The significant risks to which the Group considers that it is exposed are set out below. Other risks which are not set out or not currently known may also affect it. The occurrence of such risks could have a significant negative impact on the business, the financial situation and the earnings of the Group, on its image, its prospects and/or on the Company's share price.

5.1 Operational risks

5.1.1 ECONOMIC ENVIRONMENT

5.1.1.1 Structure of supply and demand

The Group is exposed to risks related to a reduction or an increase in the demand for LNG carriers, ethane carriers, FSRUs, FLNGs and onshore tanks.

Demand in containment systems used in LNG carriers, FSRUs, FLNGs and onshore storage tanks depends on the prospects for growth in LNG demand, and on the demand for maritime transportation and onshore storage of LNG over the next few years. In recent years, the growth in LNG trade has fluctuated. At the end of the 2000s, the economic crisis and the rise of unconventional gas in the United States led to an absence of orders for LNG carriers in 2009 and a very low level of orders between 2008 and 2010.

Over the period 2011-2015, GTT obtained 161 orders, or an average of over 32 orders per year, whereas 2016 was marked by a wait and see attitude from charterers and operators, limiting the number of LNG carrier orders to 5.

With respect to the demand for ethane carriers, uncertainties relate to the ethane offer (industrial ethane liquefaction capacity in places where ethane gas is available) or demand (relative competitiveness of ethane and naphtha for the petrochemical industry).

Principal factors affecting the Company's business

The Group's revenues and operating results are historically subject to significant variations, which could recur in the future and have an unfavourable impact on the financial situation and prospects for the Group.

The Company's current and future level of activity depends to a large extent on current and future demand for LNG carriers, FSRUs, FLNGs and, to a lesser extent, on onshore storage tanks and ethane carriers, which may be negatively affected by any of the following factors:

Factors related to the demand for LNG

- The ability to meet the respective demand of LNG buyers and sellers and to enter into LNG sales contracts which generally depends on obtaining the financing required to carry out these projects.
- Decrease in the consumption of gas resulting from a decline in the cost of other energy sources, the increasing availability of new sources of alternative energies or any other factor that makes the consumption of gas less attractive.
- Increase in the cost of onshore regasification terminals, labour costs or the occurrence of other economic issues which may hinder the development of export LNG projects (negative impact on the demand for onshore storage tanks).
- Decrease in the cost of onshore regasification terminals or the rising demand for such terminals, which may offer greater capacities than that provided by FSRUs, assuming that there is a demand for such capacities (negative impact on the demand for FSRUs).
- Deterioration in the business or political conditions in the regions or countries where demand for LNG is strong. Such a deterioration could reduce the consumption of energy overall or the growth thereof.

Although many market observers predict increased demand for LNG and ethane carriers in the medium and long term, such demand, if it develops, will likely fluctuate based on changes in LNG or other conditions and the Company cannot guarantee that annual revenues will rise steadily.

Factors related to the supply of LNG

- Changes in the LNG price, whether as a direct result of slowing demand for LNG and/or as a knock-on effect of changing oil prices in regions where gas and oil prices are correlated, such as Asia and Europe. Such changes could affect the economic viability of some liquefaction projects (see below).
- Changes in the production, in domestic and international markets, of natural gas that has a lower cost than the gas obtained from LNG.
- The ability to obtain the administrative and environmental authorisations required to carry out liquefaction and import projects.
- Increase in the cost of onshore liquefaction terminals, labour costs or the occurrence of other economic issues which may hinder the development of export LNG projects (negative impact on the demand for onshore storage tanks).

- The decrease in the cost of onshore liquefaction terminals or the rising demand for such terminals, which may offer greater capacities than that provided by FLNGs, assuming that there is a demand for such capacities (negative impact on the demand for FLNGs).
- Feedback from the first FLNG platforms.
- Deteriorating political conditions in regions in which gas export projects could be initiated.

As a consequence, the comparison of revenues and operating results on successive periods might not be an indicator of future performance.

Factors related to the LNG shipping market

- Ship-owners can, even on a temporary basis, optimise the use of their vessel fleet, rather than order new builds (increase in the average speed of vessels, delayed fleet upgrades, etc.).
- Industrial and commercial agreements between operators can have an impact on the use of the vessel fleet (pooling of vessel fleets, alliances, etc.).
- The decrease in the leasing prices of vessels on the spot market may result in a sense of over-capacity and lead ship-owners to delay part of their investment.
- The uncertainty resulting from the lack of a destination clause in LNG purchase contracts and the decrease in the length of contracts can be a brake on investment decisions.
- Variations in LNG prices between geographical areas can result in significant variations in LNG trades on the spot market.

As of the filing date of this Registration Document, factors related to the shipping market do not negatively affect the Group's medium- and long-term outlook, but they could delay when orders are placed and lead to differences in orders from one year to the next and, accordingly, the realisation of the associated revenues.

Impact of liquefaction projects on the Group's prospects

The decrease in LNG prices seen in 2015 through mid-2016 eroded the profitability of liquefaction projects which has led to delays in investment decisions (Browse FLNG in Australia, Lake Charles and Jordan Cove in the United States, LNG Canada, etc.). The FLNG project in Indonesia (Abadi) was cancelled in favour of an onshore liquefaction terminal that will, however, require ordering LNG carriers to export the LNG produced. It also provides an opportunity for onshore storage tanks. Furthermore, the fall in LNG prices in Asia and Europe has reduced the competitiveness of American LNG. However, since mid-2016, LNG prices in Asia and Europe have increased again, at a faster pace than the upturn in the price of American gas, making American LNG competitive for exports.

In this context, six projects, including four in the United States (Freeport, Corpus Christi, Sabine Pass and Elba Island) received a FID[1] (Final investment Decision) in 2015 and 2016, representing approximately 26 Mtpy of additional capacity. About three other North American and/or African projects could receive a FID in 2017, which would represent approximately 14 Mtpy of additional capacity.

Despite the increased demand for LNG and the fact that the Company benefits from the great distance between US production areas and the Asian markets, the erosion of profitability of liquefaction projects could have the effect of delaying the launch of these projects and thus decisions to invest in LNG transport and storage vessels and platforms.

As of the submission date of this Registration Document, these delays do not negatively affect the Group's medium and long-term outlook, but they could delay when orders are placed and differences in orders from one year to the next and, accordingly, the realisation of the associated revenues.

Risk of ship-owner bankruptcy

The Group is exposed to risks related to failures or delays by the ship-owners in the performance of their payment obligations and to the occurrence of one or more order cancellations by them.

Although the Group's direct clients are generally shipyards, its end-clients are ship-owners, who order vessels from these shipyards, and gas companies who charter vessels to transport LNG.

Although the Group generally has no contractual link with the ship-owners or gas companies with respect to construction projects, any failure or delay by the ship-owners in performing their payment could make it impossible for the shipyards to pay for the services provided by the Group in accordance with the contract between the shipyard and the Group. In addition, any failure by gas companies that have chartered vessels may impact the ability of the ship-owners to fulfil their obligations, in particular obligations they may have towards shipyards. Any such failure or delay by ship-owners or gas companies could have a material impact on shipyards, and hence on the Group's financial position.

Risk of order cancellation

In addition, the Company may experience cancellations with respect to orders placed by shipyards. Although cancellations of orders for LNG carriers have been rare historically (seven in total, and none in 2016), and occurred before the Company had incurred significant expenditure to complete the orders, they did occur and could occur again in the LNG transport and maritime storage field. The occurrence of one or more order cancellations in relation to LNG carriers could materially affect the Group's activities, results, financial position, cash flow and prospects, and there is no guarantee that order cancellations will not occur in the future.

(1) *With the exception of Elba Island, which did not announce a FID. However, the fact that construction has begun means that it can be considered de facto "post-FID".*

Dependence of the Group on a limited number of suppliers

The Group has approved some suppliers as qualified suppliers for its shipyard clients.

These qualified suppliers provide the materials required to implement the Group's technologies, and sell these materials to shipyards that seek to implement GTT's technologies. They are located primarily in Asia and particularly in South Korea, where the Group's main shipyard clients are located.

Currently, only a limited number of industrial actors are capable of supplying the materials used in implementing the Company's technologies.

In order to reduce this dependency, the Company is working on the diversification of its supplier panel, both in terms of materials and geographical regions.

As a result, the use of Group technologies by shipyards (i) depends on the capacity of the Group's approved industrial companies to supply some of the materials needed, and (ii) may be affected by any event in the countries or affecting the industrial sites where the approved industrial suppliers are located, events likely to restrict access to the materials required (political, military, weather events, etc.). In the event that the Group's qualified suppliers cannot supply the materials needed to implement these technologies, there is no guarantee that alternative suppliers can be found or found quickly enough, which could materially affect the Group's reputation, financial position and order book.

5.1.1.2 Competitive environment

GTT is exposed to risks related to its competitive position in membrane containment systems.

Impact of the regulations on anti-competitive practices

In the jurisdictions where it conducts its activities, the Group is subject to legal and regulatory provisions applicable in matters concerning anti-competitive practises.

On January 29, 2016, the Company received notification from the Korea Fair Trade Commission (KFTC) informing it of the opening of an investigation into a possible abuse of its dominant position, due to its commercial practices in South Korea. To the best of the Company's knowledge, there were no significant developments in the case in 2016 and, as of the date of this Registration Document, the Company had not been informed of any changes in the procedure of which it should inform the market. Nevertheless, the investigation could result in a decision to apply sanctions, which could have a significant impact on the Group's business, its financial position and its earnings. Furthermore, the Company cannot exclude the possibility that similar investigations may be initiated in other jurisdictions where the Group operates.

Risk of the development of containment systems competing with the Group's technologies

Although the Group's technologies have a significant share in the LNG maritime transportation industry, competing technologies and containment systems may appear or be further developed, to the detriment of the Group.

In addition, competing technologies currently being developed, being approved by classification societies, such as those developed by Samsung Heavy Industries, Hyundai Heavy Industries, Daewoo Shipbuilding and Marine Engineering and Kogas (see section 2.1.1.2 – *LNG carriers* of this Registration Document), or being referenced by gas companies, or which are currently unknown to the Group, could in the future be used by shipyards and reduce the Company's presence in LNG maritime transportation and its ability to sell its own technologies successfully.

However, the Group considers that due to the still relatively low level of development of the membrane containment technology developed by Samsung Heavy Industries (technology known as KCS "Korean Containment System"), Hyundai Heavy Industries and Daewoo Shipbuilding and Marine Engineering (systems known as SOLIDUS and DCS16) or their still insufficient credibility due to the absence of practical feedback on the technology (technology known as KC-1 developed by Kogas), it is unlikely that these technologies will have a significant impact on the Group's presence in LNG maritime transportation in the medium term.

There has been renewed interest in traditional systems, known as "Type B" (spherical Moss and prismatic SPB), since 2013, but they are primarily restricted to Japanese projects (charterers, ship-owners and Japanese shipyards), which limits their scope. Note also that none of these "Type B" technologies were ordered in 2016.

The risks related to the different technologies are presented in section 2.1.1.2 – *LNG carriers* of this Registration Document.

Despite the large amount of resources it dedicates to R&D activities and active monitoring of the development of competing technologies, the Group cannot guarantee that new LNG containment technologies will not be successfully developed and marketed or that the Group's technologies will remain the leading technologies. The Group does not and cannot know all of the plans of its current and future competitors, and there is no guarantee that the Group will be able to successfully compete with these technological developments in the future. In particular, the Group could be exposed to breaches related to developments involving not only cryogenic containment systems, but all components or sub-components interacting directly or indirectly with these containment systems such as, for example, the propulsion systems of LNG carriers, energy and cargo management and optimisation systems on the vessels or the materials used in cryogenic applications.

Specific risks related to technological developments concerning the gas chain for LNG carriers

In addition to the development of containment systems which compete directly with the Company's technologies, the Company is exposed to the risks which may be represented by technological developments in the system for management of cargo on LNG carriers.

Indeed, the improvement of the cargo management system ("gas chain") for LNG carriers, for example *via* active management of the boil-off whose technical-economic performances may be optimised, could lead to the emergence of new competition for the containment systems developed by the Company, in as much as such improvements could be coupled to containment systems with lower thermic performances.

The companies involved, whether equipment manufacturers or assemblers, in the design and construction of LNG carriers, and more generally systems for the storage, transport, liquefaction or regasification of LNG, are developing or are likely to develop such improvements.

Risks related to the Company's competitive position in the cryogenic membrane containment systems sector

In some situations, the Company may not be able to make acquisitions or investments (for example, an alliance with a competitor, supplier or client) that it believes represent beneficial business opportunities, and those acquisitions and investments it would be able to make may be delayed, conditioned or limited by the relevant competition authorities.

5.1.2 BUSINESS DEVELOPMENT RISKS

5.1.2.1 The business development of the Group

Growth in the Group's business will depend on its ability to maintain its position in containment systems used in LNG carriers, ethane carriers, FLNGs and FSRUs, increase its presence in onshore storage tank containment systems and expand in the new activities that it has identified (see chapter 2 – *Activity report* of this Registration Document).

This development will depend on various factors, including the Group's ability to retain the confidence of shipyards, ship-owners and charterers (gas companies), along with the Group's ability to meet demand for its technologies and membrane containment systems if demand increases significantly.

Although the Group attaches great importance to relations with shipyards, ship-owners and charterers (gas companies), it cannot guarantee that these relations will not deteriorate, in particular in the event of problems experienced by the Company or its subsidiaries in fulfilling their obligations towards shipyards, in particular if customers' demand is significantly higher than forecasted, which could have adverse consequences on the entities that own or use the vessels built or scheduled to be built using GTT's technologies. Any difficulties in meeting demand for the Group's technologies may harm the Group's image and may encourage current and potential customers of the Company to seek alternatives to the Company's technology.

Moreover, while in the past the Company has demonstrated its ability to meet a strong and rapid rise in demand by using subcontractors and by hiring additional staff on fixed-term employment contracts or temporary employment contracts for "production" work, the Company cannot guarantee that it will always be able to meet all increases in activity. Additional measures taken by the Group to meet increases in demand or other spikes in activity may involve additional costs to those typically experienced by the Group and may have a material impact on its financial results and position.

5.1.2.2 The Group's dependence on the maritime LNG transport business and the uncertainties relating to the development of other more diversified activities

As of the date of filing of this Registration Document, almost all of the Group's revenues are derived from activities related to the maritime transportation of LNG, which itself depends on global demand for LNG.

Although the Group is taking steps to diversify its business in the medium term through technologies that are already developed or under development, there is no guarantee that the Group will be able to successfully commercialise any new technologies or continue to be successful in commercialising its current technologies.

The Group considers that a significant part of its diversification efforts will depend on its ability to adapt its containment technologies in order to implement the use of LNG as a maritime fuel, also known as bunkering (see section 2.4 – *Development of new activities by the Group* in this Registration Document). There is no guarantee, however, that bunkering will develop in the timeframe or at the rate anticipated by the Group, and any deviation from the projections set forth in this Registration Document may have a material impact on the Group's growth and diversification prospects and financial results. Low oil prices could furthermore weaken the competitiveness of LNG in comparison with oil-based fuels.

Given the cost associated with adapting its technologies, their complexity and the cost of building the logistics infrastructure enabling the refuelling of vessels with LNG from smaller LNG carriers, the Group cannot guarantee the success of its technologies in the bunkering sector, or their adoption by players that may prefer alternative, less complex technologies that require a lower level of operational control, or other fuels (MDO).

In addition, the Group's strategy of the diversification into new activities may lead to a change in its business model, exposing it to new risks, particularly execution risks likely to have a significant impact on its financial situation and its earnings.

5.1.3 RISKS RELATED TO INTELLECTUAL PROPERTY

5.1.3.1 The Group's portfolio of patents

A substantial proportion of the Group's technologies relies on its portfolio of patents, for which the average period of validity is approximately 15.5 years. For the purpose of its activities, the Group must obtain, maintain and enforce its patents in all countries in which it operates; its general policy is to file patent applications in all these countries to ensure maximum protection. The main technologies currently marketed by the Group give rise to patents or patent applications, where applicable based on the specificities of each patent, (i) in countries where the registered office of construction and repair shipyards are located and/or (ii) in emerging LNG countries (such as India and Russia), and/or (iii) in LNG exporting countries (such as Australia, Russia and Qatar) and in LNG importing countries (such as South Korea, China and Japan).

Although the Group takes substantial steps to ensure the validity of its patents, the Company is not and cannot be aware of all patent applications or filings that have been or will be made by third parties.

Procedures to secure compliance with the Group's patents may be lengthy, time-consuming and expensive, regardless of their merit, and there is no guarantee that the Group will benefit from a favourable outcome.

As a result, the Group cannot guarantee that:

- the Group's patent applications currently being examined in all the countries in which it operates its business will result in a patent being granted;
- patents granted to the Group, along with its other intellectual property rights, will not be challenged, invalidated or circumvented;
- the protection provided by patents is sufficient to protect the Group against competition and against the patents of third parties covering technologies with a similar purpose;
- its technologies and products do not infringe patents belonging to third parties;
- third parties will not claim ownership of patent rights or other intellectual property rights that the Group owns personally or jointly;
- third parties that have entered into license or partnership contracts with the Group and having sufficient experience of technologies that are based on the patents owned by the Group are not developing and will not develop strategies to file applications for patents related to the Group's business and that may be an obstacle to the Group's patent filing strategy and;
- court proceedings or proceedings before competent offices or jurisdictions will not be necessary to ensure compliance with the Group's patents or to determine the validity or extent of its rights in this regard.

The trademarks registered by the Group are important elements for the identification of its technologies. Despite the registration of the Mark III, NO96, Mark Fit™, LeaNG and GST™ trademarks, third parties could use or try to use these trademarks or other Group trademarks. Efforts to enforce the Group's trademarks may be unsuccessful in certain of the jurisdictions in which the Group operates. Such infringement may damage the Group commercially and damage its image.

5.1.3.2 The Group's know-how

The Group cannot guarantee that its technologies or their implementation, each of which is based in part on the Company's proprietary know-how, are sufficiently protected and cannot be misappropriated by third parties. When performing license contracts with clients or as part of its partnership contracts, the Group informs its contracting partners of certain elements of its know-how, particularly information relating to the implementation of membrane containment technologies.

Although the Group seeks to limit this communication to the information strictly necessary for its clients to implement its technologies or for the Group to perform its obligations under the aforementioned contracts, it cannot be guaranteed that additional information, including its proprietary know-how, will not be shared in the course of such activities. While the Group takes steps to ensure, through confidentiality agreements and other measures, that third parties who receive such information undertake not to disclose, use or misappropriate it, the Company cannot guarantee that such steps will be successful or respected by its clients or partners.

In particular, the Group cannot guarantee that (i) its contracting partners will fulfil their commitments and not develop technologies inspired by those developed by the Group (see section 5.1.1.2 – *Competitive environment* in this Registration Document) or (ii) in the event that these commitments are not fulfilled, the Group will be informed and be able to take appropriate measures or steps allowing it to gain full compensation for the damage suffered.

5.1.4 RISKS RELATED TO HUMAN RESOURCES

The Group's performance over time is based, in particular, on the quality of its employees, their expertise, their know-how and their motivation.

The Group's business requires a high level of technological expertise and advanced skills and know-how, which are constantly changing to meet a range of needs.

The need to constantly find new employees, train them in new techniques, recruit and train managers, retain a sufficient number of employees, including executives, engineers, technicians and experienced salespeople with the required skills, expertise and knowledge, creates a risk for the Group if it is unable to mobilise the resources needed within the time-frames required. The Group has a high level of technological expertise and its employees are a key asset.

5.2 Industrial and environmental risks

5.2.1 RISKS RELATED TO ANY POSSIBLE DEFECT IN THE GROUP'S TECHNOLOGIES

Although the Group has used its membrane and other technologies for many years, it cannot guarantee a total lack of defects when implementing these technologies or in the use of these technologies over time.

LNG, or any other liquefied gas, contained in the tanks of vessels equipped with the Company's technologies can, because of certain sea conditions, cause deformation in the containment membrane due to collision between the LNG cargo and the walls of the carriers' tanks (a phenomenon known as "sloshing"). Although the Company has taken the measures necessary in order to limit the impact of sloshing on its membrane containment systems, incidents causing damage in the tanks using the Company's technologies have occurred in the past as a result of the sloshing phenomenon and may occur again in the future. The occurrence or repetition of such events could damage the Group's image and reputation among ship-owners, shipyards and gas companies.

Emergence of faults in the Group's technology or its implementation in tank construction could expose the Group to claims and litigation from ship-owners, shipyards, and owners and operators of storage tanks, FSRUs, FLNGs, LNGCs, ethane carriers or their beneficiaries and other users of the Group's technology. At the date of filing this Document, the Company has received one claim for compensation relating to a defect in the implementation of its technologies. This is the only on-going claim received to date by the Company, which denies all responsibility in the matter. As a result, the Company may book provisions in its financial statements. Such provisions may have a material impact on the Company's financial statements and its results, even if the claims or the underlying litigation are unsuccessful.

In order to guarantee the Company and its subsidiaries in the event of personal accident or material or intangible losses caused to third parties, the Group is covered by a third party liability insurance policy. The policy for the management of risks and insurance is described in point 5.5.3 of this chapter – *Risk coverage and insurance policies*.

5.2.2 INNOVATION POLICY RISKS

The constantly changing economic environment in which the Group operates requires that anticipating the changes and new technologies required to maintain its position as a major player in its industry. To respond to these changes, the Group invests very heavily in innovation to be able to propose appropriate solutions to its customers and ensure its future growth.

Research and development are essential to the Group, which wants to provide its clients with the most effective and innovative tailored solutions. Any delays, errors or failures of its innovation policy, any failure to anticipate the consequences for the Group of a new technology implemented by others in the Group's area of expertise or in a technology field with the potential to have applications in the Group's markets could render the Group's products or technologies less competitive or result in the Group having less success than anticipated with its clients, leading the Group to lose its competitive advantage and potentially resulting in impairments or reducing the Group's revenues.

Although the Group's innovation policy, which is indispensable to ensure its growth, requires particularly high levels of investment, which are an expense for GTT, notably in terms of research and development, it cannot be assumed to be a certain source of positive results for the Group.

5.2.3 ENVIRONMENTAL RISKS

Although the Group believes that its business does not involve substantial environmental risks, where necessary, the Group carries out studies using providers specialising in the health, safety and environment (HSE) aspects of its activities, some of which could present limited environmental risks related to the storage and (i) use of chemicals, gases, dry wood or similar combustible materials, (ii) the installed power of fixed machinery in workshops, (iii) the quantity of foam processed mechanically, (iv) the industrial production of cellular materials and (v) the storage of cellular materials.

In addition, in order to implement its waste management policy, the Company relies on companies authorised to take and process industrial waste (such as foam, chemical waste, scrap metal and WEEE – waste electrical and electronic equipment). Should the companies fail to conduct their business in accordance with the current environmental rules and regulations, the Company may be exposed to environmental liability.

Although the Group is aware that it works in a field exposed to the risk of environmental liability, it cannot guarantee that it will not incur such liability in the future. It cannot guarantee that its current activities have not already resulted in such liability either.

5.3 Legal risks

5.3.1 RISKS RELATED TO THE REGULATORY ENVIRONMENT IN THE MARITIME TRANSPORTATION INDUSTRY

LNG maritime transportation is governed by a number of regulations, recommendations, codes and national, European and international standards.

In particular, the IGC Code ("International Gas Code") provides an international framework for the safe maritime transportation of LNG by prescribing design and construction standards for vessels carrying LNG, including standards for the equipment that those vessels must incorporate so as to minimise the risks for the vessel, its crew and the environment.

These standards may change depending on feedback relating to vessels in use and on technological developments. These changes take place through reviews of international agreements with the involvement of national governments.

The new IGC Code came into effect on July 1, 2016. Although several classification societies have already validated the fact that the Group's technologies comply with the new Code, discussions are under way with the other classification societies and the Group cannot guarantee that it will obtain the validation of its technologies by all the classification societies. The Company has not, however, identified any adaptations to its technology to date that would be required to comply with the new regulations. Furthermore, any future changes in the IGC Code rules could require the Company to modify its technologies in order to remain compliant with the IGC Code requirements.

Although as of the date of filing this Registration Document, the Company has always been able to prepare for and anticipate the implementation of changes required by the IGC Code, it cannot guarantee that it will always be able to adjust its technologies to meet the requirements of the IGC Code within the necessary timeframe and at a cost enabling it to maintain its profitability level.

The inability of the Group to adjust, profitably or otherwise, its technologies in line with new regulations, recommendations, codes and national, European and international standards, could have a material adverse impact on the Group's activities, results, financial position, cash flow and prospects, including the possibility that one or more of the Company's key technologies become commercially unusable.

At the date of filing this Registration Document, the Company is not aware of any other current or anticipated changes with regards to the rules applicable to LNG maritime transportation that would be likely to materially affect the Group's financial position.

5.3.2 RISKS RELATED TO FUTURE AUTHORISATIONS

The commercial use of the Company's current and future technologies is dependent on the approval of classification societies, which prescribe standards for the design and construction of the vessels that make use of the Company's technologies. Each classification society maintains its own approval and authorisation process, and the Company cannot guarantee that it will be able to maintain the authorisations it has already received or obtain the authorisations it will need in the future. Any failure by the Company to maintain or obtain authorisations could have a material impact on its financial position, results and prospects and may result in one or more of its key technologies become commercially unusable.

Changes in authorisation processes could increase the delays and difficulties and thus give rise to additional costs to be borne by the Company in relation to the authorisation and approval processes. Any such delay, difficulty or cost may have a material impact on the Company's reputation, financial results and growth prospects.

5.3.3 RISKS RELATED TO THE TAX ENVIRONMENT

Although the Group's policy is to comply with all legislations and regulations applicable in each of the countries in which its companies operate, and to international tax rules, certain provisions can result in risks due to their lack of precision, difficulties involved in their interpretation and changes in their interpretation by local authorities. In addition, the tax regimes applicable to certain Group entities in the European Union may be under review by the European Commission and could be changed in the future. Furthermore, the Group's companies may undergo tax audits by local tax authorities in the normal course of business.

Moreover, changes in the Group's operating environment, including changes in tax regulations or their interpretation in countries where the Group operates, and related practices, could affect the calculation of the Group's overall tax burden (tax and duties) and impact its financial position, cash flow and results.

The Group mainly operates in France, where it is subject to French corporate income tax among other taxes. The Company also pays withholding taxes on royalties from foreign sources, in particular in South Korea and China. These withholdings can, where applicable, give rise to tax credits in France. When calculating its final tax charge the Group takes into account withholdings on foreign earnings and whether these can be claimed back as tax credit for taxes paid abroad. Lastly, the Company may be asked by the parties involved to apply, or not to apply, withholdings on the dividends it pays to shareholders located in jurisdictions that have tax agreements with France. The Company is currently undergoing a tax audit carried out by the French authorities for the 2012, 2013 and 2014 financial years. It has not yet been notified of the outcome as of the filing date of this Registration Document. The audit may result in corrections and eventually lead to a tax dispute before the competent courts.

In each case, it is important to interpret the local and French tax rules, international tax treaties and the doctrine and administrative practice in each jurisdiction in which the Group operates. The Group must also make assumptions about the scale of its future business, the outcome of such business, how it will be done and how the resulting profits will be booked. More generally, the Group cannot guarantee that such assumptions and interpretations will not be challenged by the tax authorities concerned.

The Company benefits from some specific tax arrangements. In France, the Company pays tax at a specific rate of the corporate income tax on royalties from some industrial property rights, and receives tax credits in relation to some R&D spending and withholding taxes paid on royalties from foreign sources. These specific tax regimes could be called into question or modified, which would be likely to have an impact on the Group's tax charge, financial situation and earnings. The Company keeps itself informed regularly of changes in terms of tax regulations and monitors very attentively the implementation by the OECD of a plan concerning the erosion of the tax base and the transfer of profits, in order to evaluate the measures which could subsequently be taken in France.

5.3.4 RISKS RELATED TO POSSIBLE NON-COMPLIANCE WITH STATUTORY AND REGULATORY PROVISIONS

The supply of oil-related goods and services to some countries, including LNG and LNG-related materials, is currently subject to several sanction regimes, particularly from the United States of America and the European Union.

To date, US and EU sanctions on Russia and/or some Russian gas companies have had no material negative impact on the Group's activities in Russia and/or for Russian clients.

In 2014 and 2015, the Company received notification from Daewoo Shipbuilding & Marine Engineering, one of its licensed customers, of an order for 15 ice-breaking LNG carriers as part of the YAMAL LNG project. This project consists of the construction of a natural gas liquefaction plant in Sabetta (north-east of the Yamal peninsula) with annual capacity of 16.5 million tonnes of LNG drawn from the Yuzhny Tambei gas field. The project's operators (including the Russian company Novatek, which is subject to US sanctions) are also building an offshore LNG terminal, an airport, as well as an Arctic class fleet of LNG carriers.

At the date of filing this document, the Company was not aware of any issues likely to affect the orders it has booked in respect of the YAMAL LNG project. It cannot, however, rule out the possible tightening of current sanctions (either in nature or scope) against Russia and/or the Russian companies involved in the project, resulting in delays to, or the suspension or abandonment of, the YAMAL LNG project, or, more generally threatening its prospects for commercial development in Russia.

Moreover, whilst to date, the Company has no business relations with Iran, it may develop its activities in the country as part of its commercial expansion.

Also, other countries and/or current or potential customers of the Company could be subject to sanctions affecting LNG or related materials.

If the Group were to be directly or indirectly involved in selling LNG-related goods or services to countries or customers subject to sanctions, or parties to such activities, it could be liable for legal claims under one or more sanctions regimes.

5.3.5 RISKS RELATED TO ECONOMIC OR POLITICAL FACTORS

5.3.5.1 Country risks

The Group's activities and growth prospects depend primarily on demand for the maritime transportation of LNG from LNG exporting countries to LNG importing countries as well as on the building of liquefaction facilities.

Any political instability, military action or terrorist-type attack, change in regulations, expropriation, corruption, acts of war, extra-territorial impacts of certain legislation, etc. affecting these countries or affecting sea routes used to transport LNG or delaying or threatening liquefaction projects could have a material impact on the Group's business, results, financial position and prospects.

5.3.5.2 South Korea

The Group's direct clients are primarily shipyards in South Korea, China and Japan, and its end-clients are ship-owners and international gas companies.

In 2016, 84% of the Company's sales revenues came from South Korean customers (see note 18.2 of section 3.2.2 – *Segment reporting* of the Registration Document). At that date, four South Korean shipyards (Samsung Heavy Industries, Daewoo Shipbuilding & Marine Engineering, Hyundai Heavy Industries, Hyundai Samho Heavy Industries) that are customers of the Company represented 86% (in number of orders[(1)]) of the Company's order books. The Company considers that this distribution of its customer base and its sales revenues is unlikely to change significantly in the next few years.

As a result, any event – particularly political or military – affecting South Korea or other Asian countries may have an impact on the Group's financial situation, its liquidity, results and growth prospects.

5.3.6 RISKS RELATED TO DISPUTES AND LITIGATION

During the ordinary course of its business, the Group risks being involved in a certain number of administrative, traditional or arbitration proceedings, particularly in the event of defects in the technologies developed by the Group in either the LNG maritime transportation, or in the wider liquefied gas fields. The Company is unable to guarantee that these technologies are free of any defects and that the Group can, where applicable, develop adaptations in order to definitively eliminate the said defects. Consequently, it may be that claims result therefrom and that the Company's liability is incurred. Information about the inquiry opened by the South Korean competition authority (KFTC) is provided in section 5.1.1.2. The Company could take any action it considers necessary to protect its interests and enforce its rights.

Group companies create a provision where it is probable that such proceedings or claims will trigger costs for one of the Group's companies and a reliable estimate can be made of the amount (see section 3.1.2 – *Analysis of the GTT balance sheet* in this Registration Document).

Any provisions booked in this respect by the Group's companies in their financial statements could be insufficient, and this could have significant material adverse consequences on the Group's activities, results, financial situation, cash flow and prospects, regardless of the merits of the underlying claim.

On the date of this Registration Document, the Company is not aware of any legal, governmental, administrative or arbitration proceedings, other than the items described in this chapter or in note 16 of section 3.2.2 – *Other provisions (provisions for litigation)* and in Appendix 1 – *Financial information prepared in accordance with French GAAP*, in the Registration Document, involving the Company or its subsidiaries, either pending or threatened, which may have or have had in the past twelve months significant effects on the financial situation or profitability of the Group and rendering the creation of provisions necessary.

(1) *The five largest customers over this period in terms of revenue are not the same entities as the five largest customers in terms of number of orders as a result of the revenue recognition method.*

5.4 Financial Risks

5.4.1 CREDIT/COUNTER-PARTY RISKS

Direct customers of GTT are essentially shipyards. As at December 31, 2016, the Company has 21 shipyards under licence, located mainly in China, Japan and South Korea. Of these 21 sites, six sites are active and have notified GTT of orders for vessels.

Due to the limited number of customers, the majority of which are long-term customers with which the Company has solid partnership links, and to the fact that there have been no payment issues for ten years, the Company has never had to deal with any significant payment problems with its customers. The Company is closely monitoring developments in the current financial difficulties of the three main South Korean shipyards. In 2016, however, a provision for impairment of receivables was made in respect of one client due to invoices unpaid for two years on account of a significant delay in the project in question. The impairment charge covers 100% of the receivable due and of invoices to be issued for the same customer. Note that this customer is not a shipyard. This impairment remains immaterial with respect to the total amount of trade receivables at end-2016.

Any event affecting the ability of the Korean shipyards, and in particular Samsung Heavy Industries, Daewoo Shipbuilding & Marine Engineering and Hyundai Heavy Industries, to pay their invoices, including their insolvency, could significantly affect the financial situation of the Group, as well as its cash flow and its order book.

More generally, the loss of a significant client, the termination of a contract with a significant client or difficulties in recovering receivables from one of them could have a material adverse impact on the Group's results, financial situation, cash flow and prospects.

Furthermore, in the case of late payment from the shipyard, the TALA (license agreement) may be cancelled, which prevents the shipyard to commercialise the Company's technologies.

In case of order cancellation, the amount corresponding to the services performed are due and payable by the client. From this point of view, the fact of billing in accordance with five milestones helps to spread the risk. Billing is aligned with construction milestones of the vessel; any delay in the construction automatically causes a postponement of billing.

The current financial difficulties experienced by many shipyards, Korean in particular, constitute a risk for the Group. The Group may, therefore, have significant receivables that are open to the risk of non-payment or the client's bankruptcy. It should, however, be noted that the failures of South Korean ship-owner Hanjin and shipyard STX did not have any impact on the Group.

5.4.2 FOREIGN EXCHANGE RISKS

Purchases and sales are carried out almost entirely in euros, which is also the functional currency of the Company. Most contracts are denominated in euros.

The Company therefore considers that it is not exposed to significant exchange rate risk.

5.4.3 INTEREST RATE RISKS

The Company has unused authorised lines of credit as of the date of filing of the Registration Document. The future use of the lines of credit could expose it to the risk of interest rate fluctuations.

5.5 Risk management process

5.5.1 OVERALL POLICY FOR THE MANAGEMENT OF RISKS

Following the analysis conducted in 2011, and updated in 2014, as part of the planned implementation of a business continuity plan and an IT system disaster recovery plan, in which the Company identified the main risks it faces, the Company conducted another risk-mapping exercise at the end of 2015. It included risks related to access (physical and virtual) to the Company's data. The review, carried out *via* interviews at the Management level, enabled the identification of the priority risks the Company is faced with, their validation by the Board of Directors, and the definition of the required priority action plans. Actions have been put in place based on the potential impacts of the assessed risks (human, financial, organisational and reputational) and the probability of their occurrence. Implementation of the plans began in 2016. They are monitored on a regular basis by the Audit and Risk Management Committee and the Board of Directors.

There is, however, no guarantee that the Company has correctly identified all the risks to which it may be exposed or correctly evaluated its exposure to the risks of which it is aware. Nor is there any guarantee that any actions taken now or in future by the Company have mitigated or will mitigate the potential occurrence of the risks or the damage the Company might suffer should these risks materialise. The occurrence of any of the risks identified by the Company or the occurrence of a claim may have a significant material impact on the Group's financial results, cash flow, activities, prospects and reputation.

5.5.2 RISK COVERAGE AND INSURANCE POLICIES

The Group has subscribed insurance policies covering the general and specific risks to which it believes it is exposed.

Given the specific nature of its activity and the insurance policies subscribed by the Group and described below, the Group takes the view that it has a level of coverage that is appropriate to the risks inherent in its business.

However, there is no guarantee that the insurance policies taken out by the Group will suffice to cover all the risks to which the Group is currently exposed or may be exposed or that it will be capable, in the future, of maintaining adequate insurance policies at reasonable rates and on acceptable terms.

In addition, the ability of these insurance policies to effectively mitigate the risks they cover depends on the financial capacity of the counterparty insurers, and the Group cannot guarantee that such counterparty insurers will be able to perform adequately or at all their obligations under such insurance policies.

The Group's main insurance policies cover risks related to the Group's civil liability, executive's liability and damage to the Group's movable property and real estate.

The Group also has insurance policies covering other, more specific, risks, such as policies covering its automobile fleet and its expatriate and seconded staff.

No claims were made in 2016 and the Group is not aware, at the date of filing this Registration Document, of any events likely to generate a claim under any of its insurance policies.

5.5.2.1 Civil liability insurance

The Group has a civil liability insurance policy intended to cover it against the financial consequences of any liability for personal injuries, material or immaterial property damages caused to third parties during the course of its business activities. The Group's civil liability insurance policy was renegotiated in 2016 to ensure the best match with the Group's needs. Some risks are expressly excluded from the insurance policies described and so are not covered.

In addition to the Group's civil liability programme, each subsidiary also has a local civil liability insurance policy as required by law and practice in their markets.

5.5.2.2 Executives' liability insurance

The Group's executives are covered by liability insurance to protect them against the pecuniary consequences of breaches of statutory or regulatory provisions or provisions of the by-laws of the Company, mismanagement, errors, omissions or negligence by them with respect to third parties (excluding intentional and wilful misconduct, criminal offences and breaches of tax or customs law). This insurance policy covers the cost of defence, prevention, psychological assistance, communication and efforts to restore the image of the Group's executives.

5.5.2.3 Multi-risk insurance

The Group has a "multi-risk" insurance policy covering damage to its movable property and real estate, subject to exclusions stated expressly in the policy.