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, 2017

Financial Report for the six-month period ended June 30, 2017

1. Significant events of the period

On May 10, 2017, Bertin Pharma, a subsidiary of Bertin Technologies, entered into exclusive negotiations with a view to selling its pharmaceutical and biotech service operations to two French companies specialized in the field.
Operations relating to the supply of assay kits and biological reagents for Defense and Life Sciences will remain at Bertin Pharma.

Consequently, the related assets and liabilities were presented as "held for sale" in the Group's financial statements for the six-month period ended June 30, 2017.

Furthermore, on June 27, 2017, the Group announced that it was entering into exclusive negotiations with the shareholders of the Swedish company Exensor, the world leader in networked unattended ground sensor systems (UGS) for homeland security, with a view to acquiring all its share capital.
The acquisition of Exensor will strengthen Bertin Technologies' position on the global instrumentation and surveillance market for defense and security applications.

2. Operations

2.1 Order intake

2.1.1 Group order intake by operating segment

(In € millions)	2016			2017			*Change 2016 / 2017*
	1st Quarter	2nd Quarter	**Total June 30, 2016**	1st Quarter	2nd Quarter	**Total June 30, 2017**	
Environment	116.9	65.7	**182.6**	239.1	64.3	**303.4**	*+66.2%*
Innovation & Systems	24.8	32.6	**57.4**	37.0	47.4	**84.4**	*+47%*
Group	**141.7**	**98.3**	**240.0**	**276.1**	**111.7**	**387.8**	*+61.6%*

Group order intake for the first six months of 2017 amounted to €387.8 million compared with €240.0 million for the same period in 2016, and €350.6 million for the first six months of 2015 (on a like-for-like basis).

2.1.2 Environment segment order intake

(In € millions)	2016			2017			Change 2016 / 2017
	1st Quarter	2nd Quarter	**Total June 30, 2016**	1st Quarter	2nd Quarter	**Total June 30, 2017**	
Turnkey Waste-to-Energy Processing Plants (EPC)	29.8	0.1	**29.9**	143.7	(7.2)	**136.5**	***+356.9%***
Waste Energy Technical Solutions (WETS)	15.4	52.5	**67.9**	27.1	2.1	**29.2**	***-57.0%***
Waste & Energy Management Solutions (WEMS)	66.8	3.7	**70.5**	65.3	65.3	**130.6**	***+85.2%***
Energy (CBS)	4.9	9.4	**14.3**	3.1	4.1	**7.2**	***-50.0%***
Environment	**116.9**	**65.7**	**182.6**	**239.1**	**64.3**	**303.4**	***+66.2%***

Five 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*
- *Solar energy*
- *CNIM Babcock Services (CBS): optimization, maintenance and refurbishment of combustion plants*

For Turnkey Household and Biomass Waste-to-Energy Processing Plant business, during the first six months of 2017, the Group recorded an order to initiate work on the Avonmouth waste-to-energy plant in South West England.

In the first half of 2016, LAB SA, in the Waste Energy Technical Solutions (WETS) business division, received a large order in Denmark to construct turnkey flue gas treatment and heat recovery systems for a new biomass incineration unit, and an order for the plant in Gloucester, United Kingdom. In the first six months of 2017, LAB SA recorded an order for turnkey flue gas treatment systems in Kaunas, Lithuania, and an order for flue gas scrubbers for the MSC Orchestra cruise ship.

During the first six months of 2017, the Constructions and Services business in the WEMS business division recorded an order to refurbish the Thiverval Grignon plant in France.

In August 2016, the Solar Energy division recorded an order for the Llo solar energy plant in France.

During the first six months of 2017, the CNIM Babcock Services business division reported a low level of order intake as the main orders for the Energy Transition business unit are expected in the second half of 2017.

2.1.3 Innovation & Systems order intake

(In € millions)	2016			2017			Change 2016 / 2017
	1st Quarter	2nd Quarter	**Total June 30, 2016**	1st Quarter	2nd Quarter	**Total June 30, 2017**	
Industrial Systems Division	8.8	8.5	**17.3**	13.9	30.0	**43.9**	***+153.7%***
Bertin	16.0	24.1	**40.1**	23.1	17.4	**40.5**	***+0.9%***
Innovation & Systems	**24.8**	**32.6**	**57.4**	**37.0**	**47.4**	**84.4**	***+47%***

For the Industrial Systems Division, order intake in the first six months of 2017 was up compared with the same period in 2016. The increase was mainly attributable to Nuclear Power and State-of-the-Art Scientific Instruments business activity.

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

	Total June 30, 2016	**Total June 30, 2017**
Systems & Instrumentation	*64%*	*49%*
Information Technology	*5%*	*7%*
Advisory	*15%*	*18%*
Pharma	*16%*	*26%*

2.2 Revenues

(In € millions)	2016			2017			Change 2016 / 2017
	1st Quarter	2nd Quarter	**Total June 30, 2016**	1st Quarter	2nd Quarter	**Total June 30, 2017**	
Environment	83.3	64.8	**148.1**	87.6	75.9	**163.5**	***+10.4%***
Innovation & Systems	45.5	55.6	**101.1**	47.5	55.4	**102.9**	***+1.7%***
Group	**128.8**	**120.4**	**249.2**	**135.1**	**131.3**	**266.4**	***+6.9%***

For the six-month period ended June 30, 2017, revenues amounted to €266.4 million, compared with €249.2 million for the same period in 2016.
Revenues from the Environment operating segment were up 10.4%, attributable mainly to the Solar Energy (construction of the Llo solar energy plant), WEMS (Constructions and Services) and CNIM Babcock Services business divisions.
Revenues from the Innovation & Systems operating segment were similar year on year, for both the Industrial Systems Division and Bertin.

2.3 Backlog

(In € millions)	Backlog Jan. 1, 2017	Order intake June 30, 2017	Revenues June 30, 2017	Backlog June 30, 2017
Environment	652.1	303.4	163.5	791.9
Innovation & Systems	253.5	84.4	102.9	235.0
Group	**905.6**	**387.8**	**266.4**	**1,026.9**

Group backlog at June 30, 2017 amounted to €1,026.9 million, up 13.4% on a like-for-like basis, with changes per operating segment breaking down as follows:

- +21.4% for the Environment operating segment
- -7.3% for the Innovation & Systems operating segment

Backlog represents 22.1 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, 2016, with the exception of the changes mentioned in Note 1.6 to the financial statements.

(In € millions)	June 30, 2016	June 30, 2017
Revenues	**249.2**	**266.4**
EBITDA	**21.6**	**20.7**
Recurring operating income	14.2	12.7
Non-recurring operating income	(0.2)	(0.1)
Operating income	**14.0**	**12.6**
Equity-accounted associates	1.8	2.0
Operating income after share of net income from equity-accounted associates	**15.7**	**14.6**
Net financial income (expense)	(0.4)	(0.7)
Pretax income	**15.4**	**13.9**
Income tax	(4.7)	(5.2)
Net income from continuing operations	**10.7**	**8.7**
Net income from discontinued operations	1.8	0.0
Net income for the period	**12.5**	**8.7**
Attributable to non-controlling interests	(2.2)	(1.4)
Net income attributable to owners of the parent	**14.7**	**10.0**

For the six-month period ended June 30, 2017, operating income amounted to €12.6 million, i.e. 4.7% of revenues, compared with 5.6% for the same period in 2016.
The Group reported EBITDA *(*)* of €20.7 million, i.e. 7.8% of revenues.
In 2016, 'net income from discontinued operations' corresponded to net income generated by Babcock Wanson subsidiaries in the first six months of 2016, before their disposal in July 2016.

(*) Definition given in the Group's 2016 Registration Document, filed on March 24, 2017 with the French securities market regulator Autorité des Marchés Financiers (AMF)

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, 2016			June 30, 2017		
	Revenues	Recurring operating income	Recurring operating margin	Revenues	Recurring operating income	Recurring operating margin
Environment	148.1	15.2	10.2%	163.5	7.6	4.6%
Innovation & Systems	101.1	(0.9)	(0.9)%	102.9	5.1	4.9%
Group	**249.2**	**14.2**	**5.7%**	**266.4**	**12.7**	**4.7%**

Changes in EBITDA per operating segment were as follows:

(In € millions)	June 30, 2016			June 30, 2017		
	Revenues	EBITDA	EBITDA margin	Revenues	EBITDA	EBITDA margin
Environment	148.1	16.6	11.2%	163.5	10.0	6.1%
Innovation & Systems	101.1	5.0	4.9%	102.9	10.7	10.4%
Group	**249.2**	**21.6**	**8.7%**	**266.4**	**20.7**	**7.8%**

Environment operating segment:

Recurring operating margin for the first six months of 2017 is more representative of long-term historical data than the margin for the same period in 2016, when certain contracts were concluded under particularly favorable conditions.

The CNIM Babcock Services business division recorded a twofold increase in revenues in the first half of 2017 compared with the same period in 2016. It also generated positive operating income.

Innovation & Systems operating segment:

In the first six months of 2017, the Innovation & Systems operating segment recorded a strong increase in net income compared with the same period in 2016. The Industrial Systems Division successfully completed a number of contracts, including the radial plates contract for the ITER project. Net income from Bertin subsidiaries, which was non-linear, increased year on year.

3.2 Net income from equity-accounted associates

Net income from equity-accounted associates, mainly generated by equity interests held by the Group in four waste-to-energy processing plants in the United Kingdom, amounted to €2.0 million for the period ended June 30, 2017, compared with €1.8 million year on year.

3.3 Net financial income (expense)

Net financial expense for the period ended June 30, 2017 amounted to €0.7 million, comprising the following:

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

3.4 Income tax

Income tax expense, including French value-added business tax (CVAE), represented 43.5% of pretax income, excluding net income from equity-accounted associates. In 2016, the Group benefited from the favorable outcome of tax assessments.

3.5 Net income

Net income from continuing operations attributable to owners of the parent, excluding non-controlling interests, amounted to €10.1 million for the period ended June 30, 2017, i.e. 3.8% of revenues, compared with €12.9 million year on year (5.2% 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, 2016 (Continuing operations)	June 30, 2017
Net cash from operations	**5.0**	**(8.7)**
Change in working capital requirements	(59.2)	(15.4)
Income tax expense	(5.0)	(0.2)
Net cash flow used in investing activities	(4.2)	(10.5)
Net cash flow used in financing activities	(13.5)	(1.3)
Other	(1.1)	(0.8)
Net increase (decrease) in cash and cash equivalents	**(77.9)**	**(36.8)**
Opening cash and cash equivalents	130.5	181.3
Closing cash and cash equivalents	52.6	144.5

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 €-8.7 million for the period ended June 30, 2017 for continuing operations, compared with €5.0 million year on year.

Net income for the first six months of 2017 included a greater portion of reversals of provisions for liabilities and guarantees, including those relating to contracts completed in prior years.

4.1.2 Working capital requirements

(In € millions)	Dec. 31, 2016	June 30, 2017	Change in WCR	Currency translation, scope & other differences	Change in WCR (CFS)
Inventories and work in progress	24.5	26.9	2.4	0.7	3.2
Advances and down payments made	6.2	4.9	(1.3)	0.1	(1.2)
Trade and other receivables (incl. accrued receivables)	174.3	167.9	(6.3)	1.6	(4.8)
Accrued income from contracts in progress	46.9	44.5	(2.4)	0.4	(2.0)
Prepaid expenses	5.2	8.3	3.1	0.0	3.1
Other receivables (social security, taxes, etc.)	59.2	67.6	8.4	0.3	8.7
TOTAL ASSETS	**316.2**	**320.0**	**3.8**	**3.1**	**6.9**
Advances and down payments received	(20.7)	(23.2)	(2.5)	(0.4)	(2.9)
Trade payables	(116.1)	(96.3)	19.7	(0.8)	19.0
Deferred income	(157.9)	(161.3)	(3.5)	(0.6)	(4.0)
Social security and tax payables	(64.3)	(63.5)	0.8	(0.1)	0.7
Other liabilities	(4.1)	(7.7)	(3.6)	(0.6)	(4.2)
TOTAL LIABILITIES	**(363.1)**	**(352.1)**	**11.0**	**(2.5)**	**8.5**
WORKING CAPITAL (*)	**(46.9)**	**(32.1)**	**14.8**	**0.6**	**15.4**

(*) Before the reclassification of held-for-sale assets and liabilities

The Group's working capital requirement decreased by €15.4 million in the first six months of 2017, remaining negative at -€32.1 million.
The main changes concerned the line item 'Trade Payables', which decreased between year-end 2016 and 2017.
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, 2017, net cash flow used in investing activities was €10.5 million, comprising the following items:

- Acquisitions of intangible assets: -€2.2 million
  Increases in intangible assets mainly relating to research and development costs.
- Acquisitions of property, plant and equipment: -€5.5 million
  Increases in property, plant and equipment, mainly relating to 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: -€3.2 million
- Dividends received from equity-accounted associates: +€0.9 million
- Other: -€0.5 million

4.1.4 Net cash flow used in financing activities

Net cash flow used in financing activities declined by €1.3 million over the period, due to a slight decrease in debt as detailed in paragraph 4.3.

4.2 Cash

(In € millions)	Dec. 31, 2016	June 30, 2017
Cash equivalents	20.7	22.5
Cash	163.0	124.2
Total cash and cash equivalents	**183.7**	**146.8**
Non-current financial liabilities	(15.9)	(14.6)
Current financial liabilities	(10.1)	(9.6)
Cash and cash equivalents, net of debt	**157.7**	**122.6**

The Group's cash and cash equivalents, net of debt, amounted to €122.6 million.

Cash and cash equivalents amounted to €146.8 million (€144.5 million after accounting for bank overdrafts, as indicated in paragraph 4.1).

4.3 Debt

	Dec. 31, 2016			June 30, 2017		
	Non-current Financial Liabilities	Current Financial Liabilities	Total	Non-current Financial Liabilities	Current Financial Liabilities	Total
Loan to invest in the **Estrées-Mons** project company	0.8	0.6	1.4	0.5	0.6	1.1
Loan to fund R&D projects in **Saphymo France**	1.6	0.4	2.0	1.5	0.5	2.0
Loan for investments in **AMI France**	0.4	0.0	0.4	0.3	0.0	0.3
Loan to fund work at **SCI Bassano**	3.4	1.1	4.5	2.8	1.1	3.9
Refundable advances	5.1	0.8	5.8	5.1	0.7	5.9
Sales of receivables	4.0	4.7	8.7	4.0	3.9	8.0
Adjustments to finance leases, other	0.6	0.2	0.8	0.3	0.5	0.8
Sub-total	**15.9**	**7.8**	**23.6**	**14.6**	**7.3**	**21.9**
Bank overdrafts and short-term bank loans		2.4	2.4		2.2	2.2
Total	**15.9**	**10.1**	**26.0**	**14.6**	**9.6**	**24.1**

The Group's debt decreased slightly, particularly reflecting sales of receivables.
The Group has a medium-term, variable-rate credit facility of €120 million, which was renewed in December 2014 for a period of six years. It had not been drawn down at June 30, 2017.

4.4 Equity

Changes in consolidated equity were as follows:

(In € millions)	Consolidated equity
January 1, 2017	**179.3**
Net income for the six-month period ended June 30, 2017	10.1
Dividends on 2016 net income (*)	(19.3)
Other: Changes in consolidation scope, currency translation differences	(1.9)
June 30, 2017	**168.2**

(*) approved at the Annual General Meeting on June 7, 2017, and paid on July 4, 2017.

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, 2016	June 30, 2017
Revenues	**143.8**	**156.5**
Operating income	5.9	2.1
Financial income	14.4	34.4
Non-recurring income	0.5	0.9
Tax and employee profit-sharing expense	4.1	2.5
Net income	**25.0**	**39.9**

CNIM contributes to the Group's two lines of business.
The year-on-year change in net income for the six-month period ended June 30, 2017 was mainly due to:

Environment operating segment:

- Year-on-year net income from the construction of new plants was down in the first six months of 2017. In the first six months of 2016, certain contracts were completed under exceptionally favorable conditions.
- CNIM Babcock Services Division: significant increase in revenues, with positive net income.

Innovation & Systems operating segment:

- The Industrial Systems Division reported higher net income, with the successful completion of several contracts during the first six months of 2017, including the radial plates contract for the ITER project.

5.2 Cash

The company's cash and cash equivalents amounted to €117.3 million at June 30, 2017.

6. Significant events subsequent to June 30, 2017

On July 31, 2017, the Group announced that it had acquired full ownership of the Swedish company Exensor.

7. Outlook for 2017

With the acquisition of Exensor and disposal of all of Bertin Pharma's service operations (following the acquisition of Saphymo in 2015), in 2017 the Group will further strengthen Bertin Technologies' position on the global instrumentation and surveillance market for defense and security applications.

For the Innovation & Systems operating segment, the general purpose of these scope changes is to focus on business with a strong technological and industrial dimension, where the Group is the market leader, in France and abroad.

In the Environment operating segment, as European market leader, CNIM is continuing its efforts to drive growth in new geographical areas, with a promising prospects beyond 2017.

8. Risk analysis

Risks are described in Note 1.3 of the 2016 registration document.

9. Transactions with related parties

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