CONSTRUCTIONS INDUSTRIELLES DE LA MÉDITERRANÉE (CNIM)

CNIM is a limited liability company (*Société anonyme*) incorporated in France, with a Management and Supervisory Board and share capital of €6,056,220
Registered Office: 35, rue de Bassano - 75008 Paris
Registered with the Paris Trade and Companies Registry (RCS) under number 662 043 595

FINANCIAL REPORT
for the six-month period ended
JUNE 30, 2018

Financial Report for the six-month period ended June 30, 2018

Preamble:

- The financial statements presented herein for the six-month periods ended June 30, 2017 (restated) and June 30, 2018 reflect the application of IFRS 15 and IFRS 9, the main impacts of which are described in Note 2 to the consolidated financial statements for the six-month period ended June 30, 2018.
- "CNIM Babcock Maroc" (optimization, maintenance and refurbishment of combustion plants) has been included in the Environment & Energy operating segment in the financial statements for the six-month period ended June 30, 2018. Comparative data have been restated to reflect the inclusion of CNIM Babcock Maroc in the Environment & Energy operating segment.

1. Significant events of the period

On June 29, 2018, Bertin Technologies, a subsidiary of the CNIM Group, announced the disposal of its Ergonomics consultancy business.

On June 29, 2018, following a competitive tender, Bertin Technologies sold its "Bertin Ergonomie" business, which employs around 90 consultants and is mainly based in the Île-de-France and Toulouse regions, to Human Design Group, with the support of Bertin Ergonomie's management team. Human Design Group is majority owned by Ciclad.
Bertin Ergonomie, which has an excellent reputation with key industrial companies and service providers, provides consultancy services and expertise in ergonomics, user experience (UX) and human factors. In 2017, it generated revenue of €8 million.
Bertin Ergonomie (now Human Design Group) therefore has the resources to boost development, while maintaining a lasting partnership with the CNIM Group.
The CNIM Group sold the service business targeting wide-ranging markets in order to refocus on its strategic lines of business in the Environment and Energy, Defense and Security operating segments.

2. Operations

2.1 Order intake

2.1.1 Group order intake by operating segment

(in € millions)	2017 (Reported)			2017 (Restated)			2018			*Change 2018 / 2017 (restated)*
	1st Quarter	2nd Quarter	**Total June 30, 2017**	1st Quarter	2nd Quarter	**Total June 30, 2017**	1st Quarter	2nd Quarter	**Total June 30, 2018**	
Environment & Energy	239.1	64.3	**303.4**	218.5	66.6	**285.1**	50.4	51.2	**101.6**	*-64.4%*
Innovation & Systems	37.0	47.4	**84.4**	35.7	45.1	**80.8**	36.8	33.8	**70.6**	*-12.6%*
Group	**276.1**	**111.7**	**387.8**	**254.2**	**111.7**	**365.9**	**87.2**	**85.0**	**172.2**	*-52.9%*

Group order intake for the first six months of 2018 amounted to €172.2 million compared with €365.9 million for the same period in 2017 (restated).

2.1.2 Environment & Energy segment order intake

(in € millions)	2017 (Reported)			2017 (Restated)			2018			Change 2018 / 2017 (restated)
	1st Quarter	2nd Quarter	Total June 30, 2017	1st Quarter	2nd Quarter	Total June 30, 2017	1st Quarter	2nd Quarter	Total June 30, 2018	
Turnkey Waste-to-Energy Processing Plants (EPC)	143.7	(7.2)	**136.5**	143.7	(7.2)	**136.5**	0.3	2.3	**2.6**	*-98.1%*
LAB	27.1	2.1	**29.2**	27.1	2.1	**29.2**	5.4	9.8	**15.2**	*-47.9%*
O&M	63.5	2.4	**65.9**	41.6	2.4	**44.0**	36.4	7.1	**43.4**	*-1.3%*
Services	4.9	67.0	**71.9**	6.1	69.3	**75.5**	8.2	32.0	**40.2**	*-46.7%*
Solar Energy		0.0	**0.0**	0.0	0.0	**0.0**	0.0	0.1	**0.2**	*ns*
Environment & Energy	**239.1**	**64.3**	**303.4**	**218.5**	**66.6**	**285.1**	**50.4**	**51.2**	**101.6**	*-64.4%*

Five Business Divisions have been defined in the Environment & Energy operating segment:

- "EPC": "Turnkey" Household Waste-to-Energy Processing Plants;
- "LAB": flue gas treatment solutions for household waste-to-energy processing plants, flue-gas scrubbing systems for merchant ship engines, systems for the removal and recovery of heavy metals from incinerator ash residues, and related services;
- "O&M": Operation and Maintenance of household and biomass waste-to-energy processing plants;
- "Services": expertise, performance enhancement and refurbishment services for household and biomass waste-to-energy processing plants and combustion plants;
- "Solar Energy".

For the "Turnkey" Household and Biomass Waste-to-Energy Processing Plant business, during the first six months of 2017 the Group recorded the notice-to-proceed related to the Avonmouth waste-to-energy plant in South West England.

In the first half of 2018, LAB SA received an order to build "turnkey flue gas treatment systems" in Sweden (Hogdalen). Three plants to remove and recover non-ferrous metals from incinerator ash residues (United States) contributed to the "Geodur" business.

The "Services" division of the Environment & Energy operating segment received orders to replace, optimize and modify flue gas treatment systems for the Vaux le Penil (Melun), Monaco and Albioma Le Moule plants. In the first six months of 2017, the division received a significant order to fully refurbish the Thiverval plant.
For "CNIM Babcock Services", order intake significantly increased in the first six months of 2018 compared with the same period in 2017.

2.1.3 Innovation & Systems order intake

(in € millions)	2017 (Reported)			2017 (Restated)			2018			Change 2018 / 2017 (restated)
	1st Quarter	2nd Quarter	**June 30, 2017**	1st Quarter	2nd Quarter	**June 30, 2017**	1st Quarter	2nd Quarter	**June 30, 2018**	
Industrial Systems Division	13.9	30.0	**43.9**	12.6	27.7	**40.3**	13.7	7.5	**21.2**	*-47.4%*
Bertin	23.1	17.4	**40.5**	23.1	17.4	**40.5**	23.1	26.3	**49.4**	*+22%*
Innovation & Systems	**37.0**	**47.4**	**84.4**	**35.7**	**45.1**	**80.8**	**36.8**	**33.8**	**70.6**	*-12.6%*

For the Industrial Systems Division, order intake in the first six months of 2018 was down compared with the same period in 2017. The decrease was mainly attributable to Nuclear Power and State-of-the-Art Scientific Instruments business activity.

Order intake by Bertin subsidiaries increased by 22% year, and can be broken down as follows:

	Total June 30, 2017	Total June 30, 2018
Systems and Instrumentation	*49%*	*69%*
Information Technology	*7%*	*13%*
Advisory	*18%*	*18%*
Pharma	*26%*	*0%*

2.2 Revenues

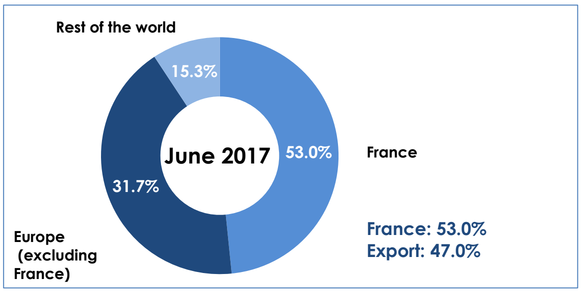
a. Revenues by operating segment

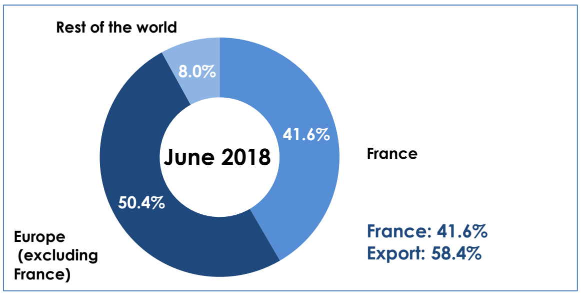
(in € millions)	2017 (Reported)			2017 (Restated)			2018			Change 2018 / 2017 (restated)
	1st Quarter	2nd Quarter	**Total June 30, 2017**	1st Quarter	2nd Quarter	**Total June 30, 2017**	1st Quarter	2nd Quarter	**Total June 30, 2018**	
Environment & Energy	87.6	75.9	**163.5**	89.8	77.1	**167.0**	86.7	138.2	**224.9**	*+34.7%*
Innovation & Systems	47.5	55.4	**102.9**	42.1	50.9	**93.0**	46.8	50.8	**97.6**	*4.9%*
Group	**135.2**	**131.3**	**266.4**	**131.9**	**128.0**	**260.0**	**133.5**	**189.0**	**322.5**	*24.0%*

For the six-month period ended June 30, 2018, revenues amounted to €322.5 million, compared with €260 million for the same period in 2017 (restated).
Revenues from the Environment & Energy operating segment were up 34.7%, attributable mainly to the "EPC" (construction of turnkey processing plants) business division.
Revenues increased 4.9% for the Innovation & Systems operating segment, and 25.6% for the "Bertin" Business Division (+6.7% excluding Exensor and Winlight acquired in 2017) compared with the first six months of 2017.

b. Breakdown of revenues by geographic area

Revenues generated from exports represented 58.4% of total revenues at June 30, 2018 (47% at June 30, 2017).





In the first six months of 2018, 41.6% of the Group's revenues were generated in France, 50.4% in Europe and the remaining 8% outside Europe.
The share of revenues attributable to "Europe - excluding France" is predominant in the Environment & Energy operating segment, corresponding to contracts in progress for the "EPC" Division in England (construction of turnkey processing plants) and the "LAB" Division is Scandinavia (flue gas treatment). The Innovation & Systems operating segment generated 14.8% of revenues outside Europe. For the Bertin Division, Europe is a key geographical area in relative value terms.

2.3 Backlog

(in € millions)	Backlog Jan. 1, 2018 *(Reported)*	Backlog Jan. 1, 2018 *(Restated)*	Change in consolidation scope	Order intake June 30, 2018	Revenues June 30, 2018	Backlog June 30, 2018
Environment & Energy	587.4	696.9		101.6	224.9	573.6
Innovation & Systems	242.9	241.6	(1.6)	70.6	97.6	213.0
Group	**830.3**	**938.5**	**(1.6)**	**172.2**	**322.5**	**786.6**

Group backlog at June 30, 2018 amounted to €789.6 million, down 16.2% compared with backlog at January 1, 2018 (restated), with changes per operating segment breaking down as follows:

- - 17.7% for the Environment & Energy operating segment
- - 11.8% for the Innovation & Systems operating segment

3. Net income

The condensed interim financial statements have been prepared using the same accounting policies and methods as for the financial statements at December 31, 2017, with the exception of the changes mentioned in Note 1 to the consolidated financial statements.

(in € millions)	June 30, 2017 *(Reported)*	June 30, 2017 *(Restated)*	June 30, 2018
Revenues	**266.4**	**260.0**	**322.5**
EBITDA	**20.7**	**18.5**	**15.6**
Recurring operating income	12.7	10.4	6.1
Non-recurring operating income	(0.1)	(0.1)	9.5
Operating income	**12.6**	**10.3**	**15.5**
Equity-accounted associates	2.0	2.0	2.3
Operating income after share of net income from equity-accounted associates	**14.6**	**12.3**	**17.8**
Net financial income (expense)	(0.7)	(0.7)	0.4
Pretax income	**13.9**	**11.6**	**18.3**
Income tax	(5.2)	(4.4)	(3.9)
Net income for the period	**8.7**	**7.2**	**14.4**
Attributable to non-controlling interests	(1.4)	(1.4)	(1.5)
Net income attributable to owners of the parent	**10.1**	**8.6**	**15.9**

For the six-month period ended June 30, 2018, operating income after share of net income from equity-accounted associates amounted to €17.8 million, i.e. 5.5% of revenues, compared with 4.7% for the same period in 2017 (restated).
The Group reported EBITDA *(*)* of €15.6 million, i.e. 4.8% of revenues, compared with €18.5 million in the first six months of 2017 (restated).

(*) Definition given in the Group's 2017 Registration Document, filed with the French securities market regulator (AMF) on March 27, 2018.

3.1 Recurring operating income and EBITDA by operating segment

The contribution of the operating segments to revenues and recurring operating income are shown below, along with year-on-year changes:

(in € millions)	June 30, 2017 *(Reported)*			June 30, 2017 *(Restated)*			June 30, 2018		
	Revenues	Recurring operating income	Recurring operating margin	Revenues	Recurring operating income	Recurring operating margin	Revenues	Recurring operating income	Recurring operating margin
Environment & Energy	163.5	7.6	4.6%	167.0	7.6	4.6%	224.9	0.8	0.4%
Innovation & Systems	102.9	5.1	4.9%	93.0	2.7	3.0%	97.6	5.2	5.4%
Group	**266.4**	**12.7**	**4.7%**	**260.0**	**10.4**	**4.0%**	**322.5**	**6.1**	**1.9%**

Changes in EBITDA per operating segment were as follows:

(in € millions)	June 30, 2017 (Reported)			June 30, 2017 (Restated)			June 30, 2018		
	Revenues	EBITDA	EBITDA margin	Revenues	EBITDA	EBITDA margin	Revenues	EBITDA	EBITDA margin
Environment & Energy	163.5	10.0	6.1%	167.0	10.2	6.1%	224.9	3.6	1.6%
Innovation & Systems	102.9	10.7	10.4%	93.0	8.3	8.9%	97.6	12.1	12.4%
Group	**266.4**	**20.7**	**7.8%**	**260.0**	**18.5**	**7.1%**	**322.5**	**15.6**	**4.8%**

<u>Environment & Energy operating segment</u>:

- The operating segment's revenues for the first six-month period can be broken down as follows:
  - "Turnkey" business (EPC, LAB, Solar Divisions): 68% of the operating segment's revenues;
  - Other activities (O&M, Services Divisions), with a higher level of recurring income: 32 % of the operating segment's revenues.

- Net income posted by the operating segment was negatively affected, beyond items already mentioned in the financial report for the six-month period ended June 30, 2017 (margins lower on contract in progress, growth in new geographical areas and new business activities), by the following:
  - Difficulties encountered with contract performance in Scandinavia for the "Flue Gas Treatment" business activity;
  - A significant decrease in "CNIM Babcock Services" revenues compared with the first six months of 2017.

Innovation & Systems operating segment:

- Breakdown of revenues:
  The operating segment's revenues broke down evenly between the two Business Divisions (Industrial Systems Division & Bertin).

- The Innovation & Systems operating segment recorded an increase in net income for both Business Divisions.

3.2 Non-recurring income

Non-recurring income relates to the disposal by Bertin Technologies of its ergonomics consultancy business.

3.3 Net income from equity-accounted associates

Net income from equity-accounted associates amounted to €2.3 million for the period ended June 30, 2018, compared with €2 million year on year.
The increase was mainly attributable to interests held by the Group in four waste-to-energy processing plants in England.

3.4 Net financial income and expense

Net financial income for the period ended June 30, 2018 amounted to €0.4 million, comprising:
- Foreign exchange differences: +€0.6 million
- Other financial income and expense: -€0.2 million

3.5 Income tax

Income tax expense, including French value-added business tax (CVAE), represented 21.4% of pretax income, excluding net income from equity-accounted associates. The disposal by Bertin Technologies of its ergonomics consultancy business enabled the Group to use part of prior-period tax losses (dating from before the consolidation of Bertin Technologies), which the Group had not recognized in the financial statements.

3.6 Net Income

Net income attributable to owners of the parent, excluding non-controlling interests, amounted to €15.9 million for the period ended June 30, 2018, i.e. 4.9% of revenues, compared with €8.6 million year-on-year (restated) (3.3% of revenues).

4. Financing/Cash flow

4.1 Condensed consolidated cash flow statement

The main items presented in the condensed consolidated cash flow statement are as follows:

(in € millions)	June 30, 2017 *(Reported)*	June 30, 2017 *(Restated)*	June 30, 2018
Net cash from operations	**(8.7)**	**(11.0)**	**(6.8)**
Change in working capital requirements	(15.4)	(13.1)	(26.3)
Income tax expense	(0.2)	(0.2)	(4.0)
Net cash flow used in investing activities	(10.5)	(10.5)	6.3
Net cash flow used in financing activities	(1.3)	(1.3)	(3.3)
Other	(0.8)	(0.8)	(0.6)
Net increase (decrease) in cash and cash equivalents	**(36.8)**	**(36.8)**	**(34.7)**
Opening cash and cash equivalents	181.3	181.3	144.7
Closing cash and cash equivalents	144.5	144.5	110.0

The definition of cash in the cash flow statement corresponds to cash and cash equivalents (detailed in Paragraph 4.2) less bank overdrafts.

4.1.1 Net cash from operations before changes in working capital and cost of debt

Net cash from operations before changes in working capital and cost of debt and income tax amounted to -€6.8 million for the period ended June 30, 2018, compared with -€11 million year on year (restated).

4.1.2 Working capital requirements

(in € millions)	Dec. 31, 2017 *(Restated)*	June 30, 2018	Change in WCR	Currency translation, scope & other differences	Change in WCR (CFS)
Inventories and work in progress	28.9	34.1	5.2	(0.2)	5.0
Advances and down payments made	8.3	8.5	0.3	0.0	0.3
Trade and other receivables	109.3	93.9	(15.3)	2.8	(12.5)
Accrued income from contracts in progress	92.4	92.6	0.1	(0.2)	(0.1)
Social security and tax receivables	71.1	70.1	(1.0)	0.6	(0.4)
Other current operating assets	9.1	15.5	6.4	0.6	7.0
TOTAL CURRENT ASSETS	**319.1**	**314.8**	**(4.3)**	**3.6**	**(0.7)**
Advances and down payments received	(11.6)	(5.7)	5.9	0.0	5.9
Trade payables	(137.3)	(162.9)	(25.7)	(1.1)	(26.7)
Deferred income	(138.2)	(92.4)	45.9	0.0	45.9
Social security and tax payables	(67.3)	(61.6)	5.7	(0.8)	4.9
Other current operating liabilities	(8.9)	(11.3)	(2.4)	(0.5)	(3.0)
TOTAL CURRENT LIABILITIES	**(363.3)**	**(333.9)**	**29.4**	**(2.3)**	**27.0**
WORKING CAPITAL	**(44.2)**	**(19.2)**	**25.0**	**1.3**	**26.3**

The Group's working capital requirement decreased by €26.3 million in the first six months of 2018, remaining negative at -€19.2 million at June 30, 2018.
Given its business activity, which is heavily impacted by long-term contracts, the Group may experience significant changes in working capital requirements, reflecting its trade receivables payment terms and construction schedules.

4.1.3 Capital expenditure

For the period ended June 30, 2018, net cash flow used in investing activities was €6.3 million, comprising the following items:

- Acquisitions of intangible assets: -€3 million.
  Increases in intangible assets mainly relating to research and development costs.

- Acquisitions of property, plant and equipment: -€7.9 million.
  Increases in property, plant and equipment, mainly relating to industrial equipment, and work on constructing plants to remove and recover heavy metals from incinerator ash residues in the United States.

- Disposal of property, plant and equipment and intangible assets: +€11.5 million.
  These relate to the disposal by Bertin Technologies of its ergonomics consultancy business "Bertin Ergonomie", and the amounts received from the disposal of the Bertin Pharma business.

- Change in consolidation scope: +€6.3. The change mainly relates to the French Public Investment Bank's (BPI France) contribution to SUNCNIM.

- Net change in advances and loans granted: -€2 million.
- Dividends received from equity-accounted associates: +€1.6 million.
- Other: -€0.2 million.

4.1.4 Net cash flow used in financing activities

Net cash flow used in financing activities amounted to €3.3 million for the period, mainly due to the net purchase of treasury shares.

4.2 Cash

(in € millions)	Dec. 31, 2017	June 30, 2018
Cash equivalents	39.8	14.2
Cash	106.8	98.4
Total cash and cash equivalents	**146.6**	**112.5**
Non-current financial liabilities	(42.6)	(36.3)
Current financial liabilities	(11.9)	(19.5)
Cash and cash equivalents, net of debt	**92.1**	**56.7**

The Group's cash and cash equivalents, net of debt, amounted to €56.7 million.

Cash and cash equivalents amounted to €112.5 million (€110 million after accounting for bank overdrafts, as indicated in paragraph 4.1).

4.3 Debt

In € millions	Dec. 31, 2017			June 30, 2018		
	Non-current Financial Liabilities	Current Financial Liabilities	TOTAL	Non-current Financial Liabilities	Current Financial Liabilities	TOTAL
Loan to invest in the **Exensor** group	30.0	-	**30.0**	24.0	6.0	**30.0**
Loan to fund work at **SCI Bassano**	2.3	1.1	**3.4**	1.7	1.1	**2.8**
Loan to fund R&D projects	2.5	0.7	**3.1**	2.2	0.8	**3.0**
Other borrowings	0.4	0.6	**1.0**	(0.0)	0.6	**0.6**
Total loans and borrowings	**35.1**	**2.4**	**37.5**	**27.9**	**8.5**	**36.4**
Refundable advances	**5.0**	**0.9**	**5.8**	**5.7**	**0.8**	**6.5**
Sales of receivables	**1.9**	**6.7**	**8.6**	**1.9**	**7.4**	**9.3**
Other	**0.6**	**0.1**	**0.7**	**0.7**	**0.3**	**1.1**
FINANCIAL LIABILITIES	**42.6**	**10.0**	**52.6**	**36.3**	**17.0**	**53.3**
Bank overdrafts and short-term bank loans	-	1.9	**1.9**	-	2.5	**2.5**
NET FINANCIAL LIABILITIES	**42.6**	**11.9**	**54.5**	**36.3**	**19.5**	**55.8**

The Group's debt amounted to €55.8 million at June 30, 2018, representing a slight increase of €1.3 million compared with the period ended December 31, 2017.
The Group has a syndicated, multi-currency, credit facility of €120 million, which was renewed in December 2017 for a period of five years. It had not been drawn down at June 30, 2018.

4.4 Equity

Changes in consolidated equity were as follows:

(in € millions)	**Consolidated equity**
January 1, 2018 (Reported)	176.7
January 1, 2018 (Restated IFRS 9)	**176.6**
Net income for the six-month period ended June 30, 2018	15.9
Dividends on 2017 net income (*)	(14.8)
Other: Changes in consolidation scope, currency translation differences, treasury share transactions	(4.1)
June 30, 2018	**173.5**

(*) approved at the Annual General Meeting on May 24, 2018, and paid on July 4, 2018.

5. CNIM S.A. individual financial statements

5.1 Net income

The main items presented on CNIM's income statement are as follows:

(in € millions)	June 30, 2017	June 30, 2018
Revenues	**156.5**	**211.1**
Operating income	2.1	0.6
Financial income	34.4	6.6
Non-recurring income (expense)	0.9	(0.1)
Tax and employee profit-sharing expense	2.5	1.7
Net income	**39.9**	**8.9**

Several Group Divisions in the two lines of business, contribute to the revenues and net income of the parent company.
The year-on-year change in operating income for the six-month period ended June 30, 2018 was mainly due to:

Environment & Energy operating segment:

- Sustained activity for the EPC Division, with four plants currently under construction, but with lower margins on contracts in progress.
- Significant increase in the renovation of incineration plants business.
- CNIM Babcock Services: sharp decline in revenues compared with the first six months of 2017, favorably impacted by a significant contract.

Innovation & Systems operating segment:

- Revenues and profit margin were similar year on year.

The change in financial income mainly resulted from the disposal of Babcock Wanson businesses in 2016 and the transfer of the resulting capital gain to CNIM in 2017 by the subsidiary that made the sale.

5.2 Cash

The company's cash and cash equivalents amounted to €78.4 million at June 30, 2018.

6. Significant events subsequent to June 30, 2018

CNIM Development, a company jointly owned by the CNIM Group and the investment firm Cube Infrastructure Fund and iCON Infrastructure, entered into an agreement on August 9, 2018 relating to the acquisition by iCON Infrastructure of all of CNIM Development's interests in Selchp, representing 48.75% of the latter company's share capital.

SELCHP owns a household waste-to-energy processing plant located in London (United Kingdom). SELCHP generated revenue of GBP 39 million in 2017, operating a household waste-to-energy processing plant with a capacity of 2 x 29 tonnes per hour, delivered by CNIM in 1994.

The disposal reflects the CNIM Group's aim to reallocate its investment capacity to developing its industrial business activities.

The transaction was finalized on August 16, 2018, representing a sale of GBP 35.8 million for the Group. Selchp's contribution to Group income from equity-accounted associates amounted to an average of GBP 1.3 million for the past three years.

7. Outlook

Given the length of contracts, the trends identified in 2017 and the first six months of 2018 will continue through 2018, particularly in terms of recurring operating income generated by the Environment & Energy operating segment.
Net income for 2018 will be positively impacted by the disposals described in Paragraphs 1 and 6.
In England and the Middle East, CNIM continues to hold a large number of contracts for new "turnkey" household waste-to-energy processing plants, which have not yet entered into force.

8. Risk analysis

Risks are described in Note 1.3 of the 2017 registration document.

9. Transactions with related parties

All transactions with related parties were at arm's length.