NM FC016355

Financial Year 2006

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I.1 – Executive Board General report

EVENTS AND HIGHLIGHTS IN 2006

External Growth

2001 Acquisition of LAB, the European leader in flue gas treatment

2002 Acquisition of Alstom's waste-to-energy processing business

2003 Acquisition of Atena, Elitec and Curtis (United States), companies specialised in the transport of people

2005 Purchase of minority stakes in Atena, Energonut and Curtis

In June 2006, the Group yielded 60% of Energonut to an industrial partner After having ceased operation of the old plant in 2005, this company has started to rebuild a new thermal power station which will be able to benefit from the special Italian "green certificates" scheme as soon as it is delivered at the beginning of 2008

In June 2006, the Group made the acquisition of Accord Lift Services Ltd, a company specialised in the restoration and maintenance of lifts in the United Kingdom Founded in 1982 by the current managers, its turnover has constantly grown

Highlights in 2006

Environment and associated services

Waste-to-energy treatment plants

The European Directive on flue gas emissions became applicable in France and made upgrading of older plants compulsory before the end of 2005 The subsequent surge in volume of new orders continued in early 2006 to affect both our subsidiary LAB but also CNIM Babcock Services and the engineering department of the Environment Division

As for new plants, the following contracts have come into effect

- rebuilding of the Energonut plant in Italy in March 2006,
- extension of the Thumaide plant in Belgium by adding a furnace with a capacity of 100 000 t/year

The following plants were delivered in 2006

- Sheffield (UK) in April 2006,
- Châlons-en-Champagne (France) in August 2006,
- Nîmes (France) in August 2006,
- line 3 Toulouse (France) in November 2006

Flue Gas treatment in 2001, the companies LAB and LAB GmbH were acquired with a sales figure of €45 million

Orders placed in 2004 reached an exceptional level of €130 million, then €92 million in 2005 They stayed stable in 2006 at €83 million, with a very good performance by LAB GmbH of €62 million compared to €18 6 million in 2005

Mechanical engineering and associated services

Defence

Bridging systems

- confirmation of the contract for dieselisation of the French motorized pontoon bridge

Deterrence

- Contract for serial production of the shells protecting the le M51 missile during handling
- Contract for the integration of all equipment systems of the NG4 submarine
- Various safety systems for handling of the M51 missile
- "Mégajoule Laser" for the CEA-DAM CNIM has received further orders for studies in the equipment of the test chamber but also orders for the construction of equipment.

Complex mechanical engineering

- several orders for the George Besse II plant (uranium enrichment by centrifugation) the batch relating to the uranium reception stations

Transport

- Orders for the "Barros Ter" metro station in Budapest,
- orders for renovation work in Ottawa

The escalators are now mainly manufactured in China in our plant built in Guandong, operational since 2006 and which continues to strengthen its position

Energy and associated services

This sector recorded €123 1 million of orders in 2006 compared to 122 7 in 2005, with the Babcock Services Division contributing €46 million and Babcock Wanson €78 million

GROUP INCOME

CONSOLIDATED FINANCIAL STATEMENTS

Since 2005 the Group's financial statements are drawn up according to IFRS standards There was no significant change in these standards which might have had a noticeable impact on the Group's financial statements

The Group's sales figure has decreased by 15 2%, amounting to €522.2 million compared to €615.5 million for the previous year

LAB and LAB GmbH achieved aggregated sales of €81 million in 2004, €165 million in 2005 and €81 million in 2006 At the same time, Group sales were €554 million in 2004, €615 million in 2005 and €522 million in 2006 The significant rise of the 2005 figure was due to the 100% increase of LAB's business following the upgrading operations for regulatory compliance of waste treatment plants, which became compulsory at the end of 2005 In 2006, LAB's sales figure has returned to a normal level of €81 million

For large contracts, the sales figure is recorded according to the percentage-of-completion method, which translates into fluctuations which do not always precisely reflect the change in activity

The profit and loss account for the 2006 financial year is summarised below

(€m)	2006	2005
Sales	522 2	615 5
Current operating income	26 7	32 9
Exceptional income and expenses	3 6	(2 4)
Operating income	30 3	30 5
Financial income/expenses	4 2	1 4
Foreign exchange gains and losses	(0 9)	0 8
Total financial income	3 3	2 2
Companies consolidated by the equity method	(0 3)	(0 5)
Pre-tax income	33 2	32 2
Tax	(12 0)	(11 9)
Income from discontinued operations	(0 2)	-
Net income for the period	21 1	20 3
Including minority participations	(0)	(0 1)
Net income (Group share)	21 1	20 4
Gross cash flow	45 7	47 8

Operating Income

With €30 3 milion in 2006, the operating income is close to the 2005 figure (€30 5 million) and represents 5 8% of sales compared to 5 0% in 2005

Current operating income amounts to 5 1% of sales

Financial income

Financial income was €3 3 million compared to €2.2 million in 2005, which represents an increase of €1 1 million, thanks to improved net cash assets and a rise of interest rates on the monetary market at the end of the year

Net income (Group share)

The net income (Group share) is up by 3 6 % rising from €20 4 million in 2005 to €21 1 million in 2006 It represents 4 0% of sales compared to 3 3% in 2005

Shareholders' equity

Shareholders equity, which amounted to €104 4 million on 31 December 2005, recorded at €116 6 million on 31 December 2006 following a net income of €21 1 million in 2006 and a dividend payout of €9 million

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)	2006		2005	
	Sales	Operating income	Sales	Operating income
Environment and associated services	243 5	27 8	335 6	19 8
Mechanical engineering and associated services	166 3	(3 8)	159 0	10 2
Energy and associated services	112 4	2 7	120 9	0 5
Miscellaneous	–	3 6		
Group total	**522 2**	**30 3**	**615 5**	**30 5**

At the start of 2006, the Environment sector continued to benefit from the compulsory upgrading operations on waste-to-energy conversion plants The Mechanical engineering sector experienced a difficult year in the Transport division as the manufacturing plant in China was only operational in May 2006 and therefore unable to satisfy the contracts planned for it until that time The Energy sector returned to its usual level of profitability following a downturn in 2005 due to new regulations requiring employers to make contributions for the benefit of asbestos-linked occupational diseases

ORDERS RECEIVED IN 2006

(€m)	2006	2005
Environment and associated services	232 3	366 9
Mechanical engineering and associated services	207 9	166 6
Energy and associated services	123 1	122 7
Group total	**563 3**	**656 2**

Orders received in 2006 amounted to €563 3 million, compared to €656 2 million in 2005

Orders decreased by 14 2% compared to 2005

In the Environment sector, CNIM recorded the reconstruction of the Energonut plant and the extension of the Thumaide plant

LAB and its German subsidiary registered €83 4 million compared to €73 4 million in 2005

In the Mechanical Engineering sector, Transport maintained a healthy level of orders at €83 million

The Energy sector saw its orders rise from €122 7 million in 2005 to €123 1 million in 2006

VARIATIONS IN ORDERS RECEIVED PER BUSINESS SECTOR, IN 2006

(€m)		Realised in 2006		
	Orders received 01 01 2006	**Orders**	**Sales**	**Orders received 01 01 2007**
Environment and associated services	391	232	243	380
Mechanical Engineering and associated services	266	208	167	307
Energy and associated services	31	123	112	42
Total	**688**	**563**	**522**	**729**

The volume of orders received at the beginning of 2007 corresponds to 16 months of activity, a 6% increase compared to last year

STRATEGY AND OUTLOOK

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

- improving competitiveness through cost reduction,
- limiting risk exposure and enhancing profitability,
- increasing the sales figure for services, in order to be less dependent on economic fluctuations,
- increasing the sales figure for high technological content activities in the Mechanical Engineering division

OUTLOOK FOR 2007

The Group remains cautious at this stage about the coming year, considering the general economic outlook in the areas where CNIM operates, making it difficult to determine the dates on which orders will be logged for major contracts in the environmental and defence sectors This is despite a healthy volume of orders received (€729 million) which should result in a good level of business in 2007

PARENT COMPANY FINANCIAL STATEMENTS

The key figures in the income statement for 2006 are presented below

(€m)	2006	2005
Sales	**301 6**	**293 9**
Operating income	**10 3**	**9 7**
Financial income	7 7	3 4
Exceptional income	6 5	6 5
Income before tax	24 5	19 6
Tax	(3 4)	(4 6)
Net income (parent company)	**21 1**	**15 0**
Net income/Sales	**7 0%**	**5 1%**

GROUP FINANCING

The Group's cash flow in 2006 can be summarised as follows

(€m)	2006	2005
Total net income	**21 1**	**20 3**
Income and expenses without impact on cash flow	24 6	27 5
Gross cash flow	**45 7**	**47 8**
Tax and fluctuation of WCR	0 1	(46 6)
Cash flow from operating activity	**45 8**	**1 2**
Net flow of investments	(17 4)	(12 4)
Dividends paid	(9 0)	(7 5)
New borrowings	3 2	30 4
Repayment of borrowings	(21 5)	(53 2)
Fluctuation of exchange rates	(1 2)	1 0
Financial interest paid	(2 1)	0
Cash variation	**(2 2)**	**(40 5)**
Cash at end of financial year	**78 6**	**80 8**
Cash at beginning of financial year	**80 8**	**121 3**
Cash variation	**(2 2)**	**(40 5)**

The Group maintained positive net liquid assets (after deduction of debt), with an increase of 25%

(€m)	2006	2005
Investment securities	50 6	60 0
Cash assets	38 4	30 6
Borrowings	(8 9)	(26 7)
Net liquid assets	**80 1**	**63 9**

RESEARCH AND DEVELOPMENT

The Research and Development business is a long term activity which focuses on the following points

- development of new products,
- development of new technologies and new know-how,
- optimisation of existing products,

The core of development activities centres on operations

ENVIRONMENT

Waste-to-energy conversion plants
The main technological developments were carried out in cooperation with our long-standing partner Martin GmbH Examples of programmes underway are

- optimisation of a furnace/boiler system in order to reduce NOx levels at the boiler exit, either by limiting the generation of nitrogen oxides at combustion or by using the CNIM SNCR abatement system,
- extension of the life cycle of superheaters by creating a new boiler concept and using new materials,
- completion of a major programme to develop a combustion system integrating a water-cooled Martin grate suitable for high calorific value waste Installation of the system started at the end of 2006 in the Energonut de Pozzilli plant in Italy and will be the first of its kind in Europe

Flue gas treatment
Research concentrated on the following areas

- optimisation of dry and semi-wet systems by enhancing the use of reagents to reduce operating costs,
- simplification of wet systems (configuration and equipment) to reduce investment costs

DEFENCE

Military forces deployment:
CNIM decided to use own funds to build a prototype of a new landing and intervention craft for use in coastal areas The "Landing-Catamaran" or L-Cat principle combines the high-performance speeds and good sea-keeping qualities of a deep-sea vessel with those of a shallow draft landing craft, thereby opening up a vast range of applications in both the military and civil sectors The concept can be adapted to the target mission and several versions of the craft are currently being studied

Bridging systems
To provide for future military programmes, CNIM is developing new concepts for land-based bridging systems and high-risk area intervention systems, such as the light bridging system, the combat support engine or airliftable equipment AMAB (Airliftable Modular Assault Bridge), MACS (Multipurpose Airliftable Crossing System), MEFAB (Mechanical Floating Assault Bridge)

Composite technologies and synthetic materials
Research in this field aims to deliver innovative and cost-saving solutions to the major contract-givers in the aeronautical and space industries Targets to reduce fuel consumption are leading to an increase in the use of composites in future aircraft's aerostructures CNIM's research on industrial composite transformation procedures, whether liquid resin injection or automatic application, paired with work on the base materials allow the company to propose integrated solutions for the development and creation of lighter structures 2006 saw CNIM becoming involved in several aeronautical research programmes

TRANSPORT

The research and development programme focused on two areas.

Equipment for metro systems
CNIM completed the development of an escalator specially designed for use in metros Its extreme compactness allows transport operators to increase site capacity, without having to incur heavy civil engineering work

Similarly, a new E Type Premium escalator has been developed The originality of this escalator lies in the architecture of its machinery, which means escalators can be equipped with either a single or a double drive system

Platform screen doors
Thanks to the experience acquired with the RATP's "demonstrator", CNIM was able to validate a large amount of data and launch a technology improvement programme for door-mechanisms, control systems and the interface with the rolling stock

ENERGY

Research was directed essentially towards.

- development of the BW 72H boiler house monitoring system which tests boiler safety devices without requiring any downtime This reduces operational costs and enhances safety It has been granted EC approval by the APAVE Based on an AMDEC analysis, the BW 72H is the result of comprehensive analyses of the principal European operating modes (TRD 72H, PM5, NFE) Considering how remote boiler house monitoring is likely to develop in the future, research is underway in order to propose ever more extensive versions,
- the development of new technologies for heavy fuel oil burners to limit emission of pollutants to the atmosphere and to ensure that changes in regulations can be complied with or even anticipated,
- research concerning the use of new gaseous fuels, in particular different types of biogas and poor hydrogen

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

CAPITAL AND VOTING RIGHTS AS OF 25 APRIL 2007

The number of shares listed is 3,028,110 and the breakdown of capital and voting rights on 25 April 2007 was as follows

Shareholders	Share Capital	Voting rights*
SOLUNI and Mrs C DMITRIEFF (family-owned company)	12 10%	14 77%
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%
Groupe IDI	5 89%	7 22%
TOCQUEVILLE Finance	9 10%	9 79%
PUBLIC	44 52%	33 65%

* On the basis of the latest publication of voting rights in the BALO on 22 June 2006 4 942 916

PERFORMANCE OF CNIM SHARES

Price	
On 31 12 2005	€79 30
On 31 12 2006	€114 00
On 25 04 2007	€132 50
Annual highs and lows in 2006	
Highest	€123
Lowest	€79 35
Variations over one year in 2006	
CNIM	+43 76%
SBF 250	+18 41%
CAC SMALL 90	+15 89%
Variations from 01 01 2007 to 25 04 2007	
CNIM	+16 23%
CAC SMALL 90	+12 96%
SBF 250	+7 68 %

On average, 1,823 CNIM shares were traded per day in 2006

SHARE REPURCHASE PROGRAMME

PREVIOUS PROGRAMME

In 2006, the company purchased 14,890 shares at an average price of €99 05 and sold 14,711 shares at an average price of €100 00

On 31 December 2006, the company held 26,852 of its own shares, acquired under the terms of the authorisation granted to the Executive Board by the Ordinary General Meeting of 22 June 2006 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 89% of total capital, having specified that the number of voting rights attached to the shares making up the registered capital amounted to 4,942,916 on 22 June 2006, according to the latest issue of the Official French Journal of Legal Announcements

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 L225-197-1 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

EXECUTIVE BOARD

M. Philippe SOULIÉ

Born 1 July 1956

Chairman of the Executive Board

In position since 22 June 2006

Member of the Executive Board and Managing Director from 27 October 2005 to 21 June 2006

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

OTHER POSITIONS
All these positions concern companies within the CNIM Group

Chairman

- LAB SA
- BABCOCK WANSON
- CTH (SAS)

Director

- CNIM HONG KONG
- CNIM CANADA
- CURTIS

Fixed salary and bonuses. €441,553

M. 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 2009 fiscal year

OTHER POSITIONS

Chairman and Managing Director

- LAB SA

Co-manager

LAB GmbH

Fixed salary and bonuses. €404,869

M 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 2009 fiscal year

OTHER POSITIONS
All these positions concern companies within the CNIM Group

Chairman

- CNIM ENVIRONNEMENT (SAS)
- CNIM INDUSTRIE (SAS)
- STOMA (SAS)

Fixed salary and bonuses. €271,119

M 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 2009 fiscal year

Fixed salary and bonuses €298,828

For memory

M. Claude RONSSIN

Member of the Executive Board, until 22 June 2006

Fixed salary and bonuses. €367,332

COMPOSITION OF THE SUPERVISORY BOARD

M. 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 2011 fiscal year

OTHER POSITIONS
Director
- CNIM CANADA
- CNIM ESCALATORS UK Ltd
- CNIM ESPAÑA SA
- CNIM HONG KONG Ltd
- CURTIS CANADA
- 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 €248,006

M François CANELLAS
Born 20 April 1936
Vice-Chairman of the Supervisory Board
In position since 22 June 2006
Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2011 fiscal year

OTHER POSITIONS
All these positions concern companies within the CNIM Group

Director
- BABCOCK WANSON
- CNIM HONG KONG
- LAB SA
- SELCHP

Member of the Strategic Committee and the Accounts Committee as of 22 June, 2006

Remuneration for responsibilities as Vice chairman of the Supervisory Board €75,000

Remuneration for responsibilities as Chairman of the Executive Board until 21 June 2006

Fixed salary and bonuses €554,583

M. Richard ARMAND
Born 23 January 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 2011 fiscal year

OTHER POSITIONS
Director
- SOLVING
- Fondation Georges-Besse
- ADEME

Director's fees €8,000

M^me^ Marie-Hélène CHIARISOLI
Born 30 June 1960
Member of the Supervisory Board
In position since 22 June 2006
Term of office expires on the date of the Annual General Meeting ruling on the financial statements for the 2011 fiscal year

OTHER POSITIONS
Deputy General Manager
- MAXA

M^me^ 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
Chairman and CEO
- SOLUNI

Deputy Director
- SOCILAS

Director's fees €8,000

M. 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 fiscal year

OTHER POSITIONS

Chairman of the Executive Board

– ANTERIORITY SA

Director

– BABCOCK WANSON

– LAB 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 fiscal 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 Strategic Committee €18,000

M. 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 fiscal 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 fiscal year

Positions held by Mr VAURY in a personal capacity

Chairman

– JOHES

Chairman of the Supervisory Board

– MATEBAT HOLDING

Member of the Supervisory Committee

– AXICORP

– DP LOGICIELS

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

M Jean-Pierre LEFOULON

Born 19 October 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 2009 fiscal year

OTHER POSITIONS

Chairman

– Value Invest

Director

– Crédit Municipal de Lille

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

MARTIN GmbH fur Umweltund 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 fiscal year

Position held by Mr MARTIN in a personal capacity

Managing Director

- MARTIN GmbH fur Umweltund Energietechnik

Director's fees €8,000

MAXA company

Represented by Mr Olivier CHIARISOLI as of 31 October 2006 (and by Mrs Monique HERLICQ until 31 October 2006)

Born 26 May 1959

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 fiscal year

Position held by Mr CHIARISOLI in a personal capacity

Director

- MAXA

Director's fees €8,000

All Supervisory and Executive Board Members have access to privileged information concerning CNIM shares, directly or indirectly

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

Social information on the parent company
At the end of the 2006 fiscal year, headcount stood at 1,025, including 977 people on long-term contracts and 48 with fixed-term contracts

Headcount consists of 474 engineers and executives, 313 employees, technicians, designers and supervisors and 238 plant workers 86% of headcount are men and the average age is 44 years old

In 2006, CNIM hired 103 people on long-term contracts, 59 people on fixed-term contracts, and used on average 70 temporary employees whose average length of contract was 326 hours

There were 128 departures, 35 of which were resignations, 2 were due to economic redundancy and 21 were lay-offs for other reasons

The average monthly compensation in 2006 was €4,703 for engineering and executive personnel and €2,317 for plant staff No profit sharing payments were made

30 job-related accidents causing downtime were recorded and 817 days were lost due to job-related accidents.

There are 35 hours in the working week.

The Human Resources management focuses its action on four principles
- attract talents and develop staff loyalty,
- develop individual and collective competences,
- adapt resources to needs,
- reinforce risk prevention and safety

Forward management of jobs and skills (GPEC)
- Attract skilled employees and establish staff loyalty, anticipate the changes, develop competences and encourage job mobility to ensure that the competences necessary for the deployment of CNIM's strategy are at hand when required
- Make it possible for staff to know what the company expects of them in terms of skill development, initiative and reactivity so that each person is responsible for his advancement and contributes to the development of the Group
- Work better together to develop a capital of individual and collective competences

The development of individual and collective competences
The Human Resources teams define a training policy geared to the anticipation of how jobs are likely to evolve and develop the competences which the Group will need in the future They conceive and organise actions and training programmes given by in-house or external trainers geared to developing the Group's specific skills and the diverse occupations that compose it

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 job positions and cultures are available to them within the group

CNIM encourages and values internal mobility The annual appraisal interview provides an ideal opportunity for each staff member to discuss his interest to move

All employees have access to a website dedicated to job mobility where they can find information about in-house job vacancies and apply online This is part of a larger teamwork approach between management and the Human Resources Division

An ambitious Health and Safety Policy

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 monitor that it is being correctly applied

The Group has also completed the first steps towards a certification system of safety management

Environnement

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 English 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

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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 ordinary general meeting

PLAN FOR THE ALLOCATION OF INCOME

CNIM's registered net income for the 2006 fiscal year amounts to

€21,068,000, following

€3,837,000 for depreciation on fixed assets

Income available for distribution amounts to

– Income for the year	€21,068,453 87
– Balance brought forward	
- before treasury stock	€194,529 16
- Dividends on treasury stock	€20,094 00
Sub-total	€214,623 16
– Total	€21,283,077 03

We propose that the income be allocated as follows

– Dividend of €3 00 per share, ie for 3,028,110 shares	€9,084,330 00
– Other reserves	€12,000,000 00
– Retained earnings	€198,747 03

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 2 July 2007 The tax credit which accompanied this dividend has been eliminated This income, in certain cases, is eligible for a 40% reduction, in the limits defined by the law

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

(€)	2005	2004	2003
Number of shares	3,028,110	3,028,110	3,028,110
Dividend	3 00	2 50	2 50
Tax credit	–	–	1 25
Income	3 00	2 50	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 2006, the following shareholders held

More than 10% of the voting rights
- SOLUNI and Mrs Christiane DMITRIEFF
- MARTIN GmbH fur 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
- the TOCQUEVILLE FINANCE Group

I.5 – Consolidated financial statements

Consolidated balance sheet
as of 31 December 2006

ASSETS (K€)	Note	31 12 2006 Gross	31 12 2006 Amortisations and provisions	31 12 2006 Net	31 12 2005 Net
Non current assets					
Uncalled subscribed capital					
Intangible assets					
Goodwill		3,541	667	2,874	3,189
Other intangible assets		25,879	19,073	6,807	7,620
Sub-total intangible assets	V1	29,421	19,740	9,681	10,809
Difference in goodwill	V2	46,885	–	46,885	39,856
Tangible assets					
Land		8,044	598	7,446	7,947
Buildings		62,868	42,466	20,402	17,576
Plant and equipment		43 590	33,602	9,988	10,740
Others		17,686	14,384	3,302	3,303
Assets in progress		3,652	–	3,652	2,806
Advances and down payments		–	–	0	0
Sub-total tangible assets	V3	135,840	91,050	44,790	42,372
Investment property	V4	–	–	0	0
Long-term investments					
Investments in unconsolidated subsidiaries and affiliates		19,767	19,470	297	331
Loans and advances to unconsolidated companies		20,394	5,123	15,271	14,810
Other investments		9,523	7,215	2,308	2,403
Sub-total excluding equity affiliates	V5	49,684	31,809	17,875	17,544
Equity affiliates – Investments	V6	6,654	–	6,654	1,760
Sub-total long-term investments		56,338	31,809	24,530	19,304
Finance leases		–	–	0	0
Deferred tax		9,102	–	9,102	7,757
Total non current assets		277,585	142,598	134,987	120,097
Current assets					
Inventory and work in progress					
Raw material		26,894	5,329	21,565	21,758
Goods		938	175	764	624
Work in progress		221	63	158	378
Production in progress		10,081	343	9,738	4,040
Sub-total inventory and work in progress		38,135	5,910	32,225	26,800
Advances + partial payments on orders		3,858	–	3,858	3,159
Trade receivable and related accounts	V7	300,552	9,725	290,827	325,428
Other receivables	V8	32,693	689	32,004	38,628
Finance leases		–	–	0	0
Marketable securities	V9	50,607	–	50,607	60,030
Cash		38,391	–	38,391	30,537
Prepaid expenses		4,727	–	4 727	7,286
Total current assets		468,963	16,325	452,639	491,868
Available-for-sale assets	V10	7,666	–	7,666	9,733
Total		754,215	158,923	595,292	621,698

LIABILITIE (K€)	Note	31 12 2006	31 12 2005
Shareholder's equity			
Share capital		6,056	6,056
Issuance premiums		7,237	7,237
Legal reserve		606	606
Reserves		67,268	61,316
Consolidated retained earnings		14,254	7,739
Cumulative translation adjustment		111	1,021
Net income		21,077	20,387
Total shareholders' equity	V11	**116,609**	**104,362**
Minority interest – Reserve		51	228
Minority interest – Income of the year		(21)	(100)
Total minority interest		**30**	**128**
Non current liabilities			
Financial debts			
Bank loans	V12	8,911	26,687
Other long-term debts	V12	1,077	1,506
Derivative financial instruments (non current liabilities)		419	681
Non-current provisions	V13	64,456	63,657
Deferred tax payable		3,633	4,303
Non current assets		**78,496**	**96,834**
Current assets			
Advances and partial payments on orders		62,913	31,142
Suppliers		113,902	139,918
Tax and social security payable		82,403	92,143
Current financial liabilities		17,272	16,058
Current provisions	V13	37,629	29,939
Other debts		9,249	8,279
Estimated future gains/losses		76,789	102,895
Total current assets		**400,157**	**420,374**

Total		**595,292**	**621,698**

Consolidated statement of income
as of 31 December 2006

(K€)	Note	31 12 2006	31 12 2005
Sales	VI 1	**522,206**	**615,498**
Stored and capitalised production		5,435	1,399
Operating subsidies		3,147	4,546
Cancellation of amortisations and provisions		35,235	31,271
Transfer of charges		905	2,332
Other current revenues		4,787	4,914
Purchases of goods and changes in inventory		(233,811)	(311,761)
Other external expenses		(96,461)	(99,255)
Taxes (other than income tax)		(8,881)	(8,204)
Salaries and wages		(110,083)	(111,615)
Social security charges		(38,640)	(38,432)
Employee profit sharing		(818)	(599)
Sub-total personnel expenses		**(149,542)**	**(150,646)**
Depreciation and amortisation		(8,268)	(9,223)
Provisions		(38,479)	(42,655)
Other current expenses		(9,630)	(5,330)
Sub-total of current operating income		**26,644**	**32,886**
Other non-current revenues and expenses		3,625	(2,369)
Operating Income	VI 3	**30,269**	**30,517**
Financial revenues			
– Securities		1,795	1,097
– Loans and receivables and other financial income		4,466	2,877
Reversed provision and transfer of charges		86	209
Sub-total financial income		**6,347**	**4,183**

(K€)	Note	31 12 2006	31 12 2005
Gross financial cost			
Depreciation, amortisation and provisions		(54)	(112)
Interest and financial expenses		(2,082)	(2,663)
Sub-total financial revenues		**(2,136)**	**(2,775)**
Financial income/(Financial expenses) – Net	VI 4	**4,211**	**1,408**
Exchange gains		1,370	1,797
Exchange losses		(3,041)	(1,060)
Other financial expenses and income		717	34
Sub-total	VI 5	**(954)**	**771**
Financial income		**3,257**	**2,179**
Share in income (loss) of equity affiliates	VI 6	(301)	(477)
Income before taxes		**33,225**	**32,219**
Income tax expense	VI 7	(12,012)	(11,932)
Net income on continued operations		**21,213**	**20,287**
Net income on discontinued operations		**(157)**	
Net income over the period		**21,056**	**20,287**
Of which net income from minority interests		(21)	(100)
Net income (Group share)		**21,077**	**20,387**
Net income per share		7,02	6,79
Diluted net income per share		7,02	6,79

Consolidated statement of changes in equity

(K€)	Capital	Premium	Group Equity: Recyclable reserve	Other reserves	Translation reserve	Consolidated Income	Total	Minority interests	Total
At 01 01 2005	6,056	7,237	0	62,065	(997)	15,388	89,749	3,113	92,862
Capital increases							0		
Appropriation of net income 2004				15,388		(15,388)	0		0
Dividend paid				(7,503)			(7,503)		(7,503)
Change in translation reserve					2,017		2,017	17	2,034
Income 2005						20,387	20,387	(100)	20,287
Change in consolidation scope							0	(2,902)	(2,902)
Cancellation of operations in own shares				94			94		94
Impacts of implementation of IFRS 32 and 39 at 01 01 2005			119	(487)			(368)		(368)
Measurement differences on financial instruments			(14)				(14)		(14)
Others							0		0
At 31 12 2005	**6,056**	**7,237**	**105**	**69,557**	**1,020**	**20,387**	**104,362**	**128**	**104,490**
Capital increases							0		0
Appropriation of net profit 2005				20,387		(20,387)	0		0
Dividend paid				(9,004)			(9,004)		(9,004)
Change in translation reserve					(909)		(909)	7	(902)
Profit 2006						21,077	21,077	(21)	21,056
Change in consolidation scope				117			117	(84)	33
Cancellation of operations in own shares				(87)			(87)		(87)
Measurement differences on financial instruments (1)			1,053				1,053		1,053
Others							0		0
At 31 12 2006	**6,056**	**7,237**	**1,158**	**80,970**	**111**	**21,077**	**116,609**	**30**	**116,639**

Nota 1 Movements during 2006 fiscal year

Unrealised capital gain on securities	(99)
Reversed TIAP provision	8
Exchange differences on receivables connected to investments in unconsolidated subsidiaries	669
Forward sales	475
Total	**1,053**

Consolidated cash flow table

(K€)	31 12 2006	31 12 2005
Total net income for consolidated companies	**21,056**	**20,287**
Elimination of charges and income having no effect on the cash flow or not relating to the activity		
Elimination of the share of income from companies consolidated under the equity method and income from the sale of discontinued business	458	477
Elimination of depreciation and provisions	10,336	13,492
Elimination of gains/losses from revaluation (correct value)	570	
Elimination of the capital gains or losses from sales	(96)	3,687
Elimination of income from dividends	(717)	
Cash flow after cost of net financial debt and tax	**31,607**	**37,943**
Elimination of tax expense	12,012	9,843
Elimination of the cost of net financial debt	2,082	
Cash flow before cost of net financial debt and tax	**45,701**	**47,786**
Effect of the variation in WCR related to the activity (included debts related to the personnel)		
Inventory	(5,101)	1,157
Advances and down payments	(335)	2,494
Variation of clients and other accounts receivables	43,120	(81,179)
Advances and down payments received	30,606	3,231
Variation of suppliers and other debts	(61,893)	30,313
Total	**6,397**	**(43,984)**
Tax paid	(6,298)	(2,584)
Net flows generated by (appropriated to) the activity (A)	**45,800**	**1,218**
Impact of variations in scope of consolidation	(9,243)	(1,289)
Purchase of tangible and intangible capital assets	(11,672)	(12,161)
Purchase of financial assets	3,224	0
Variation in advances and loans granted	(980)	0
Sales of tangible and intangible capital assets	531	1,075
Sales of financial assets	33	0
Dividends received	717	0
Net flows coming from (appropriated to) Investments (B)	**(17,390)**	**(12,375)**
Dividends paid by the parent company	(9,004)	(7,503)
Dividends paid to minority shareholders		0
Capital increase (reduction)	0	0
New borrowings	3,175	30,384
Repayment of borrowings	(21,513)	(53,268)
Financial interest paid	(2,082)	0
Net flows coming from (appropriated to) financing (C)	**(29,424)**	**(30,387)**
Effect of the variation in exchange rates (D)	(907)	1,392
Effects of change in accounting principles (E)	(251)	(380)
Cash variation A+B+C+D+E	**(2,172)**	**(40,532)**
Closing cash		
Marketable securities	50,607	60,030
Cash	38,391	30,536
Current bank account balances	(11,798)	(8,607)
Subsidiaries' bank account balances	1,401	(1,186)
Total	**78,601**	**80,773**
Cash variation	**(2,172)**	**(40,532)**

Notes to the consolidated financial statements

These notes are an integral part of the consolidated financial statements as of 31 December 2006

I – GENERAL INFORMATION

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 2005 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

I 1 – PRESENTATION OF FINANCIAL STATEMENTS

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

Balance sheet

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

Statement of income

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

Cash flow table

The cash flow table is based on the indirect method

The preparation of financial statements on 31 December 2006 in line with IFRS standards is based on the norms and interpretations published by that date and adopted by the European Union, with no anticipation by the Group to apply norms or interpretations not mandatory in 2006

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 2006

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 (ex-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%

Company	Headquarters	% stake
CNIM PORTES PALIÈRES	Canada	100%
CNIM TRANSPORT EQUIPMENT	China	100%
CNIM TRANSPORT HOLDING	France	100%
CNIM TRANSPORT SERVICES (ex-NEM)	France	100%
CURTIS CANADA	Canada	100%
CURTIS UK	Great-Britain	100%
CURTIS US	United-States	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%
UTE CNIM-SENER BILBAO	Spain	75%
Newly Consolidated Companies		
ACCORD LIFT SERVICES	Great-Britain	100%
CURTIS DOOR PROPERTIES [1]	Canada	100%
Ceasing to be within the scope of consolidation		
TMC [2]	France	100%

(1) Creation

(2) Dissolution following a merger of the assets with LAB as of 1 July 2006

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%
ENERGONUT [1]	Italy	40 00%

(1) Company consolidated by equity method following the divestment of à 60% share in Energonut

III – 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	
	2006	2005	2006	2005
Pound sterling	1 48920	1 45921	1 46681	1 46235
Hong Kong dollar	0 09765	0 10932	0 10261	0 10346
Canadian dollar	0 65441	0 72860	0 70258	0 66459
US dollar	0 75930	0 84767	0 79710	0 80461
Czech crown	0 03638	0 03448	0 03529	0 03358
Chinese yuan	0 09728	0 10504	0 09996	0 09823
Polish zloty	0 26103	0 25907	0 25682	0 24873
Swiss franc	0 62232	0 64305	0 63575	0 64587
Moroccan dirham	0 08979	0 09137	0 09057	0 09074

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%
Fixture, 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 fixture	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

L'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

These are the investment securities which are recorded at their fair value, at the price applicable on the last day of the fiscal year for publicly listed shares, SICAV funds and shares in mutual funds Variations in fair value are recorded in the income

Accrued unmatured interest is only recorded if it can be identified (fixed rate Treasury bills, deposit certificates, 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

Regarding cashflow coverage, variations in fair value of derivative instruments are recorded as shareholders' equity for the effective part of the coverage, and as income for the ineffective part

The amounts in shareholders' equity are recycled as income when the transaction covered affects income If coverage no longer meets the accounting criteria for coverage, variations in fair value of derivative instruments are recorded as income

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

They also include funds categorised as euro monetary funds by the AMF, producing a yield similar to that of capitalised Eonia

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 associated services
Eco-industrial parks, household and industrial waste processing plants with energy recovery, power generation using biomass fuels, flue gas treatment systems and plant operation

Mechanical engineering and associated services
Defence-Systems complex mechanical systems, equipment for the defence, aeronautical, space and nuclear industries as well as for scientific research, using steels, light alloys and compound materials

Transport of passengers escalators, conventional and rapid-moving walkways, platform screen doors, sliding railway-car door systems, lifts and equipment maintenance

Energy and associated services
CNIM Babcock Services maintenance and renovation of industrial boilers, waste processing plants, installation and renovation of boiler houses, upgrading to comply with regulatory requirements

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

The secondary segment includes 5 geographical areas France, United Kingdom, the other European countries, Asia and other countries

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

On 22 June 2006, the Group sold 60% of its Energonut shares for €8,828,000

Over the fiscal year, the Group bought shares held by the minority shareholders of Curtis US for €1,316,000, increasing its ownership to 100% by 30 March 2006 compared to 75% at the end of the previous fiscal year

The shares of minority shareholders in Curtis UK, Curtis Canada and CNIM Portes Palieres were also bought for one symbolic euro, increasing the Group's ownership to 100%

The positive variance in acquisition represents – for CNIM Portes Palières, Curtis US, Curtis UK and Curtis Canada – an overall total of €1,456,000, without taking exchange rate differences into account

At the end of June, the Group also bought 100% shares in Accord Lift Services for €8,266,000, a British company specialising in lift installation, maintenance, modernisation and repairs

The corresponding acquisition variance stands at €6,427,000

Furthermore, the building owned by SCI Gabriel Péri in Montrouge was sold on 3 April 2006 for €6,638,000

Over the fiscal year, the Group recorded assets relative to an R&D tax credit of 2,892 K€
This income was entered in the year-end income on the "Operational subsidies" line

Discussions are currently underway on possible additional prices relating to further architectural costs incurred by English incineration plants

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 2005	2,281	16,132	3,932	6,511	28,856
Increases – Additions		279		304	583
Decreases – Disposals		(274)		(365)	(639)
Transfers		778		424	1,202
Change in scope of consolidation		(10)		(120)	(130)
Currency translation	0	(61)	(391)	1	(451)
Gross value 31 12 2006	2,281	16,844	3,541	6,755	29,421
Depreciation 31 12 2005	1,973	11,688	743	3,643	18,047
Depreciation allowances	117	1,094		1,174	2,385
Depreciation write backs		(274)		(332)	(606)
Transfers		(265)		265	0
Change in scope of consolidation		(10)			(10)
Currency translation			(76)		(76)
Depreciation 31 12 2006	2,090	12,233	667	4,750	19,740
Net value 31 12 2006	**191**	**4,611**	**2,874**	**2,005**	**9,681**
Loss of net value	0	0	0	0	0
Cancellationn of loss of net value	0	0	0	0	0

(1) Concerns Energonut

Breakdown of the net book value by activity sector

(K€)	31 12 2006	31 12 2005
Environment and associated services	3,623	4,841
Mechanical engineering and associated services	4,131	5,038
Energy and associated services	1,927	930
	9,681	**10,809**

Breakdown of the net book value by geographic sector

(K€)	31 12 2006	31 12 2005
France	6,114	6,732
England	5	0
Other European countries	42	176
Asia	709	784
Others	2,811	3,117
	9,681	**10,809**

V.2 – VARIATION IN GOODWILL

(K€)		31 12 2006	31 12 2005
Net value 1 January		39,856	39,147
Goodwill of the year [1]	(Nota 1)	7,912	501
Translation difference		(104)	208
IFRS change in method	(Nota 2)	(779)	
Net value		**46,885**	**39,856**

Net goodwill relates to the following companies

ACCORD LIFT SERVICES	6,560	
ATENA	1,801	1,773
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
CALDERAS Y PROYECTOS BABCOCK WANSON	29	29
CNIM ENVIRONNEMENT	15,557	15,557
CTS (formerly ELITEC)	622	622
CURTIS CANADA	137	
CURTIS US/UK	2,541	1,555
CNIM PORTES PALIÈRES	97	0
ENERGONUT	0	779
LAB	15,607	15,607
Total	**46,885**	**39,856**

Nota 1 Goodwill of Accord Lift Services for €6 427 million, CNIM platform doors for €105 000 Curtis Canada for €146 000, Curtis US for € 1 205 million and Atena for €28 000

Nota 2 Requalification of Energonut's goodwill as consolidated equity

V.3 – TANGIBLE ASSETS

(K€)	Land	Buildings	Plant and equipment	Others	Tangible assets in progress	Advances +partial payments	Total
Gross value 31 12 2005	8,538	59,990	45,249	17,614	2,806		134,197
Increases – Acquisitions		4,016	2,181	1,387	4,031		11 615
Decreases – Disposals	(456)	(1,802)	(2,395)	(1,637)	(13)		(6,303)
Transfers (1)	374	2,968	1,869	139	(3,115)		2,235
Change in scope of consolidation (2)	(425)	(2,182)	(3,215)	304			(5,518)
Currency translation	13	(122)	(99)	(121)	(57)		(386)
Gross value 31 12 2006	8,044	62,868	43,590	17,686	3,652	0	135,840
Depreciation 31 12 2005	591	42,414	34,509	14,311			91,825
Depreciation allowances	7	1,355	2,890	1,604			5,856
Depreciation write-backs		(1,049)	(1,435)	(1,584)			(4,068)
Transfers (1)		1,354	483	2			1,839
Change in scope of consolidation		(1,611)	(2,837)	131			(4,317)
Currency translation		3	(8)	(80)			**(85)**
Depreciation 31 12 2006	598	42,466	33,602	14,384	0	0	91,050
Net value 31 12.2006	**7,446**	**20,402**	**9,988**	**3,302**	**3,652**	**0**	**44,790**
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) Transfer of construction in progress to intangible assets
(2) Relates to Energonut

Breakdown of the net book value by activity sector

(K€)	31 12 2006	31 12 2005
Environment and associated services	13,049	14,171
Mechanical engineering and associated services	11,785	7,480
Energy and associated services	19,956	20,721
	44,790	**42,372**

Breakdown of the net book value by geographic sector

(K€)	31 12 2006	31 12 2005
France	26,241	25,737
England	3,689	3,422
Other European countries	7,449	9,096
Asia	4,584	2,397
Others	2,827	1,720
	44,790	**42,372**

V 4 – INVESTMENT PROPERTY

Nothing to report

V.5 – LONG-TERM INVESTMENTS (excluding investment in equity of unconsolidated affiliates – joint ventures)

(K€)	Investments in unconsolidated subsidiaries and affiliates	Loans and advances to unconsolidated companies [1]	Other investments	Total
Gross value 31 12 2005	19,800	19,450	9,648	48,898
Increases – Acquisitions		2,726	195	2,921
Decreases – Disposals	(33)	(1,782)	(178)	(1,993)
Transfers			(107)	(107)
Change in scope of consolidation			(23)	(23)
Currency translation			(12)	(12)
Gross value 31 12 2006	19,767	20,394	9,523	49,684
Provisions 31 12 2005	19,469	4,640	7,245	31,354
Allowances	19			19
Cancellations	(18)		(22)	(39)
Transfers		483	(8)	475
Change in scope of consolidation				0
Currency translation				0
Provisions 31 12 2006	19,470	5,123	7,215	31,809
Net value 31 12.2006	**297**	**15,271**	**2,308**	**17,875**

(1) Receivables relating to investments in companies
The increase results from interests invoiced to DWS, HWS and WWS
The reduction results from repayment of the SELCHP Junior Loan advance and from the change in translation differences
The provision corresponds to the share of negative equity from DWS and WWS (refer to Annexe V 6)

Breakdown of the net book value by activity area

(K€)	31 12 2006	31 12 2005
Environment and associated services	16,073	15,710
Mechanical engineering and associated services	550	485
Energy and associated services	1,252	1,349
	17,875	**17,544**

Breakdown of the net book value by geographic sector

(K€)	31 12 2006	31 12 2005
France	586	765
England	15,271	14,810
Other European countries	1,735	1 768
Asia	175	66
Others	108	135
	17,875	**17,544**

Long-term investments

(K€)	Gross value	Provision	Net value	Direct or indirect %
1/ Non consolidated interests				
BABCOCK CARIBBE (1)	44		44	100
CALERGO (1)	38	19	19	100
CNIM Espagne (1)	48	6	42	100
CNIMEX	37		37	100
CNIM INDUSTRIE (1)	60	23	37	100
COFRASERVICE (1)	16		16	100
SMA (3)	63		63	3
CNIM-BABCOCK SULAMERICANA (1)	6	6	0	100
STOMA (1)	55	20	35	100
WANSON BENEDE (2)	19,392	19,392	0	100
Others	8	4	4	-
Total non consolidated interests	**19,767**	**19,470**	**297**	

2/ Receivables related to shareholdings
Receivables related to shareholdings are held by the company CNIM

(K€)	Currency	Gross value	Provision	Net value
DWS	GBP	2,954	2,332	622
HWS	GBP	6,067		6,067
SELCHP	GBP	7,952		7952
WWS	GBP	421	2,791	630
Total receivables related to shareholdings		**20,394**	**5,123**	**15,271**

3/ Other long-term investments	Gross value	Provision	Net value	Direct or indirect %
3 1/ Long term securities of portofolio activity				
BABCOCK INTERNATIONAL (1)	2,079	1,287	792	100
FOSTER WHEELER FAKOP	1,051	281	770	84
NORMED (2)	5,637	5,637	0	-
Others	9	1	8	-
Sub-total	8,776	7,206	1,570	
3 2/ Loans	126		126	
3 3/ Other long-term investments	621	9	612	
Total other long-term investments	9,523	7,215	2,308	
Total long-term investments	**49,684**	**31,809**	**17,875**	

(1) Non-operating company

(2) Companies in liquidation

(3) SMA (Société Monégasque d'Assainissement) is the only non-consolidated company with significant business (sales 2005 of €14 588 thousand) in which the CNIM Group does not own any notable leverage

V.6 – PARTICIPATION DANS LES ENTREPRISES ASSOCIÉES

(K€)		31 12 2006	31 12 2005
Gross value			
SELCHP	Shareholders' equity 1 January	92	475
	Profit or loss for the year	378	(398)
	Pay-out of dividends		
	Change in currency translation adjustment	8	15
	Shareholders' equity 31 December	478	92
	% interest	48 75%	48 75%
	Book value	**233**	**45**
HWS	Shareholders' equity 1 January	4,401	3,226
	Profit or loss for the year	860	1,083
	Pay-out of dividends		
	Change in currency translation adjustment	103	92
	Shareholders' equity 31 December	5,364	4,401
	% interest	39 00%	39 00%
	Book value	**2,092**	**1,716**
DWS	Shareholders' equity 1 January	(6,346)	(5,320)
	Profit or loss for the year	(511)	(875)
	Change in currency translation adjustment	(138)	(151)
	Shareholders' equity 31 December	(6,995)	(6,346)
	% interest	33 33%	33 33%
	Book value	**(2,331)**	**(2,115)**
ENERGONUT	Shareholders' equity 1 January	11,141	0
	Profit or loss for the year	(1,097)	0
	Change in currency translation adjustment		
	Shareholders' equity 31 December	10,044	
	% interest	40 00%	
	Value	**4,018**	**0**
	Re-classification of net goodwill	**311**	
	Book value	**4,329**	**0**
WWS	Shareholders' equity 1 January	(7,580)	(6,162)
	Profit or loss for the year	(633)	(1,240)
	Change in currency translation adjustment	(166)	(178)
	Shareholders' equity 31 December	(8,379)	(7,580)
	% interest	33 33%	33 33%
	Book value	**(2,793)**	**(2,526)**
Total		**1,529**	**(2,880)**
Gross value of shares of companies consolidated by equity method		**6,654**	**1,760**
Provisions for depreciation		**-**	**-**
Net value		**6,654**	**1,760**
Provisions for loss (corresponding to negative shareholders' equity)		**(5,124)**	**(4,640)**

(K€)	31 12 2006	31 12 2005
Evolution in sales (converted at yearly average exchange rate)		
SELCHP	36,808	31,481
HWS	20,482	21,521
DWS	11,544	10,524
ENERGONUT	800	
WWS	11,888	10,568

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			
Trade account receivables	179,795	179,795	
Revenue accruals for ongoing business	120,757	120,757	
Total 1	**300,552**	**300,552**	
Other operating receivables			
Employees	660	660	
State and other public authorities	24,548	24,548	
Others	7,485	7,485	
Total 2	**32,693**	**32,693**	
Prepaid expenses	4,727	4,727	
Total receivables	**337,972**	**337,972**	

V.8 – CONSTRUCTION CONTRACTS

(K€)	31 12 2006	31 12 2005
Sales relating to percentage of completion [1]	319,228	391,992
Advances [2]	59,402	29,129
Retentions [3]		
Gross amount of contracts receivable from customers, assets [4]	120,757	101,168
Gross amount of contracts payable to customers, liabilities [4]	71,705	23,898

(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 2006	31 12 2005
Treasury stock market support contract [1]		-
Certificates of deposit		0
OPVCM (SICAV + FCP)	50 607	59 830
Mutual funds		
Gross value	**50 607**	**59 830**
Provisions		
Latent capital gains reported as recyclable reserves		**100**
Net value	**50 607**	**59 930**
Market value	**50 607**	**60 030**
Taxable unrecognised income	**32**	**100**

(1) Reclassified as equity

The Group has opted for the implementation of IAS 32 and IAS 39 as of 1 January 2006 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,

This line has decreased due to the sale of SCI Gabriel Péri's building on 4 April 2006 for 6,638 K€.

This generated a capital gain of €4,570,000

V.11 – SHAREHOLDER EQUITY

SHARE CAPITAL

On 31 December 2006, 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 2006 was 4,942,946 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 22 June 2006, the company has renewed a market making contract with Exane

	Exane	Total
Own,shares,at,01 01 2006	6,586	6,586
Shares,purchased,in,2006	14,890	14,890
Average,purchase,price	**99 05**	**99 05**
Shares,sold in,2006	(14,711)	(14,711)
Average,sale,price	**83 38**	**83 38**
Own,shares,at,31.12.2006	**6,765**	**6,765**

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 2006 - 1 an	+ 1 an	Total
Non current liabilities			
Loans from financial institutions	731	8,180	8,911
Loans and others financial debts	430	647	1,077
Sub-total non current liabilities	**1,161**	**8,827**	**9,988**
Current liabilities			
Overdrafts and current accounts	17,272		17,272
Sub-total current liabilities	**17,272**	**0**	**17,272**
Total	**18,433**	**8,827**	**27,260**

(K€)	31 12 2006	Euros	Foreign currencies	31 12 2005
Less than 1 year	18,433	12,334	6,099	17,144
From 1 year to 5 years	8,827	647	8,180	27,107
More than 5 years				
Total	**27,260**	**12,981**	**14,279**	**44,251**

Nota 1 . details of loans from credit institutions.

	Currencies		Exchange value in thousands of euros
Less than 1 year	Czech crown	CZK	100
	Moroccan dirham	MAD	973
	Canadian dollar	CAD	10,458
	Hong Kong dollar	HKD	142
	US dollar	USD	2,407
	Swiss franc	CHF	133
	Sterling pound	GBP	0
	Chinese yuan	CNY	12
	Polish zloty	PLN	54
			14,279

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 2006	Rate	Currencies
Medium-term loan June 2005				
Multi currency loan payable from 2005 to 2010	90,000		Variable on Euribor	euro
Loan in CAD· 12,500 000		8,180		Dollar CAD
Restatement of borrowing costs		(206)		
Re classification of interest generated by swaps		(10)		
LIXXBAIL loan April 2004		36		
Payable from 2004 to 2007				
LIXXBAIL loan November 2004		384		
Others		429		
Restatement of leasings and finance leases		98		
Sub-total loans from financial institutions		**8,911**		
BW Italiana		1 077	Variable	euro
Sub-total of non current liabilities		**9,988**		
Babcock Wanson Maroc		27		
Curtis Canada		2,278		
CNIM Babcock Central Europe		100		
Deposits and guarantees		107		
Capitalisable advances		1,525		
Current accounts payable to financial institutions		11,798		
Current accounts payable from non consolidated companies		1,437		
Sub-total current liabilities		**17,272**		
Total loans and financial debts		**27,260**		

The 2006 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 2005	Additions	Write-back of used provisions	Write-back of unused provisions	Change in methods or entering scope	Transfer	Currency translation	Provisions at 31 12 2006
Law-suits provision	6,810	1,279	(3,254)	(2,722)		(31)	4	2,086
Provisions for losses on long-term contracts	2,606	1,462	(2,299)				(41)	1,728
Other provisions for risks	20,333	8,146	(1,577)	(204)		31	4	26,733
Renewals	12,998	240	(1,737)				80	11,581
Reserve for retirement indemnities	17,341	1,498	(517)		(182)		65	18,205
Other provisions for charges	3,569	600	(15)		(31)			4,123
Total non current provisions	**63,657**	**13,225**	**(9,399)**	**(2,926)**	**(213)**	**0**	**112**	**64,456**
Waranty provision	9,018	4,415	(3,818)	(1 584)			9	8,040
Expenses on terminated contracts	20,921	22,589	(9,783)	(4,143)			5	29,589
Total current provisions	**29,939**	**27,004**	**(13,601)**	**(5,727)**	**0**	**0**	**14**	**37,629**
Total risks and charges	**93,596**	**40,229**	**(23,000)**	**(8,653)**	**(213)**	**0**	**126**	**102,085**

V 13 1 – RETIREMENT INDEMNITIES AND RELATED OBLIGATIONS

Retirement indemnities

For French companies

Employee retirement indemnities are determine using actuarial assumptions and calculations based on retirement age, mortality (INSEE table 19986 1990), seniority and staff turnover

The projected benefit obligation is calculated using a salary increase of 1%, inflation of 2 % and a discount rate of 3 5%

The application of the new law regarding social security finance generates a further actuarial difference of €950,000 (profit)

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

Retirement commitments

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 plans

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 2006 was 761 K€.

(K€)	31 12 2006		31 12 2005	
	Plans without asset management contract	Plans with asset management contract	Plans without asset management contract	Plans with asset management contract
The amounts shown on the statement are determined as follows				
Value of obligation	10 420	26 022	12 676	23 207
Fair value of assets	0	(17 299)	0	(15 494)
Unrecognised past services cost	0	(1 195)	0	(1 953)
Unrecognised actuarial differences [1]	1 874	(2 029)	(50)	(1 385)
Accounting provision at end of period	**12 294**	**5 500**	**12 626**	**4 374**

(Recorded liabilities as at 1 January 2004 and 31 December 2004 are 17,250 K€ and 16,229 K€ respectively)

The variations of obligations related to defined benefit schemes during the fiscal year can be broken down as follows				
Value of obligations at beginning of fiscal year	12,626	23,016	12,215	17,493
Variation in scope	(182)	0	0	0
Currency translation differences	0	275	0	350
Benefits for the year	872	851	753	778
Updating	494	985	540	981
Modification of scheme	0	48	0	2,376
Employee contributions	0	97	0	108
Benefits paid	(1,523)	(617)	(870)	(495)
Actuarial losses and gains	(1,867)	1,368	38	1,616
Value of obligations at end of fiscal year	**10,420**	**26,022**	**12,676**	**23,207**

The following table shows the variation of the scheme's assets during the fiscal year				
Value of assets at beginning of fiscal year		15,162		12,638
Currency translation differences		217		257
Expected remuneration of hedging assets		961		794
Employer contributions		1,168		1,133
Employee contributions		97		108
Benefits paid		(617)		(495)
Actuarial losses and gains		312		1,060
Value of assets at end of fiscal year		**17,299**		**15,494**

The amounts accounted for in the statement of income are as follows.				
Benefits for the year	872	851	753	778
Updating	494	985	540	981
Remuneration of assets	0	(961)	0	(794)
Amortisation of actuarial gains and losses	8	165	0	391
Amortisation of past service costs	0	1,188	(12)	49
Expense for the fiscal year	**1,374**	**2,228**	**1,281**	**1,406**

(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

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 €412,000

The calculation of the provision for long service bonuses as of 31 December 2006 was determined using actuarial assumptions taking into account the age of the employee at the time of benefiting from the bonus, mortality (table Insee TH 00-02, TF 00-02), seniority and staff turnover The projected obligation is calculated using an inflation rate of 2% and discount rate of 3 5%

Personal right to training
On 31 December 2006, 86,297 hours of training had not been used by the Group's French employees in relation to their personal right to training This is equivalent to 370 K€ excluding training costs, applying a hypothetical 50% take-up rate for the right to training

V 13 2 – **PROVISIONS FOR RENEWALS**

Lawsuits provision
Write back of provision correspond to agreements signed for M- Real Alizay, Chautard and Lasse

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
"Other provisions for contingencies" mainly consist of provisions for various taxes (20,563 K€) and notifications of tax adjustments (1,852 K€)

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

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 €4,120,000 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%

V.14 – LEASES

a) Financial leases

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

The amounts concerned by these restatements are

(k€)	31 12 2006	31 12 2005
Gross investments	4,152	3,668
Depreciation	(3,010)	(2,752)
Net investments	**1,142**	**916**
Fees	342	261
Interest expenses	(18)	(20)
Depreciation allowance	(227)	(220)
Net impact	**97**	**21**

(k€) 31 12 2006	Rents financial year	Debts 31 12 2006	Less than 1 year	1 – 5 years
Intangible assets				
Software	93	31	31	
Tangible assets				
Buildings	75			
Machinery and equipment	102	392	92	300
Computer equipment	72	65	65	
Total	**342**	**488**	**188**	**300**

b) Non cancellable operating leases

(k€)	Rents financial year	Minimum future payments at 31 12 2006	Less than 1 year	1 – 5 years
Intangible assets				
Tangible assets				
Buildings	1,505	3,196	1,609	1,587
Machinery and equipment	0	0	0	0
Computer equipment	42	86	41	45
Transport equipment	1,384	2,152	1,186	965
Office furniture and equipment	441	803	433	370
Total	**3,373**	**6,238**	**3,270**	**2,968**

V 15 – 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 1 – SALES

Breakdown of sales by activity sector

(K€)	31 12 2006	31 12 2005
Environment and associated services	243,473	335,649
Mechanical engineering and associated services	166,286	158,951
Energy and associated services	112,447	120,898
	522,206	**615,498**

Breakdown of sales by geographic area

(K€)	31 12 2006	31 12 2005
France	381,371	417,413
England	51,143	67,776
Other European countries	54,095	77,419
Asia	7,099	9,929
Others	28,498	42,961
	522,206	**615,498**

VI.2 – IMPACT OF CHANGES IN THE SCOPE OF CONSOLIDATION

(K€)	31 12 2006	31 12 2005
Sales	514,627	607,440
Stored production	4,930	435

VI 3 – OPERATING INCOME

Breakdown by activity sector

(K€)	31 12 2006	31 12 2005
Environment and associated services	27,763	19,798
Mechanical engineering and associated services	(3,765)	10,202
Energy and associated services	2,646	517
Not allocated	3,625	0
	30,269	**30,517**

(K€)	31 12 2006	31 12 2005
R&D expenditures recorded as expenses of the year	3,922	1,554

Breakdown by geographic area

(K€)	31 12 2006	31 12 2005
France	26,556	21,540
England	3,798	3,592
Other European countries	3,322	5,148
Asia	(163)	411
Others	(3,244)	(174)
	30,269	**30,517**

VI 4 – FINANCIAL INCOME/FINANCIAL EXPENSES

The financial cost as of 31 December is characterized by:

(K€)	31 12 2006	31 12 2005
Financial income from securities	1,795	1,097
Other interests received and similar income	4,466	2,877
Reversed provisions and transfer of charges	86	209
Total financial income	6,347	4,183
Provisions	54	112
Interests paid and financial expenses	2,082	2,663
Gross finance cost	2,136	2,775
Finance cost – net	**4,211**	**1,408**

VI.5 – OTHER FINANCIAL EXPENSES AND INCOME

An impact of the exchange rate differences

(K€)	31 12 2006	31 12 2005
Exchange gain	1,370	1,797
Exchange loss	(3,041)	(1,060)
Balance	(1,671)	737
Financial income on investments	717	34
Total other financial expenses and income	**(954)**	**771**

VI.6 – SHARE OF PROFIT AND LOSSES FROM ASSOCIATES

Companies consolidated by equity method are

(K€)	31 12 2006	31 12 2005
HWS share of profits and losses	335	422
DWS share of profits and losses	(170)	(292)
WWS share of profits and losses	(211)	(413)
SELCHP share of profits and losses	184	(194)
ENERGONUT share of profits and losses	(439)	
Incidence des sociétés consolidées par mise en équivalence	(301)	(477)

DWS and WWS made a negative contribution as the plants began their commercial operations and this results in a negative net income for the first few years due to weighty depreciation costs and financial expenses

VI.7 -TAXES

Impact on the consolidated income statements

(K€)	31 12 2006	31 12 2005
Income tax due	(14,155)	(11,471)
Deferred tax	2,143	(461)
	(12,012)	**(11,932)**

Reconciliation between actual tax and theoretical tax

(K€)	31 12 2006	31 12 2005
Income before tax	33,225	32,219
Share of profits and losses of companies accounted for using the equity method	301	477
Reversed goodwill		(2,051)
Tax credit for research	(2,893)	(4,362)
Taxable income	**30,633**	**26,283**
Theoretical tax	(10,547)	(9,181)
(Theoretical tax at rate in force for consolidating company)	*34 43%*	*34 93%*
Effect of differences in tax rates	18	(245)
Effect of losses for companies not integrated for tax purposes	(2,032)	(1,017)
Effect of losses for companies integrated for tax purposes but not usable for integration		(1,720)
Effect of allocations of deficits that can be carried forward	1,026	182
Other effects		
Bank contract guarantees		
Final differences	(477)	49
Actual tax	**(12,012)**	**(11,932)**

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 2006			31 12 2005
	Less than 1 year	More than 1 year	Total	Total
Deferred taxation receivable				
Timing differences	2,240		2,240	2,010
Regulated provisions			0	(287)
Deletion of internal margin	497		497	0
Post-retirements benefits	247	4,970	5,217	4,894
Others	1,125	23	1,148	1,140
Total	**4,109**	**4,993**	**9,102**	**7,757**
Deferred taxation payable				
Temporary discrepancy tax/social	(52)		,(52)	7
Depreciation of revalued assets	(56)	(1,926)	(1,982)	(1,993)
Others	(1,288)	(311)	(1,599)	(2,317)
Total	**(1,396)**	**(2,237)**	**(3,633)**	**(4,303)**

VII 2 – OFF-BALANCE SHEET COMMITMENTS

(K€)	31 12 2006	31 12 2005
Commitments given		
Bank guarantees for contracts	210,243	218,464
Other guarantees given to financial institutions	759	937
Commitments received		
Guarantees from suppliers	63,727	39 283

VII 3 – PERSONNEL

(K€)	31 12 2006			31 12 2005		
	France	**Abroad**	**Total**	**France**	**Abroad**	**Total**
Fully consolidated companies						
Engineers and managers	728	159	887	736	123	859
Employees	544	285	829	544	257	801
Workers	430	643	1,073	420	681	1,101
Total	**1,702**	**1,087**	**2,789**	**1,700**	**1,061**	**2,761**
Proportionally consolidated companies (CCUAT)						
Engineers and managers	2	0	2	2	0	2
Employees	6	0	6	6	0	6
Workers						
Total	**8**	**0**	**8**	**8**	**0**	**8**

Breakdown of employees per company

French subsidiaries						
ATENA	72			74		
BABCOCK WANSON	359			382		
CNIM	994			973		
CNIM TRANSPORT SERVICES	156			131		
LAB	121			131		
TMC				9		
Total	1,702			1,700		
Foreign subsidiaries						
ACCORD LIFT SERVICES		41				
BABCOCK WANSON AG		8			8	
BABCOCK WANSON CALDEIRAS		8			8	
BABCOCK WANSON MAROC		67			65	
BABCOCK WANSON UK		50			61	
BABCOCK WANSON ITALIANA		139			140	
CNIM BABCOCK CENTRAL EUROPE		21			21	
CNIM BELGIQUE		26			27	
CNIM ÉGYPTE					23	
CNIM CANADA		156			146	
CNIM HONG-KONG		181			179	
CNIM UK		14			29	
CNIM TRANSPORT ÉQUIPMENT		84			58	
CURTIS CANADA		57			33	
CURTIS US/UK		46			12	
CYPROSAL Y PROYECTOS BABCOCK WANSON		32			36	
ENERGONUT					22	
LAB GmbH		14			14	
MARTIN ENGINEERING SYSTEMS		42			82	
MARTIN ENGINEERING SYSTEMS ENVIRONMENT		101			97	
Total		1,087			1,061	
Group total			**2,789**			**2,761**

VII.4 - OTHER SEGMENT INFORMATION

a) Breakdown by business

(K€)	Environment	Mechanical engineering	Energy	Exceptional	Total at 31 12 2006
Sales	243,473	166,286	112,447		522,206
Sales between business lines					
Total	**243,473**	**166,286**	**112,447**		**522,206**
Operating income	27,763	(3,765)	2,646	3,625	30,269
Net financial income/expense					3,257
Share of profits and losses of ME (1)					(301)
Income/loss from businesses sold					(157)
Taxes					(12,012)
Minority interest					21
Net income					**21,077**

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

b) Breakdown by geographical zone

(K€)	France	England	Other European countries	Asia	Others	Total
Sales	381,371	51,143	54,095	7,099	28,498	522,206
Sales between business lines						
Operating income	26,556	3,798	3,322	(163)	(3,244)	30,269

VII.5 - TRANSACTIONS WITH LINKED COMPANIES

(K€)	31 12.2006	31 12 2005
1) Sales of goods and services		
Associated companies	19,902	23,029
2) Purchases of goods and services		
Associated companies	682	873
Other		
Martin GmbH	14,863	6,354
3) Operating receivables and liabilities		
Receivables related to linked parties		
Associated companies	7,438	5947
Liabilities towards linked parties		
Associated companies	97	485
Martin GmbH	1,271	2,414
4) Loans granted		
Associated companies	20,394	19,450

VII 5 – TRANSACTIONS WITH LINKED COMPANIES (continuation)

(K€)	Total executives	Executive Board	Supervisory Board
5) Executives			
Financial commitments	Nothing to report		
Retirement commitments (1)			
Advances and credits allocated	Nothing to report		
Remunerations allocated		2,338	445

(1) On 31 December 2006, the commitment for HC executives (working and retired) amounted to €10 659 million

All members of the Executive Board are considered HC and are thus entitled to a defined benefit supplementary retirement scheme after the age of 60

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 2006 had a negative market value of approximately €44,000

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

Derivative instruments on long-term sales contracts are recorded as liabilities at 178 K€ and as assets at 72 K€.

3) Foreign exchange risk on assets

TThe assets in pounds sterling are include in a global netposition of 5 million pounds sterling, hedged by a forward swap of 5 million pounds sterling whose term was 31 January 2007 with an extendes option for six months The derivative instrument liability stands at 198 K€

4) Shares

The risk only concerns CNIM's own shares At closing, the price of treasury stock was rated at 771 K€ – recorded as a reduction in shareholders' equity – and accounted at the historical rate at 726 K€ (appendix V5 1 of the company financial statements)

VIII – EVENTS SUBSEQUENT TO CLOSING OF ACCOUNTS

No significant events occurred subsequent to the date of closure

I.6 – Parent company financial statements

Balance sheet
as of 31 December 2006

ASSETS (K€)		31 12 2006			31 12 2005
	Note	Gross	Amortisations and provisions	Net	Net
Uncalled subscribed capital		–	–	0	0
Intangible assets	V1	16,636	7,924	8,712	9,627
Tangible assets					
Land		3,073	598	2,475	2,482
Buildings		29,523	24,842	4,681	4,723
Plant and equipment		20,992	16,885	4,107	4,113
Others		6,397	4,916	1,481	1,510
Assets in progress		3,651	–	3,651	919
Advances and down payments		–	–	0	0
Sub-total tangible assets	V2	63,636	47,241	16,394	13,747
Long-term investments					
Investments in subsidiaries and affiliates		123,382	43,713	79,669	76,943
Loans and advances to subsidiaries and affiliates		37,133	–	37,133	31,317
Other investments		7,041	5,920	1,121	1,163
Sub-total long-term investments	V3	167,556	49,633	117,923	109,423
Total non current assets		247,828	104,798	143,030	132,797
Inventory					
Raw material		11,026	3,532	7,494	7,444
Goods		–	–	0	0
Finished products		–	–	0	0
Long-term contracts/Work in progress		–	–	0	–
Advances + partial payments on orders		2,713	–	2,713	1,889
Accounts receivable					
Trade receivable and related accounts	V4	219,408	3,105	216,304	238 086
Others		73,419	772	72,647	64,228
Marketable securities	V5	44,790	–	44,790	54,744
Cash		16,768	–	16,768	6,103
Prepaid expenses	V6	951	–	951	1,692
Total current assets		369,075	7,409	361,666	374,186
Charges to be spread out over several financial years		–	–	0	0
Unrealised foreign exchange gains	V12	2,010	–	2,010	2,649
Total		618,913	112,207	506,706	509,632

LIABILITIES (K€)	Note	31 12 2006	31 12 2005
Shareholder's equity			
Share capital		6,056	6,056
Issuance premium		7,237	7,237
Legal reserve		606	606
Reserves		67,268	61,316
Net income		21,068	15,016
Regulated provisions	V7	238	1,602
Total shareholder's equity	V8	102,473	91,833
Provisions for contingencies and charges	V9	58,133	56,133
Financial debt			
Bank loans	V10	10,242	30,632
Other long-term debt	V10	101,024	94,860
Total debt		111,266	125,492
Advances + partial payments		57,570	27,967
Accounts payable			
Suppliers	V10	69,529	76,547
Tax and social security payable	V10	55,989	61,300
Total accounts payable		125,518	137,847
Other debt	V10	10,603	6,474
Total debt		247,387	269,813
Prepaid income	V11	39,826	62,185
Unrealised foreign exchange losses	V12	1,317	1,701
Total		**506,706**	**509,632**

Statement of income
as of 31 December 2006

(K€)	Note	31 12 2006	31 12 2005
Operating revenues			
Sales	VI 1	301,581	293,853
Stored production	VI 1	–	0
Capitalised production		204	20
Operating subsidies		3,181	4,362
Cancellation of provisions		22,174	17,592
Transfer of charges		247	1,319
Other revenues		580	2,876
Total operating revenues		**327,967**	**320,022**
Operating expenses			
Purchases of goods and changes in inventory		(156,251)	(158,373)
Other expenses		(55,195)	(52,107)
Personnel expenses		(5,160)	(4,628)
Salaries and wages		-	–
Social security charges		(48,312)	(46,653)
Social security charges		(23,204)	(22,276)
Employee profit sharing		–	-
Depreciation and amortisation		**(3,837)**	**(3,291)**
Provisions		**(20,098)**	**(20,930)**
Other expenses		**(5,595)**	**(2,091)**
Total operating expenses		**(317,652)**	**(310,349)**
Operating income		**10,315**	**9,673**
Group share of income from joint operations			
Financial revenues			
Equity investments		4,179	458
Other securities		1,930	1,099
Other interest revenues		5,436	3,376
Cancellation of provisions, transfer of charges		2,709	4,302
Foreign exchange gains		1,115	1,380
Total financial revenues		**15,369**	**10,615**
Financial charges			
Depreciation allowances + provisions		(2,064)	(2,773)
Interest expenses		(3,298)	(3,121)
Foreign exchange losses		(2,251)	(1,345)
On securities		–	(2)
Total financial charges		**(7,613)**	**(7,240)**
Financial income	VI 2	**7,756**	**3,375**
Income before taxes and exceptional items		**18,071**	**13,048**
Exceptional revenues		**10,657**	**9,433**
Exceptional charges		**(4,197)**	**(2,885)**
Exceptional items	VI 3	**6,460**	**6,548**
Corporate income tax	VI 4	(3,462)	(4,580)
Net income (Group share)		**21,068**	**15,016**

Cash flow table

(K€)	31 12 2006	31 12 2005
Total net income	**21 068**	**15 016**
Elimination of charges and income having no effect on the cash flow or not relating to the activity		
Elimination of depreciation and provisions	4 464	11 397
Elimination of variation in differed tax	-	-
Elimination of capital gains or losses from sales	(5 626)	(6 987)
Elimination of revenue share relating to companies consolidated under equity method	-	0
Other income and charges without effect on cash flow	-	0
Cash flow	**19 906**	**19 427**
Dividends received from consolidated companies	**-**	**0**
Effect of the variation in BFR related to the activity		
Inventory and work in progress	(50)	945
Long-term contracts/Work in progress	-	-
Advances and down payments	(824)	(514)
Operating receivables	23 831	(90 320)
Other receivables and accrued income	1 380	1 832
Advances and down payments received	29 604	10 888
Variation in operating debts	(8 262)	15 755
Variation in other debts	(22 683)	10 431
Total	**22 996**	**(50 985)**
Net flows generated by (appropriated to) the activity (A)	**42 903**	**(31 558)**
Purchase of capital assets	(19 867)	(18 680)
Purchase of capital shares	-	0
Sales of capital assets	11 431	16 416
Sales of capital shares	-	0
Net flows coming from (appropriated to) investments (B)	**(8 436)**	**(2 264)**
Dividends paid by the parent company	(9 064)	(7 553)
Dividends paid to minority shareholders	-	0
Capital increase (reduction)	-	0
Investment subsidies	-	0
New borrowings	2 716	28 217
Repayment of borrowings	(21 031)	(51 892)
Net flows coming from (appropriated to) financing (C)	**(27 380)**	**(31 227)**
Effect of the variation in exchange rates (D)	0	0
Effects of change in accounting principles (E)	(5)	249
Cash variation A + B + C + D + E	**7 082**	**(64 800)**
Closing cash		
Marketable securities and treasury shares	44 790	54 744
Cash	16 768	6 103
Current bank account balances	(1 643)	(3 982)
Subsidiaries' bank account balances	(44 345)	(48 377)
Total	**15 569**	**8 487**
Cash variation	**7 082**	**(64 800)**

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

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

	Durée
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

The company addresses each component individually, applying differentiated depreciation periods for each significant component of any particular asset, if one of the components has a different useful lifetime from the main fixed asset it comprises

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

IV – IMPORTANT EVENTS OVER THE PERIOD

On 22 June 2006, the Group sold 60% of its Energonut shares for 8,828 K€

The 2,892 K€ R&D tax credit was recorded in the year-end income on the "Operating subsidies" line

V – NOTES TO THE FINANCIAL STATEMENTS

V.1 – INTANGIBLE FIXED ASSETS

(K€) Assets	Gross value start of year 2006	Increases caused by additions	Other	Decreases arising from divestments or scrapping	Gross value end of year 2006
Gross value					
Set-up expenses	4		(4)		0
Franchises, patents, licences	3,506				3,506
Other intangible fixed assets	4,862	262	142	332	4,934
Goodwill	6,807				6,807
R & D expenditure	1,389				1,389
Total gross value	**16,568**	**262**	**138**	**332**	**16,636**
Depreciation					
Set-up expenses	2		(2)		0
Concessions, patents, licences	2,835	242			3,077
Other intangible fixed assets	2,310	1,024		332	3,002
Goodwill	457				457
R & D expenditure	1,337	52			1,389
Total depreciation	**6,941**	**1,318**	**(2)**	**332**	**7,924**
Net value	**9,627**	**(1,056)**	**141**	**0**	**8,712**

V.2 – TANGIBLE FIXED ASSETS

(K€) Assets	Gross value start of year 2006	Increases caused by additions	Changes others change in method	Changes caused by transfers	Decreases arising from divestments or scrapping	Gross value end of year 2006
Gross value						
Land and improvements	3,073	–	–	–	0	3,073
Buildings						
On own land	15,273	–	–	–	2	15,271
On third parties' land						
Buildings fixtures and fittings	13,688	492	–	224	152	14,252
Sub-total buildings	**28,961**	**492**	**0**	**224**	**154**	**29,523**
Plant and equipment	20,875	590	–	418	891	20,992
Other tangible assets						
General fixtures, miscellaneous	70	–	–	–	2	68
Transportation equipment and handling equipment	547	7	–	–	31	523
Fixtures and hardware	6,473	619	–	136	1,422	5,806
Recoverable packaging, miscellaneous	–	–	–	–	–	–
Sub-total other tangible assets	**7,090**	**626**	**0**	**136**	**1,455**	**6,397**
Assets in progress	919	3,651	–	(919)	–	3,651
Advances + partial payments on orders	0	–		–	–	0
Total gross value	**60,918**	**5,359**	**0**	**(141)**	**2,500**	**63,636**
Depreciation						
Land and improvements	591	7	–	–	–	598
Buildings						
On own land	13,282	193	–	–	2	13,473
On third parties' land	–	–	–	–	–	–
Buildings fixtures and fittings	10,956	555	–	–	142	11,369
Sub-total buildings	**24,238**	**748**	**0**	**0**	**144**	**24,842**
Plant and equipment	16,762	990	–	–	867	16,885
Other tangible assets						
General fixtures, miscellaneous	52	9	–	–	1	59
Transportation equipment and handling equipment	452	38	–	–	23	467
Fixtures and hardware	5,076	726	–	–	1,413	4,389
Recoverable packaging, miscellaneous	–	–	–	–	–	–
Sub-total other tangible assets	**5,580**	**773**	**0**	**0**	**1,437**	**4,916**
Total depreciation	**47,171**	**2,518**	**0**	**0**	**2,448**	**47,241**
Net value	**13,747**	**2,841**	**0**	**(141)**	**(53)**	**16,395**

V.3 – IMMOBILISATIONS FINANCIÈRES

(K€) Assets	Gross value 31 12 2006	Increases	Decreases	Gross value 31 12 2006
Gross value				
Investments in related companies [1]	120,655	6,000	3,273	123,382
Receivables relating to investments in companies [2]	31,317	8,206	2,390	37,133
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	25	0	0	25
Deposits and bonds	372	39	90	7,041
Sub-total	7,092	39	90	7,041
Total gross value	**159,064**	**14,245**	**5,753**	**167,556**
Depreciation				
Investments in related companies	43,712	19	18	43,713
Loans and advances to related companies [2]	0	0	0	0
Other long-term investments	–	–	–	–
Capitalised securities	289	–	–	289
Other portfolio investments booked as fixed assets	5,637	0	7	5,630
Loans	0	0	0	0
Deposits and bonds	3	0	2	1
Sub-total	**5,929**	**0**	**9**	**5,920**
Total depreciation	**49,641**	**19**	**27**	**49,633**
Net value	**109,423**	**14,226**	**5,726**	**117,923**

(1) Investments in subsidiaries and associates

They include €63,427,000 of Backcock Entreprise Holding shares impaired for €42 000 000 That impairment takes into account the market value of the La Courneuve site

The increase corresponds to CNIM s participation in the capital increase of CTH and the reduction corresponds to the divestment of a 60% share in Energonut

(2) Receivables related to investments in subsidiaries and associates

The increase is due to interest invoiced to DWS (€656 000) and capitalised invoiced to WWS (€683,000) and capitalised, to HWS (€924 000) and capitalised, an advance to CNIM CANADA (€705,000) an advance to BWF (€4,774,000), translation differences relating to SELCHP (€168 000) WWS (€70 000), HWS (€147,000), DWS (€73,000)

The reduction is due to goodwill from CNIM CANADA (€607000) and the repayment of the advances SELCHP Junior loan (€201 000) WWS (€593 000) and DWS (€989,000)

(3) Portfolio investments

Portfolio investments mainly consist of 5 471 Foster Wheeler Fakop securities for €1,051 000 depreciated by €281 000 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	19	19	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	6	42	100
CNIM Industrie	3,865 shares	60	23	37	100
Cofraservice	GIE shares 50%	8	0	8	-
CTH	1,310,750 shares	19,661	0	19,661	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	268	-	268	33 3
ENERGONUT	2,810,146 shares	2,182	-	2,182	40
HWS	1,170,000 shares	1,882	-	1,882	39
LAB	259,994 shares	12,500	-	12,500	100
MARTIN ENGINEERING SYSTEMS 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	19	36	100
UTE Bilbao	GIE shares 75%	18	-	18	75
WWS	166,667 shares	267	-	267	33 3
Total		**123,382**	**43,713**	**79,669**	**-**

V.4 – RECEIVABLES

(K€)		Liquidity rate		
Receivables	**Gross value**	**Maturity of less than 1 year**	**Maturity from 1 to 5 years**	**Maturity of more than 5 years**
Long-term receivables				
Loans and advances to related companies	37 133	–	–	37 133
Loans	25	–	–	25
Deposits and bonds (share of other long-term investments)	321	–	–	321
Total 1	**37 479**	**–**	**–**	**37 479**
Trade receivables				
Doubtful accounts	550	550	–	–
Notes receivable	404	404	–	–
Other accounts receivable [1] [2]	218 454	218 454	–	–
Total 2	**219 408**	**219 408**	**–**	**–**
Other receivables				
Employees	286	286	–	–
Social security bodies	0	0	–	–
State and other public authorities	14 244	14 244	–	–
Others	3 272	3 272	–	–
Group and associates	55 616	55 616	–	–
Total 3	**73 419**	**73 419**	**–**	**0**
Prepaid expenses	951	951	–	–
Total receivables	**331 257**	**293 778**	**0**	**37 479**

(1) Including associated companies €28,100,000

(2) Including accrued revenue €134,325,000

V.5 – MARKETABLE SECURITIES

V 5 1 – BALANCE-SHEET VALUES

(K€)	31 12 2006 Number of securities	31 12 2006 Amount	31 12 2005 Amount
Own shares (market support) [1]	6,765	726	478
Étoile CDN	–	0	5,568
Westam Euribor	5,000	2,017	3,908
Dexia Money	–	0	3,125
BNP Paribas	150	3,085	2,398
Cash Invt 2004	415	843	824
San Paolo Inst	1,100	2,464	8,046
CL Médium	8	239	613
CL Monétaire	5	26	15
Unisécurité	48	9,314	11,316
SWISS Life opportunities LCL SLF	–	0	6 298
SG Barep opportunities	205	4,112	2,918
Union Cash BECM	3	1,336	2,595
Iéna Opportunities	800	2,381	2,304
NATEXIS USD	–	–	–
Régularité	98	1,113	4,339
BNP SS AXA	500	5,233	–
CDN Étoile Monetaire	30	3,174	–
Fortis Euro Treso	50	2,542	–
Swiss Life Short Term	10,000	2,163	–
HSBC Dynamic	1,000	2,023	–
BNPP Alpha Mult	1	2,000	–
Sub-total before receivables		44,790	54,744
Receivables related to marketable securities		–	–
Total		**44,790**	**54,744**

V 5 2 – MARKET VALUE

Total	**44,822**	**54,844**

V 5 3 – TAXABLE UNRECOGNIZED INCOME

Total	**32**	**100**

(1) Number of treasury shares

	Number	Amount
Balance at 1 12.2005	6,586	478
Purchases 2006	14,890	1 475
Sales 2006	(14 711)	(1 227)
Balance at 31 12 2006	6,765	726

V 6 – PREPAID EXPENSES

(K€) Type	31 12 2006	31 12 2005
a) On general expenses	951	995
b) On financial expenses for discounted notes receivable < 1 year	–	527
c) On financial expenses for discounted notes receivable > 1 year	–	170
Total	**951**	**1,692**

V.7 – REGULATED PROVISIONS

(K€) Type	Amount at start of the financial year 2006	Increases in allocations for the financial year	Reductions written-back for the financial year	Amount at end of the financial year 2006
Depreciation by derogation	0	–	–	0
Provisions for foreign credit	835	–	835	0
Provisions for investment	767	–	529	238
Total	**1,602**	**0**	**1,364**	**238**

V 8 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(K€)

A	
1 Opening balance before appropriation	76,817
2 Net income appropriation approved by the Shareholders Annual Meeting	
Revenue 2005	15,016
Distribution	(9,084)
Dividends for treasury shares	20
	5,952
Sub-total A	**82,769**
B	
Capital contributions with retroactive effect to start of year 2006	
1 Changes in share capital	-
2 Other changes	-
Sub-total B	**0**
C	
(= A+B) Shareholders equity opening balance after retroactive capital contributions	**82,769**

D	
Changes during the period	
1 Changes in share capital	-
2 Changes in paid-in capital, reserves, retained earnings	-
3 Change in regulated provisions and investment subsidies	-
4 Revaluation reserve	-
5 Variation in regulated provisions and equipment subsidies	(1,364)
6 Other	-
Sub-total D	**(1,364)**
E	
Closing balance (= C+D)	**81,405**
F	
Change in shareholders' equity (= E–C)	**(1,364)**
G	
Change during the period due to restructuring	**0**
H	
Change in shareholders' equity during the period without restructuring (= F–G)	**(1,364)**

The shareholders' equity at opening and closure is understood as excluding the revenue from the financial year

V.9 – PROVISIONS FOR RISKS, CHARGES AND ASSETS

V 9 1 – PROVISIONS FOR CONTINGENCIES

(K€)	At beginning of financial year 2006	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 2006
Law suit contingency provisions	6,066	545	–	–	3,254	2,595	762
Other contingency provisions	17,577	6,547	–	–	780	54	23,290
Warranty provisions	4,501	3,273	–	–	1,423	1,417	4,934
Unrealised foreign currency losses	2,634	2,010	–	–	2,634	–	2,010
Long-term contract loss provision	1,327	956	–	–	1,050	–	1,233
Total risks	**32,105**	**13,331**	**0**	**0**	**9,141**	**4,066**	**32,228**

V 9 2 – PROVISIONS FOR CHARGES

Renewal "waste-to-energy plants" and escalators	7,764	–	–	–	817	–	6,947
Retirement commitments	193	–	–	–	76	–	117
Long service commitments	303	71	–	–	–	–	374
Expenses on terminated contracts	15,768	13,248	–	–	8,060	2,488	18,468
Total charges	**24,028**	**13,319**	**0**	**0**	**8,954**	**2,488**	**25,905**
Total risks and charges	**56,133**	**26,649**	**0**	**0**	**18,095**	**6,554**	**58,133**

V 9 3 – PROVISIONS FOR DEPRECIATION OF ASSETS

Investments in companies	43,712	19	–	–	18	–	43,713
Receivables related to investments in companies	0	–	–	–	–	–	0
Other long-term investments	5,929	–	–	–	9	–	5,920
Total financial assets	**49,641**	**19**	**0**	**0**	**27**	**–**	**49,633**
Production material inventory	2,861	790	–	–	119	–	3,532
Trade receivables	2,506	1,024	–	–	425	–	3,105
Other accounts receivable	635	139	–	–	2	–	772
Marketable securities	0	–	–	–	–	–	0
Total current assets	**6,002**	**1,953**	**0**	**0**	**546**	**0**	**7,409**
Total assets	**55,643**	**1,972**	**0**	**0**	**573**	**0**	**57,042**
Total risks, charges and assets	**111,776**	**28,622**	**0**	**0**	**18,669**	**6,554**	**115,175**
Operating	–	20,098	–	–	22,174		–
Financial	–	2,063	–	–	2,709		–
Exceptional	–	–	–	–	340		–
Taxes	–	6,461	–	–	–		–
Total	**–**	**28,622**	**0**	**–**	**25,223**		**–**

Provisions for lawsuits
The provisions for litigation mainly concern

- Contracts of the Babcock Services Division Lacaux and Mulhouse - claims related to boilers

Write-backs of provisions correspond to agreements signed for M-Real Alizay, Chautard and Lasse

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 (€20,563,000), current tax deficiency notifications (€1,853,000)

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 2006 amount to €9,044,484, 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%, inflation of 2% and a discount rate of 3 5%

Other commitments

Asbestos-related retirement
A provision of €2,500,000 has been recorded in the consolidated financial statements for asbestos related retirements

Personal training rights
On 31 December 2006, 49,073 hours of personal training rights remained unused by French employees

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 2006 was €761,000

Long service commitment
L'entreprise verse une prime à l'occasion de la remise de la médaille du travail Cette prime est fonction de l'ancienneté dans l'entreprise Les droits acquis ont eté pour la première fois provisionnés en 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 (table Insee TH00-02-TF00-02), seniority and staff turnover The projected obligation is calculated using an inflation rate of 2% 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 – DEBTS AT YEAR END

(K€)		Liquidity rate		
Dettes	**Gross value**	**Payable within less than 1 year**	**Payable from 1 year to 5 years**	**Payable over more than 5 years**
Bank overdrafts	1,642	1,642	–	–
Short-term borrowings	0	0	–	–
Other borrowings/credit institutions [1]	8 600	420	8,180	–
Sub-total borrowings/credit institutions	**10,242**	**2,062**	**8,180**	**0**
Credit and financial borrowings outside Group	1,536	1,536	–	–
Current accounts payable (Group)	99,488	99,488	–	–
Sub-total credit and financial borrowings	**101,024**	**101,024**	**0**	**0**
Suppliers [2]	69,520	69,520	–	–
Tax and social liabilities	55,989	55,989	–	–
Debts related to fixed assets	9	9	–	–
Other debts	10,603	10,603	–	–
Prepaid income	39,826	39,826	–	–
Total	**287,213**	**279,033**	**8,180**	**0**

(1) Details of loans from credit institutions

(K€) **Characteristics of contracted loans**	**Credit line amount**	**Amount at 31 12 2006**	**Rate**	**Currency**
Medium-term loan June 2005				
Multi currency loans payable from 2005 to 2010	90,000			
CAD 12,500,000	–	8 180	Variable on Libor CAD	Dollar CAD
LIXXBAIL loan payable from 2004 to 2007	–	36		
LIXXBAIL loan November 2004	–	384		
	-	**8 600**		

((2) Including associated companies €10 503 000 within 1 year

V 11 – PREPAID INCOME

(K€)	**31 12 2006**	**31 12 2005**
Prepaid income		
Less than 1 year [1]	39,826	62,022
Between 1 year and 5 years	–	163
Total	**39,826**	**62,185**

(1) Including €39 826,000 of prepaid revenue on current contracts

V 12 – UNREALISED FOREIGN EXCHANGE GAINS/LOSSES

(K€)		Unrealised losses				Unrealised gains
Items concerned	Total	Hedged Unrealised gains	Commitment	Contingency provisions	Net	Total
Trade receivables	2,010	–	–	2,010	–	–
Trade payables	–	–	–	–	–	1,317
Total	**2,010**	**–**	**0**	**2,010**	**–**	**1,317**

V 13 – ACCRUED EXPENSES

(K€)	
Trade payables	3,675
Tax and social liabilities	55,989
Other debts	10,603
Total	**70,267**

VI – NOTES TO THE STATEMENT OF INCOME

VI.1 – SALES AND PRODUCTION BY ACTIVITY SECTOR AND GEOGRAPHIC AREA

(K€)	31 12 2006	31 12 2005
Sales (production sold)		
France	269,963	223,714
Export	31,618	70,139
Total sales	**301,581**	**293,853**
Stored production		
France	–	–
Export	–	–
Total stored production	**0**	**0**
Total activity	**301,581**	**293,853**

Breakdown of sales by activity sector

(K€)	31 12 2006	31 12 2005
Environment and associated services	138,889	150,038
Mechanical engineering and associated services	111,805	101,649
Energy and associated services	50,887	42,166
	301,581	**293,853**

Breakdown of sales by geographic area

(K€)	31 12 2006	31 12 2005
France	269,963	223,714
England	14,916	42,725
Other European countries	11,297	10,948
Asia	419	3,555
Others	4,986	12,911
	301,581	**293,853**

VI 2 – FINANCIAL INCOME

(K€)	31 12 2006	31 12 2005
Financial income from holdings [1]	4,179	458
Net income from the sale of marketable securities	1,930	1,099
Interest on long-term investments	4,878	3,094
Interest on current asset receivables	558	282
	5,436	**3,376**
Write-back of provisions for exchange losses	2,634	3,247
Write-back of provisions	75	1,055
	2,709	**4,302**
Positive exchange differences	1,115	1,380
Total financial income	**15,369**	**10,615**
Provisions for exchange losses	2,010	2,634
Provisions for depreciation of equity investments and related receivables	54	138
	2,064	**2,773**
Interest on current accounts and credit deposits	2,826	3,121
Miscellaneous	472	0
Interest on securities	–	2
	3,298	**3,123**
Exchange differences	2,251	1,345
Total financial charges	**7,613**	**7,240**
Financial income	**7,756**	**3,375**

(1) Breakdown of "Financial income from holdings"

MES dividends	3 714
CCUAT dividends	447
SMA dividends	18
Total	4 179

VI.3 – EXCEPTIONAL ITEMS

(K€)	31 12 2006	31 12 2005
Release of provisions	1,704	938
Sale of tangible fixed assets selling price	124	261
Sale of investments selling price	8,828 [1]	8,217 [2]
Miscellaneous	-	17
Total exceptional revenues	10,657	9,433
Exceptional depreciation	-	-
Sale of tangible fixed assets net booking value	41	122
Sale of investments net booking value	3,273 [1]	1,092 [2]
Miscellaneous	883	1,672
Total exceptional charges	4,197	2,885
Exceptional items	**6,460**	**6,548**

(1) Divestment of à 60% share in Energonut

(2) 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	18 425	6,319	-
II Contribution from subsidiaries after use of their losses to be carried forward before integration loss-making subsidiaries	(7,576)	(2,609)	-
profitable subsidaries	18,348	6,318	6,498
Group loss used	(20,936)	(7,209)	-
IFA 2004 lost	(26)	(26)	-
Tax	-	2,793	6,498
Tax saving	**-**		**3,705**

VI.5 – FINANCIAL RESULT RELATED TO ASSOCIATED COMPANIES (FULLY CONSOLIDATED)

(K€)

1) Financial revenues invoiced to subsidiaries		2) Charges invoiced by subsidiaries	
BABCOCK ENTREPRISE HOLDING	588	MARTIN ENGINEERING SYSTEMS	184
SCI BASSANO	187	LAB	1,732
CNIM CANADA	256	BABCOCK WANSON UK	49
LAB	0	ENERGONUT	147
BABCOCK WANSON HOLDING	71	BABCOCK WANSON FRANCE	0
BABCOCK WANSON FRANCE	127	TMC	20
CNIM TRANSPORT SERVICES	378	CNIM TRANSPORT HOLDING	3
CNIM TRANSPORT HOLDING	184	Other subsidiaries	159
ATENA	21		2,294
	1,811	Depreciation of Stoma, Calergo and CNIM Industrie shares	19
MES dividends received	3,714	Depreciation current account Île Maurice, CNIM Espagne and Cofra service	35
Shares CNIM Espagne	18		
Total revenues	**5,543**	**Total charges**	**2,313**

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	8,475	5,234	100	(3,705)	6,461	2,855	8,375	0	2,893	8,512
Abroad	6,703	6,703	606			606	6,097			6,097
Exceptional	**6,460**	**6,488**	**0**	**0**	**0**	**0**	**6,460**	**0**	**0**	**6,460**
Total										
1 France	14,934	11,722	100	(3,705)	6,461	2,855	14,835	0	2,893	14,971
2 Abroad	6,703	6,703	606			606	6,097			6,097
Total 1+2	**21,637**	**18,425**	**706**	**(3,705)**	**6,461**	**3,462**	**20,932**	**0**	**2,893**	**21,068**
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 – Column 5 – Column 7 + Column 7a	
Column 4 =	income tax savings on subsidiaries deficits and	3,679
	(IFA) lost by subsidiaries	26
		3,705

Column 4a = provision for tax €6,461 000

VII.2 - VARIATION OF FUTURE TAX LIABILITIES

(K€)		
Nature of timing differences		**Amount**
Increases		
Excess tax depreciation over normal depreciation		0
Regulated provisions		238
Total		**238**
Corporation tax at 34 43% – Increase in the future tax owed		82
Tax relief		
Non-deductible provisions and charges in current year, unrealised net income subject to tax		
Difference in value relating to unit trusts		32
2006 Organic		500
2006 employee profit-sharing		0
Provision for losses on completion		1,233
Unrealised foreign exchange gains (Nota 1)		1,317
Miscellaneous (TVTS 4th quarter)		14
Total		**3,096**
Corporation tax at 34 43% – Increase in the future tax owed		1,066
Deficit to be carried forward		2,628
Long-term capital losses		0
Comments long-term capital gains reserve after tax at a rate of	10% =	
	15% =	
	19% =	
	25% =	
Net reserve (liability)		**0**

(Nota 1) Reprocessed in the consolidated financial statements

VII.3 - IMPACT OF TAX LAW ON THE RESULT

(K€)		
Net income		**21,068**
Allocations to regulated provisions		0
Write-back from regulated provisions		(835)
Tax reduction due to allocations to corporation tax at 34 43% extraordinary contribution	0 x 34 43%	-
Tax increase due to write-backs of corporation tax at 34 43% write-backs of corporation tax of	835 x 34 43%	288
Net income before derogatory tax regulations		**20,521**

VII 4 – LEASING COMMITMENTS

Leasing investments

(K€) Items	Cost of entry	Depreciation			Net value
		Financial year [1]	Change in method	Aggregate	
Buildings Nantes agency	584	9		423	161

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

Items	Fees paid		Fees remaining to be paid				Residual purchase price
	Financial year	Aggregate	Within 1 year	1 year < 5 years	> 5 years	Total to be paid	Total to be paid
Buildings Nantes agency	73	1,118	0	0	0	0	220

VII.5 – OFF-BALANCE SHEET COMMITMENTS

(K€)		31 12 2006	31 12 2005
Commitments given			
Bank guarantees for contracts		151,565	168,734
Commitments accounted not due		-	-
		151,565	**168,734**
Commitments received			
Guarantees from suppliers		48,872	32,832
Mutual obligations			
Forward exchange sales and swaps	< 1 year	7,248	5,837
5 million pounds		-	-
Fixed exchange rate 0 6898	1/5 years	-	-
Forward exchange sales ansd swaps		-	-
204 millions Hungarian forints		698	-
68 millions as of 31 01 2007 – Fixed exchange rate 290 17		-	-
68 millions as of 31 03 2004- Exchange rate 292 37		-	-
68 millions as of 04 05 2007 - Exchange rate 293 67		-	-

VII.6 - BREAKDOWN OF PERSONNEL

	Salaried staff	Personnel at the company's disposal
Engineers and managers	466	52
Employees	309	17
Workers	245	2
Total	**1,020**[(1)]	**71**

(1) Of which 26 in Belgium

VII.7 - NOTE CONCERNING THE EXECUTIVES

		Bodies	
	Total Executives	Management	Supervisory
Financial commitments	None		
Retirement commitments	None		
Advances and credits allocated	None		
Remunerations allocated		2,338	445

VII 8 - MARKET RISKS

1) Interest rate risk

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

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

Swaps in progress at 31 December 2006 had a market value of approximately about €44 million (including 10 million euros recorded as unmatured interest)

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 fluctuation 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 5 million pounds sterling, hedged by a forward swap whose term was 31 January 2007, with an extension option for six months

4) Shares

The risk only concerns CNIM's own shares On 31 December 2006, the price was rated at 771 K€ and accounted at the historical rate at € 726 million (see appendix V 5 1)

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	2005 Net sales	2005 Net income	Dividends received in 2006
A Detailed information regarding subsidiaries and investments mentioned below										
1 Subsidiaries (holding > 50%)										
Babcock Entreprise Holding	9 512	4 485	100 00	63,427	21,427	20,731		1 524	(399)	
CTS	5 906	(1 774)	100 00	6,508	6,508	16,363		13 854	(4 404)	
Martin Engineering Systems	2 390	225	100 00	2 371	2,371			1,387	14	
SCI Gabriel Péri	1 906	0	99 00	1,887	1,887			108	4 738	
SCI 35 rue Bassano	8		99 80	8	8			490	330	
CNIM Environnement	5 313	10,349	100 00	10,405	10 405			1 240	1 431	
LAB	2 600	15 642	100 00	12,500	12,500	6,519		84 493	12 020	
CBCE	80	(513)	100 00	1,635	0	317		1 803	(405)	
CTH	19 581	2 463	100 00	19,661	19,661	5,536		0	23	
2 Investments (holding between 10 and 50%)										
Energonut	2,482	8 940	40 00	2 182	2 182			800	(1,063)	
CCUAT	152	69	49 88	76	76			14,976	1 195	
DWS	745	(7 221)	33 00	268	268	2 954		11,543	(511)	
HWS	4 468	23	39 00	1 882	1,882	6 067		20,482	860	
WWS	745	(8 477)	33 00	267	267	3,421		11,788	(633)	
B Global information regarding all subsidiaries and investments										
1 Subsidiaries (holding > 50%)										
a) French subsidiaries				114,564	72,492	49,149				
b) Foreign subsidiaries				4,072	2,431	317				
2. Affiliates										
a) French affiliates				147	147					
b) Foreign affiliates				4 599	4 599	12 442				

Concerning the foreign companies the amounts mentioned above have been converted at the 31 December 2006 exchange rate except for the sales and the income figures which have been converted at the 2006 average rate

VII.10 – SIX-YEAR FINANCIAL SUMMARY

(K€)	2002 12 months	2003 12 months	2004 12 months	2005 12 months	2006 12 months
1 Capital at 31 12					
Share capital	6,056	6,056	6,056	6,056	6,056
Number of shares issued	3,028,110	3,028,110	3,028 110,	3,028,110	3,028,110
Convertible bonds issued					
2 Income from operations					
Sales	311,108	343,050	299,664	293,853	301,581
Income before tax, employee profit sharing, depreciation, amortisation and provisions	644	8,815	13,574	23,758	23,942
Corporate income tax	3,787	427	(909)	4,580	3,462
Employee profit sharing	0	55	0	0	0
Income after tax, employee profit sharing, depreciation, amortisation and provisions	8,045	8,438	18,271	15,016	21,068
Dividends	7,570	7570	7570	9,084	9,084
3 Data per share					
Income after tax, employee profit sharing but before depreciation, amortisation and provisions	(1,04)	2,75	4,78	6,33	6,76
Income after tax, employee profit sharing, depreciation, amortisation and provisions	2 66	2,79	6,03	4,96	6,96
Dividends	2,50	2,50	2,50	3,00	-
4 Personnel					
Average staff	1,189	1,126	1,030	973	994
Payroll	48,443	47,008	46,933	46,653	48,312
Social security and employee benefits	20,832	20,926	20,359	22,276	23,204

VII 11 – EVENTS SUBSEQUENT TO THE DATE OF CLOSURE

No significant events occurred subsequent to the date of closure

I.7 – Resolutions proposed to the ordinary general meeting on 12 June 2007

ORDINARY PART

FIRST RESOLUTION

The General Meeting, having taken note of the Report of the Executive Board, the Report of the Supervisory Board and the Auditors' General Report on the social operations of the fiscal year closing on 31 December 2006, approves the company accounts for this fiscal 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 2006, 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

Following the proposition of the Exeuctive Board, the General Meeting decided to allocate the income from the year of €21,068 million, following deduction of €3,837 million for depreciation on fixed assets, as follows

Income available for distribution amounts to

– Income for the year	€ 21,068,453 87
– Balance brought forward	
- Before treasury stock	€194,529 16
- Dividends on treasury stock	€20,094 00
Sub-total	**€214,623 16**
– Total	€21,283,077 03

We propose that the income be allocated as follows

– Dividend of €3 00 per share, ie for 3,028,110 shares	€9,084,330 00
– Other reserves	€12,000,000 00
– Report à nouveau	€198,747 03

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 2 July 2007 The tax credit which accompanied this dividend has been eliminated This income, in certain cases, is eligible for a 40% reduction, in the limits defined by the law

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

(€)	2005	2004	2003
Number of shares	3,028,110	3,028,110	3,028,110
Dividend	3 00	2 50	2 50
Tax credit	–	–	1 25
Income	3 00	2 50	3 75

FIFTH RESOLUTION

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

FREL

35, rue de Bassano – 75008 Paris

represented by Mr François HERLICQ

Born 22 June 1932 in the 16th arrondissement of Paris, of French nationality and residing at 55, avenue Duquesne – 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 2012

SIXTH RESOLUTION

The General Meeting renews the term of office of the following statutory auditor of the company

ERNST & YOUNG & Autres
41, rue Ybry 92576 – Neuilly-sur-Seine Cedex

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 2012

SEVENTH RESOLUTION

The General Meeting appoints as statutory Auditor

DELOITTE et Associés
185, avenue Charles-de-Gaulle 92524 – Neuilly-sur-Seine Cedex

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 2012

EIGHTH RESOLUTION

The General Meeting appoints as substitute Auditor

BEAS

7-9, villa Houssay – 92524 Neuilly-sur-Seine Cedex

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 2012

NINTH RESOLUTION

The Ordinary General Meeting appoints as substitute Auditor

AUDITEX

Tour Ernst & Young – 11, allée de l'Arche – 92037 Paris-la-Defense Cedex

for a period of six years, or until the Annual Ordinary General Meeting is called to adjudicate on the accounts for the fiscal year ending 31 December 2012

TENTH 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

(i) the volume of shares acquired, for transactions affecting the market value,

(ii) the acquisition price and ,

(iii) 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

ELEVENTH RESOLUTION

The Ordinary General Meeting decides to set the annual Director's fees to be shared among the Members of the Supervisory Board at €96,000 (including fees paid in 2007 for the 2006 fiscal year) This amount will be maintained until further deliberation

EXTRAORDINARY PART

TWELFTH 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

THIRTEENTH RESOLUTION

The Ordinary General Meeting confer on the bearer of copies or extracts of the minutes of this meeting all the powers necessary to carry out all legal formalities concerning registry, publication and procedures

II.1 – Supervisory Board's Report on the Executive Board Report

Ladies and Gentlemen,

In accordance with the law and the Articles of Association, the Executive Board of our company has invited you to attend the Mixed General Meeting, in order to present you with the situation and business activity of our company during the fiscal year ended 31 December 2006, and to submit for your approval the financial statements of the aforementioned fiscal year, as well as the appropriation of income

We would like to remind you that, in accordance with Article L 225-68 of the French Commercial Code, the Supervisory Board is required to present its comments and remarks on the Executive Board's report and the year's financial statements to the Annual Mixed General Meeting

We hereby specify that the Executive Board has communicated the annual financial statements, the consolidated financial statements and the Executive Board's report to the Supervisory Board, in accordance with the provisions of Article L225-68 of the French Commercial code

After having verified and audited the annual financial statements and the Executive Board's report, we believe these documents do not give grounds for any particular comment

We trust that all the proposals made by the Executive Board in its report will meet with your approval, and that you will agree to pass the resolutions submitted therein

The Supervisory Board

II.2 – Chairman of the Supervisory Board's Report on internal control procedures

1 – LEGAL OBLIGATIONS

Articles L.225-37 and L 225-68 of the French Commercial Code (le Code de Commerce), resulting from Article 117 of the law of financial security, require the Chairman of the Executive Board or of the Supervisory Board, whichever is the case, for all joint-stock companies to present in a report attached to the report mentioned in articles L.225-100, L 22-5102, L.225-102-1 and L 233-26, the conditions of preparation and organisation of the Board's functions and internal control procedures implemented by the Company

Concerning the Supervisory Board, the law stipulates that the Chairman of the Supervisory Board "present the conditions of preparation and organisation of the Board's functions and internal control procedures implemented by the Company, in a report to the General Meeting attached to the report mentioned in the previous paragraph and in article L.223-26" The internal control procedure was defined and detailed in October 2006 in a reference framework under the authority of the AMF

Internal audit is a company-defined in-house system, deployed under the company's responsibility, which aims to ensure

- compliance with laws and regulations,
- the application of instructions and policies as determined by Senior Management or the Executive Board,
- the smooth-running of the company's internal processes, notably those aiming to maintain assets,
- the reliability of financial information,

and, in a general way, it contributes to the management of activities, the efficiency of operations and the effective use of resources

Internal audit plays a key role in running and steering the company's different activities by helping to anticipate and manage the risk of not attaining the targets the company has set for itself

Internal audit cannot, however, provide an absolute guarantee that the company's targets will be met

2 – WORKING ORGANISATION AND FUNCTIONING OF THE SUPERVISORY BOARD

The Supervisory Board comprised 10 members but increased to 12 members following the General Meeting of 22 June 2006

The Chairman of the Supervisory Board is Mr Vsevolod DMITRIEFF

The Vice Chairman of the Board is Mr François CANELLAS

There are three independent members of the Supervisory Board

- Mr Jean-Pierre LEFOULON
- Mr Richard ARMAND
- The JOHES Company, represented by Mr Jean-François VAURY

Those considered as independent members of the Supervisory Board are members that have been chosen exclusively according to their qualification and experience and who do not stand to gain from their relationship with the Company or, according to the definition of the AMF, members who have no management responsibility or who have no direct connection with the CNIM Group

The Supervisory Board meets at least once per quarter At this meeting, it hears the Executive Board's report on the management of the Company

During the 2006 fiscal year, the Board held four meetings

During these meetings, in addition to hearing the Executive Board's report on the operation of the Company, the following points were notably covered

- overall annual authorisations attributed to the Executive Board within the scope of statutory limits,
- review of the consolidated and parent company's financial statements settled by the Executive Board,
- Supervisory Board's report to the General Meeting,
- review of the financial statements for the first two quarters,
- review of agreements subject to regulations,
- report by the Executive Board on the previously approved investment and financial transactions carried out during the year

During these meetings, all the members of the Supervisory Board were in attendance, with the exception of one meeting where two members attended by proxy

The Supervisory Board may attribute any special mandate, for one or more pre-determined subjects, to one or more of its members

It may decide to create commissions within the Supervisory Board, operating under its responsibility, and for which it determines the composition and responsibilities

Under these provisions, it was decided to create two committees in 2004

- an Accounts Committee,
- a Strategic Committee

2 1 – THE ACCOUNTS COMMITTEE
whose mission is

– to review the reliability of the mechanism used for settling accounts and to validate the methods used for dealing with important transactions,
– to ensure the relevance and consistency of the accounting methods used for establishing the consolidated and parent company's financial statements,
– to verify that the internal procedures used for collecting and auditing information guarantee its reliability

The Committee must also ensure that the rules guaranteeing the independence and objectivity of the Statutory Auditors are complied with by hearing them periodically In addition, the Committee must conduct the selection procedure for choosing the Statutory Auditors (and advise the Board of the resulting selection), inform the Board of the fees they are to be paid and ensure that the amount they receive is not liable to exert undue influence on them

Three members of the Supervisory Board have been appointed to this Committee Mr François HERLICQ, as Chairman, Mr François CANELLAS and Mr Jean-Pierre LEFOULON

During the fiscal year, the Accounts Committee met three times

2 2 – THE STRATEGIC COMMITTEE
whose mission is to deal with 'strategic' business Its responsibilities will naturally evolve with time

It is composed of Mr François CANELLAS, Mr Jean-François VAURY and Mr Nicolas DMITRIEFF The Chairman of the Supervisory Board, Mr Vsevolod DMITRIEFF assumes the role of Chairman The members are called upon as required, so as to take advantage of their respective experience

The Committee may notably request the assistance of

– Mr Richard ARMAND, as an expert on environmental issues,
– Mr Andre HERLICQ, for his information technology skills

During the fiscal year, the Strategic Committee met three times

In addition to limits stipulated by law, the Executive Board can carry out the following operations only after having obtained prior agreement from the Supervisory Board

– issuing of securities, of any nature, liable to lead to the modification of the registered capital,
– significant operations liable to affect the strategy of CNIM and its Group or modify the financial structure of its scope of business The assessment of the 'significant' nature is established by the Executive Board under its responsibility
– operations exceeding a sum established each year by the Supervisory Board for
  - all investment decisions reported in the fixed assets section of the balance sheet,
  - all exchanges, with or without balancing cash adjustment, on goods, stocks and securities,
  - participation in the creation of all companies, subscription to all share issues, capital shares or bonds, excluding cash flow transactions,
  - granting or obtaining any loan, credit or cash advance

3 – RISKS

3 1 – REGULATIONS
The Company is committed to respecting the regulations applicable to all its activities In particular

– offers must comply with the existing regulations at the time the offer is made (This mainly concerns technical regulations relating to the equipment and facilities provided),
– regulations concerning the Company's financial statements fall within the competence of the Financial and Administrative Division These regulations are updated periodically,
– for environmental regulations, the site directors are responsible for applying the specific rules for each site (pollution, sites involving special hazards),
– the Executive Board has drawn up a "Safety Charter" which defines for the Group the basic rules for protection of staff, health and the environment The health and safety regulations are subject to particular monitoring by the Human Resources Division of the Group, which ensures
  - that each site has a health and safety manager and that procedures are implemented as needed, in cooperation with staff representatives,
  - that the delegation of responsibilities granted by the Chairman of the Executive Board is applied,
  - that the means of production comply with safety standards,
  - that each accident or incident of bodily injury is subject to an enquiry as to the causes, that prevention solutions and training programmes are proposed to reduce risks even further,
  - finally, that all necessary means are implemented in order to meet legal provisions

3 2 – BUSINESS RISKS

3.2.1 – Offers

Each division or subsidiary of CNIM, placed under the responsibility of a Division Director, draws up its own technical and sales proposals

These offers include

- a technical document describing the type of equipment that is to be supplied – scope of supply and guarantees proposed to clients,
- a sales proposal, including price, price reviews, terms of payment, etc., drawn up on the basis of elements provided in the technical document and by the Financial and Administrative Division (labour costs, overheads, etc)

For each division, the net margin included in each proposal is subject to very precise instructions issued by the Executive Board

Discounts that may be granted to clients are referred to arbitration by the Executive Board in the most important cases

3.2.2 – Business follow-up

After an order has been received, each contract is subject to a precise objective assigned to the Division Director by the Executive Board

Each contract is place under the responsibility of a project manager, whose task is to report to the Division Director

The parent company and all subsidiaries are subject to four-monthly reviews, contract by contract, division by division, company by company

The Chairman of the Executive Board, the Directors of each division, the Financial Control Division and the project manager are all present at these four-monthly reviews

Following these reviews, the parent company and subsidiaries' Financial Control Directors establish a Group results forecast which is submitted to the Executive Board for approval

3 3 – PRESERVATION OF ASSETS

Within each establishment, a manager is responsible for taking all necessary preventive and corrective measures for the protection and preservation of all the Company's moveable and fixed assets

The Company is insured by an insurance policy covering itself and all the companies of the CNIM Group to ensure the integrity of its moveable and fixed assets, merchandise and stock.

This policy covers major hazards, such as fire, explosion, lightning, hail, collapse, water damage, acts of vandalism and natural disasters, as well as operating losses and related liabilities

The total sum for insurance coverage amounts to €323 million

In addition, the Company and the CNIM Group have taken out group policies to insure their contractual obligations

– Comprehensive insurance for building sites	up to €40 million
– Civil liability	up to €45 million

The Group has decided to protect itself against fraudulent means of payment from outside the Company by adopting highly secure means of payment for most of the companies within the Group At the least, it will resort to traditional means of payment, such as cheques, bills of exchange or ordinary transfers

3 4 – DISPUTE MANAGEMENT CLIENTS, SUPPLIERS, THIRD PARTIES

The Legal Division of the Group is responsible for

- implementing all preventive measures to avoid disputes and accusations concerning the Group's companies A few examples
  - general conditions of purchase and sales,
  - prior verification, either directly or by delegation, of any document liable to commit the Company and/or its subsidiaries,
- in conjunction with the Company's national of international lawyers, dealing with any complaint from third parties liable to incur the responsibility of the Group and for ensuring defence or appeal before the jurisdiction concerned (courts of law, professional courts, etc.),
- for periodically examining the different disputes, their development, the risks incurred, how they are covered by insurance

In order to achieve this, all members of the Legal Division meet monthly

A general meeting, attended by the General Secretary, the Financial Directors and the Heads of Division concerned, is held three times yearly to assess the status of claims and disputes, their consequences for the Group and, if necessary, the financial reserves required, as well as measures to resolve them

3 5 - FINANCIAL RISKS

Cash flow and financing management
The Group's euro cash flow is centralised in the parent company by a system called "cash pooling" This makes it possible to consolidate cash surpluses and requirements for the different companies on a daily basis, thereby simplifying their cash management

The Company applies an active optimisation policy for its financing conditions and banking operations

Liquidities are entirely invested in short or medium-term monetary products

Exchange and interest rate risk management
Every commercial effort is made to ensure we are paid by our clients in the currency of our expenditure the French share in euro and the local share in local currency

The offers negotiated in foreign currency are managed either by specific policies with the Coface or by financial instruments (forward options)

For orders received and signed in foreign currency, exchange risks are forwarded to the parent company that, after netting of the different positions, uses either Coface exchange rate hedging procedures, or forward markets through the banking network

Fluctuations in interest rates are covered by rate swaps

Risks on assets in foreign currencies
Financial assets in foreign currency are covered either by a loan denominated in the same currency, or by an exchange rate swap in the same currency as the assets to be covered

4 - SUPERVISION PROCESS FOR ACCOUNTING AND FINANCIAL INFORMATION

The Administrative and Financial Department and the Executive Board are responsible for this supervision

4 1 - PRINCIPLES

In order for the whole process to remain consistent throughout, the Company ensures that

- functions are separated in order to allow independent verification This separation of functions aims to keep tasks and functions relating to operations separate from property protection and from their entry into accounts,
- the names of people able to represent the company and the different levels of approval required according to the type of respresentation are defined and made available to those responsible for making accounting entries, to enable them to ensure that operations are duly approved

For the preparation of the consolidated financial statements, the Company checks that there is an organised and documented system in place to ensure homogeneity in the published consolidated accounting and financial data

- Documentation provides the opportunity to set down the accounting and auditing principles regarding operations and operational flows, and make them known within the company
- Information chains ensure
  - that all financial events are comprehensively covered, for each process upstream,
  - that data is regularly centralised in accounts,
  - that accountancy data is rendered more homogenous
- Checks are made to verify the implementation of these information circuits
- A schedule for preparing accounting and financial information is distributed within the Group, to meet the needs of the parent company's published accounts
- Each employee involved in the preparation of accounting and financial information has access to the data necessary to apply, operate and/or supervise the internal audit system
- The Administration and Finance Department has the authority to enforce accountancy rules
- Procedures enable the company to verify that the checks have been duly carried out
- A manual of accounting guidelines and procedures presents the accountancy concepts used within the Group and indicates how the most important operations should be processed
- By monitoring intelligence on regulations, the company is aware of changes in its environment and can even anticipate these changes
- Specific checks are carried out on points identified as sensitive in terms of accountancy

4 2 - INFORMATION SYSTEM ORGANISATION AND SECURITY

The following processes supervise the component parts of the accounting data production application

- accounts are kept by computerised systems which have a clear and formalised structure and which provide the physical and logical security of all computer systems and data,
- the organisation and functioning of the whole information system are subject to precise rules governing access to the processing validation and closing procedure system, data conservation and data-entry verifications,

- procedures and checks ensure that the accounting and administrative systems operate, are maintained and developed (or configured) to high quality standards and in secure conditions, they ensure the same standards for systems that feed directly or indirectly into the accounting and administrative systems,
- there are some key checks in the information system (blocking duplicate entries, ceilings for data input, limited access for certain transactions, etc),
- the company is able to meet the specific obligations imposed by the tax authorities, regarding
  - conservation of data processed by computer applications which help establish accounting entries or which justify an event detailed in documents audited by the tax authorities,
  - documentation exists describing the rules governing data and file administration, as applied in computer programmes that help establish tax and accounting results and tax declarations

4 3 - ROLE OF THE EXECUTIVE BOARD

The Executive Board ensures there is an internal audit system for accounting and finance in place and organises its supervision This system aims to produce reliable accounting and financial information and to provide a realistic image of the company's results and financial situation in good time To this effect, the Executive Board ensures that the system addresses the following points

- the organisation and remit for the accounting and financial functions in order for the group to be equipped with its own risk identification and audit systems, to ensure the reliability of the accounting and financial information published by the parent company;
- the formalisation and distribution of accounting rules and procedures (standards and procedural manuals),
- obligations concerning the conservation of information, data and computer processes that contribute directly or indirectly to the preparation of financial accounting statements,
- the existence of measures to ensure the conservation and security of information, data and computer processes that contribute directly or indirectly to the preparation of financial accounting statements (continuity plans particularly where information systems are concerned, archiving to comply with regulatory requirements, etc),
- a regular review of whether the means available to the accounting and financial functions (in terms of personnel, tools including software, etc) are sufficient to meet the needs of the systems mentioned above

The Executive Board guarantees the implementation of a supervisory system that can analyse and manage the main identifiable risks with a potential impact on the preparation of accounting and financial information published by the company

- In particular, it ensures that the standards and procedures distributed in the company take the changing needs of the Group and its environment into account (the regulatory context in particular)
- It ensures the definition and implementation of a management control system that can deliver reliable published accounting and financial information, ie
  - it ensures that the non-accountancy information system used for supervising these activities is brought into line with the accountancy information system,
  - it also guarantees the high quality of forecasts published or used within asset and debt assessments and of all other published accounting and financial information

This presupposes that the management control system is organised to meet these needs and deliver top quality information and forecasts

- The Executive Board supervises the definition and implementation of processes to enter major operations in accounts (acquisitions or divestitures, restructurings, terminations of key contracts) and validation processes for these entries
- It ensures the implementation of closing procedures for accounts that could be considered sensitive (revenue recognition, key asset value analysis etc)

The Executive Board establishes the accounts (including the appendix) to prepare the year-end closing To this effect it

- clarifies and explains the main closing options and any estimates requiring the Board's judgment,
- highlights any changes in accounting principles and informs the Supervisory Board,
- analyses the main financial balances (debt ratios, liquidity, reserves, etc), identifies factors leading to changes in results and provides explanations,
- establishes the financial statements to prepare the year-end closing, including comments and analyses from the Administrative and Financial Department,
- defines the financial communication strategy (indicators, modalities) and suggests or decides what terms should be used in financial communications

The Executive Board is responsible for establishing the accounts and implementing the accounting and financial internal audit systems and as such, communicates with the Auditors

- It ensures that the Auditors are aware of the new accounting principles and any accounting options with a significant impact on the presentation of financial statements
- It takes notice of the Auditors' remit and terms of intervention The Board also remains informed of the Auditors' conclusions after working on the accounts
- If appropriate, it informs the Auditors if any major weaknesses have been identified in internal audit during the fiscal year that are likely to have a substantial impact on the published accounting and financial information

4 4 - ROLE OF THE SUPERVISORY BOARD

The Supervisory Board checks with the Executive Board that the supervision and control systems are able to guarantee the reliability of financial information published by the company and to present a realistic image of the company, the group's results and financial situation

To make these verifications

- Preparatory work is carried out by the Accounts Committee
- The Board is informed of the basic features of the company and group's management systems and in particular its risk management, management control and finance and cashflow tracking systems,
- if appropriate, it is informed of any changes in accounting methods and the accounting options retained by the company with a significant impact on the presentation of financial statements,
- it ensures that the Auditor selection process is of the highest quality, with particular emphasis on the criteria of competence and independence,
- it remains informed of any significant events that occurred in the business and of the cashflow situation
- in addition, it keeps informed of major plans in terms of investment, divestiture or financing,
- the Board receives the Auditors' assurance that they were given access to all the information necessary for them to exercise their responsibilities, particularly in the case of consolidated companies
- The Board remains informed of the Auditors' terms of intervention and conclusions to their work
- it receives the Auditors' assurance that at year-end closing they had made sufficient progress to be in a position to make any significant comments

5 - ORGANISATION OF THE ACCOUNTING AND FINANCIAL MANAGEMENT FUNCTION

The organisation of the accounting and financial management function is based on the accuracy and the extent of information available to all members of the Company This principally relies on the simultaneous recording of data for legal and financial accounting, of external expenditure, revenues and also of the breakdown of personnel costs according to assigned time spent on different contracts

5 1 - ACCOUNTING AND FINANCIAL MANAGEMENT REPORTING

5 1 1 - Frequency and organisation of account settlement

The Group and, consequently, its parent company are organised to produce half yearly financial statements on 30 June and on 31 December The accuracy of the financial information and respect of the dates for producing these financial statements are ensured via distribution of end of period account settlement procedures, asset evaluation methods, the critical analysis of results at the end of contracts and of current disputes and claims These procedures are widely distributed to the entities with decentralised accounting (stable company sites, erection sites, etc) and more generally for the consolidated subsidiaries These subsidiaries also have their own internal procedures

5 1 2 - Budget cycle and financial management analysis

In December, the assumptions for the current year's account settlement are approved A budget is established for the following year and a series of objectives for the subsequent year The budget and the objectives are then periodically adjusted during the year These adjustments concern sales forecasts, operating budgets, forecasts of income for the parent company and the subsidiaries Additionally, each major contract is subjected to a particular review before the Executive Board

5 1.3 - Standardisation of Group accounting

The parent company distributes a Group consolidation procedure and the applicable standards for the settlement of accounts Each company in the Group, parent company or subsidiary, outlines its own detailed procedure, adapted to its area of expertise

The 2005 financial statements were established according to the French accounting principles which were distributed as every year by the parent company to its subsidiaries

The parent company has distributed the new IAS/IFRS standards which came into effect in 2005 In particular, it has indicated the options chosen by the Group

5 2 - PLANNING/FORMALISATION OF ACCOUNT SETTLEMENT PROCEDURES

5 2.1 - Pre-settlement control procedures and corrections

Before each account settlement, the accounting departments ensure the extent of recorded information and all previous work achieved for these settlements, such as bank reconciliation, physical stocktaking, views at the end of all contracts in progress and critical analysis of all current disputes and claims

The preparation of the account settlements also includes detailed analysis of all third party accounts, whether they be suppliers, clients, Company employees or third parties outside the Company Additionally, the parent company ensures that all entities with decentralised accounting and subsidiaries have all the necessary human and material means to provide, as requested, their own financial statements to their auditors and to their parent company

To prepare the consolidated financial statements within the Group, each company informs all the other companies in order to eliminate all Group internal operations

5.2 2 - Documentation of estimates or accounting options

The Company is working on service contracts and on long-term construction contracts, whose end forecast is essential for establishing results for a given period Therefore, in view of the account settlement, an income forecast document for the end of each contract concerned has been devised A similar document is provided for all the current disputes and claims, including the opinion of the Legal Department or the lawyer in charge of the case

5.2 3 - External audit and accounting of adjustments

An interim visit by the external auditors takes place before the annual account settlement, in order to check the internal control procedures and to analyse the estimated results at the end of long-term contracts in progress at the end of the financial year

A schedule for the visits by external auditors is set up, in order to specify the dates for these visits and to establish the specific information that will be requested by them The first draft of the consolidated and parent company's financial statements is presented to the external auditors for the financial year they request

The external auditors submit the result of their audit at a summary meeting with the Executive Board and present the adjustments and regradings that they believe necessary, as well as their comments

The Company then includes the retained adjustments into the financial statements of the parent company and the subsidiaries, as well as into the consolidated financial statements, for presentation to the Supervisory Board

The necessary measures taken to reach the analysis presented by this report include auditing

- or compliance with management policies,
- of preserving assets,
- of preventing and detecting frauds and errors,
- of the accuracy and extent of accounting recordings,
- of the establishment when needed of accurate accounting and financial information

This report is part of a progressive approach aiming over time to evaluate the relevance and efficiency of internal control

III.1 – Statutory Auditors' General Report on the annual financial statements

Financial year ended 31 December 2006

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby present you with our report for the financial year ended 31 December 2005, on

- the audit of the annual financial statements of the company Constructions Industrielles de la Méditerranée, as appended to this report,
- the reasoning behind our assessment,
- the specific verification and information required by law

The annual financial statements have been settled by the Executive Board Based on our audit, our role is to express an opinion on these financial statements

1 – OPINION OF THE ANNUAL FINANCIAL STATEMENTS

We have conducted our audit in accordance with the professional standards applied in France These standards require the implementation of necessary measures to be able to obtain reasonable assurance about whether the annual financial statements are free of any important errors An audit includes examining, on a test basis, conclusive evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles and significant estimates used for the settlement of accounts, as well as evaluating the overall financial statements presented We believe that our audit provides a reasonable basis for our opinion hereafter

We certify that the annual financial statements, in accordance with the French accounting rules and principles, give a true and fair view of the Company's financial position and its assets and liabilities as at 31 December 2006, and or the results of its operation for the past year

2 – JUSTIFICATION DES APPRÉCIATIONS

In application of the provisions of Article L.823-9 of the French Commercial Code relating to the reasoning behind our assessment, we notify you of the following facts

As described in the note III 2 – Long-term investments of the addendum, the valuation of investments in subsidiaries is estimated by calculating not only the share of net assets, but also profitability prospects As part of our assessment of the significant estimates used for the settlement of accounts, we have reviewed the assumptions used for the future income forecasting of those subsidiaries on which these estimates were based and their translation into figures On this basis, we assessed the reasonable nature of these estimates

The given assessments are part of our approach to the audit of annual financial statements, viewed as a whole, and have therefore contributed to forming our unreserved opinion, expressed in the first part of this report

3 – SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed specific verifications required by law, in accordance with professional standards applied in France

We have no comment as to the truthfulness and fairness and the conformity with the annual financial statements, of the information given in the management report by the Executive Board and in the documents addressed to the shareholders about the financial position and the annual financial statements

the sincerity of the information provided in the management report relating to compensation and other benefits paid to the Board members concerned and relating to the commitments made to them when they took on, changed or stopped their functions, or at a subsequent date

In accordance with the law, we have verified that the management report informs you about appropriate disclosures as to the percentage interests and votes held by shareholder

Neuilly-sur-Seine, 11 May 2007

The Statutory Auditors

ERSNST & YOUNG et autres
Patrick ATZEL

CALAN, RAMOLINO & Associes
Alain PENANGUER

III.2 – Statutory Auditors' General Report on the consolidated annual financial statements

Financial year ended 31 December 2006

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we have conducted the audit of the consolidated annual financial statements of the company Constructions Industrielles de la Mediterranee for the financial year ended 31 December 2006, as appended to this report The consolidated annual financial statements have been settled by the Executive Board Based on our audit, our role is to express an opinion on these financial statements

1 – OPINION OF THE ANNUAL FINANCIAL STATEMENTS

We have conducted our audit in accordance with the professional standards applied in France These standards require the implementation of necessary measures to be able to obtain reasonable assurance about whether the annual financial statements are free of any important errors An audit includes examining, on a test basis, conclusive evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles and significant estimates used for the settlement of accounts, as well as evaluating the overall financial statements presented We believe that our audit provides a reasonable basis for our opinion hereafter

We certify that the annual financial statements, in accordance with the French accounting rules and principles, give a true and fair view of the Company's financial position and its assets and liabilities as at 31 December 2006, and or the results of its operation for the past year

2 – THE REASONING BEHIND OUR ASSESSMENT

In application of the provisions of Article L.823-9 of the French Commercial Code relating to the reasoning behind our assessment, we notify you of the following facts

As described in note III 5 – Goodwill, the CNIM Group establishes out an annual estimate of goodwill based on expected discounted cash flows Our assignment consisted in assessing the data and assumptions on which these estimates are based and in reviewing the calculations made by the company On this basis, we assessed the reasonable nature of these estimates

The given assessments are part of our approach to the audit of the consolidated annual financial statements, viewed as a whole, and have therefore contributed to forming our opinion, expressed in the first part of this report

3 – SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed specific verifications required by law, iln accordance with the professional standards applicable in France, we have also verified the information given in the Group's Executive Board General Report

We have no comment as to the truthfulness and fairness and the conformity with the consolidated financial statements

Neuilly-sur-Seine, 11 May 2007

The Statutory Auditors

ERSNST & YOUNG et autres
Patrick ATZEL

CALAN, RAMOLINO & Associes
Alain PENANGUER

III.3 – Statutory Auditors' special report on agreements subject to regulations

Fınancıal year ended 31 décember 2006

To the shareholders,

In our capacıty as Audıtors for your Company, we hereby present our report on legal agreements

1 – CONVENTIONS AUTORISÉES AU COURS DE L'EXERCICE

In applıcatıon of Artıcle L.225-88 of the French Commercıal code, we have been notıfied of any agreements that have been the subject of prior authorısation by your Supervısory Board

It ıs not our role to look for any other exıstıng agreements, but to ınform you, on the basıs of ınformatıon gıven to us, of the characterıstıcs and basıc terms and condıtıons of those of whıch we have been notıfied, wıthout havıng to express an opınıon on theır usefulness or theır valıdıty In accordance wıth the terms of Artıcle L.225-88 of the French Commercıal Code, ıt ıs your role to evaluate the ınterest ın concludıng these agreements wıth a vıew to theır approval

We conducted our audıt ın accordance wıth the professıonal standards applıed ın France These standards requıre that we verıfy that the ınformatıon that we have been gıven ıs consıstent wıth the basıc source documents

2 – AGREEMENTS APPROVED DURING PREVIOUS FINANCIAL YEARS AND WHICH HAVE REMAINED VALID FOR THE LAST FINANCIAL YEAR

Furthermore, ın applıcatıon of the French Commercıal Code, we have been notıfied that the followıng agreements, approved durıng prevıous years, were contınued over the past financıal year

2.1 – WITH ENERGONUT

Person concerned
Mr Stefano COSTA

Nature, object and modalıtıes
On 26 June 2006, your company sold 60% of ıts subsıdıary Energonut's (Italy) capıtal to Veolıa Servızı Ambıantalı Spa ("Veolıa Spa")

The Supervısory Board held on 31 October 2006 authorısed the Executıve Board to guarantee profits for Veolıa Spa to the level of the percentage ownershıp held by your company ın Energonut Spa's capıtal (40%) Thıs guarantee to Veolıa Spa covers any faılure ın upholdıng ıts commıtments to Veolıa Spa ın terms of the agreed medıum term €44 mıllıon loan made to Energonut Spa

The loan ıs to help finance the refurbıshment of the Energonut plant

2.2 – WITH LAB

Waste-to-energy plant upgradıng

Nature, purpose, terms and condıtıons
Durıng the upgradıng operatıons on household waste-to-energy conversıon plants conducted ın order to ensure complıance wıth regulatory requırements, the Group confirmed LAB's mıssıon to carry out these upgradıng operatıons, but LAB made extensıve use of the sales network of CNIM's Envıronment Dıvısıon It was agreed that LAB would provıde compensatıon to CNIM for thıs support wıth an amount equallıng 6% of ıts total sales figure related to upgradıng operatıons on plants for complıance wıth regulatory requırements and 3% of ıts total sales figure related to new plants

Thıs agreement was authorısed by the Supervısory Board on 27 October 2005

Thıs compensatıon amounted to €3,532,000 ın 2006

Lease-management
At ıts Meetıng on 27 June 2002, your Board of Dırectors authorısed your Company to sıgn a lease-management agreement wıth LAB for the Egıde busıness, concernıng the CNIM flue gas treatment

Startıng on 1 January 2003, thıs lease was granted for an annual fee of €600,000

Durıng the 2005 financıal year, your Company recorded a revenue ıtem of €600,000

2.3 – WITH A MEMBER OF THE EXECUTIVE BOARD

Nature, purpose, terms and conditions

In order that Mr SOULIÉ, Chairman of the Executive Board, benefit from an unemployment/loss of mandate insurance schedule should his mandate be revoked and he be dismissed, the Company took out an insurance contract for Mr SOULIÉ, so that he might benefit from the necessary social security coverage in good time

The signature of this insurance contract was authorised by the Supervisory Board on 27 October 2005, but has not yet been signed and has therefore has not been in effect over the financial year

2.4 – WITH THE BENEFICIARY HC EXECUTIVES

Nature, purpose, terms and conditions

In 1987, CNIM established a retirement plan with defined benefits for senior executives, salaried directors of category HC ("hors classe"), as defined by the National Collective Bargaining Agreement of the Metallurgical Industry The following company representatives are included in this category M François CANELLAS, M Philippe SOULIÉ, M Claude RONSSIN, M Stefano COSTA, M Dominique DELAHAYE et M Christian GUICHARD

- the 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,
- 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 remuneration, with an upper limit placed at 8 times the ceiling fixed by the French National Health Service,
- the total amount of general and specific retirement benefits for HC category personnel may not exceed 65% of their reference compensation

This full supplementary retirement plan for the benefit of HC executives was authorised by the Supervisory Board on 27 October 2005

Contributions for the defined benefit retirement plan amounted to € 776,700 in 2006

Contributions for the defined benefit retirement plan amounted to €194,153 in 2006

As of 31 December 2006, the total estimated cost of the defined contribution plan, based on the actuarial hypotheses, amounted to approximately €10,659,000

2.5 – WITH MARTIN GMBH FUR UMVELT UND ENERGIETECHNIK

Nature, purpose, terms and conditions

A new cooperation contract was signed on 9 June 2005 It defines the territories of the contract and the respective responsibilities of CNIM and MARTIN (compensation for engineering services and supply of the MARTIN combustion system)

This new contract received prior authorisation from the Supervisory Board on 27 January 2005 and was signed for a period of 10 years on account of the length of client contracts

For the old and the new agreement, a total of €14,863,464 was paid in 2006

2.6 – WITH CNIM ENVIRONMENT

Nature, purpose, terms and conditions

During its Meeting on 27 June 2002, your Board of Directors authorised your Company to sign a lease-management agreement with CNIM Environnement for this Company's business in the field of "household waste incineration"

This lease is granted for a definitive period of three years, starting on 1 July 2002, and renewed from one year to the next by tacit agreement The first quarterly fee is €10,000 for the use of the resources and a second fee of 1.5% of sales with an annual minimum of €1,200,000

During the financial year 2006, your company recorded the amount of €1,240,000 on the basis of this agreement

2.7 – WITH THE MEMBERS OF THE STRATEGIC COMMITTEE AND THE ACCOUNTS COMMITTEE

The principle of remuneration for the members of the Strategic Committee and of the Accounts Committee was accepted by the Supervisory Board on 28 October 2004

During the 2006 financial year, the sum of €10,000 was paid to Messrs Nicolas DMITRIEFF, André HERLICQ and JOHES represented by Jean-François VAURY for the Strategic Committee and to Mr François HERLICQ and Jean-Pierre LEFOULON and to FREL représented by Mr François HERLICQ for the Accounts Committee

This compensation concerns these Boards' activities in 2006

2.8 – WITH FREL

At its Meeting on 28 June 1996, the Board of Directors authorised your Company, via the intermediary of SCI Gabriel Péri-Pierre Curie, to sign an agreement with FREL to hand over to the latter the management of the building located at 72, rue Gabriel Péri in Montrouge, in return for 6% of the rents collected

During the 2006 financial year, your Company paid FREL, via the intermediary of SCI Gabriel Péri-Pierre Curie, the sum of €6,497 on the basis of this agreement

This agreement was rendered null and void following the building's sale on 3 April 2006

2.9 – WITH BABCOCK ENTREPRISE HOLDING

Nature, purpose, terms and conditions

Medium-term credit

Loan agreement in favour of Babcock Entreprise Holding for a sum of €12,195,921 bearing interest at the 3-month money market weighted average rate plus 0 3% per year

The interest invoiced by CNIM to Babcock Entreprise Holding for this medium-term credit amounts to €340,969 for the 2006 financial year

Rental of premises to your Company

Your company signed a rental contract for industrial and office premises at La Courneuve (Seine-Saint-Denis) and Golbey (Vosges) with Babcock Entreprise Holding

The rent considered for the 2006 financial year amounts to €1,040,000

Neuilly-sur-Seine, 11 May 2007

The Statutory Auditors

ERSNST & YOUNG et autres
Patrick ATZEL

CALAN, RAMOLINO & Associés
Alain PENANGUER

III.4 – Statutory Auditors' Report on internal control procedures

Financial year ended 31 December 2006

Statutory Auditors' report, drafted in accordance with the final paragraph of Article L.225-235 of the French Commercial Code, on the report by the Chairman of the Supervisory Board of the company Constructions Industrielles de la Méditerranée, concerning internal control procedures relating to the formulation and processing of financial and accounting data

To the Shareholders,

In our capacity as Statutory Auditors for the financial statements of the company Constructions Industrielles de la Méditerranee and in accordance with the provisions of the final paragraph of Article L 225-235 of the French Commercial Code, we hereby present to you our report on the report drafted by the Chairman of your company on the financial year ended 31 December 2005, in accordance with the provisions of Article L.225-68 of the Commercial code

It is the role of the Chairman of the Supervisory Board to present in particular the conditions for the preparation and organisation of the Supervisory Board's functions and the internal control procedures that are implemented within the company

Our role is to present our observations on the information presented in the Chairman's report concerning internal control procedures relating to the formulation and processing of financial and accounting data

We conducted our assignment in accordance with the professional doctrine applied in France This requires that we implement necessary measures to assess the truthfulness and fairness of the information presented in the President's report concerning internal control procedures relating to the formulation and processing of financial and accounting data These necessary measures include

- understanding the objectives and general organisation of internal control and internal control procedures relating to the formulation and processing of financial and accounting data presented in the Chairman's report,
- understanding the work undertaken to establish the information provided in the report

On the basis of these understandings, we have no particular observation on the information provided in the report by the Chairman of the Supervisory Board, drafted in accordance with the provisions of the final paragraph of Article L.225-68 of the Commercial code, concerning the company's internal control procedures relating to the formulation and processing of financial and accounting data

Neuilly-sur-Seine, 11 May 2007

The Statutory Auditors

ERSNST & YOUNG et autres
Patrick ATZEL

CALAN, RAMOLINO & Associés
Alain PENANGUER

III.5 – Auditors report

on the issuance of free stock purchase certificates in the case of a takeover bid on the company (twelfth resolution)

Dear Shareholders,

As auditors for your company and in accordance with the provisions of Article L 228-92 of the French commercial code (code de commerce), we present our report on the plan to issue free stock purchase certificates in the case of a takeover bid on the company, an operation on which you have been asked to give your opinion

Your Executive Board suggests that, on the basis of its report, it should be authorised according to Article L.233-32 II of the French commercial code to

- decide on the issuance of certificates governed by provisions in Article L 233-32-II of the French commercial code which allow subscription to one or several company shares under preferential conditions, as well as their free allocation to all company shareholders acting in this capacity before the equity offering comes to an end,
- set the exercise conditions and characteristics of the above-mentioned certificates

The maximum nominal price of shares to be issued could not exceed the value of the company's capital on the date on which the Executive Board issued the above-mentioned certificates The maximum number of certificates to be issued could not exceed the number of shares comprising the company's social capital on the date on which the Executive Board issued the above-mentioned certificates This authorisation could only be exercised in the case of a takeover bid on the company

It is the Executive Board's responsibility to draw up a report in compliance with Articles R 225-113, R 225-114, R 225-115 and R 225-117 of the French commercial code It is our duty to state our opinion on the sincerity of the figures drawn from accounts and of certain other information concerning certificate issuance, as supplied in this report

We have carried out our work in line with the professional code applicable in France which requires the application of due diligence to verify the content of the Executive Board's report concerning the operation

We have no comment to make on the information provided in the Executive Board's report concerning the plan to issue free stock purchase certificates in the case of a takeover bid on the company

We will draw up an additional report if appropriate following confirmation by a General Assembly according to the provision of Article L.233-32 III of the French commercial code and in compliance with Article R.225-116 of the French commercial code, if this authorisation is exercised by your Executive Board

Neuilly-sur-Seine, 11 May 2007

The Statutory Auditors

ERSNST & YOUNG et autres
Patrick ATZEL

CALAN, RAMOLINO & Associes
Alain PENANGUER

Translation PM COM - Design and printing SYNELOG

Accord lift service – Atelier d'Architecture Bruno Miranda – Babcock Wanson – Babcock Wanson Italiana – Babcock Wanson UK – CNIM – CNIM Babcock Central Europe – Daniel Garandeau – LAB GmBH – Louis Monier/APPM – P Desert – Space Architectes Associés – Urbaser – Veolia Environmental Services Ltd – Xdesign/Leadhead