Executive Board Report - Supervisory Board's Reports- Statutory Auditors' Reports

INNOVATIVE

DYNAMIC

EFFICIENT

Financial year 2005

CNIM

CONSTRUCTIONS INDUSTRIELLES
DE LA MÉDITERRANÉE

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I.1 ▢ EXECUTIVE BOARD GENERAL REPORT

EVENTS AND HIGHLIGHTS IN 2005

External Growth

The company has made a number of acquisitions over the past few years in the sectors of the Environment (the Alstom household waste-to-energy conversion business and the LAB flue gas treatment business) and Transport (maintenance and renovation of Atena – Elitec lifts and supply of vehicle boarding doors / platform screen doors for metros via Curtis). 2005 thus remained a year of transition and consolidation.

CNIM has, however, increased its stake in Atena to 100%, by the purchase of stock still held by minority shareholders, thereby affirming its intention to strengthen its position in recurrent service activities.

Likewise, CNIM has become sole owner of Energonut with a view to yielding the majority to an industrial partner in 2006, as part of its plan to build a new power plant generating electricity from incineration of pre-treated municipal waste. This represents a €50 million investment within the framework of the regulations on green energy.

Highlights in 2005

Environment and services

Waste-treatment plants

The new European regulations concerning flue gas emissions made upgrading of older plants compulsory for compliance with the new requirements before the end of 2005. As a result, there was a surge in the volume of new orders in both 2004 and 2005 and the level of activity remained high throughout 2005 to meet the deadline. These upgrading operations concerned first and foremost our LAB subsidiary, but also the Babcock Services Division and the Engineering Departments of the Waste-treatment Plant Division.

As for new plants, three contracts have come into effect

- Bourgoin-Jallieu, with its flue gas treatment system in February and July 2005.
- The enlargement of the Avignon plant with the addition of a fourth line in Septemger 2005. The three existing lines were installed in 1995 for the first two, and in 1997 for the third.
- The Marseille Provence agglomeration has outsourced the public service of treating its household and assimilated waste. Within this framework, the main contractor placed an order with us in December 2005 for the part of the contract concerning the incineration process (without civil engineering works) comprising two 20 t/h incineration units and generating 36 MW of electricity. This plant forms part of a vast waste processing complex in which incineration and the production of electric power are the final stages of an intermediate waste-to-energy conversion chain (production of methane gas, compost, etc.). This is an important contract on which CNIM has already been working for many years.

Flue gas treatment: our LAB and LAB GmbH subsidiaries had recorded an exceptional volume of orders (€130 million) in 2004, resulting primarily from upgrading operations to comply with regulatory requirements. Orders placed in 2005 amounted to €92 million (including orders received from the Group), a figure which remains well above the €45 million recorded in 2001, prior to the purchase of these two companies.

Mechanical engineering and services

Defence

- Bridging systems: the SPRAT (System for the Rapid Installation of Bridgeways) is a modular assault bridge that allows 70-tonne tanks to cross dry gaps. In 2004, we obtained an order for two prototypes. In 2005, confirmation for eight additional units was received. The following stage of the programme involves eight further units as an option which may not be confirmed.
- Deterrence: order received for two test facilities for the missile deployment on the new generation missile-launching nuclear submarines.
- "Megajoule laser" for the CEA-DAM: CNIM has received further orders for studies on the equipment for the test chamber. Orders for the construction of equipment begin in 2006.
- Complex mechanical engineering: Order for a fuel evacuation system to be used on the EPR power plant in Finland.
- Continued manufacturing of casings for Ariane V.

Transport

- Metro - Export: *La société des Transports de Montréal* (STM) has confirmed its order for 104 escalators.
- Metro - France:
  - Paris: the Parisian metro operator RATP has placed an order for 27 escalators, with an option for 37 more.
  - Marseille: an order for 20 escalators was placed by the local operator RTM.
- The manufacturing of escalators in China has begun in temporary facilities. The first stone of the new factory to be completed mid 2006 was laid in September 2005. It will have a manufacturing capacity of over 300 escalators per year, which could be doubled in the future.

Energy and services

With €123 million of orders logged, business in 2005 was up by 7% compared to 2004. The increase was driven entirely by the Babcock Wanson companies (+10%).

GROUP INCOME

▢ Consolidated financial statements

Since 2002, income relating to long-term contracts is based on percentage of expenditures. As of 2005, CNIM's statements are presented using international financial reporting standards (IFRS) and are compared with the 2004 statements reprocessed according to IFRS. The IAS 32 and 39 alone, which concern financial instruments, were adopted as of 1 January, 2005. The comparative figures as of 31 December 2004 therefore do not include the effects of these two standards.

The Group's sales figure has risen by 11%, from €554 million to €615.5 million.

The profit and loss account for the 2005 financial year is summarised below:

(€m)	2005	2004 IFRS Standards	2004 French Standards
Sales	**615.5**	**554.0**	**554.0**
Current operating income	32.9	26.8	22.7
Exceptional income and expenses	(2.4)	(2.3)	(2.3)
Operating income	**30.5**	**24.5**	**20.4**
Financial income/expenses	1.4	3.9	3.9
Foreign exchange gains and losses	0.8	(1.0)	(1.0)
Total financial income	2.2	2.9	2.9
Companies consolidated by the equity method	(0.5)	(1.7)	(1.7)
Pre-tax income	32.2	25.7	21.6
Tax	(11.9)	(10.4)	(6.2)
Net income for the period	20.3	15.3	15.4
Including minority participations	(0.1)	(0.1)	(0.1)
Net income (Group share)	**20.4**	**15.4**	**15.5**
Cash flow	47.8	15.5	15.2

Operating income

Operating income recorded a jump of 24.5% as a result of the activity generated by upgrading operations on incineration plants for compliance with regulatory requirements. It rose from €24.5 million in 2004 to €30.5 million in 2005, representing 5 % of sales compared to 4.4% in 2004.

Financial income

Non-operating revenues and expenses were posted at €2.2 million compared to €2.9 million in 2004, a drop of €0.7 million. This decline in financial income can be accounted for by a fall in net cash, partially offset by an increase in Euribor indexed interest rates.

Net income (Group share)

The net income (Group share) is up by 32%, rising from €15.4 million in 2004 reprocessed in IFRS to €20.4 million in 2005. It represents 3.3% of sales compared to 2.8% in 2004.

▢ International Financial Reporting Standards (IFRS)

Shareholders' equity as of 1 January 2004 was calculated in accordance with the IAS/IFRS effective for the 2005 financial year and with the provisions of the IFRS 1 applicable to companies which are applying the full IAS/IFRS for the first time.

Shareholders' equity, which amounted to €83,359 thousand on 1 January 2004 according to French accounting principles, was posted at €83,568 thousand according to IAS/IFRS.

Income totaling €15,462 thousand in 2004 under French standards amounts to €15,388 thousand in IFRS. Operating income is enhanced by €4,126 thousand as a result of the elimination of goodwill amortisations. Financial income remains unchanged while tax expense is increased by €4,198 thousand after activation of deficits carried over as of 1 January 2004.

Income per business sector

Sales and operating income per business sector

The contribution of the three business sectors to sales and operating income is shown in the table below:

(€m)	2005		2004 IFRS	
	Sales	Operating income	Sales	Operating income
Environment and services	335.6	19.8	313.0	8.2
Mechanical engineering and services	159.0	10.2	124.7	11.3
Energy and services	120.9	0.5	116.3	5.0
Group total	**615.5**	**30.5**	**554.0**	**24.5**

The Environment sector benefited from the large number of compulsory upgrading operations on incineration plants to comply with regulatory requirements before the end of the year.

In the Mechanical engineering sector, there was substantial engineering activity and production was also on the rise.

As the Energy sector works essentially on contracts of less than 6 months, the figure for sales (€120.9 million) is virtually the same as the figure for orders received (€122.7 million).

▢ Orders received in 2005

(€m)	2005	2004
Environment and services	366.9	240.4
Mechanical engineering and services	166.6	179.1
Energy and services	122.7	114.8
Group total	**656.2**	**534.3**

Orders received in 2005 amounted to €656.2 million, compared to €534.3 million in 2004.

They are up 23% over 2004.

In the Environment sector, LAB recorded €73.4 million (not counting orders received from the Group itself) in 2005 following orders of €130 million in 2004, which was an exceptional year. The volume of orders logged remains high at €111 million.

In the Mechanical engineering sector, the Transport business maintained a healthy level of orders at €89 million.

The Energy sector saw its orders climb by 7 % in 2005, from €114.7 million in 2004 to €122.7 million in 2005.

▢ Variations in orders received per business sector in 2005

(€m)		REALISED IN 2005		
	Orders received 01.01.2005	Orders	Sales	Orders received 01.01.2006
Environment and services	358	367	334	391
Mechanical engineering and services	259	166	159	266
Energy and services	29	123	121	31
Total	**646**	**656**	**614**	**688**

The volume of orders received at the beginning of 2006 corresponds to 13.4 months of activity.

STRATEGY AND OUTLOOK

CNIM's strategy is to pursue the expansion of its three sectors of activity, with an emphasis on:

- ▢ limiting risk exposure and enhancing profitability;
- ▢ expanding the business volume of service contracts, in order to be less dependent on economic fluctuations.

▢ Outlook for 2006

A backlog of orders amounting to €688 million should ensure a healthy level of activity in 2006. However, because the general economic outlook in the areas where CNIM operates makes it difficult to determine the rate at which orders will be logged for major contracts in the environmental and defence sectors, CNIM remains cautious at this stage for the coming year.

PARENT COMPANY ACCOUNTS

The key figures in the income statement for 2005 are presented below:

(€m)	2005	2004
Sales	**293.9**	**299.7**
Operating income	**9.7**	**6.1**
Financial income	3.4	7.3
Exceptional income	6.5	4.0
Income before tax	19.6	17.4
Tax	(4.6)	0.9
Net income (parent company)	**15.0**	**18.3**
Net income/Sales	**5.10%**	**6.10%**

GROUP FINANCING

The Group's cash flow in 2005 can be summarised as follows:

(€m)	2005	2004
Total net income	**20.3**	**15.3**
Cost and products without impact on cash flow	27.5	0.2
Cash flow	**47.8**	**15.5**
Dividends received and fluctuation of WCR	(46.6)	30.8
Cash flow from operating activity	**1.2**	**46.3**
Net flow of investments	(12.4)	(9.5)
Dividends paid	(7.5)	(7.5)
New borrowings	30.4	2.9
Repayment of borrowings	(53.2)	(3.8)
Fluctuation of exchange rates	1.0	(0.3)
Cash variation	**(40.5)**	**28.1**
Cash at end of financial year	**80.8**	**121.3**
Cash at beginning of financial year	**121.3**	**93.2**
Cash variation	**(40.5)**	**28.1**

Despite a temporary decline in 2005, CNIM maintained positive net liquid assets (after deduction of debt):

(€m)	2005	2004
Cash equivalents	60.0	92.4
Cash assets	30.6	39.1
Borrowings	(26.7)	(50.5)
Net liquid assets	**63.9**	**81.0**

RESEARCH AND DEVELOPMENT

In 2005, research focused primarily on the development of new products for ongoing contracts and on the improvement of existing products.

▢ Environment

Waste treatment

- Development of an energy recovery boiler designed to accommodate changes in the composition of the household waste and ensuring a high availability rate.

LAB flue gas treatment

- Optimisation of non-catalytic abatement systems for nitrogen oxides generated by waste combustion using controlled-flow injection of reagents.
- Greater efficiency and performance of semi-wet and dry type flue gas treatment systems by improvement of system configurations. Better utilisation of reagents allow to cope with higher pollutant levels and to reduce their consumption.
- Development of very high performance flue gas dust removal systems, notably to be used on wet type flue gas treatment systems.
- Development of a catalytic nitrogen oxide reduction system using a low-temperature, virtually continuous regeneration catalyser.
- Development of a flue gas desulphurisation and scrubbing system using sea-water.

▢ Defence

- In addition to the continuous R & D programmes we conduct on existing products, research and development also focused on new liquid resin injection processes in the field of compound materials.
- We have focused our research on integrating and developing new infusion and RTM (Resin Transfer Moulding) type liquid resin injection technologies. The objective is to produce structures that may be used for future bridging systems designed by CNIM, as well as for applications in the aerospace and railway industries or off-shore in deep waters.
- These technologies add to those already developed by CNIM in the field of wet filament winding, making it possible to design structures that combine high mechanical resistance and cost-efficiency. They are now available for use in future bridging systems, the railway industry and the aerospace industry.

▢ Transport

- ▢ Development of a new heavy-duty escalator for metros and another escalator for shopping centres.
- ▢ Development for the Parisian metro operator (RATP) of a platform screen door system designed to improve passenger safety.

▢ Energy

Research was directed essentially towards:

- ▢ Work on adapting the Babcock Wanson burner range to fuels such as animal fats, bio-fuel or ethanol in view of optimising efficiency and limiting flue gas emissions.
- ▢ development of boiler house control and supervision systems which allow optimal control of combustion and steam production parameters. The supervision system provides real time, touch screen display with overviews of the installation and memorisation of faults, analysis and diagnosis, and can be adapted to any operating mode.

EVENTS SUBSEQUENT TO THE DATE OF CLOSURE

On 3 April 2006, the company sold the building located at 72 rue Gabriel Péri in Montrouge to a group named CPIM Structured Credit Fund 1000 L. P. This sale will generate a capital gain in 2006.

STOCK MARKET

▢ Stock market listings

CNIM shares are listed on a single regulated market: the Eurolist of Euronext – tier B. The CNIM share is the only listed security issued by the company.

▢ Stock market indicators

CNIM shares form a part of the CAC SMALL 90 index.

▢ Capital and voting rights as of 27 April 2006

The number of shares listed is 3,028,110 and the breakdown of capital and voting rights on 27 April 2006 was as follows:

Shareholders	Share capital	Voting rights*
SOLUNI and Mrs C.DMITRIEFF (family-owned company)	12.10%	14.76%
MARTIN GmbH	10.25%	12.56%
FRANELI/FREL/M. F. HERLICQ (family-owned company)	9.46%	11.59%
MAXA and Mrs M. HERLICQ (family-owned company)	8.68%	10.42%
IDI Group	7.02%	8.59%
ULYSSE	5.22%	6.39%
RICHELIEU FINANCE	5.02%	3.07%
PUBLIC	42.25%	32.62%

*On the basis of the latest publication of voting rights in the BALO, 9 June 2005: 4,945,481.

▢ Performance of CNIM shares

Price	
On 31.12.2004	€70.70
On 31.12.2005	€79.30
On 27.04.2006	€96.85
Annual highs and lows in 2005	
Highest	€79.50
Lowest	€65.20
Variations over one year in 2005	
CNIM	+12.16%
MIDCAC (01.01 to 30.06.2005)	+19.14%
SBF 250	+24.26%
ISM (01.01 to 17.05.2005)	+10.86%
Variations from 01.01.2006 to 27.04.2006	
CNIM	+18.79%
CAC SMALL 90	+16.10%

On average, 1,864 CNIM shares were traded per day in 2005.

SHARE REPURCHASE PROGRAMME

▢ Previous programme

In 2005, the company purchased 5,858 shares at an average price of €72.86 and sold 7,613 shares at an average price of €74.38.

On 31 December 2005, the company held 26,673 of its own shares, acquired under the terms of the authorisation granted to the Executive Board by the Ordinary General Meeting of 9 June 2005 to repurchase CNIM shares within the limit of 10% of the registered capital, in accordance with the provisions of Article L.225-209 of the French Commercial code *(Code de commerce)*. This treasury stock represents 0.88% of total capital, having specified that the number of voting rights attached to the shares making up the registered capital amounted to 4,945,481 on 9 June 2005, according to the latest issue of the Official French Journal of Legal Announcements *(Bulletin des Annonces Légales Obligatoire)*.

Babcock Wanson Holding, a subsidiary of CNIM, holds 20,087 CNIM shares.

▢ Proposed new programme

We propose to shareholders that the Executive Board be authorised, in accordance with Article L.225-209 of the French Commercial code, to purchase its own shares with a ceiling for the overall holding placed at 10% of the company's registered capital.

The proposed authorisation would be effective until the date of the next Annual General Meeting.

The maximum unit price at which these shares could be acquired would be €200 per share and the minimum unit price at which they could be sold would be €60 per share, subject to adjustments related to possible transactions on the capital of the company. The overall amount devoted to this purchasing programme shall consequently not exceed €60,562,200.

This share repurchase programme has the following objectives:

a) to enable their cancellation by means of a decrease of the company's share capital;

b) to conserve or remit the shares to finance external growth;

c) to support CNIM stock on the market.

These purchases will be made by an investment broker within the framework of a market support contract.

The repurchasing operations thus authorised shall be carried out in accordance with Articles 5 and 6 of European Regulation n° 2273/2003, regarding:

- the volume of shares acquired for transactions involved in the definition of prices;
- the acquisition price;
- and the periods of abstention.

In particular, they must not represent more than 25% of the average daily volume of shares traded on the market, determined on the basis of the average daily volume traded during the twenty trading days preceding the transaction, nor may they be bought at a price higher than that of the latest public purchase.

d) to allow allocation of free shares to employees or directors of the company or of the CNIM Group, as outlined in the provisions of Articles L.225-197-1 and following of the French Commercial code;

e) to grant stock options to employees or directors of the company or of the CNIM group as part of the stock option fund implemented within the framework of the provisions of Article L.225-229 and following of the French Commercial code.

The Supervisory Board shall be required to grant prior agreement and define the terms and conditions for the last two objectives.

Subject to the above conditions, it is proposed that the Executive Board be granted full powers, including the authority to delegate powers, to enter into agreements, to make stock exchange orders, or execute any other formalities, and generally do whatever may be required for the execution of the present authorisation.

I.2 ▢ ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES

I.2.1 ▢ Executive Board

Mr François CANELLAS

Born 20 April 1936

Chairman of the Executive Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2005 fiscal year

Other positions

All these positions concern companies within the CNIM Group

Chairman

- LAB SA
- BABCOCK WANSON
- BABCOCK WANSON ITALIANA
- BABCOCK WANSON MAROC
- BABCOCK INTERNATIONAL
- BABCOCK WANSON CALDEIRAS (Portugal)
- BABCOCK WANSON UK
- BABCOCK WANSON AG (Switzerland)
- CALDERAS Y PROYECTOS (Spain)
- CNIMEX (Mexico)

Director

- BABCOCK ENTREPRISE HOLDING
- CNIM TRANSPORT HOLDING (formerly Babcock Industrie)
- CNIM ESCALATORS UK
- MES (UK)
- MES ENVIRONMENTAL (UK)
- SELCHP (UK)
- CNIM ESPAÑA
- CNIM HONG KONG (China)

Member of the Supervisory Board

- CNIM BABCOCK CENTRAL EUROPE (Czech Republic)

Fixed salary and profit sharing: €564,543

Profit sharing: 1% du résultat consolidé soit : €154,620

Mr Claude RONSSIN

Born 8 June 1938

General Secretary – Member of the Executive Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2005 fiscal year

Other positions

All these positions concern companies within the CNIM Group

Chairman

- BABCOCK ENTREPRISE HOLDING
- CNIM ENVIRONNEMENT SAS

Director

- LAB SA
- BABCOCK INTERNATIONAL (Belgium)
- CALDERAS Y PROYECTOS (Spain)
- BABCOCK WANSON CALDEIRAS (Portugal)
- CNIM ESPAÑA
- CNIM HONG KONG (China)
- CNIM ESCALATORS UK
- MES (UK)
- MES ENVIRONMENTAL (UK)

Member of the Executive Board

- CNIM BABCOCK CENTRAL EUROPE (Czech Republic)

Fixed salary and bonuses: €466,100

Mr Philippe SOULIÉ

Born 1 July 1956

Member of the Executive Board – Managing Director

In position since: 27 October 2005

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2005 fiscal year

Other positions

All these positions concern companies within the CNIM Group

Chairman

- ATENA
- CTE (China)
- CTH SAS

Director

- CNIM HONG KONG (China)
- CNIM CANADA
- CURTIS

Fixed salary: €244,401

Mr Stefano COSTA

Born 19 August 1946

Member of the Executive Board

In position since: 9 June 2005

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2005 fiscal year

Other positions

All these positions concern companies within the CNIM Group

Director

- LAB SA

Chairman

- TMC SAS

Co-manager

- LAB GmbH

Fixed salary and bonuses: €275,959

Mr Dominique DELAHAYE

Born 3 November 1946

Member of the Executive Board

In position since: 9 June 2005

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2005 fiscal year

Chairman

- STOMA SAS
- CNIM INDUSTRIE SAS

Director

- CCUAT

Fixed salary and bonuses: €232,829

Mr Christian GUICHARD

Born 24 November 1944

Member of the Executive Board

In position since: 9 June 2005

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2005 fiscal year

Fixed salary and bonuses: €272,929

I.2.2 ▢ Retirement agreement and stock-options

In 1987, CNIM established a retirement plan with defined benefits for senior executives, salaried *"hors classe (HC)"* directors, as defined by the National Collective Bargaining Agreement of the Metallurgical Industry. The following corporate representatives belong to this category: Mr François Canellas, Mr Philippe Soulié, Mr Claude Ronssin, Mr Dominique Delahaye and Mr Christian Guichard.

a) This defined benefit retirement plan has been modified, notably by removing the upper limit placed on the reference compensation and by allowing a choice at the time of retirement as to the percentage of reversion to a surviving spouse.

b) A supplementary retirement plan with defined contributions has been taken out with an insurance company. Fully financed by the employer, this plan is based on a contribution of 8% of gross annual compensation, with an upper limit placed at 8 times the ceiling fixed by the national French health service.

c) The total amount of general and specific retirement benefits for "HC" personnel may not exceed 65% of their reference compensation.

As of 31 December 2005, the estimated total cost of the defined benefit retirement plan on the basis of actuarial calculations is expected to amount to approximately €9.64 million.

Furthermore no plan of stock-options was granted in 2005.

I.2.3 ▢ Supervisory Board

Mr Vsevolod DMITRIEFF

Born 16 August 1922

Chairman of the Supervisory Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2005 fiscal year

Other positions

Director

- CNIM CANADA
- CNIM ESCALATORS UK
- CNIM ESPAÑA SA
- CNIM HONG KONG (China)
- SOLUNI

Permanent CNIM representative on the Boards of

- BABCOCK Entreprise Holding
- LAB SA
- SCI du 35, rue de Bassano
- Société Monégasque d'Assainissement (SMA)

Deputy Director

- SOCILAS

Member of the Supervisory Board

- ANTERIORITY

Remuneration for responsibilities of Chairman of the Supervisory Board and director's fees: €238,004

Mr Jean-Pierre LEFOULON

Born 19 October 1932

Vice-Chairman of the Supervisory Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2009 fiscal year

Other positions

Chairman

- Value Invest

Director

- Crédit Municipal de Lille
- CREATIS

Director's fees and remuneration for responsibilities as member of the Accounts Committee: €18,000

Mr Richard ARMAND

Born 23 janvier 1938

Member of the Supervisory Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2005 fiscal year

Other positions

Director

- SOLVING
- Fondation Georges Besse
- ADEME
- IDDRI

Director's fees: €8,000

Mrs Christiane DMITRIEFF

Born 26 January 1935

Member of the Supervisory Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2007 fiscal year

Other positions

Chairwoman and CEO

- SOLUNI

Deputy Director

- SOCILAS

Director's fees: €8,000

Mr Nicolas DMITRIEFF

Born 8 April 1970

Member of the Supervisory Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2007 financial year

Other positions

Chairman of the Executive Board

- ANTERIORITY SA

Director's fees and remuneration for responsibilities as member of the Strategic Committee: €18,000

FREL Company

represented by Mr François HERLICQ, Chairman

Born 22 June 1932

Member of the Supervisory Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2006 financial year

Positions held by Mr HERLICQ in a personal capacity:

Chairman and CEO

- FRANELI

Chairman

- FREL

Director's fees and remuneration for responsibilities as member of the Accounts Committee: €18,000

Mr André HERLICQ

Born 30 April 1961

Member of the Supervisory Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2007 financial year

Director's fees and remuneration for responsibilities as member of the Strategic Committee: €18,000

JOHES SAS Company

represented by Mr Jean-François VAURY

Born 22 November 1949

Member of the Supervisory Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2009 financial year

Other positions

Member of the Supervisory Board
(represented by J. F. VAURY)

- SUPERBA

Positions held by Mr Vaury in a personal capacity:

Chairman

- JOHES SAS
- KIMOLOS

Chairman and Managing Director

- CICLAD Participation

President of the Supervisory Board

- MATEBAT HOLDING

Member of the Supervisory Board

- ALMALTHEA SAS

Member of the Supervisory Board

- AXINVEST SAS
- SIKINOS

Permanent representative of CICLAD on the Board of:

- SIRAGA
- GPL INDUSTRIE

Managing Director

- CICLAD GESTION SAS

Director's fees and remuneration for responsibilities as member of the Strategic Committee: €18,000

MARTIN GmbH für Umwelt-Und Energietechnik

represented by Mr Johannes MARTIN

Born 26 September 1954

Member of the Supervisory Board

In position since: 29 January 2004

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2007 financial year

Position held by Mr MARTIN in a personal capacity:

Managing Director

- MARTIN GmbH für Umwelt-Und Energietechnik

Director's fees: €8,000

MAXA

represented by Mrs Monique HERLICQ

Born 26 July 1928

Member of the Supervisory Board

In position since: 10 October 2003

Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2007 financial year

Positions held by Mrs HERLICQ in a personal capacity:

Chairwoman and Managing Director

- MAXA

Director's fees: €8,000

I.2.4 ▢ Remuneration of management and supervisory bodies

For the financial year ended at 31 December 2005:

All remuneration made to the members of the administrative, management and supervisory bodies for their activity within the Group amounted to €2,058,691 of which €80,000 in directors' fees was paid to the members of the Supervisory Board.

Fringe benefits are negligible.

I.3 ▢ ENVIRONMENTAL AND SOCIAL DATA

Flexibility and forward thinking, along with health and safety, have always been at the heart of CNIM's strategic focus. We are constantly anticipating and adapting to keep our products at the leading edge, and we follow the same approach in our management of human resources, adapting seamlessly:

- to ongoing economic developments;
- to variations in product cycles;
- to technological progress.

Our approach to the management of products and people has made the multi-disciplinary competency of our staff one of the key factors in the success of the Group.

Parent company social data

At the close of the financial year 2005, the workforce was composed of 991 employees, including 896 with a permanent employment contract and 30 with a fixed-term employment contract.

The workforce comprises 458 engineers and executives, 310 (intermediate) employees and technicians, and 223 workers. 86 % of the employees are men. The average age is 45.

During the year 2005, CNIM hired 79 new staff with a permanent employment contract and 41 with a fixed term employment contract. In addition, the company employed 65 temporary workers with an average contract period of 315 hours.

129 employees left the company. There were 22 resignations, 10 redundancies and 25 dismissals for other reasons.

In 2005, the average monthly wage amounted to €4,753 for engineers and executives and to €2,248 for workers. No payments were made under profit sharing schemes.

25 industrial accidents were recorded causing a loss of 1,189 working days.

The average weekly working time is 35 hours.

The human resources policy of the Group is organised around four main themes:

Forward management of jobs and skills

- Anticipate future change, develop skills and a competitive edge, and encourage job mobility to ensure that the competencies necessary for the deployment of CNIM's strategy are at hand when required.
- Provide employees with a clear understanding of the different occupations within the Group and the skills the Company is looking for.
- Make it possible for staff to know what the Company expects of them in terms of performance, skills development, initiative and proactivity.
- Work better together to develop and maintain our capital of individual and collective competencies.

Development of individual and collective skills

Annual appraisal interviews give teams the opportunity to take stock of the year gone by and fix objectives for the year to come, with a constant concern for continual improvement of overall performance.

CNIM's human resources teams define a policy for training programmes focused on anticipating how jobs are likely to evolve and what competencies the company will need in the future. They design and organise training sessions and programmes given by in-house or external trainers geared to the specific skills development issues faced by CNIM and to the diversity of occupations that make up the company.

Job mobility

The variety of business activities in which CNIM is involved opens many prospects of job mobility for its employees.

The company promotes transfers between different departments, divisions, units or countries and accompanies those employees who choose to move. An ever wider array of occupations and cultures are available to them within the Group.

CNIM encourages and values internal mobility as a means of developing the skills needed by the Group and enriching the career path of each employee. The annual appraisal interview provides an ideal opportunity for each staff member to discuss his interest in a move.

Every employee has access to a web site dedicated to job mobility where they can find information about in-house job openings and apply on line. This is part of a larger team work approach between management and the Human Resources Division.

Health and Safety

CNIM has developed a health and safety policy aimed at preserving the health and safety of staff members while offering motivating working conditions. This policy has fixed ambitious goals in terms of ergonomics, accident prevention, work station risks and health. On-site audits conducted by health and safety agents gauge that it is being correctly applied.

Environment

CNIM's policy complies with regulatory requirements and includes commitments for ongoing and reasonable environmental improvements. CNIM has committed itself to this policy in all its contracts.

Implemented at every level of the Company, this policy is conducive to dialogue and transparency, not only within the Group, but also in its relations with outside partners, clients or suppliers.

An environmental management programme has also been established. It defines objectives and targets, specifies tasks to be accomplished and assigns responsibilities, as well as determining the required means and schedules. The results achieved are monitored by performance indicators.

Protection of the environment is closely tied to health and safety at work. It is of particular concern in the incineration plants operated by the company.

Plants operated by CNIM for a period of more than a year are provided with a 'Guide to Managing the Environment, Health and Safety at Work' In addition, they have all been awarded ISO 14001 and some have also obtained the British OHSAS 18001 certification.

In parallel, measures have been taken to limit damage to the biological equilibrium of the environment and to protected animal and plant species.

"Environmental protection" sheets have been prepared on:

- noise pollution,
- soil pollution,
- air pollution,
- waste discharge.

They describe the preventive measures applied by companies within the Group.

Waste is removed by specialised companies which deliver a follow-up report. This document is sent quarterly to the regional administrative department dealing with hazardous industrial plants.

All hazardous products are locked up and accompanied by corresponding safety data sheets.

Air in the workshops is sampled and analysed. The regulations concerning health and safety at work, as well as the environment, are complied with in all fields.

Monitoring of and compliance with legislation is ensured by the Group Manager in charge of Health, Safety and Environment, under the authority of the Group Human Resources Director.

All the points mentioned above are discussed at the meetings of the Health and Safety Committee.

These measures have succeeded in ensuring that CNIM was not fined for lack of compliance with environmental regulations over the past year. Nor was it required to make any provisions for risks in this regard.

I.4 ▢ PROPOSALS BY THE EXECUTIVE BOARD TO THE MIXED GENERAL MEETING

▢ Plan for the allocation of income

CNIM's registered net income for the 2005 financial year amounts to €15.016 million following deduction of:

- €3.291 million for depreciation on fixed assets.

Income available for distribution amounts to:

■ Income for the year	€15,016,297.88
■ Balance brought forward	
▢ Before treasury stock	€661,348.76
▢ Dividends on treasury stock	€17,322.50
▢ Impact of new method on reserves	€1,583,890.02
Sub-total	€2,262,561.28
■ Total	€17,278,859.16

We propose that the income be allocated as follows:

■ Dividend of €3.00 per share, i.e. for 3,028,110 shares	€9,084,330.00
■ Other reserves	€8,000,000.00
■ Retained earnings	€194,529.16

However, as the company is authorised to trade in its own shares, the dividends payable with respect to shares held by the company on the date of distribution and not paid out as such, shall be allocated to “Retained Earnings”.

The dividend will be paid from 3 July 2006. The tax credit which accompanied this dividend has been eliminated. This income, in certain cases, is eligible for a 50% reduction, in the limits defined by the law.

Please note that dividends distributed for the last three financial years were as follows:

(€)	2004	2003	2002
Number of shares	3,028,110	3,028,110	3,028,110
Dividend	2.50	2.50	2.50
Tax credit	–	1.25	1.25
Income	2.50	3.75	3.75

The Executive Board proposes to the General Meeting, in accordance with the provisions of Article L.225-209 of the French Commercial code, to acquire a number of shares with a ceiling placed at 10% of the number of shares comprising the company's registered capital. These purchases will be made by an investment broker within the framework of a market support contract, in accordance with the charter of best practises recognised by the AMF.

▢ Shareholding

As of 31 December 2005, the following shareholders held:

More than 10% of the voting rights:

- SOLUNI and Mrs Christiane DMITRIEFF
- MARTIN GmbH für Umwelt-und Energietechnik
- FRANELI and FREL, and Mr François HERLICQ
- MAXA and Mrs Monique HERLICQ

More than 5% of the voting rights:

- The IDI Group
- ULYSSE

I.5 ▢ CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEET
as of 31 December 2005

ASSETS (K€)		31.12.2005			31.12.2004
	Note	**Gross**	**Amortisations and provisions**	**Net**	**Net**
Non current assets					
Uncalled subscribed capital					
Intangible assets					
Goodwill		3,932	743	3,189	2,587
Other intangible assets		24,924	17,304	7,620	6,756
Sub-total intangible assets	V.1	**28,856**	**18,047**	**10,809**	**9,343**
Difference in goodwill	V.2	**39,856**	**–**	**39,856**	**39,146**
Tangible assets					
Land		8,538	591	7,947	7,933
Buildings		59,990	42,414	17,576	19,957
Plant and equipment		45,249	34,509	10,740	11,690
Others		17,614	14,311	3,303	3,336
Assets in progress		2,806	–	2,806	2,853
Advances and down payments		–	–	0	0
Sub-total tangible assets	V.3	**134,197**	**91,825**	**42,372**	**45,769**
Investment property	V.4	**–**	**–**	**0**	**2,214**
Long-term investments					
Investments in unconsolidated subsidiaries and affiliates		19,800	19,469	331	283
Loans and advances to unconsolidated companies		19,450	4,640	14,810	18,676
Other investments		9,648	7,245	2,403	2,318
Sub-total excluding equity affiliates	V.5	**48,898**	**31,354**	**17,544**	**21,277**
Equity affiliates – Investments	V.6	1,760	–	1,760	1,490
Sub-total long-term investments		**50,658**	**31,354**	**19,304**	**22,767**
Finance leases			–	0	0
Defered tax		7,757	–	7,757	7,365
Total non current assets		**261,323**	**141,226**	**120,097**	**126,604**
Current assets					
Inventory and work in progress					
Raw material		27,109	5,351	21,758	22,751
Goods		732	108	624	729
Work in progress		430	52	378	408
Production in progress		4,400	360	4,040	3,412
Sub-total inventory and work in progress		**32,671**	**5,871**	**26,800**	**27,300**
Advances + partial payments on orders		3,565	406	3,159	6,011
Trade receivable and related accounts	V.7	334,169	8,741	325,428	250,373
Others	V.8	39,324	696	38,628	28,462
Finance leases		–	–	0	0
Marketable securities	V.9	60,030	–	60,030	92,431
Cash		30,537	–	30,537	39,132
Prepaid expenses		7,286	–	7,286	8,333
Total current assets		**507,582**	**15,714**	**491,868**	**452,042**
Available-for-sales assets	V.10	**18,579**	**8,846**	**9,733**	**5,142**
Total		**787,484**	**165,786**	**621,698**	**583,788**

LIABILITIES (K€)	Note	31.12.2005	31.12.2004
Shareholder's equity			
Share capital		6,056	6,056
Issuance premiums		7,237	7,237
Legal reserve		606	606
Reserves		61,316	49,014
Consolidated retained earnings		7,739	12,445
Cumulative translation adjustment		1,021	(997)
Net income/loss of the year		20,387	15,388
Total shareholders' equity	V.11	**104,362**	**89,749**
Minority interest – Reserve		228	3,194
Minority interest – Income of the year		(100)	(81)
Total minority interest		**128**	**3,113**
Non current liabilities			
Financial debt			
Bank loans	V.12	26,687	50,544
Other long-term debt	V.12	1,506	1,632
Derivative financial instruments (non current liabilities)		681	
Non-current provisions	V.13	63,657	54,586
Deferred tax payable		4,303	4,307
Non current assets		**96,834**	**111,069**
Current assets			
Advances and partial payments on orders	V.15	31,142	27,853
Suppliers		139,918	125,438
Tax and social security payable		92,143	78,622
Current financial liabilities		16,058	14,870
Current provisions	V.13	29,939	23,918
Others		8,279	11,705
Estimated future gains/losses		102,895	97,451
Total current assets		**420,374**	**379,857**
Total		**621,698**	**583,788**

CONSOLIDATED STATEMENT OF INCOME
as of 31 December 2005

(K€)	Note	31.12.2005	31.12.2004
Sales	VI.1	**615,498**	**554,026**
Stored and capitalised production		1,399	568
Operating subsidies		4,546	102
Cancellation of amortisations and provisions		31,271	44,707
Transfer of charges		2,332	1,935
Other current revenues		4,914	1,701
Purchases of goods and changes in inventory		(311,761)	(272,537)
Other expenses		(99,255)	(108,681)
Taxes (other than income tax)		(8,204)	(9,446)
Salaries and wages		(111,615)	(107,846)
Social security charges		(38,432)	(35,861)
Employee profit sharing		(599)	(95)
Sub-total personnel expenses		**(150,646)**	**(143,802)**
Depreciation and amortisation		(9,223)	(10,082)
Provisions		(42,655)	(26,795)
Other current expenses		(5,330)	(4,941)
Sub-total of current operating income		**32,886**	**26,755**
Other non-current revenues and expenses		(2,369)	(2,261)
Operating income	VI.3	**30,517**	**24,494**
Financial revenues			
Securities		1,097	4,465
Loans and receivables and other financial income		2,877	2,766
Reversed provision & transfer of charges		209	115
Sub-total financial income		**4,183**	**7,346**

(K€)	Note	31.12.2005	31.12.2004
Gross financial cost			
Depreciation, amortisation and provisions		(112)	(654)
Interest and financial expenses		(2,663)	(2,750)
Sub-total financial revenues		**(2,775)**	**(3,404)**
Financial income/(Financial expenses) – Net	VI.4	**1,408**	**3,942**
Exchange gains		1,797	1,828
Exchange losses		(1,060)	(2,895)
Other financial expenses and income		34	11
Sub-total	VI.5	**771**	**(1,056)**
Financial income		**2,179**	**2,886**
Share in income (loss) of equity affiliates	VI.6	(477)	(1,719)
Income before taxes		**32,219**	**25,661**
Income tax expense	VI.7	(11,932)	(10,354)
Net income on continued operations		**20,287**	**15,307**
Net income on discontinued operations			
Including minority interest		(100)	(81)
Net income (Group share)		**20,387**	**15,388**
Net income per share		6.79	5.12
Diluted net income per share		6.79	5.12

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(K€)			Group Equity					
	Capital	**Premium**	**Recyclable reserve**	**Other reserves**	**Translation reserve**	**Consolidated income**	**Total**	**Minority interests**
IFRS at 01.01.2004 published in 2004	**6,056**	**7,237**		**55,691**	**0**	**14,583**	**83,567**	**3,061**
Correction (Nota 1)				(1,127)			(1,127)	
IFRS corrected at 01.01.2004	**6,056**	**7,237**		**54,564**	**0**	**14,583**	**82,440**	**3,061**
Appropriation of net income 2003				14,583		(14,583)	0	
Dividend paid				(7,498)			(7,498)	
Change in translation reserve					(997)		(997)	(15)
Income 2004						15,388	15,388	(81)
Change in consolidation scope							0	148
Cancellation of own shares				414			414	
Others				2			2	
IFRS at 31.12.2004	**6,056**	**7,237**	**0**	**62,065**	**(997)**	**15,388**	**89,749**	**3,113**
Capital increases							0	
Appropriation of net profit 2004				15,388		(15,388)	0	
Dividend paid				(7,503)			(7,503)	
Change in translation reserve					2,017		2,017	17
Profit 2005						20,387	20,387	(100)
Change in consolidation scope							0	(2,902)
Cancellation of operations in own shares				94			94	
Impacts of implementation of IFRS 32 and 39 at 01.01.2005 (Nota 2)			119	(487)			(368)	
Measurement differences on financial instruments (Nota 3)			(14)				(14)	
Others							0	
At 31.12.2005	**6,056**	**7,237**	**105**	**69,557**	**1,020**	**20,387**	**104,362**	**128**

Nota 1 : Correction prior period error on closing date 31 December 2003 concerning provision for retirement benefit obligations (K€ –1681) and differed taxes (K€+554).

Nota 2 : Impact of implementation of IFRS 32 and 39 on 1 January 2005.

Unrealised capital gain on securities	119
Cancellation of own shares	(487)
Total	**(368)**

Nota 3 : Movements during 2005 fiscal year

Unrealised capital gain on securities	(19)
Reversed TIAP provision	31
Exchange differences on receivables connected to investments in unconsolidated subsidiaries	313
Forward sales	(339)
Total	**(14)**

CONSOLIDATED CASH FLOW TABLE

(K€)	31.12.2005	31.12.2004
Total net income for consolidated companies	**20,287**	**15,307**
Elimination of charges and income having no effect on the cash flow or not relating to the activity		
Elimination of depreciation and provisions	22,878	(10,196)
Elimination of the variation in deferred taxes	457	7,954
Elimination of the capital gains or losses from sales	3,687	699
Elimination of the share of the revenue for companies consolidated under the equity method	477	1,719
Cash flow before cost of net financial debt and tax	**47,786**	**15,483**
Cost of net financial debt		
Tax paid	2,584	1,047
Dividends received from consolidated companies		3,524
Effect of the variation in WCR related to the activity		
Inventory	1,157	(2,958)
Advances and down payments	10,210	154
Operating receivables	36,685	40,431
Other receivables and accrued income	1,254	(1,936)
Advances and down payments received	(125,855)	(62,936)
Variation in operating debts	20,052	26,090
Variation in other debts	7,345	27,426
Total	**(49,152)**	**26,271**
Net flows generated by (appropriated to) the activity (A)	**1,218**	**46,325**
Purchase of capital assets	(12,161)	(11,352)
Purchase of capital shares		0
Sales of capital assets	1,075	1,314
Sales of capital shares		0
Effects of variations on the scope of consolidation	(1,289)	510
Net flows coming from (appropriated to) investments (B)	**(12,375)**	**(9,528)**
Dividends paid by the parent company	(7,503)	(7,481)
Dividends paid to minority shareholders		0
Capital increase (reduction)		0
Investment subsidies		0
New borrowings	30,384	2,903
Repayment of borrowings	(53,268)	(3,860)
Net flows coming from (appropriated to) financing (C)	**(30,387)**	**(8,438)**
Effect of the variation in exchange rates (D)	1,392	(254)
Effects of change in accounting principles (E)	(380)	0
Cash variation A+B+C+D+E	**(40,532)**	**28,105**
Closing cash		
Marketable securities	60,030	92,431
Cash	30,536	39,132
Current bank account balances	(8,607)	(9,228)
Subsidiaries' bank account balances	(1,186)	(1,030)
Total	**80,773**	**121,305**
Cash variation	**(40,532)**	**28,105**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of the consolidated financial statements as of 31 December 2005

I ▢ TRANSITION TO IFRS

In accordance with European Regulation n° 1606/2002 of 19 July 2002, the 2005 financial statements for the CNIM Group have been drawn up using IRFS (International Financial Reporting Standards), with a reference to the 2004 financial statements in IFRS.

Prior to the 2005 financial year, the Group's consolidated financial statements were drawn up in accordance with the accounting methods and principles defined by regulation 99-02 of the Committee for Accounting Standards.

Consolidated financial statements as of 31 December 2005

For the first time, the consolidated financial statements as of 31 December 2005 have been drawn up according to IFRS, adopted by the European Union at that date.

The consolidated financial statements as of 31 December 2005 include a comparison with the 2004 financial statements restated according to the same standards (excepting IAS 32 and IAS 39 applied as of 1 January 2005).

The financial statements hereafter do not take into account any possible effects of IFRIC draft interpretations regarding accounting treatment of business falling within the scope of public service concessions. Pending publication of these interpretations, the Group has conserved the accounting treatment currently applied under French standards for concession contracts. The specific accounting treatment concerns the constitution of provisions for renewals.

IAS 32 and IAS 39 relating to financial instruments have been applied as of 1 January 2005. The comparative accounts as of 31 December 2004 thus do not include the effects of these two IFRSs.

There was no anticipated application of any IFRS accounting standards by the CNIM Group in the 2005 accounts.

▫ 2004 IFRS financial information

The Group published a reconciliation table of shareholders' equity under French accounting principles and of shareholders' equity under IFRS on 1 January 2004, at the same time as it published the 2004 accounts drawn up according to French accounting literature.

The CNIM Group applied IFRS 5 "Non-current assets held for sale" in anticipation of IFRS in the 2004 accounts.

In order to comply with IFRS 1 and with the "Implementation Guidance" IFRS 1 (paragraph 63), the Group presents hereafter in the section entitled "2004 financial information under IFRS":

- a reconciliation of shareholders' equity under French accounting principles and of shareholders' equity under IFRS as of 31 December 2004;
- a reconciliation of statement of income under French accounting principles and of statement of income under IFRS as of 31 December 2004;
- notes to make these reconciliations easier to understand.

I.1 ▢ Presentation of financial statements

The CNIM Group presents its financial statements in accordance with IAS 1 "presentation of financial statements".

I.1.1 ▫ Balance sheet

Balance sheet items are classified as current assets and non-current assets, or current liabilities and non-current liabilities.

I.1.2 ▫ Statement of income

The Group has opted to present the statement of income by nature.

I.1.3 ▫ Cash flow table

The cash flow table is based on the indirect method.

I.2 ▢ Main estimates

The forecast result of each contract is estimated in a note.

The income relating to stage of completion is calculated on the basis of this final estimated income.

II ▢ SCOPE OF CONSOLIDATION

II.1 ▢ Consolidation methods

All companies were consolidated on the basis of financial statements as of 31 December 2005.

Subsidiaries over which the Group exercises exclusive control are fully consolidated.

Companies controlled jointly by several shareholders are proportionally consolidated, according to the percentage held.

The equity method is used for all subsidiaries in which the influence of the Group is significant, which is presumed when the Group holds 20% or more of voting rights.

II.2 ▢ Fully consolidated companies

Company	Headquarters	% stake
ATENA	France	100%
BABCOCK ENTREPRISE HOLDING	France	99.99%
BABCOCK WANSON	France	100%
BABCOCK WANSON AG	Switzerland	99.80%
BABCOCK WANSON CALDEIRAS	Portugal	100%
BABCOCK WANSON ITALIANA	Italy	100%
BABCOCK WANSON HOLDING (formerly-BE)	France	100%
BABCOCK WANSON MAROC	Morocco	98.10%
BABCOCK WANSON UK	Great Britain	100%
CALDERAS Y PROYECTOS BABCOCK WANSON	Spain	100%
CNIM	France	Parent company
CNIM BABCOCK CENTRAL EUROPE	Czech Republic	100%
CNIM BABCOCK POLSKA	Poland	100%
CNIM CANADA	Canada	100%
CNIM ENVIRONNEMENT	France	100%
CNIM ESC UK Ltd	Great Britain	100%
CNIM HONG KONG	Hong Kong	99.99%
CNIM PORTES PALIERES	Canada	75%
CNIM TRANSPORT EQUIPMENT	France	100%
CNIM TRANSPORT HOLDING	France	100%
CNIM TRANSPORT SERVICES (formerly-NEM)	France	100%
CURTIS Canada	Canada	74,5%
CURTIS UK	Great Britain	75%
CURTIS US	United States	75%
ENERGONUT	Italy	100%
LAB	France	100%
LAB GmbH	Germany	100%
MARTIN ENGINEERING SYSTEMS	Great Britain	100%
MES ENVIRONMENTAL	Great Britain	100%
MES SELCHP	Great Britain	100%
SCI Gabriel Péri	France	99%
SCI 35, rue de Bassano	France	99.80%
TMC	France	100%
UTE CNIM-SENER BILBAO	Spain	75%

II.3 ▢ Proportionally consolidated companies

Company	Headquarters	% stake
CCUAT	France	49.88%

II.4 ▢ Companies consolidated by the equity method

Company	Headquarters	% stake
SELCHP	Great Britain	48.75%
HANFORD WASTE SERVICES Ltd	Great Britain	39%
DUDLEY WASTE SERVICES Ltd	Great Britain	33.33%
WOLVERHAMPTON WASTE SERVICES Ltd	Great Britain	33.33%

III ▢ IFRS ACCOUNTING PRINCIPLES AND VALUATION METHODS

III.1 ▢ Foreign currency translation

The Group consolidated financial statements are presented in euros (€), which is the parent company's operating currency.

In the case of foreign companies, balance sheet items are valued at the year-end exchange rate while statement of income items are valued at the average exchange rate for the year.

Exchange rate differences resulting from this treatment are recorded in the item "Shareholders' equity".

Value in euros of the following currencies:

	Closing rate		Average rate	
	2005	2004	2005	2004
Pound Sterling	1.45921	1.41834	1.46235	1.47413
Hong Kong Dollar	0.10932	0.09445	0.10346	0.10337
Canadian Dollar	0.72860	0.60916	0.66459	0.61874

III.2 ▢ Tangible and intangible assets

In accordance with IAS 16 "Property, plant and equipment" and with IAS 38 "Intangible assets", only those items for which the cost may be reliably measured and from which future economic benefits are likely to flow to the Group are recorded as fixed assets.

The book value of tangible and intangible assets are not revalued, as the Group decided against the alternative method enabling regular revaluation of one or several categories of fixed assets.

In accordance with IAS 36 "Impairment of assets", the value in use of tangible and intangible assets with definite useful life is tested as soon as there is an indication that the asset may be impaired and is reviewed at each reporting date. The test is performed at least once a year for intangible assets with indefinite useful life.

For this test, IAS 36 stipulates that tangible and intangible assets are grouped together into Cash-Generating Units (CGU). Within the Group, the CGUs correspond to subsidiaries or to combinations of subsidiaries, or to the three divisions of the parent company, representing the Group's three sectors of activity.

Intangible assets

The intangible assets mainly include patents, software and research and development expenditure.

The main periods of use are as follows:

	Years
Franchises, patents and licences	5 to 10
Software	3
Research and development costs	5

Franchises, patents and licences

The periods of use retained correspond to the shorter period between that based on economic criteria and that based on the legal term of protection.

The periods of use for franchises, patents and licences are shorter than their legal term of protection.

Business assets

Business acquisitions as defined in IAS 38 are not amortised, since their useful life is undefined. They are recorded at their cost of acquisition and may be depreciated according to expected future cash flow.

Research and development costs

Research costs are charged to expense in the year as incurred.

Development costs must be capitalised if they meet capitalisation criteria (mainly as to future probability).

Development costs recorded as assets in the balance sheet concern expenditure related to the environmental sector.

Research and development costs which are not dissociable from contracts cannot be capitalised.

Tangible assets

Tangible assets are measured at their acquisition cost less cumulative depreciation and, where necessary, impairment.

The cost of the asset includes cost of acquisition plus costs directly attributable to it and necessary over its useful life as planned by the Executive. It also includes financial costs engaged before the date of entry into service.

In application of the approach by components, each significant component of the asset is recognised separately and depreciated over its own period of use, when the period of use of the main asset is different.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost but less a residual value when necessary.

Only buildings were granted a 10% residual value from the construction value. The depreciation period still corresponds to the useful life of the various categories of fixed assets.

The main periods of use are as follows:

	Years	Residual value
Constructions/buildings	30 years	10%
Fixtures, improvements	10 years	
Road systems	20 years	
Machinery and equipment	10 years	
Lifting equipment	5 to 8 years	
Small equipment	8 years	
Tools	5 years	
Measuring devices	8 years	
Transportation equipment	4 years	
Small handling equipment	5 years	
Furniture and fixtures	5 to 10 years	
Safety equipment	4 years	
Computer equipment	2 to 5 years	

Leasing contracts

In accordance with IAS 17, assets acquired under leasing contracts which, in substance, transfer to the tenant (the Group) virtually all the risks and rewards incidental to ownership of the assets, are recognized as assets acquired under finance leases and recorded as fixed assets.

Assets held under finance leases are recognised in the balance sheet as tangible assets at the lower of the fair value and the present value of the minimum lease payments of the leasing contract, less cumulative depreciation and any impairment. Commitments arising from reprocessed contracts are recognized as a financial liability.

Fixed assets held under finance leases are depreciated over the period of use.

The rental payments from operating leases are accounted for as expenses on a straight-line basis during the period of the contract.

III.3 ▢ Investment property

The CNIM Group has decided to use the acquisition method to record investment property.

The fair value given in the notes is based on market information.

III.4 ▢ Borrowing costs

The Group applies the alternative method in accordance with IAS 23. It consists in including in the cost of the corresponding asset the specific borrowing costs incurred during the construction or the acquisition period of the qualifying asset.

III.5 ▢ Goodwill

In accordance with IFRS 3, when a business combination takes place, goodwill is the excess of the cost of the business combination (cost of acquisition of the shares plus costs directly attributable to the acquisition) over the Group's share in the fair value of the assets, liabilities and possible identifiable contingent liabilities of the acquired company at the acquisition date (except in the case of step acquisitions).

Negative goodwill is recognised in profit or loss during the year in which the acquisition is made.

In accordance with IAS 36 and IFRS 3, goodwill is no longer amortised. An impairment test is performed at least once annually and whenever there is an indication of a loss in value. Assets to be tested for impairment are grouped within Cash Generating Units (CGU), which correspond to homogeneous groups of assets generating identifiable cash flows. In the Group, the CGUs correspond to subsidiaries, to subsidiaries' combinations or to the three divisions of the parent company, representing the Group's three sectors of activity.

The impairment test method applied by the Group is as follows:

- expected cash flows are drawn up over 5 years, standard tax deducted;
- the future cash-flows are discounted using the Weighted Average Cost of Capital (WACC);
- comparison between the values in use of the CGUs and the net carrying amounts of the assets (goodwill included).

III.6 ▢ Non-current financial assets

Evaluation of financial assets and liabilities are defined by IAS 39 "Financial Instruments: recognition and measurement" and by IAS 32 "Financial Instruments: disclosure and presentation".

Financial assets include available-for-sale financial assets, held-to-maturity investments, transaction assets, deposits relating to derivatives, derivative assets, loans and receivables.

○ Assets available for sale

Assets available for sale are:

1) Investments in unconsolidated subsidiaries

The shares and other financial fixed assets are recognised at their fair value. For non-listed shares, the fair value is calculated according to profitability prospects resulting from the latest management evaluations, the share of net worth held and the re-evaluated net asset worth. Variations in fair value are recognised directly under equity excepting when an impairment test indicates a significant and durable impairment loss.

Irreversible impairments are recognised in profit or loss.

2) Portfolio investment

These investments are recorded at their cost of acquisition.

At the end of the financial year, the acquisition cost of the securities is compared to their fair value, which is determined according to the share of equity capital held by each company, its profitability and future prospects.

Variations in fair value are recognised directly under equity excepting when an impairment test indicates a significant and durable impairment loss.

Irreversible impairments are recognised in profit or loss.

Where necessary, a provision is made for depreciation.

○ Loans and receivables

They include receivables connected to investments in unconsolidated subsidiaries.

These loans and receivables are initially recognized at fair value, which is generally their cost of acquisition plus transaction costs directly attributable to the acquisition.

At each end-of-financial year, these assets are recognised at their amortised cost using the effective interest method.

An impairment loss is recognised in profit and loss when the recoverable amount of the loan or receivable is lower than the carrying amount.

III.7 ▢ Inventories and work in progress

○ Inventories

Inventories are valued at their weighted average cost. Provisions for depreciation are recorded when their cost price exceeds their realisable value.

○ Work in progress

Work in progress includes all direct costs except general, administrative, commercial and financial expenses which are charged directly to income.

III.8 ▢ Long-term contracts

Sales and profit margin of current contracts are recorded according to the percentage-of-completion method.

The income taken into account corresponds to the proportion of sale price, calculated on the basis of the latest estimate of the final sale price of the contract, multiplied by the percentage of actual progress of work.

The percentage of completion applicable to these contracts is determined by the ratio between cost incurred and probable costs on completion.

When forecast results indicate a loss, a provision for loss on completion is recorded under non-current liabilities.

Upon completion of the contracts, only expenses still to be incurred remain in the balance sheet. A provision for liabilities is recorded under current liabilities in the balance sheet.

Partial payments received under construction contracts before the corresponding work has been carried out are recognised in liabilities under "advances and payments on account received".

The amount of costs incurred plus profits recorded less partial payments on orders for contracts is calculated. If it is positive, it corresponds to the amount to be received from the client and is recognised on the assets side of the balance sheet in "Trade accounts and notes receivable". If the amount is negative, it corresponds to the amount to be paid to the client and is recognised on the debt side in "Estimated future gains/losses".

III.9 ▢ Other current accounts receivables and liabilities

Other accounts receivables and liabilities are valued at their nominal value.

Provision is made for depreciation of receivables when necessary, in keeping with the risk incurred.

III.10 ▢ Current financial assets

This comprises marketable securities which are recognised at their purchase price. Their fair value is determined at the average price of the last month of the financial year for listed securities, at the last available buyback price for SICAV mutual funds and at the last net value of FCP mutual fund shares. Unrealised capital gains or losses are recognised in equity.

The gains and losses are included in the income statement only when securities are sold.

Accrued interest which is still outstanding is recognised only when it is identifiable (fixed rate government bonds, certificates of deposit, term accounts).

III.11 ▢ Provisions for contingencies and charges

These items mainly include:

a) Provisions for lawsuits and disputed claims are calculated according to our estimation of the risked outlay of resources.

b) Provisions for warranties granted to customers are estimated using statistics based on historical warranty expenditure borne by similar contracts.

c) Provisions for losses on long-term contracts are accounted for using the percentage of completion method and are recorded under the liabilities of the balance sheet.

d) Provisions for the renewal and maintenance of plant equipment used in the household waste incineration plants in activity, within the scope of our commitment to equipment replacement: they are calculated based on a programme of capital repairs, taking into account the life of components and the remaining duration of the contract.

e) Provisions for expenses incurred on terminated contracts.

f) Provisions for retirement indemnities.

Provisions for expenses related to business are recorded in current liabilities. The others appear in non-current liabilities.

III.12 ▢ Deferred tax

Deferred taxes are recorded in the consolidated balance sheet and statement of income and result from:

- the temporary offset between the accounting income or expense and its inclusion in the taxable income of a future accounting period;
- the differences between the financial reporting and tax bases of balance sheet assets and liabilities;
- the restatements and eliminations imposed by consolidation and not recorded in the individual financial statements;
- the capitalisation of fiscal deficits.

Deferred taxes are calculated in accordance with the variable carry-over method, base on the tax rates coming into force for the following period.

Active deferred tax is recognised in the balance sheet if there is a probability that a future taxable profit will be available against which temporary differences can be utilised. The following factors are taken into account to estimate the likelihood of the Company of retrieving these assets:

- history of taxable income;
- forecasts of future taxable income;
- share of exceptional charges which are unlikely to recur in the future included in previous losses.

III.13 ▢ Employee benefits

The Group has applied the valuation and accounting principles defined in IAS 19.

Commitments representing employee benefits are calculated using the prospective method with projection of rights at retirement. When commitments of a scheme exceed the related guaranteed assets, the amounts are recorded in provisions for contingencies and charges.

The amount of such commitments, when related to defined benefit schemes, is estimated on the basis of actuarial valuations. These calculations include assumptions regarding mortality, employee turnover and salary forecasts taking into account the economic conditions of each country and of each company within the Group. Discount rates are determined with reference to market yields, on the valuation date, on high-quality corporate bonds issued by leading companies in the area concerned.

In accordance with IAS 19 options relating to the accounting of the actuarial gains and losses after 1 January 2004, the Group has decided to continue using the "corridor" method: actuarial gains and losses resulting from changes in actuarial assumptions are recognised only when they exceed the greater of these two values:

- 10% of the present value of the obligation for defined benefits;
- 10 % of the fair value of the plan's assets.

The portion of actuarial gains and losses exceeding 10% is recognised on a straight-line basis, over the average remaining working life of the employees concerned.

The provision for asbestos contributions was determined on the following basis:

- eligible population,
- likelihood of employees becoming plan members,
- the present salary of the employee,
- estimation of salary upon asbestos retirement,
- updating of this salary and of the employer's contribution.

III.14 ▢ Transactions in foreign currencies

Accounting for and valuation of foreign currency transactions are defined by IAS 21 in "The effects of changes in foreign exchange rates". Under this standard, foreign currency transactions are recognised at the rate of exchange on the day of the transaction. At each end-of-year, monetary assets and liabilities expressed in foreign currency are translated at the closing rate. The corresponding revaluation variances are recognised as financial income.

Accounts receivable and payable in foreign currencies covered on an individual basis are recognised at the rate guaranteed by the cover and are re-evaluated at the closing date.

Forward sales and purchases of foreign currencies made as part of foreign currency covering operations are derivative financial instruments recognised in the balance sheet at their fair value.

Assets denominated in foreign currencies are covered by foreign exchange swaps.

Variations in the fair value are recorded in equity for the effective part of the hedging instrument and in profit or loss for the ineffective part. The amounts recorded in equity are reprocessed in the profit and loss account when the hedged transaction itself has an effect on profit and loss.

Accounts receivable and payable that are not covered are translated at the closing rate and the foreign exchange differences are carried in profit and loss.

III.15 ▢ Hedging interest rate risks

Variable rate loans are subject to swap contracts when the company's exposure to market risks is considered significant.

Interest rate swaps are recognised in the balance sheet at their fair value.

Variations in fair value of the effective hedge portions are recognised in equity.

III.16 ▢ Cash and cash equivalents

Cash equivalents comprise investments with an original maturity of less than three months aimed at coping with short-term cash commitments.

III.17 ▢ Own (treasury) shares

CNIM shares held by the Group are measured at their acquisition cost and recognised as a deduction from equity. On disposal of own shares, gains and losses net of income tax are recorded in consolidated reserves.

III.18 ▢ Income per share

The net income per share is calculated by dividing the consolidated net Group income by the weighted average number of shares outstanding over the financial year.

Diluted net income per share is obtained by dividing the consolidated net Group income by the weighted average number of shares adjusted by the maximum impact of the conversion of the potential dilution shares: there is no stock purchase plan.

III.19 ▢ Segment information

In accordance with IAS 14, the Group has chosen the line of business as the primary segment and the geographical zone as the secondary segment.

The activities by business line are as follows:

Environment and services
Household waste and biomass waste-to-energy conversion plants, flue gas treatment systems, plant operations.

Mechanical engineering and services
Defence-Systems: complex systems, equipment and advanced technology for defence, the space industry and scientific research.

Transport: escalators, conventional moving walkways, rapid moving walkways (12km/h) for mass transportation over hundreds of metres, platform screen doors, lifts, equipment maintenance .

Energy and services

CNIM Babcock Services: maintenance and renovation of industrial boilers, household waste treatment plants, installation and renovation of boiler houses, upgrading operations.

Babcock Wanson: industrial boilers, air treatment, water treatment and related services.

The secondary segment includes 5 geographical zones: France, United Kingdom, other European countries, Asia and others.

III.20 ▢ Other potential assets and liabilities

A provision is recorded as soon as the following conditions are found:

- ▢ there is an obligation (legal or implicit) towards a third-party resulting from previous events;
- ▢ the amount of the obligation can be reliably assessed;
- ▢ it is likely to lead to an outlay of resources.

If the amount or the timing cannot be reliably assessed, a potential liability is recognised as a commitment of the Group, except in the case of acquisitions for which potential liabilities are recorded in the consolidated balance sheet.

IV ▢ IMPORTANT EVENTS OVER THE PERIOD

Over the period, the Group has purchased shares of the Energonut company held by minority shareholders for a total of €600,000. The Group already held 77.94% of the share capital at the end of the previous financial year. It held 100% as of 30 June 2005.

The acquisition of shares held by minority shareholders is not considered as a business combination according to IFRS 3.

The Group has decided to recognise the variation in goodwill subsequent to consolidation in profit or loss for the period.

The negative variation in goodwill of €2.051 million was recognised as operational income for the period.

The Group has recorded for the period an asset which corresponds to a research tax credit for a total of €4.362 million. This revenue was recognised in profit or loss of the period, on the “Operating subsidies” line.

V ▢ NOTES TO THE FINANCIAL STATEMENTS

V.1 ▢ Intangible assets

(K€)	R&D expenses	Licences, patents, trademarks	Business leaseholds	Others	Total
Gross value 31.12.2004	**3,971**	**15,203**	**3,208**	**4,412**	**26,794**
Increases – Additions	155	870	95	2,176	3,296
Decreases – Disposals		(5)		(78)	(83)
Transfers	(1,846)				(1,846)
Change in scope of consolidation					0
Currency translation	1	64	629	1	695
Gross value 31.12.2005	**2,281**	**16,132**	**3,932**	**6,511**	**28,856**
Depreciation 31.12.2004	**3,471**	**10,571**	**621**	**2,788**	**17,451**
Depreciation allowances	347	1,214	10	927	2,498
Depreciation write-backs		(106)	(10)	(73)	(189)
Transfers	(1,846)				(1,846)
Change in scope of consolidation					0
Currency translation	1	9	122	1	133
Depreciation 31.12.2005	**1,973**	**11,688**	**743**	**3,643**	**18,047**
Net value 31.12.2005	**308**	**4,444**	**3,189**	**2,868**	**10,809**
Loss of net value	0	0	0	0	0
Cancellationn of loss of net value	0	0	0	0	0

Breakdown of the net book value by activity sector

(K€)	31.12.2005	31.12.2004
Environment and services	4,841	5,312
Mechanical engineering and services	5,038	3,280
Energy and services	930	751
	10,809	**9,343**

Breakdown of the net book value by geographic sector

(K€)	31.12.2005	31.12.2004
France	6,732	6,648
England		1
Other European countries	176	79
Asia	784	0
Others	3,117	2,615
	10,809	**9,343**

V.2 ▢ Variation in goodwill

(K€)	31.12.2005	31.12.2004
Net value 1 January	39,147	39,120
Goodwill of the year [1]	501	1,372
Translation difference	208	
IFRS change in method [2]		(1,345)
Net value	**39,856**	**39,147**

Net goodwill relates to the following companies:

ATENA	1,773	1,272
BABCOCK WANSON	1,512	1,512
BABCOCK ENTREPRISE	1,201	1,201
BABCOCK WANSON CALDEIRAS	52	52
BABCOCK WANSON ITALIANA	659	659
BABCOCK WANSON UK	510	510
CALDEIRAS Y PROYECTOS BABCOCK WANSON	29	29
CNIM ENVIRONNEMENT	15,557	15,557
CTS (formerly ELITEC)	622	622
CURTIS	1,555	1,347
ENERGONUT	779	779
LAB	15,607	15,606
Total	**39,856**	**39,146**

(1) Purchase of Atena minority interest.

(2) Including TMC impairment loss of €575,000. This impairment loss has reduced goodwill to zero.

V.3 ▢ Tangible assets

(K€)

	Land	Buildings	Plant and equipment	Others	Tangible assets in progress	Advances +partial payments	Total
Gross value 31.12.2004	**8,518**	**68,601**	**51,673**	**17,429**	**2,853**	**0**	**149,074**
Increases – Acquisitions	11	1,018	3,059	964	2,429		7,481
Decreases – Disposals	(53)	(270)	(10,997)	(1,682)	(329)		(13,331)
Transfers (1)		(9,434)	1,309	707	(2,224)		(9,642)
Change in scope of consolidation							0
Currency translation	62	75	205	196	77		615
Gross value 31.12.2005	**8,538**	**59,990**	**45,249**	**17,614**	**2,806**	**0**	**134,197**
Depreciation 31.12.2004	**585**	**48,644**	**39,983**	**14,093**	**0**	**0**	**103,305**
Depreciation allowances	6	1,106	4,622	1,663			7,397
Depreciation write-backs		(231)	(10,196)	(1,586)			(12,013)
Transfers (1)		(7,118)					(7,118)
Change in scope of consolidation							0
Currency translation		13	100	141			254
Depreciation 31.12.2005	**591**	**42,414**	**34,509**	**14,311**	**0**	**0**	**91,825**
Net value 31.12.2005	**7,947**	**17,576**	**10,740**	**3,303**	**2,806**	**0**	**42,372**
Loss of net value	0	0	0	0	0	0	0
Cancellationn of loss of net value	0	0	0	0	0	0	0

(1) The net amount of the “transfers” item (€ 2.524 million) corresponds to a reclassification of the La Courneuve buildings marked for sale to assets.

Breakdown of the net book value by activity sector

(K€)	31.12.2005	31.12.2004
Environment and services	14,171	19,833
Mechanical engineering and services	7,480	5,318
Energy and services	20,721	20,618
	42,372	**45,769**

Breakdown of the net book value by geographic sector

(K€)	31.12.2005	31.12.2004
France	25,737	28,308
England	3,422	3,518
Other European countries	9,096	12,279
Asia	2,397	125
Others	1,720	1,539
	42,372	**45,769**

V.4 ▢ Investment property

The SCI Gabriel Peri building was reclassified in available-for-sale assets at 31 December 2005.

V.5 ▢ Long-term investments (excluding investment in equity of unconsolidated affiliates – joint ventures)

(K€)	Investments in unconsolidated subsidiaries and affiliates (1)	Loans and advances to unconsolidated companies (2)	Other investments	Total
Gross value 31.12.2004	**19,935**	**18,676**	**9,585**	**48,196**
Increases – Acquisitions	64	960	191	1,215
Decreases – Disposals	(176)	(499)	(145)	(820)
Transfers		313		313
Change in scope of consolidation	(23)			(23)
Currency translation			17	17
Gross value 31.12.2005	**19,800**	**19,450**	**9,648**	**48,898**
Provisions 31.12.2004	**19,652**		**7,267**	**26,919**
Allowances	16		19	35
Cancellations	(176)		(11)	(187)
Transfers		4,640	(31)	4,609
Change in scope of consolidation	(23)			(23)
Currency translation			1	1
Provisions 31.12.2005	**19,469**	**4,640**	**7,245**	**31,354**
Net value 31.12.2005	**331**	**14,810**	**2,403**	**17,544**

(1) Non-consolidated subsidiaries:
The increase includes:
Shares in CNIM Spain for €41,000, CNIM Industry for €22,000 and STOMA for €1,000.
The reduction comes from the sale of BW Industry, Ibil, Power Flow previously depreciated at 100% and wound up.

(2) Receivables relating to investments in companies:
The increase comes from invoiced interests and from translation differences with DWS, HWS, WWS and SELCHP.
The reduction comes from repayment of the SELCHP advance and from change in translation differences.
The increase in changes caused by transfer includes:
– variation in translation differences on 31 December 2005 reclassified in equity for €313,000,
– share of negative equity from associates for €4.64 million.

Breakdown of the net book value by activity area

(K€)	31.12.2005	31.12.2004
Environment and services	15,710	19,526
Mechanical engineering and services	485	476
Energy and services	1,349	1,275
	17,544	**21,277**

Breakdown of the net book value by geographic sector

(K€)	31.12.2005	31.12.2004
France	765	745
England	14,810	18,675
Other European countries	1,768	1,670
Asia	66	55
Others	135	132
	17,544	**21,277**

Long-term investments

(K€)	Currency	Gross value	Provision	Net value	Direct or indirect %
1/ Non consolidated interests					
BABCOCK CARIBE [1]		44		44	100
BABCOCK GULF ENTREPRISE [1]		33		33	49
CALERGO [1]		38	(12)	26	100
CNIM Espagne [1]		48	(23)	25	100
CNIMEX		37		37	100
CNIM INDUSTRIE [1]		60	(16)	44	100
COFRASERVICE [1]		16		16	100
SMA [3]		63		63	3
CNIM-BABCOCK SULAMERICANA [1]		6	(6)	0	100
STOMA [1]		55	(16)	39	100
WANSON BENEDE [2]		19,392	(19,392)	0	100
Others		8	(4)	4	–
Total non consolidated interests		**19,800**	**(19,469)**	**331**	
2/ Receivables related to shareholdings Receivables related to shareholdings are held by the company CNIM					
DWS	GBP	3,214	(2,114)	1,100	
HWS	GBP	4,996	0	4,996	
SELCHP	GBP	7,984	0	7,984	
WWS	GBP	3,256	(2,526)	730	
Total receivables related to shareholdings		**19,450**	**(4,640)**	**14,810**	
3/ Other long-term investments					
3.1/ Long term securities of portofolio activity					
BABCOCK INTERNATIONAL [1]		2,079	(1,287)	792	100
FOSTER WHEELER FAKOP		1,051	(289)	762	8.4
NORMED [2]		5,637	(5,637)	0	–
Others		9	(1)	8	–
Sub-total		**8,776**	**(7,214)**	**1,562**	
3.2/ Loans		125		125	
3.3/ Other long-term investments		747	(31)	716	
Total other long-term investments		**9,648**	**(7,245)**	**2,403**	
Total long-term investments		**48,898**	**(31,354)**	**17,544**	

(1) Non-operating company.

(2) Companies in liquidation.

(3) SMA (Société Monégasque d'Assainissement) is the only non-consolidated company with significant business (sales 2003 of €13,895 thousand) in which the CNIM Group does not own any notable leverage.

V.6 ▢ Shareholdings in associated companies

(K€)		31.12.2005	31.12.2004
Gross value			
SELCHP	Shareholders' equity 1 January	475	10,260
	Profit or loss for the year	(398)	(2,795)
	Pay-out of dividends		(7,230)
	Change in currency translation adjustment	15	240
	Shareholders' equity 31 December	92	475
	% interest	48.75%	48.75%
	Book value	**45**	**232**
HWS	Shareholders' equity 1 January	3,226	2,657
	Profit or loss for the year	1,083	591
	Pay-out of dividends		
	Change in currency translation adjustment	92	(21)
	Shareholders' equity 31 December	4,401	3,226
	% interest	39.00%	39.00%
	Book value	**1,716**	**1,258**
DWS	Shareholders' equity 1 January	(5,320)	(4,759)
	Profit or loss for the year	(875)	(585)
	Change in currency translation adjustment	(151)	24
	Shareholders' equity 31 December	(6,346)	(5,320)
	% interest	33.33%	33.33%
	Book value	**(2,115)**	**(1,773)**
WWS	Shareholders' equity 1 January	(6,162)	(5,030)
	Profit or loss for the year	(1,240)	(1,185)
	Change in currency translation adjustment	(178)	53
	Shareholders' equity 31 December	(7,580)	(6,162)
	% interest	33.33%	33.33%
	Book value	**(2,526)**	**(2,054)**
Total		**(2,880)**	**(2,337)**
Gross value of shares of companies consolidated by equity method		**1,760**	**1,490**
Provisions for depreciation		**–**	**–**
Net value		**1,760**	**1,490**
Provisions for loss (corresponding to negative shareholders' equity)		**(4,640)**	**(3,827)**

(K€)	31.12.2005	31.12.2004
Evolution in sales (converted at yearly average exchange rate)		
SELCHP	31,481	29,665
HWS	21,521	18,085
DWS	10,524	10,238
WWS	10,568	9,572

V.7 ▢ Receivables (clients and other debtors)

(K€)		Liquidity rate	
	Gross value	Maturity of less than 1 year	Maturity of over 5 years
Trade receivables			
Doubtful accounts	6,794	6,794	
Notes receivable	9,293	9,293	
Other client accounts receivable	318,082	318,082	
Total 1	**334,169**	**334,169**	
Other operating receivables			
Employees	975	975	
State and other public authorities	33,538	33,538	
Others	4,811	4,811	
Total 2	**39,324**	**39,324**	
Prepaid expenses	7,286	7,286	
Total receivables	**380,779**	**380,779**	

V.8 ▢ Construction contracts

(K€)	31.12.2005	31.12.2004
Sales relating to percentage of completion (1)	391,992	315,282
Advances (2)	29,129	26,752
Retentions (3)		
Gross amount of contracts receivable from customers, assets (4)	101,168	105,308
Gross amount of contracts payable to customers, liabilities (4)	**23,898**	**90,712**

(1) Sales relating to stage of completion during the period for non delivered contracts.

(2) Advances received from customers.

(3) Intermediate invoices issued which payments subject to realisation of contract conditions.

(4) Cumulated sales relating to stage of completion on non delivered operations less intermediate invoices issued. The Amount is recorded in assets when it is positive and in liabilities when it is negative.

V.9 ▢ Marketable securities

(K€)	31.12.2005	31.12.2004
Treasury stock: market support contract (1)	–	487
Certificates of deposit	0	0
OPVCM (SICAV + FCP)	59,830	91,944
Mutual funds		
Gross value	**59,830**	**92,431**
Provisions		
Latent capital gains reported as recyclable reserves	**100**	
Net value	**59,930**	**92,431**
Market value	**60,030**	**92,550**
Taxable unrecognised income	**100**	**119**

(1) Reclassified as equity.

The Group has opted for the implementation of IAS 32 and IAS 39 as of 1 January 2005. The Group's cash management policy aims at obtaining slightly higher return than that of the money market while keeping substantial liquidity in assets under management, which are mainly invested in short-term rate products, and by taking minimum counterparty risk.

The parent company CNIM centralises cash flow in euros by a cash pooling system, for the Group's French companies, so as to optimise the management of investments and cash shortages.

V.10 ▢ Available-for-sale assets

The net carrying amount of available for sale assets is:

- La Courneuve land: €5,142,000
- La Courneuve buildings: €2,524,000
- Montrouge real building: €2,067,00.

V.11 ▢ Shareholder equity

▢ Share capital

On 31 December 2005, the share capital stands at €6,056,220, split into 3,028,110 fully paid shares with a nominal value of €2 each. There were no changes in 2005.

▢ Type of shares

The shares are either registered shares or bearer shares, depending on the choice of the shareholder.

▢ Voting rights

Registered shares have double voting rights after two years.

The latest disclosure to the Bulletin of Obligatory Legal Announcements (BALO) before 31 December 2005 was 4,945,481 voting rights.

▢ Disclosure threshold

In accordance with the company's by-laws, the level at which ownership of shares in the company must be reported to the company has been set at 2.5% of shares or voting rights.

▢ Share repurchase

Within the scope of a share repurchase programme decided at the Annual General Meeting on 9 June 2005, the company has renewed a market making contract with Exane:

	Exane	Total
Own shares at 01.01.2005	8,341	8,341
Shares purchased in 2005	5,858	5,858
Average purchase price	**72.86**	**72.86**
Shares sold in 2005	(7,613)	(7,613)
Average sale price	74.38	74.38
Own shares at 31.12.2005	**6,586**	**6,586**

In addition, the wholly owned subsidiary Babcock Wanson Holding has 20,087 CNIM shares in return for its capital contributions to CNIM.

V.12 ▢ Loans and financial debts

(K€)	31.12.2005		
	–1 year	+1 year	Total
Non current liabilities			
Loans from financial institutions	427	25,931	26,358
Finance leases	229	100	329
Loans and others financial debts	430	1,076	1,506
Sub-total non current liabilities	**1,086**	**27,107**	**28,193**
Current liabilities			
Overdrafts and current accounts	16,058		16,058
Sub-total current liabilities	**16,058**	**0**	**16,058**
Total	**17,144**	**27,107**	**44,251**

(K€)	31.12.2005	Euros	Foreign currencies (1)	31.12.2004
Less than 1 year	17,144	10,898	6,246	14,870
From 1 year to 5 years	27,107	16,389	10,718	51,620
More than 5 years				127
Total	**44,251**	**27,287**	**16,964**	**66,617**

Debt with maturity exceeding five years mainly concerns CNIM for €26,031,000 and BW Italiana for €1,076,000.

Nota 1 : details of loans from credit institutions.

Currencies		Exchange value in thousands of euros
Moroccan dirhams	MAD	979
Hong Kong dollars	HKD	162
Swiss francs	CHF	84
Czech crowns	CZK	107
US dollars	USD	706
Sterling pounds	GBP	6,815
Canadian dollars	CAD	8,111
		16,964

V.12 ▢ Loans and financial debts (continuation)

Nota 2 : Detail of loans from financial institutions.

(K€) **Characteristics of contracted loans**	**Credit line amount**	**Amount at 31.12.2005**	**Amount drawn at 31.12.2005**	**Rate**	**Currencies**
Medium-term loan June 2005					
Multi currency loan payable from 2005 to 2010	**90,000**			**Variable on Euribor**	**euro**
Loan in euro		15,000	15,000		
Loan in CAD: 7,500,000		5,464	5,464		Dollar CAD
Loan in GBP: 3,600,000		5,253	5,253		Pound GBP
Restatement of borrowing costs			**–283**		
Re-classification of interest generated by swaps			–32		
LIXXBAIL loan April 2004		**176**	**176**		
Payable from 2004 to 2007					
LIXXBAIL loan November 2004		**756**	**756**		
Others			24		
Loans from financial institutions			**26,358**		
Restatement of leasings and finance leases			329		
BW Italiana			1,506	Variable	euro
Subtotal of non current liabilities			**28,193**		
CURTIS Canada			2,542		
Deposits and guarantees			287		
Capitalisable advances			1,891		
Debts relating to investments in companies			104		
Current accounts payable to financial institutions			8,608		
Current accounts payable from non consolidated companies			2,626		
Subtotal current liabilities			**16,058**		
Total loans and financial debts			**44,251**		

The 2005 medium-term loan is subject to two covenants related to consolidated accounts: net debt/shareholder’s equity lower than 0.80 and net debt /EBITDA lower than 2.

V.13 ▢ Provision for risks, charges and depreciation of assets

(K€)	Provisions at 31.12.2004	Additions	Write-back of used provisions	Write-back of unused provisions	Change in methods or entering scope	Transfer	Currency translation	Provisions at 31.12.2005
Law-suits provision	7,624	2,882	(3,254)	(446)			4	6,810
Provisions for losses on long-term contracts	2,919	2,232	(2,577)	(42)			74	2,606
Other provisions for risks	11,678	10,209	(2,469)	(35)	850	86	14	20,333
Renewals	12,198	1,924	(1,094)			(102)	72	12,998
Reserve for retirement indemnities	16,232	1,163	(140)				86	17,341
Provision for share of negative net statements of the equity capital of companies consolidated by the equity method	3,827					(3,827)		0
Other provisions for charges	108	3,565	(120)			16		3,569
Total non current provisions	**54,586**	**21,975**	**(9,654)**	**(523)**	**850**	**(3,827)**	**250**	**63,657**
Waranty provision	8,315	6,386	(2,137)	(3,557)			11	9,018
Expenses on terminated contracts	15,603	19,205	(11,572)	(2,321)			6	20,921
Total current provisions	**23,918**	**25,591**	**(13,709)**	**(5,878)**	**0**	**0**	**17**	**29,939**
Total risks and charges	**78,504**	**47,566**	**(23,363)**	**(6,401)**	**850**	**(3,827)**	**267**	**93,596**

V.13.1 ▢ Retirement indemnities and related obligations

For French companies

Employee retirement indemnities are determined using actuarial assumptions and calculations based on retirement age, mortality (INSEE TV table 1988-1990), seniority and staff turnover. The projected benefit obligation is calculating using a salary increase of 1%, inflation of 2% and a discount rate of 3,5%.

The new Fillon law (retirement age, contribution period and choice of employer) has not affected the calculation of retirement obligations.

For foreign companies

The calculation of retirement benefit obligations takes into account the local legislation, the average rate of salary increase, local inflation and interest rates.

(K€)	31.12.2005		31.12.2004	
	French companies (K€)	**Foreign companies (K€)**	**French companies (K€)**	**Foreign companies (K€)**
1) Balance sheet method				
Value of obligation	19,946	15,937	15,283	14,414
Fair value of assets	(4,591)	(10,903)	(3,731)	(8,907)
Unrecognised actuarial differences [1]	(2,010)	575	(624)	(206)
Unrecognised past service cost	(1,953)			
Accounting provision at end of period	**11,392**	**5,609**	**10,928**	**5,301**
2) Flow method				
Accounting provision at the beginning of the fiscal year	10,927	5,389	10,604	6,646
Benefits for the year	908	623	568	740
Contributions or payments	(1,466)	(536)	(708)	(717)
Discounting of obligations recognised at the beginning of the fiscal year	795	726	464	686
Amortisation of actuarial gains and losses	5			
Expected return on plan assets	(168)	(626)		(532)
Past service cost	391	33		(1,522)
Accounting provision at the end of period	**11,392**	**5,609**	**10,928**	**5,301**
Past service cost not recognised	1,953			
Actuarial differences	2,010	(575)	624	206
Net obligation at end of period	**15,355**	**5,034**	**11,552**	**5,507**

(1) The Group has decided to recognise actuarial differences as from 1 January 2004 using the corridor method. Actuarial gains and losses of more than 10% of whichever is higher between the value of the obligation and the fair value of the plan's assets are recognised on a straight-line basis over the remaining working life of the employees who are plan members.

Defined contribution pension plans

For defined contribution pension plans, contributions are recorded as expenses in the income statement for the period. There is no obligations and no provisions have been made.

Defined benefit pension plan

For France

Personnel retiring as executives and after the age of 60 have an additional defined benefit pension. This commitment is yearly and no provision has been made. The amount paid in 2005 was €754,000.

Long service medal commitment

French companies award bonuses for long service. This bonus is calculated according to seniority. As of 31 December this amounts to €301,000.

The calculation of the provision for long service bonuses as of 31 December 2005 was determined using actuarial assumptions taking into account the age of the employee at the time of benefiting from the bonus, mortality (INSEE TV table 1988-1990), seniority and staff turnover. The projected obligation is calculated using an inflation rate of 2% and discount rate of 3.5%.

V.13.2 ○ Provisions for renewals

Lawsuits provision

The provisions for litigation mainly concern:

- M-Real Alizay: summons for late-payment penalties in a boiler repair;
- Chautard: summons for disorder in a boiler;
- Saved lasse: disorder on the turbine-generator.

Warranty provision

The provisions for warranties are constituted either by using statistical procedures or by applying a percentage to the sale price. The rate applied to turnkey plants is 1.5%.

Provisions for losses on long-term contracts

When losses are expected on long-term contracts, the expenditure incurred for the percentage completed is recorded as a loss for the year and expenditures yet to be incurred are covered by a provision for losses on long-term contracts.

Other provisions for contingencies

The "Other provisions for risks" mainly include provisions for tax (€14,102,000).

Provisions for renewals

Provisions for renewals mainly concern two household waste incineration plants in France, and three centers in England.

Pending entry into force of the interpretations to be proposed by the IFRIC, provisions for renewals were retained in the IFRS balance sheet.

This provision is calculated according to a multi-year program for capital repairs, the life of components and the duration of the contract with the customer.

Provisions for expenses on terminated contracts

When a contract is terminated, the expenses relating to this contract are not yet completely accounted for. The balance with respect to the estimate is recorded under "Provisions for expenses on terminated contracts".

The provisions for expenses on terminated contracts relate to a very short period, and are included for the most in the following year's account.

Other provisions for charges

In accordance with decree n°2005-417, they include a provision for asbestos for €3,520,000 fully recognised in expenses over the fiscal year.

The assumptions applied for the measurement of this provision are:

- wage increase: 2%
- up-dating: 4.5%
- adhesion rate: 50%

Transfer of items

The balance of "Transfer items" corresponds to the negative change in share of the equity capital of companies consolidated by the equity method as of 31 December 2004 (see note V.6).

V.14 ▢ Leases

a) Finance leases

Financial leasing contracts in the form of investments associated with loans are capitalised as acquisitions.

The amounts concerned by these restatements are:

(€m)	31.12.2005	31.12.2004
Gross investments	3,668	3,668
Depreciation	(2,752)	(2,533)
Net investments	**916**	**1,135**
Fees	261	394
Interest expenses	(20)	(28)
Depreciation allowance	(220)	(458)
Net impact on profit	**21**	**(92)**

(€m) **31.12.2005**	Rents financial year	Debts 31.12.2005	Less than 1 year	1 – 5 years
Intangible assets				
Software	93	123	92	31
Tangible assets				
Buildings	75	72	72	
Computer equipment	93	134	65	69
Total	**261**	**329**	**229**	**100**

b) Non cancellable operating leases

(€m)	Rents financial year	Minimum future payments at 31.12.2005	Less than 1 year	1 – 5 years
Intangible assets				
Tangible assets				
Buildings	1,377	2,500	1,347	1,153
Machinery and equipment	0	0	0	0
Computer equipment	32	95	47	47
Transport equipment	1,298	1,789	918	871
Office furniture and equipment	418	781	406	375
Total	**3,125**	**5,165**	**2,718**	**2,446**

V.15 ▢ Advances and partial payments on orders

(K€)	Amount in each currency		Value in euros
Hong Kong dollars	0	HKD	0
Sterling pounds	354	GBP	516
Swiss francs	203	CHF	130
Moroccan dirhams	4,255	MAD	389
Euros	29,282	EUR	29,282
Canadian dollars	0	CAD	0
US dollars	77	USD	65
Yuans	4,321	CNY	454
Czech crowns	8,882	CZK	306
Total			**31,142**

V.16 ▢ Operating liabilities

Operating liabilities are due within one year, except for deferred tax items (Appendix VII.1).

VI ▢ NOTES TO THE STATEMENT OF INCOME

VI.I ▢ Sales

Breakdown of sales by activity sector

(K€)	31.12.2005	31.12.2004
Environment and services	335,649	312,972
Mechanical engineering and services	158,951	124,768
Energy and services	120,898	116,286
	615,498	**554,026**

Breakdown of sales by geographic area

(K€)	31.12.2005	31.12.2004
France	417,413	299,179
England	77,419	117,712
Other European countries	67,776	83,771
Asia	9,929	16,351
Others	42,961	37,013
	615,498	**554,026**

VI.2 ▢ Impact of changes in the scope of consolidation

The changes in the scope of consolidation compared to 2004 had no impact on the sales figures.

(K€)	31.12.2005	31.12.2004
Sales	615,498	554,026
Stored production	435	(532)

VI.3 ▢ Operating income

Breakdown by activity sector

(K€)	31.12.2005	31.12.2004
Environment and services	19,798	8,159
Mechanical engineering and services	10,202	11,306
Energy and services	517	5,029
	30,517	**24,494**

(K€)	31.12.2005	31.12.2004
R&D expenditures recorded as expenses of the year	1,554	1,007

VI.4 ▢ Financial income/financial expenses

The financial cost as of 31 December is characterized by:

(K€)	31.12.2005	31.12.2004
Financial income from securities	1,097	4,465
Other interests received and similar income	2,877	2,766
Reversed provisions and transfer of charges	209	115
Total financial income	**4,183**	**7,346**
Provisions	112	654
Interests paid and financial expenses	2,663	2,750
Gross finance cost	**2,775**	**3,404**
Finance cost – net	**1,408**	**3,942**

VI.5 ▢ Other financial expenses and income

An impact of the exchange rate differences

(K€)	31.12.2005	31.12.2004
Exchange gain	1,797	1,828
Exchange loss	(1,060)	(2,895)
Balance	**737**	**(1,067)**
Financial income on investments	34	11
Total other financial expenses and income	**771**	**(1,056)**

VI.6 ▢ Share of profit and losses from associates

The English companies HWS, DWS, WWS and SELCHP are consolidated by the equity method.

(K€)	31.12.2005	31.12.2004
HWS share of profits and losses	422	230
DWS share of profits and losses	(292)	(195)
WWS share of profits and losses	(413)	(392)
SELCHP share of profits and losses	(194)	(1 362)
Effects on companies accounted for using the equity method	**(477)**	**(1 719)**

The negative net balance of company contributions results from the beginning of commercial operation of plants, which shows up a loss due to significant depreciation and financial expenses during the first years.

VI.7 ▢ Taxes

Impact on the consolidated income statements

(K€)	31.12.2005	31.12.2004
Income tax due	(11,471)	(2,400)
Deferred tax	(461)	(7,954)
	(11,932)	**(10,354)**

Reconciliation between actual tax and theoretical tax

(K€)	31.12.2005	31.12.2004
Income before tax	32,219	25,661
Share of profits and losses of companies accounted for using the equity method	477	1,719
Reversed goodwill	(2,051)	(998)
Tax credit for research	(4,362)	
Taxable income	**26,283**	**26,382**
Theoretical tax	(9,181)	(9,347)
(Theoretical tax at rate in force for consolidating company)	*34.93%*	*35.43%*
Effect of differences in tax rates	(245)	730
Effect of losses for companies not integrated for tax purposes	(1,017)	(1,119)
Effect of losses for companies integrated for tax purposes but not usable for integration	(1,720)	(412)
Effect of allocations of deficits that can be carried forward	182	190
Other effects		
Bank contract guarantees		0
Final differences	49	(396)
Actual tax	**(11,932)**	**(10,354)**

Nota: The following companies are an integral part of the integrated tax group: CNIM parent company, Babcock Entreprise Holding, Babcock Wanson, Babcock Wanson Holding, LAB, CTS, TMC and CTH.

VII ▢ OTHER NOTES

VII.1 ▢ Breakdown of deferred tax credits

(K€)	31.12.2005			31.12.2004
	Less than 1 year	More than 1 year	Total	Total
Deferred taxation receivable				
Timing differences	2,010	0	2,010	2,235
Regulated provisions	0	(287)	(287)	(582)
Deletion of internal margin	0	0	0	77
Post-retirements benefits	264	4,630	4,894	4,944
Others	641	499	1,140	913
Total	**2,915**	**4,842**	**7,757**	**7,587**
Deferred taxation payable				
Temporary discrepancy tax/social	7	0	7	(57)
Depreciation of revalued assets		(1,993)	(1,993)	(2,007)
Others	(1,889)	(428)	(2,317)	(2,243)
Total	**(1,882)**	**(2,421)**	**(4,303)**	**(4,307)**

VII.2 ▢ Off-balance sheet commitments

(K€)	31.12.2005	31.12.2004
Commitments given		
Bank guarantees for contracts	218,464	201,153
Other guarantees given to financial institutions	937	8,449
Commitments received		
Guarantees from suppliers	39,283	33,293

VII.3 ▢ Personnel

(K€)	31.12.2005			31.12.2004		
	France	Abroad	Total	France	Abroad	Total
Fully consolidated companies						
Engineers and managers	736	123	859	723	109	832
Employees	544	257	801	641	257	898
Workers	420	681	1,101	372	662	1,034
Total	**1,700**	**1,061**	**2,761**	**1,736**	**1,028**	**2,764**
Proportionally consolidated companies (CCUAT)						
Engineers and managers	2		2	2		2
Employees	6		6	6		6
Workers						
Total	**8**		**8**	**8**		**8**

Breakdown of employees per company

French subsidiaries						
CNIM	973			1,035		
CTS	131			106		
ELITEC				15		
ATENA	74			64		
TMC	9			10		
LAB	131			127		
BABCOCK WANSON	382			379		
Total	**1,700**			**1,736**		
Foreign subsidiaries						
MES		82			77	
MESE		97			97	
ENERGONUT		22			22	
CNIM Belgique		27			29	
CNIM Égypte		23			57	
CNIM Hong Kong		179			188	
CNIM Canada		146			135	
CNIM UK		29			32	
CURTIS Canada		33			27	
CURTIS US/UK		12				
CTE		58				
BWI		140			143	
BW UK		61			72	
CYP		36			38	
BW AG		8			6	
BW CALD		8			7	
BW Maroc		65			64	
CBCE		21			24	
LAB GmBH		14			10	
Total		**1,061**			**1,028**	
Group total			**2,761**			**2,764**

VII.4 ▢ Other segment information

a) Breakdown by business

(K€)	Environment	Mechanical engineering	Energy	Total at 31.12.2005
Sales	335,649	158,951	120,898	615,498
Sales between business lines				
Total	**335,649**	**158,951**	**120,898**	**615,498**
Operating income	19,798	10,202	517	30,517
Net financial income/expense				2,179
Share of profits and losses of ME [1]				(477)
Taxes				(11,932)
Minority interest				100
Net income				**20,387**

b) Breakdown by geographical zone

(K€)	France	England	Other European countries	Asia	Others	Total
Sales	417,413	77,419	67,776	9,929	42,961	615,498
Sales between business lines						
Operating income	21,540	3,592	5,148	411	(174)	30,517

(1) The share of profits and losses of the company accounted for using the equity method concerns the environmental sector.

VII.5 ▢ Transactions with linked companies

(K€)	Purchases 2005	Debt at 31.12.2005
Business transactions		
MARTIN GmbH	6,354	2,414

VII.6 ▢ Market risks

1) Interest rate risk

Variable rate loans not intended to be definitely drawn are not covered.

Swaps in progress at 31 December 2005 had a negative market value of approximately €231,000.

Loans in Canadian dollars are not hedged as they are intended for a loan to the Canadian subsidiary CNIM Canada.

2) Foreign exchange risk on contracts

All contracts denominated in foreign currencies are covered for the risk of exchange rate fluctuation by forward purchases/sales with banks or by exchange rate hedges with Coface in France.

3) Foreign exchange risk on assets

Assets denominated in foreign currencies are hedged by currency borrowings or forward swaps.

CNIM's assets in sterling pound are included in a global net position of 4 million sterling pounds.

This position was hedged by a forward swap whose term was 31 January 2006, with an extension option for six months.

4) Shares

The risk is limited to CNIM's own shares. The impact of a 10% price decrease is €47,000 but would not give rise to a provision, in view of historical prices.

VIII ▢ EVENTS SUBSEQUENT TO CLOSING OF ACCOUNTS

The building of the SCI Gabriel Peri was sold on 4 April 2006 for €6,638,000. The recorded gain amounts to €4,570,000.

IX ▢ IRFS FINANCIAL INFORMATION FOR 2004

IX.1 ▢ Organisation of the conversion project

Since the 2004 financial year, the CNIM Group, like all other listed companies in the European Union, must comply with the new IAS/IFRS financial reporting standards.

Groundwork was initialised internally in 2002 and concluded at the end of 2004 with the drafting of internal memos specifying the choices made by the Group and with the creation of accounting teams within the various companies.

IX.2 ▢ presentation of the standards and interpretations applied

IX.2 .1 ▢ Presentation of the standards applied

To comply as far as possible with the recommendation of the Committee of European Securities Regulators dated 30 December 2003 on preparing for the transition to IFRS, the Group disclosed shareholders' equity as of 1 January 2004 according to the IFRS at the same time as the accounts drawn up in accordance with French accounting literature, the reference required by law for the 2004 financial year.

In accordance with the options given by the European Union, the Group chose not to apply IAS 32 and IAS 39 concerning financial instruments until 1 January 2005.

The information disclosed hereafter concerning the shareholders' equity as of 31 December 2004 does not include the effects of IFRS on business falling within the scope of concession contracts. Pending the publication of the final interpretations of the IFRIC and approval thereof by the IASB, the Group has exceptionally opted to keep the accounting method currently applied to these contracts in its financial statements under French standards for the operation of waste-to-energy plants. Provisions for renewal recognised under French standards are maintained in the transition balance sheet as of 31 December 2004 under IFRS.

IX.2.2 ▢ Accounting options relating to first-time adoption

IFRS 1 defines the principle governing first-time application of IFRSs, which requires retrospective application of all the standards with a certain number of authorised options.

The options chosen by the Group are:

Options authorised	Chosen
▢ Business combinations:	
Retrospective application to acquisitions prior to the transition date	No
Keeping the previous qualification (acquisition or pooling of interests)	Yes
Recording of assets and liabilities previously not recognised	No
Valuation of goodwill at the transition date, at its net book value in the accounts under French standards	Yes
▢ Valuation of property, plant and equipment and intangible assets:	
Valuation of certain tangible assets at their fair value	Yes
Valuation of some land at fair value	Yes
▢ Employee benefits:	
Use of the corridor approach and spreading the residual fraction over the expected residual average length of activity of the employees concerned	No
Recognition of all actuarial gains and losses at the transition date	Yes
▢ Translation adjustments:	
Cancellation of translation adjustments by integration into the consolidated reserves	Yes

IX.2.3 ▢ Description of the IAS/IFRS adjustments

Under the new IFRS, certain valuation methods are different. Some of them have no impact and others do not concern the Group.

The standards concerning the Group are:

IX.2.3.1 ▢ IAS 16 - Property, plant and equipment and IAS 17 - Leases

French accounting principles

Property, plant and equipment are recognised in the balance sheet at their acquisition cost, which means the purchase price plus any incidental expenses incurred to use the asset and financing expenses incurred prior to commissioning.

Maintenance and repair costs are charged to expense, except those which improve productivity or increase the service life of the asset.

Depreciation is calculated on a straight-line basis over the estimated service life of the various classes of assets.

Fixed assets financed by means of finance leasing contracts are recognised in assets at their value at the time of acquisition and depreciated as above. The corresponding debt is entered in liabilities.

IFRS

IAS 16 on “Tangible assets“ and IAS 17 on “Leases” modify the current approach used under French accounting principles:

- ▢ interim interest is excluded from the cost of the assets;
- ▢ incidental expenses which cannot be directly allocated to the assets are excluded from the cost thereof.

Tangible assets continue to be recognised in the balance sheet at their acquisition cost without any revaluation (save exception, refer to paragraph IX.2.2).

Depreciation is still calculated using a straight-line method on the basis of the acquisition cost but with deduction of a residual value, if applicable. Only buildings have been allocated a residual value of 10% of the value of the civil engineering works. The period of depreciation is still the estimated useful life of the various classes of fixed assets.

Impact on the Group financial statements as of 1 January 2004

The valuation of certain land and certain tangible assets at fair value results in an increase in shareholders’ equity of €3.863 million in the IFRS opening balance sheet on 1 January 2004.

In the IFRS opening balance sheet on 1 January 2004:

- finance leases, previously considered as operating leases were recognised as fixed assets with a contra-entry of a debt in liabilities. The impact in shareholders' equity was insignificant;
- no interim interest and incidental expenses were allocated to fixed assets.

The restatement of finance leases has an impact:

- of €268,000 reduction in shareholders' equity and increase in borrowings;
- of €281,000 increase in shareholders' equity and increase in property, plant and equipment;
- i.e. a net increase in shareholders' equity of €13,000.

Impact on the 2004 accounts

Restatement of the finance leases and application of the new depreciation rules to certain fixed assets for a net total of €169,000.

IX.2.3.2 ▢ IAS 19 – Employee benefits

Within the Group, employee benefits consist of retirement benefits and long-service bonuses.

French accounting principles

The CNC (French National Accounting Board) recommendation n° 97-06 and regulation n° 99-02 applicable to consolidated accounts consider the constitution of a retirement provision to be a preferential method, and further consider that it must cover the entire staff, both current and retired, as well as all indemnities and allowances granted for retirement. Post-employment related obligations are calculated using the prospective method with projection of rights at retirement and are fully carried in provisions for charges.

The amount of such retirement benefit obligations has been valued on the basis of actuarial valuations which include assumptions concerning mortality, labour turnover and projection of salaries. Discount rates are determined with reference to market yields, on the valuation date, on high quality corporate bonds issued by leading companies in the area concerned.

Variations in provisions are immediately accounted for in the operating income.

IFRS

IAS 19 stipulates the valuation methods to be used for retirement obligations as well as all employee benefits. The Group now applies the standard to all benefits and has opted for the corridor approach. Under this method, only the fraction of actuarial gains and losses exceeding 10% of the value of the commitments is amortised over future periods.

Impact on the Group accounts as of 1 January 2004

The general implementation of IAS 19 lowered shareholders' equity at the date of transition by €6.643 million. The actuarial gains and losses generated as of 1 January 2004 will be amortised according to the corridor method over the residual average term of service of the beneficiaries.

Impact on the 2004 financial statements

Reduction of retirement obligations in 2004 for a total of €1.046 million.

IX. 2.3.3 ▢ IFRS 3 – Treatment of goodwill

Goodwill represents the difference between the acquisition price, plus any incidental costs, of equity interests in consolidated companies and the Group share in the fair value of their net assets on the date of acquisition.

French accounting principles

Goodwill is amortised on a straight-line basis over a maximum term of 20 years. Further irreversible amortisation is done when the value in use appears to be below the net book value over a long period. The value in use of goodwill is assessed by the discounted future cash flow method.

IFRS

According to IAS 36 and IFRS 3, the value of goodwill is tested as soon as there is an indication of impairment and reviewed at each closing date. The test is carried out at least once a year.

According to IFRS 3 on 'Business combinations', goodwill is no longer amortised. It is impairment-tested at least once a year. For this test, goodwill is divided up into Cash Generating Units (CGUs), which correspond to homogeneous identifiable cash-flow generating groups.

Impact on the Group accounts as of 1 January 2004

On 1 January 2004, goodwill amounted to €39.12 million and mainly concerned LAB for €16.934 million and CNIM Environment for €15.708 million. For the subsidiary CNIM Environment which received the Waste Treatment Division of Alstom as contribution and which then leased its business under a management agreement to the parent company CNIM, the "CNIM Environment" CGU no longer has any cash flows of its own and the corresponding goodwill is valued by the corresponding flows from the Environment Division of CNIM. On 31 December 2003, the comparison between the book values of these assets and the sums of discounted cash flows did not justify any further goodwill depreciation.

Furthermore, the tests carried out on 1 January 2004 show impairment in the opening balance sheet 2004 of €575,000 the subsidiary TMC. This impairment reduced the shareholders' equity at the transition date.

Impact on the 2004 financial statements

Writeback of the 2004 provision for depreciation for a total of €2.562 million.

The tests carried out as of 31 December 2004 do not put into question the value of goodwill.

IX.2.3.4 ▢ IAS 38 – Intangible assets

Under French standards, intangible assets mainly include business assets and patents.

French accounting standards

The Group had opted to:

- charge all research and development costs to expense, each year;
- capitalise and depreciate business assets purchased by the existing subsidiaries;
- capitalise and depreciate patents.

IFRS

According to IAS 38, research costs are charged to expense but development costs must be capitalised, if the development meets six criteria, mainly as to future profitability. Moreover, the value of business assets purchased and patents which meet the definition of IAS 38 must be justified by expected future cash flows.

Impact on the Group accounts as of 1 January 2004

The tests carried out on 1 January 2004 show:

- a transfer of business assets in the goodwill for €709,000, with no impact on the shareholders' equity;
- recognition of the developments made in flue gas treatment by CNIM and LAB for €737,000 including 369 (LAB) by reduction in goodwill and 368 (CNIM) by an increase in shareholders' equity;
- a write-off of CNIM business assets by shareholders' equity of €143,000;
- a write-off of brands created by reducing shareholders' equity (CNIM) for €177,000 and by increasing goodwill (LAB) for €244,000;
- an increase in the net value of software by shareholders' equity for €249,000.

Impact on the 2004 accounts

- writeback of the depreciation of business assets classified as goodwill at the opening for a total of €86,000;
- amortisation of research and development costs for €386,000;
- writeback of the depreciation of brands written off at the start of the financial year, for a total of €67,000;
- increase in the net value of software for a net total of €227,000 and capitalisation of leases for a net total of €207,000.

IX.3 ▢ Reconciliation tables

IX.3.1 ▢ Reconciliation table of shareholders' equity under French accounting principles and shareholders' equity under IFRS, on 31 December 2004

(K€)	31.12.2004
Shareholders' equity under French accounting principles	**90,801**
Impact of opening restatements	**(919)**
Tangible assets IFRS 1	330
Tangible assets and borrowing IAS 17	(161)
Employee benefits IAS 19	1,046
Variation in goodwill at 1st consolidation IFRS 3	2,562
Business assets IAS 38	86
R&D costs IAS 38	(386)
Brands IAS 38	67
Other intangible assets IAS 38	434
Others	54
Total IAS/IFRS adjustments before tax	**4,032**
Deferred taxes linked to adjustments	(395)
Deferred tax expense	(3,826)
Accretion of deferred taxes	47
Transfer of minorities	9
Shareholders' equity under IFRS Group share	**89,749**

IX.3.2 ▢ Reconciliation table of assets under French accounting principles and assets under IFRS, on 31 December 2004

(K€) ASSETS	31.12.2004 under French accounting principles	Impact at opening 2004 adjusted	Adjustments IAS/IFRS 2004	Change of presentation IFRS	31.12.2004 under IAS/IFRS
Non-current assets	**118,613**	**2,675**	**3,093**	**2,223**	**126,604**
Goodwill	37,930	(1,346)	2,562	0	39,146
Intangible assets	9,429	(287)	201	0	9,343
Property, plant and equipment	48,487	4,308	330	(7,356)	45,769
Investment property		0	0	2,214	2,214
Equity interests in affiliated companies	1,490	0	0	0	1,490
Financial assets	21,277	0	0	0	21,277
Deferred tax assets	0	0	0	7,365	7,365
Current assets	**456,134**	**5,777**	**(2,504)**	**(7,365)**	**452,042**
Inventories	27,300	0	0	0	27,300
Payable tax debt	0	0	0	0	0
Accounts receivable	284,846	0	0	0	284,846
Other financial assets		0	0	0	
Cash and cash equivalents	131,563	0	0	0	131,563
Deferred tax assets	3,983	5,940	(2,558)	(7,365)	0
Prepaid expenses	8,333	0	0	0	8,333
Deferred charges	109	(163)	54	0	0
Assets held for sale	0		0	5,142	5,142
Total assets	**574,747**	**8,452**	**589**	**0**	**583,788**

IX.3.3 ▢ Reconciliation table of liabilities under French accounting principles and liabilities under IFRS, on 31 December 2004

(K€) SHAREHOLDERS EQUITY AND LIABILITIES BEFORE DISTRIBUTION	31.12.2004 under French accounting principles	Impact at opening 2004 adjusted [1]	Adjustments IAS/IFRS 2004	Change of presentation IFRS	31.12.2004 under IAS/IFRS
Capital	6,056	0	0	0	6,056
Legal reserves	606	0	0	0	606
Consolidated reserves	15,942	(919)	2	(2,580)	12,445
Issue premium	7,237	0	0	0	7,237
Other reserves	49,014	0	0	0	49,014
Revaluation variance	0	0	0	0	0
Translation adjustments	(3,516)	0	(61)	2,580	(997)
Net income	15,462	0	(74)	0	15,388
Shareholders' equity Group share	**90,801**	**(919)**	**(133)**	**0**	**89,749**
Minority interests	**3,160**	**(38)**	**(9)**	**0**	**3,113**
Provisions for contingencies	71,226	0	0	(71,226)	0
Non-current liabilities	**66,617**	**8,592**	**(885)**	**44,885**	**119,209**
Long-term provisions	0	8,324	(1,046)	55,623	62,901
Financial liabilities	66,617	268	161	(15,045)	52,001
Deferred tax	0	0	0	4,307	4,307
Current liabilities	**342,943**	**817**	**1,616**	**26,341**	**371,717**
Advances received on current orders	27,853	0	0	0	27,853
Short-term provision	0	0	0	15,603	15,603
Tax debts	1,874	817	1,616	(4,307)	0
Accounts payable	203,485	0	0	0	203,485
Other financial liabilities	12,280	0	0	15,045	27,325
Deferred revenue	97,451	0	0	0	97,451
Liabilities held for sale	,0	,0	0	0	0
Total shareholders' equity and liabilities	**574,747**	**8,462**	**589**	**0**	**583,788**

(1) Including a €1.127 million adjustment at the opening in reduction of consolidated reserves and €1.681 million in increase of long-term provisions.

Pending further details regarding the presentation of provisions for losses at completion on long-term contracts under IFRS, these provisions have been kept in liabilities in the balance sheet, in long-term provisions.

IX.3.4 ▢ Reconciliation table of statement of income under French accounting principles and statement of income under IFRS, on 31 December 2004

(K€) **STATEMENT OF INCOME**	**Statement of income published 2004**	**Adjustments IAS/IFRS 2004**	**Change of presentation IFRS**	**Statement of income IFRS 31.12.2004**
Sales	**554,026**			**554,026**
Stored and capitalised production	568			568
Operating subsidies	102			102
Writeback of depreciation and provisions (1)	43,085	1,622		44,707
Transfer of charges	1,935			1,935
Other current revenues	702		999	1,701
Purchase of goods and changes in inventory	(272,537)			(272,537)
Other operating expenses (2)	(109,000)	319		(108,681)
Tax	(9,446)			(9,446)
Wages and salaries	(107,846)			(107,846)
Social contributions	(35,861)			(35,861)
Employee profit sharing	(95)			(95)
Sub-total of personnel expenses	**(143,802)**			**(143,802)**
Depreciation charge (3)	(10,222)	140		(10,082)
Provisions (1)	(26,274)	(521)		(26,795)
Other current expenses	(4,941)			(4,941)
Sub-total of current operating income	**24,196**	**1,560**	**999**	**26,755**
Other non-current income and expenses		(6)	(2,255)	(2,261)
Operating income	**24,196**	**1,554**	**(1,256)**	**24,494**
Financial income	11		(11)	0
Securities	4,465			4,465
Loans and receivables and other financial income	2,766			2,766
Cancelled provisions and transfer of charges	115			115
Sub-total of financial income	**7,357**	**0**	**(11)**	**7,346**
Gross financial cost				0
Depreciation charge and provisions	(654)			(654)
Interests and financial charges	(2,740)	(10)		(2,750)
Sub-total of financial expenses	**(3,394)**	**(10)**	**0**	**(3,404)**

IX.3.4 ▢ Reconciliation table of statement of income under French accounting principles and statement of income under IFRS, on 31 December 2004 (continuation)

(K€) STATEMENT OF INCOME	Statement of income published 2004	Adjustments IAS/IFRS 2004	Change of presentation IFRS	Statement of income IFRS 31.12.2004
Financial income/financial expenses - Net	**3,963**	**(10)**	**(11)**	**3,942**
Exchange gains	1,828			1,828
Exchange losses	(2,895)			(2,895)
Other financial income and expenses			11	11
Sub-total other financial income/expenses - Net	**(1,067)**	**0**	**11**	**(1,056)**
Net financial income	**2,896**	**(10)**	**0**	**2,886**
Exceptional income	**(2,255)**		**2,255**	**0**
Share of profit / (losses) from associates	(1,719)			(1,719)
Income before tax	**23,118**	**1,544**	**999**	**25,661**
Income tax	(6,156)	(4,198)		(10,354)
Net income/continued activities	**16,962**	**(2,654)**	**999**	**15,307**
Net income/stopped activities				
Amortisation of goodwill	(1,573)	2,572	(999)	0
Net income for the period	**15,389**	**(82)**	**0**	**15,307**
Minority interests	(73)	(8)		(81)
Net income (group share)	**15,462**	**(74)**	**0**	**15,388**

(1) Restatement of retirement obligations.

(2) Restatement of finance leases: cancellation of rental payments

(3) Restatement of tangible and intangible fixed assets *(cf. IX.2.3.1 and IX.2.3.4.)*.

I.6 ▢ PARENT COMPANY FINANCIAL STATEMENTS

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BALANCE SHEET
as of 31 December 2005

ASSETS (K€)	Note	31.12.2005 Gross	31.12.2005 Amortisations and provisions	31.12.2005 Net	31.12.2004 Net
Uncalled subscribed capital		**–**	**–**	**0**	**0**
Intangible assets	V.1	16,568	6,941	9,627	8,319
Tangible assets					
Land		3,073	591	2,482	2,531
Buildings		28,961	24,238	4,723	2,891
Plant and equipment		20,875	16,762	4,113	2,715
Others		7,090	5,580	1,510	1,508
Assets in progress		919	–	919	2,501
Advances and down payments		–	–	0	0
Sub-total tangible assets	V.2	**60,918**	**47,171**	**13,747**	**12,146**
Long-term investments					
Investments in subsidiaries and affiliates		120,655	43,712	76,943	65,383
Loans and advances to subsidiaries and affiliates		31,317	–	31,317	37,169
Other investments		7,092	5,929	1,163	1,117
Sub-total long-term investments	V.3	**159,064**	**49,641**	**109,423**	**103,669**
Total non current assets		**236,550**	**103,753**	**132,797**	**124,134**
Inventory					
Raw material		10,305	2,861	7,444	8,388
Goods		–	–	0	0
Finished products		–	–	0	0
Long-term contracts/Work in progress		**–**	**–**	**0**	**–**
Advances + partial payments on orders		**1,889**	**–**	**1,889**	**1,375**
Accounts receivable					
Trade receivable and related accounts	V.4	240,592	2,506	238,086	156,163
Others		64,863	635	64,228	39,565
Marketable securities	V.5	**54,744**	**–**	**54,744**	**90,168**
Cash		**6,103**	**–**	**6,103**	**16,316**
Prepaid expenses	V.6	**1,692**	**–**	**1,692**	**2,290**
Total current assets		**380,188**	**6,002**	**374,186**	**314,265**
Charges to be spread out over several financial years		**–**	**–**	**0**	**94**
Unrealised foreign exchange gains	V.12	**2,649**	**–**	**2,649**	**3,247**
Total		**619,387**	**109,755**	**509,632**	**441,740**

LIABILITIES (K€)	**Note**	**31.12.2005**	**31.12.2004**
Shareholder's equity			
Share capital		6,056	6,056
Issuance premium		7,237	7,237
Legal reserve		606	606
Reserves		61,316	49,014
Net income		15,016	18,271
Regulated provisions	V.7	1,602	2,539
Total shareholder's equity	V.8	**91,833**	**83,723**
Provisions for contingencies and charges	V.9	**56,133**	**45,193**
Financial debt			
Bank loans	V.10	30,632	57,438
Other long-term debt	V.10	94,860	56,283
Total debt		**125,492**	**113,721**
Advances + partial payments		**27,967**	**17,079**
Accounts payable			
Suppliers	V.10	76,547	71,376
Tax and social security payable	V.10	61,300	53,155
Total accounts payable		**137,847**	**124,531**
Other debt	V.10	6,474	3,944
Total debt		**269,813**	**259,275**
Prepaid income	V.11	**62,185**	**51,971**
Unrealised foreign exchange losses	V.12	1,701	1,578
Total		**509,632**	**441,740**

STATEMENT OF INCOME
as of 31 December 2005

(K€)	Note	31.12.2005	31.12.2004
Operating revenues			
Sales	VI.1	293,853	299,664
Stored production	VI.1	0	–
Capitalised production		20	70
Operating subsidies		4,362	3
Cancellation of provisions		17,592	28,496
Transfer of charges		1,319	781
Other revenues		2,876	647
Total operating revenues		**320,022**	**329,661**
Operating expenses			
Purchases of goods and changes in inventory		(158,373)	(170,697)
Other expenses		(52,107)	(55,238)
Personnel expenses		(4,628)	(6,157)
Salaries and wages		–	–
Social security charges		(46,653)	(46,933)
Social security charges		(22,276)	(20,359)
Employee profit sharing		–	–
Depreciation and amortisation		**(3,291)**	**(3,633)**
Provisions		**(20,930)**	**(18,321)**
Other expenses		**(2,091)**	**(2,196)**
Total operating expenses		**(310,349)**	**(323,534)**
Operating income		**9,673**	**6,127**
Group share of income from joint operations			
Financial revenues			
Equity investments		458	3,858
Other securities		1,099	4,450
Other interest revenues		3,376	3,570
Cancellation of provisions, transfer of charges		4,302	4,113
Foreign exchange gains		1,380	1,687
Total financial revenues		**10,615**	**17,678**
Financial charges			
Depreciation allowances + provisions		(2,773)	(5,127)
Interest expenses		(3,121)	(2,953)
Foreign exchange losses		(1,345)	(2,293)
On securities		(2)	–
Total financial charges		**(7,240)**	**(10,373)**
Financial income	VI.2	**3,375**	**7,305**
Income before taxes and exceptional items		**13,048**	**13,432**
Exceptional revenues		**9,433**	**8,765**
Exceptional charges		**(2,885)**	**(4,835)**
Exceptional items	VI.3	**6,548**	**3,930**
Corporate income tax	VI.4	(4,580)	909
Net income (Group share)		**15,016**	**18,271**

CASH FLOW TABLE

(K€)	31.12.2005	31.12.2004
Total net income	**15 016**	**18 271**
Elimination of charges and income having no effect on the cash flow or not relating to the activity		
Elimination of depreciation and provisions	11,397	(6,881)
Elimination of variation in differed tax	–	0
Elimination of capital gains or losses from sales	(6,987)	(6,190)
Elimination of revenue share relating to companies consolidated under equity method	–	0
Other income and charges without effect on cash flow	–	0
Cash flow	**19,427**	**5,200**
Dividends received from consolidated companies	**–**	**0**
Effect of the variation in BFR related to the activity		
Inventory and work in progress	945	(1,238)
Long-term contracts/Work in progress	–	–
Advances and down payments	(514)	(590)
Operating receivables	(90,320)	416,843
Other receivables and accrued income	1,832	(1,316)
Advances and down payments received	10,888	(454,897)
Variation in operating debts	15,755	11,528
Variation in other debts	10,431	50,633
Total	**(50,985)**	**20,963**
Net flows generated by (appropriated to) the activity (A)	**(31,558)**	**26,163**
Purchase of capital assets	(18,680)	(20,058)
Purchase of capital shares	–	0
Sales of capital assets	16,416	9,091
Sales of capital shares	–	0
Merging of Cittic Carosso assets	0	3,948
Net flows coming from (appropriated to) investments (B)	**(2,264)**	**(7,019)**
Dividends paid by the parent company	(7,553)	(7,531)
Dividends paid to minority shareholders	–	0
Capital increase (reduction)	–	0
Investment subsidies	–	0
New borrowings	28,217	1,732
Repayment of borrowings	(51,892)	(2,963)
Net flows coming from (appropriated to) financing (C)	**(31,227)**	**(8,762)**
Effect of the variation in exchange rates (D)	0	0
Effects of change in accounting principles (E)	249	0
Cash variation A + B + C + D + E	**(64,800)**	**10,382**
Closing cash		
Marketable securities and treasury shares	54,744	90,168
Cash	6,103	16,349
Current bank account balances	(3,982)	(7,430)
Subsidiaries' bank account balances	(48,377)	(25,800)
Total	**8,487**	**73,287**
Cash variation	**(64,800)**	**10,382**

NOTES TO THE FINANCIAL STATEMENTS

I ▢ ACCOUNTING PRINCIPLES

The 2004 financial statements have been prepared and presented in accordance with French accounting standards and with respect to the principles of prudence, independence of financial years and assuming continuity of trading.

The financial statements have been prepared according to the historical cost convention.

All required provisions were constituted in order to provide a true and fair view of the company's position.

The financial statements were drawn up according to the 2002-10 CRC rule relating to the depreciation and impairment of assets.

The first implementation of these new rules on assets was made according to the retrospective method.

II ▢ SCOPE OF CONSOLIDATION

CNIM SA is the parent company of the CNIM Group.

III ▢ METHODS APPLIED TO BALANCE SHEET AND INCOME STATEMENT ENTRIES

III.1 ▢ Intangible and tangible fixed assets

Intangible assets are recorded on the balance sheet at their cost of acquisition.

III.1.1 ○ Intangible fixed assets

	Years
Franchises, patents and licenses	5 to 10
Software	3

The amortisation periods for franchises, patents and licenses are less than their legal term of protection.

Business acquisitions are applicable to the business purchase only and are not depreciated. They are recorded at their cost of acquisition and, if necessary, can be depreciated according to future discounted cash flows.

III.1.2 ○ Tangible fixed assets

a) Valuation

Property, plant and equipment is carried at historical cost. Those acquired in foreign currency are translated at the rates prevailing at the transaction date.

b) Depreciation

Depreciation is calculated using the straight-line method over the useful life indicated below.

The rates applied derive from the following useful lives.

c) Depreciation term

	Years	Residual value
Buildings	30	10%
Fixtures, improvements	10	
Road Systems	20	
Machinery and equipment	10	
Lifting equipment	5 to 8	
Small tools	8	
Tools	5	
Measuring devices	8	
Transportation equipment	4	
Small handling equipment	5	
Furniture and fixtures	5 to 10	
Safety equipment	4	
Computer equipment	2 to 5	

III.2 ▢ Long-term investments

Long-term investments are recorded at their cost of acquisition, excluding accessory expenses.

Investments in unconsolidated subsidiaries and affiliates

Securities and other long-term investments are estimated at their value in use. Value in use is calculated according to profitability prospects resulting from the latest management evaluation, the share of the net assets and the revalued net asset worth. When this value is greater than the book value carried to the balance sheet, the latter is not modified. In the opposite case, a provision for depreciation is recorded.

Receivables related to investments in unconsolidated companies

These are recorded at their historical cost and are depreciated in the event of risk of non-recovery.

Portfolio investment
These investments are recorded at their cost of acquisition and depreciated according to their net asset value and future prospects.

III.3 ▢ Inventory and work in progress

Inventories
Inventories are valued at their weighted average cost. Provisions for depreciation are recorded when the market value is lower than the cost value or when inventories are obsolete.

Work in progress
Work in progress includes all direct costs and applicable manufacturing overheads, that is to say all costs except general and administrative costs, commercial costs and financial expenses, which are charged directly to income.

III.4 ▢ Long-term contracts

Sales and profit margin of current contracts are recorded according to the percentage-of-completion method.

The income taken into account corresponds to the proportion of sale price, calculated on the basis of the latest estimate of the final sale price of the contract, multiplied by the percentage of actual progress of work.

The percentage of completion applicable to these contracts is determined by the ratio between cost incurred and probable costs on completion.

When forecast results indicate a loss, a provision for loss on completion is recorded under non-current liabilities on the balance sheet.

Upon completion of the contracts, only expenses still to be incurred remain in the balance sheet. A provision for liabilities is recorded under current liabilities.

Partial payments received under construction contracts before the corresponding work has been carried out are recognised in liabilities under “advances and payments on account received”.

The amount of costs incurred plus profits recorded less partial payments on orders for contracts is calculated. If it is positive, it corresponds to the amount to be received from the client and is recognised on the assets side of the balance sheet in “Trade accounts and notes receivable”. If the amount is negative, it corresponds to the amount to be paid to the client and is recognised on the debt side in “Estimated future gains/losses”.

III.5 ▢ Receivables and liabilities

Receivables and liabilities are valued at their nominal value.

Provision is made for the depreciation of receivables when necessary, in keeping with the risk incurred.

III.6 ▢ Marketable securities

Marketable securities are reported at their purchase price. Their value in use is determined at the average price of the last month of the financial year for listed securities, at the last available buyback price for mutual funds and at the last net value of mutual fund shares. Unrealised capital losses are the subject of a provision for depreciation, unrealised capital gains are not accounted for.

Accrued interest which is still outstanding is reported only when it is identifiable (fixed rate government bonds, certificates of deposit, time-deposit accounts).

III.7 ▢ Provisions for contingencies and charges

These provisions include:

III.7.1 ○ Contingencies

a) Lawsuit contingency provisions calculated according to our estimation of risk.

b) The provisions for guarantees granted to customers, established either on statistical bases in the light of the expenditures incurred in the past on contracts of the same type, or by application of a percentage to the sale price.

c) The provisions for losses upon completion, in view of the percentage of completion method, are henceforth entered in full under liabilities in the balance sheet.

III.7.2 ○ Charges

a) Reserve for renewal and maintenance of the equipment of household waste incineration plants in operation, as part of our obligation to replace equipment: they are calculated based on a maintenance programme, taking into account the life span of components and the remaining duration of the contract.

b) Provisions for accrued expenses on completed contracts.

III.8 ▢ Advances and partial payments on orders

Only advances and partial payments from clients for contracts in progress are recorded under this heading.

III.9 ▢ Foreign currency transactions

Expenses and revenues are converted at rates prevailing at the transaction dates. Debts, receivables and cash in foreign currencies are stated at the closing rate at the year end. The resulting differences are carried in the balance sheet under the heading “Foreign exchange – Unrealised gains or losses”.

A provision for unhedged unrealised foreign exchange losses is set aside.

III.10 ▢ Research and development

Research costs are charged to expenses in the year during which they were incurred.

Development costs must be capitalised if they meet capitalisation criteria (mainly with regard to future profitability of the new business developed).

Development costs recorded as assets in the balance sheet concern expenditure related to the environmental sector. Expenses related to the rapid moving walkway are not capitalised.

Research and development costs which are not dissociable from contracts cannot be capitalised.

III.11 ▢ Tax consolidation

The tax consolidation convention applies the neutrality principle which leaves tax benefits to the CNIM parent company, with no obligation for repayment in the event of positive results.

III.12 ▢ Change in accounting methods

The application of the new rules relating to assets recognised with retrospective application, concern the following items:

- ▢ capitalisation of research and development costs,
- ▢ change in depreciation periods for tangible and intangible assets,
- ▢ suppression of differed expenses,
- ▢ exit of fixed assets that can no longer be capitalised (Gateway brand).

The net impact (after tax) has been recognised in equity for €1.584 million.

IV ▢ IMPORTANT EVENTS OVER THE PERIOD

CNIM has sold its shares in the transport sector companies (CNIM Canada, CNIM Escalators UK, CNIMEX and CNIM Hong Kong) to CNIM Transport Holding.

The research tax credit of €4.362 million has been recognised in the income statement for the period under “operating subsidies”.

V ▢ NOTES TO THE FINANCIAL STATEMENTS

V1 ▢ Intangible fixed assets

(K€) Assets	Gross value start of year 2005	Increases caused by additions	Other changes in method (1)	Decreases arising from divestments or scrapping	Gross value end of year 2005
Gross value					
Set-up expenses	4				4
Franchises, patents, licences	3,790		(279)	5	3,506
Other intangible fixed assets	2,931	2,004		74	4,862
Goodwill	6,807				6,807
R & D expenditure			1,389		1,389
Total gross value	**13,532**	**2,004**	**1,110**	**79**	**16,568**
Depreciation					
Set-up expenses	1	1			2
Concessions, patents, licences	3,174	272	(578)	33	2,835
Other intangible fixed assets	1,581	802		75	2,310
Goodwill	457				457
R & D expenditure		114	1,223		1,337
Total depreciation	**5,213**	**1,189**	**645**	**108**	**6,941**
Net value	**8,319**	**815**	**466**	**(29)**	**9,627**

(1) Change in accounting method subsequent to the first application of rule CRC 02-10 on the amortization and the depreciation of assets and rule CRC 04-06 on the definition, evaluation and recording of assets.

V2 ▢ Tangible fixed assets

(K€) Assets	Gross value start of year 2005	Increases caused by additions	Changes others change in method	Changes caused by transfers	Decreases arising from divestments or scrapping	Gross value end of year 2005
Gross value						
Land and improvements	3,115	11	–	–	53	3,073
Buildings						
On own land	15,272	50	–	–	49	15,273
On third parties' land						
Buildings fixtures and fittings	12,799	837	–	208	157	13,687
Sub-total buildings	**28,072**	**888**	**0**	**208**	**207**	**28,960**
Plant and equipment	19,380	342	–	1,309	155	20,876
Other tangible assets						
General fixtures, miscellaneous	82	–	–	–	12	70
Transportation equipment and handling equipment	600	69	–	–	122	547
Fixtures and hardware	6,179	60	–	707	473	6,473
Recoverable packaging, miscellaneous	–	–	–	–	–	–
Sub-total other tangible assets	**6,861**	**129**	**0**	**707**	**607**	**7,090**
Assets in progress	2,500	919	–	(2,224)	276	919
Advances + partial payments on orders	0	–		–	–	0
Total gross value	**59,928**	**2,288**	**0**	**0**	**1,297**	**60,918**
Depreciation						
Land and improvements	584	7	–	–	–	591
Buildings						
On own land	14,500	218	(1,041)	–	395	13,282
On third parties' land	–	–	–	–	–	–
Buildings fixtures and fittings	10,681	485	–	–	210	10,956
Sub-total buildings	**25,181**	**703**	**(1,041)**	**0**	**605**	**24,238**
Plant and equipment	16,664	990	(745)	–	147	16,762
Other tangible assets						
General fixtures, miscellaneous	–	62	–	–	11	52
Transportation equipment and handling equipment	496	61	–	–	105	452
Fixtures and hardware	4,857	684	–	–	464	5,077
Recoverable packaging, miscellaneous	–	–	–	–	–	–
Sub-total other tangible assets	**5,353**	**807**	**0**	**0**	**580**	**5,581**
Total depreciation	**47,782**	**2,507**	**(1,786)**	**0**	**1,332**	**47,171**
Net value	**12,146**	**(219)**	**1,786**	**0**	**(35)**	**13,747**

V3 ▢ Long-term investments

(K€) Assets	Gross value 31.12.2004	Increases	Decreases	Gross value 31.12.2005
Gross value				
Investments in related companies [1]	110,079	11,667	1,092	120,655
Receivables relating to investments in companies [2]	37,169	2,655	8,507	31,317
Other long-term investment				
Capitalised securities [3]	1,058	0	0	1,058
Other portfolio investments booked as fixed assets	5,637	0	0	5,637
Loans	24	1	0	25
Deposits and bonds	358	69	54	372
Sub-total	**7,077**	**70**	**54**	**7,092**
Total gross value	**154,324**	**14,392**	**9,653**	**159,064**
Depreciation				
Investments in related companies	44,696	16	1,000	43,712
Loans and advances to related companies [2]	0	0	0	0
Other long-term investments	–	–	–	–
Capitalised securities	320	3	34	289
Other portfolio investments booked as fixed assets	5,637	0	0	5,637
Loans	0	0	0	0
Deposits and bonds	3	0	0	3
Sub-total	**5,960**	**3**	**34**	**5,929**
Total depreciation	**50,656**	**19**	**1,034**	**49,641**
Net value	**103,668**	**14,373**	**8,619**	**109,423**

(1) Investments in subsidiaries and associates:
They include €63.427 million of Backcock Entreprise Holding shares impaired for €42 million. That impairment takes into account the market value of the La Courneuve site.
The increase is mainly due to CNIM participation in the capital increases of CTH (€11 million), CNIM Industry (€22,000) and STOMA (€1,000), and to the purchase of Energonut shares (€600,000) as well as to the full payment of CNIM Espana's capital (€41,000).

(2) Receivables related to investments in subsidiaries and associates:
The increase is due to: interest costs invoiced to DWS (€199,000) and capitalised, invoiced to WWS (€211,000) and capitalised, an advance to CNIM Canada (€923,000), translation differences of DWS (€84,000), WWS (€85,000), HWS (€140,000), Selchp Junior Loan (€240,000) and CNIM Canada (€772,000).
The reduction is due to repayment of LAB's advance (€7.700 million), to repayment of Selchp Junior Loan's advances (€186,000) and to MES reversed dividends (€621,000) recorded at 31 December 2004 in accrued dividends.

(3) Portfolio investments:
Portfolio investments mainly consist of 5,471 Foster Wheeler Fakop securities for €1.051 million depreciated by €289,000 to adjust to the company's net situation.

Equity investments and depreciation

(K€)		Gross value	Depreciation	Net value	% stake
Babcock Entreprise Holding	1,902,342 shares	63,427	42,000	21,427	100
CALERGO	2,495 shares	38	11	27	100
CBCE	–	1,635	1,635	0	100
CCUAT	1,247 shares	76	–	76	50
CNIM Environnement	354,140 shares	10,405	–	10,405	100
CNIM Espagne	98 shares	48	23	25	100
CNIM Industrie	3,865 shares	60	16	44	100
Cofraservice	GIE shares 50%	8	0	8	–
CTH	910,750 shares	13,662	0	13,662	99
CTS	408,750 shares	6,508	–	6,508	100
CTIPE	250 shares	4	–	4	100
DAUPHINE	–	1	1	0	100
DWS	166,667 shares	267	–	267	33.3
ENERGONUT	7,025,364 shares	5,455	–	5,455	100
HWS	1,170,000 shares	1,882	–	1,882	39
LAB	259,994 shares	12,500	–	12,500	100
MARTIN ENG SYSTEM LTD	1,604,990 shares	2,371	–	2,371	100
SCI Gabriel Péri	100 shares	1,887	–	1,887	100
SCI 35, rue de Bassano	499 shares	8	–	8	100
SMA	41 shares	63	–	63	3
SOMMUDIMEC	–	4	4	0	100
SOTRALI	9,000 shares	6	6	0	100
STOMA	3,625 shares	55	16	39	100
UTE Bilbao	GIE shares 75%	18	–	18	75
WWS	166,667 shares	267	–	267	33.3
Total		**120,655**	**43,712**	**76,943**	**–**

V.4 ▢ Receivables

(K€) Receivables	Gross value	Liquidity rate: Maturity of less than 1 year	Liquidity rate: Maturity from 1 to 5 years	Liquidity rate: Maturity of more than 5 years
Long-term receivables				
Loans and advances to related companies	31,317	–	–	31,317
Loans	25	–	–	25
Deposits and bonds (share of other long-term investments)	371	–	–	371
Total 1	**31,713**	**–**	**–**	**31,713**
Trade receivables				
Doubtful accounts	522	522	–	–
Notes receivable	15	15	–	–
Other accounts receivable [1] [2]	240,055	240,055	–	–
Total 2	**240,592**	**240,592**	**–**	**–**
Other receivables				
Employees	691	691	–	–
Social security bodies	60	60	–	–
State and other public authorities	17,264	17,264	–	–
Others	1,732	1,732	–	–
Group and associates	45,117	45,117	–	–
Total 3	**64,863**	**64,863**	**–**	**0**
Prepaid expenses	1,692	1,522	170	–
Total créances	**338,860**	**306,977**	**170**	**31,713**

(1) Including associated companies: €40.103 million.

(2) Including accrued revenue: €98.935 million.

V.5 ▢ Marketable securities

V.5.1 ○ Balance-sheet values

(K€)	31.12.2005 Number of securities	31.12.2005 Amount	31.12.2004 Amount
Own shares (market support) [1]	6,586	478	487
CLAM NOV	–	–	11,128
CLAM 1 AN	–	–	5,164
CLAM JUIN	–	–	1,609
Étoile CDN	30	5,568	12,753
Westam Euribor	10,000	3,908	3,833
Axa	–	–	5,808
Westam Sécurité	–	–	2,051
Westam Monétaire	–	–	1,666
Cyril Monétaire	–	–	2,007
Cyril Horyzon	–	–	1,009
UBS Trésor EUR	–	–	2,018
UBS Trésor DYN	–	–	2,747
BFT Iéna Opport	–	–	2,238
Oddo Cash	–	–	3,602
Oval Signatures	–	–	2,194
Dexia Money	80	3,125	4,976
BNP Paribas	120	2,398	–
Cash Invt 2004	418	824	682
CAAM EONIA	60	11 316	–
San Paolo Inst	3,700	8,046	–
CL Large	–	–	8,009
CL Médium	21	613	57
CL Monétaire	3	15	5
Unisécurité	–	–	7,026
Kleber Euribor	–	–	7,352
SWISS life opportunities LCL SLF	300	6,298	–
SG Barep opportunities	150	2,918	–
Union Cash BECM	6	2,595	–
Iéna Opportunities*	800	2,304	–
NATEXIS USD	–	–	–
Régularité	359	4,339	1,747
Sub-total before receivables		**54,744**	**90,168**
Receivables related to marketable securities		–	–
Total		**54,744**	**90,168**

V.5.2 ○ Market value

Total	**54,844**	**90,205**

V.5.3 ○ Taxable unrecognized income

Total	**100**	**37**

(1) Number of treasury shares:

	Number	Amount
Balance at 31.12.2004	8,341	487
Purchases 2005	5,858	427
Sales 2005	(7,613)	(436)
Balance at 31.12.2005	6,586	478

V.6 ▢ Prepaid expenses

(K€) Type	31.12.2005	31.12.2004
a) On general expenses	995	1,593
b) On financial expenses for discounted notes receivable < 1 year	527	527
c) On financial expenses for discounted notes receivable > 1 year	170	170
Total	**1,692**	**2,290**

V.7 ▢ Regulated provisions

(K€) Type	Amount at start of the financial year 2005	Increases in allocations for the financial year	Reductions written-back for the financial year	Amount at end of the financial year 2005
Depreciation by derogation	937	–	937	0
Provisions for foreign credit	835	–	–	835
Provisions for investment	767	–	–	767
Total	**2,539**	**0**	**937**	**1,602**

V.8 ▢ Statement of changes in shareholders' equity

(K€)

A.	
1. Opening balance before appropriation	65,452
2. Net income appropriation approved by the Shareholders Annual Meeting:	
Revenue 2004	18,271
Distribution	(7,570)
Dividends for treasury shares	17
	10,718
Sub-total A	**76,170**
B.	
Capital contributions with retroactive effect to start of year 2005:	
1. Changes in share capital	–
2. Other changes	–
Sub-total B	**0**
C.	
(= A + B) Shareholders' equity opening balance after retroactive capital contributions	**76,170**

D.	
Changes during the period	
1. Changes in share capital	–
2. Changes in paid-in capital, reserves, retained earnings	1,584
3. Change in regulated provisions and investment subsidies	–
4. Revaluation reserve	–
5. Variation in regulated provisions and equipment subsidies	(937)
6. Other	–
Sub-total D	**647**
E.	
Closing balance (= C + D)	**76,817**
F.	
Change in shareholders' equity (= E – C)	**647**
G.	
Change during the period due to restructuring	**0**
H.	
Change in shareholders' equity during the period without restructuring (= F – G)	**647**

Nota 1: the shareholders' equity at opening and closure is understood as excluding the revenue from the financial year.

Nota 2: as to item D.2: impact at opening of the first application of rule CRC 02-10 on the amortization and depreciation of assets and rule CRC 04-06 on the definition, evaluation and recording of assets.

V.9 ▢ Provisions for risks, charges and assets

V.9.1 ▢ Provisions for contingencies

(K€)	At beginning of financial year 2005	Increases	Increases change in method	Transfer	Reductions write-backs used during financial year	Reductions write-backs not used during financial year	At end of financial year 2005
Law suit contingency provisions	6,696	2,685	–	–	2,981	334	6,066
Other contingency provisions	7,580	9,007	850	190	50	–	17,577
Warranty provisions	5,286	3,532	–	–	760	3,557	4,501
Unrealised foreign currency losses	3,436	2,634	–	(190)	3,247	–	2,634
Long-term contract loss provision	2,883	1,027	–	–	2,552	31	1,327
Total risks	**25,881**	**18,885**	**850**	**0**	**9,590**	**3,922**	**32,104**

V.9.2 ▢ Provisions for charges

Renewal “waste-to-energy plants” and escalators	8,654	3	–	–	893	–	7,764
Retirement commitments	288	–	–	–	95	–	193
Long service commitments	337	–	–	–	34	–	303
Expenses on terminated contracts	10,033	11,699	–	–	4,316	1,647	15,769
Total charges	**19,312**	**11,702**	**0**	**0**	**5,338**	**1,647**	**24,028**
Total risks and charges	**45,193**	**30,586**	**850**	**0**	**14,928**	**5,569**	**56,133**

V.9.3 ▢ Provisions for depreciation of assets

Investments in companies	44,696	16	–	–	1,000	–	43,712
Receivables related to investments in companies	0	–	–	–	–	–	0
Other long-term investments	5,960	3	–	–	34	–	5,929
Total financial assets	**50,656**	**19**	**0**	**0**	**1,034**	**–**	**49,641**
Production material inventory	2,189	895	–	–	223	–	2,861
Trade receivables	1,986	610	–	–	90	–	2,506
Other accounts receivable	528	128	–	–	21	–	635
Marketable securities	0	–	–	–	–	–	0
Total current assets	**4,703**	**1,633**	**0**	**0**	**333**	**0**	**6,002**
Total assets	**55,359**	**1,652**	**0**	**0**	**1,367**	**0**	**55,643**
Total risks, charges and assets	**100,552**	**32,238**	**850**	**0**	**16,295**	**5,569**	**111,776**
Operating	–	20,930	–	–	17,562		–
Financial	–	2,772	–	–	4,302		–
Exceptional	–	–	–	–	–		–
Taxes	–	8,535	850	–	0		–
Total	**–**	**32,238**	**850**	**–**	**21,864**		**–**

Lawsuits provision
The provisions for litigation mainly concern:

- M-Real Alizay: summons for late-payment penalties in a boiler repair;
- Chautard: summons for disorder in a boiler;
- Saved lasse: disorder on the turbine-generator.

Warranty provision
The provisions for warranties are constituted either by using statistical procedures or by applying a percentage to the sale price. The rate applied to incineration plants is 1.5%.

Provisions for losses on long-term contracts
When losses are expected on long-term contracts, the expenditure incurred for the percentage completed is recorded as a loss for the year and expenditures yet to be incurred are covered by a provision for losses on long-term contracts.

Other provisions for contingencies
The “Other provisions for contingencies” include provisions for taxes (€14.102 million), current tax deficiency notifications (€2.193 million).

Provisions for renewals
Provisions for renewals mainly concern three household waste incineration factories.

This provision is calculated according to a multi-year program for capital repairs, the life of components and the duration of the contract with the customer.

Retirement indemnities and related obligations
The capital contribution in 2000 of BABCOCK Entreprise industrial activity included the provision for employee retirement indemnities. In the consolidated accounts, the retirement indemnities have been constituted for all of the personnel.

The retirement indemnities due to the personnel present at 31 December 2005 amount to €8,835,870, excluding social security charges.

Employee retirement indemnities are determined using actuarial assumptions and calculations based on retirement age, mortality (INSEE TV table 1988-1990), seniority and staff turnover. The projected benefit obligation is calculated using a salary increase of 1.5%, inflation of 1.5% and a discount rate of 3.5%.

The new Fillon law (retirement age, contribution period and choice of employer) has not affected the calculation of retirement obligations.

Other commitments
A provision of €2.5 million has been recorded in the consolidated financial statements for asbestos related retirements.

Defined contribution pension plans
For defined contribution pension plans, which correspond to the French distribution system, contributions are charged as expenses in the income statement for the period. There are no commitments and no provisions have been made.

Defined benefit pension plan
Personnel retiring as executives and after the age of 60 have an additional defined benefit pension. This commitment is yearly and no provision has been made. The amount paid in 2005 was €755,000.

Long service commitment
The company awards bonuses for long service. This bonus is calculated according to seniority. Acquired rights were provisioned for the first time in 2003.

The calculation of the provision for long service bonuses was determined using actuarial assumptions taking into account the age of the employee at the time of benefiting from long term service bonuses, mortality (INSEE TV table 1988-1990), seniority and staff turnover. The projected obligation is calculated using an inflation rate of 1.5% and discount rate of 3.5%.

Provisions for expenses on terminated contracts
When a contract is terminated, the expenses relating to this contract are not yet completely accounted for. The balance with respect to the estimate is recorded under “Provisions for expenses on terminated contracts”.

The provisions for expenses on terminated contracts relate to a very short period, and are included for the most in the following year’s account.

V.10 ▢ Debt at year end

(K€) Debts	Gross value	Liquidity rate Payable within less than 1 year	Payable from 1 year to 5 years	Payable over more than 5 years
Bank overdrafts	2,420	2,420	–	–
Short-term borrowings	1,562	1,562	–	–
Other borrowings/credit institutions [1]	26,650	512	26,138	–
Sub-total borrowings/credit institutions	**30,632**	**4,494**	**26,138**	**0**
Credit and financial borrowings outside Group	1,802	1,802	–	–
Current accounts payable (Group)	93,058	93,058	–	–
Sub-total credit and financial borrowings	**94,860**	**94,860**	**0**	**–**
Suppliers [2]	76,367	75,757	610	–
Tax and social liabilities	61,300	61,300	–	–
Debts related to fixed assets	180	180	–	–
Other debts	6,474	6,474	–	–
Prepaid income	62,185	62,022	163	–
Total	**331,998**	**305,087**	**26,911**	**0**

(1) Details of loans from credit institutions

(K€) Characteristics of contracted loans	Credit line amount	Amount at 31.12.2005	Amount drawn at 31.12.2005	Rate	Currency
Medium-term loan: June 2005	**90,000**				
Multi currency loans payable from 2005 to 2010	–				
*EUR: 15,000,000	–	15,000	15,000	Variable on Euribor	Euro
*CAD: 7,500,000	–	5,465	5,465	Variable on Libor CAD	Dollar CAD
*GBP: 3,600,000	–	5,253	5,253	Variable on Libor GBP	Sterling Pounds GBP
LIXXBAIL loan payable from 2004 to 2007	–	176	176		
LIXXBAIL loan April 2004	–	756	756		
	–	**–**	**26,650**		

(2) Including associated companies: €10,795,000 within 1 year.

V.11 ▢ Prepaid income

(K€)	31.12.2005	31.12.2004
Prepaid income		
Less than 1 year [1]	62,022	51,808
Between 1 year and 5 years	163	163
Total	**62,185**	**51,971**

(1) Including €61.533 million of prepaid revenue on current contracts and 489 million of interest on undue promissory notes related to contract EP 300.

V.12 ▢ Unrealised foreign exchange gains/losses

(K€)	Unrealised losses					Unrealised gains
Items concerned	**Total**	**Hedged Unrealised gains**	**Hedged Commitment**	**Contingency provisions**	**Net**	**Total**
Trade receivables	2,649	–	15	2,634	–	–
Trade payables	–	–	–	–	–	1,701
Total	**2,649**	**–**	**15**	**2,634**	**–**	**1,701**

V.13 ▢ Accrued expenses

(K€)	
Trade payables	3,847
Tax and social liabilities	61,300
Other debts	6,474
Total	**71,621**

VI ▢ NOTES TO THE STATEMENT OF INCOME

VI.1 ▢ Sales and production by activity sector and geographic area

(K€)	31.12.2005	31.12.2004
Sales (production sold)		
France	223,714	179,325
Export	70,139	120,339
Total sales	**293,853**	**299,664**
Stored production		
France	–	–
Export	–	–
Total stored production	**0**	**0**
Total activity	**293,853**	**299,664**

Breakdown of sales by activity sector

(K€)	31.12.2005	31.12.2004
Environment and services	150,038	187,250
Mechanical engineering and services	101,649	77,088
Energy and services	42,166	35,326
	293,853	**299,664**

Breakdown of sales by geographic area

(K€)	31.12.2005	31.12.2004
France	223,714	178,462
England	42,725	83,865
Other European countries	10,948	14,752
Asia	3,555	10,453
Others	12,911	12,132
	293,853	**299,664**

VI.2 ▢ Financial income

(K€)	31.12.2005	31.12.2004
Financial income from holdings [1]	458	3,858
Net income from the sale of marketable securities	1,099	4,450
Interest on long-term investments	3,094	3,420
Interest on current asset receivables	282	150
	3,376	**3,570**
Write-back of provisions for exchange losses	3,247	3,092
Write-back of provisions	1,055	1,021
	4,302	**4,113**
Positive exchange differences	1,380	1,687
Total financial income	**10,614**	**17,678**
Provisions for exchange losses	2,634	3,436
Provisions for depreciation of equity investments and related receivables [2]	138	1,691
	2,773	**5,127**
Interest on current accounts and credit deposits	3,121	2,952
Miscellaneous	0	0
Interest on securities	2	1
	3,123	**2,953**
Exchange differences	1,345	2,293
Total financial charges	**7,240**	**10,373**
Financial income	**3,374**	**7,305**

(1) Breakdown of “Financial income from holdings”:

MES dividends	17
CCUAT dividends	424
SMA dividends	17
Total	458

(2) The provisions mainly concern the depreciation of the shares held in CNIM Espagne for €16,000 and CNIM Babcock Central Europe (CBCE) for €42,000 as well as the Coface financial risk for €66,000.

VI.3 ▢ Exceptional items

(K€)	31.12.2005	31.12.2004
Release of provisions	938	27
Sale of tangible fixed assets: selling price	261	7,131
Sale of investments: selling price	8,217 (1)	1,372
Miscellaneous	17	235
Total exceptional revenues	**9,433**	**8,765**
Exceptional depreciation	–	184
Sale of tangible fixed assets: net booking value	122	523
Sale of investments: net booking value	1,092 (1)	1,372
Miscellaneous	1,672	2,756
Total exceptional charges	**2,885**	**4,835**
Exceptional items	**6,548**	**3,930**

(1) Sale of the shares held in CNIM Canada, CNIM Escaliers UK, CNIM Mexique and CNIM Hong Kong to the CTH subsidiary.

VI.4 ▢ Tax: result of the tax consolidation

(K€)	Contribution to fiscal profit	Contribution to income tax	Tax due before tax consolidation
I. CNIM parent company	(10,576)	–	–
II. Contribution from subsidiaries after use of their losses to be carried forward before integration: loss-making subsidiaries	(3,268)	–	–
profitable subsidaries	17,684	–	4,511
Group loss used	(3,840)	–	–
Babcock Wanson tax credits	–	–	–
Diverse tax credits	–	–	–
IFA 2003 lost	–	24	–
Tax	0	–	–
Tax saving	**–**	**4,535**	

VI.5 ▢ Financial result related to associated companies (fully consolidated)

(K€)

1) Financial revenues invoiced to subsidiaries		2) Charges invoiced by subsidiaries	
BEH	493	MES	182
SCI BASSANO	140	LAB	802
CNIM Canada	174	BW UK	48
LAB	124	ENERGONUT	150
BWH	57	BWF	1
BWF	40	TMC	21
CTS	179	CTH	67
CTH	2	Other subsidiaries	7
Other subsidiaries	10		1,277
	1,220	Depreciation of CBCE shares	16
MES dividends received	17	Depreciation current account CBCE	3
Shares CNIM Canada	1,000	**Total charges**	**1,296**
Total revenues	**2,236**		

VII ▢ COMMITMENTS AND OTHER INFORMATION

VII.1 ▢ Breakdown of corporate

(K€)	Income before tax and profit sharing		Tax				Net income after tax			
	Book	Tax	Theoretical	Loss carried forward	Miscellaneous and change of method	Liability	Theoretical	Employee profit sharing	Research tax credit	Book
Income before tax and exceptional items:										
France	12,676	(12,908)	99	(4,535)	8,764	4,328	12,577	0	4,362	12,939
Abroad	(4,218)	(4,144)	253			253	(4,471)			(4,471)
Exceptional	**6,548**	**6,476**	**0**	**0**	**0**	**0**	**6,548**	**0**	**0**	**6,548**
Total										
1. France	19,224	(6,432)	99	(4,535)	8,764	4,328	19,125	0	4,362	19,487
2. Abroad	(4,218)	(4,144)	253			253	(4,471)			(4,471)
Total 1 + 2	**15,006**	**(10,576)**	**352**	**(4,535)**	**8,764**	**4,580**	**14,654**	**0**	**4,362**	**15,016**
N° of column	1	2	3	4	4a	5	6	7	7a	8

Column 6 = Column 1 – Column 3

Column 8 = Column 1 + Column 4a (€229,000) – Column 5 – Column 7 + Column 7a.

Column 4 =	income tax savings on subsidiaries deficits and	4,511
	(IFA) lost by subsidiaries	24
		4,535

Column 4a = provision for tax office inspection (deductible) €229,000 and provision for tax €8.535 million.

VII.2 ▢ Variation of future tax liabilities

(K€)

Nature of timing differences		Amount
Increases		
Excess tax depreciation over normal depreciation		0
Regulated provisions		1,602
Total		**1,602**
Corporation tax at 34.43% – Increase in the future tax owed		552
Tax relief		
Non-deductible provisions and charges in current year, unrealised net income subject to tax:		
Difference in value relating to unit trusts		100
2005 Organic		260
2005 employee profit-sharing		0
Provision for losses on completion		1,327
Unrealised foreign exchange gains (Nota 1)		1,641
Miscellaneous (TVTS 4th quarter)		11
Total		**3,339**
Corporation tax at 34.43% – Increase in the future tax owed		1,150
Deficit to be carried forward		22,717
Long-term capital losses		0
Comments: long-term capital gains reserve after tax at a rate of:	10% =	16
	15% =	4,176
	19% =	1,237
	25% =	1,635
Net reserve (liability)		**7,064**

(Nota 1) Reprocessed in the consolidated financial statements.

VII.3 ▢ Impact of tax law on the result

(K€)

Net income	**15,016**
Allocations to regulated provisions	0
Write-back from regulated provisions	(937)
Tax reduction due to allocations to corporation tax at 34.93% extraordinary contribution 0 x 35.43%	0
Tax increase due to write-backs of corporation tax at 34.93% write-backs of corporation tax of 937 x 34.93%	332
Net income before derogatory tax regulations	**14,411**

VII.4 ▢ Leasing commitments

Leasing investments

(K€) Items	Cost of entry	Depreciation: Financial year (1)	Depreciation: Change in method	Depreciation: Aggregate	Net value
Buildings	584	9	26	414	170
Nantes agency					

(1) Depreciation that would have been entered in case of purchase (linear over 20 years).

Items	Fees paid: Financial year	Fees paid: Aggregate	Fees remaining to be paid: Within 1 year	Fees remaining to be paid: 1 year < 5 years	Fees remaining to be paid: > 5 years	Fees remaining to be paid: Total to be paid	Residual purchase price: Total to be paid
Buildings	75	1 045	73	0	0	73	220
Nantes agency							

VII.5 ▢ Off-balance sheet commitments

(K€)		31.12.2005	31.12.2004
Commitments given			
Bank guarantees for contracts		168,734	137,726
Commitments accounted not due		–	8,011
		168,734	**145,737**
Commitments received			
Guarantees from suppliers		32,832	27,691
Mutual obligations			
Forward exchange sales and swaps	< 1 year	5,837	5,673
4 million pounds		–	–
Fixed exchange rate: 0.69845	1/5 years	–	–
Interest rate swap on medium-term credit 2002		–	10,714
Interest rate swap on medium-term credit 2003		–	34,000

VII.6 ▢ Breakdown of personnel

	Salaried staff	Personnel at the company's disposal
Engineers and managers	454	1
Employees	312	17
Workers	257	47
Total	**1,023** (1)	**65**

(1) Of which 27 in Belgium, 23 in Egypt.

VII.7 ▢ Note concerning the executives

		Bodies	
	Total Executives	Management	Supervisory
Financial commitments	None		
Retirement commitments	None		
Advances and credits allocated	None		
Remunerations allocated		1,699	360

VII.8 ▢ Market risks

1) Interest rate risk

Variable rate loans not intended to be deflnitely drawn are not covered.

Variable rate loans which are intended to be drawn are covered at a flxed rate by an interest rate swap, or capped at a maximum rate.

Swaps in progress at 31 December 2005 had a market value of approximately €231,000.

Loans in Canadian dollars are not hedged as they are intended as a loan to the Canadian subsidiary CNIM Canada.

2) Foreign exchange risk on contracts

All contracts denominated in foreign currencies are covered for the risk of exchange rate fiuctuation by forward purchases/ sales with banks or by exchange rate hedges with COFACE in France.

3) Foreign exchange risk on assets

The assets in pound sterling are included in a global net position of 4 million pounds sterling, hedged by a forward swap whose term was 31 January 2006, with an extension option for six months.

4) Shares

The risk is limited to CNIM's own shares. The impact of a 10% price decrease is €47,000, but would not give rise to a provision, in view of historical prices.

VII.9 ▢ Subsidiaries and investment

(K€) Financial information Subsidiaries and affiliates	Capital	Shareholders' equity before appropriation	Percentage of interest (%)	Book value of investment Gross	Net	Advances and loans to related companies	Guarantees given by CNIM	2004 Net sales	2004 Net income	Dividends received in 2005
A. Detailed information regarding subsidiaries and investments mentioned below:										
1. Subsidiaries (holding > 50%)										
Energonut	2,482	8,523	100,00	5,455	5,455			8,058	(1,031)	
Babcock Entreprise Holding	9,512	4,485	100,00	63,427	21,427	21,131		1,297	186	
CTS	5,906	(1,774)	100,00	6,508	6,508	8,507		12,283	(1,937)	
MES Ltd	2,342	220	100,00	2,371	2,371			7,221	11	
SCI Gabriel Péri	1,906	0	99,00	1,887	1,887	35		427	0	
SCI 35, rue Bassano	8	0	99,80	8	8			467	0	
CNIM Environnement	5,313	10,349	100,00	10,405	10,405			1,240	1,872	
LAB	2,600	15,642	100,00	12,500	12,500	4,402		159,103	14,462	
CBCE	76	(486)	100,00	1,635	0	317		4,699	(119)	
CTH	13,617	2,428	100,00	13,662	13,662	65		0	2,361	
2. Investments (holding between 10 and 50%)										
CCUAT	152	966	49,88	76	76			12,431	890	
DWS	730	(7,076)	33,00	268	268	3,213		10,524	(875)	
HWS	4,378	23	39,00	1,882	1,882	4,996		21,522	1,083	
WWS	730	(8,307)	33,00	268	268	3,256		10,568	(1,240)	
B. Global information regarding all subsidiaries and investments										
1. Subsidiaries (holding > 50%)										
a) French subsidiaries				108,565	66,511	34,139				
b) Foreign subsidiaries				9,527	7,869	317				
2. Affiliates										
a) French affiliates				147	147					
b) Foreign affiliates				2,418	2,418	11,465				

Concerning the foreign companies, the amounts mentioned above have been converted at the 31 December 2005 exchange rate, except for the sales and the income figures which have been converted at the 2005 average rate.

VII.10 ▢ Six-year financial summary

(K€)	2000 12 months	2001 12 months	2002 12 months	2003 12 months	2004 12 months	2005 12 months
1. Capital at 31.12						
Share capital	4,616	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	3,028,110
Convertible bonds issued						
2. Income from operations						
Sales	269,403	288,155	311,108	343,050	299,664	293,853
Income before tax, employee profit sharing, depreciation, amortisation and provisions	42,039	30,055	644	8,815	13,574	23,758
Corporate income tax	4,451	5,485	3,787	427	(909)	4,580
Employee profit sharing	2,134	2,150	0	55	0	0
Income after tax, employee profit sharing, depreciation, amortisation and provisions	10,539	10,907	8,045	8,438	18,271	15,016
Dividends	6,964	7,570	7,570	7,570	7,570	7,570
3. Data per share						
Income after tax, employee profit sharing but before depreciation, amortisation and provisions	11,71	7,40	(1,04)	2,75	4,78	6,33
Income after tax, employee profit sharing, depreciation, amortisation and provisions	3,48	3,60	2,66	2,79	6,03	4,96
Dividends	2,30	2,50	2,50	2,50	2,50	–
4. Personnel						
Average staff	1,146	1,161	1,189	1,126	1,030	973
Payroll	42,910	45,385	48,443	47,008	46,933	46,653
Social security and employee benefits	19,013	19,392	20,832	20,926	20,359	22,276

VII.11 ▢ Events subsequent to the date of closure

No significant events occurred subsequent to the date of closure.

I.7 ▢ RESOLUTIONS TO BE PROPOSED TO THE MIXED GENERAL MEETING

on 22 June 2006

▢ Ordinary Part

▢ First Resolution

The General Meeting, after having read the Report of the Executive Board, the Report of the Supervisory Board and the General Report of the Statutory Auditors on Company transactions for the financial year ended 31 December 2005, hereby approves the Company's financial statements for the said financial year as presented.

▢ Second Resolution

The General Meeting, after having read the Report of the Executive Board, the Report of the Supervisory Board and the General Report of the Statutory Auditors on consolidated transactions for the financial year ended 31 December 2005, hereby approves the consolidated financial statements for the said financial year as presented.

▢ Third Resolution

The General Meeting, after having heard the Special Report by the Statutory Auditors on agreements governed by Article L.225-86 and following of the French Commercial code, hereby approves the agreements mentioned therein.

▢ Fourth Resolution

As proposed by the Executive Board and after having allocated €3.291 million to depreciation of fixed assets, the General Meeting proposes to allocate the remaining income for the financial year amounting to €15.016 million as follows:

Income available for distribution amounts to:

■ Income for the year	€15,016,297.88
■ Balance brought forward	
▢ Before treasury stock	€661,348.76
▢ Dividends on treasury stock	€17,322.50
▢ Impact of the new method on reserves	€1,583,890.02
Sub-total	**€2,262,561.28**
■ Total	€17,278,859.16

We propose that the income be allocated as follows:

■ Dividend of €3.00 per share, i.e. for 3,028,110 shares	€9,084,330.00
■ Other reserves	€8,000,000.00
■ Retained earnings	€194,529.16

However, as the Company is authorised to trade in its own shares, the dividends payable with respect to shares held by the Company on the date of distribution and not paid out as such, shall be allocated to "Retained Earnings".

The dividend will be paid from 3 July 2006. The tax credit which accompanied this dividend has been eliminated. This income, in certain cases, is eligible for a 40% reduction, within the limits defined by the law.

Please note that dividends distributed for the last three financial years were as follows:

(in euros)	**2004**	**2003**	**2002**
Number of shares	3,028,110	3,028,110	3,028,110
Dividend	2.50	2.50	2.50
Tax credit	–	1.25	1.25
Income	2.50	3.75	3.75

▢ Fifth Resolution

The General Meeting renews the term of office of the following Supervisory Board member:

Mr Vsevolod DMITRIEFF

Born on 16 August, 1922 in Petrograd (Russia) of French nationality

residing Sun Tower – 7, avenue Princesse Alice – Monte Carlo (Monaco)

for a period of six years, i.e. until the annual Ordinary General Meeting assigned to vote on the accounts of the financial year ending 31 December 2011.

▢ Sixth Resolution

The General Meeting renews the term of office of the following Supervisory Board member:

Mr Richard ARMAND

Born on 23 January, 1938 in Orange (84100) of French nationality

residing 21, avenue Bugeaud – 75016 Paris

for a period of six years, i.e. until the annual Ordinary General Meeting assigned to vote on the accounts of the financial year ending 31 December 2011.

▢ Seventh Resolution

The General Meeting, after having heard the Report of the Executive Board, appoints to the position of member of the Supervisory Board:

Mrs Marie-Hélène CHIARISOLI

Born on 30 June 1960 in Paris 8th district, of French nationality

residing 12, rue de Belfort – 94300 Vincennes

for a period of six years, i.e. until the annual Ordinary General Meeting assigned to vote on the accounts of the financial year ending 31 December 2011.

▢ Eighth Resolution

The General Meeting, after having heard the Report of the Executive Board, appoints to the position of member of the Supervisory Board:

Mr François CANELLAS

Born on 20 April 1936 in Marseille (13000) of French nationality

residing 1 bis, rue Vaneau – 75007 Paris

for a period of six years, i.e. until the annual Ordinary General Meeting assigned to vote on the accounts of the financial year ending 31 December 2011.

▢ Ninth Resolution

Repurchase of own shares on the stock exchange as part of a share repurchasing programme.

The General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, and after having heard the Report of the Executive Board, authorises the Executive Board, in accordance with Article L.225-209 of the French Commercial code, to purchase CNIM shares with a ceiling for the overall holding at 10% of the Company's authorised capital.

These purchases may be made in order to:

a) remit or exchange securities within the framework of external growth operations;

b) cancel the shares concerned;

c) support CNIM stock on the market using the services of an investment broker within the framework of a market support contract;

d) grant stock options to employees or directors of the Company or of the CNIM Group as part of the stock option plan implemented within the framework of the provisions of Article L.225-179 and following of the French Commercial code or;

e) to award free shares to employees or directors of the Company or of the CNIM Group within the meaning of the provisions of Article L.225-197-1 and following of the French Commercial code.

The purchase, sale and all other dispositions of the shares may be carried out by any means, on one or more occasions, on the market or by private or mutual agreement, including block purchases.

The repurchasing operations thus authorised shall be carried out in accordance with Articles 5 and 6 of European Regulation n° 2273/2003, regarding:

- the volume of shares acquired, for transactions affecting the market value;
- the acquisition price;
- and the periods of abstention.

The Meeting sets the maximum unit price at which these shares may be acquired at €200 per share and the minimum unit price at which they may be sold at €60 per share, subject to adjustments related to possible transactions on the capital of the Company. The overall amount devoted to this repurchasing programme shall consequently not exceed €60,562,200.

The Meeting resolves that this authorisation may be used and the repurchasing operation continued even in the event of a public offering on the shares or other securities issued by the Company.

This authorisation is valid until the next Annual General Meeting.

The Meeting grants full power to the Executive Board to make stock exchange orders, enter into agreements, or execute any other formalities or declarations, and generally do whatever may be required for the execution of this authorisation, with authority to delegate such power.

▢ Extraordinary Part

▢ Tenth Resolution

In the event of a public offering to purchase or exchange shares.

The General Meeting, in accordance with the provisions of Article L.223-32 II of the French Commercial code, under the quorum and majority conditions stipulated by Article L.225-98 of the French Commercial code, and after having heard the Report of the Executive Board and the Statutory Auditors' Special Report made in accordance with the provisions of Article L.228-92 of the French Commercial code, authorises the Executive Board to issue warrants enabling subscription for CNIM shares at preferential conditions in the event of a public offering to purchase or exchange the Company's shares.

The General Meeting resolves that:

a) the total increase in capital resulting from the exercise of these warrants shall not exceed an amount equal to the Company's authorised capital on the date at which the Company issues the said warrants;

b) the number of warrants issued pursuant to this authorisation may not exceed the number of shares comprising the Company's authorised capital on the date at which the Executive Board issues the said warrants;

c) the Executive Board may use this authorisation only under three conditions:

(i) in the event of an offer to purchase or exchange affecting all the Company's capital securities;

(ii) in the situations governed by Article L.233-33, paragraph 1 of the French Commercial code, i.e. the case where the initiator (or at least one of them, if more than one) of the public offering to purchase or exchange shares in question, or the entity (or at least one of them, if more than one) controlling the initiator(s) as provided in Article L.233-16 of the French Commercial code fails to submit to or adopt the provisions of Article L.233-32 of the French Commercial code, or equivalent measures;

(iii) after having obtained for this purpose the prior agreement of the Supervisory Board both on the principle of the issuance of the said warrants and on the amount of the issuance as well as on the terms and conditions for the exercise of the said warrants.

d) The warrants issued shall be awarded free of charge for the benefit of all shareholders of record prior to the expiry of the period of public offering concerned, and on the basis of one warrant per share;

e) subject to obtaining the prior authorisation of the Supervisory Board as stated above, the Executive Board may fix the exercise price of the warrants or the means for determining this price, within the limit of the share's par value, as well as the other terms and conditions for the exercise of the warrants, including their issuance and exercise periods, having stated that the said warrants may be awarded at any time following the opening date of the period of public offering, and even after the closing date of the public offering, including the period running from the closure date to the date on which the results of the offer are published;

f) the Executive Board shall issue a public notice of its intention to issue the warrants before the closure date of the public offering to purchase or exchange shares concerned and do so in accordance with the applicable regulatory requirements;

g) the warrants thus issued shall become null and void as soon as the public offering which led to their issuance and, as the case may be, any other competing offer, will have failed, become null and void or been withdrawn.

This authorisation is granted until the time of the next annual General Meeting.

▢ Eleventh Resolution

Cancellation of shares

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and after having heard the Report of the Executive Board and the Statutory Auditors' Special Report, authorises the Executive Board to cancel of its own accord, in one or several operations, up to 10% of the Company's share capital per twenty-four-month period, all or part of the shares acquired pursuant to the authorisation to this effect approved by the General Meeting in its ninth resolution and to reduce the authorised capital proportionately.

This authorisation is valid for a period of thirty eight months starting on the date of this Meeting, subject to the prior authorisation of the Supervisory Board.

The Meeting grants the Executive Board power to charge the difference between the repurchase price of the cancelled shares and their par value to all available reserve items or premium items, with power to sub-delegate in order to implement the agreed reduction in capital in accordance with this resolution, modify the Articles of Association and carry out the required formalities.

▢ Twelfth Resolution

Stock options and awarding of shares free of charge

The General Meeting, in accordance with the quorum and majority conditions required for Extraordinary General Meetings, and after having heard the Report of the Executive Board and the Statutory Auditors' Special Report, authorises the Executive Board to:

- grant stock options to staff members designated by the Executive Board from among employees of the Company or of the CNIM Group and directors with power to commit the Company or the Group as part of the Company's stock option plans, subject to the provisions of Article L.225-179 and following of the French Commercial code;

- award shares free of charge to employees of the Company or of the CNIM Group or directors with power to commit the Company or the Group within the meaning of the provisions of Article L.225-197-1 and following of the French Commercial code.

The shares corresponding to the stock options granted and the shares awarded free of charge may include, in whole or in part, shares acquired pursuant to the authorisation to this effect in the ninth resolution adopted by this General Meeting.

The stock options and the shares awarded free of charge may not be granted by the Executive Board without prior approval of the Supervisory Board, regarding both the principle of granting stock options or awarding shares free of charge and the full terms and conditions applicable.

Subject to this approval

- the acquisition cost of shares corresponding to the stock options granted shall be fixed by the Executive Board, the day the option is granted, with a minimum placed at 95% of the average purchase price of shares held by the Company, as provided in Article L.225-209 of the French Commercial code.
- the said options shall be exercised within a period of five years following the date on which they are granted;
- in the event of financial transactions covered by Article L.225-181, paragraph 2 of the French Commercial code or in the event of a capital increase in cash, the Executive Board may make all necessary adjustments to the price and/or the number of shares under option or awarded free of charge;
- the Executive Board will fix the acquisition period at the end of which the award of shares free of charge shall become definitive, with a minimum period of two years, as well as the period during which the beneficiaries shall be held to conserve the shares following the end of the acquisition period, with a minimum period of two years.

This authorisation is granted for a period of thirty eight months starting on the date of this Meeting.

Thirteenth Resolution

The General Meeting, in accordance with the quorum and majority conditions required for Extraordinary General Meetings, and in compliance with the provisions of Article L.225-129-6 and 225-138-1 of the French Commercial code and Articles L.443-1 and following of the Labour Code, and after having read the Report of the Executive Board and the Statutory Auditors' Special Report, hereby delegates to the Executive Board authority to increase the Company's registered capital, in one or several operations, by issuing ordinary shares, to be subscribed exclusively by employees of the Company or of companies related to it within the meaning of Article L.225- 180 of the French Commercial code, that are qualified to participate in a Company or Group savings plan.

The total amount of the increases in registered capital under this authorisation shall not exceed 0.5% of the registered capital on the day the decision to issue shares is made.

The Meeting decides to cancel for the benefit of subscribing employees the preferential subscription rights corresponding to the shares issued pursuant to this authorisation.

The authority hereby delegated to the Executive Board shall be valid for a period of two years from the day this resolution is adopted.

The Meeting grants power to the Executive Board to:

- carry out the issue of new shares reserved to the employees concerned, within the limit of the decided ceiling on the increase in capital;
- determine the criteria to be met by the companies whose employees shall be entitled to benefit from the increases in authorised capital and draw up the list of these companies;
- decide on the terms and conditions of the issuance and in particular on the opening and closing dates of the subscription, as well as the settlement date of these subscriptions;
- fix the subscription price, which may neither exceed the average of the opening ratings of the twenty trading days preceding the date of the decision fixing the start date of the subscription, nor be lower than 20% of that average.
- If deemed necessary, plan the implementation of a Company or Group savings plan;
- record the actual increase of the corresponding capital;
- take all such action and formalities, or delegate the same, as may be necessary to effectively implement the said increase(s) in capital of this resolution;
- procure the required modification of the Articles of Association and take all necessary action.

The Executive Board shall inform the General Meeting every year regarding the operations of this resolution.

Fourteenth Resolution

The General Meeting gives full power to the authorised bearer of copies or extracts of the present minutes of the Annual General Meeting to carry out all legal formalities concerning recording, publication and procedures.