEFRI* certification for maintenance and intervention work as well as for non-physical expertise services in regulated zones. In order to achieve this, CNIM SA implemented a radiation safety policy in 2016. This applies to all staff of CNIM and its subcontractors working at nuclear facilities and in the Group's industrial units who are at risk of exposure to ionizing radiation. In accordance with the regulatory requirements, a number of commitments have been made, particularly with regard to training, medical monitoring and equipment modification. This will enable the company to improve its radiation safety on an ongoing basis.

**French Committee for the Certification of Businesses in the Training and Monitoring of Personnel Working with Ionizing Radiation.*

3.2.3 Expenditure on health and safety

CNIM invests in the safety of its employees. These investments operate at three levels:

- to ensure the reliability and safety of production facilities and tools for employees;
- to provide them with the personal protective equipment (PPE) they require;
- to provide them with the professional training necessary for their safety.

In companies that have joint management/employee health and safety committees, this investment is made in consultation with the committee.

Expenditure of €1.7 million was spent on health and safety in 2016, which equates to €747 per employee. This very high figure, 7% higher than in 2015 and over 30% higher than in 2014, reflects the importance that the Group attaches to the safety of its workforce.

The Group pays constant attention to safety and security, which translates into a spirit of continuous improvement at every site and for all staff. For example, following a fire at the Thiverval Grignon site in 2015, we worked together with insurance experts with a view to further improving our prevention and detection measures. All of their recommendations were accepted and put into practice.

3.2.4 Accidents at work and work-related illness

Frequency rate = 18.96 (number of accidents involving time off work x 1 million/number of hours worked)

The CNIM Group performs particularly well on risk prevention, as proved by the accident rate, which is significantly lower than the French national average (22.9 in 2015. Source: Assurance Maladie). This is the result of accident prevention efforts made by everyone involved on a daily basis over a number of years.

Severity rate = 0.44 (number of days lost x 1,000/number of hours worked).

The accident severity rate was 0.44 for 2016, compared with a French national average of 1.4 in 2015 (Source: Assurance Maladie). This rate – over three times lower than the national average – is all the more remarkable thanks to the significant proportion of staff working in factories, as itinerant site workers, and on the customers' premises.

Work-related illnesses recorded in 2016: 2 (work-related illnesses reported by staff in 2016).

3.3 Development of skills

3.3.1 Training policies implemented

The CNIM Group training policy is directly in line with the business development strategy and its forward-planning policy on jobs and skills management. It has three focal points:

- technical or occupational training courses aimed at developing and maintaining the technical skills of Group staff. CNIM has rolled out numerous training sessions on defense, nuclear, parts control, and industrial machinery as well as on factory design and operation. “Operational support” training has also been put in place in areas such as procurement, legal, accounting and quality. We also provide language training, by video conference and in the classroom, to keep pace with the internationalization of the Group.
- safety training, which represents close to a quarter of our total training investment. These training courses go beyond the minimum legal requirements and include training in e.g. gestures and posture for Production personnel.
- corporate training courses aimed at supporting our managers, project leaders and sales staff via multi-day modules jointly designed with external partners. The Management program, which will run until 2017, comprises five days of training per person split into four modules, half of which are delivered by in-house trainers. Almost 200 managers – around two thirds of the Group’s management personnel – followed the program in 2015 and 2016. Two other programs, containing modules on complex sales and project management, have also been organized for sales personnel, project leaders or staff interacting with customers.

In organizational terms, the emphasis has been placed on delivery through a variety of teaching methods with a “blended learning” approach that combines classroom teaching with distance learning modules.

As every year, the use of experts from within the Group to teach more specific modules on e.g. operational safety, nuclear power and production software contributed toward raising the skills of our workforce. Almost 100 internal trainers have therefore completed the course on “Taking and leading an in-house training course”. This course enables them to wear their trainer’s hat more comfortably, especially as regards their teaching skills and the oversight of interns.

Finally, in 2016 two staff members underwent a professional development period with a dedicated specialist mentor with a view to switching professions.

More block-release training

CNIM Group encourages apprenticeship and professional training contracts that involve block-release training. Such contracts enable the company to publicize the career options it has to offer, as well as training young people and enabling them to discover the world of work. Trainees are assisted by mentors who pass on their know-how and skills, ensure training programs are followed and liaise between the trainee, the business and the training

organization. An in-house training session on “good mentoring practice” has been rolled out to help mentors fulfill their roles.

In-house trainers pass on their knowledge

In 2016, 16% of the CNIM SA training plan was delivered via in-house training. The Group has over 160 internal trainers, who work on developing new modules for specialist technical and cross-functional training. Developing in-house training modules with the help of staff and helping staff to learn are a point of honor for the CNIM Group. Our trainers are people with a mastery of a skill or area of know-how that they are willing to pass on to other employees in the Group.

Strategic Workforce Planning

During 2016, a large-scale Strategic Workforce Planning project was begun in the Group. The aims of the project are: to anticipate future skills needs in connection with CNIM’s strategic management, to lay the ground for inter-generational skills transfer, to adapt skills to evolve with changing job requirements, to optimize workforce management and the overall performance of our operating structures, and of course to help employees maintain their employability. One of the project’s early stages involves defining a shared reference catalog of skills for all of the Group’s specialist fields, which have already been mapped out. To achieve this, several one-day workshops were organized between June and December 2016 which systematically targeted specialist operating staff and HR managers. These enabled the key professional skills and practices to be defined for the different standard roles in a variety of specialist fields (Projects, Design, Maintenance, Scheduling, Finance, HR etc.) More workshops to cover the remaining specialist areas are planned for 2017, which will enable the catalog to be completed and implemented on the Group’s HR Development platform. This will provide the Group with an integrated tool from which it can manage the assessment, training and development of our employees’ skills, as well as anticipating future changes in skills and staffing needs and aiding career mobility.

A new training module in project management

This new module, aimed at project teams in our Environment businesses, tackles each stage of a project from kick-off to contractual completion. The teaching format is based on a business game, alternating between technical instruction and role-play situations in connection with a fictional project. Course participants work through a variety of topics in turn, such as a request for a change in specifications, negotiating with the customer, presenting their project to the Group Management Board and an incident involving a supplier. The bespoke program was designed by an external provider in conjunction with operational staff. It will be followed by around 150 employees over a four-year period. When a similar module was developed in 2012 for the Innovation & Systems Sector, nearly 163 employees joined in the fun! This success prompted CNIM to open up this training course to a wider pool of employees.

3.3.2 Number of training hours

In 2016, over 49,000 hours of training were provided, giving an average of 21.4 hours per employee. Collectively, the training measures are utilized to develop staff skills. Almost 61% of staff members followed at least one training course during the year.

3.3.3 Staff appraisal and career development interviews

In 2016, 91% of staff falling within the scope of the analysis received an appraisal and career development interview. This type of interview is generally uncommon in English-speaking countries.

Also in 2016, the Human Resources Department conducted an opinion barometer exercise, which indicated that employees’ perceptions of annual interviews has improved, especially with regard to the setting of well-defined targets and clear feedback on performance.

3.4 Diversity management

3.4.1 Measures adopted to promote gender equality

Composition of the governing bodies in 2016:

- the Management Board currently comprises four members, all of whom are male;
- the CNIM Supervisory Board comprises twelve members, of whom seven are men and five are women.

Female directors thus represent 42% of the Supervisory Board. This means that the CNIM Group's governance complies with French Act No. 2011-103 of January 27, 2011 concerning gender equality in the workplace, which states that the proportion of directors of either sex must not be lower than 40%.

Gender equality in the workplace: new agreement signed in 2016

The distribution of jobs within the CNIM Group shows that the vast majority of female staff work in support functions such as communications, human resources, finance and legal. Although the percentage of women in engineering and managerial positions has virtually doubled in just under ten years, shop floor staff are still almost exclusively male.

During 2016, CNIM's management met on several occasions with trade union representatives in order to discuss observations, issues and actions aimed at underpinning CNIM's commitment to gender equality in the workplace.

The signatories to the agreement wished efforts to be continued towards promoting gender diversity at the workplace, especially as regards access to jobs and work/life balance, and towards preventing all unjustified gaps in terms of pay, promotion and access to professional training (in equal positions, irrespective of skills, age and seniority)

Precise metrics have been developed. These will be monitored annually, over and above the gender balance report given each year to the Central Works Council. To ensure that the entire workforce knows and passes on the commitments we have made, it has been agreed that internal communications will be sent out to all staff and managers over the lifetime of the agreement.

3.4.1.1 Proportion of women in the CNIM Group*

	Men	Women
< 25 years	75%	25%
25-29 years	72%	28%
30-34 years	79%	21%
35-39 years	75%	25%
40-44 years	78%	22%
45-49 years	80%	20%
50-54 years	82%	18%
55-59 years	86%	14%
≥ 60 years	85%	15%
Total	79%	21%

The proportion of women in the French metal-working industry was 21.9% in 2014 (Source: INSEE data, 2014); the proportion of women in the CNIM Group is slightly above this average. Moreover, the current dynamic clearly signals an increase in the proportion of women in the workforce: in the youngest age groups, the proportion of women is higher than average.

3.4.1.2 Proportion of women in the engineering and executive workforce (managers)*

	Men	Women
< 25 years	68%	32%
25-29 years	65%	35%
30-34 years	73%	27%
35-39 years	72%	28%
40-44 years	76%	24%
45-49 years	77%	23%

50-54 years	87%	13%
55-59 years	89%	11%
≥ 60 years	91%	9%
Total	77%	23%

Only in the age groups from 50 upwards is the proportion of women below the national average. The rates in age groups between 25 and 50 are more or less equal to the average for the metal-working sector.

3.4.1.3 Proportion of women in the white-collar workforce (employees, technicians and supervisors)*

	Men	Women
< 25 years	69%	31%
25-29 years	65%	35%
30-34 years	72%	28%
35-39 years	62%	38%
40-44 years	64%	36%
45-49 years	69%	31%
50-54 years	60%	40%
55-59 years	70%	30%
≥ 60 years	57%	43%
Total	65%	35%

*Statistics for December of the year in question, in accordance with French legislation on human resources reporting.

The number of women working as employees, technicians and supervisors is above the national average in every age group.

3.4.1.4 Indices based on the median monthly salary of men and women, by age group and category

	Engineers and executives (Managers)		Employees, technicians and supervisors (White-collar staff)		Workers (Blue-collar staff)	
	Men	Women	Men	Women	Men	Women
< 25 years	215	201	160	100	119	119
25-29 years	225	219	165	168	127	NS
30-34 years	269	253	178	165	135	119
35-39 years	309	300	194	187	135	NS
40-44 years	351	309	182	198	152	NS
45-49 years	382	330	235	194	163	NS
50-54 years	397	392	218	194	167	-
55-59 years	419	300	220	177	167	NS
≥ 60 years	467	368	253	167	171	-
Total	328	280	187	177	148	119

100 is the lowest median value by category and gender.

The gender wage gap is 7.8%. This compares to a wage gap of 16% between men and women in the EU as a whole (Source: ILO, data for 2016).

The Group is attentive to all fairness issues, and staff remuneration in particular. Remuneration is the subject of a special action plan envisaged in the agreement on gender equality at work signed by management and labor in France.

In order to prevent gender discrimination, the Group takes part in annual pay surveys. The surveys put the Group's pay levels in perspective compared to the rest of the market, to ensure fair pay for the same level of responsibility, without gender distinctions. A special action plan has also been included in the agreement on gender equality at work signed by management and labor in France.

3.4.2 Policy on combating discrimination

The generation contract enables the CNIM Group to prepare for the future by recruiting and training today the generation who will be responsible for future projects, while fostering transfer of the knowledge and skills acquired by our most experienced members of staff.

Accordingly, CNIM, Bertin Technologies and LAB have made quantified commitments in their company-level agreements relating to:

- the number of trainees taken on each year;
- the proportion of young people aged under thirty among new recruits;
- the number of employees aged over fifty in the workforce;
- the recruitment of employees aged over fifty;
- listening to any specific request relating to health and the organization of working time.

Measures to promote the employment and integration of disabled people

The CNIM Group has forty-five disabled employees, representing 2% of the workforce. Four disabled persons were recruited in 2016.

Committed to non-discrimination and equal opportunities for disabled employees, the Group reaffirms its willingness to continuously strive to promote the appointment, retention, training and development of disabled people. To achieve this objective, a specific action plan for disabled workers was implemented in 2013. Its aims are:

- to encourage Group employees with a disability to speak out;
- to adopt a proactive approach to the recruitment of disabled people;
- responsible purchasing: a voluntary initiative to use sheltered workshops (enterprises in which 80% of staff are disabled).

All of the Group's French personnel, staff representative bodies and company doctors have been included in this commitment.

3.5 Promotion of social dialog

3.5.1 Respecting freedom of association and the right to collective bargaining

Staff representation within the Group

Staff are represented within the CNIM Group in a variety of bodies.

Four members of the Central Works Council (CWC) are appointed to represent staff on the CNIM SA Supervisory Board. Three members of the CWC are also appointed, along with three deputies, to the Supervisory Board of the CNIM Participation fund. A further director is also appointed to the the CNIM SA Supervisory Board to represent employee shareholders. Two members of the CWC are also elected to attend General Meetings of CNIM shareholders.

Finally, the ten staff representative positions on the Group Works Council are divided between the four labor union confederations present in the Group. Without substituting for the representative bodies of individual entities in the CNIM Group, the Group Council acts as an advisory body on Group strategy. It is designed to be a forum for discussion and debate, thereby ensuring the reciprocal sharing of information between Group management and staff representatives. Going beyond its legal obligations, CNIM Group management has made a Group-level agreement whereby all trade unions representing staff members can nominate a union representative. These measures reflect CNIM's desire to promote constructive labor relations across the widest possible range of issues.

3.5.2 Organization of labor relations

The Group is committed to the quality of labor relations within the different companies that form a part of it. By establishing common principles, and then bargaining where necessary, different subjects are broached with

management and labor in order to accommodate the special features and the diversity of the Group. Employee safety is an absolute priority. Health and safety in the workplace thus continues to be a focus area for ongoing measures with ambitious targets, and labor relations have an important role to play in this respect. All the Health, Safety and Working Conditions Committees within the various companies are focused on this issue.

In a multi-activity group like CNIM, labor relations are organized at all legal levels of the business: group (Group Works Council), company (Central Works Council) and site (Employee Representatives; Works Council; Health, Safety and Working Conditions Committee). Site-level meetings take place monthly, with extraordinary meetings being held to respond to exceptional requests, address particular topics or consult the representatives on specific projects.

Regular negotiations are also held with trade unions, enabling dialog to be held on a wide range of subjects such as work/life balance, combating discrimination, working hours, salaries and profit-sharing. As well as responding to staff concerns reported by the representatives, labor relations constitutes a vital route for supporting change management, the quality of life at work and the Group's needs to adapt to its markets.

Over 80% of staff are covered by one of the following collective labor agreements:

- the collective labor agreement on the metalworking industry (at both national and regional level);
- the collective labor agreement on the waste industry;
- the national collective labor agreement on executives, engineers and equivalent employees of companies managing thermal and air conditioning plant operations;
- the national collective labor agreement on blue-collar workers, employees, technicians and supervisors of thermal plant operations;
- the collective labor agreement for engineering firms/engineering consultancies/consultancy firms;
- the collective labor agreement on shipping.

CNIM Group internal opinion barometer

In 2016, the Group Human Resources Department launched CNIM's third internal opinion survey, following on from those conducted in 2012 and 2014. This time, the pool of survey subjects was widened significantly to cover all of the Group's employees in France; the goal for the longer term is to cover every company in the Group.

Staff were questioned about their perceptions of their job as well about changes, management, working conditions, pay and benefits and internal communications. The wording of the questions was the same as in the two previous surveys, so that changes could be measured.

The results of the barometer showed that 97% of staff members surveyed believe they have the right skills to perform their job, while 87% state that they are satisfied and motivated in terms of the interest level of their work and their degree of independence and 83% say they can count on their co-workers in the event of a problem.

An action plan based on the barometer results is currently undergoing validation, after which it will be implemented in 2017 and 2018. The focus areas of the plan relate mainly to internal communications, management practices and the visibility of career opportunities to all staff.

3.5.3 Collective labor agreements signed in 2016

The CNIM Group has good labor relations with management and labor. In France, these good relations enabled agreements in several areas to be signed in 2016: staff pay, diversity management, working arrangements and employee representation.

List of occupational pay agreements signed in 2016:

- Mandatory annual bargaining rounds: CNIM SA, Bertin Technologies;
- Statutory profit-sharing scheme: CNIM SA, Bertin Technologies;
- Voluntary profit-sharing scheme: CNIM SA, Bertin Technologies;
- Collective Retirement Savings Scheme: CNIM SA, Bertin Technologies, LAB SA;
- Workplace Savings Scheme: CNIM SA.

Agreement signed in 2016 on diversity management:

- Gender equality in the workplace: CNIM SA and Bertin Technologies.

Agreement signed in 2016 on working arrangements:

- Adjustment and reduction of working hours: Bertin Technologies (modulation of working hours at the Thiron Gardais site).

Agreements signed in 2016 on employee representation:

- Pre-election memorandum of understanding: Bertin Technologies;
- Classifications Bertin Technologies;
- Collective deputization rule in relation to the Saphymo/Bertin Technologies merger.

An agreement was also signed at Bertin Technologies regarding the termination of employment contracts, while the mandatory annual negotiations at LAB SA were the subject of a formal record of disagreement.

No new agreement was signed in 2016 at Group level relating specifically to health and safety at work.

3.6 Our environmental commitment

Under Article L-225-102-1, “where subsidiaries or controlled companies have locations in France and constitute classified facilities subject to authorization or registration, the information provided shall relate to each of them where this information is not of an aggregatable nature.”

Given the impossibility of aggregating all of the sites, the choice has consequently been made to publish detailed data in accordance with the law.

Numerical environmental data is thus presented as follows:

- aggregate data for non-French companies, companies in France which do not include classified facilities subject to authorization or registration and French-based facilities that are not classified or not subject to authorization;
- aggregate data for French facilities classified under the A2771 régime;
- aggregate data for French facilities classified under the A2910-A-1 régime;
- detailed data for the CNIM La Seyn-sur-Mer site (see section 3.13.2).

Furthermore, 9 sites included in the data for 2016 were Classified Facilities for Environmental Protection purposes under French law:

- La Seyne-sur-Mer (83) production site;
- Operation of the Estrées-Mons (80) biomass cogeneration plant;
- Operation of the Nesles biomass plant (80);
- Household waste composting unit, Lantic (22);
- Saint-Pantaléon-de-Larche waste-to-energy plant (19);
- Household waste incineration unit, Plouharnel (56);
- Pluzunet waste-to-energy plant (22);
- Thiverval Grignon waste sorting facility (78);
- Thiverval Grignon waste processing center (78);

3.6.1 General policy on environmental management, and QSE policy

Within the framework of the sustainable development policy and its environmental responsibility, the Group has adopted a preventive approach toward the environmental impact of its activities, as it has for all the risks that it must manage.

Environmental management is closely linked to the preventive measures undertaken in relation to health and safety at work.

Legislative and technological surveillance, training, information and communication with its employees and external contacts (customers, suppliers, subcontractors and authorities) are the basis for the Group Quality, Health, Safety and Environment policy.

Several subsidiaries or sites of the Group have for a number of years made an effort to reduce the ecological footprint of their activities, whether they are production, research or engineering sites.

Each company has a Health, Safety and Environment Director who ensures that legislation is observed and preventive measures are implemented in relation to:

- noise pollution;
- waste treatment;
- land pollution;
- air pollution;
- the control of hazardous products.

All provisions are monitored, documented and their compliance with the legislation and the regulatory framework can be demonstrated at any time.

All of these matters are also discussed at meetings of the Health and Safety Committees of the various companies.

In 2016, the Group did not incur any fines or non-pecuniary penalties for failure to comply with environmental legislation and regulations.

The Group's know-how is used to improve the energy efficiency of the facilities designed, made, maintained or operated by the Group in all its activities and in the Environment and Energy Management department in particular. The Group is keen to improve the reliability and performance of its products and services in terms of energy efficiency and reduction in emissions so as to allow its customers to achieve their own objectives.

These arrangements have placed the Group in a position where it has not had to pay any compensation during this financial year in respect of court decisions relating to environmental matters, and has not had to make any provisions for risk in this regard.

Management of the Environmental Sector of CNIM considers sustainable development to be the fundamental challenge in the forthcoming decades.

To contribute to this global objective, the EPC business unit is setting up a voluntary program to structure and formalize its actions towards economically effective, socially equitable and ecologically sustainable development. Management's objective is to eliminate, as far as is reasonably possible, all health and safety risks as well as nuisances that could be caused by its activities or facilities to personnel on the site or third parties.

It endeavors in its operations to promote the Best Available Techniques (BAT) in environmental protection, energy efficiency and residue reduction. The processes developed are optimized from the design stage onward in order to limit resource consumption (energy, water, reagents, etc.), minimize residues (flue-gas cleaning residues from household waste incineration, catalysts used, etc.) and recover by-products (scraps, bottom ash, process water, etc.) while maintaining a high level of performance.

During construction activities, an effort is made in relation to building waste management and limiting environmental impact in accordance with local legislation in force and good practice as established by European regulations.

The Waste & Energy Management Solutions (WEMS) business unit has developed an integrated management system to assure performance and continuous improvement in the following areas, in line with the risk assessments and the opportunities arising:

- the quality and performance of its products and services, building on BAT (Best Available Technology), innovation and R&D;
- compliance with applicable standards in relation to health, safety and the environment;
- the environmental footprint of its products and services, in terms of energy efficiency, cutting emissions into the air, ground and waste, minimizing water and reagent consumption and minimizing the production of residues.

The company's commitment to environmental management is attested by a range of relevant certifications (see section 2.1). This process will be continued in 2017 with the certification of further sites under ISO 14 001 or ISO 50 001.

3.6.2 Employee training and information on environmental protection

In 2016, nine Group companies were certified under ISO 14,001; a total of 17 sites thus incorporate environmental issues into their management systems (see section 3.2.1). Over a thousand employees are thus regularly trained in and/or familiarized with the various continuous improvement programs that aim to enhance our ability to anticipate and counteract environmental risks.

3.6.3 Provisions and guarantees for environmental risks

A regulatory watch and compliance assessments are conducted in the Group's various sectors and subsidiaries so as to minimize risks. No risks were identified after these assessments, and therefore no provision has been made in the accounts for environmental risks.

In terms of guarantees for environmental risks, the CNIM Group has an "environmental breaches and damage" insurance policy that covers losses incurred by third parties and damage to the environment. The guaranteed amounts vary depending on the type of insurance cover provided in the contract.

3.7 Limiting our environmental impact and working to reduce that of our customers

3.7.1 Waste management and waste-reduction measures

3.7.1.1 Waste management

Waste from waste-to-energy centers

Non-French sites		Aggregated sites under the A2771 régime		Aggregated sites under the A2910-A-1 régime	
OUTGOING TONNAGES		OUTGOING TONNAGES		OUTGOING TONNAGES	
TYPE	(T)	TYPE	(T)	TYPE	(T)
Bottom ash and fly ash	233,024	Bottom ash and fly ash	65,653	Bottom ash and fly ash	10,178
Flue-gas cleaning residues from household waste incineration and salts	30,630	Flue-gas cleaning residues from household waste incineration and salts	8,983	Flue-gas cleaning residues from household waste incineration and salts	-
Ferrous metals	16,345	Ferrous metals	5,434	Ferrous metals	-
Other	29,340	Other	152	Other	-

Reuse of waste: all 65,504 tonnes of waste incineration bottom ash was reused in road engineering processes.

Waste from CNIM Environment Division sites

CNIM SA: Environment Division sites*	
OUTGOING TONNAGES	
TYPE	(T)
Metal	204
NHIW	197
Timber	82

*Sites included: Leeds, Wilton, Beddington, Kemsley

Waste from third-party sites*

THIRD-PARTY SITES	
OUTGOING TONNAGES	
TYPE	(T)
Scrap metal	14
Timber	5
Paper/cardboard	4
Sundry	7

*Note: the quantities of waste from some third-party sites are not known.

Waste from industrial sites

Industrial sites	
OUTGOING TONNAGES	
TYPE	(T)
Metal	726
NHIW	196
Timber	59
Paper/cardboard	10

Over 64% of waste was directed toward the following channels:

- for use mainly as fuel or another way in which to produce energy;
- for the recycling or recovery of metals and metallic compounds;
- for the recycling or recovery of other inorganic materials.

It should be noted that there is no waste processing business in some of the countries in which the CNIM Group operates. Furthermore, the inclusion of LAB Washington in the scope of the 2016 CSR report led to a reduction in the Group's waste reuse rate, since this new procedure enables metals to be recycled in a new way.

3.7.1.2 Measures taken to improve waste recycling and reuse

Ash treatment: recovery and reuse of all metal residues within ash

Since acquiring the technology and assets of Geodur Recycling AG in April 2013, LAB has offered solutions and services in relation to bottom ash treatment and the recovery of ferrous, non-ferrous and precious metals. There are two specific metal extraction processes: RecuLAB™ NF, a dry process that enables non-ferrous metals to be extracted from coarse particulates and RecuLAB™ Au, a wet process that allows precious metals such as gold and silver to be recovered from fine particulates.

LAB signed two contracts to build plants utilizing these two processes in 2015 in Washington state, USA and in the Zurich region in Switzerland. Both contracts were delivered in 2016. The facilities in question are now operational.

On-site treatment of hospital waste: Vietnam chooses Sterilwave

In 2016, Bertin's Sterilwave proved to be a major export success, with a rise in orders of over 50%. The CNIM subsidiary won a number of contracts in Vietnam through tender competitions run by the World Bank. Several dozen sets of equipment have been delivered, leading crucially to global recognition from the World Bank and WHO. Sterilwave technology was developed by Bertin over the course of several years. It is based on an innovative procedure that involves mashing waste together in a single vat before heating it to 100°C with microwaves to achieve complete microbial disinfection. The process enables potentially infectious waste to be transformed into inert material that ranks as household waste, leading to an economic gain for the hospital, an environmental gain and above all a reduced risk of biological contamination.

Reuse of IT equipment and third-party waste

Since 2014, the CNIM Group has signed partnership agreements with organizations for the employment of the disabled, respectively concerning the recycling or reconditioning of used IT equipment and screens for all French subsidiaries and the sorting and recycling of third-party site waste.

Under these agreements, the CNIM Group contributes on the one hand to reintegrating people into the job market who find it difficult to obtain work and on the other to the circular economy, by:

- reducing the Group's environmental impact by reducing waste and the associated CO₂ emissions;
- transforming waste into resources, thus limiting the consumption of raw materials;
- favoring reuse.

In 2016, 10 tonnes of paper and cardboard were collected under the agreement on the collection, sorting and recycling of third-party waste, and new contracts were signed with the aim of extending selective waste sorting to more sites.

3.7.1.3 Measures taken to reduce food waste

The CNIM Group does not buy, process, distribute or sell food products. Furthermore, only two companies in the Group, representing 10% of the workforce covered by this report, have a workplace canteen. Food waste is therefore a minor issue for the Group, and no specific action plan has been established for this topic other than the vigilance and common-sense measures that the Group applies to all of its consumption and waste.

3.7.2 Greenhouse gases and measures to reduce and purify air emissions

3.7.2.1 Greenhouse gas emissions

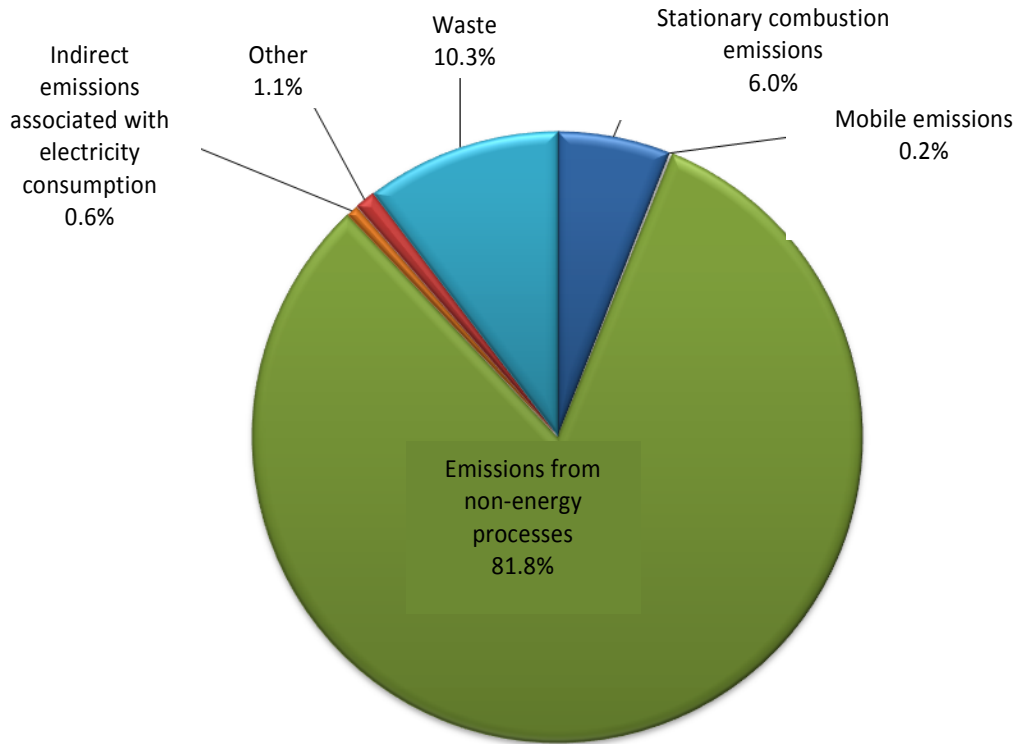
Non-French companies

Aggregate scope 1 and 2 greenhouse gas emissions in 2016 for non-French companies, companies in France which do not include classified facilities subject to authorization or registration and French-based facilities that are not classified or not subject to authorization were 338,057 tCO₂e, with uncertainty of 25%.

Emissions categories	Numbers	Emissions headings	Values						Avoided emissions Total (t CO ₂ e)	
			Greenhouse gas emissions							
			CO ₂ (tonnes)	CH ₄ (tonnes)	N ₂ O (tonnes)	Other gases (tonnes)	Total (t CO ₂ e)	CO ₂ b (tonnes)		Uncertainty (t CO ₂ e)
Direct greenhouse gas emissions	1	Stationary combustion emissions	22.462	2	1	0	22.798	0	1.067	0
	2	Mobile emissions	627	0	0	0	634	11	18	0
	3	Emissions from non-energy processes	267.348	0	63	655	312.232	376.853	84.525	146.513
	4	Fugitive emissions	0	0	0	0	0	0	2.987	0
	5	Biomass emissions (soils and forests)	0	0	0	0	0	0	2.987	0
		Sub-total	290.438	2	64	655	335.664	376.864	84.532	146.513
Indirect emissions associated with energy	6	Indirect emissions associated with electricity consumption	0	0	0	0	2.393	0	110	0
	7	Indirect emissions associated with vapor, heat or cold energy consumption	0	0	0	0	0	0	0	0
		Sub-total	0	0	0	0	2.393	0	110	0
Other indirect greenhouse gas emissions	8	Energy-related emissions not included in items 1-7	2.974	48	0	0	4.195	-11	190	0
	9	Purchased goods and services	0	0	0	0	0	0	0	0
	10	Capital property	0	0	0	0	0	0	0	0
	11	Waste	38.203	48	0	0	39.441	0	10.639	0
	12	Upstream goods transport	0	0	0	0	0	0	0	0
	13	Journeys/travel	0	0	0	0	0	0	0	0
	14	Tax exemption	0	0	0	0	0	0	0	0
	15	Upstream leasing	0	0	0	0	0	0	0	0
	16	Investments	0	0	0	0	0	0	0	0
	17	Visitor and customer transport	0	0	0	0	0	0	0	0
	18	Upstream goods transport	0	0	0	0	0	0	0	0
	19	Use of products sold	0	0	0	0	0	0	0	0
	20	End-of-life of products sold	0	0	0	0	0	0	0	0
	21	Tax exemption	0	0	0	0	0	0	0	0
	22	Downstream leasing	0	0	0	0	0	0	0	0
	23	Commuting	0	0	0	0	0	0	0	0
	24	Other indirect emissions	0	0	0	0	0	0	0	0
		Sub-total	41.117	98	0	0	43.636	-11	10.641	0

Note on CO₂b: CO₂b is CO₂ of organic origin (biomass and organic waste). It is chemically identical to fossil-origin CO₂ but is reported differently in the carbon account. It is classified as short-cycle carbon, unlike fossil-origin CO₂.

Greenhouse gas emissions balance sheet

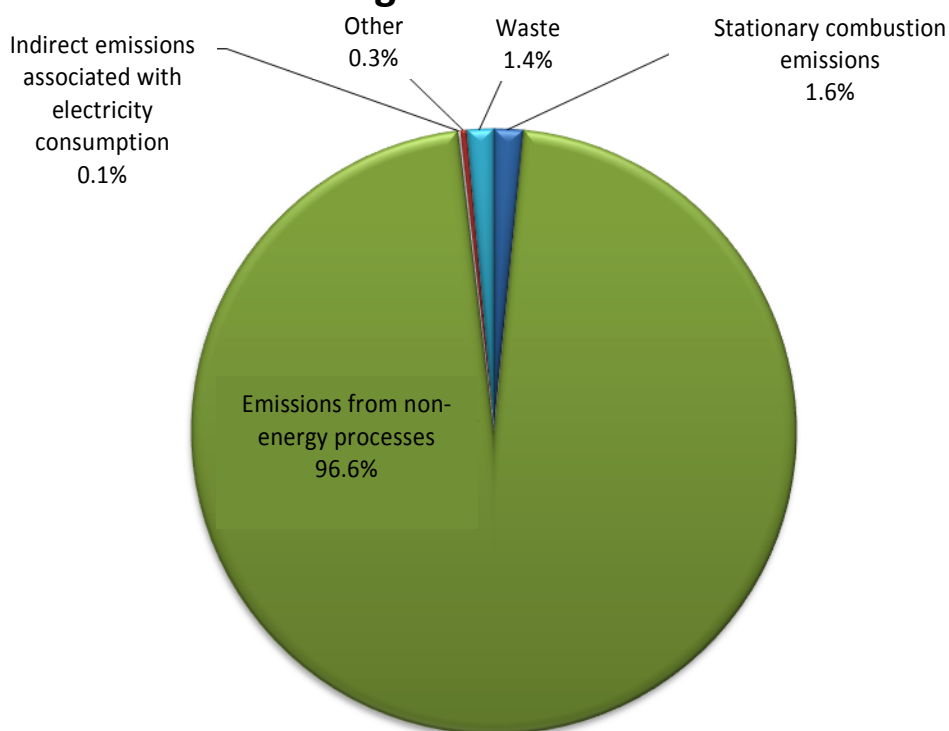


Aggregated French sites under the A2771 régime

Scope 1 and 2 greenhouse gas emissions in 2016 for aggregated sites under the A2771 régime were 123,448 tCO_{2e}, with uncertainty of 24%.

Emissions categories	Numbers	Emissions headings	Values						Avoided emissions	
			CO ₂ (tonnes)	CH ₄ (tonnes)	N ₂ O (tonnes)	Other gases (tonnes)	Total (t CO _{2e})	CO ₂ b (tonnes)		Uncertainty (t CO _{2e})
Direct greenhouse gas emissions	1	Stationary combustion emissions	1.932	0	0	0	1.954	2	59	0
	2	Mobile emissions	0	0	0	0	0	0	0	0
	3	Emissions from non-energy processes	104.740	0	12	323	121.318	147.646	29.602	18.167
	4	Fugitive emissions	0	0	0	0	0	0	0	0
	5	Biomass emissions (soils and forests)	0	0	0	0	0	0	0	0
		Sub-total	106.673	0	12	323	123.272	147.649	29.602	18.167
Indirect emissions associated with energy	6	Indirect emissions associated with electricity consumption	0	0	0	0	176	0	9	0
	7	Indirect emissions associated with vapor, heat or cold energy consumption	0	0	0	0	0	0	0	0
		Sub-total	0	0	0	0	176	0	9	0
Other indirect greenhouse gas emissions	8	Energy-related emissions not included in items 1-7	268	3	0	0	415	-3	11	0
	9	Purchased goods and services	0	0	0	0	0	0	0	0
	10	Capital property	0	0	0	0	0	0	0	0
	11	Waste	1.728	2	0	0	1.784	0	560	0
	12	Upstream goods transport	0	0	0	0	0	0	0	0
	13	Journeys/travel	0	0	0	0	0	0	0	0
	14	Tax exemption	0	0	0	0	0	0	0	0
	15	Upstream leasing	0	0	0	0	0	0	0	0
	16	Investments	0	0	0	0	0	0	0	0
	17	Visitor and customer transport	0	0	0	0	0	0	0	0
	18	Upstream goods transport	0	0	0	0	0	0	0	0
	19	Use of products sold	0	0	0	0	0	0	0	0
	20	End-of-life of products sold	0	0	0	0	0	0	0	0
	21	Tax exemption	0	0	0	0	0	0	0	0
	22	Downstream leasing	0	0	0	0	0	0	0	0
	23	Commuting	0	0	0	0	0	0	0	0
	24	Other indirect emissions	0	0	0	0	0	0	0	0
		Sub-total	1.996	5	0	0	2.200	-3	560	0

Greenhouse gas emissions balance sheet

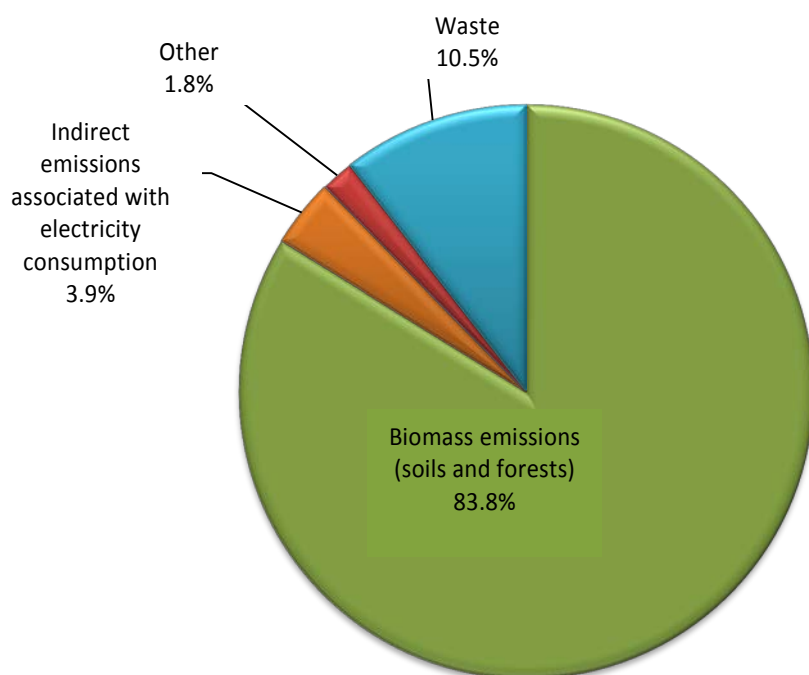


Aggregated French sites under the A2910-A-1 régime

Scope 1 and 2 greenhouse gas emissions in 2016 for aggregated sites under the A2910-A-1 régime were 10,417 tCO₂, with uncertainty of 21%.

Emissions categories	Numbers	Emissions headings	Values							Avoided emissions Total (t CO ₂ e)
			CO ₂ (tonnes)	CH ₄ (tonnes)	N ₂ O (tonnes)	Other gases (tonnes)	Total (t CO ₂ e)	CO ₂ b (tonnes)	Uncertainty (t CO ₂ e)	
Direct greenhouse gas emissions	1	Stationary combustion emissions	1	0	0	0	1	0	0	0
	2	Mobile emissions	0	0	0	0	0	0	0	0
	3	Emissions from non-energy processes	0	0	0	0	0	443.950	0	71.943
	4	Fugitive emissions	0	0	0	0	0	0	0	0
	5	Biomass emissions (soils and forests)	0	0	0	249	9.958	0	2.180	0
		Sub-total	1	0	0	249	9.958	443.950	2.180	71.943
Indirect emissions associated with energy	6	Indirect emissions associated with electricity consumption	0	0	0	0	458	0	43	0
	7	Indirect emissions associated with vapor, heat or cold energy consumption	0	0	0	0	0	0	0	0
		Sub-total	0	0	0	0	458	0	43	0
Other indirect greenhouse gas emissions	8	Energy-related emissions not included in items 1-7	0	0	0	0	216	-443.950	20	0
	9	Purchased goods and services	0	0	0	0	0	0	0	0
	10	Capital property	0	0	0	0	0	0	0	0
	11	Waste	1.213	2	0	0	1.252	0	444	0
	12	Upstream goods transport	0	0	0	0	0	0	0	0
	13	Journeys/travel	0	0	0	0	0	0	0	0
	14	Tax exemption	0	0	0	0	0	0	0	0
	15	Upstream leasing	0	0	0	0	0	0	0	0
	16	Investments	0	0	0	0	0	0	0	0
	17	Visitor and customer transport	0	0	0	0	0	0	0	0
	18	Upstream goods transport	0	0	0	0	0	0	0	0
	19	Use of products sold	0	0	0	0	0	0	0	0
	20	End-of-life of products sold	0	0	0	0	0	0	0	0
	21	Tax exemption	0	0	0	0	0	0	0	0
	22	Downstream leasing	0	0	0	0	0	0	0	0
	23	Commuting	0	0	0	0	0	0	0	0
	24	Other indirect emissions	0	0	0	0	0	0	0	0
		Sub-total	1.213	2	0	0	1.468	-443.950	445	0

Greenhouse gas emissions balance sheet



Emissions avoided

The Carbon Accounting method estimates the emissions avoided by a certain activity. In the case of CNIM, this activity is waste reprocessing.

Avoided emissions: emissions that would have been generated in order to produce the same quantity of energy or raw material according to conventional production methods (national energy mix).

In 2016, CNIM Group sites outside France enabled emissions of 146,513 tCO₂ to be avoided for non-French sites, 18,167 tCO₂ for aggregated French sites under the A2771 régime and 71,943 tCO₂ for aggregated French sites under the A2910-A-1 régime.

	Emissions factor	Non-French sites
	kgCO ₂ e/MWh	MWh
Electricity sold in the UK	505	153,649
Electricity sold in Azerbaijan	473	145,708
Emissions avoided (tCO₂)		146,513 t.CO₂e

	Emissions factor	Aggregated sites under the A2771 régime
	kgCO ₂ e/MWh	MWh
Electricity sold in France	56*	68,897
Heat sold in France	279	108,634
Emissions avoided (tCO₂)		18,167 t.CO₂e

	Emissions factor	Aggregated sites under the A2910-A-1 régime
	kgCO ₂ e/MWh	MWh
Electricity sold in France	56*	224,823
Heat sold in France	279	212,734
Emissions avoided (tCO₂)		71,943

*The carbon database emissions factor is 72kgCO₂e/MWh for France, but 56kgCO₂e/MWh if the part related to the distribution and transportation of electricity (which is outside CNIM's scope) is excluded. This figure is very low in comparison with the UK or Azerbaijan, which is due to the very considerable role of nuclear power in France's energy mix.

3.7.2.2 Measures taken to reduce and purify air emissions

LAB R&D

LAB files on average 6-7 patents per year, more than two thirds of which are immediately put to use in its products and construction projects. These enable it to avoid dependency on third-party technologies and offer a range of processes that can be implemented in standard or customized configurations.

LAB's expert staff analyze and coordinate these needs in order to develop the right products to meet them. They have significant material resources at their disposal in the form of the LAB Test Center and its mobile on-site investigation units, of which DemoLAB® is the best example.

The final stage before inclusion in the LAB process catalog is industrialization, i.e. moving from a prototype installation to a reliable high-performance industrial product.

LAB has developed a wet scrubbing technology, marketed under the DeepBlueLAB® brand, that responds to the needs of the shipping industry for flue gas depollution systems. Perfecting this new product required LAB to comply with existing environmental directives and also take account of specific factors concerning the space available aboard ships and the technical preferences of the shipowners. Marine scrubbers appear to represent one of the best solutions currently available, in the face of the decision taken in 2016 by the International Maritime Organization to impose a maximum of 0.5% for sulfur across all the world's oceans with effect from 2020.

Marine scrubbers supplied by LAB for three Brittany Ferries vessels

On January 1, 2015, the European Directive on reducing the amount of sulfur emitted by marine vessels in ECA (Emission Control Area) regions took effect. The French ferry constructor STX has opted to fit LAB's flue-gas washing technology (marine scrubbers) to three Brittany Ferries vessels in order to bring them into line with the new standards. These are the very first scrubbers to be made of composite material, which makes them lighter, easier to repair and highly competitive. There is an overall global market of around 1,000 ships that will need to be equipped to comply with the Directive. These first new-generation scrubbers entered into operation during 2016, and performed as expected and even better.

District heating goes green in Paris

CNIM Babcock Services and LAB Service have refurbished the Bercy steam generation plant operated by the Compagnie Parisienne de Chauffage Urbain (CPCU). The assignment, one of the largest environmental upgrades to be carried out in France in recent years, involves converting boilers that supply Paris's urban heating and hot water network to run on gas and biofuel. Ultimately, the works carried out have meant that CPCU is able to announce reductions in emissions values by 85% for nitrogen oxides, 98% for sulfur dioxide, 90% for particulates and 25% for carbon dioxide. This illustrates how one of the Group's traditional fields of know-how contributes to the achievement of pollution reduction targets and to the transition to renewable energy.

Bertin Technologies helps an agri-food company to cut emissions of pollutants

An international food processing company was using process steam generated from a coal boiler. In order to comply with the French regulations on Large Combustion Facilities, the company is taking steps to reduce pollution, in connection with which it hired Bertin Technologies in 2016 to carry out a preliminary project on bringing the boiler into line with the rules. This project was an opportunity for collaboration with other CNIM Group businesses, namely CNIM Babcock Services for the change of fuel and LAB for flue gas treatment.

3.7.3 Sustainable use of resources

3.7.3.1 Water consumption and measures taken to reduce it

Based on the 2016 scope of analysis, the CNIM Group’s total water consumption was 1,921,654 m³, 1,344,647 m³ of which (69%) was recycled.

The total breaks down as follows:

	Quantity Non-French sites* (m ³)	Quantity Aggregated sites under the A2771 régime (m ³)	Quantity Aggregated sites under the A2910-A-1 régime (m ³)	Total
Total quantity of water consumed	323,941	300,779	1,309,934	1,921,654
Recycled water contained in total consumption figure	71,342	160,627	1,112,678	1,344,647

The recycled water is:

- either rainwater;
- or pumped directly from a cleaning station to be reused in the waste-to-energy process (with administrative authorization);
- or is the result of the reuse of water within the industrial process.

The Thiverval-Grignon and Pluzunet waste-to-energy plants in France and the CNIM Azerbaijan plant are all zero discharge sites at which all water (industrial and rainwater) is fully reused in the process. Work was also carried out in 2016 to eliminate all water discharges at the CNIM Centre France site, which will make it the Group's fourth zero discharge site as from 2017.

3.7.3.2 Consumption of raw materials and efficiency measures

Optimizing raw materials procurement

CNIM Group's purchases mainly relate to semi-finished items, complete functions, intellectual creative services and on-site services. This means that the raw materials component is limited and, as the Group's historical core business is boilermaking, it mostly consists of metallic raw materials (tubes, sheet metal, and so on).

The optimization of raw material consumption is a major issue for its waste-to-energy plant construction business as, on average, this type of plant requires 1,000 tonnes for the frame, 1,500 tonnes for the boiler and 250 tonnes for the pipework. The material consumption optimization process is systematically followed for the purchase of tubes, tanks, refractory materials, pipework and thermal insulation and is conducted in three stages:

- selection of the optimum material, which should represent the best compromise between the dimensioning (flow rate, pressure and temperature), conditions of use and price;
- optimization of the installed thicknesses, in accordance with the Pressure Equipment Directive (PED) construction code and the classes of lines;
- the cutting of the boiler, which must take transport dimensions into account;
- the lead time which, depending on the case, will allow, or preclude ordering finite lengths from steel producers, as opposed to receiving standard lengths that will result in more waste.

All metallic waste is sold for reuse. For example, 407 tonnes of scrap steel, stainless steel and aluminum were recycled from the La Seyne-sur-Mer production site in 2016.

Biomass sourcing

The two biomass-to-energy plants in Picardy mostly use wood chips from nearby forests, supplemented by shredded industrial wood waste.

The fuel sourcing radius largely covers Picardy plus smaller sections of the Champagne Ardenne and Upper Normandy.

Cogeneration means that the two facilities have high cycle yields of around 60%:

- Electricity is generated for the RTE electricity grid in France
- Steam is generated for use by nearby industrial sites

Achieving these high yields means that electricity can be sold into the grid at a subsidized price, under contracts made with the French Energy Regulation Commission.

3.7.3.3 Energy consumption

Data	Unit	Quantity Non-French sites*	Quantity Aggregated sites under the A2771 régime	Quantity Aggregated sites under the A2910-A-1 régime
City gas for heating and processes	kWh	99,396,316	5,090,000	
Ordinary domestic fuel	L	530,136	305,852	200
Mobile sources of petrol fuel (light and heavy vehicles)	L	508,988	-	195
Non-road diesel	L	38,095	1,915	
Mobile sources of petrol fuel	L	40,635	-	
Forklift gas (propane)	kg	2,275	-	-
Process gases (acetylene)	m ³	2,046	144	
Electricity	kWh	66,154,046	5,172,000	13,476
Heating network	kWh	-	-	-

* Non-French companies, companies in France which do not include classified facilities subject to authorization or registration and French-based facilities that are not classified or not subject to authorization.

3.7.3.4 Energy consumption reduction measures

Energy audits

Energy audits have been conducted in the various companies in the Group since 2015, in accordance with European Directive 2012/27/EU and the EN 16 247 standard. This measure is aimed at encouraging companies exceeding certain size or revenue thresholds to put an energy efficiency strategy in place for their businesses. Following this structured approach enables opportunities to improve energy efficiency to be identified, as well as the capital expenditure that would be required and the payback period for the investments. These audits confirmed that steps had already been under way for several years to control energy consumption at the main sites.

LAB conducts its first energy audit

LAB conducted its first regulatory energy audit in 2016. The audit comprised an energy performance audit of the IT system, on the grounds that IT accounts for the bulk of LAB's electricity consumption, as well as an energy audit of transportation. Several improvement actions were identified and recommended, among them rationalization of the printing systems, regulating the air conditioning in the server rooms and ecological driving.

La Seyne-sur-Mer: a multi-year plan to cut consumption

At the La Seyne-sur-Mer site, the Group's principal site, the multi-year campaign of works initiated with the objective of reducing energy consumption is continuing. The main measures undertaken in 2016 were:

- outside: replacement of the outdoor sodium spot lighting with LEDs
- inside: in 500 m² of offices, replacement of all lights with LEDs and replacement of wall switches with individual sensors;
- outside: fitting of solar protection films to reduce use of air conditioning in summer;
- acquisition of software enabling consumption of all fluids to be firstly monitored and then ultimately controlled for each building;
- acquisition of a first electric vehicle for on-site industrial maintenance, which has replaced a carbon-dioxide producing vehicle.

Two years of works for an energy-efficient head office

Having been closed for works since 2014, CNIM's head office in Paris reopened its doors at the end of 2016. The building, a townhouse dating from the late 19th century, has undergone a complete renovation. The aims were firstly to bring together all of the Paris staff on one site, and secondly to comply with the applicable standards and regulations, in particular RT 2012 (the 2012 Heat Regulation). Specifically, the object of RT 2012, in accordance with Article 4 of the Grenelle I Act, is to limit the amount of primary energy consumed by buildings.

Due to the risk of noise pollution, it was not possible to use a heat pump for the site's heating and air conditioning. The energy solution adopted was therefore to connect to the city of Paris's urban network, which is powered by household-waste recovery. The whole of the building is now controlled by a programming system which enables lighting and temperature to be managed according to the time of day and the day of the week. There are no longer any light switches anywhere in the building, with the lighting being controlled by remote sensing. Taken together, these measures mean that energy use will not exceed 50 kWh/m²/year.

3.7.3.5 Development of services helping to improve our customers' energy efficiency

Energy efficiency at waste treatment plants

CNIM, the global leader in the construction of waste-to-energy plants, has long aligned the energy performance of its buildings with respect for the environment. CNIM pioneered energy efficiency in 2005 when it built a plant in Bilbao which combines waste incineration and a recovery boiler with a gas turbine that enables steam to be superheated and re-superheated to 540°C. This combination allows waste to be treated in an extremely energy-efficient way.

The experience the company has gained, along with the development of new low-corrosion alloys, means that CNIM is now able to offer highly advanced thermal cycles (steam pressure and temperature) that help customers improve their energy performance by around 10%.

Energy efficiency in flue gas treatment

LAB's projects include a comprehensive offering of heat optimization and recovery by way of flue gas condensation systems, which may or may not be supplemented with heat pump systems and/or combustion air humidification systems. Examples include the projects at Aarhus, Nordforbanding and Amager (all commissioned in 2016), as well as the Hofor (order taken 2016) and Helsingor projects. All five are in Denmark.

CNIM has been awarded a contract to modernize the waste-to-energy site at Thiverval-Grignon (France)

At the end of 2016, CNIM was awarded a Design-Build-Operate-Maintain (DBOM) contract for the energy optimization of the Thiverval-Grignon waste-to-energy center. The center is able to process an average of 200,000 tonnes of waste each year, as well as 20,000 tonnes of sludge from urban or rural wastewater plants. The project consists in optimizing the waste-to-energy center in order to respond to the following challenges:

- increasing the recovery of energy from waste incineration;
- improving energy performance in order to meet the European R1 (Recovery One) criterion;
- improving the treatment of the flue gas of the preserved existing line, with the current wet treatment system being replaced with a dry treatment system, and with elimination of stack plumes and reduction of NO_x content;
- conducting an educational site tour.

Site safety will also be improved by altering traffic routes, following the recommendations of the National Health Insurance Fund regarding the reversing of refuse vehicles and trucks and also separating the traffic flows for light and heavy traffic. Completion is expected in 2019.

3.7.4 Contributing to the development of renewable energy use

3.7.4.1 Solar energy

SUNCNIM builds the world's first Fresnel concentrated solar power plant with energy storage

In 2016, SUNCNIM finalized the funding of the eLlo joint venture company, which has been established to build and operate a concentrated solar power plant at Llo in the Eastern Pyrenees. This will be the first Fresnel concentrated solar power plant in the world with the ability to store several hours' worth of power. The Llo solar power plant will feature a thermal energy storage unit and will produce 9 MWe of renewable electricity for export to the EDF grid - enough to power over 6,000 households. Eco-designed and 100% recyclable, it will use SUNCNIM's Fresnel mirror technology, based on capturing thermal energy through mechanically driven mirrors which focus the sun's rays onto a receptor, the solar boiler. This generates thermal energy which can be stored or converted into electricity via a steam generation cycle.

Bertin Technologies carries out a study for Grenoble's "Campus Smart Grid" project.

Schneider Electric, in partnership with the Grenoble Chamber of Industry and Commerce, is running a Future Investment Project based on the idea of a "Campus Smart Grid". The project aims to create an energy microgrid at the Institut des Métiers et des Techniques de Grenoble, combining renewable energy with energy saving measures to achieve the twin objectives of generating power locally for the institute and producing renewable energy for the grid. In 2016, during the feasibility phase, Bertin Technologies used its EMS (Energy Management System) software tool to carry out a parametric study, followed by a preliminary definition study of the different power systems.

3.7.4.2 Biomass

European Directive 2009/28/EC of April 23, 2009 on the promotion of the use of energy from renewable sources defines the biodegradable fraction of industrial and municipal waste as being biomass, and biomass as one of the non-fossil sources of renewable energy. As more than half of the carbon content of municipal waste is non-fossil in origin, half of the energy derived from its combustion is thus considered to be renewable energy.

Flue gas treatment for biomass sites

LAB, a specialist in flue gas treatment, signed two contracts in 2016 for the flue gas and condensate treatment at large-scale biomass-to-energy plants. These will feature substantial energy recovery via condensation, as well as flue gas treatment that produces almost zero emissions, a performance level that exceeds current regulatory standards. The first of these is the HOFOR project at Copenhagen, Denmark. This is the largest biomass plant currently under construction in Europe, which will recover 120 MW of thermal energy from flue gas for supply to the urban heating system. The second project, for which the contract was signed in at the end of the year, is at Helsingor (also in Denmark). It will recover 15 MW of thermal energy from flue gases, again for urban heating. The LAB Service subsidiary is working on the major regulatory upgrade of flue gas treatment system as part of the Chilton biomass project in the UK.

Energy production from biomass

CNIM designed, built and now operates two biomass cogeneration facilities which treat clean biomass obtained from forestry, sawmill by-products and wood chips from packaging materials or park and garden maintenance.

Estrées-Mons (France): The plant is a power generation facility fueled by clean biomass. It generates 13 MWe of electricity, and supplies energy in the form of steam to a nearby industrial company, which uses it in its processes.

Nesle, France: The plant is a power generation facility fueled by clean biomass. Generating enough electricity to supply a town of 5,000 homes, it will enable three million tonnes of CO₂ to be saved over a twenty-year period. The plant can produce up to 130 GWh of electricity and 300 GW of heat energy each year from 250,000 tonnes of biomass. The heat is used by an industrial company.

Treatment of green algae

In the composting field, CNIM has developed and installed a green algae treatment process based on the principle of dehydration through hot air ventilation (the hot air being produced by a wood-fired generator). This method

eliminates odors and suppresses toxic gas emissions (hydrogen sulfide). After taking over the operation of the waste-to-energy plant at **Lantic (France)** in 2009, CNIM first upgraded the site before building a green algae treatment unit with a capacity of almost 25,000 tonnes per annum in 2010. The waste-to-energy plant takes in around 35,000 tonnes of waste per annum. The site features two microbiological treatment units and a non-hazardous waste storage facility. The compost produced (around 10,000 tonnes per annum) is approved for use in organic agriculture.

For over half a century, CNIM's technology has enabled energy trapped in household or other waste to be recovered. Such inherent energy would otherwise be little used or else lost entirely in landfills. Using this energy in place of traditional energy sources helps to conserve resources.

In 2016, the sites operated by the CNIM Group produced and sold 594,077 MWh of electricity and 321,368 MWh of heat, broken down as follows:

	Non-French sites	Aggregated sites under the A2771 régime	Quantity Aggregated sites under the A2910-A-1 régime
	MWh	MWh	MWh
Electricity sold	299,357	69,897	224,823
Heat sold		108,634	212,734

3.7.5 Noise reduction measures

In 2016, 100% of the decibel readings taken complied with the regulations.

Complaints from local residents:

- two complaints received in relation to a non-French site;
- no complaints received for sites under the A2771 régime;
- no complaints received for sites under the A-2910-A-1 régime.

All complaints from local residents are examined and responded to.

The number of complaints received from local residents is again much lower relative to 2015, the figure for which was itself lower than the figure for 2014.

Reducing olfactory nuisances

The waste-to-energy facilities designed and built by CNIM comply with the most stringent regulatory requirements in terms of noise levels and odor emissions. The unloading areas are kept at a lower pressure than the rest of the building, so that odorous particles are aspirated by the fan which supplies aspirated air into the hall. They are then destroyed by combustion.

On the Lantic site, every possible step is taken to ensure that the compost fermentation process produces as little odor pollution as possible. Part of the green waste is ground and sifted to produce a plant compost. This is then mixed with raw compost from household waste to be matured in boxes. The compost ferments in special boxes that are each equipped with their own air supply and extraction system. The boxes also have air ventilation tiles that are supplied with outside air by a fan and an independent air network. The foul air aspirated from the boxes is channeled toward a biofilter that deals with any odors.

Green algae, which are mainly composed of water, are treated using a drying process in ventilated boxes. After they have been structured by green waste sifting refuse, they are confined in boxes into which air is blown at high speed. The risk of fermentation is eliminated by maintaining an adequate oxygen level, as a result of which the H2S content becomes negligible. The foul air is again aspirated into a biofilter.

With regard to emissions of fumes and the associated environmental nuisances, LAB has developed and patented technologies that enable the emission levels of particulates, dioxins, sulfur, NOx, mercury and other heavy metals to be kept down in a way that goes beyond the standards currently in force in Europe. LAB's projects often ensure that emissions fall far below the thresholds set by current environmental standards .

Reducing noise nuisances

The Group regularly makes improvements aimed at reducing noise nuisances. It does so even where there is no regulatory requirement to do so and without being prompted by complaints by local residents. In 2016, for instance,

the Kogeban site built a housing around its feed motor pumps, enabling a permanent substantial reduction in noise emissions to be achieved.

3.7.6 Measures taken to reduce environmental pollution risks

Fiber-optic and laser diode systems for satellite weather and climate forecasting

Having won an initial contract from Airbus Defence & Space in 2015 to design and manufacture a fiber optic system, Bertin won a further contract in 2016 to design and produce a laser diode system. The two systems will be installed aboard a satellite in the IASI-NG (Infrared Atmospheric Survey Instrument - New Generation) that Airbus Defence & Space will supply to CNES as part of METOP-SG, the European program for weather forecasting and climate monitoring between 2020 and the mid-2040s. As well as temperature and humidity, IASI-NG will take ultra-precise measurements of over 25 components of the atmosphere, which will be of vital importance for weather forecasting and the monitoring of pollution and the climate.

Wastewater treatment plants: a risk minimization study

Regulations require wastewater treatment plants to conduct analyses aimed at minimizing the risk of treatment failure and risks to persons. Bertin has developed a generic approach for treatment plants with similar features. In 2016, Veolia hired the CNIM subsidiary to carry out a pilot study on two plants that it operated. The study offers numerous benefits for both the environment and staff, since it recommends actions to increase the availability of the wastewater treatment systems and improve the safety of operatives.

Bertin Instruments: products dedicated to the environment

Certain types of industrial location, such as cooling towers, composting plants, waste sorting centers, green waste collection centers and sewage plants, have to deal with a growing variety of chemical, biological and radiological pollutants that pose a potential risk to the health of operatives or local residents. Bertin Instruments offers a range of solutions to detect and measure invisible hazards:

- Radiation detection solutions, developed with expertise from Saphymo, have been designed to meet the demands of the recycling, steel and petrochemical industries, including radiation portal monitors, survey meters, and waste control beacons.
- The Coriolis μ biological sampler captures airborne particles in a liquid medium, allowing the quality and degree of contamination to be rapidly determined.
- A range of multi-use instruments for monitoring radon (a naturally occurring radioactive gas) enable radon levels and the associated risks to be measured and evaluated in any environment.

AlphaGUARD: the new-generation radon monitor

AlphaGUARD, the portable radon monitor developed with expertise from Saphymo, has been redesigned to take snapshot and continuous measurements of radon gas activity. The highly sensitive device is now easier to use and comes with integrated digital connectivity. AlphaGUARD is the instrument of choice for large numbers of international scientists and experts. It is used in radon measurement programs in the environment, in mining and in the laboratory, as well as to monitor radon levels in homes and workplaces.

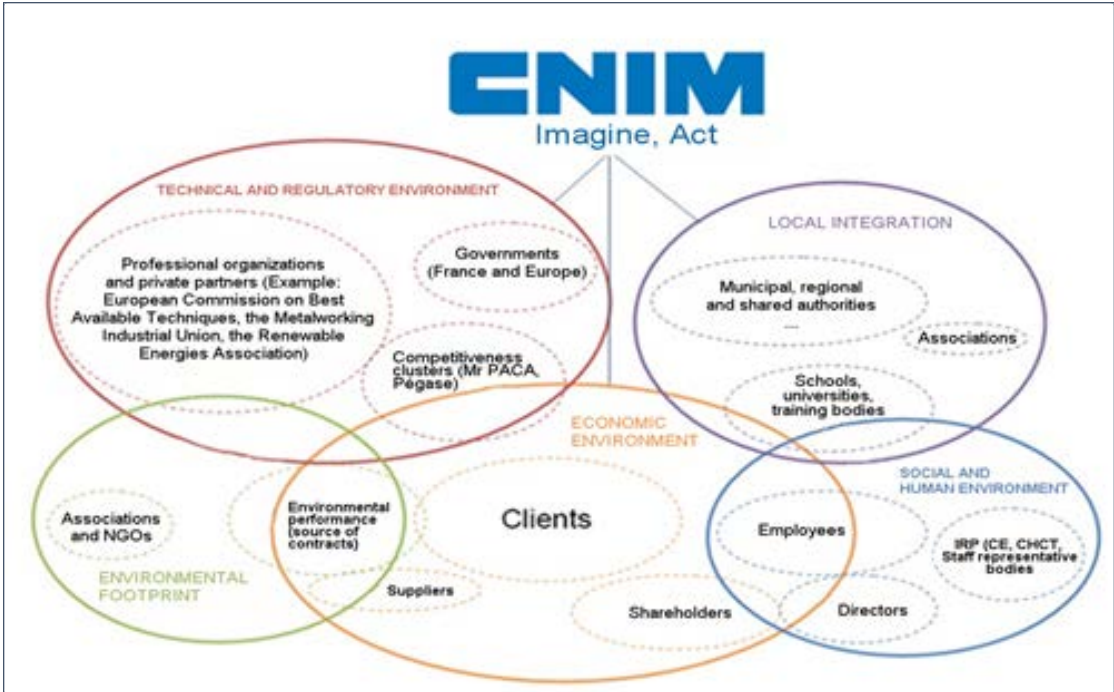
3.7.7 Measures taken to conserve biodiversity

All construction or extension projects involving industrial waste-to-energy conversion or energy production sites undergo prior environmental assessments to identify the preventive measures to be taken to reduce the new site's environmental footprint. These assessments systematically include biodiversity analysis and conservation.

3.8 CNIM's social engagement

3.8.1 Map of stakeholders

Based on its strategic goals, in 2013 the CNIM Group embarked on the identification and ranking² of its stakeholders. This map, which is supplemented by the identification of the forms of dialog, the level of influence and the mutual expectations of all of the stakeholders, should allow the Group to more effectively prioritize its listening and communication efforts with regard to those with the largest impact.



² The size of the bubbles reflects this ranking

3.8.2 Impact of the Company's activity on the local economy

Due to its positioning in high-tech, innovative industrial markets, the CNIM Group buys few standard or catalog products. A limited number of suppliers are able to meet all of our technical and quality requirements and these suppliers operate on a national or international scale.

The strong construction site focus, whether this means the installation of complex systems on site for CNIM Industrial Systems, the construction of waste-to-energy facilities or flue gas treatment plants for the Environment Sector, or the service activities of CNIM Babcock Services, also makes it necessary to have local subcontractors.

Based on the scope of the 2016 CSR report, the local economic and social impact of the CNIM Group, including purchases, salaries, taxes and duties (taken from the financial accounts of 18 companies) is €404.9 million, spread across six countries (France, the UK, China, Azerbaijan, Morocco and Singapore), 91% of which relates to France and the UK.

Of the €404.9 million total:

- €147.5 million relates to wages and salaries, including social security and similar charges;
- €14.5 million relates to taxes and duties;
- €242.8 million relates to purchases.

In addition, SUNCNIM's business created 68 indirect jobs (49 of them in France) in addition to 24 direct jobs in 2016.

3.8.3 Consideration of subcontractors and suppliers from a social and environmental viewpoint

Based on the scope of reporting, the Group's purchases were €330.8 million in 2016.

For the reasons given above, the CNIM Group has decided to adopt a purchasing policy by subsidiary and/or business sector, according to a sector-based approach. This micro-economic approach was preferred to a global, Group-wide one, which would have lost some of its effectiveness owing to the consolidation of businesses and subsidiaries that are too different in size.

Each business sector and/or subsidiary defines its supplier approval process according to the nature of its business:

- the supplier pre-approval questionnaire used by CNIM SA and LAB SA contains questions about the company's quality, safety and environmental certification and, for service providers, about the accreditation of staff or the verification of equipment that may present a safety risk;
- LAB has also set up an end-of-construction evaluation process for its main suppliers which, since 2013, has taken into account Health, Safety and Environment criteria as well as their ISO 14001 and OHSAS 18001 certification.

All of these criteria are considered when selecting a supplier, which is a process that is adapted to the variety of the Group's businesses and the size of the organizations that must implement it.

3.8.4 Contribution to competitiveness clusters

The CNIM Group and its subsidiaries are fully involved with competitiveness clusters, which aim to structure the R&D activities within a region around specific themes. The Group is represented in a number of clusters, in particular:

- the Cap Énergies cluster, whose purpose is to control energy consumption and work on the shift toward non-greenhouse-gas-generating energy sources;
- the EMC2 cluster, which works on advanced production technologies;
- the Mediterranean Sea cluster, an international landmark in the maritime and coastal sector;
- the Optitec cluster, which is at the cutting edge of optics, photonics and image processing;
- the Routes des Lasers cluster, active in photonics;
- the Systematic cluster, active at the crossroads of eight company-level technological markets (transport, energy, telecoms, security, health, smart cities, information technology and the factory of the future) and two general technological fields (free software and complex systems).

3.8.5 Involvement in trade associations and unions

CNIM is very actively involved in numerous trade and environmental associations and unions. The CNIM Group is represented in the following bodies, in which it plays an active part:

- SNIDE (French National Union of Designers and Builders in the Waste Industries);
- ESWET (European Suppliers of Waste-to-Energy Technology);
- SVDU (National Syndicate for Treatment and Recovery of Urban and Similar Waste);
- FNADE (French Federation for Pollution Control and Environmental Activities);
- FEAD (European Federation for Pollution and Environmental Activities);
- CEWEP (Confederation of European Waste-to-Energy Plants);
- AMORCE (National Association of Communities, Associations and Businesses for Waste, Energy and Heating Network Management);
- SER (Authority on Renewable Energy);
- FBE (France Biomasse Énergie);
- ASTEE (Scientific and Technical Association for Water and the Environment);
- ISWA (International Solid Waste Association);
- the ADEME International Club (ADEME: French Environment and Energy Management Agency);
- MEDEF International (MEDEF: French employers' federation);
- FIMM, Morocco (Federation of Mechanical and Metalworking Industries);
- CFCI, Morocco (French Chamber of Commerce and Industry);
- OFATE (Franco-German Office for Energy Transition).
- CNIM UK and MES Environmental are also members of the ESA (Environmental Services Association).

The Group is also active

within the context of its shipbuilding activities:

- in GICAN (French Marine Industries Group), where CNIM acts as vice-chair of the scientific & technical and mid-sized enterprise/SME committees. CNIM also takes part in the GICAN-led Océan 21 structuring program for the French shipbuilding business.
- in the Cluster Maritime Français (CMF).

within the context of its defense and terrestrial security activities:

- in GICAT (French Defense and Land and Air/Land Security Industries Group).

within the context of its nuclear activities:

- in AIFEN (French Association of Nuclear Exporters), which represents over 300 French businesses and major organizations (GIIN, PFCE, PFME and PNB) covering the entire nuclear cycle;
- in the GIIN (Confederation of the Nuclear Industry), a spokesman body for industry associations and organizations in the nuclear sector;
- in the SFEN (French Nuclear Energy Association);
- in the NIA (UK Nuclear Industry Association);
- in PFCE (China-France Electricity Partnership). PFCE aims to promote the long-term involvement of French midcaps and SMEs in the construction of the Chinese nuclear program;
- in the PFME (France Global Electricity Partnership), which promotes French industrial companies in countries with a nuclear program.

within the context of its NBC threat detection activities:

- in the Défense NBC consortium, which brings together the main French businesses active in the NRBCE (nuclear, radiation, biological, chemical and explosive) sector;

within the context of its cybersecurity activities:

- in Hexa Trust, an association of experts in IT security, cybersecurity and digital trust which responds to the needs of companies, governments and public and private organizations seeking to benefit from innovative French solutions for the full range of their IT security requirements;
- in CLUSIF (French IT Security Club);
- in CECyF (French Center of Expertise on Cybercrime);
- in the SystemX IRT (technological research institute);
- in the ACN (Digital Trust Alliance).

3.8.6 Local integration

3.8.6.1 Action to promote integration

CNIM Insertion

Since 2009 and the creation of the Thiverval Grignon (Yvelines, France) sorting center, whose operating contract was awarded to CNIM, CNIM Insertion has offered social support and employment to people in difficulty to facilitate their integration into the economy. The undertaking is a company for the integration of workers through economic activity whose status has been accredited by the State. The people in question are hired for a maximum of 24 months, trained as sorting operators and helped with their social difficulties, and especially with their search for employment, as this activity is only one stage in their journey and is a stepping stone on the path to long-term employment. CNIM Insertion's mission comprises numerous positive outcome objectives, as the reintegration process can be counted a success only when the person has been able to find a job or take a training course that matches their aspirations and skills.

Since obtaining State certification in 2009, CNIM Insertion received AFAQ EI/ETTI approval in 2013: it is the first integration enterprise in Ile-de-France to obtain AFNOR certification, which aims to validate the social practices of sheltered employment companies.

In 2016, 67 people benefited from a contract with CNIM Insertion, with a "positive outcome" rate of 30% for those leaving the organization, this being measured by the successful obtaining of a fixed-term or permanent job or training leading to a qualification.

Paris chooses CNIM for its new city-based waste sorting center

In 2015, a CNIM-led consortium involving several partners was selected to design, build and run (for a two-year period) a waste sorting plant to be sited in the Clichy-Batignolles industrial zone. The plant will enter service in 2019 and employ 80 staff, of whom 35 will be employed under reintegration contracts, almost twice as many than at Thiverval-Grignon. The process will incorporate the latest in automated sorting technology, such as the optical sorting of plastics and paper and mechanical fractioning, so as to limit the amount of work done by hand and allow operatives to focus on quality control. The center will have a capacity of around 40,000 tonnes per year and will process the "clean and dry" waste of 900,000 residents.

3.8.6.2 Collaboration with teaching establishments

Teaching partnership between CNIM and SeaTech

Multiple areas of synergy exist between CNIM and SeaTech, a Toulon-based school of engineering specializing in marine science and technology, including training in mechanical engineering trades and the sharing of the technical and manufacturing issues of tomorrow. CNIM is involved in the running of the school and plays an active part in developing teaching. As part of this involvement, the Group offered four groups of third-year students the chance to do something outside the normal run of academic learning, namely to conduct a role-playing exercise based on responding to a call for tenders in which CNIM played the customer. The students had five months in which to submit a technical and financial tender, exhibit a 3D model and present their tender to a panel made up of four academic staff and six CNIM employees. The panel convened in February 2016 and paid tribute to the creativity, methodology and team spirit showed by each of the groups. This cooperative exercise will be repeated with a shipbuilding topic in 2016-17.

“My Camera Meets the Pros”

Designed and implemented by the French Ministry for Education in 2010, the “Ma Caméra chez les Pros” (My Camera Meets the Pros) program allows students in their junior year who have chosen the DP3 (3 hours per week of vocational experience) option to consider their career path, training and professional future in light of the business sectors and professions with potential in their region. In 2013, CNIM was one of the three institutions and companies selected by the Académie de Nice.

The CNIM La-Seyne-sur-Mer site has also signed a partnership agreement with the Welding Institute and its teaching establishments, which train future welding experts: the ESSA (School of Welding and its Applications for Engineers) and the EAPS (School for Training in the Welding Professions for Technicians). Accordingly, CNIM participated in the school's forum in Yutz in November 2016 and regularly informs the schools about the internships and jobs offered by the site. Thanks to this partnership a student from the ESSA completed an internship at CNIM 2016.

Trainees and apprentices

Number of interns, trainees and apprentices hired on completion of their training in 2016:

	Consolidation
Interns recruited during the year	14
Career development contracts offered during the year	8
Apprentices recruited during the year	2

3.8.6.3 Partnership initiatives

Partnership on the Business and Neighborhoods Charter

CNIM La Seyne-sur-Mer has signed a partnership agreement on the Business and Neighborhoods Charter, undertaking alongside local government to promote access to employment for residents of inner-city districts in cases of equal ability, thereby assisting the economical, social and cultural development of priority districts in the city in relation to education, career choice, employment, training and so on. CNIM has thus undertaken firstly to take in three students from schools in the priority education network and secondly to present the careers it offers and/or lead job interview simulations at educational establishments in the priority education zone. In 2016, CNIM accordingly took part in the Enterprise forum at Henri Wallon College in La Seyne-sur-Mer. CNIM also has an internal social law training program for managers which includes a module on discriminatory language in recruitment communications.

3.9 Ethics and fair practices

3.9.1 Action taken to prevent corruption

3.9.1.1 The Group's ethics charter

The Management Board has decided to introduce a Group-wide ethics charter to formalize the values that each Group employee must observe in their work. Its purpose is to cover the following issues:

- respect for individuals and their work;
- respect for health, safety and the environment;
- respect for laws and regulations;
- fairness and integrity;
- transactions involving CNIM shares;
- use of the Company's property.

3.9.1.2 The Group's purchasing code of conduct

The CNIM Group drew up and implemented its purchasing code of conduct in 2013.

This code of conduct:

- concerns buyers and all of the Group's employees likely to have an influence on purchasing;
- defines the behavioral rules and ethical standards to be complied with during purchasing;
- draws employees' attention to the impact that their relationships with suppliers and partners may have on the Group's image;
- clarifies the concept of conflicts of interest.

3.9.1.3 Raising staff awareness of fraud risks

In 2013, a first fraud risk awareness-raising session was organized for managers. In 2014, awareness-raising efforts were continued for staff involved in procurement and contracting during a training session on Purchasing Fundamentals, which included ethical guidelines to be followed. Since 2015, the Management training program has also included a fraud risk familiarization component. In total, over 500 employees have undergone training or familiarization, 99 of them in 2016.

3.9.1.4 Management of agents and consultants

Finally, the CNIM Group also has a procedure for selecting and monitoring agents and/or consultants, which covers the following aspects:

- selection criteria;
- search for applicants, which is based, amongst other things, on an information questionnaire to be completed by the agent;
- approval of the choice of agent;
- drafting of the agent's contract;
- monitoring and archiving of the documentation.

3.10 Respect for human rights

3.10.1 Our Values

The Company's values are excellence, creativity, commitment and trust. They are based on respect for individuals, the law and the internal rules in force within the Company.

Excellence	of our professional skills and expertise; of our industrial tools; of our collective achievements and services.
Creativity	of our solutions to anticipate and meet the expectations of our customers; of our teams to put forward powerful and competitive solutions.
Commitment	to Group shareholders over the long term; to our customers, by offering them quality, flexibility and performance; to our partners, by developing balanced and lasting relationships; to our employees, by helping them to achieve their ambitions.
Confidence	to consolidate our relations with our employees; to underpin our customer relations; at the heart of our activities to achieve greater success with responsibility and enthusiasm.

3.10.2 Human rights: procurement takes a stand

Bearing in mind its aim of growing its business outside Europe, as well as the passing of the UK's Modern Slavery Act in 2017, the Group has implemented an action plan in its various Procurement Departments that aims specifically to

ensure that suppliers and subcontractors show respect for human rights. This action plan underlines the Group's commitment to honor the principles and rights proclaimed under the 1998 Declaration of the International Labor Organization, which promotes dignity in labor and fundamental conventions worldwide, and ensure that its subsidiaries and business partners do the same. The action plan is made up as follows:

- Undertaking by the Management Board;
- Group Purchasing Policy describing the Group's CSR commitments and the expectations we have of our business partners;
- Inclusion of a clause on respect for human rights in our General Procurement Terms & Conditions;
- Inclusion of an undertaking to respect human rights in our supplier approval questionnaire;
- Starting 2017, on-site audits of suppliers and subcontractors presenting a potential risk.

3.10.3 Other action taken to promote human rights

Furthermore, the substantive work on:

- health and safety conditions in the workplace;
- respect for dialog between employees and management;
- the combating of discrimination;
- entitlement to teaching and training;
- and the duty of vigilance exercised by the Group with regard to the payment of social security contributions by its suppliers and;

described in previous reports was continued in 2016.

3.11 Methodology of the CNIM Group's CSR report for 2016; External opinion on fairness

To ensure the transparency and reliability of the data disclosed, the CNIM Group engaged DNV GL Business Assurance to audit its corporate, environmental and social information. The scope is fixed as at December 31 of the financial year.

Change in the scope of analysis: legal entities included in the 2016 report.

	2012	2013	2014	2015	2016
Bertin IT					o
Bertin Technologies	o	o	o	o	o
CNIM Azerbaijan				o	o
CNIM Babcock Maroc				o	o
CNIM Centre France		o	o	o	o
CNIM Énergie Biomasse		o	o	o	o
CNIM Insertion			o	o	o
CNIM Ouest Armor	o	o	o	o	o
CNIM SA	o	o	o	o	o
CNIM Singapore			o	o	o
CNIM Terre Atlantique				o	o
CNIM Thiverval Grignon	o	o	o	o	o
CNIM Transport Equipment			o	o	o
LAB SA	o	o	o	o	o
LAB Washington*					o
MES Environmental Ltd		o	o	o	o
SUNCNIM					o
VECSYS			o	o	o

Note: the white area identifies the scope of the consolidation area each year.

Entities selected for reporting consolidate the performance and impact of the industrial facilities where they are responsible for operational technical control, including facilities operated on behalf of third parties.

**Environmental matters only are included in respect of LAB Washington. Other data for this company is immaterial.*

Babcock Wanson Holding and its subsidiaries (except Babcock Wanson Maroc, now CNIM Babcock Maroc), Babcock Wanson France and Babcock Wanson UK, which were included in the 2015 report, were sold by the CNIM Group in 2016 and will therefore be excluded from the scope of reporting from 2016 onwards.

These companies account for more than 94% of the Group's consolidated revenues and cover 91% of its headcount over 35 sites. The companies in the analysis are covered from one year to the next, in order to enable the full consolidation of all subsidiaries in the long term.

The list of entities to be covered by the Group CSR Report is put forward by the Group CSR Manager and approved by the Management Board and General Management of the subsidiaries concerned.

The Group CSR Manager is responsible for collecting and consolidating data, writing the report and coordinating the action plans implemented within each Sector or subsidiary.

In environmental terms, the scope covers all waste sorting, treatment and recovery center operating business throughout the world.

Under Article L-225-102-1, "where subsidiaries or controlled companies have locations in France and constitute classified facilities subject to authorization or registration, the information provided shall relate to each of them where this information is not of an aggregatable nature." Given the impossibility of aggregating all of the sites, the choice has consequently been made to publish detailed data in accordance with the law.

Numerical environmental data (section 3.7) is thus presented as follows:

- aggregate data for non-French companies, companies in France which do not include classified facilities subject to authorization or registration and French-based facilities that are not classified or not subject to authorization: Bertin IT, Bertin Technologies, CNIM AZERBAIJAN, CNIM Babcock Maroc, CNIM Insertion,

CNIM SA (all sites except La Seyne-sur-Mer), CNIM Singapore, CNIM Transport Equipment, LAB SA, LAB Washington, MES Environmental, SUNCNIM, Vecsys;

- aggregate data for French facilities classified under the A2771 régime: CNIM Centre France, CNIM Ouest Armor Pluzunet, CNIM Terre Atlantique, CNIM Thiverval Grignon Waste Processing Center;
- detailed data for French facilities classified under the A2910-A-1 régime: CNIM Biomass Energy sites;
- detailed data for the CNIM La Seyne-sur-Mer site (see section 3.13.2).

With regard to the data published in this report, the following facts should be noted:

- for 2016, methods of estimation were defined for data that were not available, to ensure that all of the information required could be delivered within the specified deadlines. Unknown water consumption figures for certain third-party sites were therefore estimated based on the consumption figures for sites of a similar size. These estimates account for less than 1% of the total;
- The CNIM Group is concerned about what happens to the waste material produced by its activities and can provide indicators about the recovery of its waste. To this end, it relies on the definitions of 'waste' and 'recovery' established by the local regulations.
- CO₂ emissions were calculated based on the V7.2 spreadsheet program of the *Association Bilan Carbone* (French Carbon Accounting Association), with emission factors from the Carbon Database.
- given that the Group subcontracts all inbound and outbound transportation and that hauliers and freight forwards do not publish figures for the CO₂ emissions generated by these services, the CNIM Group does not possess sufficient data to disclose "Other indirect greenhouse gas emissions" (scope 3).
- The emission factor applied for waste sorting and waste processing centers is 326 kg. CO₂/tonne for the incineration of household waste (excluding transport, which is outside the scope) and 128 kg. CO₂/tonne for the landfill disposal of hazardous industrial waste;
- Acetylene gas is used by many Group companies and subsidiaries. It was not referenced in the Carbon Database, and was added to the carbon account as follows: density 1.1 kg/m³, emission factor 3.38 kg.CO₂/kg (based on stoichiometric ratios).
- calculation of uncertainty: as most emissions are due to the incineration of household waste, all these emissions depend directly on the household waste incineration emission factor. These values are not independent, as in previous years the uncertainties were added together.
- When calculating its direct greenhouse gas emissions, the CNIM Group includes the CO₂ from the vehicles owned, leased or hired by the Group and used within the context of its industrial and business activities.
- in the CNIM SA and CNIM La Seyne-sur-Mer reports, diesel consumed by the LCAT vessel is counted under the Energy 2 tab, whereas its carbon impact is reported under "Direct emissions from zero-energy processes", scope 1 point 3. This is due to the use of the LCAT, which, although mobile, is used neither to transport persons or goods nor for the conversion of energy, but is instead machinery forming part of the site. The same applies for the propane used in processes, which is likewise counted under the "Energy 2" tab and reported in item 1 point 3.

On the next few pages you will find the table of correspondence between the forty-two questions contained in Law No. 2012-557 of April 24, 2012 relating to companies' social and environmental transparency obligations and the CNIM Group's CSR report for 2016.

Topic	Type of information provided by CNIM	With indicator	GRI/EFFAS correspondence	See section:
A. EMPLOYMENT				
1 Total workforce and breakdown of employees by gender and by geographical area	Indicator	Total average workforce and geographical breakdown of employees by gender and by category	LA1 / LA13 / S03-01	See 3.1.1.1
2 Recruitment and dismissal	Indicator	Turnover with breakdown of employees by age, gender and reason for departure	LA2 / S01-01	See 3.1.1.2
3 Remuneration and changes in remuneration	Indicator			See 3.1.1.3
B. ORGANIZATION OF WORK				
1 Organization of working time	Text and indicator	Breakdown of contracts: full-time, part-time		See 3.1.2
2 Absenteeism	Indicator		LA7	See 3.1.2.3
C. Labor relations				
1 Organization of labor relations	Indicative text	Percentage of salaried employees covered by a collective labor agreement	LA4	See 3.5.2
2 Summary of collective agreements	Text			See 3.5.3
D. Health and Safety				
1 Health and safety conditions in the workplace	Text			See 3.2
	Indicator	Percentage of workforce represented by an HS Committee	LA6 / S09-02	See 3.2.1
	Indicator	Sum of expenditure on safety throughout the business	LA6 / S09-02	See 3.2.3
2 Summary of agreements with labor unions or personnel representatives on health and safety at work	Text			See 3.5.3
3 Accidents at work, particularly frequency and severity, as well as work-related illness	Indicator	Frequency rate and severity of accidents at work; number of work-related illnesses	LA7 / S04-02 / S04-04	See 3.2.4
E. Training				
1 Training policies implemented	Text			See 3.3.1
2 Total number of training hours	Indicator	Total number of training hours, hours per employee, employee training rate	LA10 / S02-02	See 3.3.2
	Indicator	Proportion of staff benefiting from regular appraisal and career development meetings.	LA12	See 3.3.3
F. Equal treatment				
1 Measures adopted to promote gender equality	Text and indicator	Proportion of women in the workforce	LA13 / S10-01 / S10-02	See 3.4.1
	Indicator	Median male/female salaries	LA14	
2 Measures to promote the employment and integration of disabled people	Text and indicator	Proportion of disabled workers and number of disabled workers hired during the year		See 3.4.2
3 Policy on combating discrimination	Text			See 3.4.2
G. Promotion and observance of the provisions of the fundamental conventions of the International Labor Organization on:				
1 . respecting freedom of association and the right to collective bargaining	Text			See 3.5.1
2 . the elimination of discrimination in respect of employment and occupation	Text			See 3.4.2
3 . the elimination of forced or compulsory labor	Text			See 3.10
4 . the effective abolition of child labor	Text			

Topic	Type of information provided by CNIM	With indicator	GRI/EFFAS correspondence	See section:
A. General policy on the subject of the Environment				
1 Organization of the company regarding environmental issues and the related assessment or certification measures	Text			See 3.6.1
	Indicator	No. of ISO 14,001-certified sites		See 3.2.1
	Indicator	Total amount of material fines due to breaches of environmental legislation	EN28	See 3.6.1
	Indicator	Total non-financial penalties due to breaches of environmental legislation	EN28	See 3.6.1
2 Training and information for employees on environmental protection	Text			See 3.6.2
3 Resources dedicated to the prevention of environmental risks and pollution	Text			See 3.7.6
4 Provisions and guarantees for environmental risks	Indicator			See 3.6.3
B. Pollution				
1 Measures to prevent, reduce or redress emissions in the air, water and ground	Text			See 3.7.2.2
2 Noise and any other forms of pollution specific to an activity	Text and indicator	Proportion of regulatory-compliant decibel recordings; number of complaints from those in the vicinity		See 3.7.1
C. Circular economy: prevention and management of waste				
1 Measures to prevent, recycle, reuse, recover value from, and eliminate waste	Text and indicator	Total weight of incoming and outgoing waste Proportion of waste usefully reprocessed	EN22 / E104-01	See 3.7.1
2 Policy on combating discrimination	Text			See 3.7.1.3
D. Circular economy: sustainable use of resources				
1 Water consumption and water supply based on local constraints	Indicator	Volume of water consumed, of which recycled	EN8 / EN10 / E28-02	See 3.7.3.1
2 Consumption of raw materials and measures taken to use them more efficiently	Text			See 3.7.3.2
3 Energy consumption, measures taken to improve energy efficiency, use of renewable energies	Text and indicator	Direct energy consumption, by primary energy source	EN3 / EN4 / EN5 / EN6 / EN7 / E01-01	See 3.7.3.3 and 3.7.3.4
4 Land use	Not applicable	There are no material issues for the Group to report		
E. Climate change				
1 Major sources of greenhouse gas emissions due to the company's activities, particularly through the use of the goods and services it produces	Indicator	Total direct or indirect emissions of greenhouse gases Emissions avoided	EN16 / EN17 / E02-01	See 3.7.2.1
2 Adapting to the consequences of climate change	Text	Initiatives to reduce greenhouse gas emissions; reductions obtained		See 3.7.2.2
F. Protection of biodiversity				
1 Measures taken to conserve or develop biodiversity	Text			See 3.7.7

Topic	Type of information provided by CNIM	With indicator	GRI/EFFAS correspondence	See section:
A. Territorial, economic and social impact of the company's activity:				
1. in relation to employment and regional development	Text and indicator	Impact of the company's activity on the local economy	EC6	See 3.8.2
2. on neighbors and local residents	Text			See 3.8.6
B. Relations with stakeholders such as employment associations, employment organizations, training establishments, etc.				
1 Conditions for dialog with the above organizations	Text			See 3.8.6
2 Partnership or Sponsorship actions	Text			See 3.8.6
C. Subcontractors and suppliers				
1 Taking social and environmental issues into account through purchasing policy	Text			See 3.10.2
2 Importance of subcontracting and consideration of social and environmental responsibility	Text and indicator	Group Purchasing		See 3.8.3
D. Fair practice				
1 Action taken to prevent corruption	Text and indicator	Number of employees trained in the organization's anti-corruption policies and procedures	S03	See 3.9
2 Measures adopted for consumer health and safety	Text	See chapter on action taken to reduce emissions into the air		See 3.7.2
3 Other action taken to promote human rights	Text			See 3.10

3.12 Growth of the Group's average total workforce

	2011	2012	2013	2014	2015	2016
Group workforce	2,660	2,772	2,831	2,914	3,000	2,773

Note: the CNIM Group's scope of consolidation changed between 2015 and 2016 due to the sale of Babcock Wanson Holding and its subsidiaries (except Babcock Wanson Maroc). The Group's total workforce on a like-for-like basis (i.e. after eliminating the staff of these companies) was 2,422 employees in 2015 and 2,483 in 2016.

3.13 Detailed data for CNIM SA

Under the terms of Law 2012-557 of April 24, 2012, CNIM SA (excluding the consolidated subsidiaries) is also required to issue a corporate responsibility report. The decision taken was to include in this chapter all the indicators and detailed figures applying only to the company CNIM SA.

3.13.1 The people of CNIM

Hiring

	Men	Women	Total	
Under 25 years	5%	4%	20	10%
25 - 29 years	15%	4%	38	19%
30 - 34 years	14%	5%	39	19%
35 - 39 years	7%	5%	25	12%
40 - 44 years	9%	1%	22	11%
45-49 years	8%	1%	19	9%
50-54 years	6%	0%	13	6%
55-59 years	6%	4%	20	10%
60 years and over	4%	0%	8	4%
Combined total	75%	25%	204	100%

Of the 204 employees hired in 2016, 138 (68%) were permanent staff

Departures

	Men	Women	Total	
Under 25 years	3%	2%	8	4%
25 - 29 years	10%	3%	23	13%
30 - 34 years	10%	4%	26	14%
35 - 39 years	7%	1%	15	8%
40 - 44 years	10%	2%	21	11%
45-49 years	7%	2%	17	9%
50-54 years	9%	2%	21	11%
55-59 years	10%	4%	26	14%
60 years and over	12%	3%	27	15%
Combined total	77%	23%	184	100%

Turnover in 2016 was 18.2%. Moreover, of the 184 departures in 2016, 132 (72%) were permanent staff.

	Men	Women	Total	Departure rate	
Involuntary departures	22%	7%	53	29%	5%
Voluntary departures	25%	6%	55	31%	6%
End of contract	11%	2%	22	12%	2%
Retirement	19%	8%	50	28%	5%
Combined total	77%	23%	180	100%	18%

Remuneration and changes in remuneration

The financial statements of CNIM SA disclose a total annual payroll for 2016 of €80.5 million, including wages and social security contributions.

Absenteeism

The absenteeism rate in CNIM SA was 6.8%, slightly above the rate in 2015.

Staff health and safety

In 2016, 100% of CNIM SA staff were represented on mixed management/employee health and safety committees set up to supervise and provide opinions on health and safety at work programs.

Expenditure on health and safety

CNIM SA's expenditure on health and safety was €715,000 in 2016, i.e. €732 per worker – a substantial rise relative to 2015.

Accidents at work and work-related illness

- Frequency rate: 9.98, much lower than in 2015 (see section 2.2)
(Number of accidents with time off work x 1 million/number of hours worked)
- Severity rate: 0.37 *(Number of days lost x 1,000/number of hours worked)*
- Work-related illnesses recorded in 2016: 2
(Work-related illnesses reported by staff in 2016).

Number of training hours

In 2016, 19,266 hours of training were provided to CNIM SA employees, representing an average of 20 hours per employee. This figure is steady relative to 2015.

Staff training rate

In 2016, 729 employees (75% of the workforce) followed at least one training course during the year.

Staff appraisal and career development interviews

In 2016, 92% of CNIM SA staff received an appraisal and career development interview.

Proportion of women in CNIM SA*

	Women	Men
Under 25 years	35%	65%
25 - 29 years	28%	72%
30 - 34 years	23%	77%
35 - 39 years	28%	72%
40 - 44 years	21%	79%
45-49 years	12%	88%
50-54 years	18%	82%
55-59 years	11%	89%
60 years and over	17%	83%
Combined total	20%	80%

*Statistics for December of the year in question, in accordance with French legislation on human resources reporting.

The average age of staff members is just over 43 for men and 41 for women.

Indices based on the median monthly salary of men and women, by age group and category

	ENGINEERS AND EXECUTIVES		SUPERVISORS		WORKERS		TOTAL	
	Men	Women	Men	Women	Men	Women	TOTAL M	TOTAL W
Under 25 years	215	NS	138	100	131	NS	144	100
25-29 years	241	238	162	175	151	-	208	210
30-34 years	284	259	184	176	152	-	241	251
35-39 years	309	296	217	194	157	-	265	275
40-44 years	358	315	202	198	155	-	296	245
45-49 years	375	348	249	201	165	-	296	288
50-54 years	382	388	243	204	174	-	292	253
55-59 years	401	292	244	199	169	-	309	243
60 years and over	467	402	253	168	179	-	418	231
TOTAL	345	295	216	183	161	NS	269	245

100 is the lowest median value by category and gender.

The gender wage gap between the men and women of CNIM SA is 9.6%.

Measures to promote the employment and integration of disabled people

CNIM SA has thirty-five disabled employees, representing 3.6% of the workforce.

Organization of labor relations

100% of CNIM SA salaried employees are covered by a collective labor agreement and have access to a staff representation scheme.

3.13.2 Our environmental commitment

Employee training and information on environmental protection

The EPC Contract business unit in the Environment Division has been ISO 14,001 certified since 2013. Certification was renewed in July 2016. Over three hundred employees are thus regularly trained in and/or familiarized with the various continuous improvement programs that aim to enhance our ability to anticipate and counteract environmental risks.

Waste management

CNIM SA: Environment Division sites*

OUTGOING TONNAGES	
TYPE	(T)
Bottom ash	-
NHIW	197
Timber	82
Metal	204
Cardboard	-
Special industrial waste	-
Other	-

*Sites included: Leeds, Wilton, Beddington, Kemsley.

CNIM LA SEYNE-SUR-MER

OUTGOING TONNAGES	
TYPE	(T)
Scrap steel	198.05
Stainless steel	186.38
Non-recovered NHIW	170.88
Soapy water	74.81
Sand	69.44
Timber	58.95
Cutting oil	51.22
Aluminum and aluminum scrap	23.15
Oil-contaminated water	21.02
Paints/resins/fillers/glue	15.31
Soiled non-washable packaging	11.99
Paper and cardboard	9.93
Black oil	8.19
Rubble	4.72
Soiled absorbent materials	3.07
Computer equipment (WEEE except monitors) CNIM+ATF GAIA	2.82
Non-halogenated solvents	2.65
Photographic developer and fixer for incineration	2.46
Metal or plastic packaging	2.33

All metallic waste is sold for reuse. In 2016, 408 tonnes of scrap steel, stainless steel and aluminum was recycled.

Greenhouse gas emissions

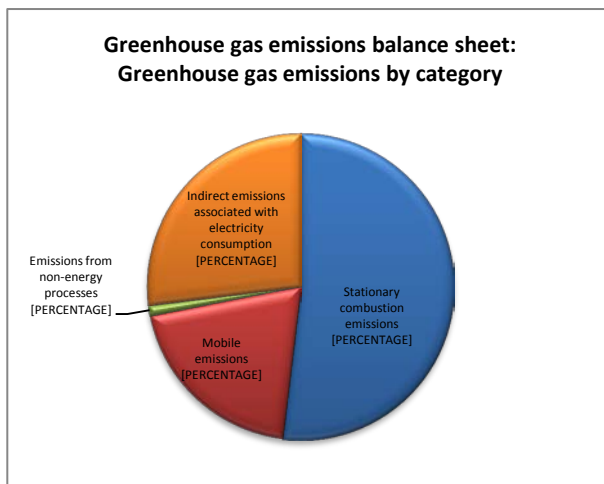
In 2016, consolidated greenhouse gas emissions for CNIM SA for scopes 1 and 2 were 2,149 tCO₂, with uncertainty of 5.5%. Of this amount, 1,626 tCO₂ related to CNIM LS, with uncertainty of 6.2%.

CNIM SA: greenhouse gas balance sheet

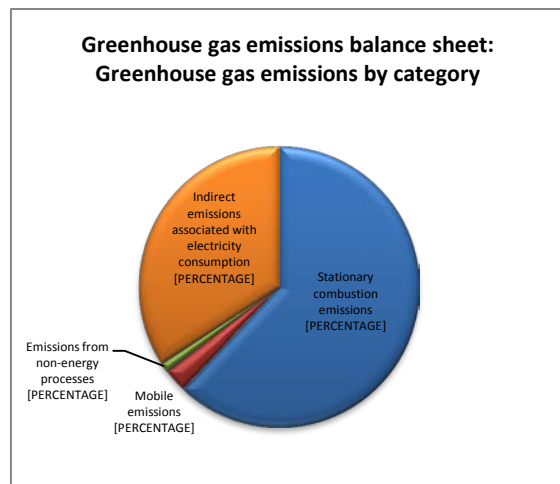
Emissions categories	Numbers	Emissions headings	Values						Avoided emissions	
			Greenhouse gas emissions							
			CO ₂ (tonnes)	CH ₄ (tonnes)	N ₂ O (tonnes)	Other gases (tonnes)	Total (t CO ₂ e)	CO ₂ b (tonnes)		Uncertainty (t CO ₂ e)
Direct greenhouse gas emissions	1	Stationary combustion emissions	1,099	0	0	0	1,116	0	50	0
	2	Mobile emissions	427	0	0	0	431	24	41	0
	3	Emissions from non-energy processes	19	0	0	1	23	1	2	0
	4	Fugitive emissions	0	0	0	0	0	0	0	0
	5	Biomass emissions (soils and forests)	0	0	0	0	0	0	0	0
		Sub-total	1,546	0	0	1	1,570	25	65	0
Indirect emissions associated with energy	6	Indirect emissions associated with electricity consumption	0	0	0	0	579	0	54	0
	7	Indirect emissions associated with vapor, heat or cold energy consumption	0	0	0	0	0	0	0	0
		Sub-total	0	0	0	0	579	0	54	0
Other indirect greenhouse gas emissions	8	Energy-related emissions not included in items 1-7	248	3	0	0	486	-25	21	0
	9	Purchased goods and services	0	0	0	0	0	0	0	0
	10	Capital property	0	0	0	0	0	0	0	0
	11	Waste	0	0	0	0	0	0	0	0
	12	Upstream goods transport	0	0	0	0	0	0	0	0
	13	Journeys/travel	0	0	0	0	0	0	0	0
	14	Tax exemption	0	0	0	0	0	0	0	0
	15	Upstream leasing	0	0	0	0	0	0	0	0
	16	Investments	0	0	0	0	0	0	0	0
	17	Visitor and customer transport	0	0	0	0	0	0	0	0
	18	Upstream goods transport	0	0	0	0	0	0	0	0
	19	Use of products sold	0	0	0	0	0	0	0	0
	20	End-of-life of products sold	0	0	0	0	0	0	0	0
	21	Tax exemption	0	0	0	0	0	0	0	0
	22	Downstream leasing	0	0	0	0	0	0	0	0
	23	Commuting	0	0	0	0	0	0	0	0
	24	Other indirect emissions	0	0	0	0	0	0	0	0
		Sub-total	248	3	0	0	486	-25	21	0

Distribution of CO₂e emissions by category:

CNIM SA:



CNIM La Seyne-sur-Mer:



Water consumption

CNIM SA's total water consumption in 2016 was 32,654 m³, of which 31,001 m³ related to CNIM La Seyne-sur-Mer.

Energy consumption

Data	Unit	Quantity CNIM SA:	Quantity CNIM La Seyne-sur-Mer
City gas for heating and processes	kWh	5,399,055	5,371,306
Ordinary domestic fuel	L	5,407	
Mobile sources of petrol fuel (light and heavy vehicles)	L	163,979	10,270
Non-road diesel	L	40,499	8,160
Maritime diesel	L	7,201	7,201
Mobile sources of petrol fuel	L	1,244	1,244
Forklift gas (LPG)	kg	5,078	5,078
Process gases (acetylene)	m ³	963	1
Electricity	kWh	9,578,807	9,182,249

Noise reduction measures

In 2016, 100% of the decibel readings on the sites of CNIM SA complied with the regulations. No complaints were received from local residents.

3.13.3 CNIM's social engagement

Impact of the company's activity on the local economy

The territorial, economic and social impact of CNIM SA in France in terms of pay, taxes and duties and purchases was €158.8 million.

France		158,801
	Payroll (including social security contributions)	80,471
	Taxes and duties	5,292
	Purchases	73,038

(K€)

Consideration of subcontractors and suppliers from a social and environmental viewpoint

CNIM SA's purchases amounted to €191.8 million in 2016, of which €73 million was ordered from suppliers and subcontractors in France.

Number of interns and people on professional training and apprenticeship contracts hired in 2016

	Consolidation
Interns recruited during the year	4
Career development contracts offered during the year	4
Apprentices recruited during the year	1

Raising staff awareness of fraud risks

In 2016, 75 employees of CNIM SA participated in the Management training program, which included a fraud risk familiarization component. A further 95 staff had already received training in this area in previous years.

3.14 Opinion on the fairness of the data

External opinion of DNV GL – Business Assurance France.

Year ended December 31, 2016.



VERIFICATION REPORT

External opinion of DNV GL - Business Assurance France Year ended 12/31/2016

For the attention of the General Management,

Introduction

DNV GL – Business Assurance France, accredited by COFRAC under number 3-1091 (the scope of which is available at www.cofrac.fr), was instructed following the request of CNIM (Constructions industrielles de méditerranée) to undertake work verifying the information presented in the company's corporate, environmental and social responsibility report that was included in the 2016 Registration Document (referred to below as "the report") and to express an opinion as to the fairness of the data in accordance with the provisions of Decree no. 2012-557 of April 24, 2012 (Grenelle II Act, July 12, 2010).

The CNIM Group is responsible for the collection, analysis, consolidation and presentation of the corporate, environmental and social information contained in the report concerned. In conducting our task of verification, we are responsible only to the Management of the CNIM Group pursuant to the terms of reference agreed with the latter.

Our role is to issue conclusions on the basis of this information, attesting that the information is included in the report or highlighting those pieces of information that are omitted and are not accompanied by explanations, and producing an opinion as to the fairness of the information presented.

We have relied on the assumption that the information made available to us by CNIM SA to perform our mission was complete, sufficient and authentic.

Scope of the verification

The scope of our verification work that has been agreed with the CNIM Group covers the following aspects:

- Undertaking an analysis of the context and policies with regard to sustainable development and the associated corporate, environmental and social consequences.
- Verifying the compliance of the information communicated with the legislative and regulatory rules, in particular those resulting from the Grenelle II Act of July 12, 2010, implementing Decree no. 557 of April 24, 2012, and the Order of May 13, 2013, and, in particular:

DNV GL – BUSINESS ASSURANCE FRANCE
Parc Technoland – ZI Champ Dolin – 1 allée du Lazio – 69800 Saint Priest
Tel.: +33 (0)4 78 90 91 40 | Fax: +33 (0)4 78 90 52 78 | dnvgl.fr/certification

- Attesting to the inclusion in the report of the information provided for by Article R. 225-105-1 or, in the case of pieces of information omitted, of an explanation as provided for in the third paragraph of Article R. 225-105 of the Commercial Code.
- Expressing an opinion as to the fairness of the information, in particular by examining the collection process with reference to how exhaustive and consistent the information is.

Methodology of the verification

The qualitative information and quantitative data contained in the report were examined in accordance with the requirements of Decree no. 2012-557 of April 24, 2012 and the Order of May 13, 2013.

During the verification which was conducted at the Company's premises from February 12-24, 2017 and was supplemented by an off-site documentary review of the final version of the CSR report (version dated February 27, 2017) on February 27-28, we examined the various items that comprised the report and performed the following work:

- Analysis of the reliability, level of deployment and appropriation of the reporting protocol for quantitative data, information flows and rules for risk control and management;
- Study of the fairness of the data and the sources relating to the declarations, constituting the information contained in the report;
- Examination and review of the documents, files and all information communicated and made available by the Company;
- Holding of over 20 individual or group interviews with more than thirty representatives of the company at different levels of seniority, in particular with the persons responsible for reporting within the following entities:
 - CNIM Azerbaijan (Baku waste-to-energy plant);
 - CNIM Babcock Maroc (Casablanca site);
 - Bertin Technologies (Montigny site, France);
 - CNIM Babcock Services (St Denis site, France);
 - CNIM SA (La-Seyne-sur-Mer site, France).

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- These sites account for 65% of the final aggregated social data and 8%-40% of the final aggregated environmental data.
- Carrying out the following, in accordance with our procedures, for the most important items of information:
 - sampling tests, consistency and verification checks of the data on the basis of documentary evidence for the following quantitative data ii:
 - verifications on the basis of documentary evidence and interviews with their authors in respect of the qualitative information.

Due to the use of sampling techniques and the other inherent limits of any system of information and internal control, the risk of non-detection of a material error in the CSR information cannot be completely eliminated.

Conclusions

Attestation of inclusion

We attest to the inclusion in the CNIM Group report of all of the information provided for in the list drawn up under the responsibility of the Management of CNIM on the basis of Decree no. 557 of April 24, 2012 in respect of the scope of the verification which was entrusted to us. Regarding the data for which no indicator is provided, the reasons set out in the report appear to be acceptable with regard to the company's activity and its impact.

Opinion on the fairness of the information communicated in the corporate, social and environmental and responsibility report included in the financial report:

- Based on our work, we have identified no material errors that would cast doubt on the fact that the presentation of the CSR information, taken as a whole, is true and fair.

ⁱ DNV GL – Business Assurance France understands verification to mean the process described by Article L. 225-102-1 of the Commercial Code (Grenelle II Act of July 12, 2010) which results in the issuing of an opinion within the meaning of said legislative text.

ⁱⁱ *Employee information:* Total workforce and breakdown of employees by gender and by geographical area; recruitment and dismissal; remuneration and changes in remuneration; organization of work; health and safety at work; summary of agreements with labor unions or personnel representatives on health and safety at work; training policies implemented; total number of training hours; measures adopted to promote gender equality; measures to promote the employment and integration of disabled people; policy on combating discrimination; respecting freedom of association and the right to collective bargaining.

- Regarding qualitative information, the interviews we were able to conduct did not show up any discrepancies or unjustified claims in the final version of the report that was presented to us;
- Any minor errors noted during our mission were dealt with immediately, before publication of the final report.

Recommendations

Our mission report contains the observations and recommendations made to the company's management. However, these do not affect our conclusions regarding the report that was submitted for verification.

Expertise and independence of DNV GL – Business Assurance France

DNV GL is a world leader in services relating to contributions to sustainable development, including report verification services.

DNV GL – Business Assurance France was not involved in the preparation of the information or data contained in this report, except for that relating to this Opinion. DNV GL – Business Assurance France provides assurance of total impartiality with regard to the work that we have carried out and total independence with regard to the parties interviewed during the verification process.

On behalf of DNV GL,

Jean-Christophe
CARRAU
Verification
Manager

Marc-Antoine
HORENFELD
Verification Control
Manager

Lyon, February 28, 2017

Environmental information: training and information measures; resources devoted to preventing environmental risk and pollution; measures taken to prevent, reduce or redress emissions into the air, water and ground seriously affecting the environment; noise and any other forms of pollution specific to an activity; measures taken to prevent, recycle, otherwise recover, and eliminate waste; water consumption and water supply based on local constraints; consumption of raw materials and measures taken to use them more efficiently; energy consumption, measures taken to improve energy efficiency, use of renewable energy; major sources of greenhouse gas emissions

Company information: local impact in relation to employment and regional development; relations with stakeholders; taking social and environmental issues into account through purchasing policy; subcontracting and consideration of social and environmental responsibility in relations with suppliers and subcontractors

4 CORPORATE GOVERNANCE

4.1 Management Board and Supervisory Board

The Company is a *société anonyme* (corporation) having a Management Board and a Supervisory Board. Its shares are listed in France on Euronext Paris. It is subject to French laws and regulations.

Until December 31, 2012, the Company adhered to the AFEP-MEDEF corporate governance code.

Given its status as a midcap and the benefit that it would have for the Company, in 2013 the Company studied the provisions of the MiddleNext code and considered that this was more suitable. Under those circumstances, at its meeting of March 28, 2013, the Supervisory Board decided to adhere in relation to corporate governance to the MiddleNext corporate governance code for small and midcaps in its entirety (recommendations R1 to R15), with all of the recommendations contained in said code being followed. Following the September 2016 revision of the MiddleNext corporate governance code for small and midcaps, now called the "MiddleNext corporate governance code", at the meeting of the Supervisory Board of March 9, 2017 the Company reviewed the points requiring vigilance as decreed by this code and confirmed that recommendations R1 to R2 and R4 to R19 contained in said code are being followed. With regard to recommendation R3, the Supervisory Board formally recorded that Mrs. Sigrid Duhamel and Mr. Louis-Roch Burgard have a close connection with the Chairman of the Management Board. The Supervisory Board also noted that this closeness would not impair their analytical and decision-making abilities and moreover, considering the undertaking given by Mrs. Sigrid Duhamel and Mr. Louis-Roch Burgard to act in an independent manner, the Board decided to regard them as independent Board members.

The report by the Chairwoman of the Supervisory Board on internal control and risk management procedures is drawn up on the basis of this code.

As a complement to the legal and regulatory provisions and the bylaws of the Company, the Supervisory Board has also set out internal rules for itself that are intended to specify the details of its operation. For the purposes of drawing up these internal rules, it adheres to the MiddleNext corporate governance code.

The tables below set out the names of the members of the Management Board and Supervisory Board on the date of filing of this registration document, their age, the date of their first appointment, the date of expiry of the offices occupied by them within the Company, the principal role that they perform outside of the Company and any offices held by them in any companies over the last five years.

The offices held by the persons listed below are given as of December 31, 2016 on the basis of information that is updated or known on the date of filing of this registration document at the *Autorité des Marchés Financiers*.

4.1.1 Composition of the Management Board

The members of the Management Board can be contacted at the registered office of CNIM, 35, rue de Bassano, 75008 Paris. Following the resignation of Mrs. Catherine Delcroix from the Management Board on December 31, 2014, the Management Board of the Company was composed of three members, including the Chairman, namely Mr. Nicolas Dmitrieff, Mr. Stefano Costa and Mr. Philippe Demigné, up until March 10, 2016, the date on which a new Management Board member was appointed. The Management Board is currently composed of Mr. Nicolas Dmitrieff (its Chairman), Mr. Philippe Demigné, Mr. Stanislas Ancel and Mr. Christophe Favrelle. The term of office of the members of the Management Board is four years.

It should be noted that an Executive Committee has been set up as of March 10, 2016. This Executive Committee is composed of members of the Management Board and Mr. François Darpas, Director of Human Resources, Communications and Information Systems and Mr. Éric Chadenier, Legal Director, Corporate Procurement and Group CSR. Subject to the strategy and general policy defined by the Management Board, the Executive Committee is responsible for steering various activities contributing to the business purpose of the Group and Company organization.

Mr. Nicolas Dmitrieff

Born April 8, 1970; French national

Business address: 35, rue de Bassano - 75008 Paris

Chairman of the Management Board

Assumed position: July 27, 2009

Term of office expires on the date of the General Meeting ruling on the 2019 financial statements

Other offices held

France

Chairman CNIM Transport Holding SAS, CNIM Transport France SAS

CNIM Representative, Manager SCI of 35 rue de Bassano

CNIM Representative, Chairman of SUNCNIM SAS, CNIM1, CNIM2, CNIM3, CNIM4, CNIM6

Director LAB SA, Bertin Technologies SAS, Bertin Pharma

Abroad

Chief Executive Officer CNIM Middle East

Director CNIM Hong Kong Ltd, CNIM Transport Equipment, CNIM Singapore Private Ltd, CNIM Engineers FZC, CNIM Bahrain Co. WLL, CNIM Asia Pacific Ltd

Manager Arnina (non-Group company)

Permanent CNIM Representative, Member of CNIM Saudi

Permanent CNIM Representative, Director of SMA (non-Group company)

Terms of office that have expired over the last five years

France

Director Babcock Wanson France (until July 20, 2016)

CNIM SA Representative, Chairman of CNIM 5 (until July 20, 2016)

Abroad

Director CNIM Technology FZC (until August 14, 2012)

Mr. Stefano Costa (term of office as a member of the Management Board ended on March 10, 2016)

Born August 19, 1946; Italian national

Business address: 35, rue de Bassano - 75008 Paris

Member of the Management Board

Assumed position: June 9, 2005

Term of office expires on the date of the General Meeting ruling on the 2015 financial statements.

Other offices held

France

Director LAB SA, Director CCUAT

Abroad

Director, Joint Manager LAB GmbH

Director, CNIM Bahrain Co. WLL, CNIM US Corp.

Terms of office that have expired over the last five years

France

Chairman of the Board of Directors LAB SA (until July 7, 2016)

Abroad

Joint Manager LAB GmbH (until July 7, 2016)

Director

CNIM Clugston (Oxfordshire) Ltd (until March 8, 2012), CNIM Lagan (Cardiff) Ltd (until April 12, 2012), CNIM Clugston (Shropshire) Ltd (until July 31, 2012), CNIM Lagan (South London) Ltd (until February 5, 2013), CNIM Clugston (Ridham) Ltd (until March 15, 2013), CNIM Clugston (Leeds) Ltd (until October 1, 2013), CNIM Clugston (Wilton) Ltd (until March 4, 2014), CNIM Asia Pacific Ltd (until March 7, 2016), CNIM Azerbaijan Ltd (until September 21, 2016), CNIM Development (until October 11, 2016), MESE Ltd (until November 7, 2016), CNIM ECS Ltd (until November 7, 2016), CNIM UK Ltd (until November 7, 2016), MES Selchp Ltd, Dudley Waste Services Ltd, Handford Waste Services Ltd, Wolverhampton, Handford Waste Services Holdings Ltd, SELCHP Ltd.

Mr. Philippe Demigné

Born April 30, 1961; French national

Business address: 35, rue de Bassano - 75008 Paris

Member of the Management Board

Assumed position: September 1, 2009

Term of office expires on the date of the General Meeting ruling on the 2019 financial statements

Other offices held

France

Chief Executive Officer CNIM Transport France SAS

Chairman, Director Bertin Technologies SAS, Bertin Pharma SAS, Bertin IT, Verbalys SA, Vecsys SA, Go Albert France SAS

Vice-Chairman of the Supervisory Board Sitia SA (non-Group company)

Abroad

Chairman, Director CNIM Babcock Maroc, CNIM Canada Inc., 9215-7775 Québec Inc., Bertin Corp,

Director CNIM Middle East, CNIM Hong Kong, CNIM Singapore Private Ltd, AMI Enterprise Intelligence Software Ltd, CNIM Transport Equipment

Manager Go Albert Africa SARL

Terms of office that have expired over the last five years

France

Chairman, Director Saphymo (until July 29, 2016)

Abroad

Chairman, Director Go Albert Africa (until October 13, 2016)

Mr. Stanislas Ancel

Born May 3, 1974; French national

Business address: 35, rue de Bassano - 75008 Paris

Member of the Management Board

Assumed position: March 10, 2016

Term of office expires on the date of the General Meeting ruling on the 2019 financial statements

Other offices held

France

Chairman ELlo

Director LAB SA, SUNCNIM

Abroad

Director CNIM Asia Pacific, CNIM US Corp., CNIM Middle East, LAB Geodur GmbH

Terms of office that have expired over the last five years

France None

Abroad

Chief Executive Officer CNIM Middle East (until October 24, 2016)

Mr. Christophe Favrelle

Born October 15, 1960; French national

Business address: 35, rue de Bassano - 75008 Paris

Member of the Management Board

Assumed position: March 10, 2016

Term of office expires on the date of the General Meeting ruling on the 2019 financial statements

Other offices held

France

Chairman CNIM Industrie

Director LAB SA, SUNCNIM, Bertin Technologies, Go Albert France, Bertin It

Permanent Representative of Bertin Technologies, Director of Verbalys and Vecsys

Abroad

Manager Babcock Services

Director CNIM Middle East, CNIM Azerbaijan, Babcock International, CNIM Engineers FZC, LAB US Corp., CNIM Asia Pacific, CNIM Development, CNIM Netherlands BV, CNIM Industry Netherlands BV.

Director CNIM Hong Kong, CNIM Singapore Private Ltd.

Permanent Representative of CNIM SA, Manager of CNIM Babcock Maroc

Terms of office that have expired over the last five years

France

Director Saphymo (until July 29, 2016)

Abroad

Director Babcock Wanson UK (until June 17, 2016), Babcock Wanson España (until June 20, 2016), Babcock Wanson Italia (until June 23, 2016), Babcock Wanson Polska (until July 4, 2016), Babcock Wanson Caldeiras (until July 4, 2016).

The non-Group companies in which the members of the Management Board hold offices are not listed companies.

4.1.2 Composition of the Supervisory Board

The CNIM Supervisory Board comprises twelve members, of whom seven are men and five are women. Out of these twelve members, six members who are natural or legal persons represent the Dmitrieff and Herlicq families and two members of the Supervisory Board have been considered independent having regard to the criteria laid down by the MiddleNext Code under the terms stipulated in point 4.1. The shareholders' General Meeting held on May 24, 2016 decided to shorten the term of office for members of the Supervisory Board from six years to four, with immediate effect on the current terms of office. The information relating to the operation of the Supervisory Board is inserted in 4.3 of this registration document.

It should be noted that, at its meeting of March 28, 2013, the Supervisory Board chose to adhere to the MiddleNext corporate governance code for small and midcaps in its entirety (recommendations R1 to R15). Following the September 2016 revision of the MiddleNext corporate governance code for small and midcaps, now called the "MiddleNext corporate governance code", at the meeting of the Supervisory Board of March 9, 2017 the Company reviewed the points requiring vigilance as decreed by this code and confirmed that recommendations R1 to R2 and R4 to R19 contained in said code are being followed. With regard to recommendation R3, the Supervisory Board decided that Mrs. Sigrid Duhamel and Mr. Louis-Roch Burgard, who meet the independence criteria but have a close connection with the Chairman of the Management Board, are regarded as independent members of the Board as explicitly stated in 4.1 above. As a complement to the legal and regulatory provisions and the bylaws of the Company, the Supervisory Board has also set out internal rules for itself that are intended to specify the details of its operation. For the purposes of drawing up these internal rules, it adheres to the MiddleNext corporate governance code. The internal rules of the Supervisory Board are available on the Company's website (www.cnim.com). Lastly, following the death of the Chairman of the Supervisory Board, Mr. Vsevolod Dmitrieff, on March 19, 2016, the Supervisory Board appointed Mrs. Christiane Dmitrieff as Chairwoman of the Supervisory Board on May 24, 2016.

Mr. Vsevolod Dmitrieff († March 19, 2016)

Born August 16, 1922; French national

Chairman of the Supervisory Board

Assumed position: November 28, 2002

Term of office expires on the date of the General Meeting ruling on the 2017 financial statements

Other offices held

France

Director Soluni (non-Group company)

Permanent CNIM Representative on the Supervisory Board LAB SA

Abroad

Director CNIM Hong Kong Ltd

Permanent CNIM Representative on the Supervisory Board Société monégasque d'assainissement (SMA) (non-Group company)

Deputy Director SCI Socilas (non-Group company)

Terms of office that have expired over the last five years

France

Member of the Supervisory Board Anteriority SA (until June 10, 2010)

Abroad

Director CNIM Canada (until July 5, 2010), CNIM España

Mrs. Christiane Dmitrieff

Born January 26, 1935

French national

Chairwoman of the Supervisory Board as from May 24, 2016

Assumed position: November 28, 2002

Term of office was initially due to expire on the date of the General Meeting ruling on the 2019 financial statements, but now expires on the date of the General Meeting ruling on the 2017 financial statements, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016

Other offices held

France

Chairman & CEO Soluni SA (non-Group company)

Abroad

Joint Manager SCI Socilas (non-Group company),

SCI Sonathan (non-Group company), SCI Les Granges (non-Group company)

Terms of office that have expired over the last five years

France None

Abroad None

Mr. François Canellas

Born April 20, 1936; French national

Vice-Chairman of the Supervisory Board

Assumed position: June 22, 2006

Term of office was initially due to expire on the date of the General Meeting ruling on the 2018 financial statements but expired on May 24, 2016, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016, and was renewed for four years at that same General Meeting, and expires on the date of the General Meeting ruling on the 2019 financial statements

Other offices held

(all of these offices relate to CNIM Group companies)

France

Director LAB SA

Abroad

Director CNIM Hong Kong Ltd

Terms of office that have expired over the last five years

France

Director Babcock Wanson SA (until July 20, 2016)

Abroad

Director None

Mr. Richard Armand (term of office expired May 24, 2016)

Born January 23, 1938; French national

Independent member of the Supervisory Board

Assumed position: November 28, 2002

Term of office was initially due to expire on the date of the General Meeting ruling on the 2017 financial statements, but expired on May 24, 2016, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016

Other offices held

France None

Abroad None

Terms of office that have expired over the last five years

France

Member of the Supervisory Committee of Solving International

Abroad None

Mr. Louis-Roch Burgard

Born December 16, 1969; French national

Independent member of the Supervisory Board

Assumed position: May 24, 2016

Term of office expires on the date of the General Meeting ruling on the 2019 financial statements

Other offices held

France

Chairman Blue Green European Holdings (BGEH) (non-Group company), Cise TP (non-Group company), FINASAUR (non-Group company), NOVASAUR (non-Group company), SAUR International (non-Group company), STEREAU (non-Group company)

Chief Executive Officer Holding Infrastructure des Métiers de l'Environnement (HIME) (non-Group company), SAUR (non-Group company)

Manager SAUR Loisirs (non-Group company)

Director APRR (non-Group company), AREA (non-Group company), EIFFARIE (non-Group company), MACQUARIE Autoroutes de France (non-Group company), ADELAC (non-Group company), Edmond de Rothschild (non-Group company)

Member of the Audit Committee Edmond de Rothschild (non-Group company)

Abroad None

Terms of office that have expired over the last five years

France

Chairman Vinci Concessions (non-Group company)

Abroad

Member and Chairman of the Supervisory Board SAUR Polska (non-Group company)

Director Marafiq SAUR Operation & Maintenance Co (MASA) (non-Group company), Gestion y Technicas del Agua (Gestagua) (non-Group company)

Ms. Lucile Dmitrieff

Born January 6, 1967; French national

Member of the Supervisory Board

Assumed position: September 1, 2009

Term of office was initially due to expire on the date of the General Meeting ruling on the 2019 financial statements, but now expires on the date of the General Meeting ruling on the 2017 financial statements, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016

Other offices held

France

Director Soluni (non-Group company)

Abroad None

Terms of office that have expired over the last five years

France None

Abroad None

Mrs. Sophie Dmitrieff

Born June 21, 1964; French national

Member of the Supervisory Board

Assumed position: November 30, 2015

Term of office was initially due to expire on the date of the General Meeting ruling on the 2020 financial statements, but now expires on the date of the General Meeting ruling on the 2018 financial statements, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016

Other offices held

France

Director Soluni (non-Group company)

Abroad None

Terms of office that have expired over the last five years

France None

Abroad None

Mrs. Sigrid Duhamel

Born December 1, 1965; French national

Independent member of the Supervisory Board

Assumed position: May 24, 2016

Term of office expires on the date of the General Meeting ruling on the 2019 financial statements

Other offices held

France

Chairman CBRE Global Investors France (non-Group company)

Member of the Supervisory Board Selectirente (non-Group company)

Director and Member of the Audit Committee Trustee of Urban Land Institute (ULI) (non-Group company), Foncière des Régions (non-Group company)

Abroad None

Terms of office that have expired over the last five years

France

Chairman Trustee of Urban Land Institute (ULI) (non-Group company) (until the end of 2016)

Director Association des Directeurs Immobiliers (ADI) (non-Group company) (until the end of 2015)

Abroad None

FREL SA, represented by

Ms. Agnès Herlicq

Born June 9, 1963; French national

Member of the Supervisory Board

Assumed position: November 28, 2002

Term of office was initially due to expire on the date of the General Meeting ruling on the 2018 financial statements, but now expires on the date of the General Meeting ruling on the 2016 financial statements, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016

Other offices held by Ms. Herlicq in a personal capacity

France

Chief Executive Officer FREL SA (non-Group company)

Director FRANELI SA (non-Group company)

Abroad None

Terms of office that have expired over the last five years

France

Manager SARL HerBP (non-Group company) (until December 29, 2014)

Au Service du Client (non-Group company) (until February 13, 2014)

Abroad None

Mr. André Herlicq

Born April 30, 1961; French national

Member of the Supervisory Board

Assumed position: November 28, 2002

Term of office was initially due to expire on the date of the General Meeting ruling on the 2019 financial statements, but now expires on the date of the General Meeting ruling on the 2017 financial statements, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016

Other offices held

France **Co-manager** SCI Phanies (non-Group company)

Abroad None

Terms of office that have expired over the last five years

France None

Abroad None

Mr. Stéphane Herlicq

Born May 12, 1962; French national

Member of the Supervisory Board

Assumed position: September 1, 2009

Term of office was initially due to expire on the date of the General Meeting ruling on the 2019 financial statements, but now expires on the date of the General Meeting ruling on the 2017 financial statements, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016

Other offices held by Mr. Herlicq in a personal capacity

France

Chairman Pliq-One SAS

Representative of Pliq-One SAS, Chairman of Sanitval SAS

Manager Nelo SARL

Abroad None

Terms of office that have expired over the last five years

France

Manager Pliq-One SARL (until December 17, 2014)

Abroad None

JOHES SAS represented by

Mr. Jean-François Vaury (term of office expired May 24, 2016)

Born November 22, 1949; French national

Independent member of the Supervisory Board Assumed position: November 28, 2002

Term of office expires on the date of the General Meeting ruling on the 2015 financial statements

Other offices held by Mr. Jean-François Vaury in a personal capacity

France

Chairman JOHES SAS (non-Group company)

Chairman of the Monitoring Committee H&A (non-Group company),

Robodrill Holding SAS (non-Group company)

Member of the Monitoring Committee Sikinos (Arelec) SAS (non-Group company)

Member of the Strategic Committee Teeo (non-Group company), BF Holding (non-Group company), Base Innovation (non-Group company)

Member of the Board of Directors Automatic Sea Vision (non-Group company), Uge (non-Group company)

Vice-Chairman Green Services Group

Permanent representative of GS Group

on the Board of Directors of Greensolver

Manager Cure Energie Production (non-Group company)

Abroad None

Terms of office that have expired over the last five years

France

Chairman Ciclad Participations SAS (non-Group company) (until July 2011)

Chief Executive Officer Ciclad Gestion SAS (non-Group company) (until July 2011)

Valens SAS (until July 2011)

Director Siraga SA (non-Group company) (until the end of 2012)

GPL Industrie (non-Group company) (until end 2013)

Chairman of the Supervisory Committee

Axicorp SAS (until end 2012)

Member of the Supervisory Committee

Cari Finance SAS (until January 2010)

DP Logiciels SAS (non-Group company) (until end 2013)

Director, Member of the Strategic Committee, Member of the Appointments and Remuneration Committee, Member of the Safety Committee

Entrepose Contracting SA (non-Group company) (until March 2013)

Permanent representative of JOHES (SAS)

on the Supervisory Board of Superba (non-Group company) (until September 2014)

Abroad None

Mr. Jean-Pierre Lefoulon (term of office expired May 24, 2016)

Born October 19, 1932; French national

Independent member of the Supervisory Board

Assumed position: November 28, 2002

Term of office expires on the date of the General Meeting ruling on the 2015 financial statements

Other offices held

France

Director Advicenne (non-Group company), Pharmaleads (non-Group company)

Member of the Policy and Supervisory Board

Crédit Municipal de Lille (non-Group company)

Abroad None

Terms of office that have expired over the last five years

France

Chairman Value Invest (non-Group company)

Director Matis (non-Group company)

Abroad None

Mr. Johannes Martin

Born September 26, 1954; German national

Member of the Supervisory Board

Assumed position: October 22, 2009

Term of office was initially due to expire on the date of the General Meeting ruling on the 2017 financial statements but expired on May 24, 2016, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016, and was renewed for four years at that same General Meeting, and expires on the date of the General Meeting ruling on the 2019 financial statements

Other offices held

France None

Abroad

Chief Executive Officer Ituma GmbH (non-Group company), Martin Vermögensverwaltungs GbR (non-Group company)

Chairman of the Board of Directors Martin AG für Umwelt- und Energietechnik (non-Group company)

Terms of office that have expired over the last five years

France

None

Abroad

Chairman and Manager Martin GmbH für Umwelt- und Energietechnik (non-Group company) (until September 30, 2016)

Chief Executive

Martin Familien GmbH & Co. KG (non-Group company)

Martin Vermögensverwaltungs GmbH & Co. KG (non-Group company) (until April 1, 2014)

Josef Martin Feuerungsbau GmbH (non-Group company) (until September 30, 2016)

Martin GmbH für Umwelt- und Energietechnik represented by

Mr. Ulrich Martin (from January 1, 2017 ⁽¹⁾)

Born November 21, 1984; German national

Member of the Supervisory Board

Assumed position: January 29, 2004

Term of office was initially due to expire on the date of the General Meeting ruling on the 2019 financial statements, but now expires on the date of the General Meeting ruling on the 2017 financial statements, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016

Other offices held by Mr. Ulrich Martin in a personal capacity

France None

Abroad

Chief Executive Officer Martin GmbH für Umwelt- und Energietechnik, Josef Martin Feuerungsbau GmbH

Member of the Supervisory Board Martin AG für Umwelt- und Energietechnik, Explo Engineering AG

Director Martin biopower Pty Ltd, Martin WtE Australia Pty Ltd

Offices held by Mr. Ulrich Martin in a personal capacity that have expired over the last five years

France None

Abroad None

⁽¹⁾ Until December 31, 2016, the Martin GmbH für Umwelt- und Energietechnik company was represented by Mr. Ludwig von Mutius:

Other offices held by Mr. Ludwig von Mutius in a personal capacity

France None

Abroad

Member of the Board of Directors

Martin AG für Umwelt- und Energietechnik (non-Group company)

Offices held by Mr. Ludwig von Mutius in a personal capacity that have expired over the last five years

France None

Abroad **Chairman of the Board of Directors** Martin AG für Umwelt- und Energietechnik (non-Group company) (until May 2015)

Chief Executive Officer, Manager Martin GmbH für Umwelt- und Energietechnik (non-Group company) (until November 2015)

Mr. Alain Sonnette

Representing the employee shareholders of the Company

Born November 5, 1961; French national

Member of the Supervisory Board

Assumed position: November 30, 2015

Term of office was initially due to expire on the date of the General Meeting ruling on the 2020 financial statements, but now expires on the date of the General Meeting ruling on the 2018 financial statements, given the shortening of the term of office from six years to four, with immediate effect, for members of the Supervisory Board, as decided by the General Meeting of May 24, 2016

Mr. François Herlicq

Honorary member of the Supervisory Board

Other offices held

France

Chairman of the Board of Directors

FREL SA (non-Group company)

Chairman & CEO

FRANELI SA (non-Group company)

Abroad None

Terms of office that have expired over the last five years

France None

Abroad None

4.1.3 Composition of the Audit Committee and Strategic Committee

The composition of the Audit Committee and Strategic Committee is detailed in the table below.

Directors' full name and title or position	Independent director Specify (yes/no)	First year of appointment	Term of office expires (General Meeting ruling on financial statements)	Audit Committee Specify (Member / Chairman)	Strategic Committee Specify (Member / Chairman)	Experience and expertise brought
Christiane Dmitrieff Chairwoman of the Supervisory Board	No	2002	2017	Member	Member	
François Canellas Vice-Chairman of the Supervisory Board	No	2006	2019	Chairman	Member	
Lucile Dmitrieff Member of the Supervisory Board	No	2009	2017	Member	Member	
Sophie Dmitrieff Member of the Supervisory Board	No	2015	2018	Member	Member	
Sigrid Duhamel Member of the Supervisory Board	Yes	2016	2019	Member	Member	
FREL SA Member of the Supervisory Board, whose permanent representative is Agnès Herlicq;	No	2002	2016	Member		
André Herlicq Member of the Supervisory Board	No	2002	2017		Member	
Stéphane Herlicq Member of the Supervisory Board	No	2009	2017		Member	
Johannes Martin Member of the Supervisory Board	No	2009	2019		Member	
Louis-Roch Burgard Member of the Supervisory Board	Yes	2016	2019	Member	Chairman	
MARTIN GmbH Member of the Supervisory Board, whose permanent representative is Ulrich MARTIN (from 1/1/2017)	No	2004	2017			
Alain Sonnette Member of the Supervisory Board, representing employee shareholders	No	2015	2018			

4.1.4 Biographies of the members of the Management Board and Supervisory Board

Management Board

Nicolas Dmitrieff

After studying at the University of Paris IV-Sorbonne, Nicolas Dmitrieff founded Alpaga SA (1995-1999) (partner) and was then Associate Director of B2L (BBDO Group) (1999-2000).

Founder of Anteriority SA (2000-2004), member of the Supervisory Board, project executive, Chairman of the Strategic Committee and member of the Audit Committee (2004-2009) of CNIM SA. He was appointed Chairman of the Management Board in 2009.

Stefano Costa (Member of the Management Board until March 10, 2016)

Stefano Costa began his career as a nuclear engineer in a research center and worked for a number of years on boiling-water reactors; he then moved to Canada to join Atomic Energy of Canada Limited. He later became Chief Executive Officer of the Nuclear Division of the Danish "Ansaldo Volund" Group, which at the time was part of the Italian "Finmeccanica" Group.

He joined the CNIM Group in 2001, where he is a member of the Management Board and Chief Executive of the Environment Department. He gave up his position as a member of the Management Board and Environment Chief Executive on March 10, 2016.

Philippe Demigné

Philippe Demigné is a graduate of the École Polytechnique (1982) and holds an MBA from INSEAD (1992). He has held the position of Chairman of Bertin Technologies since 1999. Following the purchase of Bertin Technologies by the CNIM Group in 2009, Philippe Demigné took over as head of the Group's Advanced Systems Division, since renamed CNIM Industrial Systems. He is also a member of the Management Board of CNIM.

Stanislas Ancel

Stanislas Ancel has been Chief Executive of the CNIM Environment sector since 2016, having been Deputy Chief Executive of this sector since 2014, in charge of developing the energy recovery business in Europe and the Middle East and the solar energy business. Between 2009, the year he joined the Group, and 2013, Stanislas Ancel was previously the Group's Strategic Assignments Director and then General Secretary and Director of the La Seyne-sur-Mer establishment within the CNIM Industrial Systems business. He began his career at Deloitte, before joining the Lafarge group at Edifixio, the group's industrial marketing subsidiary. Stanislas Ancel is an engineer who graduated from the École Centrale of Lyon in 1998. He has been a member of the CNIM Management Board since March 10, 2016.

Christophe Favrelle

Having held various posts in SMEs in France and abroad in a variety of business sectors, Christophe Favrelle joined the CNIM Group in 1991. He held various positions within CNIM's Finance Department: statutory consolidation, administrative and fiscal monitoring of international business, Group management auditing, general accounts for the Group's parent company, management information system development, etc., before becoming Manager of the Finance Department for the Group's parent company in 2005, representing over half of Group revenue. He was appointed as the Group's Chief Financial Officer in 2010. Christophe Favrelle is an HEC business school graduate. He has been a member of the CNIM Management Board since March 10, 2016.

Supervisory Board

Vsevolod Dmitrieff († March 19, 2016)

Engineer at Société languedocienne de recherches et d'exploitations minières (1946-1953), engineer at the Mines Office of Overseas France (1953-1957), Head of Technical Services (1957) then Technical Director (1961-1966) of Compagnie sénégalaise des phosphates de Taïba, Manager (1966), Manager assigned to the Chairman (1969), Director (1970), Deputy Managing Director (1972), Vice-Chairman (since 1978), Vice-Chairman/Managing Director (1980-1981), Chairman/Managing Director (1981-2002), then Chairman of the Supervisory Board of CNIM up until his death on March 19, 2016.

Christiane Dmitrieff

The daughter of the founder of CNIM, André Herlicq, Mrs. Christiane Dmitrieff was a member of the Management Board of CNIM from 1996 to 2002. She has been a member of the Supervisory Board since 2002 and became Chairwoman of the Supervisory Board of CNIM as from May 24, 2016.

François Canellas

François Canellas, a marine civil engineer, also holds a Masters in economic sciences. He began his career at CNIM in 1964 and since then has held various managerial and supervisory positions. Under his leadership, CNIM has over the years become one of the main players in the field of waste treatment. François Canellas has also launched new industrial activities in the field of mechanical and thermal engineering, at the same time expediting the reorganization, development and therefore the autonomy of the Group. Deputy Managing Director from 1983 to 1997, when he became Managing Director, he was then appointed Chairman of the Management Board in 2002. In 2006 he was appointed Vice-Chairman of the Supervisory Board, Chairman of the Audit Committee and a member of the Strategic Committee.

Richard Armand (term of office expired May 24, 2016)

A former student at the École Polytechnique, an engineer of the Corps des Mines (State Mining Engineering Corps) and special student at the University of Harvard, Richard Armand began his career in the Mines Service of Metz in 1964. From 1967 to 1974 he was successively deputy Managing Director, Director of Careers and Deputy Managing Director of the Management Consultancy Division of Société d'économie et de mathématiques appliquées (SEMA). From 1974 to 1978 he performed the roles of Sub-Director, then Deputy Director of Société Générale, with responsibility for developing business with large groups. From 1978 to 1998, he performed a number of roles at Pechiney: Director of Human Resources and Communications, Director of the Metals and New Materials sector, Chairman of Produits chimiques Ugine-Kuhlmann (PCUK), Chairman of Compagnie européenne du zirconium (Cezus). From 1987 to 1998, he was a member of the Executive Committee at Pechiney. He retired in 1998 and was then, until 2005, delegate-general for the association Entreprises pour l'environnement (EPE).

Louis-Roch Burgard (from May 24, 2016)

Louis-Roch Burgard has spent most of his career in the Vinci Group (2002-2014) where he held various operational posts before being appointed Chairman of Vinci Concessions and becoming a member of the Executive Committee of the Vinci Group. As of 2015, he became a partner at LBO France. He began his career as an Inspector of Public Finances (1998 to 2002). Louis-Roch Burgard is a graduate of the Paris Institute of Political Studies, ESCP Business School and the École Nationale d'Administration. Louis-Roch Burgard has been Executive Chairman of the SAUR Group since January 1, 2017.

Lucile Dmitrieff

Graduate of ENSBA (Paris Higher National School of Fine Arts). Lucile Dmitrieff works as a therapist.

Sophie Dmitrieff

After completing a Masters in geography and then graduating from ESSEC Business School, Sophie Dmitrieff performed a number of roles (internal auditing, project financing, management control) within various CNIM Group companies between 1992 and 2001. In 2003, she set up the Peruvian NGO Econtinuidad Peru, which she stills manages today.

Sigrid Duhamel (from May 24, 2016)

Sigrid Duhamel is a graduate from the ESTP school of engineering and holds an MBA from INSEAD, having started her career as an engineer at Bouygues Construction, before overseeing M&A operations first at Carrier (1996-1999) and then at Cap Gemini. She worked as a consultant for Eric Salmon & Partners between 2000 and 2004, and then moved to London, where she was made a senior director at Tishman Speyer, in charge of its European business development. In 2009, she became director of international realty development operations at Carrefour Property, before joining PSA Peugeot Citroën as group realty director in 2011. Sigrid Duhamel has been the Chairwoman of the French subsidiary of CBRE Global Investors since December 2014.

André Herlicq

Mr. André Herlicq has been a member of the Supervisory Board of CNIM since 2002.

Stéphane Herlicq

Having graduated from the École Centrale de Paris in 1985, with a specialism in Construction, Stéphane Herlicq began his career at Olivetti. After eight years working for the constructor, in 1996 he returned to the service sector with Steria, where he developed the first CRM facilities for banks and the Telecoms sector. In 2000, he was appointed Technical Director for Southern Europe / Middle East in an American start-up. From 2002 to 2006, he worked in Copenhagen as CEO of Steria Denmark, and then he was appointed Director of Steria Nice. In 2009, he bought Sanitval, a local SME specializing in climate control, and has been its Chairman since then.

Jean-Pierre Lefoulon (term of office expired May 24, 2016)

A graduate of the École Polytechnique, the École Supérieure des Télécommunications and the Conservatoire National des Arts et Métiers, Jean-Pierre Lefoulon began his career at the Paris Telecommunications Directorate (1958-1961), and then, in succession, performed the roles of consulting engineer at BNCI, specializing in the financing of large-scale industrial plants for export, and then continued his career at BNP as secretary general of the International Division, secretary general of Banexi (the bank's merchant bank) and finally Director of Monetary and Financial Affairs, at the same time acting as a director for a number of subsidiaries of BNP.

Johannes Martin

Having graduated from the Technical University of Berlin as an environmental sciences engineer in 1983, Johannes J. E. Martin began his career at Martin GmbH für Umwelt- und Energietechnik in Munich, Germany. He started as a project engineer, with responsibility for the company's activities in Switzerland. In 1986, Johannes Martin assumed responsibility for R&D activities and for adding a new department to the company's structures. In 1987, he assumed responsibility for the technology department, including construction, start-up, after-sales service and R&D. From 1991 until September 2016, Johannes Martin held the position of Managing Director of the company. On October 1, 2016 Johannes Martin retired from the Martin GmbH für Umwelt- und Energietechnik company, continuing to be one of its shareholders, and handed over management of it to his son, Ulrich Martin.

Alain Sonnette

The holder of a BAC F1 qualification, Alain Sonnette began his career at Alstom-Le Bourget, where he worked in the design office. Between 1983 and 1998, he was a General Installation designer at Babcock Entreprise in La Courneuve, before being made group head. In 1998, he became group head at CNIM's site in La Seyne-sur-Mer. In 2003, he took charge of the design office of CNIM's Environment Division at La Seyne-sur-Mer.

Since 2005, Alain Sonnette has headed up the design office of CNIM General Installation's Environment Division at La Seyne-sur-Mer and Saint Aubin (91).

Jean-François Vaury (term of office expired May 24, 2016)

A graduate in mathematics from École normale supérieure, Jean-François Vaury began his professional life at the Schlumberger Group as an engineer in the field of oil exploration in the Middle East, and then in the Group's human resources department in the United States. He returned to France in 1980 and joined the Boston Consulting Group as a strategy consultant, and then the private equity group IDI, and in 1988 created the company Cicalad, which specialized in the organization and financing of the transfer of SMEs and the management of associated investment

funds. In 2011, he transferred control of Ciclad to a group of employees. He provides support to the purchasers of Ciclad while moving into the Renewable Energies Sector.

4.1.5 Convictions, bankruptcies, conflicts of interest and other information

On the basis of the declarations made by the members of the Management and Supervisory Boards of the Company, to the best of the Company's knowledge, over the last five years, (i) there has not been any conviction for fraud issued against a member of the Management Board or Supervisory Board of the Company, (ii), no member of the Management Board or Supervisory Board of the Company has been associated with any bankruptcy, sequestration or liquidation, (iii) no accusation and/or sanction of an official public nature has been pronounced against these persons by statutory or regulatory authorities (including designated professional bodies), and (iv) no member of the Management Board or Supervisory Board of the Company has been prohibited by a court from acting in the capacity of a member of a management or supervisory body of an issuer or from being involved in the management or conducting of the business of an issuer.

To the best of the Company's knowledge, on the date of registration of the present registration document, no situation exists which could give rise to a conflict between the duties of the members of the Management Board or Supervisory Board to the Company and their private interests and/or other duties. In addition to the provisions of the Commercial Code that apply with regard to related-party agreements, the Supervisory Board's internal rules provide that all members of the Supervisory Board are obliged to inform the Supervisory Board of any situation representing a conflict of interests, even a potential one, and must abstain from participating in votes on any deliberations by the Supervisory Board in respect of which he or she would have such a conflict of interests.

No service contract providing for the granting of benefits under the terms of such a contract exists between any member of the Management Board or Supervisory Board and the Company or its subsidiaries. No arrangement or agreement entered into with the principal shareholders exists.

Furthermore, to the best of the Company's knowledge, no restrictions exist that have been agreed by the members of the Supervisory Board in relation to the assignment of any stakes they hold in the share capital of the Company.

Finally, as the composition of the Supervisory Board appropriately reflects the shareholding of the reference shareholder, consisting of the Dmitrieff family group, in the Company, familial connections exist between certain members of the Supervisory Board and of the Management Board:

- Mr. Nicolas Dmitrieff, Chairman of the Management Board, is the son of Mrs. Christiane Dmitrieff, Chairwoman of the Supervisory Board;
- Ms. Lucile Dmitrieff, a member of the Supervisory Board, is the sister of Mr. Nicolas Dmitrieff;
- Mrs. Sophie Dmitrieff, a member of the Supervisory Board, is also the sister of Mr. Nicolas Dmitrieff;
- Ms. Agnès Herlicq, permanent representative of FREL SA and a member of the Supervisory Board, is the sister of Messrs. André and Stéphane Herlicq, who are both members of the Supervisory Board. Agnès Herlicq, André Herlicq and Stéphane Herlicq are cousins of Sophie, Lucile and Nicolas Dmitrieff.

There is no familial connection between the other members of the Management Board or of the Supervisory Board.

4.1.6 Functioning of the Supervisory Board and of the committees of which it is composed

Please refer to Chapter 4.3.2.

4.2 Remuneration of the corporate officers

Information regarding remuneration of the Company's executive and non-executive corporate officers that appear in this section of this registration document are presented in accordance with the recommendations and tables in the MiddleNext corporate governance code, as revised in September 2016. . The members of the Management Board, with the exception of the Chairman, have retained the benefit of their employment contracts which predate their appointment to the Management Board. They thus benefit from remuneration comprising a fixed and a variable component. As each of the two members of the Management Board, Mr. Philippe Demigné and Mr. Stanislas Ancel, is in charge of a business sector, the variable component of their respective remuneration is fixed by the Supervisory

Board on the basis of the results of the sector of which they are in charge. Mr. Stanislas Ancel has the use of a company apartment and a company car. Mr. Christophe Favrelle, a member of the Management Board and Group Chief Financial Officer, also benefits from a variable component linked to the Group's overall performance as well as to specific financial operations carried out during the financial year. Mr. Christophe Favrelle has the use of a company apartment. The Chairman of the Management Board is remunerated for his duties as Chairman of the Management Board. This remuneration comprises a fixed and a variable component, the amount of the latter being determined on the basis of the Group's net income.

The Chairman of the Management Board also receives a benefit in kind, in the form of a directors' and officers' unemployment insurance policy.

Mr. Nicolas Dmitrieff and Mr. Philippe Demigné also benefit (in the same manner as "Unclassified" employees as defined by the National Collective Bargaining Agreement for the Metal Industry) from a supplementary defined benefit pension scheme (Article 39 of the General Tax Code) and from a supplementary defined contribution pension scheme (Article 83 of the General Tax Code).

Except as stated above, no member of the Management Board receives any benefit in kind, share subscription option, share purchase option or free allocation of shares, nor does any member benefit from indemnities payable or liable to become payable on cessation or change of duties or from indemnities in relation to a non-competition clause.

The members of the Supervisory Board each receive €8,000 in annual attendance fee payments for participating in the meetings of the Supervisory Board.

The members of the Audit and Strategic Committees each receive a fixed annual payment of €20,000 for their participation in these committees.

The Chairwoman of the Supervisory Board receives an annual payment of €250,000 and the Vice-Chairman of the Supervisory Board receives an annual payment of €150,000.

4.2.1 Amount of remuneration of the company's executive and non-executive corporate officers

4.2.1.1 Remuneration of members of the Management Board

The members of the Management Board, with the exception of the Chairman, have retained the benefit of their employment contracts which predate their appointment to the Management Board, and are therefore remunerated in that capacity and not in their capacity as officers.

Summary table of remuneration of each executive corporate officer

Nicolas Dmitrieff (Chairman of the Management Board)	2014 financial year		2015 financial year		2016 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Salary ⁽¹⁾	-	€379,782		€393,039		€431,472
Annual variable remuneration ^{(1) (2)}	-	€601,540		€648,400		€715,820
Attendance fees	-	none		none		none
Benefits in kind ⁽³⁾	-	€22,294		€10,413		€10,571
Total	-	€1,003,616		€1,051,852		€1,157,863

(1) Gross before tax.

(2) Variable remuneration, fixed by decision of the Supervisory Board of April 7, 2011, equal to 2% of the consolidated net income of the Group.

(3) Contributions for corporate officers' and pension insurance, Article 83.

Stefano Costa (Member of the Management Board until 3/10/2016)	2014 financial year		2015 financial year		2016 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Salary ⁽¹⁾		€260,231		€270,010		€270,010
Annual variable remuneration ^{(1) (2)}		€500,000		€800,000 ⁽³⁾		€100,000
Attendance fees		none		none		none
Benefits in kind ⁽⁴⁾		€12,015		€14,894		€6,523
Total		€777,162		€1,095,132		€376,533

(1) Gross before tax.

(2) Variable remuneration granted by the Supervisory Board and linked to the overall performance of the Environment Sector (such as growth in order intake, growth in revenue and growth in operating income).

(3) This amount includes the annual variable remuneration due in respect of the 2014 financial year, equating to €500,000, and an advance on the annual variable remuneration due in respect of the 2015 financial year, authorized by the Supervisory Board of the Company at its meeting of November 26, 2015, equating to €300,000.

(4) Pension contributions, Article 83.

Philippe Demigné (Member of the Management Board)	2014 financial year		2015 financial year		2016 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Salary ⁽¹⁾		€260,231		€270,010		€300,001
Annual variable remuneration ^{(1) (2)}		€150,000		€175,000		€200,000
Attendance fees		none		none		none
Benefits in kind ⁽³⁾		€12,015		€14,894		none
Total		€422,246		€447,676		€500,001

(1) Gross before tax.

(2) Variable remuneration granted by the Supervisory Board and linked to the overall performance of the Innovation & Systems Sector (such as growth in order intake, growth in revenue and growth in operating income).

(3) Pension contributions, Article 83.

(4) Payment in respect of paid holidays on PERCO (collective pension savings plan).

Stanislas Ancel (Member of the Management Board)	2014 financial year		2015 financial year		2016 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Salary ⁽¹⁾						€250,003
Annual variable remuneration ^{(1) (2)}						€150,000
Attendance fees		none		none		none
Benefits in kind ⁽³⁾						€13,619
Total		€		€		€413,622

(1) Gross before tax.

(2) Variable remuneration granted by the Supervisory Board and linked to the overall performance of the Environment Sector (such as growth in order intake, growth in revenue and growth in operating income).

(3) Company vehicle and apartment.

Christophe Favrelle (Member of the Management Board)	2014 financial year		2015 financial year		2016 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Salary ⁽¹⁾						€200,005
Annual variable remuneration ^{(1) (2)}						€50,000
Attendance fees		none		none		none
Benefits in kind ⁽³⁾						€6,523
Total		€		€		€256,528

(1) Gross before tax.

(2) Variable remuneration granted by the Supervisory Board and linked to the Group's overall performance (such as growth in order intake, growth in revenue, growth in operating income and growth in net income), as well as specific financial operations carried out during the financial year.

(3) Company apartment.

Executive corporate officers	Employment contract ⁽¹⁾		Supplementary pension plan	
	Yes	No	Yes ⁽²⁾	No
Nicolas Dmitrieff Chairman of the Management Board Beginning of term of office: 7/27/2009 End of term of office: General Meeting ruling on the financial statements of the financial year ending 12/31/2019		X	X	
Stefano Costa Member of the Management Board Beginning of term of office: 6/9/2005 End of term of office: 3/10/2016	X		X	
Philippe Demigné Member of the Management Board Beginning of term of office: 9/1/2009 End of term of office: General Meeting ruling on the financial statements of the financial year ending 12/31/2019	X		X	
Stanislas Ancel Member of the Management Board Beginning of term of office: 3/10/2016 End of term of office: General Meeting ruling on the financial statements of the financial year ending 12/31/2019	X			X
Christophe Favrelle Member of the Management Board Beginning of term of office: 3/10/2016 End of term of office: General Meeting ruling on the financial statements of the financial year ending 12/31/2019	X			X

(1) The Chairman of the Management Board does not have an employment contract with the Company. The other members of the Management Board have retained the benefit of their employment contracts which predate their appointment.

(2) This is a funded pension plan. The Company pays (every quarter) contributions of 8% of gross annual remuneration – capped at 8 times the social security ceiling (i.e. €24,714.24 for 2016) – into an individual account with Generali. The beneficiary selects the asset management profile for this account (dynamic, balanced, Euro funds, European equities, international bonds, etc.). He retains an entitlement to the amounts invested even if he leaves the company in the meantime. It is possible to exit in the form of a 60% or 100% joint and survivor pension entitlement.

(3) No termination benefits are expressly provided for in the employment contracts of the members of the Management Board who have retained the benefit of their employment contracts or in favor of the Chairman of the Management Board, who has no employment contract with the Company. The only termination benefits that would be due under an employment contract are those provided for in the National Collective Bargaining Agreement for the Metal Industry, which applies to the Company.

4.2.1.2 Remuneration of the members of the Supervisory Board

Table of attendance fees and other remuneration received by non-executive corporate officers

Non-executive corporate officers	Amounts paid during the 2014 financial year	Amounts paid during the 2015 financial year	Amounts paid during the 2016 financial year
Vsevolod Dmitrieff († 3/19/2016)			
Attendance fees	€8,000	€8,000	€1,600
Other remuneration	€270,008	€290,008	€94,350
Total			
François Canellas			
Attendance fees	€8,000	€8,000	€8,000
Other remuneration	€190,000	€190,000	€190,000
Total			
Richard Armand (term of office expired 5/24/2016)			
Attendance fees	€8,000	€8,000	€3,200
Other remuneration	€20,000	€20,000	None
Total			
Christiane Dmitrieff			
Attendance fees	€8,000	€8,000	€8,000
Other remuneration	None	None	€185,838
Total			
Lucile Dmitrieff			
Attendance fees	€8,000	€8,000	€8,000
Other remuneration	None	None	€40,000
Total			
Sophie Dmitrieff			
Attendance fees	N/A	None	€8,000
Other remuneration	N/A	None	€40,000
Total			
André Herlicq			
Attendance fees	€8,000	€8,000	€8,000
Other remuneration	€20,000	€20,000	€20,000
Total			
Stéphane Herlicq			
Attendance fees	€8,000	€8,000	€8,000
Other remuneration	€20,000	€20,000	€20,000
Total			
Jean-Pierre Lefoulon (term of office expired 5/24/2016)			
Attendance fees	€6,000	€8,000	€3,200
Other remuneration	€20,000	€20,000	€5,000
Total			
FREL SA			
Attendance fees	€8,000	€8,000	€8,000
Other remuneration	€20,000	€20,000	€20,000
Total			

JOHES SA (term of office expired 5/24/2016)			
Attendance fees	€8,000	€8,000	€3,200
Other remuneration	€20,000	€20,000	None
Total			
Johannes Martin			
Attendance fees	€8,000	€8,000	€8,000
Other remuneration	None	None	€20,000
Total			
Martin GmbH für Umwelt- und Energietechnik			
Attendance fees	€8,000	€8,000	€8,000
Other remuneration	None	None	None
Total			
Sigrid Duhamel (appointed by the General Meeting of May 24, 2016)			
Attendance fees	None	None	€4,800
Other remuneration	None	None	€40,000
Total			
Louis-Roch Burgard (appointed by the General Meeting of May 24, 2016)			
Attendance fees	None	None	€4,800
Other remuneration	None	None	€40,000
Total			
Total			
Alain Sonnette			
Attendance fees	None	None	None
Other remuneration	(1)	(1)	(1)
Total			
TOTAL	€674,008	€696,008	€807,988

(1) The salary paid to the member of the Supervisory Board who represents the employee shareholders, who has an employment contract with the Company or one of its subsidiaries, is not disclosed.

4.2.1.3 Options to subscribe for or purchase shares

No options to subscribe for or purchase shares have been granted to the corporate officers by the issuer or by any company in the Group. Therefore, no options to subscribe for or purchase shares have been exercised during the financial year.

No options to subscribe for or purchase shares have been granted to employees who are not corporate officers by the issuer or by any company in the Group.

4.2.1.4 Grants of free shares

No shares have been granted free of charge to the corporate officers by the issuer or by any company in the Group.

4.2.2 Pension commitments entered into for the benefit of corporate officers

In 1987, the Company set up a defined benefit pension plan for “non-classified” senior executives and salaried managers, as defined by the National Collective Bargaining Agreement for the Metal Industry.

The plan covers all employees who meet the following conditions on the day they retire:

- they must be either a non-classified executive, as defined by the National Collective Bargaining Agreement for the Metal Industry, or a corporate officer;
- they must be at least 60 years old;
- they must end their career at CNIM, and liquidate their pensions resulting from common-law schemes.

The benchmark remuneration used for calculating the supplementary pension is the average of the three highest gross annual salaries earned over the last seven civil years of employment, adjusted according to changes in the ICHT-IME index (hourly labor cost index for the metal-working and engineering industries).

This supplementary pension confers a right to a pension equal to 0.80% of the benchmark remuneration per year of service; it is capped at 15% of the benchmark remuneration in the event of liquidation at 60 years of age, increased by 0.8% every year, without ever exceeding 25% of the benchmark remuneration.

When the term of office as members of the Management Board was being renewed for Mr. Nicolas Dmitrieff and Mr. Philippe Demigné, at its meeting of March 10, 2016 the Supervisory Board also re-examined their status in light of Law no. 2015-990 of August 6, 2015 known as the "Macron Law". The decisions taken by the Supervisory Board in this regard are online on the Company website (<https://www.cnim.com/sites/default/files/fichiers/communiqués-d-information-permanente/communique-renouvellement-du-mandat-du-directoire-de-cnim-11-03-16.pdf>).

Then, in order to comply with the combined provisions of Articles L 225-79-1 and L 225-90-1 of the French Commercial Code as amended by Law no. 2015-990 of August 6, 2015, known as the "Macron Law", the Company shareholders' General Meeting, held on May 24, 2016, approved (i) on the one hand, the future contingent rights from which Mr. Nicolas Dmitrieff benefits as from March 10, 2016, the renewal date for his term of office as a member and Chairman of the Management Board, for commitments regarding the defined benefit pension plan meeting the characteristics of schemes mentioned in Article L 137-11 of the French Social Security Code and subject to the provisions of Article L 225-90-1 of the Commercial Code, that constitute the continuation of commitments previously approved by the General Meeting, and (ii) on the other hand, the future contingent rights from which Mr. Philippe Demigné benefits as from March 10, 2016, the renewal date for his term of office as a member of the Management Board, for commitments regarding the defined benefit pension plan meeting the characteristics of schemes mentioned in Article L 137-11 of the French Social Security Code and subject to the provisions of Articles L 225-79-1 and L 225-90-1 of the Commercial Code, that constitute the continuation of commitments pertaining to his employment contract, previously approved by the General Meeting.

A supplementary defined contribution plan (funded plan) was subscribed to with an insurance company. This plan is fully financed by the employer with an 8% contribution based on gross annual remuneration, capped at 8 times the French annual social security ceiling (i.e. €24,714.24 for 2016), which is paid into an individual account with the insurance company. The beneficiary selects the asset management profile for this account.

The total amount of the general and specific pension of “non-classified” personnel and corporate officers may not exceed 65% of the benchmark remuneration.

This supplementary retirement plan for “non-classified” senior executives and corporate officers was approved in its entirety by the Supervisory Board on October 27, 2005.

Payments made to the defined benefit pension plan for all of the beneficiaries of the plan totaled €500,000 in 2016, these payments not being individualized.

The associated social security contributions and tax payments represented a sum of €120,000.

As at December 31, 2016, the estimated amounts for the annual pensions under the supplementary defined benefit plan stood, for the corporate officers, at:

- Nicolas Dmitrieff: €69,900
- Stefano Costa: €108,509
- Philippe Demigné: €74,064

These amounts are calculated on the basis of number of years of service as at December 31, 2016, and current remuneration.

These amounts are only theoretical, since they do not take account of the eligibility conditions that need to be fulfilled, such as the beneficiary being at least 60 years old upon their retirement, or having to finish their career at CNIM.

No payment was made to the defined contribution plan in 2016.

The amounts for the pensions linked to the defined contribution plan have not been estimated for the corporate officers, given the absence of any information on the asset management profile retained by each beneficiary.

4.3 Report from the Chairwoman of the Supervisory Board on internal control and risk management procedures³ (AFR)

In accordance with the provisions of Article L. 225-68 of the Commercial Code, I have the honor, in this present report, of providing you with a report on the composition of the Supervisory Board of CNIM (the "Company") and on the application of the principle of the equal representation of women and men within it, on the conditions under which the work of the Supervisory Board was prepared and organized and on the internal control and risk management procedures put in place by the Company, and to present to you the rules decided upon by the Supervisory Board for the determination of the remuneration and benefits of any nature that are awarded to the corporate officers.

4.3.1 Composition of the Supervisory Board

The Supervisory Board is currently composed of twelve members:

Mrs. Christiane Dmitrieff, Chairwoman of the Board;

Mr. François Canellas, Vice-Chairman of the Board;

Mrs. Sophie Dmitrieff;

Ms. Lucile Dmitrieff;

FREL SA, whose permanent representative is **Ms. Agnès Herlicq**;

Mr. André Herlicq;

Mr. Stéphane Herlicq;

Martin GmbH für Umwelt- und Energietechnik, whose permanent representative is **Mr. Ulrich Martin**;

Mrs. Sigrid Duhamel;

Mr. Louis-Roch Burgard;

Mr. Johannes Martin;

Mr. Alain Sonnette.

You will find, as an annex to the present report, a list of the roles performed within the Company by the members of the Supervisory Board, the dates on which their terms of office commenced and expire, and the roles and offices performed and held by each of them in other companies.

There are two independent members of the Supervisory Board:

Mrs. Sigrid Duhamel;

Mr. Louis-Roch Burgard.

It is noted that independence is characterized in particular by an absence of material financial, contractual, close or familial connections that are liable to have an effect on independence of judgment.

Under the terms of the provisions of the Company Supervisory Board's internal rules, the following criteria are taken into account for the purposes of assessing the independence of members of the Board:

³ Until December 31, 2012, the Company adhered to the AFEP-MEDEF corporate governance code.

As of March 28, 2013, the Supervisory Board resolved in relation to corporate governance matters to adhere to the MiddleNext corporate governance code for small and midcap companies. At its meeting of March 9, 2017 the Supervisory Board confirmed its adherence to the MiddleNext corporate governance code in its new version of September 2016.

- not being an employee or executive corporate officer of the Company or of any company in its Group and not having been so in the last five years;
- not being in a significant business relationship with the Company or its Group (client, supplier, competitor, service provider, creditor, banker etc.) and not having been in one in the last two years;
- not being a reference shareholder of the Company or holding a significant percentage of the voting rights;
- not having close connections, whether as an associate or family member, with a corporate officer or a reference shareholder;
- not having been the Company's statutory auditor in the last six years.

It is asserted that the Board may, subject to the requirement to justify its position, consider that one of its members is independent even if he does not meet all of these criteria or, conversely, that one of its members who does meet all of the criteria is not independent.

With regard to Mrs. Sigrid Duhamel and Mr. Louis-Roch Burgard, who meet the independence criteria but have a close connection with the Chairman of the Management Board, given the fact that this closeness would not impair their analytical and decision-making abilities and also that Mrs. Sigrid Duhamel and Mr. Louis-Roch Burgard have undertaken to act in an independent manner, the Supervisory Board decided to regard them as independent Board members.

With regard to the principle of the equal representation of women and men on the Board, the question of the appointment of equally qualified women shall be asked each time that a director is appointed, with it being specified that the proportion of women on the Company's Supervisory Board is currently 45%.

4.3.2 Conditions under which the work of the Supervisory Board is prepared and organized

4.3.2.1 Conditions under which the work of the Board is prepared

The Chairwoman and Vice-Chairman of the Board are responsible for convening the Supervisory Board and for leading its discussions.

The Board has established within itself two committees with the role of assisting it with certain specific tasks.

Each committee has a scrutinizing, analytical and preparatory role in respect of certain matters considered by the Board which fall within its sphere of competence, and a scrutinizing role in respect of subjects or projects which the Board or its Chairman submits to it for examination. It has no decision-making powers. In its sphere of competence, it issues recommendations, proposals or opinions, as the case may be. It has consultative powers and acts under the authority of the board, of which it is an emanation.

The current names and duties of these committees are set out below, with it being specified that each of these committees furthermore examines any question falling within the sphere of its competences that is submitted to it.

4.3.2.2 Audit Committee

This committee monitors:

- the process by which the financial information is prepared;
- the effectiveness of the internal control and risk management systems;
- the statutory audit of the consolidated financial statements by the Auditors;
- the independence of the Auditors.

More specifically, the duties of the Audit Committee are:

1 – With regard to the financial statements:

- to examine the annual and half-yearly financial statements;
- to examine the appropriateness and consistency of the accounting policies used to prepare the company financial statements and the consolidated financial statements;
- to examine the extent of the consolidation and, where appropriate, the reasons why certain companies audited were not included in the consolidation;

- to monitor the process by which the financial information is prepared.

It is stated that its role in this respect does not consist in going into the detail of the financial statements but rather it consists in monitoring the processes which contribute to their preparation and assessing the validity of the methods chosen for the treatment of significant transactions.

2 – With regard to the effectiveness of the internal control and risk management systems:

- to obtain an understanding of the results of internal and/or external audit work carried out on this subject in order to ensure, where necessary, that appropriate action plans have been put in place.

3 – With regard to monitoring the rules relating to the independence and objectivity of the Statutory Auditors:

- to examine questions relating to the appointment, renewal or dismissal of the Company's Auditors and to the amount of fees to be fixed for performance of the duties associated with the statutory audit;
- to supervise the rules for the use of the Auditors for works other than statutory auditing and, more generally, to ensure that the principles which guarantee the independence of the Auditors are complied with;
- to examine each year with the Statutory Auditors the amounts of the audit fees paid by the Company and its subsidiaries to the entities of the networks to which the Auditors belong;
- to examine the conclusions of the Auditors and their recommendations as well as the follow-up actions given to them.

The Audit Committee is currently composed of seven members: Mr. François Canellas (its Chairman), Mrs. Christiane Dmitrieff, Mrs. Lucile Dmitrieff, Mrs. Sophie Dmitrieff, Mrs. Sigrid Duhamel, the FREL SA company, whose permanent representative is Ms. Agnès Herlicq, and Mr. Louis-Roch Burgard. All seven are members of the Supervisory Board. The Audit Committee met four times during the 2016 financial year. The following subjects were placed on the agendas of those meetings:

- review of the annual financial statements and consolidated financial statements for the 2015 financial year and the summary consolidated financial statements for the first half of 2016, in support of the presentation of the accounts by the Group Finance Department;
- debrief by the Statutory Auditors in relation to their auditing of the annual financial statements and consolidated financial statements for the 2015 financial year and their limited examination of the consolidated financial statements for the first half of 2016;
- debrief by the Statutory Auditors in relation to the work they have done on reviewing internal control in connection with their task of certifying the annual financial statements and consolidated financial statements for the 2015 financial year;
- presentation by the Statutory Auditors on their approach to auditing the annual financial statements and consolidated financial statements for the 2016 financial year;
- presentation by the Statutory Auditors of the practical implications for the CNIM Group of the European reform of statutory auditing of annual financial statements and consolidated financial statements;
- analysis of the independence of the Statutory Auditors;
- presentation of the annual internal audit plan for 2016/2017 approved by the Management Board;
- presentation of the main conclusions in relation to the tasks carried out in connection with the annual audit plan for 2015/2016;
- 2016 mid-year assessment of actions taken since June 2012 regarding internal auditing and the establishment of internal control standards for the Group;
- statement of the key principles of IFRS 15 "Revenue from Contracts with Customers" and CNIM's approach to transition to IFRS 15.

The Company is compliant with the recommendations of the AMF, in its "final report on the Audit Committee" of July 22, 2010, with regard to the following points:

- appointment and composition of the Audit Committee;
- definition by the internal rules of the Supervisory Board of the principles by which the Audit Committee operates;
- communication to the Audit Committee, within the time limit, and detailed presentation, in the presence of the Statutory Auditors, of the key elements of financial communication, following approval by the Management Board;

- communication by General Management of the annual audit plans approved by the Management Board, and debrief, in the presence of the Statutory Auditors, in relation to the internal audit tasks carried out in connection with these annual plans;
- review by the Audit Committee of the report from the Chairwoman of the Supervisory Board on internal control and risk management procedures.

4.3.2.3 Strategic Committee

The main task of this committee is to assist the Supervisory Board in defining the overall strategic direction of the Company and its subsidiaries, in terms of both business lines and geographical coverage. In particular, the Strategic Committee analyzes development plans and plans for acquiring holdings in other companies, for making divestments and for establishing partnerships on a long-term or short-term basis.

It is currently composed of Mr. Louis-Roch Burgard, (its Chairman), Mrs. Christiane Dmitrieff, Mrs. Sophie Dmitrieff, Mrs. Lucile Dmitrieff, Mrs. Sigrid Duhamel, Mr. François Canellas, Mr. Johannes Martin, Mr. André Herlicq and Mr. Stéphane Herlicq. The Strategic Committee met once during the 2016 financial year.

4.3.2.4 Conditions under which the work of the Supervisory Board is organized

The functioning of the Supervisory Board is governed by internal rules.

These internal rules can be consulted on the Company's website.

The Supervisory Board meets at least once a quarter. On each occasion, it hears the report of the Management Board on the management of the Company.

It met five times in the 2016 financial year, on March 10, May 24 (before the General Meeting), May 24 (after the General Meeting), August 31 and November 15, respectively. 100% of the members of the Supervisory Board were present at these meetings. During these meetings, in addition to hearing the report of the Management Board on the operation of the Company, the following points in particular were raised:

- annual overall authorizations given to the Management Board subject to the limits set out in the bylaws;
- examination of the company financial statements and consolidated financial statements drawn up by the Management Board;
- the report of the Supervisory Board to the General Meeting;
- report from the Chairwoman of the Supervisory Board on internal control and risk management procedures;
- examination of the financial statements for the first six months of the year;
- examination of agreements subject to regulation;
- reporting by the Management Board on capital spending and financial transactions carried out during the financial year and authorized in advance;
- authorizations to provide guarantees on behalf of subsidiaries.

In accordance with the provisions of Article L. 823-17 of the Commercial Code, the Auditors are, in particular, invited to all meetings of the Supervisory Board which examine the annual and half-yearly financial statements.

The representatives of the Works Council are invited to all meetings of the Board. They attended all meetings of the Board held during the financial year ended December 31, 2016.

The Supervisory Board may confer special authorities of any kind for one or more defined matters upon one or more of its members.

In addition to the powers conferred on it by law and by the Company bylaws, the Supervisory Board examines the following transactions, which can only be performed by the Management Board with the prior agreement of the Supervisory Board:

- issues of securities, of whatever kind, liable to entail a change to the share capital;
- material transactions liable to affect the strategy of CNIM or the CNIM Group or to change the financial structure of its sphere of activity, whereby the assessment of materiality shall be made by the Management Board on its own liability;
- transactions exceeding an amount set each year by the Supervisory Board regarding:

- any capital spending decisions affecting fixed assets as recorded in the balance sheet;
- any barter or part-exchange transactions relating to goods, stocks or securities;
- involvement in the establishment of any company, subscription to any issue of shares, stocks or bonds, excluding treasury transactions;
- the grant or acceptance of any loans, credit or advances.

The sale of real estate, the full or partial sale of holdings in other enterprises and the establishment of sureties and charges, pledges or guarantees shall also be subject to authorization by the Supervisory Board under the terms set by the Commercial Code.

The annual total amount of attendance fees, which is fixed, where appropriate, by the General Meeting of shareholders, is distributed by the Board between the members of the Supervisory Board in accordance with the level of diligence of the members of the Board and the time that they devote to their duties.

It is noted that the General Meeting of shareholders held on May 24, 2016 fixed the total amount of attendance fees to be distributed for the 2016 financial year at €125,000.

Pursuant to the provisions of its internal rules, at its meeting of March 9, 2017, the Supervisory Board resolved to pay attendance fees, in respect of the 2016 financial year, of (i) €8,000 to Mrs. Christiane Dmitrieff, Mrs. Sophie Dmitrieff, Mrs. Lucile Dmitrieff, Mr. François Canellas, Mr. Johannes Martin, Mr. Stéphane Herlicq, Mr. André Herlicq and the companies FREL and Martin GmbH, (ii) €4,800 to Mrs. Sigrid Duhamel and Mr. Louis-Roch Burgard, (iii) €3,200 to Mr. Richard Armand, Mr. Jean-Pierre Lefoulon and the JOHES company, and (iv) €1,600 to Mr. Vsevolod Dmitrieff, it being specified that Mr. Alain Sonnette had informed the Board that he had chosen to waive his fees.

4.3.3 Internal control and risk management

Risk management aims to cover all activities, processes and assets of the Company. It comprises a set of tools, behaviors, procedures and actions that are tailored to the Company's own characteristics and those of all of its subsidiaries which are aimed at allowing managers to keep risks at an acceptable level.

Internal control is a system that is defined and implemented by the Company and which aims to ensure:

- the application of the instructions and policies laid down by the Management Board;
- the proper functioning of the Company's internal processes, in particular of the processes aimed at safeguarding its assets;
- the reliability of the financial information;
- compliance with laws and regulations.

And which, in general terms, contributes to control of the Company's activities, to the effectiveness of its operations and to the efficient use of its resources.

The systems for risk management and internal control thus complement each other with regard to controlling the activities of the Company.

Nevertheless, however well-designed and applied the systems for risk management and internal control are, like any control system they cannot provide an absolute guarantee that these risks will be completely eliminated.

4.3.3.1 Risk evaluation and management processes

A. Risk mapping

Risk mapping has been carried out, in three stages:

- survey of the main internal or external risks that may constitute an obstacle to reaching the Group's goals;
- analysis and evaluation of the risks in accordance with a qualitative scale of how critical they are, taking into account their financial, human or reputational impact and how likely they are to occur;
- dealing with risks in a manner that seeks to keep them within acceptable limits by removing them, reducing them, transferring them or accepting them.

B. Risk management

Risk mapping has allowed the main risk factors specific to the Group to be specified. These risks can be divided into five main families:

- industrial and environmental risks;
- general business risks;
- legal risks;
- financial risks;
- IT and asset risks.

If one or more of these risks should materialize, this could affect the business, the financial situation, the profits and the development of the Group. All of the risk factors are set out in detail in Chapter 1.3.1.3 of the Management Board's report.

4.3.3.2 Internal control procedures

A. Bodies involved in internal control

a. Management Board

The Management Board ensures the existence of an internal control system for accounting and finance, and organizes its supervision. This system aims to produce reliable accounting and financial information and to provide a true and fair representation of the profits and financial situation of the Company on a timely basis. To this end, the Management Board ensures that the system addresses the following points:

- the organization and the scope of responsibilities of the accounting and finance functions so that the Group is equipped with systems for risk identification and control that are capable of guaranteeing the reliability of the accounting and financial information published by the parent company;
- the formalization and circulation of accounting rules and procedures (standards and procedures manuals);
- duties regarding the retention of information, data and IT operations that directly or indirectly contribute to the compilation of accounting and financial statements;
- the existence of measures aimed at ensuring the retention and security of information, data and IT operations that directly or indirectly contribute to the compilation of accounting and financial statements (continuity plans, in particular as regards IT, archiving in compliance with regulatory obligations, etc.);
- regular examination of the adequacy of the above systems and the resources available to the accounting and financial functions (in terms of personnel, of IT and other resources, etc.).

The Management Board ensures that a management system is in place to analyze and control the main identifiable risks potentially impacting the preparation of the accounting and financial information published by the Company.

Specifically, it ensures that the standards and procedures circulated within the Company take account of changes in the Group's needs and in its environment (in particular, its regulatory environment).

It supervises the definition of a management control system adequate to ensure that published accounting and financial information is reliable, and ensures that it is implemented. Specifically:

- it ensures that any non-accounting IT system that may be used for business management purposes is reconciled with the accounting IT system;
- it also ensures the quality of forecasts that are published or used for the valuation of assets or liabilities or for any other published accounting or financial information.

This requires the management control system to be organized in such a way that it is adequate to meet these needs and ensures the quality of those information and forecasts.

The Management Board supervises the definition of processes for recording major transactions, such as acquisitions or disposals of businesses, restructuring, or the conclusion of key contracts, in the accounts and for validating such entries, and ensures that they are implemented.

It ensures that year-end procedures exist in respect of accounts regarded as sensitive (accounting treatment of revenues, valuation of key assets).

The Management Board compiles the year-end financial statements (including the note thereto). To this end, it:

- specifies and explains the main year-end options and estimates where it is required to take a view;
- discloses changes in accounting principles and informs the Supervisory Board thereof;
- analyzes key financial indicators (gearing ratios, liquidity, available funds, hedging) and identifies and explains factors affecting changes in earnings;
- prepares the company and consolidated year-end financial statements, with accompanying commentary and analyses by the Finance Department;
- establishes the financial communications strategy (indicators, methods, etc.) and suggests or prepares the wording of financial press releases.

As the body responsible for preparing the financial statements and implementing accounting and financial internal control systems, the Management Board holds discussions with the Auditors:

- It ensures that the Auditors have reviewed the accounting principles chosen and any accounting options that have a material impact on the presentation of the financial statements;
- It takes note of the scope and methods employed by the Auditors. It is also informed of the conclusions of the Auditors' work on the financial statements and their work on reviewing the internal control in so far as it relates to the operational and IT processes that contribute to the production of the accounting and financial information;
- Where applicable, it ensures that the Auditors are informed of major internal control weaknesses identified during the year that may potentially have a material impact on published accounting and financial information.

b. The Supervisory Board

The Supervisory Board shall oversee the Management Board on an ongoing basis. In so doing, it verifies in particular with the Management Board that management and control systems are adequate to ensure the reliability of the financial information published by the Company and provide a true and fair representation of the earnings and financial position of the Company and Group.

To exert this control:

- preparatory work is carried out by the Audit Committee;
- the Board is informed of the essential characteristics of the Company's and the Group's management systems, in particular risk monitoring systems, management control systems and financial and cash monitoring systems;
- where applicable, it is informed of changes in accounting policies and accounting elections made by the Company where these have a material impact on the presentation of the financial statements;
- it ensures the adequacy of the process for selecting the Auditors, in particular as regards their competence and independence;
- it is informed of material events occurring in connection with the business and of its cash position;
- furthermore, it is informed of major capital investment, disposal and financing plans;
- the Supervisory Board also receives assurance from the Auditors that they have had access to all information necessary for the fulfillment of their duties;
- it is informed of the manner in which the Auditors performed their work and of the conclusions of that work;
- it receives assurance from the Auditors that they have carried out sufficient work by the year end to be in a position to communicate all material observations.

B. Processes for managing accounting and financial information

Such management is provided by the Finance Department and by the Management Board.

a. Principles

In order to ensure overall cohesion in this process, the Company ensures that:

- the separation of functions is designed so as to allow independent checks to be made. This separation of functions demands the separation of tasks and functions relating to operational matters, the safeguarding of assets and their recording in the financial statements;
- the names of persons who may enter contractual commitments on behalf of the Company and the required approval levels for commitments of each type are listed and made available to the persons in charge of accounting entries so that they may ensure that the transactions have been properly approved.

With respect to the preparation of the consolidated financial statements, the Company ensures that an organized and documented process exists to ensure the consistency of published consolidated financial and accounting data.

- documentation exists to establish the accounting and control principles for transactions and associated cash flows and communicate them within the Company;
- the information flows enable:
 - economic events to be captured without exception for each upstream process;
 - data to flow centrally to the accounting department on a regular basis;
 - accounting data to be kept consistent;
 - o the operation of these information flows is subject to controls;
 - o a timetable for preparing accounting and financial information is circulated within the Group for the purposes of the parent company's published financial statements;
 - o every employee involved in the process of compiling accounting and financial information has access to the information needed to apply, operate and/or monitor the internal control system;
 - o the Finance Department has the authority to enforce accounting rules;
 - o procedures exist to verify that the controls put in place are followed;
 - o a manual of accounting procedures specifies the accounting rules and principles used within the Group;
 - o compliance monitoring enables changes in the Company's environment to be identified and anticipated;
 - o specific controls are established in areas identified as sensitive from an accounting perspective.

b. Organization and security of IT systems

The following processes serve to control the components of the accounting information resource:

- the accounts are maintained using IT systems with a clear and structured organization in which systems and data are physically and virtually secure;
- the organization and functioning of the entire IT system is subject to specific rules regarding access to the approval system for accounting entries and year-end procedures, data storage and the approval of individual entries;
- procedures and controls exist to ensure the proper and secure use, maintenance and updating of accounting and management systems (and the scope thereof) and of systems feeding directly or indirectly into them;
- key controls exist in the IT system (blocking of duplicated entries, entry limits and restricted access for certain transactions);
- the Company is in a position to meet specific obligations towards the tax authorities;
- the storage of processed data is performed by IT applications which are used to establish accounting records or to support events transcribed in documents which are reviewed by the tax authorities;

- in documentation terms: a description exists of the administration rules for data and files used in the IT systems which have an effect on the compilation of the accounting and tax profits and tax declarations.

c. Organization of the accounting and management function

Organization of the accounting and management function is based on the precision and completeness of the information available to all parties within the business. This relies in particular on the simultaneous recording of data in general and analytical (i.e. management) accounts: specifically external expenses, receipts and the allocation of labor costs in proportion to the time spent on different contracts.

Accounting and management reporting

Timing and organization of closing of accounts

The Group and its parent company are organized so as to publish half-yearly financial statements as at June 30 and December 31. The main means of ensuring that accounting information is relevant and that financial statement publication schedules are adhered to are the circulation of procedures regarding year-end closing, and the periodic critical analysis of the elements constituting the income and ongoing litigation and disputes.

Cycle of income forecasts and management analyses

The Group reviews the main elements constituting its income four times a year. These reviews relate to commercial forecasts, the evaluation of the forecast outcomes of contracts, operating costs and, consequently, the income forecasts for the parent company and the subsidiaries. This includes a review of every material contract, conducted in the presence of the Chairman of the Management Board.

Standardization of Group accounting

The parent company circulates year-end closure instructions to the consolidated companies, specifying in particular the timetable for the closing of the accounts and the schedule for the feeding back of the consolidation packages and other information necessary for the consolidation of the accounts. On the basis thereof, every Group company (including the parent) establishes its own detailed procedure.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards in force in the European Union (Note 1 to the Consolidated Financial Statements).

Planning/formalization of accounts closing procedures

Pre-closing control procedures and treatment of correcting entries

Prior to each closing of the accounts, the accounts functions ensure that all information has been recorded and that all pre-closing procedures have been carried out, including: bank reconciliations, physical inventory counts, forecasts to completion for all contracts and a critical evaluation of all ongoing litigation and disputes.

Preparation for the closing of the accounts also encompasses a detailed analysis of all accounts related to third parties (suppliers, clients, internal and external personnel).

The parent company also ensures that all divisions with a decentralized accounting function and all subsidiaries have sufficient human and material resources to provide accurate and timely financial statements to their auditors and their parent company.

In advance of the preparation of the Group's consolidated financial statements, each company communicates with each other company in order to eliminate all intra-Group supplies.

Documenting accounting estimates and elections

The Company works on long-term contracts for which the revenue and income are recognized according to the percentage of completion method. Forecasts to completion are essential for determining the results for the financial year. For the purposes of preparing the financial statements, and following the periodic forecasts mentioned above, an income forecast is therefore drawn up for each contract concerned. A similar document is provided for all ongoing litigation and disputes, including the opinion of the Legal Department or the lawyer in charge of the case.

External audit

An interim external audit is carried out prior to the annual year-end close in order to test internal control procedures and analyze the forecasts to completion for long-term contracts in progress at the year end.

The external auditors set out the conclusions of their work on auditing the accounts and reviewing the internal control at summary meetings, organized firstly at subsidiary level and then at Group level, to the Group Finance Department, the Audit Committee and the Management Board.

The work supporting the analysis presented in this report involves testing:

- compliance with the Group's management rules;
- the safeguarding of assets;
- the prevention and detection of fraud and error;
- the fairness and completeness of accounting entries;
- the preparation on a timely basis of reliable accounting and financial information.

Having had regard to all of the procedures described, the Chairwoman of the Supervisory Board considers that she has reasonable assurance as to the quality of the Group's internal control.

C. Compliance with laws and regulations

The laws and regulations in force set standards of behavior which the Group incorporates into its compliance targets.

The Group Legal Department assists and advises certain entities in the Group on a case by case basis and ensures:

- legal monitoring in order to ascertain the various rules applicable to the Group;
- provision of information to the relevant employees about those rules which specifically relate to them;
- oversight of the major acquisition projects or litigation cases that may have an impact on the Group.

D. Procedures relating to commitments and taking on new business

The Group's Legal Department is responsible for implementing all preventive measures aimed at avoiding lawsuits and claims against Group companies, and in particular for:

- overseeing the establishment and updating of general terms of purchasing and sale;
- opining on any document liable to commit the Company and/or its subsidiaries, in particular bids and contracts, whether directly or through instructions or standard documents;
- managing, in conjunction with the Company's French and foreign lawyers, all third-party claims for which the Group may be held liable and conducting defenses or appeals before the relevant judicial bodies, whether courts or arbitration tribunals;
- periodically examining the various legal cases, developments therein, risks incurred, and the adequacy of insurance cover and accounting provisions.

The Group's Legal Department relies on external counsel whenever it considers it to be appropriate.

Furthermore, a specific meeting, involving the Finance Director and, where necessary, the Sector Chief Executive concerned, is held several times a year to analyze developments in losses and legal disputes and their consequences at Group level and also, where appropriate, to determine the accounting provisions to be recorded as well as the preventive or corrective measures required.

Particular attention is paid to risks relating to competition law, representation or business introduction contracts, and anti-corruption law.

The Legal Department is also responsible for ensuring that each subsidiary complies with all legal filing requirements.

E. Information and communications

In order to be effective, the internal control system must be the subject of adequate communications for the purposes of its implementation by all of the Group's staff. Internal control is all the more important given that it is based on conduct and integrity rules that are upheld by the governing bodies and communicated to all employees. Specifically, it cannot be reduced to a purely formalistic system that could allow serious failures in the Group's ethical standards, principles of internal control and values to occur at the margins.

4.3.4 Principles and rules decided upon by the Supervisory Board in order to determine the remuneration and benefits of any nature awarded to the corporate officers

The members of the Management Board, with the exception of the Chairman, have retained the benefit of their employment contracts which predate their appointment to the Management Board. They thus benefit from remuneration comprising a fixed and a variable component. Each of the members of the Management Board in charge of a business sector, namely Mr. Stanislas Ancel and Mr. Philippe Demigné, is entitled to payment of a variable component of their respective remuneration, fixed by the Supervisory Board on the basis of the results of the respective sector of which they are in charge. Mr. Stanislas Ancel has the use of a company apartment and a company car. Mr. Christophe Favrelle, a member of the Management Board and Group Chief Financial Officer, is also entitled to payment of a variable component of his remuneration, fixed by the Supervisory Board on the basis of the Group's overall performance and specific financial operations carried out during the financial year. Mr. Christophe Favrelle has the use of a company apartment. The Chairman of the Management Board is remunerated for his duties as Chairman of the Management Board. This remuneration comprises a fixed and a variable component, the amount of the latter being determined on the basis of the Group's net income.

The Chairman of the Management Board also receives a benefit in kind, in the form of a directors' and officers' unemployment insurance policy.

Mr. Nicolas Dmitrieff and Mr. Philippe Demigné also benefit (in the same manner as "Unclassified" employees as defined by the National Collective Bargaining Agreement for the Metal Industry) from a supplementary defined benefit pension scheme (Article 39 of the General Tax Code) and from a supplementary defined contribution pension scheme (Article 83 of the General Tax Code).

With regard to the supplementary defined benefit pension scheme, when the term of office as members of the Management Board was being renewed for Mr. Nicolas Dmitrieff and Mr. Philippe Demigné, at its meeting of March 10, 2016 the Supervisory Board re-examined their status in light of Law no. 2015-990 of August 6, 2015 known as the "Macron Law". The decisions taken by the Supervisory Board in this regard are online on the Company website (<https://www.cnim.com/sites/default/files/fichiers/communiques-d-information-permanente/communique-renouvellement-du-mandat-du-directoire-de-cnim-11-03-16.pdf>).

Then, in order to comply with the combined provisions of Articles L 225-79-1 and L 225-90-1 of the French Commercial Code as amended by Law no. 2015-990 of August 6, 2015, known as the "Macron Law", the Company shareholders' General Meeting, held on May 24, 2016, approved (i) on the one hand, the future contingent rights from which Mr. Nicolas Dmitrieff benefits as from March 10, 2016, the renewal date for his term of office as a member and Chairman of the Management Board, for commitments regarding the defined benefit pension plan meeting the characteristics of schemes mentioned in Article L 137-11 of the French Social Security Code and subject to the provisions of Article L 225-90-1 of the Commercial Code, that constitute the continuation of commitments previously approved by the General Meeting, and (ii) on the other hand, the future contingent rights from which Mr. Philippe Demigné benefits as from March 10, 2016, the renewal date for his term of office as a member of the Management Board, for commitments regarding the defined benefit pension plan meeting the characteristics of schemes mentioned in Article L 137-11 of the French Social Security Code and subject to the provisions of Articles L 225-79-1 and L 225-90-1 of the Commercial Code, that constitute the continuation of commitments pertaining to his employment contract, previously approved by the General Meeting.

Except as stated above, no member of the Management Board receives any benefit in kind, share subscription options, share purchase options or free allocation of shares, nor does any member benefit from indemnities payable or liable to become payable on cessation or change of duties or from indemnities in relation to a non-competition clause.

The members of the Supervisory Board receive attendance fees, the total amount of which is fixed each year by the Supervisory Board, up to the limit of the amount allocated for this purpose by the General Meeting of shareholders.

In addition, the members of the Audit Committee and the Strategic Committee each receive extraordinary remuneration, the amount of which is decided upon by the Supervisory Board in compliance with the provisions of Article L. 225-86 of the Commercial Code.

Finally, the Chairwoman and Vice-Chairman of the Supervisory Board each receive a salary, the amount of which is decided upon by the Supervisory Board.

4.3.5 Specific arrangements relating to the attendance of shareholders at General Meetings

All shareholders have the right to attend General Meetings and to participate in the deliberations, under the terms prescribed by law.

If the Management Board so resolves at the time of calling a General Meeting, shareholders may participate in that meeting by videoconferencing or by any other means of telecommunication (including the internet) permitting their identification, insofar as permitted by the applicable regulations. Where applicable, this option shall be mentioned in the notice of the meeting and the invitation.

Shareholders participating in the meeting by videoconferencing or by electronic means of communication permitting their identification shall be deemed present for the purpose of calculating the quorum and majority.

Any shareholder who fulfills the conditions required to participate in a meeting may have himself represented by a proxy insofar as permitted by law.

Shareholders may also vote by post or, if the Management Board so decides, remotely by electronic means, insofar as permitted and in the manner determined by law and regulations, by sending in their voting and proxy forms for any General Meeting either in paper form or, if the Management Board has so decided, by electronic means of communication, it being specified that this option shall be, where applicable, mentioned in the notice of the meeting and the invitation.

In addition, a double voting right is conferred on all fully paid-up shares for which it is demonstrated that they have been registered in the name of the same shareholder for at least two years, under the terms prescribed by law.

4.3.6 Other elements

With regard to corporate governance, the Company adheres to the provisions of the MiddleNext corporate governance code under the conditions stipulated in 4.1 above. This code can be consulted on the Company's website.

The information listed in Article L. 225-100-3 of the Commercial Code is published in the management report incorporating the management of the Group.

The Chairwoman of the Supervisory Board

4.4 Report of the Supervisory Board, prepared in accordance with Article L. 225-82-2 of the French Commercial Code, on the principles and criteria for determining, apportioning and allocating the fixed, variable and extraordinary elements that make up the total remuneration and benefits of any nature, attributable to the executive corporate officers in their capacity as officers

Pursuant to Article L. 225-82-2 of the Commercial Code proceeding from the law of December 9, 2016 on transparency, the fight against corruption and modernization of the economy (known as the "Sapin 2" law), we present to you the remuneration policy for executive corporate officers, namely the principles and criteria for determining, apportioning and allocating the fixed, variable and extraordinary elements that make up the total remuneration and benefits of any nature, attributable to the Company's executive corporate officers in their capacity as officers, which is the subject of a resolution for approval by the ordinary General Meeting of the shareholders to be held on June 7, 2017.

Remuneration of members of the Management Board, namely Mr. Philippe Demigné, Mr. Stanislas Ancel and Mr. Christophe Favrelle, does not fall within the scope of Article L 225-82-2 of the Commercial Code, as the latter are remunerated solely for the employment contract between them and the Company in their capacity as Chief Executive of the CNIM Innovation & Systems division, Chief Executive of the Environment Sector and Group Chief Financial Officer, respectively.

However, the remuneration of members of the Management Board in respect of their employment contract is reported in part 4.2 of the registration document pursuant to Article L 225-102-1 of the Commercial Code and according to the presentation and tables recommended by the MiddleNext corporate governance code, revised in September 2016, to which the Company adheres.

Similarly, the members of the Supervisory Board representing employee shareholders who have an employment contract with the Company do not fall within the scope of the remuneration policy submitted for your approval.

Remuneration of the Chairman of the Management Board

Salary and annual variable remuneration

The policy for remunerating the Chairman of the Management Board is decided upon by the Supervisory Board when appointing him and each time his term of office is renewed.

Salary

As Chairman of the Management Board, Mr. Nicolas Dmitrieff benefits from annual remuneration comprising a fixed and a variable component.

The Chairman of the Management Board's salary is determined according to criteria specific to the person concerned and in accordance with the practices of comparable groups for a similar position.

This annual amount is determined at the start of each term of office for the latter's entire duration and may be subject to annual revision. It is paid monthly.

The Supervisory Board may in fact decide to increase the fixed component of the Chairman of the Management Board's annual remuneration in equal proportions, 50% of it by the average increase that may be awarded to

executives classified as III/C under the definition used in the National Collective Bargaining Agreement for the Metal Industry and 50% by the average increase for the CNIM Executive Committee.

In accordance with these principles, the Chairman of the Management Board's gross salary, which was increased at the Supervisory Board meeting held on March 9, 2017 pursuant to the aforementioned criteria, will rise to €450,324.

Annual variable remuneration

The Chairman of the Management Board also receives variable remuneration with the purpose of correlating his remuneration with the Group's business results. This amount is determined depending on the Group's net income and is equal to 2% of the consolidated net income of the Group for the 2017 financial year.

It is noted that payment of the variable components of remuneration described in the remuneration policy submitted for the approval of the General Meeting in 2017 by ex-ante vote will be subject to the approval of the ordinary Annual General Meeting of the shareholders to be held in 2018.

Lastly, Mr. Nicolas Dmitrieff is entitled to repayment of expenses incurred in the performance of his duties, upon presentation of receipts.

- **Benefits of any nature**

Loss of office - unemployment insurance

The Chairman of the Management Board benefits from a directors' and officers' unemployment insurance policy that the Company has entered into to cover him in the event of his dismissal, enabling Mr. Nicolas Dmitrieff to benefit from the necessary social security coverage in such an event.

This insurance, from which the Chief Executive already benefited, was kept in favor of Mr. Nicolas Dmitrieff and authorized by the Supervisory Board at its meeting of October 22, 2009 as a related-party agreement. It was approved by the General Meeting of shareholders on your statutory auditor's special report pursuant to Article L. 225-86 of the Commercial Code.

Supplementary defined benefit pension plan

The Chairman of the Management Board benefits from a defined benefit pension plan (Article 39 of the General Tax Code) meeting the characteristics of schemes mentioned in Article L 137-11 of the French Social Security Code and subject to the provisions of Article L 225-90-1 of the Commercial Code.

This supplementary pension confers a right to a pension equal to 0.80% of the benchmark remuneration per year of service; it is capped at 15% of the benchmark remuneration in the event of liquidation at 60 years of age, increased by 0.8% every year, without ever exceeding 25% of the benchmark remuneration.

The benchmark remuneration used for calculating the supplementary pension is the average of the three highest gross annual salaries earned over the last seven civil years of employment, adjusted according to changes in the ICHT-IME index (hourly labor cost index for the metal-working and engineering industries).

This benefit was reiterated at the meeting of the Supervisory Board on March 10, 2016 after it ruled on the renewal of his term of office as Chairman of the Management Board and it was approved at the ordinary General Meeting of shareholders on May 24, 2016 in implementation of the combined provisions of Articles L 225-86 and L 225-90-1 of the Commercial Code.

The annual increase in contingent rights from which Mr. Nicolas Dmitrieff benefits, since the renewal of his term of office as Chairman of the Management Board as decided by the Supervisory Board is now dependent on the observed growth in at least two of the Group's key indicators:

- increase in revenue of at least 5% compared with the average in the last three years;
- increase in order intake of at least 5% compared with the average in the last three years;
- increase in current operating income of at least 5% compared with the average in the last three years;

Before the ordinary General Meeting called to rule on the financial statements for the last financial year is held, the Supervisory Board carries out an annual check to determine whether the stipulated conditions have been met and, where applicable, determines the increase, for the said financial year, in conditional rights for the benefit of Mr. Nicolas Dmitrieff.

Defined contribution pension plan

The Chairman of the Management Board also benefits (in the same manner as "Unclassified" employees as defined by the National Collective Bargaining Agreement for the Metal Industry) from a defined contribution pension scheme (Article 83 of the General Tax Code).

This plan is fully financed by the Company with an 8% contribution based on gross annual remuneration, capped at 8 times the French annual social security ceiling, which is paid into an individual account with Generali.

The beneficiary selects the asset management profile for this account (dynamic, balanced, Euro funds, European equities, international bonds, etc.).

He retains an entitlement to the amounts invested even if he leaves the company in the meantime. It is possible to exit in the form of a 60% or 100% joint and survivor pension entitlement.

Lastly, it is specifically noted that, as Chairman of the Management Board, Mr. Nicolas Dmitrieff is not the beneficiary of any allowances or indemnity due to the cessation of his duties, nor to any share subscription options, share purchase options or free allocation of shares.

Remuneration of the members of the Supervisory Board

The remuneration policy for members of the Supervisory Board is decided upon by the ordinary General Meeting of the shareholders, at the proposal of the Supervisory Board.

The remuneration policy for the members of the Supervisory Board committees and for the Chairman and Vice-Chairman of the Supervisory Board is decided upon by the Supervisory Board.

Pursuant to Article L. 225-82-2 of the Commercial Code proceeding from the law of December 9, 2016 (known as the "Sapin 2" law), these policies will be submitted for the approval of the ordinary General Meeting of shareholders to be held on June 7, 2017.

Attendance fees

The General Meeting of shareholders can grant attendance fees to members of the Supervisory Board.

The Supervisory Board distributes the said attendance fees between the Board members.

The total allocation for attendance fees is voted on each year by the ordinary General Meeting of shareholders. The annual total amount of attendance fees set, where appropriate, by the General Meeting of shareholders is distributed by the Supervisory Board according to Board members' level of attendance at meetings of the Supervisory Board, Audit Committee and Strategic Committee and the time that they devote to their duties, in compliance with the provisions in Article 4 of the internal rules of the Supervisory Board.

Attendance fees due in relation to one financial year are paid during the next financial year.

The members of the Supervisory Board each receive an overall sum of €8,000 in attendance fees for participating in the meetings of the Supervisory Board for the previous financial year. This sum is calculated on a *pro-rata temporis* basis, according to their participation in meetings of the Supervisory Board.

Members of the Supervisory Board attending the meetings of the Audit Committee and/or the Strategic Committee also each receive an overall sum of €20,000 in attendance fees for participating in the meetings of one or other or both of the above committees. This sum is calculated on a *pro-rata temporis* basis, according to their participation in meetings of either of these committees.

Members of the Supervisory Board do not receive any variable remuneration.

Remuneration of the Chairman and Vice-Chairman of the Supervisory Board

The Chairman and Vice-Chairman of the Supervisory Board receive an annual salary, the amount of which is determined by the Supervisory Board. The Supervisory Board may decide to increase the annual salary of the Chairman of the Supervisory Board by the same proportion as the potential increase for the Company's "non-classified" executives.

The gross salary of Mrs. Christiane Dmitrieff, in her capacity as Chairwoman of the Supervisory Board, was set at €250,000 when she was appointed in 2016 and there was no change compared with her predecessor's salary, which had itself been set by the Supervisory Board meeting of June 22, 2006. It is paid monthly.

The gross salary of Mr. François Canellas, in his capacity as Vice-Chairman of the Supervisory Board, was set at €150,000 by the Supervisory Board meeting of October 31, 2006 and has not changed since then. It is paid monthly.

The Supervisory Board

4.5 Report of the Supervisory Board on the Report of the Management Board

Ladies and Gentlemen,

The Management Board of our Company has invited you to an ordinary and extraordinary General Meeting in accordance with the law and the bylaws in order to report to you on the situation and the activity of our Company during the financial year ended December 31, 2016 and to submit the financial statements for that year and the allocation of the profit for your approval.

We remind you that, in accordance with Article L. 225-68 of the Commercial Code, the Supervisory Board must present its observations on the Report of the Management Board and on the financial statements for the period to the Annual General Meeting. We state that the Management Board has communicated the annual financial statements, the consolidated financial statements and the Report of the Management Board to the Supervisory Board in accordance with the provisions of Article L. 225-68 of the Commercial Code.

Having verified and reviewed the annual financial statements and the Report of the Management Board, we consider that these documents do not give rise to any particular observations.

We hope that all of the proposals made to you by the Management Board in its report meet with your approval and that you will adopt the resolutions submitted to you.

The Supervisory Board

4.6 Reports of the Statutory Auditors

4.6.1 Statutory auditors' Report prepared in accordance with Article L. 225-235 of the French Commercial Code, on the report prepared by the Chairwoman of the Supervisory Board of CNIM

Year ended December 31, 2016.

In our capacity as Statutory Auditors of Constructions Industrielles de la Méditerranée (CNIM), and in accordance with Article L.225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L.225-68 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-68 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report sets out the other information required by Article L.225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of the accounting and financial information set out in the Chairman's report. These procedures mainly consist of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of accounting and financial information set out in the report prepared by the Chairman of the Supervisory Board in accordance with Article L.225-68 of the French Commercial Code.

Other information

We hereby attest that the Chairman of the Supervisory Board's report sets out the other information required by Article L.225-68 of the French Commercial Code.

Neuilly-sur-Seine, March 9, 2017

The statutory auditors

Deloitte & Associés
Stéphane MENARD

PricewaterhouseCoopers Audit
Édouard DEMARCQ

4.6.2 Attestation of the Statutory Auditors

Attestation of the Statutory Auditors on the information disclosed pursuant to Article L. 225-115 4° of the French Commercial Code (Code de commerce) relating to the total amount of compensation paid to the highest paid individuals for the year ended December 31, 2016

Shareholders' meeting held to approve the financial statements for the year ended December 31, 2016

To the Shareholders,

In our capacity as statutory auditors of your Company and pursuant to Article L. 225-115 4° of the French Commercial Code (Code de commerce), we have prepared this attestation on the information relating to the total amount of compensation paid to the highest paid individuals for the year ended December 31, 2016, appearing in the attached document.

This information was prepared under the responsibility of your Chief Financial Officer. Our role is to attest to this information.

Pursuant to our statutory audit engagement, we audited the annual financial statements of your Company for the year ended December 31, 2016. Our audit was conducted in accordance with professional standards applicable in France, and was planned and performed solely for the purpose of issuing an opinion on the annual financial statements taken as a whole and not on any individual items of the accounts used to determine the total amount of compensation paid to the highest paid individuals. Accordingly, our audit tests and samples were not made with this objective and we do not express any opinion on any components of the accounts taken individually.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) applicable to this engagement. Our examination, which constitutes neither an audit nor a limited review, consisted in performing the necessary reconciliations between the total amount of compensation paid to the highest paid individuals and verifying that the information agrees with the items used to prepare the annual financial statements for the year December 31, 2016.

On the basis of our procedures, we have nothing to report on the consistency of the total amount of compensation paid to the highest paid individuals contained in the attached document and amounting to € 3 936 480 with the accounting records used to prepare the annual financial statements for the year December 31, 2016.

This attestation replaces the certificate of accuracy attesting to the total amount of compensation paid to the highest paid individuals within the meaning of Article L. 225-115 4° of the French Commercial Code.

Neuilly-sur-Seine, March 15, 2017

The Statutory Auditors

Deloitte & Associés

Stéphane MENARD

PricewaterhouseCoopers Audit

Édouard DEMARCO

4.7 Share repurchase program

Please refer to 2.1 1.3 of this registration document.

5 FINANCIAL STATEMENTS

All amounts shown are in thousands of euros, unless otherwise stated.

5.1 Consolidated financial statements at December 31, 2016^(AFR)

5.1.1 Consolidated Balance Sheet

5.1.1.1 ASSETS

(in € thousands)

ASSETS	NOTE	Dec. 31, 2016	Dec. 31, 2015
NON-CURRENT ASSETS			
Intangible assets	12	25,095	24,305
Goodwill	13	45,912	51,874
Property, plant and equipment			
Land		8,604	13,762
Buildings		22,756	21,428
Technical facilities, equipment and tooling		19,698	20,586
Other		6,250	7,438
Assets in progress		5,935	7,641
Property, plant and equipment	14	63,242	70,855
Non-current financial assets			
Financial assets	15	12,852	11,433
Investments in equity-accounted associates	16	46,160	52,419
Non-current financial assets		59,012	63,851
Deferred tax assets	9.C	10,582	16,279
TOTAL NON-CURRENT ASSETS		203,843	227,165
CURRENT ASSETS			
Inventories and work in progress	17	24,476	40,814
Advances and down payments made		6,154	3,820
Trade and other receivables	18	174,273	174,579
Accrued income from contracts in progress	18	46,905	51,630
Other receivables	18	61,800	52,405
Cash	20	183,704	138,402
Prepaid expenses	18	5,198	7,261
TOTAL CURRENT ASSETS		502,509	468,911
TOTAL CONSOLIDATED ASSETS		706,352	696,075

5.1.1.2 EQUITY AND LIABILITIES

(in € thousands)

EQUITY AND LIABILITIES	NOTE	Dec. 31, 2016	Dec. 31, 2015
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		6,056	6,056
Additional paid-in capital		7,237	7,237
Retained earnings		116,239	102,923
Net income for the period		49,742	35,791
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	21	179,274	152,007
Non-controlling interests – Retained earnings		8,160	8,572
Non-controlling interests – Net income/(loss)		(1,660)	(752)
Non-controlling interests		6,500	7,820
NON-CURRENT LIABILITIES			
Borrowings and debt		15,853	16,894
Non-current derivatives		(0)	(0)
Non-current financial liabilities	22	15,853	16,894
Provisions for retirement and other employee benefits	24	30,879	36,226
Non-current provisions	23	36,274	45,530
Deferred tax liabilities	9.C	231	663
NON-CURRENT LIABILITIES		83,237	99,312
CURRENT LIABILITIES			
Advances and down payments received from customers		20,725	10,098
Trade accounts payable	20	118,499	119,474
Social security and tax payables (excl. current inc. tax payable)		64,320	73,303
Current tax liabilities		2,300	5,115
Current financial liabilities	22	10,117	21,207
Current provisions	23	59,384	61,929
Other liabilities		4,109	8,730
Deferred income	19	157,888	137,078
CURRENT LIABILITIES		437,341	436,935
TOTAL CONSOLIDATED EQUITY AND LIABILITIES		706,352	696,075

5.1.2 Consolidated Income Statement

(in € thousands)

	NOTE	2016	2015 (*) Restated	2015 Reported
Revenues	5	539,860	635,879	726,990
Increase in semi-finished and finished goods		(3,719)	183	199
Operating grants		13,673	13,634	14,384
Other operating income		9,597	10,655	11,011
Purchases and change in inventories		(252,450)	(314,111)	(348,819)
Other external expenses		(96,420)	(98,750)	(110,518)
Taxes other than income taxes		(6,594)	(7,775)	(8,623)
Wages and salaries		(119,242)	(116,794)	(141,091)
Social security contributions		(48,051)	(47,126)	(56,906)
Employee profit sharing expense		(311)	(740)	(1,050)
Personnel costs		(167,604)	(164,659)	(199,047)
Depreciation and amortization expense		(16,265)	(15,413)	(16,971)
Change in provisions		9,159	(9,123)	(10,124)
Other operating expenses		(6,996)	(8,456)	(11,363)
Recurring operating income		22,241	42,063	47,118
Non-recurring operating income (expense)	7	(3,154)	(635)	(629)
OPERATING INCOME	5	19,088	41,428	46,489
Share of net income of equity-accounted associates	16	2,572	3,266	3,266
OPERATING INCOME AFTER SHARE OF NET INCOME OF EQUITY-ACCOUNTED ASSOCIATES		21,659	44,695	49,755
Financial income		518	964	1,128
Financial expenses		(540)	(972)	(902)
Cost of net debt	8	(22)	(8)	226
Foreign exchange differences	8	(335)	3,635	3,644
Other financial income (expense)	8	(267)	(956)	(936)
TOTAL FINANCIAL INCOME		(624)	2,671	2,934
PRETAX INCOME		21,035	47,366	52,689
Income tax expense	9	(7,075)	(16,053)	(17,650)
NET INCOME		13,960	31,312	35,039
INCOME FROM DISCONTINUED OPERATIONS	11	34,121	3,727	
TOTAL NET INCOME		48,081	35,039	35,039
Attributable to non-controlling interests		(1,660)	(752)	(752)
Attributable to owners of the parent		49,742	35,791	35,791
Earnings per share attributable to owners of the parent		17.3	12.2	12.2
Earnings per share from continuing operations		4.9	10.7	12.2
Diluted earnings per share attributable to owners of the parent		11.9	1.3	0.0

(*) cf Note 4

5.1.3 Consolidated Statement of Comprehensive Income

(in € thousands)

	2016	2015 Restated
Net income for the period	48,081	35,039
Other comprehensive income items that may not be reclassified to net income (before income tax)		
- Remeasurement of defined benefit liability (asset)	(1,108)	889
Income tax relating to other comprehensive income items that may not be reclassified to net income	(323)	(58)
Other comprehensive income items that may be reclassified to net income (before income tax)		
- Foreign operations – foreign currency translation differences	(5,749)	(5,445)
- Gains (losses) on remeasuring available-for-sale financial assets		
- Effective portion of changes in fair value of cash flow hedging instruments	2,020	(600)
Income tax relating to other comprehensive income items that may be reclassified to net income		
- Gains and losses on remeasuring available-for-sale financial assets		
- Effective portion of changes in fair value of cash flow hedging instruments	(737)	62
Equity-accounted associates – share of other comprehensive income that may be reclassified to net income	412	320
Other comprehensive income items from discontinued operations	634	389
Total comprehensive income for the year	43,230	30,596
Attributable to non-controlling interests	(1,551)	(934)
Attributable to owners of the parent	44,781	31,529

5.1.4 Consolidated Statement of Changes in Equity

(in € thousands)

	Equity attributable to owners of the parent									Non-controlling interests	TOTAL
	Share capital	Additional paid-in capital	AFS revaluation reserve	Hedging reserve	Reserve for retirement benefits	Other reserves	Foreign currency translation reserve	Net income for the year	Total		
At Jan. 1, 2015	6,056	7,237	158	(239)	(9,369)	84,736	6,618	32,420	127,617	(759)	126,858
Appropriation of 2014 net income						32,420		(32,420)	0		0
Dividend distribution						(15,380)			(15,380)	0	(15,380)
2015 net income								35,791	35,791	(752)	35,039
Other comprehensive income				(254)	1,025		(5,032)		(4,261)	(182)	(4,443)
2015 comprehensive income	0	0	0	(254)	1,025	0	(5,032)	35,791	31,529	(934)	30,596
Change in equity interests without loss of control ⁽¹⁾						7,884			7,884	9,863	17,747
Cancellation of treasury share transactions						(18)			(18)		(18)
Other ⁽²⁾						375			375	(350)	25
At Dec. 31, 2015	6,056	7,237	158	(493)	(8,344)	110,017	1,586	35,791	152,007	7,820	159,826
At Jan. 1, 2016	6,056	7,237	158	(493)	(8,344)	110,017	1,586	35,791	152,007	7,820	159,826
Appropriation of 2015 net income						35,791		(35,791)	0		0
Dividend distribution						(16,963)			(16,963)		(16,963)
2016 net income								49,742	49,742	(1,660)	48,081
Other comprehensive income				1,702	(1,552)		(5,111)		(4,961)	109	(4,852)
2016 comprehensive income	0	0	0	1,702	(1,552)	0	(5,111)	49,742	44,781	(1,551)	43,230
Change in consolidation scope ⁽³⁾						(601)			(601)	230	(371)
Cancellation of treasury share transactions						50			50		50
Other									0		0
At Dec. 31, 2016	6,056	7,237	158	1,209	(9,896)	128,294	(3,525)	49,742	179,274	6,500	185,774

(1) Change in SUNCNIM equity interests

(2) IFRIC 21 (attributable to owners of the parent) and obligations to purchase securities held by Saphymo Italia minority shareholders (non-controlling interests)

(3) Change in equity interests of VECSYS and ELLO

5.1.5 Consolidated Statement of Cash Flows

(in € thousands)

	2016	2015 Restated
Net income	48,081	35,039
Less: Net income from discontinued operations	(34,121)	(3,727)
Net income from continuing operations	13,960	31,312
Adjustments for:		
Share of net income of equity-accounted associates	(2,572)	(3,266)
Depreciation, amortization and provisions	13,450	20,827
Gains or losses on disposals	125	305
Net cash from operations before changes in working capital and after cost of debt and income tax	24,963	49,178
Income tax expense	7,075	16,053
Cost of net debt	82	8
Net cash from operations before changes in working capital and before cost of debt and income tax	32,120	65,239
Change in working capital requirements (including personnel expenses)		
Inventories	4,545	1,700
Advances and down payments made	(2,538)	(8,807)
Trade and other receivables	(33,923)	97,620
Advances and down payments received	13,902	(311)
Trade accounts payable and other current operating liabilities	41,661	(94,777)
Total	23,648	(4,574)
Income tax paid (incl. French value-added business tax (CVAE))	(9,105)	(17,981)
Other cash flow from discontinued operations	2,287	9,094
Net cash flow from operating activities (A)	48,950	51,778
Acquisition of companies/operations net of cash acquired (1)	(686)	(4,070)
Disposal of equity interests without loss of control (2)		17,500
Acquisition of property, plant and equipment and intangible assets	(21,265)	(18,355)
Acquisition of financial assets	(698)	0
Disposal of financial assets	503	0
Net change in advances and loans granted	1,451	(1,535)
Disposal of property, plant and equipment and intangible assets	1	24
Dividends received from equity-accounted associates	4,353	3,503
Net cash flow from (used in) discontinued operations	43,013	(702)
Net cash flow from (used in) investing activities (B)	26,672	(3,636)
Dividends paid by the parent company	(16,963)	(15,402)
Proceeds (payments) arising from the sale (purchase) of treasury shares	(77)	(17)
Proceeds from borrowings	2,932	14,089
Repayment of borrowings	(11,181)	(16,528)
Interest paid	(181)	(1)
Other financing transactions	(3,490)	(5,139)
Net cash flow from discontinued operations	59	235
Net cash flow used in financing activities (C)	(28,901)	(22,765)
Effect of movements in exchange rates (D)	(1,997)	5,290
Effect of movements in exchange rates of discontinued activities (E)	(317)	(303)
NET INCREASE IN CASH AND CASH EQUIVALENTS A+B+C+D+E	44,407	30,366
Cash equivalents	20,718	67,274
Cash	162,986	71,127
Cash and cash equivalents	183,704	138,401
Bank overdrafts	(2,357)	(1,460)
Closing cash and cash equivalents	181,348	136,941
Continuing operations	181,348	130,411
Discontinued operations		6,530
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,407	30,364

(1) Impact of increase in ELLO share capital and cash flow due to the change in consolidation method, partial payment of the outstanding amount for the 2016 INVEN acquisition

(2) Equity interests of the SPI investment fund (Bpifrance) contributed to SUNCNIM

5.1.6 Notes to the consolidated financial statements

The notes are an integral part of the consolidated financial statements for the year ended December 31, 2016.

NOTE 1 Basis of preparation and significant accounting policies

A. Applicable standards

The consolidated financial statements cover the 12-month periods ended December 31, 2016 and December 31, 2015.

CNIM's consolidated financial statements for 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union at December 31, 2016. They were approved by the Management Board on March 6, 2017.

CNIM is a limited liability company (*société anonyme*), whose registered office is located at 35, rue de Bassano, Paris, France.

The IFRS framework comprises the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the SIC and IFRIC interpretations that are mandatory for the year ended December 31, 2016.

CNIM's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC and SIC interpretations adopted by the European Union at December 31, 2016. The IFRS can be consulted on the European Commission's website at:

http://ec.europa.eu/internal_market/accounting/ias_en.htm

a. Standards applicable as of January 1, 2016

The consolidated financial statements have been prepared on the same basis as at December 31, 2015 with the exception of the following newly-adopted standards, amendments and interpretations:

- Amendment to IAS 1 - First-time Adoption of International Financial Reporting Standards - on the notes to the financial statements;
- Amendment to IAS 16 - Property, Plant and Equipment - and IAS 38 - Intangible Assets - on depreciation and amortization methods;
- Amendment to IFRS 2 - Share-based Payment
- Amendment to IFRS 8 - Segment Information

The Group's application of the above interpretations and amendments did not have a material impact on the financial statements presented and did not require the restatement of comparative data.

b. New IFRS eligible for early adoption in 2016

CNIM has not adopted early any of the new IFRS or amendments published by the IASB that are not yet effective.

c. New IFRS not yet adopted by the European Union

The consolidated financial statements at December 31, 2016 do not include the effect of the following standards and amendments not yet adopted by the European Union:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 16 – Leases
- Amendment to IAS 7 - Disclosure Initiative
- Amendment to IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses

The Group has begun a preliminary analysis of the effect of IFRS 15 on a selection of standard contracts representing its various activities. The objective for 2017 is to analyze a list of contracts that represent a significant share of revenues, for each Group business activity. This will enable the Group to provide information on the impact of changes in accounting standards in the notes to the financial statements at December 31, 2017. The Group is not considering adopting IFRS 15 early, and when first adopted it will apply the standard on a fully retrospective basis.

The Group measures percentage completion of contracts within the scope of IAS 11 on a cost basis, rather than based on technical milestones.

B. Accounting policies and bases of measurement

a. Consolidation methods

- **Consolidation scope**

The companies over which the Group exercises exclusive control are fully consolidated. Control is presumed to exist when the Group holds more than 50% of the voting rights of the entity and there are no specific agreements or rights granted to another party that materially affect the Group's power to govern the entity's financial and operating policies.

Companies controlled jointly with other investors are accounted for by the equity method. Joint control implies the existence of an agreement whereby strategic decisions require the unanimous approval of all investors.

Entities over which CNIM exercises significant influence are accounted for by the equity method. Significant influence is presumed to exist if the Group holds at least 20% of the voting rights.

Entities are consolidated or deconsolidated from the date on which control is effectively obtained or relinquished.

In accordance with revised IAS 27, from January 1, 2010, additional interests acquired or sold subsequent to a business combination that do not result in control or loss of control over the entity in question are recognized as equity transactions. This also applies to disposals of equity interests without loss of control. Before January 1, 2010, in the absence of specific guidelines under IFRS, the Group recognized the difference between the cost of an acquisition and the carrying amount of the non-controlling interests acquired as goodwill, and the difference between the proceeds of disposal and the carrying amount of the non-controlling interests sold in the income statement.

- **Reporting date**

All the companies have been consolidated on the basis of their financial statements at December 31, 2016.

b. Accounting for business combinations

Business combinations have been accounted for in accordance with IFRS 3, which applies prospectively for accounting periods beginning on or after July 1, 2009.

At the acquisition date, which is the date on which the Company obtains control of the acquiree:

- The identifiable assets acquired and liabilities assumed are measured at fair value (i.e., fair value of the net assets acquired and liabilities assumed);
- The acquisition cost corresponds to the fair value of the consideration transferred by the acquirer – plus, in the case of partial acquisitions, the amount of non-controlling interests acquired and valued either on the basis of the share of net assets acquired (including fair value adjustments) or the overall enterprise value (choice made on a case-by-case basis for each business combination) – and the fair value of any previously-held equity interests;
- Acquisition-related costs (transaction costs) are recognized as expenses in the period in which they are incurred and the services received;
- Contingent consideration is measured at fair value (and re measured subsequently, with any impact recognized in the income statement), even if it is unlikely that an outflow of resources will be required to settle the obligation;
- Goodwill is measured as the difference between the cost of the business combination and the fair value of the net assets acquired and liabilities assumed.

For business combinations achieved in stages, the equity interest held prior to the acquisition of control is re measured at fair value on the date on which control is obtained and the corresponding gain or loss is recognized in the income statement.

Provisional goodwill may be adjusted within 12 months of the acquisition date in order to account for the final estimate of the fair value of net assets acquired and liabilities assumed. After the 12-month period, any adjustments to goodwill are recognized directly in the income statement.

- **Regroupements d'entreprises antérieurs au 1^{er} janvier 2010**

Business combinations prior to January 1, 2010 were recognized as described previously in accordance with revised IFRS 3, with the exception of the following:

- costs directly related to the acquisition were included in the acquisition cost;
- contingent consideration was also recognized as part of the acquisition cost if it was probable that an outflow of resources would be required to settle the obligation, and the obligation could be measured reliably. Any adjustments to contingent consideration after the measurement period impacted goodwill;
- minority interests (non-controlling interests under revised IFRS 3) could only be recognized based on the fair value of the net assets acquired;
- business combinations achieved in stages (step acquisitions) were recognized at cost at the date of each transaction. Gains or losses resulting from the re measurement to fair value of previously-held equity interests were recognized in equity

c. Translation of the financial statements of foreign entities

The Group's financial statements are prepared in euros, which is the functional and presentation currency of the parent company.

The financial statements of subsidiaries whose functional currency is not the euro are translated into euros as follows:

- Assets and liabilities are translated into euros at the exchange rate at the reporting date;
- Income and expenses and items presented in the statement of cash flows are translated at the average exchange rate for the reporting period;
- Foreign currency translation differences arising on (i) differences between the exchange rate at the reporting date for prior and current reporting periods; and (ii) differences between average and reporting-date exchange rates for the current reporting period, are recognized in the foreign currency translation reserve in consolidated equity.

d. Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rates effective at the transaction dates.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into euros at the closing exchange rate. Resulting foreign currency translation gains or losses are recognized in net financial income or expense.

Specific accounting treatment is required for hedging operations that qualify for hedge accounting (including natural hedges). Hedge accounting principles are described below in section s).

e. Property, plant and equipment

Property, plant and equipment is recognized at amortized cost, equivalent to historical or production cost, less accumulated depreciation and impairment.

Borrowing costs directly attributable to the acquisition, construction or production of property, plant and equipment are capitalized.

In accordance with IAS 17, assets financed by a lease contract which, in substance, transfers virtually all risks and rewards incidental to ownership of the asset to the lessee are accounted for as finance leases. At the inception of the lease, they are capitalized in property, plant and equipment with a matching liability in borrowings and debt. The asset is recognized at the lower of the fair value of the leased property and the present value of the minimum future lease payments. Lease payments are broken out into principal and interest expense over the term of the lease in order to obtain a constant periodic rate of interest on the outstanding balance.

Property, plant and equipment is broken out by main component and depreciated on a straight-line basis over the expected useful life of each asset. Assets classified as "civil engineering buildings" are deemed to have a residual value equivalent to 10% of their historical cost.

Assets held under finance leases are depreciated over their expected useful lives if ownership is certain to be transferred to the Group at the end of the lease. Otherwise, they are depreciated over the shorter of their useful life and the lease term.

The main useful lives are:

	Term
Civil engineering buildings	30 years
Building improvements	10 years
Roads	20 years
Equipment and tooling	10 years
Movable equipment (gantry cranes, bridges, cranes)	5-8 years
Small equipment	8 years
Tooling	5 years
Control equipment	8 years
Transport equipment (vehicles)	4 years
Small handling equipment	5 years
Furniture and office equipment	5-10 years
Safety equipment	4 years
IT equipment	2-5 years

f. Intangible assets

Intangible assets are carried at fair value, historical cost or production cost, depending on how they are acquired.

Borrowing costs directly attributable to the acquisition, construction or production of intangible assets are capitalized.

The carrying amount is net of accumulated amortization and impairment.

Intangible assets principally comprise patents, IT software and research and development costs.

- **Research and development costs**

Research and development costs are expensed as incurred.

Development costs:

- that cannot be separated from contracts are not capitalized. They are included in the cost of the contract;
- that can be separated from contracts may be capitalized if they meet the six criteria set out in IAS 38, paragraph 21, and notably the criterion that the expected future economic benefits attributable to the project will flow to the entity.

Intangible assets are amortized on a straight-line basis over their expected useful lives.

The main useful lives are:

- concessions, patents and licenses: 5-10 years;
- software: 3-5 years;
- development costs: 5 years.

The useful lives of concessions, patents and licenses is the shorter of the legal protection period and their economic lives.

g. Goodwill impairment tests

Goodwill is not amortized but is tested for impairment at least once a year or more if events or changes in circumstances indicate that there is a risk of impairment. For impairment testing purposes, goodwill is allocated to Cash-Generating Units (CGUs), defined as the smallest group of identifiable assets that generates cash inflows that are largely independent of the cash inflows of other groups of assets.

A CGU represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

The Bertin Group was restructured into business lines during 2016, which resulted in a change in the CGUs to reflect the Group's internal operating structure (see below).

The Group has identified the following cash-generating units:

- Four CGUs for the Environment operating segment, comprising: “Environment-Construction”, “Environment-Operations”, “CNIM Babcock Services” and “Solar Energy”;
- Four CGUs for the Innovation & Systems operating segment, comprising: “CNIM Industrial Systems”, “Bertin Technologies”, “Bertin IT”, and “Bertin Pharma”;

Impairment testing consists in comparing the recoverable amount of each CGU to which goodwill has been allocated with its carrying amount. The recoverable amount is the higher of value in use, calculated by discounting future cash flows to present value, and fair value, which is calculated using the following method:

- Expected future cash flows from operating activities for the current and subsequent two years, plus projected normative cash flows for years four and five, net of normative income tax;
- The discount rate reflects the weighted average cost of capital per CGU, factoring in the risk-free rate, a market risk premium, a size premium and a premium for the low liquidity of the related shares;
- The discount rate is an after-tax rate and is applied to after-tax cash flows, which results in the same amount as if a pre-tax discount rate were applied to pre-tax operating cash flows, as required under IAS 36;
- The recoverable amount is the sum of the discounted operating cash flows and discounted terminal value, calculated on the basis of normative cash flows representing long-term business activity using a perpetual growth rate.

If the resulting recoverable amount of a CGU is less than its carrying amount, the carrying amount is written down to the recoverable amount and the corresponding impairment loss is recognized immediately in the income statement, first as a reduction in goodwill and subsequently as a reduction in other assets in proportion to their respective carrying amounts.

Goodwill impairment may not be reversed.

h. Non-current financial assets

The accounting principles for recognizing, measuring and presenting financial assets and liabilities are defined by IAS 39 — Financial Instruments: Recognition and Measurement, IAS 32 — Financial Instruments: Presentation and IFRS 7 — Financial Instruments: Disclosures.

Financial assets include available-for-sale financial assets, held-to-maturity investments, financial assets measured at fair value through the income statement, and loans and receivables. Derivatives are classified as financial assets at fair value through profit or loss and guarantee deposits on derivative instruments are recognized as loans and receivables at amortized cost.

- **Available-for-sale financial assets**

Available-for-sale financial assets mainly comprise non-consolidated equity investments and are recognized at fair value.

However, if their fair value cannot be determined reliably and if no impairment risk has been identified, they are recognized at cost.

Changes in fair value are recorded directly in equity unless there is an indication that there is a significant or prolonged decline in fair value, in which case an impairment loss is recognized in the income statement.

An impairment loss is recognized if the enterprise value or equity investment value is less than the carrying amount.

- **Loans and receivables**

These include loans and receivables related to non-consolidated equity investments.

On initial recognition, loans and receivables are measured at fair value plus any directly attributable transaction costs.

At each reporting date, loans and receivables are measured at amortized cost using the effective interest rate method.

An impairment loss is recognized in the income statement when the estimated recoverable amount of the loan or receivable is less than its carrying amount.

i. Inventories and work in progress

Inventories are carried at the lower of cost, measured using the weighted average cost method, and net realizable value.

The carrying amount of work in progress includes all production costs except for selling, general, administrative and financing costs.

The cost of inventories and work in progress is determined based on normal production conditions, excluding the potential impact of subnormal capacity usage.

Net realizable value corresponds to the estimated selling price less costs to sell.

j. Revenues

The Group's revenues comprise two main accounting categories: sales of goods and services, and construction contracts. The description of these activities is provided in Section V.

Revenue is measured at the fair value of the consideration received or receivable.

k. Construction contracts

The main business activities involving construction contracts relate to the environment, and include the construction of waste-to-energy processing plants, flue gas treatment systems, and thermodynamic solar plants.

Revenue and profit on construction contracts in progress are accounted for using the percentage-of-completion method.

Revenue at completion includes the initial contract price plus any modifications, claims and other contractually substantiated adjustments.

Revenue and profit are recognized as costs are incurred, based on percentage of completion and estimated cost at completion.

Profit is only recognized if estimated costs and revenue at completion can be determined reliably.

Stage of completion is determined by measuring the contract costs incurred to date over estimated costs at completion.

A provision is recognized in non-current liabilities for all estimated losses at completion when identified, less any losses already recorded.

On contract completion, any outstanding expenses are provisioned as current liabilities on the balance sheet.

In accordance with IAS 11, construction contracts are presented as follows on the balance sheet:

- Amounts received from the customer, before the related work is performed, are presented in "Advances and down payments received";
- For each construction contract, revenue recognized on a percentage-of-completion basis (less provisions for losses at completion), less progress billings is reported;
 - in assets as "Accrued income from contracts in progress" if the amount is positive;
 - in liabilities under "Deferred income" if the amount is negative.

l. Sales of goods and services

Revenue from the sale of goods and services is recognized when it is probable that future economic benefits will flow to the Group, and these benefits can be measured reliably. Revenue is recognized when the following conditions have been satisfied:

- revenue from sales of goods, when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- revenue from rendering services, by reference to the stage of completion of the service..

The costs relating to sales of goods and services rendered are expensed when the associated revenue is recognized.

m. Government grants

The Group receives financial assistance for its research and development work, mainly in the form of research tax credits.

Research tax credits and similar tax incentives in other countries are recognized as government grants. Research tax credits for eligible capitalized development costs received during the period and recognized as income may be partially deferred to subsequent periods.

n. Other current receivables and payables

On initial recognition, receivables and payables (excluding financial assets and liabilities) are measured at fair value, plus any transaction costs directly attributable to the acquisition or issue of the asset or liability. They are subsequently measured at amortized cost. Fair value corresponds to face value when discounting is not material.

In accordance with IAS 39 – paragraphs 58 and 59, at each reporting date, the Group assesses whether there is any objective indication that a financial asset or group of financial assets are impaired.

If there is an objective indication of impairment, the amount of the loss is calculated as the difference between the carrying amount of the asset(s) and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred), which are discounted at the financial asset's original effective interest rate. An impairment loss is recognized in the income statement when the recoverable amount of the loan or receivable is less than its carrying amount.

o. Cash and cash equivalents

Cash and cash equivalents comprise:

- Cash at bank (bank accounts, petty cash, etc.);
- Investments maturing in less than three months, held for the purpose of meeting short-term cash commitments that are not subject to a significant risk of change in value. Such investments include funds classified as euro money market funds by the French securities market regulator (AMF) with a return approximating capitalized Eonia.

p. Provisions

A provision is recognized when the following conditions are met:

- the Group has a legal or constructive obligation toward a third party resulting from a past event;
- the amount of the obligation can be reliably estimated; and
- it is probable that it will result in an outflow of resources.

Provisions mainly comprise the following:

- provisions for ongoing litigation and disputes established on the basis of the Group's best estimate of the risk of an outflow of resources;
- provisions for guarantees given to customers measured on a statistical basis in view of expenses incurred in the past in similar circumstances;
- provisions for losses at completion;
- provisions for outstanding expenses on completed contracts;
- provisions for defined benefit pension plans.

Provisions for expenses on contracts in progress are classified as current liabilities. Other provisions are recognized as non-current liabilities.

q. Current and deferred tax

The line item "Income tax expense" includes current and deferred income tax payable (or tax credits).

Tax is recognized in the income statement or in equity if it relates to items that are recognized directly in equity.

Deferred tax assets and liabilities are recognized for each entity based on:

- temporary deductible or taxable differences between the carrying amount and tax bases of assets and liabilities;
- tax losses and tax credits carried forward that may be utilized.

Temporary deductible differences, tax loss and tax credit carry-forwards are only recognized as deferred tax assets if it is probable that future taxable profit will be available against which they can be utilized. To assess this probability, the following items are taken into consideration:

- previous tax results;
- forecast tax results;
- proportion of non-recurring expenses included in past tax losses.

In accordance with the liability method, the tax rate used to calculate deferred taxes is the estimated or known rate applicable when the temporary difference is expected to reverse, based on the appropriate tax category.

Deferred tax assets and liabilities are offset when they relate to taxes levied by the same tax authority, i.e., as part of the consolidated tax group, or at entity level if the entity in question is not part of the consolidated tax group.

The CNIM Group classifies French value-added business tax (CVAE) as income tax, in accordance with IAS 12. Consequently, this tax has been presented in "Income tax expense" since January 1, 2010, along with the related deferred tax assets and liabilities.

r. Employee benefits

In compliance with the laws and customs of the countries in which it operates, the Group contributes to pension, early retirement and retirement benefit plans.

For basic social security and other defined contribution plans, the expense for the period corresponds to the contributions paid. As the Group's obligation is limited to the contributions paid in each accounting period, no provisions are recognized for these plans.

For defined benefit plans, the provision is determined as described below and is recognized under "Provisions for retirement and other employee benefits" on the consolidated balance sheet.

The Group uses the projected unit credit method to determine the present value of its benefit obligations. Under this method, each period of service gives rise to an additional unit of benefit entitlement, with each unit measured separately to calculate the final obligation. The calculation factors in assumptions such as life expectancy, employee turnover, the discount rate, future salary increases and return on plan assets.

Qualifying plan assets are measured at fair value at the end of the reporting period and are presented as a deduction from the obligation.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognized as "Other comprehensive income items that may not be reclassified to net income" under reserves in consolidated equity, in accordance with amended IAS 19.

Provisions for long-service awards and other long-term benefits paid during the working lives of employees are determined using actuarial methods comparable to those used to measure pension obligations. They are recognized in "Provisions for retirement and other employee benefits" on the consolidated balance sheet. Actuarial gains and losses arising on provisions for long-service awards are recognized in the income statement.

s. Derivative financial instruments and hedge accounting

The Group uses derivatives to:

- hedge its exposure to risk from fluctuations in exchange rates on firm commitments and highly probable forecast transactions, through currency forward contracts;
- hedge its variable-rate borrowings at fixed rates using interest rate swaps if the Company's exposure to the associated risks is deemed to be material.

Both types of derivatives are cash flow hedges that minimize the impact of changes in future cash flows on net income.

Derivatives are initially recognized at fair value. They are subsequently re measured at fair value at each reporting date, with any changes in fair value recognized in the income statement.

When the derivative instruments qualify for hedge accounting, changes in fair value of the effective portion of the hedge are recognized in equity that may be reclassified to the income statement; while the ineffective portion of the hedge is recognized in the income statement in net financial income or expense. Cash flow hedge reserves are reclassified to the income statement in the period in which the hedged item affects income.

For certain contracts, exchange rate risk may be hedged by matching cash inflows and cash outflows in the same currency (i.e., natural hedging). In such cases, the cash and other net monetary assets allocated to the contract denominated in a given foreign currency and used to finance future expenditure denominated in the same currency, may qualify as foreign currency cash flow hedges. Any foreign exchange gains or losses on the re measurement of these monetary assets at the reporting date exchange rate are recognized in equity and reclassified to the income statement when the hedged items affect income.

t. Treasury shares

Purchases of treasury shares are recorded as a deduction from equity on the basis of their acquisition cost.

Proceeds from the disposal of treasury shares are recognized directly in equity and do not affect net income for the period.

u. Earnings per share

Earnings per share are calculated by dividing net income attributable to the owners of the parent by the weighted average number of shares outstanding in the period.

Diluted earnings per share are obtained by dividing net income attributable to the owners of the parent by the weighted average number of shares outstanding, adjusted for the maximum impact of converting potentially dilutive shares.

v. Segment information

In accordance with IFRS 8, the Group's operating segments are the following:

- **Environment**

This segment includes the following product and service lines:

- construction of waste-to-energy processing plants for household waste and biomass;
- installation of flue gas treatment systems;
- operation and renovation of waste processing plants;
- design and construction of thermodynamic solar plants.
- maintenance and refurbishment of industrial boilers, household waste processing plants, installation and refurbishment of boiler houses, and upgrading to standards through CNIM Babcock Services (CBS).

- **Innovation & Systems**

This segment includes the following product and service lines:

- technological study services and provision of technical expertise on projects (involving high-level engineers);
- provision of services for pharmaceutical research and development and distribution of biotechnology products;
- provision of on-board mechanical and electronic services;
- advanced systems: complex systems, advanced equipment and technology for the defense and space industries and scientific research;
- transport: design, manufacturing, installation and maintenance of heavy and conventional escalators.

Each operating segment manufactures products and provides services with technical, industrial and commercial synergies. The segments are composed of the CGUs described in section g).

The Chairman of the Management Board, who is the chief operating decision maker, analyzes the Group's performance based on information prepared by each operating segment. The other three members of the Board are Chief Operating Officers, each responsible for one of the segments reported.

w. Contingent liabilities

An obligation is a contingent liability if the amount cannot be estimated with sufficient reliability or if it is unlikely that it will give rise to an outflow of resources. Contingent liabilities are not recognized unless they are identified in a business combination as part of the acquiree's identifiable assets and liabilities.

x. Non-current assets held for sale and discontinued operations

At the reporting date, when it is highly probable that non-current assets or groups of related assets and liabilities will be sold, they are designated as non-current assets or groups of assets held for sale. Their disposal is deemed to be highly probable if, at the reporting date, there is a firm plan to actively market the assets for sale at a sales price that is reasonable in relation to their fair value in order to locate a buyer and finalize the sale within one year.

Non-current assets or groups of assets held for sale are presented as separate line items in the financial statements. They cease to be depreciated/amortized and are subsequently measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets or groups of assets intended to be shut down rather than sold constitute non-current assets to be retired and not held for sale.

When non-current assets to be sold, held for sale or retired correspond to one or more segments or geographical regions and are part of a single, coordinated plan, they are classified as discontinued operations and the related cash flows are presented separately in the income statement.

y. Service concession arrangements

IFRIC 12 – Service Concession Arrangements, deals with public service concession arrangements where:

- the grantor controls or regulates the services to be supplied by the operator, determines to whom they should be supplied and at what price;
- the grantor has control over the licensed infrastructure at the end of the agreement.

In exchange for constructing the infrastructure, the operator receives:

- either a financial asset when it is in possession of an unconditional right to receive cash amounts;
- or an intangible asset representing the right to invoice users of the licensed service, when it has no guarantee of the total amount to be received.

The Group entities concerned by IFRIC 12 are the UK companies HWS, DWS and WWS, which have built household waste incineration plants and are remunerated by public authorities (local councils) based on a processing price per metric ton and minimum contractual tonnage.

As these contracts are hybrid, the minimum contractual tonnage component is recognized as a financial asset and the component relating to quantities processed over the minimum tonnage is recognized as an intangible asset.

- adjustments to the financial asset reflect revenue received that reduces the receivable;
- adjustments to the intangible asset reflect straight-line amortization over the concession period.

NOTE 2 Main estimates

The CNIM Group may make estimates and assumptions which affect the carrying amounts of assets and liabilities, income and expenses and information relating to contingent assets and liabilities. Actual future results may differ significantly from these estimates.

The underlying estimates and assumptions are drawn up on the basis of past experience and other factors considered reasonable given the circumstances. They are therefore used as a basis for exercising the judgment necessary for determining asset and liability carrying amounts that cannot be obtained directly from other sources. Actual values may differ from estimated amounts.

The main sources of significant accounting estimates and judgments relate to transactions concerning construction contracts (profit margin at completion), the assessment of the Group's potential exposure to litigation with third parties, estimates of the recoverable amounts of goodwill and the assessment of deferred tax assets arising from tax losses carried forward.

In terms of estimates for construction contracts, profit at completion is forecast and monitored for each contract, with profit recognized on a percentage-of-completion basis in relation to profit at completion.

In terms of litigation, the Group regularly monitors and analyzes main ongoing litigation and recognizes the provisions it deems necessary.

Goodwill is tested for impairment at least once a year using the method described in section B g) of Note 1, and when there is an indication of impairment.

NOTE 3 Consolidation scope

A. Change in consolidation scope

On July 20, 2016, the Group sold the Babcock Wanson subsidiaries (excluding Babcock Wanson Maroc, renamed CNIM Babcock Maroc) (see Note 4).

The share capital of ELLO was increased by incorporating receivables from SUNCNIM and the French Deposit and Consignment Office (Caisse des Dépôts et Consignations). Due to CNIM's 58.8% interest in SUNCNIM, the ownership interest in ELLO decreased from 58.8% to 30%, resulting in a change in consolidation method in 2016 (equity method).

B. Fully consolidated companies at December 31, 2016

COMPANY	HEADQUARTERS	% CONTROL
Environment		
Babcock International	Belgium	100%
CNIM Azerbaijan	Azerbaijan	100%
CNIM Asia Pacific	Hong Kong	100%
CNIM SWIRE	Hong Kong	58%
CNIM CZ Sro	Czech Republic	100%
CNIM ECS	United Kingdom	100%
CNIM Engineers	United Arab Emirates	100%
CNIM Insertion	France	100%
CNIM Netherlands BV	Netherlands	100%
CNIM Netherlands Industrie	Netherlands	100%
CNIM Ouest Armor	France	100%
CNIM Centre France	France	100%
CNIM RUS	Russia	100%
CNIM Saoudi	Saudi Arabia	98%
CNIM Thiverval-Grignon	France	100%
CNIM Terre Atlantique	France	100%

COMPANY	HEADQUARTERS	% CONTROL
Environment		
EKOMZ	Russia	70%
Estrées-Mons Énergie Biomasse	France	85%
LAB	France	100%
LAB GmbH	Germany	100%
LAB Geodur UK	United Kingdom	100%
LAB USA Holding	United States	100%
LAB Washington	United States	100%
MES Environmental	United Kingdom	100%
CNIM La Collette	United Kingdom	100%
CNIM UK	United Kingdom	100%
CEB-Kogeban	France	100%
CNIM Bahrain	Bahrain	100%
Babcock Services	Morocco	100%
Babcock Wanson Holding	France	100%
CNIM Babcock Services	Algeria	100%
SUNCNIM	France	58.8%
AMI Software (Go Albert France)	France	100%
AMI Software (Go Albert Africa)	Morocco	100%
AMI Software (Go Albert UK)	United Kingdom	100%
CNIM Babcock Maroc	Morocco	99.80%
Bertin Corp	United States	100%
Bertin Pharma	France	100%
Bertin Technologies	France	100%
Bertin Vietnam	Vietnam	100%
Bertin IT	France	100%
CNIM Canada	Canada	100%
CNIM KFT	Hungary	100%
CNIM Hong Kong	Hong Kong	99.99%
CNIM Singapore	Singapore	100%
CNIM Transport Equipment	China	100%
CNIM Transport Holding	France	100%
CNIM Transport France	France	100%
Saphymo Italia	Italy	63%
Saphymo GmbH	Germany	100%
Verbalys	France	100%
Vecsys	France	99.3%
Other		
CNIM Industrie	France	100%
9215-7775 Quebec	Canada	100%
SCI du 35 rue de Bassano	France	100%

C. Equity-accounted associates at December 31, 2016

COMPANY	COMPANY	% CONTROL
Environment		
CCUAT	France	49.88%
CSBC	Jersey	50%
Dudley Waste Services Ltd	United Kingdom	33.33%
Hanford Waste Services Holding Ltd	United Kingdom	34.75%
MES SELCHP	United Kingdom	50%
SELCHP	United Kingdom	24.38%
Wolverhampton Waste Services Ltd	United Kingdom	33.33%
ELLO	France	30%
CNIM Development	Luxembourg	50%
Innovation & Systems		
Technoplus Industries	France	34.79%

All equity-accounted associates are jointly controlled, except for Technoplus Industries, over which the Group exercises significant influence.

NOTE 4 Significant events of the period

On July 20, 2016, the Group sold the Babcock Wanson subsidiaries (excluding Babcock Wanson Maroc, renamed CNIM Babcock Maroc) to the French investment fund *Fonds de Consolidation et de Développement des Entreprises* (FCDE). As a result, in accordance with IFRS 5, the businesses sold have been accounted for as discontinued operations, from January 1, 2016 to the sale date.

The income statement, other comprehensive income and statement of cash flow items relating to the discontinued operations have been presented separately in the financial statements for all the reporting periods presented.

In accordance with the provisions of IFRS 5, gains on the disposal of the Babcock Wanson businesses were calculated based on the difference between:

- the total sale price, net of transaction-related costs, and estimated future liabilities,
- and the net assets of the Babcock businesses, as recognized in the consolidated financial statements at June 30, 2016.

On this basis, gains on the disposal of Babcock Wanson businesses amounted to €32,063 thousand after tax, which were recognized in the income statement under “net income from discontinued operations”.

Transaction-related tax expense amounted to €1,014 thousand.

CNIM Babcock Services (CBS), (optimization, maintenance and refurbishment of combustion plants) has been included in the Environment operating segment.

Comparative data have been restated to reflect the inclusion of CBS in the Environment operating segment.

NOTE 5 Segment information*

IFRS segment information reviewed by the Group's chief operating decision maker is presented below.

(in € thousands)

	Environment		Innovation & Systems		Total	
	2016	2015 Restated	2016	2015 Restated	2016	2015 Restated
Revenues	331,551	418,272	208,310	217,607	539,860	635,879
Operating income	12,764	29,927	6,324	11,501	19,088	41,428
Net income from equity-accounted associates	2,572	3,263	0	3	2,572	3,266
Operating income after share of net income of equity-accounted associates	15,336	33,190	6,324	11,504	21,660	44,694

	Environment		Innovation & Systems		Energy		Total	
	Dec. 31, 2016	Dec. 31, 2015 Restated	Dec. 31, 2016	Dec. 31, 2015 Restated	Dec. 31, 2016	Dec. 31, 2015 Restated	Dec. 31, 2016	Dec. 31, 2015 Restated
Intangible assets	9,072	8,191	16,024	15,742		372	25,095	24,305
Goodwill	31,171	31,171	14,741	17,741		2,962	45,912	51,874
Property, plant and equipment	28,300	20,748	34,942	38,956		11,151	63,242	70,855
Non-current financial assets	11,093	9,360	1,759	2,006		67	12,852	11,433

N.B.: The restated Energy segment includes the assets of the Babcock Wanson subsidiaries that were sold. The subsidiaries Babcock Services Maroc, BWH, CB Services, as well as the CBS activity of CNIM SA, have been reclassified in the Environment segment.

	Dec. 31, 2016				Dec. 31, 2015 Restated			
	France	United Kingdom	Rest of the world	Total	France	United Kingdom	Rest of the world	Total
Revenues ⁽¹⁾	244,853	197,688	97,318	539,860	238,297	215,523	182,058	635,879

(1) Geographical breakdown is based on the country in which contracts are performed.

	Dec. 31, 2016				Dec. 31, 2015			
	France	United Kingdom	Rest of the world	Total	France	United Kingdom	Rest of the world	Total
Intangible assets	21,824	163	3,108	25,094	21,002	178	3,125	24,305
Property, plant and equipment	44,825	712	17,706	63,242	46,630	3,279	20,947	70,856
Non-current financial assets	12,153	257	441	12,852	9,909	1,060	463	11,433

(*) The comparative data are shown after the reclassification of the subsidiaries Babcock Wanson Maroc, BWH, CB Services and the CBS activity of CNIM SA, from the Energy segment to the Environment segment.

NOTE 6 Research and development costs

(in € thousands)

	2016	2015
Expensed research and development costs ⁽¹⁾	12,593	10,155
Capitalized research and development expenses ⁽²⁾	11,062	7,217

(1) Including amortization of capitalized development programs

(2) See Note 12

NOTE 7 Non-recurring income (expenses)

(in € thousands)

	2016	2015
Goodwill impairment ⁽¹⁾	(3,000)	
Other	(154)	(629)
Total non-recurring income (expense)	(3,154)	(629)

(1) Impairment of the Bertin IT CGU.

NOTE 8 Financial income (expense)

A. Cost of net debt

(in € thousands)

	2016	2015 Restated
Interest income from cash equivalents	77	97
Other interest and similar income	441	867
Total financial income	518	964
Interest and financial expense	(540)	(972)
Total cost of debt	(540)	(972)
Total cost of net debt	(22)	(8)

B. Other financial income and expense

(in € thousands)

	2016	2015 Restated
Foreign exchange gains	10,122	22,680
Foreign exchange losses	(10,457)	(19,045)
Net foreign exchange gains (losses)⁽¹⁾	(335)	3,635
Other ⁽²⁾	(267)	(956)
Total other financial income and expense	(602)	2,679

(1) As CNIM's subsidiary invoices in euros, foreign exchange gains in 2015 reflected Azerbaijan's decision to change to a floating exchange rate on December 21, 2015,

(2) Equity investment income and allowances/reversals of provisions for impairment of financial assets.

NOTE 9 Income tax expense

A. Breakdown of current/deferred tax

(in € thousands)

	2016	2015
Current tax expense	(5,681)	(16,572)
Deferred tax income (expense)	(1,393)	519
Total	(7,075)	(16,053)

B. Reconciliation of effective and theoretical income tax expense

(in € thousands)

	2016	2015 Restated
Operating income	19,088	41,428
Financial income (expense)	(624)	2,671
Consolidated pretax income	18,463	44,099
Theoretical income tax expense at the tax rate effective in France (34.43%)	(6,357)	(15,183)
Effect of differences in local income tax rates	116	2,370
Impact of tax loss carry-forwards	(3,119)	(1,129)
Taxes not levied on a specific tax base ⁽¹⁾	(1,681)	(2,045)
Research tax credits ⁽²⁾	4,472	4,383
Non-deductible taxes ⁽³⁾	(654)	(722)
Other permanent differences ⁽⁴⁾	148	(3,841)
Other	0	114
Effective income tax expense	(7,075)	(16,053)
Effective income tax rate	38.32%	36.40%

(1) Mainly French value-added business tax (CVAE)

(2) Impact of tax credits recognized in operating income and exempt from tax

(3) Mainly the 3% tax on dividends

(4) Mainly additional tax contributions, eliminated tax on dividends, tax provisions (allowances and reversals)

C. Breakdown of deferred taxes

a. Deferred tax assets

(in € thousands)

	Dec. 31, 2016			Dec. 31, 2015
	< 1 year	> 1 year	TOTAL	TOTAL
Temporary differences between tax and accounting base of assets and liabilities	9,329	430	9,759	9,203
Provisions for retirement benefits	773	7,874	8,647	11,187
Recognition of tax loss carry-forwards	499	435	934	3,291
Other (incl. CVAE)	1,057	770	1,827	1,545
TOTAL	11,658	9,509	21,167	25,226
Reclassification of equity-accounted investments			233	
Impact of offsetting assets/liabilities by entity			(10,818)	(8,947)
TOTAL			10,582	16,279

"Other" mainly includes deferred tax assets relating to finance leases, French value-added business tax (CVAE) and harmonization adjustments.

Tax losses carried forward: Deferred tax assets are recognized for tax losses carried forward when their use in subsequent reporting periods is deemed probable. Potential tax savings from unrecognized tax losses are estimated at €19.4 million.

b. Deferred tax liabilities

(in € thousands)

	< 1 year	> 1 year	TOTAL	TOTAL
Temporary differences between tax and accounting base of assets and liabilities	(561)	0	(561)	(359)
Temporary differences between items recognized on a percentage-of-completion basis and upon contract completion	(61)	(710)	(771)	(1,207)
Elimination of internal margins	(7,294)		(7,294)	(4,857)
Tax-driven provisions	0	(1,527)	(1,527)	(1,876)
Other	(896)		(896)	(1,311)
TOTAL	(8,812)	(2,237)	(11,049)	(9,610)
Impact of offsetting assets/liabilities by entity			10,818	8,947
TOTAL			(231)	(663)

NOTE 10 Earnings per share

Basic earnings per share

(in € thousands)

	2016	2015
Net income attributable to owners of the parent	49,742	35,791
Weighted average number of ordinary shares ⁽¹⁾	2,875,328	2,927,778
Earnings per share	17.30	12.22

Diluted earnings per share

(in € thousands)

	2016	2015
Net income attributable to owners of the parent	49,742	35,791
Weighted average number of ordinary shares ⁽¹⁾	2,875,328	2,927,778
Weighted average number of ordinary shares used to calculate diluted earnings per share	2,875,328	2,927,778
Diluted earnings per share	17.30	12.22

(1) Number of shares excluding treasury shares (see Note 21.E). There are no dilutive equity instruments.

NOTE 11 Consolidated income statement and cash flows from discontinued operations

The contribution of discontinued operations can be analyzed as follows:

(in € thousands)

	2016	2015
Revenues	42,511	91,111
Increase in semi-finished and finished goods	1,002	16
Operating grants	205	750
Other operating income	329	356
Purchases and change in inventories	(15,234)	(34,709)
Other external expenses	(5,450)	(11,768)
Taxes other than income taxes	(567)	(848)
Wages and salaries	(12,721)	(24,297)
Social security contributions	(4,822)	(9,781)
Employee profit sharing expense	0	(310)
Personnel costs	(17,543)	(34,387)
Depreciation and amortization expense	(748)	(1,558)
Change in provisions	85	(1,001)
Other operating expenses	(1,521)	(2,907)
Recurring operating income	3,068	5,054
Non-recurring operating income (expense) ⁽¹⁾	33,071	6
OPERATING INCOME	36,139	5,060
Share of net income of equity-accounted associates	0	0
OPERATING INCOME AFTER SHARE OF NET INCOME OF EQUITY-ACCOUNTED ASSOCIATES	36,139	5,060
Financial income	72	163
Financial expenses	(13)	71
Cost of net debt	59	234
Foreign exchange gains (losses)	(19)	9
Other financial income (expense)	0	20
TOTAL FINANCIAL INCOME	41	263
PRETAX INCOME	36,179	5,323
Income tax expense	(2,058)	(1,596)
TOTAL NET INCOME	34,121	3,727
Attributable to non-controlling interests	0	0
Attributable to owners of the parent	34,121	3,727

(1) Gains on the disposal of discontinued operations

Cash flow from discontinued operations was as follows:

	2016	2015 Restated
Net income for the period	34,121	3,727
Adjustments for:		
Depreciation, amortization and provisions	339	1,687
(Gains) or losses on disposals	(33,077)	51
Net cash from operations before changes in working capital and after cost of debt and income tax	1,383	5,464
Income tax expense	2,058	1,596
Cost of net debt	(59)	(235)
Net cash from operations before changes in working capital and before cost of debt and income tax	3,382	6,826
Change in working capital requirements (including personnel expenses)		
Inventories	(387)	(2)
Advances and down payments made	(105)	(142)
Trade and other receivables	3,380	174
Advances and down payments made	(701)	487
Trade accounts payable and other current operating liabilities	(1,741)	3,526
Total	446	4,042
Income tax paid (incl. French value-added business tax (CVAE))	(1,541)	(1,774)
Net cash flow from operating activities (A)	2,287	9,094
Acquisition of companies/operations, net of cash acquired	43,860	0
Acquisition of property, plant and equipment and intangible assets	(849)	(710)
Net change in advances and loans granted	(2)	7
Disposal of property, plant and equipment and intangible assets	4	1
Net cash flow from (used in) investing activities (B)	43,013	(702)
Interest paid	59	235
Other financing transactions	0	0
Net cash flow from financing activities (C)	59	235
Effect of movements in exchange rates (D)	(317)	(303)
NET INCREASE IN CASH AND CASH EQUIVALENTS A+B+C+D	45,043	8,324

NOTE 12 Intangible assets

	Capitalized development costs	Concessions, patents and licenses	Other intangible assets	Intangible assets in progress	2016	2015
Gross value at Jan. 1	29,987	10,403	22,802	10,000	73,193	48,674
Acquisitions and increases	2,751	383	1,217	2,584	6,935	7,970
Disposals and retirements		(124)		(1)	(125)	(760)
Reclassifications	4,386		402	(4,816)	(28)	178
Change in consolidation scope ⁽¹⁾		(219)	(3,794)		(4,013)	16,997
Foreign currency translation adjustments	0	(79)	(28)	(20)	(127)	134
Gross value at Dec. 31	37,124	10,365	20,599	7,747	75,835	73,193
Accumulated amortization at Jan. 1	22,770	9,259	16,860	0	48,888	32,510
Additions	3,292	203	1,631	408	5,535	4,736
Reversals	0	0	0	0	0	(713)
Reclassifications	0	0	(0)	0	0	0
Change in consolidation scope(1)	0	(200)	(3,395)	0	(3,594)	12,254
Foreign currency translation adjustments	0	(66)	(23)	0	(88)	101
Accumulated amortization at Dec. 31	26,062	9,197	15,074	408	50,740	48,888
Carrying amount at Jan. 1	7,217	1,145	5,942	10,000	24,305	16,164
Carrying amount at Dec. 31	11,062	1,168	5,525	7,339	25,095	24,305
Impairment losses	0	0	0	0	0	0
Reversals of impairment	0	0	0	0	0	0

(1) At December 31, 2016: the change in consolidation scope reflects the sale of the Babcock Wanson subsidiaries; in 2015, the change in consolidation scope related to the Saphymo group and the AMI Software group.

NOTE 13 Goodwill

A. Change in carrying amount

(in € thousands)

	Dec. 31, 2016	Dec. 31, 2015
At January 1 (carrying amount)	51,874	46,872
Increase	0	5,002
Impairment ⁽¹⁾	(3,000)	0
Change in consolidation scope ⁽²⁾	(2,963)	0
At December 31 (carrying amount)	45,912	51,874

(1) Including Bertin IT goodwill impairment

(2) goodwill of the Babcock Wanson subsidiaries

In order to reflect changes in the CNIM Group's organizational structure, the Bertin CGU was divided into three CGUs (Bertin Systèmes et Conseil, Bertin Technologies de l'information, and Bertin Pharma). The results of these activities can now be monitored, following the restructuring of the Bertin Division (takeover of Saphymo by Bertin Technologies and partial contribution of Bertin Technologies' assets to Bertin IT, in order to combine the IT business activities).

Goodwill impairment at December 31, 2016 reflected the goodwill impairment of Bertin IT.

Breakdown by CGU

	Gross	Impairment	Carrying amount
Environment – Construction CGU	31,171	0	31,171
Environment – Operation CGU	0	0	0
CNIM Babcock Services (CBS) CGU	0	0	0
Solar CGU	0	0	0
Environment	31,171	0	31,171
Bertin Technologies CGU	8,198		8,198
Bertin Pharma CGU	4,085	1,000	3,085
Bertin IT CGU	4,158	3,000	1,158
CNIM Industrial Systems (CSI) CGU	2,300	0	2,300
Innovation & Systems	18,741	4,000	14,741
TOTAL	49,912	4,000	45,912

B. Impairment tests

Impairment testing methods and the related assumptions are described in Note 1.B.g).

The main assumptions used for measuring the value in use of each CGU (except for the Bertin CGUs) were as follows:

- weighted average cost of capital of 10%;
- perpetual growth rate of 2%.

For the Bertin Division, the value in use of the Bertin Technologies, Bertin Pharma and Bertin IT CGUs was calculated using a weighted average cost of capital of 10.9 %, 10.4% and 13.3% respectively, as well as a perpetual growth rate of 2%.

An impairment loss of €3 million was recognized for Bertin IT.

For all CGUs (except for the Bertin IT CGU), no impairment of goodwill would be recognized if value in use were calculated using:

- a discount rate increased by one hundred basis points;
- a growth rate reduced by one hundred basis points;
- forecast normative operating income in year five reduced by 5%.

For the Bertin IT CGU, applying one of the above-mentioned assumptions would result in full impairment of net goodwill.

NOTE 14 Property, plant and equipment

(in € thousands)

	Land	Buildings	Technical facilities, equipment and tooling	Other PP&E	PP&E in progress and advances and down payments	2016	2015
Gross value at January 1	14,027	60,960	92,014	31,861	7,641	206,503	202,991
Acquisitions and increases		3,538	5,097	1,643	4,755	15,033	11,096
Disposals and retirements	0	(6)	(769)	(243)		(1,017)	(11,372)
Reclassifications	0	2,351	4,079	(89)	(6,325)	16	(177)
Change in consolidation scope ⁽¹⁾	(5,030)	(11,735)	(19,718)	(2,410)	(90)	(38,983)	2,747
Foreign currency translation adjustments	(122)	(537)	(264)	(55)	(46)	(1,024)	1,219
Gross value at December 31	8,875	54,572	80,439	30,707	5,935	180,528	206,504
Accumulated depreciation at January 1	266	39,532	71,428	24,423	(0)	135,649	132,428
Additions	5	1,789	7,133	2,543	0	11,471	12,255
Reversals	0	(4)	(685)	(201)	0	(889)	(11,115)
Reclassifications	0		155	(155)	0	0	0
Change in consolidation scope	0	(9,258)	(16,795)	(2,108)	0	(28,161)	1,520
Foreign currency translation adjustments	0	(243)	(496)	(45)	0	(783)	561
Accumulated depreciation at December 31	271	31,816	60,741	24,457	(0)	117,286	135,648
Carrying amount at January 1	13,762	21,428	20,586	7,438	7,641	70,855	70,563
Carrying amount at December 31	8,604	22,756	19,698	6,250	5,935	63,242	70,856
Impairment losses	0	0	0	0	0	0	0
Reversals of impairment	0	0	0	0	0	0	0

(1) At December 31, 2016: the change in consolidation scope reflected the sale of the Babcock Wanson subsidiaries; in 2015, the change in consolidation scope related to the Saphymo group and the AMI Software group.

NOTE 15 Non-current financial assets

(in € thousands)

	Dec. 31, 2016	Dec. 31, 2015
Gross value	20,304	18,494
Impairment	(7,453)	(7,061)
Carrying amount	12,852	11,433

	Dec. 31, 2016						Dec. 31, 2015
	Acquisition cost	Impairment	Carrying amount of equity interests	% direct or indirect interest	Current account shareholder advances with indefinite repayment term ⁽¹⁾	Total	Total
SMA	63		63	3%		63	63
Vecsys Research	804		804	20%		804	804
Foster Wheeler Fakop	1,051	161	890	8.41%		890	890
Kogeban	1,867	173	1,694	10.87%	3,072	4,766	3,440
Cogénération Biomasse d'Estrées-Mons	613	613	0	7%	2,281	2,281	3,375
Other	5,841	5,684	157			157	844
Total available-for-sale financial assets	10,237	6,631	3,606		5,353	8,959	9,415
Loans	2,408		2,408			2,408	329
Other non-current financial assets (deposits and guarantees)	1,526	42	1,484			1,484	1,689
Total	14,171	6,673	7,499		5,353	12,852	11,433

(1) amount of the Cogénération Biomasse d'Estrées-Mons current account, net of impairment amounting to €780 thousand.

NOTE 16 Investments in equity-accounted associates

A. Year-on-year change

(in € thousands)

	2016	2015
At January 1	52,419	50,281
Share of net income of equity-accounted associates	2,572	3,266
Foreign currency translation adjustments	(3,877)	1,338
Dividends	(4,353)	(3,503)
Change in consolidation scope ⁽¹⁾	369	0
Reclassifiable reserves ⁽²⁾	446	320
Other ⁽³⁾	(1,416)	(1,283)
SUB-TOTAL	46,160	52,419

(1) Change in consolidation scope - ELLO

(2) Excluding foreign currency translation adjustments

(3) Including change in the CNIM Development participating loan recognized by CNIM Netherlands and reclassification of adjusted internal margin on disposal (ELLO)

B. Revenues – Net income

(in € thousands)

Breakdown of investments in equity-accounted associates	Dec. 31, 2016					Dec. 31, 2015				
	Carrying amount	Revenues (100% interest)	Net income (loss) (100% interest)	% interest	Share of net income (loss)	Carrying amount	Revenues (100% interest)	Net income (loss) (100% interest)	% interest	Share of net income (loss)
CNIM Développement ⁽¹⁾	26,532	0	2,969	50.00%	1,485	32,069	0	3,384	50.00%	1,692
CCUAT	78	0	(11)	49.88%	(5)	216	0	310	49.88%	154
CSBC	6	0	0	50.00%	0	7	0	(5)	50.00%	(2)
DWS	2,869	10,465	233	33.33%	78	3,261	11,939	191	33.33%	64
HWS Holding Ltd	6,141	17,776	(457)	34.75%	(159)	7,219	21,675	(1,409)	34.75%	(490)
MES SELCHP	599	0	(6)	50.00%	(3)	609	0	(9)	50.00%	(5)
SELCHP	1,641	45,656	5,329	24.38%	1,299	1,074	54,015	7,486	24.38%	1,825
Technoplus Industries	4,691	12,877	(255)	34.79%	(89)	4,779	7,044	8	34.79%	3
WWS Ltd	2,713	11,143	(55)	33.33%	(18)	3,185	12,893	77	33.33%	26
ELLO	889	0	(50)	30.00%	(15)					
Total	46,160				2,572	52,419				3,266

(1) Including receivables relating to investments in DWS, HWS, and WWS.

CNIM Development, which manages the investments and subordinated loans of the companies it owns, generated financial income of €2,584 thousand in 2016 and €3,188 thousand in 2015.

Dividends received from CNIM Development in 2016 amounted to €3.6 million.

C. Balance sheet – Debt

(in € thousands)

Breakdown of investments in equity-accounted associates	Dec. 31, 2016			Dec. 31, 2015		
	Carrying amount	Total balance sheet (100% interest)	Debt (100% interest)	Carrying amount	Total balance sheet (100% interest)	Debt (100% interest)
CNIM Développement ⁽¹⁾	26,532	59,770	43,903	32,069	74,191	50,939
CCUAT	78	727	0	216	1,135	0
CSBC	6	1,698	23	7	1,981	27
DUDLEY Waste Services Ltd	2,869	11,129	10,180	3,261	14,297	13,675
HANDFORD Waste Services Holding Ltd	6,141	27,735	19,967	7,219	36,712	27,303
MES SELCHP	599	1,335	0	609	1,557	0
SELCHP	1,641	53,967	31,659	1,074	66,914	41,412
Technoplus Industries	4,691	26,048	3	4,779	25,512	0
Wolverhampton Waste Services Ltd	2,713	11,297	10,889	3,185	14,949	14,646
ELLO	889	24,450	12,066			
Total	46,160			52,419		

(1) Including receivables relating to investments in DWS, HWS, and WWS

NOTE 17 Inventories

(in € thousands)

	Raw materials	Purchased goods	Finished goods	Work in progress	Total
Gross value at Dec. 31, 2015	22,956	2,667	4,311	19,408	49,342
Impairment at Dec. 31, 2015	7,252	355	373	548	8,528
Carrying amount at Dec. 31, 2015	15,704	2,312	3,938	18,859	40,814
Gross value at Dec. 31, 2016	14,688	991	1,610	13,106	30,395
Impairment at Dec. 31, 2016	5,550	207	163	0	5,919
Carrying amount at Dec. 31, 2016	9,138	785	1,446	13,106	24,476

NOTE 18 Trade and other receivables

A. Trade and other receivables

(in € thousands)

Trade and other receivables	Dec. 31, 2016	Dec. 31, 2015
Trade accounts receivable, not yet due	71,932	103,042
Trade accounts receivable past due by:		
less than one month	15,875	16,985
between 1 and 3 months	12,324	11,929
between 3 and 6 months	7,465	5,809
between 6 and 12 months	6,569	5,790
more than 1 year	13,165	9,315
Gross trade accounts receivable	127,331	152,869
Impairment	(6,006)	(11,287)
Net trade accounts receivable	121,324	141,582
Accrued revenue	52,949	32,997
Trade and other receivables	174,273	174,579
Accrued income from contracts in progress	46,905	51,630
SUB-TOTAL	221,178	226,209

Receivables more than six months past due are provisioned, unless there is specific evidence that there is no collection risk (generally, a technical issue to be settled).

B. Other operating receivables

(in € thousands)

Other operating receivables	Dec. 31, 2016	Dec. 31, 2015
Amounts due from personnel	426	474
Amounts due from government and other public authorities	57,239	49,060
Miscellaneous receivables	2,416	2,880
Derivative financial instruments	1,751	427
Impairment of other receivables	(32)	(436)
SUB-TOTAL	61,800	52,404
Prepaid expenses	5,198	7,261
TOTAL RECEIVABLES	288,176	285,875

NOTE 19 Construction contracts

(in € thousands)

At December 31, 2016	Construction contracts	Other	Total
Revenue	310,736	229,124	539,860
Advances and down payments received ⁽¹⁾	10,340	10,385	20,725
Retentions ⁽²⁾	578		578
Accrued income ⁽³⁾	14,328	32,577	46,905
Deferred income ⁽³⁾	122,916	34,972	157,888
Provisions for losses at completion	7,113		7,113

At December 31, 2015 Restated	Construction contracts	Other	Total
Revenue	410,185	225,694	635,879
Advances and down payments received ⁽¹⁾	845	6,589	7,434
Retentions ⁽²⁾	9,666		9,666
Accrued income ⁽³⁾	25,675	25,955	51,630
Deferred income ⁽³⁾	107,066	30,012	137,078
Provisions for losses at completion	9,072		9,072

(1) Down payments received from customers.

(2) Progress billings whose payment is conditional on the performance of contractual conditions.

(3) For incomplete contracts: percentage-of-completion revenue recognized to date less progress billings. The amount is an asset if positive and a liability if negative.

NOTE 20 Financial Instruments

A. Financial assets

(in € thousands)

	Note	Dec. 31, 2016	Dec. 31, 2015
Available-for-sale financial assets	15	8,959	9,415
Loans and receivables at amortized cost			
Other non-current financial assets (deposits and guarantees, loans)	15	3,892	2,018
Trade and other receivables		174,273	174,579
Accrued income from contracts in progress	18	46,905	51,630
Financial assets at fair value through net income			
Cash		162,986	71,127
Cash equivalents		2,718	67,274
Derivatives (forward sales)		1,751	427
Total financial assets		419,484	376,471

B. Cash equivalents

The Group's cash management policy aims to obtain a return on investment slightly above that of the money market, while preserving a high degree of liquidity in terms of assets managed, which are mostly invested in short-term interest rate products with minimal counterparty risk.

The CNIM parent company centralizes cash in euros through a cash pooling system for the Group's French companies in order to optimize management of investments and overdrafts.

C. Financial liabilities

(in € thousands)

	Note	Dec. 31, 2016	Dec. 31, 2015
Borrowings and debt	22	15,853	16,894
Current derivatives (forward sales)		181	89
Trade accounts payable		118,499	119,474
Other current financial liabilities	22	10,117	21,207
Total financial liabilities		144,650	157,664

Except for derivatives recognized at fair value, financial liabilities are measured using the amortized cost method. Other current financial liabilities correspond to overdrafts.

Derivatives comprise forward purchases/sales of foreign currency (primarily sales) and forex swaps.

The Group has classified these derivatives as Level 2 financial assets as there are no observable prices or other market data to determine fair value (identical amounts/terms).

The fair value of the derivatives is estimated using bank measurements or pricing models based on data available at the reporting date.

NOTE 21 Equity

A. Share capital

At December 31, 2016, share capital amounted to €6,056,220 divided into 3,028,110 fully paid shares with a par value of €2. There were no changes over the reporting period.

B. Form of shares

The shares are either registered or bearer shares, at the shareholder's discretion.

C. Voting rights

Registered shares carry double voting rights once they have been held for two years.

At December 31, 2016, there were 2,425,551 registered shares with double voting rights.

D. Crossing of thresholds

The Company's by-laws provide for disclosure when each threshold of 2.5 % of capital and voting rights is crossed.

E. Treasury shares

As part of a share buyback program approved at the Annual General Meeting on May 24, 2016, the Company renewed a liquidity agreement with Exane. Treasury share data for 2016 are presented in the following table:

	CNIM	Exane	Total
Number of shares at January 1, 2016	145,618	6,536	152,154
Number of shares purchased in 2016		20,738	20,738
Average purchase price		93.79	93.79
Number of shares sold in 2016		20,975	20,975
Average sales price		95.12	95.12
Number of treasury shares at December 31, 2016	145,618	6,299	151,917
Weighted average number of treasury shares			152,782
Weighted average number of ordinary shares			2,875,328
Total number of shares			3,028,110

F. Dividends proposed

A dividend of €6.70 per share will be proposed at the Annual General Meeting on June 7, 2017.

A dividend of €5.9 per share, approved at the Combined Annual and Extraordinary General Meeting on May 24, 2016, was paid on July 4, 2016.

NOTE 22 Loans and borrowings

A. Breakdown of current and non-current financial liabilities

(in € thousands)

	Dec. 31, 2016			Dec. 31, 2015		
	Non-current financial liabilities	Current financial liabilities	Total	Non-current financial liabilities	Current financial liabilities	Total
Loan to invest in the Kogeban project company			0	0	534	534
Loan to invest in the Estrées-Mons project company	800	600	1,400	1,400	600	2,000
Loan for the acquisition of Vecsys (Bertin sub-group)	0	0	0	0	125	125
Loan to fund R&D projects in Saphymo France	1,593	427	2,021	1,216	356	1,572
Loan for investments in AMI France	360	20	380	320	80	400
Loan to fund work at SCI Bassano	3,363	1,094	4,457	2,458	542	3,000
Short-term financing CNIM Singapore			0	0	4,540	4,540
Capitalizable advance – ELLO			0	0	649	649
Refundable advances	5,059	789	5,848	5,792	1,392	7,184
Sales of receivables	4,037	4,664	8,701	4,985	7,203	12,188
Adjustments to finance leases, other	640	164	804	723	3,728	4,451
Sub-total	15,853	7,758	23,611	16,894	19,749	36,643
Bank overdrafts and short-term bank loans		2,360	2,360		1,458	1,458
Total	15,853	10,117	25,970	16,894	21,207	38,101

Borrowings and debt due in less than one year are recorded under current financial liabilities.

- The Group took out a 6-year medium-term credit line (multi-currency) of €120 million in December 2014. It had not been drawn down at December 31, 2016.
- The credit line is subject to a covenant calculated based on the consolidated financial statements, limiting the net debt to EBITDA ratio to 2.5. The covenant conditions were met at the reporting date.
- In 2015, the Company took out a fixed-rate €5 million loan, repayable over five years, to finance renovation work at the Group's headquarters (SCI Bassano). €3 million had been drawn down at December 31, 2015. The remaining €2 million were drawn down in 2016.
- The loan to finance renovation work at CNIM's headquarters is subject to the same covenant as the 2014 medium-term credit facility.
- The loan taken out in April 2013 to invest in Estrées Mons is a floating rate loan repayable over five years.
- The loan to invest in Estrées Mons is subject to two six-monthly covenants based on the consolidated financial statements. The covenant conditions were met at the 2016 reporting date as the Group's consolidated net cash position was positive, the net debt to equity ratio was below 0.80 and the net debt to EBITDA ratio was below 2.

B. Breakdown of foreign currencies

(in € thousands)

Borrowings and debt	Dec. 31, 2016			Dec. 31, 2015
	Total	Euros	Foreign currency	
Less than one year	10,117	8,951	1,166	21,207
1-5 years	14,456	14,432	24	16,752
More than 5 years	1,397	1,397		142
TOTAL	25,970	24,781	1,190	38,101

Foreign currency	Equivalent value (in € thousands)	
Moroccan dirhams	MAD	1,166
US dollars	USD	24

NOTE 23 Provisions (excluding retirement and other employee benefit obligations)

(in € thousands)

	Provisions at Dec. 31, 2015	Additions	Reversals (utilizations)	Reversals (surplus)	Foreign currency translation adjustments	Reclassifications	Change in consolidation scope	Provisions at Dec. 31, 2016
Provisions for litigation	8,074	3,429	(1,836)	(632)	1	361	(598)	8,799
Provisions for losses at completion and losses on contracts	9,529	4,975	(4,614)	(22)	(133)	2,039	252	12,026
Other contingency provisions	27,757	5,848	(3,473)	(12,359)	(246)	(486)	(1,708)	15,333
Other liability provisions	169	10	0	0	0	0	(63)	116
Total non-current provisions	45,530	14,262	(9,923)	(13,013)	(378)	1,914	(2,117)	36,274
Provisions for guarantees	27,867	10,697	(7,792)	(9,735)	(21)	0	(1,149)	19,868
Accruals on completed contracts	34,062	23,304	(6,938)	(7,455)	(646)	(1,914)	(897)	39,516
Total current provisions	61,929	34,001	(14,729)	(17,190)	(667)	(1,914)	(2,046)	59,384
Total provisions	107,459	48,263	(24,652)	(30,203)	(1,045)	0	(4,163)	95,658

A. Provisions for losses at completion

When a loss at completion is expected on a construction contract, the loss to date is recognized as an expense based on percentage of completion and the loss beyond percentage of completion is accrued under "Provisions for losses at completion".

B. Other contingency provisions

"Other contingency provisions" mainly include provisions for penalties and customer claims.

C. Provisions for guarantees

Provisions for guarantees are recognized either based on an analysis of expenses incurred in the past on similar projects, or by applying a percentage of the sales price.

As the Group is involved in various business activities, more than one method is used.

For the main business activity generating provisions for guarantees (the construction of new plants in the Environment segment), a rate of 2% of the contract price is applied. This rate was determined based on an analysis of

all guarantee expenses incurred for the business activity as a whole, given the strong technical similarity between contracts. The rate may be increased if a specific problem is identified.

For contracts in the Innovation & Systems segment with highly specific technical characteristics, past expenses on similar contracts were analyzed, resulting in rates ranging from 0.5% to 1.5 % of revenues.

D. Provisions for accruals on completed contracts

When a contract has been completed and accepted by the customer, any outstanding expenses relating to the contract are recorded under "Provisions for accruals on completed contracts".

Provisions for accruals on completed contracts have a very short maturity and are used within 12 months of contract completion.

NOTE 24 Retirement and other employee benefits

(in € thousands)

	Provision at Dec. 31, 2015	Additions	Reversals (utilizations)	Actuarial differences	Reclassifications ⁽¹⁾	Change in consolidation scope	Foreign currency translation adjustments	Provision at Dec. 31, 2016
Provisions for long-service awards	543	0	(79)			(32)		432
Provisions for retirement benefits	35,683	1,762	(953)	1,108	(115)	(6,681)	(356)	30,447
Total	36,226	1,762	(1,033)	1,108	(115)	(6,713)	(356)	30,878

(1) Amount recognized under financial assets.

A. Retirement benefits

a. Overview of Group pension plans

The Group has the following pension plans:

France

- A plan providing for a lump-sum payment upon retirement based on the number of years of service and final salary at retirement.
- A supplementary defined contribution plan for senior executives. Contributions are expensed in the reporting period. As there is no commitment for the Group beyond the contributions made, no provisions are recognized.
- A supplementary defined benefit plan for employees retiring in senior executive positions after 60 years of age. A provision is accrued for the resulting benefit obligation.

United Kingdom

- Employees are members of a defined benefit pension plan.

Morocco

- Employees are entitled to a retirement benefit paid by the employer at retirement.
- Former employees are also covered by a healthcare insurance policy.

(in € thousands)

	Dec. 31, 2016				Dec. 31, 2015
	France	United Kingdom	Other	Total	Total
The amounts recognized in the balance sheet are determined as follows					
Value of obligation	31,055	4,814	335	36,205	52,079
Fair value of plan assets	(996)	(4,762)		(5,758)	(16,524)
Liability recognized at reporting date	30,059	53	335	30,447	35,683
Asset recognized at reporting date					128
Changes in obligations over the reporting period relating to defined benefit plans are detailed below:					
Value of the obligation at the beginning of the reporting period	31,683	18,567	1,828	52,078	49,175
Change in consolidation scope(1)	(2,923)	(12,718)	(1,464)	(17,106)	1,426
Foreign currency translation adjustments	0	(2,148)	(324)	(2,471)	1,223
Current service costs	2,567	84	228	2,879	2,818
Interest cost	618	143	15	776	1,324
Tax	(120)		0	(120)	(120)
Employee contributions		17	0	17	49
Benefits paid	(1,295)	(85)	(240)	(1,621)	(3,636)
Actuarial gains and losses	525	955	293	1,773	(180)
Value of the obligation at reporting date	31,055	4,814	335	36,205	52,079
Changes in plan assets over reporting period					
Value of plan assets at beginning of reporting period	505	16,019	0	16,524	15,025
Foreign currency translation adjustments	0	(1,880)	0	(1,880)	919
Change in consolidation scope		(10,320)		(10,320)	
Expected return on plan assets	(9)	156	0	147	542
Employer contributions	500	443	0	943	1,100
Employee contributions	0	0	0	0	50
Plan settlements/benefits paid	0	(85)	0	(85)	(814)
Administrative costs		0	0	0	(83)
Actuarial gains and losses	0	430	0	430	(215)
Value of plan assets at reporting date	996	4,762	0	5,758	16,524
Components of pension expense:					
Current service cost	2,570	84	228	2,882	2,818
Interest cost	618	143	15	776	1,324
Return on plan assets	9	(156)	0	(147)	(542)
Administrative costs	0	0	0	0	(166)
Settlement effects	0	0	0	0	0
Expense for the period	3,197	71	243	3,510	3,434

(1) The change in consolidation scope related to Saphymo France and AMI France in 2015, and the deconsolidation of the Babcock Wanson subsidiaries in 2016.

The average weighted term of the obligation is 12 years.

The Company estimates that it will pay €0.5 million in retirement benefits in 2017.

In France, defined benefit contributions for 2017 are estimated at €3.5 million.

b. Actuarial assumptions

The main assumptions used to calculate the provisions for Group pension plans are as follows:

	Dec. 31, 2016		Dec. 31, 2015	
	France	United Kingdom	France	United Kingdom
Discount rate	1.50%	2.50%	2.00%	3.70%
Future salary increase rate	3.00%	3.35%	3.00%	1.40%
Inflation rate	2.00%	RPI: 3.35%	2.00%	RPI: 3.10%
		CPI: 2.15%		CPI: 1.90%
Mortality table	INSEE TGH05-TGF05 table	S2PXA, CMI_2015	INSEE TGH05-TGF05 table	90% of S1PXA, CMI_2012

c. Breakdown of plan assets

The main asset categories and expected returns are as follows:

	Dec. 31, 2016	Dec. 31, 2015
Equities	73%	65%
Bonds	3%	14%
Government bonds	0%	16%
Other (including liquid assets)	24%	4%
Total	100%	100%

The allocation of assets only concerns the United Kingdom.

d. Sensitivity of the retirement obligation to changes in discount rate

An overall 0.25% increase in the discount rate would lower the retirement obligation by 2.7% in France and 4% in the United Kingdom.

B. Obligations for long-service awards

The Group's French companies pay a bonus when granting long-service awards. The bonus is based on the number of years of service in the company. The provision at December 31, 2016 amounted to €432 thousand.

The provision for long-service awards at December 31, 2016 was calculated using actuarial methods based on assumptions regarding the age of employees when they are granted the long-service bonuses, mortality (INSEE table TGH-TGF 2005), the number of years of service and personnel turnover. An inflation rate of 1.5% and discount rate of 2% (including inflation) were used.

NOTE 25 Leases

A. Finance leases

Non-current assets held under finance leases that are similar to a purchase combined with a loan are recognized as assets.

The amounts relating to finance lease arrangements were as follows:

(in € thousands)

	Dec. 31, 2016	Dec. 31, 2015
Gross value	6,101	9,102
Depreciation/amortization	(5,140)	(7,701)
Carrying amount	960	1,401
Lease payments	116	117
Interest expense	(7)	(11)
Depreciation and amortization expense	(137)	(299)
Net impact	(28)	(193)

Dec. 31, 2016	Lease payments for the period	Liabilities	< 1 year	1-5 years	More than 5 years
Property, plant and equipment	116	374	113	261	0
TOTAL	116	374	113	261	0

Dec. 31, 2015	Lease payments for the period	Liabilities	< 1 year	1-5 years	More than 5 years
Property, plant and equipment	117	482	109	373	0
TOTAL	117	482	109	373	0

B. Operating leases

(in € thousands)

Dec. 31, 2016	Lease payments for the period	Minimum future lease payments	< 1 year	1-5 years	More than 5 years
Property, plant and equipment					
Buildings	2,334	6,204	1,710	4,494	0
Equipment and tooling	0	0	0	0	0
IT equipment	0	0	0	0	0
Transport equipment	336	550	303	248	0
Furniture and office equipment	349	215	144	71	0
TOTAL	3,020	6,970	2,157	4,813	0

Dec. 31, 2015	Lease payments for the period	Minimum future lease payments	< 1 year	1-5 years	More than 5 years
Property, plant and equipment					
Buildings	2,69	6,122	1,874	4,247	0
Equipment and tooling	176	588	244	344	0
IT equipment	0	40	16	24	0
Transport equipment	1,298	2,007	938	1,069	0
Furniture and office equipment	304	360	187	173	0
TOTAL	4,469	9,117	3,26	5,857	0

NOTE 26 Off-balance sheet commitments

(in € thousands)

	Dec. 31, 2016	Dec. 31, 2015
Commitments given:		
Contract bank guarantees	350,125	330,439
Commitments received:		
Bonds received from suppliers	145,390	129,220

In connection with the sale of the Babcock Wanson sub-group, a liability guarantee for future asbestos-related litigation was granted to the French investment fund *Fonds de Consolidation et de Développement des Entreprises* (FCDE).

NOTE 27 Contingent liabilities

There were no material contingent liabilities at December 31, 2016.

NOTE 28 Related parties

(in € thousands)

	Dec. 31, 2016	Dec. 31, 2015
1) Sales of goods and services		
* Equity-accounted associates	23,659	28,237
2) Purchases of goods and services		
* Equity-accounted associates	2,779	3,336
3) Purchases of goods and services		
§ Amounts due from related parties:		
* Equity-accounted associates	3,118	2,146
§ Amounts due to related parties:		
* Equity-accounted associates	432	355
4) Loans granted		
* Equity-accounted associates	26,734	34,255

5) Senior management	Management bodies			
	2016		2015	
	Management Board	Supervisory Board	Management Board	Supervisory Board
Financial commitments	-	-	-	-
Retirement benefit commitments	7,370	-	6,968	-
Advances and loans granted	-	-	-	-
Short-term benefits	3,139	642	2,610	696

All managers with senior executive status over 60 years of age are entitled to a supplementary defined benefit pension plan.

Senior executives do not have any stock options.

Transactions with related parties were carried out under normal market conditions.

A. Financial risk

a. Foreign exchange risk

- **Operational foreign exchange risk**

Exposure

Foreign exchange risk on tender offers corresponds to the financial risk borne by Group companies when tendering in currencies other than their functional currency. Although this risk arises when the bid is submitted and persists throughout its validity period, it only materializes when the offer is accepted and forms the basis of a contract. The risk becomes real (or certain) when the contract is signed.

Risk mitigation

In compliance with the Group's operating risk management policy with regard to transactional foreign exchange risk in the tendering and contract phases:

The Group carries out a comprehensive analysis of foreign exchange risk for each project during the tendering phase, taking into account forecast cash inflows and outflows in each currency.

All commercial efforts are made to hedge the amounts naturally by balancing out forecast receipts and disbursements by foreign currency.

Where there is residual foreign exchange exposure during the tender phase, any hedging based on the estimated probability of winning the tender and market conditions is carried out using specific export insurance policies (with insurers such as Coface), or by using derivative instruments in the form of options.

For each contract booked, the residual foreign exchange exposure is hedged using forward contracts determined on a currency by currency basis. These derivatives are used to hedge highly probable or certain future cash flows.

Group companies' foreign currency hedges are contracted by the Group Financing and Treasury Department, under the responsibility of the Group Chief Financial Officer, based on forecast foreign currency receipts and disbursements on completion as reported by the project manager or finance director of the subsidiary or division concerned.

During the entire execution phase of each contract, residual foreign exchange exposures are monitored individually and the hedging portfolio is adjusted accordingly, in compliance with the Group's internal procedures.

- **Financial foreign exchange risk**

At December 31, 2016, no external borrowings had been contracted by Group companies in currencies other than the functional currency of the entity concerned.

- **Foreign exchange risk - net investments in foreign operations**

Foreign exchange risk related to net investments in foreign operations corresponds to the balance sheet translation risk arising in consolidated subsidiaries whose functional currency is different from that of the parent company.

As the majority of the consolidated entities' functional currency is the euro, the Group still has low exposure to this risk.

Consequently, the Group has no hedges for net investments in foreign operations.

b. Interest rate risk

- **Debt**

Variable-rate loans that are not certain to be drawn down are not hedged.

At December 31, 2016, the amount of variable-rate debt not hedged by interest rate swaps converting variable to fixed rates of interest was not material (see Note 22.B).

- **Cash and cash equivalents**

The Group's cash management policy aims to obtain a return on investment slightly above that of the money market, while preserving a high degree of liquidity in terms of assets managed, which are mostly invested in short-term interest rate products.

B. Counterparty risk

a. Exposure

Counterparty risk is the risk of losses that the Group may bear in the event that a counterparty defaults on its contractual obligations.

The Group is exposed to counterparty risk:

- In its ordinary operations;
- risk relating to trade receivables from customers;
- risk related to partners, sub-contractors and suppliers;
- in its investment and hedging activities.

The concentration of the customer portfolio is affected by the percentage of completion of the Group's main contracts and therefore changes from year to year.

b. Risk mitigation

- **Credit risk relating to trade receivables**

According to the assessment of geopolitical risk, turnkey contracts performed for public entities may be guaranteed to cover:

- the risk of the contract being terminated after acceptance of the order and before delivery (pre-shipment/manufacturing risk);
- the risk of non-payment of outstanding amounts due once the contract has been delivered (post-shipment risk);
- the risk of the unfair calling of market bonds.

In the case of private sector contracts:

prior to signing contracts, the Group analyzes credit risk, notably by consulting information from companies specialized in providing commercial data for contracting purposes. Non-payment risk is mitigated by:

- the negotiation of appropriate payment forms, i.e., standby letters of credit and/or documentary letters of credit;
- the negotiation of payment terms;
- obtaining guarantees from the customer's parent company.

Some Group subsidiaries have traditional credit insurance contracts that insure against losses arising from the non-payment of trade receivables.

Trade receivables that are past due are followed up systematically and progressively based on their due dates and the aged trial balance.

- **Counterparty risk relating to partners, sub-contractors and suppliers**

CNIM performs a risk analysis during the process of selecting partners, sub-contractors and suppliers, the results of which may lead to:

- a refusal to contract with a given partner, sub-contractor or supplier;
- a request for the third party concerned to provide bank guarantees;
- an adjustment of the payment terms in line with the risks borne.

Despite this process, the technical failure or financial default of a partner, sub-contractor or supplier could occur, resulting in additional obligations that may have an impact on the Group's earnings.

- **Counterparty risk relating to investment and hedging activities**

The Group is exposed to counterparty risk on its cash investments and the derivative financial instruments used to hedge foreign exchange and interest rate risk. In the case of derivative financial instruments, counterparty risk corresponds to the fair value of the instruments contracted with a counterparty, where the fair value is positive.

The Group mitigates counterparty risk by systematically restricting the choice of banking counterparties to leading banks and financial institutions.

C. Liquidity risk

Liquidity risk is the risk that the Group will have insufficient financial resources to meet its obligations.

The Group has carried out a specific review of its liquidity risk and believes that it is able to meet its future obligations as they fall due.

Accordingly, the Group deems that it is not significantly exposed to liquidity risk. At December 31, 2016:

- consolidated net cash (cash and cash equivalents less net debt) totaled €157.7 million compared with €100.3 million at December 31, 2015;
- the Group had a €120 million medium-term credit facility that had not been drawn down at December 31, 2016. With cash and cash equivalents of €183.7 million, the Group's liquid resources totaled €303.7 million at December 31, 2016, compared with €258.4 million at December 31, 2015;
- as mentioned in Note 22.A, the above-mentioned medium-term credit facility is subject to a default clause (financial covenant) based on the consolidated financial statements. The Group was in compliance with the covenant at the reporting date.

NOTE 30 Statutory auditors' fees

(in € thousands)

	Deloitte				PWC			
	2016 Amount	%	2015 Amount	%	2016 Amount	%	2015 Amount	%
<u>Audit:</u>								
• Statutory audit, certification, review of parent company and consolidated financial statements:								
CNIM	162	38%	162	32%	162	38%	162	41%
Consolidated subsidiaries	247	57%	291	58%	188	44%	229	58%
Total	409	95%	453	90%	350	83%	391	98%
• Other engagements and services directly related to the statutory audit engagement:								
CNIM	3	1%		0%	2	0%	2	1%
Consolidated subsidiaries	19	4%	23	5%	69	16%	0	0%
Total	22	5%	23	5%	71	17%	2	1%
Total Audit	431	100%	476	94%	421	99%	393	99%
<u>Other engagements and services:</u>								
• Legal, tax, payroll-related services		0%	30	6%	3	1%	4	1%
Total other services	0	0%	30	6%	3	1%	4	1%
Total	431	100%	506	100%	424	100%	397	100%

NOTE 31 Subsequent events

None.

5.2 Parent company financial statements at December 31, 2016^(AFR)

5.2.1 Balance sheet

5.2.1.1 ASSETS

(in € thousands)

	Notes	Dec. 31, 2016			NET Dec. 31, 2015
		GROSS	Acc. depr., amort. & prov.	NET	
NON-CURRENT ASSETS					
Intangible assets	4	46,958	17,852	29,106	28,905
Land		2,878	271	2,607	2,612
Buildings		31,514	22,461	9,053	9,886
Technical facilities, equipment and tooling		45,983	38,407	7,576	11,742
Other		11,809	9,510	2,299	2,764
Assets in progress		2,845		2,845	504
Property, plant and equipment	5	95,029	70,650	24,379	27,509
Non-current financial assets					
Non-consolidated equity investments		153,152	44,950	108,203	117,360
Receivables related to equity investments		20,626	4,147	16,479	13,763
Other non-current financial assets		23,035	6,633	16,402	15,020
Non-current financial assets	6	196,813	55,730	141,083	146,144
Total non-current assets		338,800	144,232	194,568	202,557
Inventories and work in progress		11,412	4,109	7,303	11,983
Advances and down payments made on orders		2,379	15	2,364	628
Operating receivables					
Trade and other receivables	7	130,365	2,847	127,518	100,169
Other receivables	7	141,381	29,965	111,416	109,952
Marketable securities	8	21,162		21,162	67,231
Cash		133,274		133,274	17,598
Prepaid expenses	9	17,548		17,548	18,206
Total current assets		457,520	36,937	420,584	325,766
Expenses to be allocated to future reporting periods	9	862		862	1,038
Unrealized foreign exchange losses	15	161		161	708
TOTAL		797,343	181,169	616,175	530,069

5.2.1.2 EQUITY AND LIABILITIES

(in € thousands)

EQUITY AND LIABILITIES	Notes	Dec. 31, 2016	Dec. 31, 2015
Equity			
Share capital		6,056	6,056
Additional paid-in capital		7,237	7,237
Legal reserve		606	606
Retained earnings		66,002	31,223
Net income for the period		19,214	51,742
Tax-driven provisions	11	4,869	5,957
Equity	10	103,984	102,822
Provisions for contingencies and liabilities	12	56,922	54,167
Borrowings and debt			
Bank borrowings and debt	13	5,922	8,438
Other borrowings and debt	13	212,169	154,307
Total borrowings and debt		218,092	162,745
Advances and down payments received		10,340	844
Operating liabilities			
Trade accounts payable	13	88,738	73,759
Social security and tax payables	13	40,554	40,348
Total operating liabilities		129,292	114,107
Other liabilities	13	829	2,218
Total liabilities		140,461	117,169
Deferred income	14	95,855	91,005
Unrealized exchange gains	14	861	2,161
TOTAL		616,175	530,069

5.2.2 Income Statement

(in € thousands)

	Notes	2016	2015
OPERATING INCOME			
Revenues	17	319,832	384,717
Capitalized production		206	1,313
Increase in semi-finished and finished goods		(4,967)	(2,786)
Operating grants		314	(17)
Reversal of depreciation, amortization and provisions		26,361	39,537
Expense transfers	17	6,743	5,036
Other operating income		361	1,001
TOTAL OPERATING INCOME		348,849	428,802
OPERATING EXPENSES			
Purchases and change in inventories		(168,007)	(224,464)
Other external expenses		(50,023)	(52,005)
Taxes other than income taxes		(5,645)	(7,022)
Personnel expenses			
Wages and salaries		(56,007)	(56,619)
Social security contributions		(24,685)	(24,189)
Depreciation and amortization expense		(8,278)	(8,652)
Change in provisions		(27,326)	(34,751)
Other operating expenses		(4,962)	(7,687)
TOTAL OPERATING EXPENSES		(344,931)	(415,388)
OPERATING INCOME		3,918	13,413
FINANCIAL INCOME			
Income from marketable securities		202	157
Income from loans and receivables and other financial income		1,454	1,628
Reversals of provisions and expense transfers		2,348	1,511
Foreign exchange gains		6,956	790
Income from equity investments		16,550	36,780
TOTAL FINANCIAL INCOME		27,510	40,865
FINANCIAL EXPENSE			
Amortization allowances and provisions for financial items		(7,827)	(4,653)
Interest and financial expense		(944)	(935)
Foreign exchange losses		(7,035)	(1,745)
TOTAL FINANCIAL EXPENSE		(15,806)	(7,333)
NET FINANCIAL INCOME	18	11,704	33,533
PRETAX INCOME			
Non-recurring income		59,445	2,357
Non-recurring expenses		(61,503)	(1,419)
NON-RECURRING INCOME, NET	19	(2,058)	938
Employee profit sharing expense		23	(205)
Income tax	20	5,627	4,063
NET INCOME		19,214	51,742

5.2.3 Statement of Cash Flows

(in € thousands)

	2016	2015
Net income	19,214	51,742
Adjustments for		
Depreciation, amortization and provisions	10,317	3,723
Gains or losses on disposals	303	251
Net cash from operations	29,834	55,717
Inventories and work in progress	4,680	2,818
Advances and down payments made	(1,736)	2,104
Change in trade and other receivables	(2,349)	98,171
Other receivables and adjustment accounts	(5,210)	5,769
Advances and down payments received	9,496	(4,063)
Change in operating liabilities	27,096	(103,832)
Change in other liabilities	(5,151)	(13,526)
Change in working capital	1,826	(12,559)
Net cash flow from operating activities (A)	31,660	43,158
Acquisition of non-current assets	(58,283)	(10,406)
Change in loans to subsidiaries	524	231
Disposal of non-current assets	56,801	3
Impact of restructuring (capital increase)	0	(6,089)
Net cash flow used in investing activities (B)	(958)	(16,262)
Dividends paid	(16,963)	(15,488)
Proceeds from borrowings	2,200	6,860
Repayment of borrowings	(3,895)	(8,692)
Change from use of BPI funding	(3,332)	8,756
Disposal (acquisition) of treasury shares	0	(1,685)
Net cash flow used in financing activities (C)	(21,990)	(10,250)
NET INCREASE IN CASH AND CASH EQUIVALENTS A+B+C	8,713	16,647
Closing cash and cash equivalents		
Marketable securities and treasury shares	21,162	67,231
Cash	133,274	17,598
Bank overdrafts	(65)	(686)
Current accounts with subsidiaries	(108,563)	(47,048)
	45,808	37,095
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,713	37,095

5.2.4 Notes to the parent company financial statements

NOTE 1 Consolidation scope

CNIM SA is the parent company of the CNIM Group.

NOTE 2 Accounting policies and methods

The financial statements for the year ended December 31, 2016 have been prepared and presented in accordance with French generally accepted accounting principles and the provisions of Regulation 2014-03 of June 5, 2014 of the French accounting standards board on the new Chart of Accounts. They also comply with the principle of prudence, and have been prepared on an accrual basis, assuming that the company is a going concern. Items have been recorded in the accounts on the basis of the historical cost method.

A. Intangible assets and Property, plant and equipment

Intangible assets are recognized at acquisition cost.

a. Business goodwill and accounting loss recognized for business combinations

Following the July 2015 amendment of the French Commercial Code, to transpose the 2013 European Union Accounting Directive into French law, the French accounting standards board (ANC) issued Regulation 2015-06 and an accompanying information note in order to:

- set forth the requirements relating to goodwill amortization and impairment in the parent company's financial statements;
- change the accounting treatment for business combination accounting loss in the parent company's financial statements.

These new rules are mandatory for accounting periods beginning on or after January 1, 2016.

Consequently, goodwill can be allocated:

- to a group of assets, if it is only attributable to the group of assets and no synergies are expected from other groups of assets;
- to several groups of assets, if it can be allocated on a reasonable, consistent and permanent basis;
- to a combined group of asset groups, if cannot be allocated on a reasonable, consistent and permanent basis among asset groups.

Goodwill that is not amortized is tested for impairment on an annual basis.

- When unamortized goodwill is allocated to a group of assets, it is tested for impairment at each asset group level.
- When goodwill can only be allocated to a combined group of asset groups: initially, each asset group to which goodwill is allocated is tested; subsequently, an impairment test is performed on the combined group of asset groups to which goodwill is allocated.

An impairment loss is recognized for each group of assets or combined group of asset groups if the carrying amount of the group exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use, calculated using the discounted cash flow method.

b. Intangible assets

	Term
Capitalized R&D costs	5 years
Concessions, patents, licenses	5-10 years
Software	3 years

Concessions, patents and licenses are amortized over a period that is shorter than their legal protection period.

c. Property, plant and equipment

- **Measurement**

Property, plant and equipment is recognized at acquisition cost. Property, plant and equipment acquired in foreign currency is converted into euros based on the exchange rate effective at the transaction date. In accordance with the component approach, the Company uses different depreciation periods for each major component of an asset whenever the useful life of a component differs from that of the main asset to which it relates.

- **Depreciation**

Depreciation is calculated using the straight-line method based on the assets' useful lives as indicated below.

The Company uses the following useful lives for depreciation purposes:

Depreciation periods

	Useful life		Useful life
Civil engineering buildings ⁽¹⁾	30 years	Control equipment	8 years
Building improvements	10 years	Transport equipment (vehicles)	4 years
Roads	20 years	Small handling equipment	4 years
Equipment and tooling	10 years	Furniture and office equipment	5-10 years
Movable equipment (gantry cranes, bridges, cranes)	5-10 years	Safety equipment	4 years
Small equipment	8 years	IT equipment	2-5 years
Tooling	5 years		

(1) Residual value: 10% of gross value.

B. Non-current financial assets

Non-current financial assets are carried at their acquisition cost, excluding ancillary expenses.

a. Equity investments

Equity investments and other non-current financial assets are estimated at their value in use, which is assessed based on management's most recent profitability forecasts, the Company's share of the net assets, and the revalued net assets at the reporting date. If their value in use exceeds their carrying amount, the latter is not modified. However, if their carrying amount exceeds their value in use, an impairment provision is recognized. When net equity is negative and CNIM SA has undertaken to provide financial support to the subsidiary, a provision equal to the share of net equity is recorded.

b. Receivables relating to equity investments

Receivables relating to equity investments are recognized on the balance sheet at their historical cost. An allowance is recognized for impairment when there is collection risk.

c. Portfolio investments

Portfolio investments are recognized on the balance sheet at their acquisition cost. They may be impaired based on their net asset value and business outlook.

C. Measurement of inventories and work in progress

a. Inventories

Inventories are carried at their weighted average cost. An impairment loss is recognized when their carrying amount exceeds their estimated net realizable value or when the Company believes that it may not be able to use part of the inventories.

b. Work in progress

The carrying amount of work in progress includes all components of their cost except for selling, general, administrative and finance costs, which are expensed as incurred.

D. Construction contracts

Revenue and profit on construction contracts in progress are accounted for using the percentage-of-completion method.

Revenue is recognized on the basis of percentage completion, which is calculated using the latest estimate of the total contract price multiplied by the actual stage of completion of the contract.

Stage of completion is determined by measuring the contract costs incurred to date over estimated costs at completion.

When contract margins are expected to be negative, a provision for loss at completion is recorded in non-current liabilities.

On contract completion, only outstanding expenses remain on the balance sheet, as a provision in current liabilities.

Amounts received before construction contract work is performed are presented in "Advances and down payments received".

Costs incurred, plus profit recognized less progress billings is calculated. If the net amount is positive, it corresponds to amounts due from the customer and is reported in the line item "Trade and other receivables". If the amount is negative, it reflects amounts due to the customer and is reported in the line item "Deferred income".

For purposes of consistency with the consolidated financial statements, advances and down payments received from customers for work performed have been netted against amounts due from customers, which are recognized in assets.

E. Receivables and payables

Receivables and payables are carried at their nominal amount.

Doubtful receivables are written down, as appropriate, based on collection risk.

F. Marketable securities

Marketable securities are recorded at cost. Their fair value is determined based on their average price in the last month of the reporting period for publicly traded securities, the most recent known purchase price for money market funds, and the most recent net asset value for securities held in mutual funds. A provision for impairment is recognized for unrealized losses; unrealized gains are not recognized.

Accrued interest is recognized only if it can be identified (i.e., on fixed rate treasury bonds, certificates of deposit or term accounts).

G. Provisions for contingencies and liabilities

Ces postes comprennent principalement :

a. Provisions for contingencies

- 1) provisions for ongoing litigation and disputes established on the basis of the Group's best estimate of the risk borne;
- 2) provisions for guarantees given to customers are recognized either based on a statistical analysis of expenses incurred in the past on similar projects, or by applying a percentage of the sales price.
- 3) When a loss at completion is expected on a construction contract, the loss to date is recognized as an expense based on percentage of completion, and the loss beyond percentage of completion is accrued in "Provisions for losses at completion".
- 4) Other provisions for contingencies: this line item includes provisions for subsidiaries' negative net assets, other than impaired assets such as current accounts and trade receivables. The line item also includes provisions for foreign exchange losses risk.

b. Provisions for liabilities

Not all accrued expenses relating to completed contracts are recognized at the delivery date. Any outstanding accrued expenses are recorded under "Provisions for accruals on completed contracts".

Provisions for accruals on completed contracts have a very short maturity and are almost fully utilized within 12 months of the delivery date.

c. Provisions for long-service awards

The company pays a bonus when granting long-service awards. The bonus is based on the number of years of service in the company.

The provision for long-service awards was calculated using actuarial methods based on assumptions regarding the age of employees when they are granted the long-service awards, mortality (INSEE table TGH-TGF 2005), the number of years of service, personnel turnover, an inflation rate of 2% and a discount rate of 0%. The provision at December 31, 2016 amounted to €426 thousand.

H. Advances received on contracts in progress

This line item relates exclusively to advances and payments received from customers in relation to contracts in progress.

I. Transactions denominated in foreign currencies

Expenses and income denominated in foreign currencies are accounted for at the exchange rate effective at the transaction date, or at the project contract rate for project-related hedges. Balance sheet items including receivables, payables and cash denominated in foreign currencies are translated at the reporting date exchange rate. Any resulting translation differences are recognized on the balance sheet in unrealized exchange gains or losses.

A provision for contingencies is recognized for unrealized exchange losses on unhedged transactions.

J. Research and development costs

Research and development costs are expensed when incurred.

Development costs are recognized as intangible assets when they meet the following recognition criteria:

- technical feasibility of completing the asset for sale or use has been established;
- intention to complete the asset and use or sell it;
- ability to use or sell the asset;
- ability to demonstrate how the asset will generate future economic benefits;
- availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ability to reliably measure the expenditure attributable to the intangible asset.

Development costs that cannot be separated from contracts are not capitalized.

K. Consolidated tax group

The consolidated tax group applies the principle of neutrality whereby tax savings accrue to CNIM, as head of the tax group, which has no commitment to return savings to tax-consolidated subsidiaries when they recover profitability.

L. Payroll tax credit (CICE)

A payroll tax credit to promote competitiveness and employment (CICE) was introduced in France in 2013 based on compensation paid during a given year. CNIM SA has recognized the tax credit as a deduction from social security and related payroll contributions.

The Company's use of the tax credit will be decided based on discussions with the works council before July 1 of each year, as provided for by French employment law (Loi de sécurisation de l'emploi). As discussions are underway, we already know that the payroll tax credit will be used to improve the company's competitiveness. It has not been used to increase distributed profit or management compensation.

M. Retirement benefit obligations

Retirement benefits due to all employees on the payroll at December 31, 2016 amounted to €10,133 thousand. The obligation has not been recognized in the parent company financial statements.

Retirement benefits are calculated using actuarial methods, based on retirement age, mortality (INSEE TH00-02-TF00-02 [death] tables), the number of years of service and personnel turnover assumptions. They also take into account a salary increase rate of 1%, an inflation rate of 2% and a discount rate of 1.5%.

All employees with senior executive status over 60 years of age are entitled to a supplementary defined benefit pension plan.

NOTE 3 Significant events of the period

On July 20, 2016, the Group sold the Babcock Wanson subsidiaries (excluding Babcock Wanson Maroc, renamed CNIM Babcock Maroc) to the French investment fund Fonds de Consolidation et de Développement des Entreprises (FCDE), by selling the equity interests of its subsidiary CNIM 5, which held the shares of the companies.

NOTE 4 Intangible assets

(in € thousands)

Type of fixed asset	Value at Jan. 1, 2016	Increases due to acquisitions	Inter-account transfers	Decreases due to disposals or retirements	Value at Dec. 31, 2016
Gross value					
Start-up costs	-				-
Concessions, patents, licenses	3,554	141		124	3,571
Other intangible assets	10,822	982	124		11,927
Business goodwill(1)	23,343				23,343
Capitalized development costs	4,833				4,833
Assets in progress	3,285				3,285
TOTAL GROSS VALUE	45,836	1,122	124	124	46,958
Accumulated amortization/impairment					
Start-up costs	-				-
Concessions, patents, licenses	3,169	4			3,174
Other intangible assets	8,472	916			9,388
Business goodwill	457				457
Capitalized development costs	4,833				4,833
TOTAL ACCUMULATED AMORTIZATION/IMPAIRMENT	16,932	921	-	-	17,852
CARRYING AMOUNT	28,905	202	124	124	29,106
CARRYING AMOUNT	28,905	202	124	124	29,106

(1) Business goodwill comprises:

Business goodwill – Babcock	5,903
Business goodwill – SACOM	347
Business goodwill - ALFA-LAVAL (BE)	457
Business goodwill - Cittic merger	76
Business goodwill - BTP/BTA merger deficit	1,629
Business goodwill - Maromme Agency	120
Business goodwill - CNIM Environnement asset transfer	12,500
Business goodwill - CNIM Transport France	10
Business goodwill – INVEN	2,300
	<u>23,343</u>

Business goodwill	Carrying amount	Allocated to asset group	Nature
Inven	2,300	Thermal engineering	Business goodwill
CBS business goodwill	6,327	CBS	Business goodwill
Environment business combination accounting loss	12,500	Environment	Business goodwill
CSI business combination accounting loss	1,759	Innovation & Systems	Business goodwill
TOTAL	22,885		

Business goodwill was allocated to a group of assets, which was tested for impairment using the discounted cash flow method. As the recoverable amount of each group was higher than their carrying amount, no impairment loss was recognized.

NOTE 5 Property, plant and equipment

(in € thousands)

Type of fixed asset	Value at Jan. 1, 2016	Increases due to acquisitions	Inter-account transfers	Decreases due to disposals or retirements	Impairment losses (+), Impairment reversals (-)	Value at Dec. 31, 2016
Gross value						
Land and improvements	2,878					2,878
Buildings						
- On owned land	17,984		16			18,000
- On third-party land						
- General facilities, fixtures, building improvements	13,147	193	180	6		13,514
<i>Buildings</i>	31,131	193	196	6	0	31,514
Technical facilities, equipment and tooling	45,728	300	125	170		45,983
Other property, plant and equipment						
- General facilities, fixtures and improvements	0					0
- Transportation and handling equipment	951	8				959
- Office and IT equipment, furniture	9,959	868	55	33		10,850
- Reusable packaging and miscellaneous						
<i>Other property, plant and equipment</i>	10,911	876	55	33	0	11,809
Assets in progress	504	2,841	(500)			2,845
Advances and down payments	0					-
TOTAL GROSS VALUE	91,151	4,210	(124)	209	0	95,029
Accumulated depreciation/impairment						
Land and improvements	266	5				271
Buildings						
- On owned land	13,582	172				13,754
- On third-party land						
- General facilities, fixtures, building improvements	7,663	1,048		4		8,708
<i>Buildings</i>	21,245	1,220	0	4	0	22,461
Technical facilities, equipment and tooling	33,985	4,590		168		38,407
Other property, plant and equipment						
- General facilities, fixtures and sundry improvements	0					-
- Transportation and handling equipment	871	42				912
- Office and IT equipment, furniture	7,276	1,324		2		8,598
- Reusable packaging and miscellaneous	8,146	1,366	0	2	0	9,510
<i>Other Property, plant and equipment</i>						
TOTAL ACCUMULATED DEPRECIATION/IMPAIRMENT	63,642	7,181	0	174	0	70,650
CARRYING AMOUNT	27,509	(2,971)	(124)	35	0	24,379

NOTE 6 Non-current financial assets

(in € thousands)

Type of fixed asset	Amount at Dec. 31, 2015	Increases	Decreases	Amount at Dec. 31, 2016
Gross value				
Equity investments(1)	162,310	57,739	(66,897)	153,152
Receivables relating to equity investments(2)	18,323	2,777	(475)	20,626
Other non-current financial assets				
Portfolio investments(3)	3,538			3,538
Other non-current investments	5,637			5,637
Loans(4)	32	2,201	(8)	2,224
Treasury shares(5)	11,194			11,194
Deposits and guarantees	467	16	(42)	442
Other non-current financial assets	20,868	2,217	(50)	23,035
TOTAL GROSS VALUE	201,501	62,733	(67,422)	196,813
IMPAIRMENT				
Equity investments	44,950			44,950
Receivables relating to equity investments(6)	4,560	780	(1,193)	4,147
Other non-current financial assets				
Portfolio investments(7)	168	785		954
Other non-current investments	5,637			5,637
Loans	0			0
Treasury shares	0			0
Deposits and guarantees	42			42
Other non-current financial assets	5,847	785	0	6,633
TOTAL IMPAIRMENT	55,357	1,565	(1,193)	5,730
CARRYING AMOUNT	146,144	61,168	(66,229)	141,083

(1) Equity investments:

Changes in equity investments include:

- CNIM Babcock Maroc capital increase: €582 thousand
- CNIM 5 capital increase: €56,943 thousand
- Disposal of CNIM 5 securities: €56,945 thousand
- Babcock International capital decrease: €858 thousand
- CNIM 6 (e.g. Babcock Wanson holding) capital decrease: €9,093 thousand
- Creation of CNIM Middle East: €37 thousand
- Creation of CNIM US: €177 thousand

(2) Receivables relating to equity investments:

Changes in receivables relating to equity investments comprise the following:

- Increase in loan and capitalization of accrued interest on SCI Bassano loan: + €1,936 thousand
- Additional loans and capitalization of accrued interest with Kogeban: + €325 thousand
- Additional loans and capitalization of accrued interest with CBEM: + €299 thousand

(3) Portfolio investments:

- 5,471 Foster Wheeler Fakop shares (€1,051 thousand), accounting for 10.96% of share capital. The shares were written down by €161 thousand.
- 21,487 Kogeban securities (€1,867 thousand), accounting for 10.87% of share capital.
- 2,450 CBEM securities (€613 thousand), accounting for 7% of share capital.

(4) Loan: mainly comprising vendor financing of €2,200 thousand, granted in connection with the sale of the Babcock Wanson sub-group.

(5) Treasury shares:

A total of 145,618 shares were included in non-current financial assets at December 31, 2016.

(6) Impairment of receivables relating to equity investments mainly comprising:

- Impairment of the loan granted to CNIM Canada: €3,367 thousand
- Impairment of CBEM loan: €780 thousand
- Reversal of impairment loss on Kogeban loan: €1,174 thousand

(7) Impairment of CBEM shares: €613 thousand

Impairment of Kogeban shares: €173 thousand

A. Impairment of equity investments

(in € thousands)

	Gross	Impairment	Carrying amount	% interest
CNIM Netherlands	31,000		31,000	100%
CNIM Ouest Armor	40		40	100%
CNIM CTG	40		40	100%
CNIM Saoudi	1,328	1,328	0	94%
CNIM RUS	0		0	100%
EKOMZ	2		2	70%
CNIM 6 (formerly BW Holding)	21,522		21,522	100%
CBM (formerly BW Maroc)	6,299	5,716	583	98%
CNIM CZ SRO (formerly CBCE)	3,135	2,761	375	92%
CCUAT	82		82	50%
CNIM UK / Martin E. S.	2,371		2,371	100%
Babcock International	942	677	265	100%
CNIM Industrie	60	60	0	100%
Babcock Services	5,661	1,015	4,646	100%
CB Services	11	11	0	100%
CTH	23,427	21,064	2,363	100%
CTF	12,302	12,302	0	100%
CTIPE	4	4	0	100%
Dauphine	1	1	0	100%
Bertin Technologies	15,492		15,492	100%
CSBC	1	1	0	50%
LAB	18,500		18,500	100%
Technoplus Industries	4,500		4,500	35%
SCI 35, rue de Bassano	8		8	100%
SMA	63		63	3%
CNIM Babcock Sulamerica	6	6	0	100%
CNIM Insertion (formerly STOMA)	51		51	100%
CNIM E.C.S	1		1	100%
SOMMUDIMEC	4	4	0	0%
CNIM Centre France	40		40	100%
CEB	40		40	100%
CTA	40		40	100%
EMEB	34		34	85%
CNIM Asia Pacific LTD	1		1	100%
CNIM 1 to CNIM 4	10		10	100%
SUNCNIM	5,919		5,919	59%
CNIM Middle East	37		37	100%
CNIM US	178		178	100%
TOTAL	153,152	44,950	108,203	

B. Receivables relating to equity investments

(in € thousands)

	Gross	Impairment	Carrying amount
SCI 35, rue de Bassano	9,930		9,930
CNIM Canada	3,367	3,367	0
BW Maroc	1,177	0	1,177
Kogeban	3,072		3,072
CBEM (Estrées-Mons)	3,061	780	2,281
Other	19		19
Total	20,626	4,147	16,479

NOTE 7 Total receivables

(in € thousands)

Receivables	Gross amount	Dec. 31, 2016		
		Due date < 1 year	Due date 1-5 years	Due date > 5 years
Receivables on non-current assets				
Receivables relating to equity investments	20,626	823	14,039	5,764
Loans	2,224	634	1,590	
Deposits and guarantees (portion of other non-current financial assets)	442		442	
TOTAL 1	23,292	1,457	16,071	5,764
Trade and other receivables				
Doubtful receivables	0	0		
Trade notes receivable	0	0		
Other trade accounts receivable	130,365	130,365		
TOTAL 2	130,365	130,365	0	0
Other operating receivables				
Amounts due from personnel	205	205		
Amounts due from social security organizations	76	76		
Amounts due from government and other public authorities	38,077	38,077		
Miscellaneous accounts receivable	3,235	3,235		
Group and associates	99,788	99,788		
TOTAL 3	141,381	141,381	0	0
Prepaid expenses	17,548	17,548		
TOTAL RECEIVABLES	312,586	290,751	16,071	5,764

NOTE 8 Marketable securities

(in € thousands)

	Dec. 31, 2016 Number of securities	Dec. 31, 2016 Amount	Dec. 31, 2015 Amount
Treasury shares (liquidity agreement)	6,299	632	555
2004 CASH INVESTMENT	-	-	-
CAAM	0	0	57,445
BNP PM	0	0	834
Banque Postale	0	0	10
HSBC	604	9,852	8,363
SG MONETAIRE PLUS	0	0	24
BNP PARIBAS MONEY 3M	38	886	0
AMUNDI 6M	434	9,792	0
Deposit certificates			
TOTAL	7,375	21,162	67,231
Impairment of treasury shares:		-	-
Purchase price of treasury shares		632	555
Market value		721	555
Unrealized capital gain on marketable securities after tax		89	5

NOTE 9 Adjustment accounts (Assets)

(in € thousands)

	Dec. 31, 2016	Dec. 31, 2015
Prepaid expenses(1)	17,548	18,206
Expenses to be allocated to future reporting periods(2)	862	1,038
Unrealized exchange losses	161	708
Total	18,571	19,952

(1) Prepaid expenses result chiefly from the percentage of completion of contracts in progress.

(2) Recognition over a six-year period of management and service fees paid by the Company in connection with the rollover of its medium-term credit facility.

NOTE 10 Changes in equity

(in € thousands)

	Dec. 31, 2015	Prior year net income appropriation	Dividend distribution	Dividends on treasury shares	Change in tax- driven provisions	Net income for the period	Dec. 31, 2016
Share capital	6,056						6,056
Additional paid-in capital	7,237						7,237
Legal reserve	606						606
Retained earnings	31,224	33,877		903			66,002
Tax-driven provisions and grants	5,957				(1,088)		4,869
Equity before net income appropriation	51,080	33,877	0	903	(1,088)		84,770
Net income for the period	51,742	(33,877)	(16,963)	(903)		19,214	19,214
TOTAL	102,822	0	(16,963)	0	(1,088)	19,214	103,984

At December 31, 2016, share capital amounted to €6,056,220 divided into 3,028,110 fully paid shares with a par value of €2. There were no changes over the year. See Note 18 for details on dividend payments.

NOTE 11 Tax-driven provisions

(in € thousands)

	Dec. 31, 2015	Addition	Reversal	Dec. 31, 2016
Accelerated depreciation/amortization(1)	4,423	689	1,777	3,334
Investment grants(2)	1,535			1,535
TOTAL	5,957	689	1,777	4,869

(1) Accelerated depreciation/amortization is used mainly for software and tooling.

(2) Investment grants are mainly used for research and development projects.

NOTE 12 Provisions for contingencies and liabilities, and asset impairment

(in € thousands)

Items	Provisions at Dec. 31, 2015	Reclassifications (1)	Increases in 2016	Reversals in 2016 (utilizations)	Reversals in 2016 (surplus)	Provisions at Dec. 31, 2016
Provisions for contingencies						
Provisions for litigation	6,181	361	2,657	550	432	8,217
Provisions for guarantees	18,332		6,401	5,610	6,512	12,611
Provisions for unrealized exchange losses	482		75	482		75
Provisions for losses at completion	5,794		420	2,726		3,489
Other contingency provisions	2,844	(361)	118	76	323	2,201
Total contingency provisions	33,634		9,671	9,444	7,267	26,593
Provisions for liabilities						
Provisions for long-service awards	505				79	426
Accrued expenses on completed contracts	20,029		19,219	3,965	5,380	29,904
Total provisions for liabilities	20,533		19,219	3,965	5,460	30,329
Total provisions for contingencies and liabilities	54,167	0	28,891	13,409	12,727	56,922
Provisions for asset impairment						
Intangible assets and PP&E	482					482
Equity investments	49,510		780	1,193		49,097
Other non-current financial assets	5,848		785			6,633
Total financial assets	55,358	0	1,565	1,193	0	55,730
Raw material inventories	3,933		283		106	4,109
Trade accounts receivable	2,901		300	354		2,847
Advances and down payments made on orders	15					15
Other receivables	24,700		6,186	673	247	29,965
Marketable securities	0					0
Total provisions for current assets	31,548	0	6,769	1,027	353	36,937
Total provisions for asset impairment	87,388		8,335	2,220	353	93,149
Total provisions for contingencies, liabilities and asset impairment	141,555		37,225	15,629	13,080	150,071
Operating items	-		27,326		26,362	-
Financial items	-		7,827		2,348	-
Non-recurring items	-		2,073		-	-
Total	-		37,225		28,710	-

NOTE 13 Loans and borrowings

(in € thousands)

	Gross amount	Maturity of liability		
		Less than 1 years	1-5 years	More than 5 years
Bank overdrafts	65	65		
Other bank loans and borrowings(1)	5,858	1,695	4,163	
Bank borrowings and debt	5,922	1,760	4,163	
Miscellaneous non-Group borrowings and debt(2)	7,800	1,387	6,413	
Current account liabilities (Group)	204,370	204,370		
Miscellaneous borrowings and debt	212,169	205,757	6,413	
Trade accounts payable	87,557	87,557		
Social security and tax payables	40,554	40,554		
Payables related to asset acquisitions	1,181	1,181		
Other liabilities	829	829		
Total	348,213	337,638	10,575	

(1) Breakdown of bank loans and borrowings:

Loan to invest in the Cogénération Biomasse Estrées Mons project company: €1,400 thousand

Loan to fund work at SCI Bassano: €4,458 thousand

(2) Factoring of tax receivables to BPI: €5,424 thousand and repayable advances of €2,338 thousand. The current portion comprises the factoring of the 2013 research tax credit.

NOTE 14 Adjustment accounts (Liabilities)

(in € thousands)

	Dec. 31, 2016	Dec. 31, 2015
Deferred income(1)	95,855	91,005
Unrealized exchange gains	861	2,161
TOTAL	96,716	93,166

(1) Mainly for construction contracts.

NOTE 15 Foreign currency translation adjustments

(in € thousands)

	Dec. 31, 2016	Dec. 31, 2015
Unrealized exchange losses	161	708
Provisions for contingencies	(75)	(482)
Net	86	226

Provisions are only recognized for unrealized exchange losses relating to unhedged transactions.

NOTE 16 Expenses payable

(in € thousands)

	Dec. 31, 2016	Dec. 31, 2015
Trade accounts payable	29,236	33,133
Social security and tax payables	17,369	18,993
Other liabilities	0	0
Total	46,605	52,126

NOTE 17 Revenues – Increase in semi-finished and finished goods

(in € thousands)

	2016	2015
Revenues (production sold)		
France	140,345	159,745
Export	179,486	224,973
Total revenues	319,832	384,717
Increase in semi-finished and finished goods		
France	(4,967)	(2,786)
Export		
Total increase in semi-finished and finished goods	(4,967)	(2,786)
Total	314,864	381,931

Breakdown of revenues by operating segment

(in € thousands)

	2016	2015
Environment(1)	228,417	277,140
Innovation & Systems	91,415	107,577
Total	319,832	384,717

(1) The CNIM Babcock Services (CBS) CGU, which was previously included in the Energy segment, is now included in the Environment segment.

Breakdown of revenues by geographic area

(in € thousands)

	2016	2015
France	140,345	152,507
United Kingdom	172,069	187,529
Rest of Europe	970	30,321
Asia	44	11,865
Other	6,403	2,495
Total	319,832	384,717

Expense transfers

(in € thousands)

	2016	2015
Expense transfers		
Insurance indemnities	6,743	5,036

NOTE 18 Net financial income

(in € thousands)

	2016	2015
Dividends received from investments(1)	16,550	36,780
Proceeds from disposals of marketable securities	202	157
Interest on non-current financial assets	1,370	1,545
Interest on receivables	84	83
Reversals of provisions for exchange losses	482	988
Reversals of other provisions	1,866	522
Foreign exchange gains	6,956	790
TOTAL FINANCIAL INCOME	27,510	40,865
Provisions for exchange losses	75	482
Charges to provisions(2)	7,752	4,171
Interest on current accounts and short-term investments	629	634
Other financial expenses	283	225
Net expenses on disposal of marketable securities	32	75
Foreign exchange losses	7,035	1,745
TOTAL FINANCIAL EXPENSE	15,806	7,333
NET FINANCIAL INCOME	11,704	33,533

(1) Breakdown of "Dividends received from investments"

LAB dividends	8,607
BWH dividends	4,879
CNIM UK dividends	1,840
CTG dividends	800
CTA dividends	180
CCUAT dividends	132
COA dividends	110
SMA dividends	2
BWI dividends	0
BW CALDEIRAS dividends	0
	<hr/>
	16,550

(2) This line item mainly comprises provision allowances relating to:

CBEM loan: €780 thousand
 CBEM securities: €613 thousand
 KOGEBAN securities: €173 thousand
 CNIM SAOUDI current account: €5,793 thousand
 CFT negative net assets: €393 thousand

NOTE 19 Non-recurring income (expense)

(in € thousands)

	2016	2015
Reversal of depreciation, amortization and provisions	1,777	2,355
Disposal of property, plant and equipment and intangible assets	0	3
Disposal of financial assets(1)	57,659	-
Other	9	-
Total non-recurring income	59,445	2,358
Charges to depreciation, amortization and provisions	2,762	843
Carrying amount of property, plant and equipment sold	159	268
Carrying amount of financial assets sold(1)	57,804	
Other(1)	779	308
Total non-recurring expense	61,503	1,419
NON-RECURRING INCOME (EXPENSE), NET	(2,058)	939

(1) The sale of Babcock Wanson subsidiaries entailed:

Contributing the Babcock Wanson Holding assets (brands, equity interests), renamed CNIM 6, to CNIM 5

Selling the equity interests of CNIM 5 to the French investment fund *Fonds de Consolidation et de Développement des Entreprises* (FCDE) for an amount equal to the value of the contributions to CNIM 5.

Income and expenses on disposals of non-current financial assets mainly relate to this transaction.

NOTE 20 Tax

A. Consolidated tax group

(in € thousands)

	Contribution to consolidated tax group net income (loss)	Contribution to Group tax	Tax due not concerning consolidated tax group
CNIM – head of tax group	(6,904)	(2,301)	0
Contribution of subsidiaries after use of tax carry-forwards arising prior to tax consolidation: loss-making subsidiaries	(7,492)	(2,497)	
Profit-making subsidiaries	16,233	5,411	4,073
Consolidated net income	1,838		
Consolidated income tax expense		613	4,073
Tax savings			3,461

B. Breakdown of income tax expense

(in € thousands)

	Profit (loss) before income tax and employee profit sharing expense		Income tax					Net income		
	Accounting	Tax	Other	Tax on dividends	Tax savings (tax consolidation)	Research tax credit and other	Due	Theoretical	Profit sharing	Accounting
Recurring										
. France	14,855	(6,564)	(679)	509	(3,461)	(2,259)	(5,890)	20,745	(23)	20,768
. International	767	1,315	263				263	504		504
Non-recurring	(2,058)	(2,047)			0	0	0	(2,058)	0	(2,058)
Total	13,564	(7,296)	(416)	509	(3,461)	(2,259)	(5,627)	19,191	(23)	19,214
1. France	12,797	(8,611)	(679)	509	(3,461)	(2,259)	(5,890)	18,687	(23)	18,710
2. International	767	1 315	263				263	504		504
Total	13,564	(7,296)	(416)	509	(3,461)	(2,259)	(5,627)	19,191	(23)	19,214

C. Taxable and deductible temporary differences

(in € thousands)

Nature of temporary differences	Amount
Taxable temporary differences	
- Accelerated depreciation/amortization	3,334
- Unrealized gains on marketable securities	
- Unrealized exchange losses	161
Total	3,495
Corporate income tax at 34.43% - Deferred tax liability	1,203
Deductible temporary differences	
- Unrealized gains on marketable securities	2
Provisions and expenses not deductible in the year of their recognition	
Unrealized gains already taxed	
- Social security compensation tax for 2016	186
- Employee profit sharing accrual for 2016	
- Other provisions	2,585
- Provisions for losses at completion	3,489
- Unrealized exchange gains	861
Total	7,122
- Corporate income tax at 34.43% - Deferred tax asset	2,452

D. Impact of favorable tax treatment on net income

(in € thousands)

Net income for the period	19,214
Charges to tax-driven provisions	689
Reversals of tax-driven provisions	(1,777)
Decrease in income tax due to provisions	(237)
Increase in income tax due to provision reversals	612
Net income excluding effect of tax treatment	18,500

NOTE 21 Finance lease commitments

(in € thousands)

Line items	Acquisition cost	Depreciation expense(1)		Carrying amount
		for the period	accumulated	
Equipment and tooling	1,500	150	1,350	150

(1) Depreciation that would have been recognized if the related items had been acquired (on a straight-line basis over 10 years).

Line items	Lease payments		Outstanding lease payments	Residual purchase price
	for the period	accumulated		Total due
Equipment and tooling	0	1,605	0	0

NOTE 22 Off-balance sheet commitments

(in € thousands)

Commitments given		2016	2015
Liability guarantee on future asbestos litigation given to French investment fund (FCDE) on sale of Babcock Wanson sub-group			
Market bonds		316,586	305,329
<i>Incl. guarantees on behalf of subsidiaries</i>	Subsidiaries		
	<i>BWF</i>	-	105
	<i>CCF</i>	304	567
	<i>CNIM CANADA</i>	-	245
	<i>CNIM Singapore</i>	3,439	3,398
	<i>COA</i>	30	131
	<i>CTA</i>	-	200
	<i>CTE</i>	6,363	4,954
	<i>CTG</i>	112	112
	<i>Engineers FZC</i>	5,500	-
	<i>LAB Washington</i>	743	
	<i>SUNCNIM</i>	14,329	
	<i>LAB GmbH</i>	-	12,454
	<i>LAB SA</i>	19,992	26,484
	<i>MESE</i>	5,612	3,864
	<i>Vecsys</i>	803	803
Total guarantees given on behalf of subsidiaries		57,226	53,316

Commitments received	2016	2015
Bonds received from suppliers	128,350	106,666

Reciprocal commitments 2016					
Currency	Type of contract	Amount	Guaranteed rate	Currency	+/- 1 year
Foreign currency forward purchases					
CNY	Forward purchase	6,350,000.00	7.6507	EUR	-1 year
GBP	Forward purchase	3,200,500.00	0.81159	EUR	-1 year
GBP	Forward purchase	116,250.00	0.85136	EUR	+1 year
SEK	Forward purchase	1,550,000.00	9.7135	EUR	-1 year
USD	Forward purchase	490,827.98	1.1145	EUR	-1 year
Foreign currency forward sales					
GBP	Forward sale	16,792,253.21	0.7945	EUR	-1 year
GBP	Forward sale	10,170,302.86	0.8505	EUR	+1 year
DKK	Forward sale	56,149,501.50	7.4381	EUR	-1 year
USD	Forward sale	3,141,526.54	1.1083	EUR	-1 year
USD	Forward sale	608,488.00	1.1503	EUR	+1 year
Loans and borrowings with subsidiaries					
CAD	Forward sale	400,000.00	1.45	EUR	-1 year

Reciprocal commitments 2015					
Currency	Type of contract	Amount	Guaranteed rate	Currency	+/- 1 year
Foreign currency forward purchases					
CAD	Forward purchase	720,000.00	1.4408	EUR	-1 year
CNY	Forward purchase	1,481,870.00	7.2703	EUR	-1 year
JPY	Forward purchase	3,265,000.00	139.15	EUR	-1 year
SEK	Forward purchase	1,550,000.00	9.058	EUR	-1 year
Foreign currency forward sales					
GBP	Forward sale	6,549,896.64	0.7408	EUR	-1 year
GBP	Forward sale	10,599,793.23	0.7428	EUR	+1 year
SGD	Forward sale	8,468,679.46	4.9192	CNY	-1 year
DKK	Forward sale	239,255,963.05	7.4483	EUR	-1 year
DKK	Forward sale	14,461,931.50	7.442	EUR	+1 year
USD	Forward sale	3,348,571.53	1.1123	EUR	-1 year
USD	Forward sale	490,827.98	1.1227	EUR	+1 year
Loans and borrowings with subsidiaries					
CAD	Forward sale	400,000.00	1.45	EUR	+1 year
CNY	Forward purchase	16,000,000.00	7.3654	EUR	-1 year
Option purchased					
CNY	Option purchased	6,400,000.00	6.85	EUR	-1 year

Post-employment benefits	Dec. 31, 2016	Dec. 31, 2015
Retirement benefits due to all employees in service	10,133	10,343

NOTE 23 Headcount

	Average workforce 2016
Engineers and managerial-grade employees (cadres)	561
Non-managerial grade employees	237
Manual workers	190
Total	987

In accordance with Article D 123-200 of the French Commercial Code, the average number of employees in the reporting period is equal to the arithmetic average number of employees at the end of each quarter of the calendar year, or reporting period if the latter is not based on the calendar year.

NOTE 24 Management compensation

(in € thousands)

	2016			2015		
	Total	Management Board	Supervisory Board	Total	Management bodies	
					Management Board	Supervisory Board
Retirement benefits	7,370	7,370		6,968	6,968	
Remuneration	3,780	3,138	642	2,610	2,610	696

NOTE 25 Subsidiaries and equity investments

(in € thousands)

Subsidiaries and equity investments	FR /INT	Share capital	Retained earnings & net income (loss) (before net income (loss) appropriation)	Net income	Equity interest (%)	Carrying amount of securities held		Outstanding loans and advances granted by the Company	Dividends
						Gross	Net		
A. DETAILED INFORMATION ON SUBSIDIARIES AND EQUITY INVESTMENTS									
1. Subsidiaries (equity interest >50%)									
Babcock Services	INT	6,014	(405)	(878)	100.00	5,661	4,646	1,244	0
Babcock International	INT	62	209	(5)	99.90	942	265	0	0
Bertin Technologies	FR	3,000	26,067	4,312	100.00	15,492	15,492	36,086	0
CNIM 6 (formerly BWH)	FR	19,119	(1,631)	37,016	100.00	21,522	21,522	0	4,879
CB-Services	INT	9	(290)	0	100.00	11	0	291	0
CNIM CZ SRO (formerly CBCE)	INT	89	(80)	0	91.67	3,135	374	0	0
CNIM Industrie	FR	39	(40)	3	100.00	60	0	10	0
CNIM Insertion	FR	38	97	12	100.00	51	51	154	0
CNIM Netherlands	INT	1,500	48,048	3,013	100.00	31,000	31,000	0	0
CNIM Russia	INT	0	4	0	100.00	0	0	5	0
CNIM Saoudi	INT	1,265	(14,986)	(3,472)	94.00	1,328	0	16,277	0
CNIM UK	INT	1,875	(1,656)	1,960	100.00	2,371	2,371	0	1,840
CNIM Ouest Armor	FR	40	947	8	100.00	40	40	0	110
CNIM Transport France	FR	5,794	(18,155)	(61)	100.00	12,302	0	13,344	0
CNIM Thiverval Grignon	FR	40	3,652	706	100.00	40	40	0	800
CNIM TRANSPORT HOLDING	FR	6,710	(4,165)	(182)	100.00	23,427	2,363	11,262	0
Ekomz	INT	2	0	0	70.00	2	2	0	0
LAB	FR	2,750	12,046	5,856	100.00	18,500	18,500	0	8,607
SCI 35, rue Bassano	FR	8	(485)	(311)	100.00	8	8	11,507	0
CNIM Centre France	FR	40	(782)	(20)	100.00	40	40	2,703	0
CNIM Énergie Biomasse	FR	40	(722)	212	100.00	40	40	1,331	0
CNIM Terre Atlantique	FR	40	51	259	100.00	40	40	0	180
Estrées-Mons Énergie Biomasse	FR	40	(12)	(16)	85.00	34	34	15	0
CNIM ECS	INT	1	900	130	100.00	1	1	0	0
SUNCNIM	FR	213	20,325	(3,984)	58.80	5,919	5,919	0	0
CNIM Babcock Maroc (formerly BWM)	INT	567	29	(103)	98.00	6,299	583	3,300	0
CNIM Asia Pacific	INT	1	(2)	(17)	100.00	1	1	92	0
CNIM Middle East	INT	39	0	51	100.00	37	37	512	0
CNIM US	INT	190	0	(43)	100.00	178	178	0	0
CNIM 1	FR	3	0	(2)	100.00	3	3	1	0

Financial disclosures	FR /INT	Share capital	Retained earnings & net income (loss)	Net income	Equity interest (%)	Carrying amount of securities held		Outstanding loans and advances granted by the	Dividends
CNIM 2	FR	3	0	(2)	100.00	3	3	1	0
CNIM 3	FR	3	0	(2)	100.00	3	3	1	0
CNIM 4	FR	3	0	(2)	100.00	3	3	1	0
2. Other equity investments (equity interest between 10% and 50%)									
CCUAT	FR	153	15	(11)	49.88	82	82	0	132
Technoplus Industries	FR	7,012	5,859	(255)	34.79	4,500	4,500	0	0
B. GENERAL INFORMATION ON ALL SUBSIDIARIES AND EQUITY INVESTMENTS									
1. Subsidiaries(>50% equity interest)									
a) French subsidiaries (all)	FR	37,921	37,193	43,801		97,527	64,101	76,417	14,576
b) Foreign subsidiaries (all)	INT	11,611	31,771	635		50,966	39,458	21,721	1,840
2. Equity investments									
a) In French companies (all)	FR	7,165	5,874	(266)		4,582	4,582	0	132
b) In foreign companies (all)	INT	0	0	0		0	0	0	0

Amounts for non-French companies have been converted into euros at the exchange rate effective on December 31, 2016, with the exception of revenues and net income (loss), which were converted at the average exchange rate for the 2016 reporting period.

NOTE 26 Subsequent events

None.

6 2017 GENERAL MEETING

6.1 Report of the Management Board on the resolutions proposed to the Ordinary and Extraordinary General Meeting of June 7, 2017^(AFR)

Ladies and Gentlemen,

We have brought you together in Ordinary and Extraordinary General Meeting in order to submit for your approval, in addition to the approval of the Company and Consolidated Financial Statements for the year ended December 31, 2016 and the other points mentioned in the Management Report on the financial year:

(i) as a matter of ordinary business:

- a. renewal of the appointment to the Supervisory Board of FREL S.A.,
- b. a proposal to authorize your Management Board to purchase shares in the Company up to a limit of 10% of the share capital,
- c. and a proposed resolution concerning the principles and criteria for the determination, allocation and attribution of the fixed, variable and exceptional components of the total compensation and the benefits of all kinds attributable to the executive officers of the Company by virtue of their offices, in application of article L.225-82-2 of the French Commercial Code.

(ii) and as a matter of extraordinary business:

- a. a proposal to authorize the Management Board to reduce the share capital by canceling shares held in treasury by the Company in connection with share repurchase programs.

The formalities for calling the meeting have been duly performed and all the documents prescribed by law have been made available to you under the applicable conditions and with the applicable notice.

Shareholders may have the information on the aforementioned candidates as prescribed under Article R 225-83(5) of the Commercial Code sent directly to them or provided to them at the Company's registered office at 35, rue de Bassano, 75008 Paris. They may also access this information on the Company's website.

Authorization of the Management Board to purchase shares in the Company up to a limit of 10% of the share capital

Authorization was given to the Management Board to purchase shares in the Company by the General Meeting of May 24, 2016 for a term of eighteen months. It will therefore expire before the date of the General Meeting which will be called to rule on the financial statements for the current year.

We consequently propose, so that the Management Board may have the capacity to purchase shares in the Company at any time, that you grant, in compliance with the provisions of Article L. 225-209 of the Commercial Code, renewed authorization to the Management Board, with the capacity to delegate insofar as permitted by law, to have the Company purchase its own shares, it being specified that this renewed authorization shall supersede, to the extent that it remains unexercised, any other authorization to the same effect, and in particular the authorization conferred on the Management Board by the tenth resolution of the General Meeting of May 24, 2016.

We propose that you limit this authorization to 302,811 shares.

The Management Board shall exercise this authorization in accordance with the legal and regulatory conditions applicable at the time of exercise, in particular the conditions and obligations imposed by Articles L. 225-209 to L. 225-212 of the Commercial Code, by Regulation (EU) no. 2273/2003 of December 22, 2003, by Article L. 451-3 of the Monetary and Financial Code and by the provisions of the General Regulations of the *Autorité des Marchés Financiers* (AMF).

This authorization may be used for the purposes of:

- ensuring liquidity and stimulating the market in the shares via an investment services provider acting, completely independently, within the framework of a liquidity agreement which conforms to the principles regarding liquidity agreements detailed in the code of ethics established by the French Financial Markets Association (AMAFI) dated March 8, 2011, as appended to the AMF decision of March 21, 2011 amending the AMF decision of October 1, 2008;
- granting shares upon the exercise of rights attaching to securities that may be converted into shares in the Company;
- attributing shares to employees or officers of the Company or companies in its Group under the terms and in the manner prescribed by law, in particular in connection with sharing in the profits of the expansion of the business or with share option programs, by granting free shares under the terms of Articles L. 225-197-1 et seq. of the Commercial Code or under the conditions prescribed by Articles L. 3332-1 et seq. of the Labor Code;
- retaining shares for subsequent reissue in payment or exchange for acquisitions and mergers, up to the limit of 5% of share capital prescribed under Paragraph 6 of Article L. 225-209 of the Commercial Code;
- canceling shares, subject to authorization being granted in Extraordinary General Meeting;
- undertaking any market practice permitted by the *Autorité des Marchés Financiers*, and more generally carrying out any other transaction which complies with the law in force.

The purchase, sale or transfer of these shares may be carried out, provided that the law is respected, by any means, on one or several occasions, in the market or outside the market (specifically, over the counter, including by means of derivative financial instruments) and at any time, including during a takeover bid. No limit shall be placed on the portion of the program that may be conducted via block trades, which portion may represent the entirety of the program.

Specifically, the Company may in consequence of this authorization purchase its own shares in or outside the market at a maximum price of €200 per share, whereby this amount may be adjusted by the Management Board in the event of operations affecting the Company's share capital, in particular where capital is increased by capitalizing reserves by either issuing free additional shares or increasing the nominal value of shares.

The maximum amount of funds dedicated to carrying out the share purchase program shall be €60,562,200, and the total amount of shares held in treasury may not exceed 10% of share capital, as required by law.

We propose that you grant this authorization for a term of eighteen months.

We propose that you grant the Management Board all powers to implement this authorization, in particular the power to choose the timing for commencing a repurchase program and to determine its nature, and also to allocate or reallocate the shares acquired to the various purposes pursued subject to the applicable legal and regulatory conditions, it being specified that the Management Board may, insofar as permitted by law, delegate to its Chairman or, with the assent of the Chairman, to one or more of its other members, the powers necessary to carry out the program, and in particular the power to place any stock market orders, conclude any agreements regarding in particular the keeping of records of share purchases and sales, effect all formalities, measures and declarations vis-à-vis the *Autorité des Marchés Financiers* and any other body and, generally, to do whatever may be necessary.

The Management Board shall inform the Annual General Meeting of transactions executed, in accordance with applicable regulations.

Approval of the principles and criteria for the determination, allocation and attribution of the fixed, variable and exceptional components of the total compensation and the benefits of all kinds attributable to the Chairman of the Management Board, the members of the Supervisory Board and its committees, and the Chairman and Deputy Chairman of the Supervisory Board as described in said Report.

Having taken note of the Report of the Supervisory Board prepared in accordance with Article L. 225-82-2 of the Commercial Code and presented in section 4.4 of the Registration Document, we propose that you approve the principles and criteria for the determination, allocation and attribution of the fixed, variable and exceptional components of the total compensation and the benefits of all kinds attributable to them by virtue of their offices, of the Chairman of the Management Board, the members of the Supervisory Board and its committees, and the Chairman and Deputy Chairman of the Supervisory Board as described in said Report.

Authorization of the Management Board to reduce share capital by canceling shares held in treasury

As the authorization given to the Management Board to cancel shares held in treasury, which was granted by the General Meeting of May 24, 2016, was given for a period of eighteen months, it will thus expire before the date of the General Meeting which will be called to rule on the financial statements for the current year.

We consequently propose, so that the Management Board may thus have the capacity to cancel these shares at any time, that you grant the Management Board, in compliance with the provisions of Article L. 225-209 of the Commercial Code, renewed authorization to cancel, by its own decision, on one or more occasions, all or part of the shares that the Company holds or may hold in treasury as a result of the various authorizations to purchase shares granted to the Management Board by the General Meeting, it being specified that it would be decided that this renewed authorization shall supersede, to the extent that it remains unexercised, any other authorization to the same effect, and in particular the authorization conferred on the Management Board by the fourteenth resolution of the General Meeting of shareholders of May 24, 2016.

This authorization shall be limited to 10% of the share capital per twenty-four month period.

We propose that you delegate to the Management Board, along with the capacity to subdelegate insofar as permitted by law, all powers necessary to carry out the reduction(s) in share capital arising from cancelations thus authorized, to cause the necessary accounting entries to be made, to attribute the difference between the purchase price and the nominal value of the canceled shares to any balance sheet position for issue premiums or available reserves, to make corresponding amendments to the bylaws and, generally, to complete all necessary formalities.

We propose that you grant this authorization for a term of eighteen months.

Your Auditors will prepare a report in accordance with the provisions of Article L. 225-209 of the Commercial Code.

Lastly, we propose that you confer all powers to accomplish all formalities regarding publication, filing and any other pertinent matters on the bearer of the original, an extract or a copy of the minutes to be drawn up of the General Meeting.

Under the above conditions, we propose that you adopt the resolutions the text of which is submitted for your approval.

The Management Board

6.2 Resolutions proposed to the Ordinary and Extraordinary General Meeting of June 7, 2017^(AFR)

Ordinary business

First resolution:

Approval of the 2016 company financial statements

The General Meeting, ruling on the conditions required for the quorum and majority of Ordinary General Meetings, having taken note of the Management Report, of the Report of the Supervisory Board, of the Report of the Chairman of the Supervisory Board as provided for under Article L. 225-68 of the Commercial Code, of the Report of the Auditors on the annual financial statements for the year ended December 31, 2016, and of the Report of the Auditors on the Report of the Chairman of the Supervisory Board as provided for under Article L. 225-68 of the Commercial Code, approves, in the form in which they have been presented, the annual financial statements for the year ended December 31, 2016 disclosing net income of €19,213,097, as well as the transactions recorded in those financial statements and summarized in those reports, approves the amount of expenses and charges not deductible from profits subject to corporation tax as referred to in Article 39-4 of the General Tax Code, which amount to €29,646, and the corresponding tax of €10,207, and consequently discharges the Management Board and the members of the Supervisory Board from the performance of their duties for the financial year then ended.

Second resolution:

Approval of the 2016 consolidated financial statements

The General Meeting, ruling on the conditions required for the quorum and majority of Ordinary General Meetings, having taken note of the Management Report, of the Report of the Supervisory Board, of the Report of the Chairman

of the Supervisory Board as provided for under Article L. 225-68 of the Commercial Code, of the Report of the Auditors on the consolidated financial statements for the year ended December 31, 2016, and of the Report of the Auditors on the Report of the Chairman of the Supervisory Board as provided for under Article L. 225-68 of the Commercial Code, approves, in the form in which they have been presented, the consolidated financial statements for the year ended December 31, 2016, drawn up in accordance with the provisions of Articles L. 233-16 *et seq.* of the Commercial Code, disclosing net income attributable to owners of the parent of €49,742,000, as well as the transactions recorded in those financial statements and summarized in those reports.

Third resolution:

Allocation of net income

The General Meeting, ruling on the conditions required for the quorum and majority of Ordinary General Meetings, having taken note of the Management Report, noting that the statutory reserve is fully constituted and that, including profit brought forward, distributable profit stands at €24,734,281, resolves to distribute a dividend of €20,288,337, that is to say a dividend of €6.70 per share for each of the 3,028,110 shares comprising the share capital, for the year ended December 31, 2016, it being specified that the amount corresponding to the dividends that the Company cannot collect for shares held in treasury and remaining in treasury on the dividend payment date shall be credited to profits carried forward, resolves that this dividend shall be taken from the distributable profit, resolves that the remainder of the distributable profit shall be allocated to profits carried forward, and resolves that the dividend shall be paid from July 4, 2017.

The dividend will entitle individuals resident for tax purposes in France to a 40% deduction in accordance with the provisions of Article 158/3/2 of the General Tax Code.

It is recalled that dividends distributed in respect of the previous three financial years were as follows:

(in €)	2015	2014	2013
No. of shares	3,028,110	3,028,110	3,028,110
Dividend	5.90	5.35	35.00

Fourth resolution:

Related-party agreements

The General Meeting, ruling on the conditions required for the quorum and majority of Ordinary General Meetings, having taken note of the special Report of the Auditors on agreements referred to under Article L. 225-86 of the Commercial Code and ruling on that report, approves each of the agreements there mentioned in turn, in accordance with the terms of Article L. 225-88 of the said code.

Fifth resolution:

Determination of attendance fees

The General Meeting, ruling on the conditions required for the quorum and majority of Ordinary General Meetings, having heard the reading of the Management Report, takes note of the attendance fees paid to the members of the Supervisory Board for the last three financial years, which total:

- €96,000 for the 2014 financial year, paid in July 2015,
- €92,000 for the 2015 financial year, paid in July 2016;
- €92,800 for the 2016 financial year, to be paid in July 2017;

approves, insofar as necessary, these amounts, and resolves to set the overall amount of attendance fees that can be paid to members of the Supervisory Board in remuneration for their activity at €494,000, it being specified that this resolution applies to the current financial year and shall be maintained for subsequent years until otherwise resolved.

Sixth resolution:

Renewal of the membership of the Supervisory Board of FREL S.A.

The General Meeting, ruling on the conditions required for the quorum and majority of ordinary General Meetings, having taken account of the Report of the Management Board, resolves to renew the membership of the Supervisory Board of FREL, *société anonyme* with share capital of 38,150 euros, whose head office is located at 35, rue de Bassano, 75008 Paris, registered in the Paris Trade and Companies Register under number 388 471 450, for a term of four (4) years which shall expire at the end of the General Meeting called to rule on the financial statements for the financial year ending December 31, 2020.

Seventh resolution:

Authorization of the Management Board to purchase shares in the Company up to a limit of 10% of the share capital

The General Meeting, ruling on the conditions required for the quorum and majority of Ordinary General Meetings, having taken account of the Report of the Management Board, authorizes the Management Board, with the capacity to delegate insofar as permitted by law, in accordance with Article L. 225-209 of the Commercial Code, to have the Company purchase its own shares up to a limit of 302,811 shares, in accordance with the legal and regulatory conditions applicable at the time of its action and in particular the conditions and obligations imposed by Articles L. 225-209 to L. 225-212 of the Commercial Code, by Regulation (EU) no. 2273/2003 of December 22, 2003, by Article L. 451-3 of the Monetary and Financial Code and by the provisions of the General Regulations of the *Autorité des Marchés Financiers*, resolves that this authorization may be used with a view to:

- ensuring liquidity and stimulating the market in the shares via an investment services provider acting, completely independently, within the framework of a liquidity agreement which conforms to the principles regarding liquidity agreements detailed in the code of ethics established by the French Financial Markets Association (AMAFI) dated March 8, 2011, as appended to the AMF decision of March 21, 2011 amending the AMF decision of October 1, 2008;
- granting shares upon the exercise of rights attaching to securities that may be converted into shares in the Company;
- attributing shares to employees or officers of the Company or companies in its Group under the terms and in the manner prescribed by law, in particular in connection with sharing in the profits of the expansion of the business or with share option programs, by granting free shares under the terms of Articles L. 225-197-1 et seq. of the Commercial Code or under the conditions prescribed by Articles L. 3332-1 et seq. of the Labor Code;
- retaining shares for subsequent reissue in payment or exchange for acquisitions and mergers, up to the limit of 5% of share capital prescribed under Paragraph 6 of Article L. 225-209 of the Commercial Code;
- canceling shares, subject to authorization being granted in Extraordinary General Meeting;
- undertaking any market practice permitted by the *Autorité des Marchés Financiers*, and more generally carrying out any other transaction which complies with the law in force;
- resolves that the purchase, sale or transfer of these shares may be effected, provided that the regulations in force are respected, by any means, once or several times, in the market or outside the market (in particular over the counter and including by the means of derivative financial instruments) and at any time, in particular during a takeover bid; that the portion of the program that may be conducted via block trades shall not be limited and may represent the entirety of the program;
- resolves that the Company may, pursuant to this authorization, purchase its own shares in or outside the market at a maximum price of €200 per share, whereby this amount may be adjusted by the Management Board in the event of operations affecting the Company's share capital, in particular where capital is increased by capitalizing reserves by either issuing free additional shares or increasing the nominal value of shares; notes that, in accordance with the law, the total number of shares held by the Company may not exceed 10% of the share capital; resolves that the maximum amount of funds allocated for the execution of this share purchase program shall be €60,562,200; resolves to grant the Management Board all powers to implement this authorization, in particular the power to choose the timing for commencing a repurchase program and to determine its nature, and also to allocate or reallocate the shares acquired to the various purposes pursued subject to the applicable legal and regulatory conditions, it being specified that the Management Board may, insofar as permitted by law, delegate to its Chairman or, with the assent of the Chairman, to one or more of its other members, the powers necessary to carry out the program, and in particular the power to place any stock market orders, conclude any agreements regarding in particular the keeping of records of share purchases and sales, effect all formalities, measures and declarations vis-à-vis the *Autorité des Marchés Financiers* and any other body and, generally, to do whatever may be necessary;
- resolves that the Management Board shall inform the Annual General Meeting of transactions executed, in accordance with applicable regulations, resolves that this authorization shall be valid for a term of eighteen months from the date of this Meeting, and that it shall supersede, to the extent that it remains unexercised, any prior authorization to the same effect, and in particular the authorization conferred by the tenth resolution of the General Meeting of the Company of May 24, 2016.

Eighth resolution:

Approval of the principles and criteria for the determination, allocation and attribution of the fixed, variable and exceptional components of the total compensation and the benefits of all kinds attributable to the Chairman of the Management Board, the members of the Supervisory Board and its committees, and the Chairman and Deputy Chairman of the Supervisory Board as described in said Report.

The General Meeting, ruling on the conditions required for the quorum and majority of Ordinary General Meetings, having taken note of the Report of the Supervisory Board prepared in accordance with Article L. 225-82-2 of the Commercial Code and presented in section 4.4 of the Registration Document, approves the principles and criteria for the determination, allocation and attribution of the fixed, variable and exceptional components of the total compensation and the benefits of all kinds attributable to them by virtue of their offices, of the Chairman of the Management Board, the members of the Supervisory Board and its committees, and the Chairman and Deputy Chairman of the Supervisory Board as described in said Report.

Extraordinary business**Ninth resolution:**

Authorization of the Management Board to reduce share capital by canceling shares held in treasury

The General Meeting, ruling on the conditions required for the quorum and majority of Extraordinary General Meetings, having taken account of the Report of the Management Board and the Special Report of the Auditors:

- authorizes the Management Board, in accordance with the provisions of Article L. 225-209 of the Commercial Code, to cancel, by its own decision, on one or more occasions, all or some of the shares that the Company holds or may hold in treasury as a result of exercising the various authorizations to purchase shares granted to the Management Board in General Meeting, up to a limit of 10% of the share capital per twenty-four month period;
- delegates to the Management Board, along with the capacity to subdelegate insofar as permitted by law, all powers necessary to carry out the reduction(s) in share capital arising from cancelations authorized by this resolution, to cause the necessary accounting entries to be made, to attribute the difference between the purchase price and the nominal value of the canceled shares to any balance sheet position for issue premiums or available reserves, to make corresponding amendments to the bylaws and, generally, to complete all necessary formalities;
- grants this authorization for a term of eighteen months;
- resolves that with effect from this date, this authorization shall supersede, to the extent that it remains unexercised, any prior authorization to the same effect, and in particular the authorization conferred by the fourteenth resolution of the General Meeting of the Company of May 24, 2016.

Ordinary and extraordinary business**Tenth resolution:**

The General Meeting confers all powers to effect all formalities regarding filing, publication and any other pertinent matters on the bearer of an original, a copy or an extract of these minutes.

6.3 Statutory Auditors' Report on the consolidated financial statements^(AFR)

for the year ended 31 December 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying consolidated financial statements of Constructions Industrielles de la Méditerranée (CNIM);
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- **Significant judgments and estimates**

Note 2 to the consolidated financial statements mentions the significant judgments and estimates adopted by your Group. In connection with our audit, we believe that these judgments and estimates mainly concern:

- The methods used to implement impairment tests for non-current assets, and specifically goodwill;
- The method used to recognize revenue and the margin on contracts in progress involving an estimate of the probable margin on completion and the contract's percentage of completion.

Our work consisted in assessing the data and assumptions serving as a base for these estimates, reviewing, through tests, the calculations performed by your Group and verifying that the notes to the financial statements provide an appropriate disclosure.

As part of our assessments, we verified the reasonableness of these estimates.

- **Result of discontinued operations**

Note 2 to the consolidated financial statements mentions the impact of the accounting of the result of discontinued operations in accordance with IFRS 5.

As part of our assessment of accounting principles followed by your company, we have verified the appropriateness of accounting principles mentioned above and information disclosed in the notes to consolidated financial statements and have obtained assurance as to their correct application.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

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

Neuilly-sur-Seine, March 9, 2017

The statutory auditors

Deloitte & Associés
Stéphane MENARD

PricewaterhouseCoopers Audit
Édouard DEMARCO

6.4 Statutory Auditors' Report on the annual financial statements^(AFR)

for the year ended 31 December 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying financial statements of Constructions Industrielles de la Méditerranée (CNIM);
- the justification of our assessments;
- the specific verification and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As described in note to the financial statements, "2.B. Long-term investments" the impairment of equity investments of subsidiaries is determined by taking into account the net worth held, the net asset value and the expected profitability outlook.
- As described in note to the financial statements, "2.D. Long-term contracts" your company recognizes the revenue and margin on contracts in progress using the percentage of completion method. This method involves estimating the margin on completion and the contract's percentage of completion.

Our work consisted in assessing the data and assumptions serving as a base for these estimates, reviewing, through tests, the calculations performed by your company and verifying that the notes to the financial statements provide an appropriate disclosure.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific procedures and disclosures

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the

underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Neuilly-sur-Seine, March 9, 2017

The Statutory Auditors

Deloitte & Associés

Stéphane MENARD

PricewaterhouseCoopers Audit

Édouard DEMARCQ

6.5 Statutory Auditors' special report on related-party agreements and commitments^(AFR)

Constructions Industrielles de la Méditerranée (CNIM)

(Annual general meeting for the approval of the financial statements for the year ended December 31, 2016)

To the Shareholders,

In our capacity as Statutory Auditors of Construction Industrielles de la Méditerranée (CNIM), we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-58 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R.225-58 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

Agreements and commitments authorized during the year

In accordance with Article L.225-88 of the French Commercial Code, we were informed of the following agreements and commitments authorized by the Supervisory Board.

1. Nicolas Dmitrieff's future conditional rights regarding the defined benefit plan

Person concerned

Nicolas Dmitrieff (Chairman and member of the Management Board)

Nature, purpose and conditions

Upon the renewal of his term of office as Chairman and member of the Management Board, Nicolas Dmitrieff's status was re-examined and it was decided to subject his future conditional rights regarding the defined benefit plan in force in the Company to certain performance conditions and a cap.

This commitment and the conditions of increase and capping of future conditional rights were approved by the General Meeting held on May 24, 2016.

Reason provided by the Company

This agreement allows CNIM to reward and retain members of the Management Board.

2. Addendum to the employment contract of Stefano Costa

Person concerned

Stefano Costa (member of the Management Board)

Nature, purpose and conditions

This amendment modifies the variable portion of his remuneration, which was set at €100,000 for the year ended December 31, 2015. This addendum was authorized by the Supervisory Board at its meeting of March 10, 2016.

Reason provided by the Company

This agreement allows CNIM to reward and retain members of the Management Board.

3. Addendum to the employment contract of Philippe Demigné

Person concerned

Philippe Demigné (member of the Management Board)

Nature, purpose and conditions

This amendment modifies the fixed portion of his remuneration, raising it to a gross monthly amount of €23,077, and the variable portion, which was set at €200,000 for the year ended December 31, 2015. This addendum was authorized by the Supervisory Board at its meeting of March 10, 2016.

Reason provided by the Company

This agreement allows CNIM to reward and retain members of the Management Board.

4. Philippe Demigné's future conditional rights regarding the defined benefit plan

Person concerned

Philippe Demigné (member of the Management Board)

Nature, purpose and conditions

Upon the renewal of his term of office as a member of the Management Board, it was decided to subject Philippe Demigné's future conditional rights regarding the defined benefit plan in force in the Company to certain performance conditions and a cap.

This commitment and the conditions of increase and capping of future conditional rights were approved by the General Meeting held on May 24, 2016.

Reason provided by the Company

This agreement allows CNIM to reward and retain members of the Management Board.

5. Addendum to the employment contract of Stanislas Ancel

Person concerned

Stanislas Ancel (member of the Management Board)

Nature, purpose and conditions

This amendment to the employment contract of Stanislas Anvel modifies the fixed portion of his remuneration, raising it to a gross monthly amount of €19,230, and the variable portion, which was set at €150,000 for the year ended December 31, 2015. It also grants him a benefit in kind corresponding to the provision of accommodation.

This addendum was authorized by the Supervisory Board at its meeting of March 10, 2016.

Reason provided by the Company

This agreement allows CNIM to reward and retain members of the Management Board.

6. Addendum to the employment contract of Christophe Favrelle

Person concerned

Christophe Favrelle (member of the Management Board)

Nature, purpose and conditions

This amendment to the employment contract of Christophe Favrelle modifies the fixed portion of his remuneration, raising it to a gross monthly amount of €15,384, and the variable portion, which was set at €50,000 for the year ended December 31, 2015. It also grants him a benefit in kind corresponding to the provision of accommodation.

This addendum was authorized by the Supervisory Board at its meeting of March 10, 2016.

Reason provided by the Company

This agreement allows CNIM to reward and retain members of the Management Board.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

Agreements and commitments approved in previous years which remained in force during the year

In accordance with Article R.225-57 of the French Commercial Code, we have been informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in effect during the year.

1. Commercial assistance agreement with LAB S.A. and amendment to the agreement

Persons concerned

Nicolas Dmitrieff, Stefano Costa and Stanislas Ancel (members of the Management Board)

François Canellas (member of the Supervisory Board)

Nature, purpose and conditions

In consideration of the commercial assistance provided by the Company and the exclusive rights granted by the Company to LAB S.A. to process and treat smoke generated by the new plants that the Company has built, it was agreed that LAB S.A. would pay the Company a fee amounting to 6% of revenues for plant compliance procedures and 3% of revenues for new plants.

This agreement was authorized by the Supervisory Board on October 27, 2005.

Subsequent to the signature of this agreement, it became apparent that LAB S.A. could be led to carry out certain of the procedures that were part of the initial agreement through its subsidiary LAB GmbH. In such a case, CNIM and LAB S.A. wished to specify in an amendment to the commercial assistance agreement that the fees paid to CNIM under this agreement would be paid directly by the subsidiary concerned.

The signature of this amendment was authorized by the Supervisory Board on November 24, 2011.

Pursuant to this agreement and its amendment, CNIM received the following fees in 2016:

- pursuant to the commercial assistance agreement with LAB S.A.:
 - revenue recorded (excl. VAT) during the year: €531,000,
 - cash receipts (excl. VAT) during the year: €389,250;
- pursuant to the commercial assistance agreement with LAB GmbH:
 - revenue recorded (excl. VAT) during the year: €0,
 - cash receipts (excl. VAT) during the year: €19,000.

Reason provided by the Company

This agreement allows CNIM's subsidiaries to benefit from CNIM's commercial expertise to develop and contribute to Group results.

2. Insurance contract covering unemployment on loss of corporate office entered into in favor of Nicolas Dmitrieff

Person concerned

Nicolas Dmitrieff (Chairman and member of the Management Board)

Nature, purpose and conditions

So that Nicolas Dmitrieff, Chairman of the Management Board, may benefit from unemployment insurance on loss of corporate office in the event of his removal, the Company has entered into an insurance contract in favor of Nicolas Dmitrieff to enable him to benefit from the necessary social security coverage in such an event.

The signature of this insurance contract was authorized by the Supervisory Board on October 27, 2005 in favor of the former Chief Executive Officer then in office.

The continuation of this insurance contract in favor of Nicolas Dmitrieff was authorized by the Supervisory Board on October 22, 2009.

The agreement remained in force in 2016, in respect of which the Company recognized and paid a total of €10,571.13.

Reason provided by the Company

This agreement allows CNIM to reward and retain members of the Management Board.

3. Defined contribution and defined benefit pension plans established by your Company in favor of certain “non-classified” executives

Persons concerned

Nicolas Dmitrieff, Philippe Demigné and Stefano Costa (members of the Management Board)

Nature, purpose and conditions

In 1987, CNIM set up a defined benefit plan for “non-classified” senior executives and salaried managers, as defined by the National Collective Bargaining Agreement for the metal industry, as well as for corporate officers.

This defined benefit plan was modified by removing the benchmark remuneration ceiling and by allowing the retiring employee to choose, at the retirement date, the percentage of the pension to be granted to the surviving spouse.

A supplementary defined contribution plan was subscribed to with an insurance company. This plan was fully financed by the employer with an 8% contribution based on gross annual remuneration, capped at eight times the French annual social security ceiling.

The total amount of the general and specific pension of “non-classified” personnel may not exceed 65% of the benchmark remuneration.

These supplementary retirement plans for “non-classified” executives and corporate officers were authorized in their entirety by the Supervisory Board on October 27, 2005.

These retirement plans remained in force in 2016.

Payments made in respect of the defined benefit plan totaled €500,000 in 2016.

No payments were made in respect of the defined contribution plan in 2016.

Reason provided by the Company

This agreement allows CNIM to reward and retain members of the Management Board.

4. Cooperation agreement with Martin GmbH für Umwelt und Energietechnik

Company and person concerned

Martin GmbH

Johannes Martin (member of the Supervisory Board)

Nature, purpose and conditions

Since 1970, CNIM has been working with Martin GmbH in the area of household waste incineration plants. The combustion system is provided by Martin GmbH and the rest of the plant by CNIM (including energy recovery, power generation, electrical installation and the control system, as well as the lead contractor services).

A new cooperation agreement was signed on June 9, 2005. It specifies the territories covered under the agreement and the respective responsibilities of CNIM and Martin GmbH (remuneration for engineering and the Martin combustion system).

This new agreement was previously authorized by the Supervisory Board on January 27, 2005 and signed for a ten-year period to take into consideration the terms of customer contracts.

This agreement remained in force in 2016, in respect of which the Company recognized total expenses of €13,314,950 (excl. VAT) and paid a total of €5,634,695 (excl. VAT) to Martin GmbH.

Reason provided by the Company

This agreement allows CNIM to technically ensure its installations' uniform quality thanks to Martin technology.

5. Remuneration paid to members of the Strategy and Audit Committees

Persons concerned

François Canellas, Agnès Herlicq, J-P Lefoulon, Vsevolod Dmitrieff, Richard Armand, JF Vauray, Stéphane Herlicq and André Herlicq (members of the Supervisory Board)

Nature, purpose and conditions

The general principle that remuneration be paid to members of the Strategy and Audit Committees was approved by the Supervisory Board at its meeting of March 10, 2016.

This resolution remained in force in 2016, in respect of which overall remuneration totaling €200,000 was paid.

Reason provided by the Company

The agreement allows CNIM to reward and retain members of its Strategy and Audit Committees.

6. Cross-licensing patent agreements between the Company and LAB S.A.

Persons concerned

Nicolas Dmitrieff, Stefano Costa and Stanislas Ancel (members of the Management Board)

François Canellas (member of the Supervisory Board)

Nature, purpose and conditions

As CNIM and LAB S.A. each have a certain number of patents and related trademarks, it became apparent for business reasons that each company could promote and propose to its customers the patents belonging to the other company. Accordingly, CNIM and LAB S.A. decided to sign cross licensing patent agreements. These agreements also provide for the impacts of a decrease in the Company's shareholding in LAB S.A. to below 50%.

These agreements were authorized by the Supervisory Board on April 7, 2011.

No fees will be paid by either company under these agreements.

Reason provided by the Company

This agreement allows CNIM to market technologies developed by its subsidiaries (and vice versa), thereby extending the Group's commercial reach.

7. Terms of tax and social security exemptions for the defined contribution and defined benefit pension plans established by the Company in favor of certain "non-classified" executives

Persons concerned

Nicolas Dmitrieff (Chairman and member of the Management Board)

Nature, purpose and conditions

In order to comply with the circular of September 25, 2013 issued by the Ministry of Social Affairs and Health, it was necessary to reconfirm by way of a resolution of the Supervisory Board that the Board authorized the corporate

officer, Nicolas Dmitrieff, to benefit from social benefit, pension and health insurance schemes in the “non-classified” category to which he belongs, in order that the Company may benefit from the tax and social security exemptions applicable to those pension, social benefit, and health insurance plans.

All supplementary retirement plans (defined benefit and defined contribution) for “non classified” managerial staff and corporate officers were authorized by the Supervisory Board at its meeting of October 27, 2005.

At its meeting on November 28, 2013, the Supervisory Board therefore authorized the corporate officer, Nicolas Dmitrieff, to benefit from social benefit, pension and health insurance plans in the “non-classified” category to which he belongs, and authorized the corresponding signature of amendments to the existing policies with the insurance company, Generali.

Reason provided by the Company

This agreement allows CNIM to reward and retain members of the Management Board.

8. Agreement between the Company and CNIM Singapore Private Ltd

Persons concerned

Nicolas Dmitrieff and Philippe Demigné (members of the Management Board)

Nature, purpose and conditions

The Company decided to entrust the development and marketing of the Innovation & Systems Sector product range in the ASEAN region to its subsidiary, CNIM Singapore Private Ltd, with the goal of drawing on a regional base that, in particular, can provide commercial assistance and ensure the marketing of the Innovation & Systems Sector product range in the region. Under the terms of the service agreement and subsequent addendum entered into with CNIM Singapore Private Ltd, the Company will pay its subsidiary in consideration for the expenses incurred and services rendered to secure contracts signed by the Company. The amount paid will be equal to 9% of the value of the contracts secured.

The signature of this agreement was authorized by the Supervisory Board on March 20, 2014.

Under this agreement in 2016, CNIM Singapore Private Ltd was paid €734,400.

Reason provided by the Company

This agreement allowed CNIM to develop its business in Asia.

9. Amendment to an agreement between your Company and SCI du 35 rue de Bassano for current account advances

Person concerned

Nicolas Dmitrieff (Chairman and member of the Management Board)

Nature, purpose and conditions

Under an agreement dated December 30, 1994, the Company granted SCI du 35 rue de Bassano ("the SCI") a current account advance of €6,402,858.72 to acquire the building located at 35, rue de Bassano, 75008 Paris, France. Under the terms of an addendum dated July 13, 2007, the parties agreed to modify the repayment methods of the current account advance.

Following a new loan taken out by the SCI to finance the renovation of the building located at 35, rue de Bassano, 75008 Paris, France, the Company and the SCI decided to convert the current account advance balance to a €4 million medium-term loan paying a fixed rate of 2.21%, repayable over 18 years and with a deferred payment period of 29 months, i.e., with effect from September 30, 2016.

The signature of this amendment was authorized by the Supervisory Board on March 20, 2014.

Capitalized interest in respect of 2016 amounted to €69,871.

Reason provided by the Company

This agreement funds the renovation of CNIM's headquarters.

10. Group central services agreement with Soluni

Persons concerned

Nicolas Dmitrieff (member of the Management Board)

Christiane Dmitrieff, Lucile Dmitrieff and Sophie Dmitrieff (members of the Supervisory Board)

Nature, purpose and conditions

The purpose of the agreement is to provide Soluni with bookkeeping and cash management services. In consideration of these services, CNIM is paid fees that consist of the rebilling of internal and, if applicable, external costs incurred to carry out said services. Internal costs are billed on a pro rata basis according to time spent plus a 5% service and handling fee. The signature of this agreement was authorized by the Supervisory Board at its meeting of March 19, 2015. Under this agreement in 2016, CNIM was paid €64,114.05.

Reason provided by the Company

This agreement allows CNIM to share administrative resources with its parent company.

Neuilly-sur-Seine, March 9, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit

Édouard DEMARCQ

Deloitte & Associés

Stéphane MENARD

7 ADDITIONAL INFORMATION

7.1 General information

7.1.1 Legal and commercial name of the issuer

Company name: Constructions Industrielles de la Méditerranée (CNIM).

7.1.2 Place of registration and registration number of the issuer

The Company is registered in the Paris Trade and Companies Register under number B 662 043 595. The APE code (principal activity code) of the Company is: 2821Z.

7.1.3 Date of incorporation and lifetime of the issuer

The lifetime of the company shall be ninety-nine years from July 20, 1966, the date of its definitive foundation, except in the event of early dissolution or extension.

The Company was registered on October 4, 1966 in the Paris Trade and Companies Register.

7.1.4 Domicile and legal form of the issuer, legislation governing its activities, country

The Company is a *société anonyme* [corporation] with a Management Board and Supervisory Board under French law, governed by the French Commercial Code (*Code de commerce*).

Its registered office is located at 35 rue de Bassano, 75008 Paris. The Company's telephone number is as follows: +33 (0)1 44 31 11 00.

7.1.5 Supplementary information in relation to Section 21 of the AMF Regulations

Please refer to 7.2 below.

7.1.6 Details of the auditors

A. Principal auditors

a. PricewaterhouseCoopers Audit

63 rue de Villiers, 92200 Neuilly-sur-Seine (France).

Member of the Versailles Regional Association of Statutory Auditors.

Appointed by the General Meeting of May 29, 2013.

Date of expiry of current engagement: following the General Meeting ruling on the 2018 financial statements.

Signatory: Édouard Demarcq

b. Deloitte & Associés

185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine Cedex (France).

Member of the Versailles Regional Association of Statutory Auditors.

Appointed by the General Meeting of May 29, 2013.

Date of expiry of current engagement: following the General Meeting ruling on the 2018 financial statements.

Signatory: Stéphane Ménard

B. Alternate auditors

a. PricewaterhouseCoopers Entreprises

63 rue de Villiers, 92200 Neuilly-sur-Seine (France).

Member of the Versailles Regional Association of Statutory Auditors.

Appointed by the General Meeting of May 29, 2013.

Date of expiry of current engagement: following the General Meeting ruling on the 2018 financial statements.

b. BEAS

7-9 Villa Houssay, 92524 Neuilly-sur-Seine Cedex (France).

Member of the Versailles Regional Association of Statutory Auditors.

Appointed by the General Meeting of May 29, 2013.

Date of expiry of current engagement: following the General Meeting ruling on the 2018 financial statements.

7.2 Bylaws

The Company's bylaws are available on its website (www.cnim.com) and have been updated pursuant to the resolutions of the General Meeting of Shareholders of May 29, 2013.

7.2.1 Object of the company (Article 2 of the bylaws)

The object of the Company, in France and abroad, comprises:

- the performance of studies, the provision of know-how, and the design, manufacturing, construction, assembly, installation, commissioning, operation and maintenance of equipment, systems and industrial facilities in the fields of the Environment, Energy, Defense and Industry;
- the supply of all services associated with the above types of facilities, equipment and systems;
- the taking of interests, in whatsoever form, in all companies or enterprises with a similar or related object or which are of such a nature as to promote or develop, directly or indirectly, the activities forming the object of the Company;
- and, more generally, the performance of any civil, industrial, commercial or financial transactions relating to movable property or real estate that are directly or indirectly linked, wholly or partially, to any of the aforesaid activities, or to any similar or related activities that may prove useful to them or likely to facilitate their performance, expansion or development.

7.2.2 Provisions of the bylaws concerning the supervisory and management bodies of the company (Articles 13-17 of the bylaws)

Article 13 of the bylaws

1 The Company shall be managed by a Management Board which shall perform its duties under the supervision of the Supervisory Board.

2 The Management Board shall comprise a minimum of two and a maximum of seven members, all of them physical persons.

3 The Management Board shall be appointed for a term of four years by the Supervisory Board, which shall appoint the Chairman of the Management Board from among the members of the Management Board and which may also confer the power to represent the Company to one or more other members of the Management Board, who shall then bear the title of Chief Executive Officers. Their remuneration shall be determined by the Supervisory Board. The duties of the Management Board shall end at the close of the General Meeting of shareholders called to rule on the financial statements of the previous financial year and held in the year in which its term of office expires.

4 The age limit for performing the duties of a member of the Management Board shall be seventy years. When a member of the Management Board reaches this age, he is deemed to have resigned.

The Management Board shall meet whenever the interests of the company require it.

Members of the Management Board may be called to board meetings by any means.

6 Resolutions of the Management Board shall be passed by a simple majority of its members.

7 Members of the Management Board may be dismissed by the General Meeting or by the Supervisory Board.

Article 14 of the bylaws

The Management Board shall be invested with the most extensive possible powers to act in the name of the Company in all circumstances; it shall exercise them within the limits of the Company's object and subject to those powers expressly attributed by law or the bylaws to the Supervisory Board and to Shareholders' Meetings.

The Chairman of the Management Board shall represent the Company in its relations with third parties. He shall have the most extensive possible powers to act in the name of the Company, subject to compliance with the Company's object and to those powers which the law expressly reserves to the Supervisory Board and to Shareholders' Meetings.

The Supervisory Board may also confer the same power of representation on one or more other members of the Management Board, who shall then bear the title of Chief Executive Officers.

The Chairman of the Management Board and the Chief Executive Officer(s) shall be authorized to partially deputize the powers conferred on them to any special agents they may appoint.

The Management Board shall present a report to the Supervisory Board at least once every quarter.

Article 15 of the bylaws

1 The Supervisory Board shall comprise a minimum of three and a maximum of eighteen members, who shall be appointed in ordinary General Meeting.

2 A legal entity may be appointed as a member of the Supervisory Board. Upon its appointment or co-optation, it shall be obliged to appoint a permanent representative who shall be subject to the same terms and obligations and who shall bear the same civil and criminal liability as he would if he were a member of the Supervisory Board in his own name, without prejudice to the joint liability of the legal entity he represents.

3 Each member of the Supervisory Board must be the owner of at least one share throughout the term of his service.

4 Members of the Supervisory Board shall serve for four years.

5 Any member of the Supervisory Board appointed as a replacement for another shall remain in position throughout the remainder of the term of office of his predecessor.

6 Any member may be re-elected on expiry of his term.

7 At any annual Ordinary General Meeting, no more than half the members of the Supervisory Board may have reached the age of seventy during the financial year on the financial statements of which the Meeting has been called to rule. If this proportion of one half needs to be re-established, the oldest member or members of the Supervisory Board shall be deemed to have resigned from office, such resignation taking effect at the end of the meeting ruling on the financial statements of the financial year during which the proportion was exceeded, unless the proportion of one half has already been re-established. Notwithstanding the above, if the oldest member or members of the Supervisory Board hold(s) or has/have held the position of Chairman of the Board of Directors or of the Supervisory Board in the Company, they shall remain in position and the next oldest member or members of the Supervisory Board shall be deemed to have resigned from office. These provisions shall also apply to the permanent representatives of legal entities that are members of the Supervisory Board, without ending their term of office but instead obliging them immediately to nominate a new permanent representative.

8 Where, at the end of a financial year, the proportion of the share capital held – within the context set out under the provisions of Article L. 225-102 of the Commercial Code – by the staff of the Company and of related companies within the meaning of Article L. 225-180 of the said Code exceeds 3%, a member of the Supervisory Board shall be appointed in Ordinary General Meeting as a representative of the employee shareholders, in the manner prescribed by current regulations and by these bylaws.

9 Candidates for the position of employee shareholder member of the Supervisory Board shall be appointed in accordance with the following terms:

a) Where the right to vote attaching to the shares held by the employees or by the collective investment schemes of which they are members is exercised by the members of the supervisory board of those collective investment schemes, the candidates shall be nominated by the board from among the schemes' members.

b) Where the right to vote attaching to the shares held by the employees (or by the collective investment schemes of which they are members) is exercised by the employees directly, candidates shall be nominated at the consultative meeting provided for under Article L. 225-106 of the Commercial Code, either by the employee shareholders meeting specifically for that purpose or via a written consultation. Only candidates presented by a group of shareholders representing at least 5 % of the shares held by those employees who exercise their right to vote individually shall be admitted.

10 The procedures for nominating candidates, to the extent that they are not defined in the legal and regulatory provisions in force or in these bylaws, shall be decreed by the Chairman of the Supervisory Board, in particular as concerns the timetable for the nomination of candidates.

11 A list of all validly nominated candidates shall be drawn up. This must contain at least two candidates and indicate for each candidate the name of his substitute in the event that he should vacate his office for any reason. The list of candidates shall be appended to the notice calling the General Meeting of shareholders called to nominate the member of the Supervisory Board representing employee shareholders.

12 The member of the Supervisory Board representing employee shareholders shall be appointed in ordinary General Meeting in accordance with the terms applying to all appointments of members of the Supervisory Board. The Supervisory Board shall present the list of candidates to the General Meeting. Whichever of the aforesaid candidates receives the largest number of votes from the shareholders present or represented at the ordinary General Meeting shall be designated as the member of the Supervisory Board representing employee shareholders.

13 This member shall not be taken into account when determining the minimum or maximum number of members of the Supervisory Board as prescribed under Article L. 225-69 of the Commercial Code.

14 The term of office of the member of the Supervisory Board representing employee shareholders shall be six years. Nevertheless, his position shall end automatically and the member of the Supervisory Board representing employee shareholders shall be deemed to have resigned from office in the event that he ceases to be an employee of the Company (or of a related company or economic interest group as defined under Article L. 225-180 of the Commercial Code) or to be a member of a collective investment scheme at least 90% of whose assets are composed of shares in the Company. The Supervisory Board may validly meet and deliberate prior to the date of the appointment or replacement of the member of the Supervisory Board representing employee shareholders.

15 Should the member of the Supervisory Board representing employee shareholders vacate his position for any reason, his substitute shall immediately assume office for the remainder of his predecessor's term of office.

16 The provisions under paragraph 8 of this Article shall not apply where, at the end of a financial year, the percentage of share capital held by the staff of the Company and of related companies as defined under Article L. 225-180 above, in the context set out in the provisions of Article L. 225-102 above, represents less than 3% of the share capital, it being specified that the term of office of any member of the Supervisory Board representing employee shareholders who was appointed pursuant to paragraph 8 shall expire on its normal date.

17 The provisions of paragraph 3 of this Article shall not apply to the member of the Supervisory Board representing employee shareholders.

18 The Supervisory Board shall appoint from among its members a Chairman and Deputy Chairman, who must be physical persons and who shall remain in office until expiry of their membership of the Supervisory Board.

19 Members of the Supervisory Board shall be called to meetings of the Board by any means, including orally, by the Chairman or Deputy Chairman.

20 Resolutions shall be passed subject to the rules prescribed by law regarding quorum and majority.

21 An internal rule may provide that members of the Supervisory Board participating in a Board meeting by a means of videoconferencing or telecommunication that allows them to be identified and enables them to participate effectively be deemed present for the calculation of quorum and majority, subject to compliance with regulations in force.

Article 16 of the bylaws

The Supervisory Board shall oversee the Management Board on an ongoing basis. In this regard, it may at any time of year conduct checks and controls that it deems appropriate and have documents communicated to it that it considers necessary to the accomplishment of its task.

In addition to the sale of real estate, the full or partial sale of holdings in other enterprises and the establishment of sureties and charges, pledges or guarantees, which shall be subject to authorization by the Supervisory Board under the terms set by the Commercial Code, the following transactions may only be made by the Management Board with the prior consent of the Supervisory Board:

- issue of securities, of whatsoever kind, liable to entail a change to the share capital;
- material transactions liable to affect the strategy of CNIM or the CNIM Group or to change its financial structure or its sphere of activity, whereby the assessment of materiality shall be made by the Management Board on its own liability;
- transactions exceeding an amount set each year by the Supervisory Board regarding:
 - any capital spending decisions affecting fixed assets as recorded in the balance sheet;
 - any barter or part-exchange transactions relating to goods, stocks or securities;
 - involvement in the establishment of any company and subscription to any issue of shares, stocks or bonds, excluding treasury transactions;
- the grant or acceptance of any loans, borrowings, credit or advances.

The Management Board may delegate the powers it has received from the Supervisory Board within the limits permitted by law and regulations.

The Supervisory Board may confer special authorities of any kind for one or more defined purposes upon one or more of its members.

It may resolve to create subcommittees, the composition and powers of which it shall determine and which shall perform their activities under its responsibility.

Article 17 of the bylaws

Any agreement made directly or via an intermediary between the Company and a member of the Management Board or Supervisory Board, a shareholder holding over 10% of the voting rights or, in the case of a shareholder which is a company, its controlling company as defined in Article L. 233-3 of the Commercial Code must be submitted for prior approval to the Supervisory Board.

The same shall apply to agreements in which one of the persons referred to above has an indirect interest.

Agreements between the company and an enterprise shall also be subject to prior approval if a member of the Management Board or Supervisory Board of the company is the owner, general partner, executive manager, director, member of the supervisory board or, more generally, a manager of that enterprise.

Nevertheless, the foregoing measures do not apply to agreements concluded under normal terms in respect of ongoing transactions.

7.2.3 Rights, privileges and restrictions associated with shares (Articles 8-11 of the bylaws)

Article 8 of the bylaws

Shares shall be either registered or bearer shares, at the election of the shareholder.

They confer the right to registration under the conditions and in the manner prescribed by law.

The Company or its authorized representative may at any time request any body or intermediary, insofar as permitted by laws and regulations in force, to reveal the identity of the holders of shares conferring the immediate or eventual right to vote at its General Meetings, as well as the number of shares held by each holder and, where applicable, any constraints as may attach to the shares.

Article 9 of the bylaws

Shares may be freely sold and transferred in accordance with the legislative and regulatory provisions.

Article 10 of the bylaws

Each share confers a right in the profits and assets, and in the surplus on liquidation, in proportion to the fraction of the share capital it represents.

It confers the right to participate, to the extent permitted by law and by the bylaws, in General Meetings of the shareholders and to vote on resolutions.

All shareholders have the right to be informed about the progress of the Company and to obtain communication of certain Company documents at the times and to the extent provided for by law and by the bylaws.

Possession of a share automatically entails adherence to the bylaws of the Company and to resolutions passed in General Meeting.

Shareholders are liable for the company's liabilities up to the nominal value of the shares they possess.

The rights and obligations attaching to shares follow the share as it passes from hand to hand, and sale or assignment shall encompass all dividends not yet payable or due but unpaid, as well as, where applicable, the share in the reserves.

The heirs, creditors or legal beneficiaries of a shareholder may not demand the assets of the Company be placed under court seal, request their division or licitation, or intervene in any way in the company's administration. They may, in order to exercise their rights, have reliance on the company's accounts and on resolutions passed in General Meeting.

Whenever it is necessary to possess a certain number of shares in order to exercise a right, it shall be incumbent on owners not in possession of this number to arrange the requisite grouping of shares.

Article 11 of the bylaws

The shares are indivisible from the point of view of the Company.

Nevertheless, where a share is subject to a usufruct, the right to vote attached to that share shall belong to the holder of the usufruct in ordinary General Meetings and to the bare owner in extraordinary General Meetings.

Co-owners of indivisible shares shall be represented at General Meetings by one of their number or by a sole proxy; in the event of disagreement, the proxy shall be designated by the President of the Commercial Court provisionally ruling on the request of the first co-owner to submit an application.

Where shares have been pledged, the right to vote shall be exercised by the owner.

The right of the shareholder to obtain communication of company documents belongs equally to each of the co-owners of indivisible shares, and both to the bare owner and the holder of a usufruct.

7.2.4 Shares required to modify the rights of shareholders

None.

7.2.5 General meetings (Article 19 of the bylaws)

Article 19 of the bylaws

1 General Meetings shall be called in accordance with the terms, forms and notice periods prescribed by law.

2 Meetings shall take place at the head office or at any other location in the same *département* specified in the invitation.

All shareholders have the right to attend General Meetings and to participate in the deliberations, under the terms prescribed by law.

If the Management Board so resolves at the time of calling a General Meeting, shareholders may participate in that meeting by videoconferencing or by any other means of telecommunication (including the internet) permitting their identification, insofar as permitted by the applicable regulations. Where applicable, this option shall be mentioned in the notice of the meeting and the invitation.

Shareholders participating in the meeting by videoconferencing or by electronic means of communication permitting their identification shall be deemed present for the purpose of calculating the quorum and majority.

Any shareholder who fulfills the conditions required to participate in a meeting may have himself represented by a proxy insofar as permitted by law.

Shareholders may also vote by post or, if the Management Board so decides, remotely by electronic means, insofar as permitted and in the manner determined by law and regulations, by sending in their voting and proxy forms for any General Meeting either in paper form or, if the Management Board has so decided, by electronic means of communication, it being specified that this option shall be, where applicable, mentioned in the notice of the meeting and the invitation.

The voting right attaching to the shares is proportional to the share capital they represent. Nevertheless, a double voting right is conferred on all fully paid-up shares which are shown to have been registered in the name of the same shareholder for at least two years, insofar as permitted by law.

Meetings shall be chaired by the Chairman of the Supervisory Board or, in his absence, by a member of the Supervisory Board specially nominated to this end by the Board.

The duties of scrutineers shall be fulfilled by the two members of the meeting having the largest number of votes and accepting that duty.

The meeting committee shall designate the meeting secretary, who may be chosen from outside the shareholders.

An attendance list shall be maintained as prescribed by law.

Copies or extracts of the minutes of the Meetings shall be certified, in accordance with the law.

7.2.6 Provisions liable to affect control

None.

7.2.7 Crossing threshold amounts (Article 12 of the bylaws)

Article 12 of the bylaws

Any individual or legal entity acting alone or in concert with others who comes to possess a number of shares representing more than 2.5% of the share capital or voting rights of the Company or more than any multiple from 1 to 13 of this percentage (the obligation ceases to apply beyond the threshold of 32.5% of the share capital or voting rights) shall be bound to declare it to the Company by registered letter with advice of receipt sent to the head office and informing it of the total number of shares and voting rights he possesses, within fifteen stock-market trading days of the attribution to his account of the shares enabling him to cross the threshold in question.

This declaration must be made in accordance with the above terms on every occasion that the aforementioned thresholds are crossed, whether upwards or downwards.

Non-compliance with this obligation is punishable by the withdrawal of voting rights from those shares exceeding the percentage that was not duly declared for all shareholders' meetings until the expiry of a period of two years from the date on which the due notification was received, it being specified that this sanction shall only apply in the event of a request, recorded in the minutes of the General Meeting, by one or more shareholders holding at least 2.5% of the Company's share capital or voting rights.

7.2.8 Changes to share capital (Article 7 of the bylaws)

Article 7 of the bylaws

The share capital may be increased, reduced or partially liquidated insofar as permitted by law and regulations.

7.3 Documents on display

Information published or made public over the last twelve months (April 2015 to April 2016).

a. Regulatory information

All regulatory information is published by CNIM Group via a distributor as part of its financial communication and is available on its website, www.cnim.com.

This includes all mandatory financial documents filed with the AMF in accordance with Article L. 451-1-2 (revised) of the Monetary and Financial Code, as resulting from the transposition into national law of the European Transparency Directive (Directive 2004/109/EC):

- Monthly information on the total number of voting rights and shares comprising the Company's share capital;
- Information on operations affecting the Company's securities;
- Information on Auditors' fees;
- Monthly declarations of transactions in own shares;

b. Financial press releases;

- Quarterly revenues;
- Half-yearly financial statements;
- Annual financial statements;
- Backlog for the financial year;

c. Financial publications and information;

- Registration document;
- Annual financial report;
- Half-yearly financial report;
- Quarterly information;
- Financial calendar.

d. Other documents

- Description of share repurchase programs;
- Report of the Chairman of the Supervisory Board on internal control and risk management;
- Means used to distribute or make available documents issued in advance of General Meetings.

The Company's bylaws are available on its website (www.cnim.com) and have been updated pursuant to the resolutions of the General Meeting of Shareholders of May 29, 2013.

During the period of validity of this Registration Document, the following documents (or copies thereof) may be consulted at the Company's registered office, 35 rue de Bassano, 75008 Paris:

- the deed of incorporation and the bylaws of the Company;
- all reports, letters and other documents, historical financial information, valuations and opinions issued by an expert at the request of the Company of which any part is included in or referred to in this registration document;
- the historical financial information of the Company and its subsidiaries for each of the two financial years preceding the publication of this registration document.

7.4 Responsible person^(AFS)

7.4.1 Responsible person for the registration document

Mr. Nicolas Dmitrieff, Chairman of the Management Board.

7.4.2 Declaration by the responsible person for the registration document

I declare, having taken all reasonable steps to this end, that the information contained in this registration document is true and accurate to the best of my knowledge and contains no omissions that would alter its meaning.

I declare, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable accounting standards and provide a true picture of the assets and liabilities, the financial position and the

income of the company and of all of the entities included within the consolidation, and that the Management Board's report featuring in Section 1 provides an accurate reflection of the changes in the business, income and financial position of the company and of all of the entities included within the consolidation, as well as a description of the principal risks and uncertainties with which they are faced.

I have obtained a completion of work letter from the statutory auditors of the financial statements, in which they state that they have verified the information on the financial position and the financial statements disclosed in this document and that they have read the document in its entirety.

The historical financial information presented in this registration document is the subject of a report by the statutory auditors, featuring in the financial section of this document. It is noted that in respect of the 2016 financial year, the statutory auditors, without qualifying the opinion that they have given in their report on the consolidated financial statements, have drawn attention to Notes 4 and 11 to the consolidated financial statements, which set out the accounting treatment and the effects of the sale to the FCDE of the Babcock Wanson subsidiaries (excluding Babcock Wanson Maroc, now renamed CNIM Babcock Maroc).

Paris, March 23, 2017

Nicolas Dmitrieff
Chairman of the Management Board

8 HISTORY

CNIM Group has been forged over the course of a long history, which began with the foundation *Forges et chantiers de la méditerranée* (FCM) in 1856. This history is testimony to the Group's ability to transform in order to continue to achieve its ambitions without neglecting its long-term commitments.

The various technological, industrial and human milestones in the Group's history are shown below:

1856

Founding of the shipyard at La-Seyne-sur-Mer in the Var. Throughout its existence, the shipyard was to remain at the forefront of shipbuilding techniques, building not only warships and liners for France, Japan and many other countries, but also the first submarine. La-Seyne-sur-Mer is still the Group's main industrial site today.

1917

The first tanks roll out of the La-Seyne-sur-Mer plant and the Renault works.

1961/1965

CNIM plays a part in the construction of the first serially produced missile launch tubes for France's ballistic nuclear submarines.

The Group remains actively involved in this field, and plays a vital role in the modernization of these missile launch systems.

1966

As orders for new ships decline, FCM is taken over by the Herlicq industrial equipment group, changing its name to *Constructions navales et industrielles de la méditerranée*, or CNIM for short. Activity levels are restored with the construction of specialized vessels such as methane carriers and offshore drilling platforms. Diversification into other industrial sectors, which has been ongoing for several years, is actively continued.

1982/1986

The French government merges the shipyards at Dunkirk, La Ciotat and La-Seyne-sur-Mer to form Normed. CNIM, now known as *Constructions industrielles de la méditerranée*, opts to grow its business in energy (waste-to-energy plants and boilers) and mechanical engineering (submarine missile launch systems for the Strategic Ocean Force, pontoon bridging systems for the Engineering Corps, components for the nuclear industry, escalators for subways, rail stations and airports).

1987

On June 30, CNIM is listed on the Second Market of the Paris Stock Exchange.

CNIM now begins development work on the new M51 missile launch system and invests a large portion of its equity in equipping itself with the resources needed to work with the new materials used.

1989/1990

CNIM acquires two companies specializing in industrial boilers: Babcock Entreprise (1989) and Wanson (1990), merging them to form Babcock Wanson.

2001/2002/2003

CNIM purchases LAB SA, a European leader in flue-gas treatment, in 2001 and takes over Alstom's waste-to-energy business in 2002.

In 2000, France takes sole charge of the European assault bridge project, which is based on a vehicle-mounted bridge developed by CNIM's Eurobridge subsidiary. In 2003, CNIM builds three bridges, each with a twelve-meter span, at its own expense to demonstrate the viability and reliability of the project.

In mid-2002, the consortium formed by Thales and CNIM wins the general contract to supply and fit equipment to the Megajoule Laser chamber.

2005

CNIM lays the foundation stone of a new 20,000 m² factory in Gaoming, China, near Foshan in the province of Canton.

2008/2009

CNIM acquires Bertin Technologies together with its subsidiaries, as well as healthcare firms Biotec Centre and IDPS. The Group also purchases a shareholding in Technoplus Industries, a subsidiary of Areva TA.

The Group refocuses on its core activities and closes the Transport Division, which specialized in escalators and moving walkways.

2010/2011

Ellipse, Spi-Bio, Biotec Centre and IDPS, the four Bertin Technologies subsidiaries specializing in pharmaceutical R&D, merge to form Bertin Pharma. Bertin Technologies purchases Vecsys, a company specializing in automated speech processing with expertise in voice-stream processing, on-board software and industrial IT.

CNIM's pilot concentrated solar power plant comes on stream at the La-Seyne-sur-Mer site.

2012

CNIM is selected as Intermediate-Size Enterprise of the Year for 2012. This award, conferred by *l'Usine Nouvelle* magazine at the *Assises de l'Industrie* conference, was given in honor of our "tenacity, innovation, youthfulness of spirit and successful model of diversification".

In 2012, CNIM completes its 160th waste-to-energy plant. The 160 installations boast a total of 280 thermal waste processing lines.

2013

The Group's Stuttgart-based subsidiary LAB GmbH agrees to purchase a portfolio of ongoing projects, technologies and assets from the Swiss company Geodur Recycling AG. The move enables LAB to expand its technological portfolio and offer new solutions and services in relation to the stabilization and solidification of fly ash and particulates, bottom ash treatment and the recovery of non-ferrous metals.

2014

The Dmitrieff family's holding company, SOLUNI S.A., assumes control of CNIM in July 2014 by purchasing the entire shareholdings of CNN and Martin GmbH. This transaction causes SOLUNI's shareholding to rise from 27.40% at December 31, 2013 to 56.43% at December 31, 2014. CNIM thus now has a strong and stable shareholder base, which will further bolster the implementation of the Group's long-term development strategy. This consolidation is proof of the Dmitrieff family's belief in CNIM.

Bertin Pharma acquires the Aquitaine site of Johnson & Johnson Health & Beauty France (JJHBF), which specializes in the formulation and production of clinical batches of over-the-counter drugs. This takeover is accompanied by a partnership agreement, whereby Bertin Pharma will conduct R&D work on behalf of JJHBF. Bertin Pharma thus gains access to a fast-growing market, namely that of over-the-counter drugs.

CNIM acquires the cooling units and absorption heat pumps business of the German company INVEN. This acquisition makes it possible to develop a new business centered on the design, production and supply of innovative turnkey systems for recovering heat and energy. INVEN's technology uses low-temperature discharges in order to extract heat from them and produce cold or heat, thereby reducing its users' reliance on fossils fuels.

Negotiations are held concerning the acquisition of Saphymo by Bertin Technologies, which has become the only French industrial company to offer a complete range that encompasses not only equipment for detecting and identifying nuclear, radiological, biological and chemical (NRBC) threats for the defense and security industries, but also equipment for monitoring levels of ionizing radiation for the nuclear industry. This transaction is finalized on January 1, 2015.

2015

The SPI ("Sociétés de projets industriels" - Industrial Joint Ventures) fund, financed by the Investments for the Future program and run by Bpifrance, announces its first investment, alongside CNIM, in the company SUNCNIM in June 2015. SUNCNIM, which is majority-owned by CNIM, develops and builds turnkey concentrated solar power plants for export.

Bertin Technologies acquires GO Albert France and its AMI Software brand in May 2015. The company was incorporated into the Bertin IT division. With the digital monitoring and cyberintelligence specialists of both entities

joining forces, a major player in the field of open-source data processing (in particular Internet monitoring) is created, with its international ambitions supported by the whole of CNIM Group.

2016

Seeking to refocus on its core business as a supplier of industrial equipment to major public and private-sector customers in France and worldwide, CNIM sells its Babcock Wanson subsidiaries (excluding CNIM Babcock Maroc) to the FCDE (Fonds de Consolidation et de Développement des Entreprises) in July 2016. The transaction enables Babcock Wanson to continue its international expansion with the support of a new owner who respects its industrial heritage.

9 CROSS-REFERENCE TABLES

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Incorporation by reference

In accordance with Article 28 of Regulation (EC) No. 809/2004, the following information is incorporated by reference into this registration document:

- the consolidated financial statements and annual financial statements for the years ended December 31, 2015 and December 31, 2014 and the Statutory Auditors' reports in relation thereto as included respectively in registration document No. D.16-0318 and registration document No. R.15-020, filed with the *Autorité des marchés financières* on April 11, 2016 and April 21, 2015 respectively;
- the commentary on activities during the years ended December 31, 2015 and December 31, 2014 as included respectively in chapters I.5/I.6/I.7/I.8 of registration document No. D.16-0318 and registration document No. R.15-020, filed with the *Autorité des marchés financières* on April 11, 2016 and April 21, 2015 respectively.



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with share capital of €6,056,220

662 043 595 Paris Trade & Companies Register