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
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FINANCIAL REPORT
for the six-month period ended
JUNE 30, 2016

Financial Report for the six-month period ended June 30, 2016

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1. Significant events of the period

On May 24, 2016, the Group announced that it was entering into exclusive negotiations with the French investment fund *Fonds de Consolidation et de Développement des Entreprises* (FCDE) with a view to selling the Babcock Wanson subsidiaries (excluding Babcock Wanson Maroc).

Due to the sale:

- The operations concerned have been accounted for as discontinued operations since January 1, 2016;
- CNIM Babcock Services business (CBS), (optimization, maintenance and refurbishment of combustion plants) has been included in the Environment operating segment in the financial statements for the six-month period ended June 30, 2016.
  Comparative data have been restated to reflect the inclusion of CBS in the Environment operating segment.

2. Operations

2.1 Order intake

2.1.1 Group order intake by operating segment

(In € millions)	2015 (restated)			2016			Change 2015 / 2016
	1st Quarter	2nd Quarter	Total June 30, 2015	1st Quarter	2nd Quarter	Total June 30, 2016	
Environment	88.2	175.6	**263.8**	116.9	65.7	**182.6**	*-30.8%*
Innovation & Systems	47.8	39.0	**86.8**	24.8	32.6	**57.4**	*-33.9%*
Group	**136.0**	**214.7**	**350.6**	**141.7**	**98.3**	**240.0**	*-31.6%*

Group order intake for the first six months of 2016 amounted to €240.0 million compared with €350.6 million for the same period in 2015, and €196.1 million (€148.2 million on a like-for-like basis) for the first six months of 2014.

2.1.2 Environment segment order intake

(In € millions)	2015 (restated) 1st Quarter	2nd Quarter	Total June 30, 2015	2016 1st Quarter	2nd Quarter	Total June 30, 2015	Change 2015 / 2016
Turnkey waste-to-energy processing plants (EPC)	2.1	153.1	**155.3**	29.8	0.1	**29.9**	*-80.8%*
Waste Energy Technical Solutions (WETS)	13.7	10.3	**24.0**	15.4	52.5	**67.9**	*+182.5%*
Waste & Energy Management Solutions (WEMS)	62.6	8.1	**70.7**	66.8	3.7	**70.5**	*-0.3%*
Energy (CBS)	9.7	4.1	**13.8**	4.9	9.4	**14.3**	*+3.5%*
Environment	**88.2**	**175.6**	**263.8**	**116.9**	**65.7**	**182.6**	*-30.8%*

Four business divisions have been defined within the Environment operating segment:

- *Turnkey household waste-to-energy processing plants (EPC)*
- *Waste Energy Technical Solutions (WETS) comprising flue gas treatment for waste-to-energy 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.*
- *Waste & Energy Management Solutions (WEMS), providing integrated solutions (project development, construction and operation) for household and biomass waste-to-energy processing plants*
- *CNIM Babcock Services: optimization, maintenance and refurbishment of combustion plants*

Designating the new business divisions has not required the adjustment or reclassification of 2015 figures.

For the business division “Turnkey household and biomass waste-to-energy processing plants”, during the first six months of 2016, the Group recorded an order to initiate work on the Kemsley plant in the United Kingdom, as well as additions to current contracts.
On July 28, 2016, the Group received notice to begin work on the Kemsley plant. The associated significant amount was recognized as order intake at that date in accordance with Group accounting principles. Consequently, at July 31, 2016, Environment segment order intake was higher year on year.
For the Waste Energy Technical Solutions (WETS) business division, a large order was recorded by LAB SA in Denmark to construct turnkey flue gas treatment and heat recovery systems for a new biomass incineration unit. This order, as well as the order for the plant in Gloucester, United Kingdom, enabled the division to report strong growth in order intake year on year.
The business division ‘CNIM Babcock Services’ reported comparable year-on-year order intake.

2.1.3 Innovation & Systems order intake

(In € millions)	2015 1st Quarter	 2nd Quarter	 **Total June 30, 2015**	2016 1st Quarter	 2nd Quarter	 **Total June 30, 2016**	*Change 2015 / 2016*
Industrial Systems Division	31.7	12.7	**44.4**	8.8	8.5	**17.3**	*-61.1%*
Bertin	16.1	26.3	**42.4**	16.0	24.1	**40.1**	*-5.4%*
Innovation & Systems	**47.8**	**39.0**	**86.8**	**24.8**	**32.6**	**57.4**	*-33.9%*

Order intake for the six-month period ended June 30, 2016 was down year on year, but comparable with that for the same period in 2014.

The Industrial Systems Division received an order to supply mechanical equipment for the city of Canton (People's Republic of China) in the first quarter of 2015.

Order intake by Bertin subsidiaries was comparable year on year, and can be broken down as follows:

	Total June 30, 2015	**Total June 30, 2016**
Systems & instrumentation	*57%*	*64%*
Information Technology	*11%*	*5%*
Advisory	*14%*	*15%*
Pharma	*18%*	*16%*

2.2 Revenues

(In € millions)	2015 *(restated)* 1st Quarter	 2nd Quarter	 **Total June 30, 2015**	2016 1st Quarter	 2nd Quarter	 **Total June 30, 2016**	*Change 2015 / 2016*
Environment	118.0	96.9	**214.9**	83.3	64.8	**148.1**	*-31.1%*
Innovation & Systems	42.9	57.8	**100.7**	45.5	55.6	**101.1**	*+0.4%*
Group	**160.9**	**154.7**	**315.6**	**128.8**	**120.4**	**249.2**	*-21.0%*

For the six-month period ended June 30, 2016, revenues amounted to €249.2 million, compared with €315.6 million for the same period in 2015.
Revenues from the Environment operating segment were down 31%, primarily for “Construction of turnkey processing plant” business.

Revenues from the Innovation & Systems operating segment were similar year on year.

2.3 Backlog

(In € millions)	Backlog Jan. 1, 2016	Change of scope	Backlog Jan. 1, 2016 *(restated)*	Order intake June 30, 2016	Revenues June 30, 2016	Backlog June 30, 2016
Environment	287.6		300.2	182.6	148.1	334.7
Innovation & Systems	305.6		305.6	57.4	101.1	261.9
Energy	37.9	(25.3)	0.0	0.0	0.0	0.0
Group	**631.1**	**(25.3)**	**605.8**	**240.0**	**249.2**	**596.6**

Group backlog at June 30, 2016, excluding the Babcock Wanson subsidiaries that were accounted for as discontinued operations, amounted to €596.6 million, down 1.5% on a like-for-like basis, with changes per operating segment breaking down as follows:

- +11.5% for the Environment operating segment
- -14.3% for the Innovation & Systems operating segment

Backlog represents 12.6 months' revenue from the past 12 months.

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, 2015, with the exception of the changes mentioned in Note 1.6 to the financial statements.

(In € millions)	June 30, 2015 *(restated)*	June 30, 2016
Revenues	**315.6**	**249.2**
Operating income	**26.3**	**14.0**
EBITDA	**34.0**	**21.6**
Equity-accounted associates	1.6	1.8
Operating income after share of net income from equity-accounted associates	**27.9**	**15.7**
Net financial income (expense)	0.3	(0.4)
Pretax income	**28.3**	**15.4**
Income tax	(11.0)	(4.7)
Net income from continuing operations	17.2	10.7
Net income from discontinued operations	1.5	1.8
Net income for the period	**18.7**	**12.5**
Attributable to non-controlling interests	0.0	(2.2)
Net income attributable to owners of the parent	**18.7**	**14.7**

For the six-month period ended June 30, 2016, operating income amounted to €14.0 million, i.e. 5.6% of revenues, compared with 8.3% for the same period in 2015.
The Group reported EBITDA *(*)* of €21.6 million, i.e. 8.7% of revenues.
Group EBITDA before the reclassification of Babcock Wanson subsidiaries as discontinued operations amounted to €25.1 million.

(*) Definition given in the Group's 2015 Registration Document, filed on April 11, 2016 with the French securities market regulator Autorité des Marchés Financiers (AMF)

3.1 Operating income and EBITDA by operating segment

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

(In € millions)	June 30, 2015 *(restated)*			June 30, 2016		
	Revenues	Operating income	Operating margin	Revenues	Operating income	Operating margin
Environment	214.9	24.8	11.5%	148.1	15.0	10.1%
Innovation & Systems	100.7	1.5	1.5%	101.1	(1.0)	(1.0)%
Group	**315.6**	**26.3**	**8.3%**	**249.2**	**14.0**	**5.6%**

Changes in EBITDA per operating segment were as follows:

(In € millions)	June 30, 2015 *(restated)*			June 30, 2016		
	Revenues	EBITDA	EBITDA margin	Revenues	EBITDA	EBITDA margin
Environment	214.9	26.4	12.3%	148.1	16.6	11.2%
Innovation & Systems	100.7	7.6	7.6%	101.1	5.0	4.9%
Group	**315.6**	**34.0**	**10.8%**	**249.2**	**21.6**	**8.7%**

The Environment operating segment generated operating income equal to 10.1% of revenues for the period ended June 30, 2016 compared with 11.5% for the same period in 2015.
Two household waste-to-energy processing plants were delivered in the first six months of 2015, and another in the first six months of 2016.
The Solar Energy business had a greater impact on the period ended June 30, 2016.
Net income posted by the Environment operating segment continued to be impacted by the weak performance of CNIM Babcock Services business.
The Innovation & Systems division generated negative operating income of €1.0 million for the period ended June 30, 2016, mainly due to the heavy investments by Bertin IT in software development and commercial rollout in France and abroad.

3.2 Net income from equity-accounted associates

Net income from equity-accounted associates, in particular equity interests held by the Group in four waste-to-energy processing plants in the United Kingdom, amounted to €1.8 million for the period ended June 30, 2016, compared with €1.6 million year on year.

3.3 Net financial income (expense)

Net financial expense for the period ended June 30, 2016 amounted to €0.4 million, comprising the following:

- Return on cash holdings: -€0.2 million
- Foreign exchange differences: -€0.3 million
- Other financial income and expense: +€0.1 million

3.4 Income tax

Income tax expense, including French value-added business tax (CVAE), represented 34% of pretax income, excluding net income from equity-accounted associates.

3.5 Net income

The Group's net income from continuing operations amounted to €10.7 million for the period ended June 30, 2016, i.e. 4.3% of revenues, compared with €17.2 million year on year (5.5% of revenues).

The Group's net income for the period ended June 30, 2016, amounted to €14.7 million, compared with €18.7 million year on year.

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, 2015 (Continuing operations)	June 30, 2016 (Group total)	June 30, 2016 (Continuing operations)
Net cash from operations	**25.0**	**8.2**	**5.0**
Change in working capital requirements	(36.9)	(58.4)	(59.2)
Income tax expense	(9.5)	(6.8)	(5.0)
Net cash flow used in investing activities	(6.5)	(5.1)	(4.2)
Net cash flow used in financing activities	(12.3)	(13.5)	(13.5)
Other	5.7	(1.3)	(1.1)
Net increase (decrease) in cash and cash equivalents	**(34.5)**	**(76.9)**	**(77.9)**
Opening cash and cash equivalents	92.6	136.9	130.5
Closing cash and cash equivalents	58.1	60.0	52.6

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 €5.0 million for the period ended June 30, 2016 for continuing operations, compared with €25.0 million year on year.

Net income for the first six months of 2016 included a greater portion of reversals of provisions for liabilities and guarantees, in line with percentage completion of contracts in progress.

4.1.2 Working capital requirements

(In € millions)	Dec 31, 2015 Group Total	June 30, 2016 Group Total	Change in WCR	Currency translation scope & other differences	Change in WCR (CFS) Group Total	Change in WCR (CFS) Continuing operations
Inventories and work in progress	40.8	38.1	(2.7)	0.7	(2.0)	(2.4)
Advances and down payments made	3.8	5.1	1.3	0.0	1.3	1.2
Trade and other receivables (incl. accrued receivables)	174.6	181.4	6.9	1.1	8.0	11.3
Accrued income from contracts in progress	51.6	74.8	23.1	0.2	23.3	23.1
Prepaid expenses	7.3	8.9	1.6	0.1	1.7	1.6
Other receivables (social security, taxes, etc.)	49.5	53.4	3.9	0.7	4.6	4.8
TOTAL ASSETS	**327.6**	**361.6**	**34.0**	**2.8**	**36.9**	**39.8**
Advances and down payments received	(10.1)	(12.7)	(2.6)	(0.2)	(2.8)	(3.5)
Trade payables	(117.3)	(97.2)	20.0	(0.6)	19.4	17.4
Deferred income	(137.1)	(133.3)	3.8	(1.3)	2.5	2.6
Social security and tax payables	(73.2)	(74.5)	(1.3)	(0.2)	(1.5)	(1.5)
Other liabilities	(8.7)	(4.1)	4.6	(0.7)	3.9	4.4
TOTAL LIABILITIES	**(346.4)**	**(321.8)**	**24.6**	**(3.0)**	**21.6**	**19.4**
WORKING CAPITAL	**(18.8)**	**39.8**	**58.6**	**(0.2)**	**58.4**	**59.2**

The Group’s working capital increased by €58.4 million during first six months of 2016, comprising:

- €59.2 million for continuing operations
- €-0.8 million for discontinued operations

The main changes concerned the line items ‘Accrued income from contracts in progress’ – with physical completion exceeding billings for the period for ‘Construction of household waste-to-energy plants’ and ‘Trade Payables’.
Given its business activity, which is heavily impacted by long-term contracts, the Group may experience significant changes in working capital reflecting its trade receivables payment terms and construction schedules.

4.1.3 Capital expenditure

For the period ended June 30, 2016, net cash flow used in investing activities was €5.1 million (Group total), comprising the following items:

Net cash flow from continuing operations: -€4.2 million

- Acquisitions of intangible assets: -€1.9 million
  Increases in intangible assets mainly related to research and development costs.

- Acquisitions of property, plant and equipment: -€7.3 million
  Increases in property, plant and equipment mainly related to renovation work (refurbishment of the Group’s registered office), industrial equipment, and continuing work on building the first plant to remove and recover heavy metals from incinerator ash residues, in the United States.

- Net change in advances and loans granted: +€1.9 million

- Disposals of financial assets: +€0.5 million

- Dividends received from equity-accounted associates: +€2.8 million

- Other: -€0.2 million

Net cash flow from discontinued operations: -€0.9 million

4.1.4 Net cash flow used in financing activities

Net cash flow used in financing activities (-€13.5 million for the period) mainly reflected a reduction in the factoring of tax and trade receivables and the repayment of loans and borrowings.

4.2 Cash

(In € millions)	Dec. 31, 2015	June 30, 2016 (Group total)	June 30, 2016 (Continuing operations)
Cash equivalents	67.3	18.1	17.6
Cash	71.1	45.0	38.0
Total cash and cash equivalents	**138.4**	**63.1**	**55.6**
Non-current financial liabilities	(16.9)	(16.4)	(16.4)
Current financial liabilities	(21.2)	(10.0)	(10.0)
Cash and cash equivalents, net of debt	**100.3**	**36.6**	**29.1**

The Group's cash and cash equivalents, net of debt, amounted to:

- €36.6 million including Babcock Wanson subsidiaries
- €29.1 million excluding Babcock Wanson subsidiaries

Cash and cash equivalents amounted to €55.6 million (€52.6 million after accounting for bank overdrafts).

At July 31, 2016, cash and cash equivalents, net of Group debt, amounted to €82.9 million, taking into account the events subsequent to June 30, 2016, which are detailed in Paragraph 6 below, the payment of dividends for 2015, and progress payments on turnkey plant construction contracts.

4.3 Debt

	Dec. 31, 2015			June 30, 2016		
	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	534	534		213	213
Loan to invest in the **Estrées-Mons** project company	1,400	600	2,000	1,100	600	1,700
Loan for the acquisition of **Vecsys** (Bertin sub-group)	0	125	125	0	0	0
Loan to fund R&D projects in **Saphymo France**	1,216	356	1,572	1,115	345	1,460
Loan for investments in **AMI France**	320	80	400	320	80	400
Loan to fund work at **SCI Bassano**	2,458	542	3,000	4,458	542	5,000
Short-term financing - **CNIM Singapore**	0	4,540	4,540	0	0	0
Capitalizable advance - **Ello**	0	649	649	0	649	649
Refundable advances	5,792	1,392	7,184	5,165	1,933	7,099
Sales of receivables	4,985	7,203	12,188	3,588	1,878	5,466
Adjustments to finance leases, other	723	3,728	4,451	672	763	1,435
Sub-total	**16,894**	**19,749**	**36,643**	**16,418**	**7,004**	**23,423**
Bank overdrafts and short-term bank loans		1,458	1,458		3,032	3,032
Total	**16,894**	**21,207**	**38,101**	**16,418**	**10,036**	**26,454**

The Group has a medium-term, variable-rate credit facility of €120 million, renewed in December 2014 for a period of six years. It had not been drawn down at June 30, 2016.

There was no debt from discontinued operations at June 30, 2016.

4.4 Equity

Changes in consolidated equity were as follows:

(In € millions)	Consolidated equity
January 1, 2016	**152.0**
Net income for the six-month period ended June 30, 2016	14.7
Dividends on 2015 net income *(*)*	(17.0)
Other: Changes in consolidation scope, currency translation differences	(6.9)
June 30, 2016	**142.8**

*(*) approved at the Annual General Meeting on May 24, 2016, and paid on **July 4, 2016**.*

5. CNIM S.A. individual financial statements

5.1 Net Income

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

(In € millions)	June 30, 2015	June 30, 2016
Revenues	**206.3**	**143.8**
Operating income	15.1	5.9
Financial income	7.8	14.4
Non-recurring income	0.3	0.5
Tax and employee profit-sharing expense	(1.3)	4.1
Net income	**22.0**	**25.0**

The Group's three lines of business contribute to the revenues and net income of the parent company.
The fall in operating income year on year for the six-month period ended 2016 was directly related to the year-on-year decrease in 'household waste-to-energy processing plant' revenues.
Financial income mainly reflects dividends paid by Group subsidiaries.
In the parent company's financial statements, prepared in accordance with French generally accepted accounting principles, the research tax credit is deducted from the amount of income tax due.

5.2 Cash

The company's cash and cash equivalents amounted to €34.6 million at June 30, 2016.

6. Significant events subsequent to June 30, 2016

The Group issued a press release on July 20, 2016 confirming the sale of the Babcock Wanson subsidiaries (excluding Babcock Wanson Maroc) to the French investment fund *Fonds de Consolidation et de Développement des Entreprises* (FCDE) for €56.8 million.

7. Outlook for 2016

The Group will benefit from the Environment operating segment's increasing order intake; overall business activity will be lower than in 2015.

8. Risk analysis

Risks are described in Note 1.3 of the 2015 registration document.

9. Transactions with related parties

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