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Executive Board report

KEY EVENTS AND FACTS FOR 2003

Acquisitions made in 2002 and integrated into the Group in 2003

The acquisitions carried out in 2002 have led the Group to consolidate its restructuring around three major business sectors in 2003:

- **Environment and Services:** waste treatment plants, flue gas treatment systems, operation and corresponding services.
- **Mechanical Engineering and Services:** including the activities in the fields of defence and transport, as well as related services (after-sales and maintenance services).
- **Energy and Services:** grouping together the activities of Babcock Wanson and CNIM Babcock Services, supplying industrial boilers, incineration systems for volatile organic compounds and related services (repairs, renovation, maintenance).

The integration of these new acquisitions into the Group has now been completed.

- **Transport:** acquisition of the companies Atena, Elitec and Curtis, demonstrating our will to enlarge our scope of services (maintenance and renovation of lifts – Atena and Elitec –) and to propose a new product – landing doors for metros (Curtis) – which also creates business in maintenance.

• Environment

Waste treatment plants:

- In the United Kingdom: a large new waste treatment plant will be built by CNIM for Onyx UK in Sheffield.
- In France, in Châlons-en-Champagne, a plant for Onyx France. This contract will come into effect in 2004.

Flue gas treatment: very strong activity of our subsidiary LAB, as much in France as in all the European countries in which we are present. In 2003 orders have increased significantly (92 million euros) compared to 2000 (80 million euros) and 2001 (45 million euros), the year in which LAB was acquired.

• Mechanical Engineering

Defence

- Bridging systems: order for a set of 18 SPRAT units. This is a modular assault bridge to enable tanks of the 70-ton category to cross dry breaches.

Delivery of these very sophisticated devices will begin in 2007 and be phased through until 2012.

- Significant means for testing and implementation of the new M51 missile for the Strategic Ocean Force.

– “Megajoule Laser” for CEA-DAM: the joint venture formed by CNIM and “Thalès Engineering and Consulting”, with CNIM as the prime contractor, has obtained the contract for supplying the equipment and its integration into the experimental chamber (ECI) of the “Megajoule Laser”.

This project concerning the “Megajoule Laser” is aimed at the experimental simulation of thermo-nuclear explosions on an infinitesimal scale.

This contract will be phased over and beyond 2010.

- Ariane 5: development of light alloy casings for the “boosters” of the Ariane 5 rocket aimed at ensuring equipping of five flights per year for five years.

Transport

- The Montparnasse rapid walkway has received the final operative authorisation from the “Safety Commission” of the Ministry of Transport. Around 6,000,000 passengers have already used this revolutionary means of transport.

• Energy

- In spite of an unfavourable economic climate in 2003, we are continuing our efforts in view of development, primarily in Eastern Europe, since we are convinced that the new members of the European Union will thus find the means to finance their very significant requirements concerning equipment, as much in the sector of Babcock Wanson as in that of the Environment.

GROUP INCOME

> Consolidated financial statements

Since the financial year 2002, income relating to long-term contracts is based on percentage of expenditure. Accounting methods have not been modified in 2003.

The Group's sales figure has increased by 12%, from 516.5 million euros to 578.2 million euros. The net income (Group share) has increased by 9.3% to 14.6 million euros in 2003 compared to 13.3 million euros in 2002.

The profit and loss account for the financial year 2003 is summarised below:

(in millions of euros)	2003	2002
Sales	578.2	516.4
Trading activity	573.5	506.6
Operating income	22.5	19.2
Non-operating revenues and expenses	4.0	9.6
Income before tax	26.5	28.8
Exceptional items	(2.8)	(3.3)
Taxes	(6.0)	(7.5)
Companies consolidated by the equity method	(0.2)	(1.7)
Income before depreciation of goodwill	17.5	16.3
Depreciation of goodwill	(2.5)	(2.2)
Minority participations	0.4	0.8
Net income (Group share)	14.6	13.3
Cash flow	21.5	20.7

Operating income

The operating income has increased by 18% and net income by 10%. This was achieved in spite of the continuation of a cautious policy of provisions build-up in the environmental business sector.

Non-operating revenues and expenses

Non-operating revenues and expenses have returned to their normal level after a high figure in 2002 due to a reinstatement of provisions for a British subsidiary. Interest rate risks are covered by swaps. Exchange rate risks are covered by the COFACE, forward operations or foreign exchange options. The Company only holds CNIM shares and remains exposed to the risk of share price variations.

Exceptional items

The negative exceptional items of 2.8 million euros stem primarily from variances in previous financial years.

> International Financial Reporting Standards (IFRS)

The Company has started preparations to switch to IFRS standards from 2005.

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:

(in millions of euros)	2003		2002	
	Sales	Operating income	Sales	Operating income
Environment and Services	347.5	5.4	289.2	1.4
Mechanical Engineering and Services	121.3	12.2	111.3	14.6
Energy and Services	109.4	4.9	115.9	3.2
Group total	578.2	22.5	516.4	19.2

The figures for the Environment sector were high in 2003, due to the large number of plants in progress.

In Mechanical Engineering, with the duration of contracts being longer, 2003 consisted primarily of an engineering activity with a view to the preparation of supplies that should come into play in the following years.

The sales figure of the Energy business sector is almost equivalent to its orders, since it works primarily on contracts of under 6-month duration.

Sales and income for the subsidiaries are presented in appendix VII.9 of the parent company financial statements.

> Orders received in 2003

(in millions of euros)	2003	2002
Environment and Services	222.8	379.4
Mechanical Engineering and Services	172.0	123.4
Energy and Services	118.1	120.3
Group total	512.8	623.1

Orders received in 2003 represented 512.8 million euros compared with 623.1 million euros in 2002.

They have decreased by 18% compared with those obtained in 2002.

This can be explained by a rather low level of orders in waste treatment plants, particularly in France, where several decisions for orders expected in 2003 have been delayed until 2004, in spite of a significant increase in orders for flue gas treatment by our subsidiary LAB and an equally significant rise in the Mechanical Engineering sector (see main orders in "Key events" above).

> Variation of orders received in 2003 per business sector

(in millions of euros)	Orders 01.01.2003	ACTUAL 2003		Orders 01.01.2004
		Orders	Sales	
Environment	556	223	348	431
Household waste incineration plants and others	366	95	208	253
Environment subsidiaries	89	36	100	25
LAB	101	92	40	153
Mechanical Engineering	154	172	121	205
Defence	100	126	55	171
Transport	54	46	66	34
Energy and Services	21	118	109	30
Babcock Wanson	15	77	77	15
CNIM Babcock Services	6	41	32	15
Total	731	513	578	666

The volume of orders at the beginning of the financial year is equivalent to a year of orders received.

STRATEGY AND PROSPECTS

> Medium-term strategy

The Group's strategy is to continue the development of its three business sectors, with the emphasis on:

- controlling risks and business profitability;
- increasing sales of services, in order to be less dependent on the economic climate.

> Prospects for 2004

At this stage the Group remains cautious for 2004, considering the general economic climate as much in France as in the European countries in which it is involved, which therefore makes it difficult to anticipate order dates for large contracts (Environment and Defence), even despite a significant volume of orders for LAB (153 million euros), ensuring a strong activity by our subsidiary in 2004.

PARENT COMPANY FINANCIAL STATEMENTS

The key figures in the income statement for 2003 are indicated below:

(in millions of euros)	2003	2002
Sales	343.0	311.1
Operating income	7.1	5.6
Operating margin	2.1%	1.8%
Financial income	1.5	12.0
Income before tax	8.6	17.6
Exceptional items	0.2	(5.8)
Taxes	(0.4)	(3.8)
Net income (parent company)	8.4	8.0

GROUP FINANCING

The Group's cash flow in 2003 can be summarised as follows:

(in millions of euros)	2003	2002
Total net income	15.0	14.2
Costs and products without impact on cash flow	6.5	6.5
Cash flow	21.5	20.7
Dividends received and fluctuation of WCR	21.9	(26.0)
Cash flow from operating activity	43.4	(5.3)
Net flow of investments	(6.3)	(23.5)
Dividends paid	(7.5)	(7.6)
New borrowings	33.6	39.7
Repayment of borrowings	(43.3)	(6.7)
Fluctuation of exchange rate	(0.4)	(1.3)
Cash variation	19.5	(4.7)
Cash at end of financial year	93.2	73.7
Cash at beginning of financial year	73.7	78.4
Cash variation	19.5	(4.7)

In order to face up to a possible need for financing its operating capital and external growth, the Group has set up a new line of medium term credit amounting to 34 million euros.

The only tax-deductible expenditure concerned the depreciation of vehicles for 15,410 euros.

RESEARCH AND DEVELOPMENT

Research has mainly been focused on the development of new products and on the improvement of existing ones.

> Defence

– Project for a new original landing device whose principal characteristics are speed, carrying capacity, as well as its low draught. Its originality also stems from the fact that this device can be used for multiple missions, both military and civil.

– Continuation of testing electron beam welding of large titanium structures or key parts for the aeronautical industry combining lightness and strong resistance.

> Transport

– Construction of a landing door prototype installed for endurance tests at one of our major clients of the Hong Kong metro.

– Installation of the first equipment specifically designed to facilitate movement around the metro for disabled persons. This device is in the process of being qualified.

> Environment

At LAB, Research and Development has mainly been focused on the following areas:

– Wet type flue gas treatment system: optimisation of processing waste water from the scrubber towers, for the purpose of reducing effluent discharge.

– Semi wet-type flue gas treatment system: optimisation aimed at considerably reducing emissions, in accordance with the most restrictive European standards and reducing the consumption of reagents.

– Stabilisation of ashes from flue gas filtering. A programme was initiated at the end of 2003 to make the ashes as inactive as possible with regard to their place of storage.

Additionally at the end of 2003, a research programme was initiated on a catalyst which would enable CO emissions to be considerably reduced.

> Energy

Babcock Wanson has focused research and development activities on the following items:

In France:

– Improvement of thermal efficiency of steam generators and boiler houses.

– Development of high capacity fire tube boilers (50 t/h).

In Italy: testing of new ceramics for VOC incinerators, which enable energy consumption (gas and electricity) to be greatly improved.

The Group's policy is to allocate 3% of its sales to expenditure on Research and Development.

EVENTS SUBSEQUENT TO THE DATE OF CLOSURE

At the beginning of 2004, the Company began to consult staff representatives concerning a restructuring project to transfer the boiler manufacturing activity of the Golbey site to the one in La Seyne.

STOCK MARKET

> Stock market listings

The CNIM share has been listed on the Second Tier Market of the Paris Stock Exchange since 1987 and is negotiated in the investment grade A category under the SICOVAM code 5339. The CNIM share is the only listed security issued by the Company.

> Stock market indicators

The CNIM share is included in the SBF 250 index (250 leading stocks of the Paris Stock Exchange), MIDCAC index (mid-range stocks) and the Second Tier Market Index (ISM).

> Capital and voting rights as of 30 April 2004

The number of shares listed is 3,028,110 and the breakdown on 30 April 2004 of capital and voting rights was as follows:

Shareholders	Share capital	Voting rights
FRANELI/FREL/Mr. F. HERLICO (family owned business)	9.47%	15.71%
MAXA and Mrs. M. HERLICO (family owned business)	8.68%	10.00%*
SOLUNI and Mrs. C. DMITRIEFF (family owned business)	12,00%	10,00%*
IDI Group	15,17%	10.00%*
MARTIN GmbH	10.25%	15.41%
ULYSSE	5.22%	4.34%
GENERAL PUBLIC	39,21%	34.54%

* After restriction of voting rights approved by the Mixed General Meeting of 28 November 2002.

> Performance of the CNIM share

Price	
On 31 December 2002	57.0 euros
On 31 December 2003	53.0 euros
On 30 April 2004	59.7 euros
Annual highs and lows in 2003	
Highest	61.95 euros
Lowest	49.49 euros
Variations over one year in 2003	
CNIM	-7.0%
MIDCAC	29.0%
SBF 250	13.2%
ISM	18.9%
Variation from 1 January 2004 to 30 April 2004	
CNIM	12.6%
MIDCAC	9.2%
SBF 250	3.0%
ISM	14.7%

On average, 662 CNIM shares were traded per day in 2003.

> Share repurchase programme

In 2003, the Company purchased 11,661 shares at an average price of 52.09 euros and sold 2,720 shares at an average price of 56.51 euros. On 31 December 2003, the Company held 36,749 of its own shares acquired under the terms of the authorisation granted to the Board of Directors by the Mixed General Meeting of 27 June 2002 and confirmed to the Executive Board by the Mixed General Meeting of 28 November 2002, 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 Commercial Code. This treasury stock represents 1.21% of the capital, having specified that the number of voting rights attached to the shares making up the registered capital amounted to 3,641,826 on 31 December 2003 according to the last issue of the *Bulletin des Annonces Légales Obligatoires* (Official Journal of Legal Announcements).

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

Until the next Ordinary General Meeting ruling on the annual accounts of the financial year closing on 31 December 2004, we propose to renew the authorisation granted by the Company to repurchase its own shares, as the previous authorisation granted by the General Meeting held on 26 June 2003 expires on the date of this General Meeting and consequently to give the corresponding power to the Executive Board with the power to sub-delegate to the Chairman of the Executive Board.

As within the scope of this authorisation, these repurchases may be made for any purposes and particularly for the following objectives:

- to ensure stability of share prices;
- to participate in the Company's asset and financial management policy;
- to remit shares as exchange in external growth operations;
- to allocate stock options to the employees of the Company and/or its Group;
- to share the results of growth with the employees.

The number of shares that may be repurchased by the Company is limited to 10% of the Company's registered capital, with the proviso that the Company can only hold 10% of its own shares.

The maximum unit price at which these shares can be repurchased is 100 euros, i.e., overall a total purchase amount not exceeding 30,281,100 euros.

The shares repurchased in this way may be either retained by the Company, or disposed of through any and all means; the unit sale price cannot be less than 35 euros.

Furthermore, it should be noted that the share repurchase programme should be covered by an information note, submitted for approval by the COB (French Stock Market Regulatory Authority). This note should be published in a daily financial publication at least two weeks before the Meeting.

Administration, management and supervisory bodies

> Executive Board

Mr. François CANELLAS

DOB: 20 April 1936

Chairman of the Executive Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the annual accounts for the financial year 2005.

Other positions:

All these positions concern the companies in the CNIM group.

Chairman

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

Director

- CNIM ENVIRONNEMENT
- BABCOCK ENTREPRISE HOLDING
- BABCOCK WANSON HOLDING
- BABCOCK INDUSTRIE
- CNIM INDUSTRIE
- STOMA
- ELITEC
- CNIM ESCALATORS UK
- MARTIN ENGINEERING SYSTEMS (UK)
- MES ENVIRONMENTAL (UK)
- SELCHP (UK)
- CNIM ESPANA
- CNIM HONG KONG

Permanent representative for BABCOCK WANSON HOLDING on the Board of COFRAP

Member of the Supervisory Board

CNIM BABCOCK Central Europe (Czech Republic)

Fixed salary and profit sharing: 504,746 euros

Mr. Claude RONSSIN

DOB: 8 June 1938

Member of the Executive Board – General Secretary

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the annual accounts for the financial year 2005.

Other positions:

All these positions concern the companies in the CNIM group.

Chairman

- CNIM ENVIRONNEMENT
- BABCOCK ENTREPRISE HOLDING
- CNIM INDUSTRIE

Director

- BABCOCK WANSON HOLDING
- LAB SA
- TMC
- BABCOCK INTERNATIONAL (Belgium)
- CALDERAS Y PROYECTOS (Spain)
- CNIM ESPANA
- BABCOCK WANSON CALDEIRAS (Portugal)
- CNIM HONG KONG (China)
- CNIM ESCALATORS UK
- MARTIN ENGINEERING SYSTEMS (UK)
- MES ENVIRONMENTAL (UK)

Permanent representative for CNIM TMC

Member of the Supervisory Board

CNIM BABCOCK CENTRAL EUROPE (Czech Republic)

Fixed salary: 264,421 euros

> Supervisory Board

Mr. Vsevolod DMITRIEFF

DOB: 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 annual accounts for the financial year 2005.

Other positions:

Director

- CNIM CANADA
- CNIM ESCALATORS UK Ltd
- CNIM ESPANA SA
- CNIM HONG KONG Ltd (China)
- CNIM INDUSTRIE
- STOMA
- SOLUNI

CNIM permanent representative on the Boards of

- BABCOCK ENTREPRISE HOLDING
- LAB SA
- SCI du 35 rue de Bassano
- Société Monégasque d'Assainissement (SMA)

Director

- SOCILAS

Member of the Supervisory Board

- ANTERIORITY

Fixed salary, profit sharing and director's fees: 398,111 euros

Mr. Jean-Pierre LEFOULON

DOB: 19 October 1932

Vice-Chairman of the Supervisory Board

In position since: 28 November 2002

Term of office expires on the date of the Annual General Meeting ruling on the annual accounts for the financial year 2003.

Other positions:

Chairman

- Value Invest

Director

- Crédit Municipal de Paris
- Crédit Municipal de Lille
- Creatis
- Maison des Polytechniciens

Director's fees: 8,000 euros

Mr. Richard ARMAND

DOB: 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 annual accounts for the financial year 2005.

Other positions:

Director

- the associations AFITE (French Association of Environmental Engineers and Technicians), ATEE (Technical Energy Environment Association)
- the Association for the Development of Research Programmes – Economic and Social Action (RES)
- SOLVING
- Georges Besse Foundation
- ADEME

Director's fees: 8,000 euros

Mrs. Christiane DMITRIEFF

DOB: 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 annual accounts for the financial year 2007.

Other terms of office:

Chairman and Managing Director

- SOLUNI

Director

- SOCILAS

Director's fees: 8,000 euros

Mr. Nicolas DMITRIEFF

DOB: 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 annual accounts for the financial year 2007.

Other positions:

Chairman of the Executive Board

- ANTERIORITY SA

Director

- SOLUNI

Director's fees: 8,000 euros

FREL company

represented by Mr. François HERLICQ, Chairman

DOB: 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 annual accounts for the financial year 2006.

Positions held at a personal level by Mr. HERLICQ:

Chairman and CEO

- FRANELI

Chairman

- FREL

Director's fees: 8,000 euros

Mr. André HERLICQ

DOB: 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 annual accounts for the financial year 2007.

Director's fees: 8,000 euros

Mr. Vincent HERLICQ

DOB: 21 December 1964

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 annual accounts for the financial year 2007.

Director's fees: 8,000 euros

JOHES company

represented by Mr. Jean-François VAURY

DOB: 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 annual accounts for the financial year 2003.

Other terms of office:

Director

- GYS

Positions held at a personal level by Mr. VAURY:

Chairman

- CICLAD Participation

Member of the Supervisory Board

- SUPERBA

Permanent representative of CICLAD on the Board of

- SIRAGA

Director's fees: 8,000 euros

MAXA company

represented by Mrs. Monique HERLICQ

DOB: 26 July 1928

Member of the Supervisory Board

appointed on 10 October 2003

Term of office expires on the date of the Annual General Meeting ruling on the annual accounts for the financial year 2007.

Director's fees: 8,000 euros

> Remunerations of management and supervisory bodies

For the financial year closed on 31 December 2003:

All remunerations made to the members of the administrative, management and supervisory bodies, for their activity within the Group, amounted to 1,419,678 euros of which 80,000 euros were directors' fees paid to the members of the Supervisory Board.

Fringe benefits are negligible.

Environmental and social data

The General Management of the CNIM group has always placed anticipation, adaptability and safety at the heart of its strategy. Anticipation and adaptability in terms of products, constantly preparing tomorrow's products, yet also in terms of human resources management in order to permanently adapt to:

- changes of the environment;
- market fluctuations for the various product lines;
- technological progress.

In particular, this management of products and people has turned the multidisciplinary of employees into a key element for the success of the Group.

The Group's human resources policy operates around four main lines: employee integration, personal development, mobility, hygiene and safety.

> Employee integration

With the aim of integrating new employees under optimal conditions, the Group has set up:

- codification of material integration methods and administrative procedures;
- welcome procedures by management adapted to each different category of employees.

> Personal development

One-to-one assessment and career guidance

Every year, the Company's employees benefit from an individual interview with their immediate superior. These interviews are included in the Company's main strategic lines of development, broken down into common objectives, which are in turn broken down into individual objectives. They enable the past year to be assessed, individual objectives to be set concertedly for the following year, the analysis of the means that will enable these objectives to be reached, in particular training, and an opportunity to discuss objectives for the professional development of employees.

Professional training

In conjunction with the site directors, the Group's Human Resources Department determines strategic guidelines. They define priority actions that structure the training programmes that will be included in the training plan.

The training plan is presented to employees and management during training commissions and to the Joint Consultative Committee for their opinion.

> Mobility

Mobility is a key element of development for the Company and for the men and women who work in it. It enables each person to enhance and develop his competences and to acquire new ones. It increases the prospects for promotion.

To develop mobility, the Group has undertaken to:

- favour, where possible and for equal qualifications, an internal job application rather than an external one;
- make public, except in particular cases, all vacant positions;
- facilitate moves by proposing homogenous and fair conditions to accompany mobile staff.

All in-company vacant positions can be consulted on a web site dedicated to mobility and accessible via the Group's Intranet.

All actions that aim to optimise the Group's human resources management are carried out within the framework of the standard ISO 9001 version 2000.

> Hygiene and safety

The General Management has implemented measures regarding hygiene and safety within the Company. It guarantees that procedures are based on appropriate technical and financial resources, staff training and information.

All the site managers are responsible for applying these measures. The safety manager, who is in charge of supervising the audit and review of the hygiene and safety policy, assists them in this matter.

All the employees and suppliers co-operate by fully complying with this policy and ensuring that their own work contributes to reducing the frequency of accidents and to limiting risks for themselves and others.

> Environment

CNIM has set up a policy on the environment which ensures compliance with all the relevant environmental regulations, and which also includes commitments aiming at a permanent and reasonable improvement with regard to the environment.

The general management determines the Company's priorities within the context of its general policy, which concerns:

- safety;
- protection of health and the environment (reducing emissions and waste to the minimum, preserving resources, etc.).

CNIM undertakes to abide by this general policy in its contracts. This policy is implemented at all levels of the Company. It leads to dialogue and transparency, not only within the Company but also in our relations with external partners (clients, suppliers, etc.).

This is demonstrated by the implementation of an environmental management programme, describing the objectives and targets and specifies the tasks to be carried out, responsibilities, indicators and the results achieved, as well as the required means and time limits.

Protecting the environment is closely linked to health, safety and work. It is of particular concern in the incineration plants operated by the Company.

These plants are provided with a "guide to managing the environment, health and safety at work" and have been or are about to be awarded ISO 14001 and 18001 certification.

In parallel to all this, measures are taken to limit the damage to the biological equilibrium, to the environment and to protected species of animals and plants.

"Environmental protection" sheets on:

- noise
- soil pollution
- air pollution
- waste discharge

describe the preventive measures to be taken by the companies in the Group.

Waste is removed by specialised companies which produce a follow-up sheet sent quarterly to the department in the Préfecture (regional administration in France) dealing with hazardous industrial plants.

All hazardous products are retained and are covered by corresponding safety data sheets.

Air samples are analysed in the workshops.

The regulations concerning hygiene and safety at work, as well as the environment are met in all fields, and compliance with the law is ensured by the Group Manager in charge of Risk Prevention, Safety and Environment.

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

As a result, during the financial year no penalty was imposed by courts with regard to the environment and no provision had to be made for any risk in this field.

Proposals by the Executive Board

> Ordinary part

Plan for the allocation of income

CNIM's registered net income for the financial year 2003 amounts to 8,438,000 euros after:

- 3,815,000 euros for depreciation on fixed assets.

The distributable income amounts to:

- Profits for the financial year 8,437,912.62 euros
- To which is added retained earnings 217,469.42 euros
- Total 8,655,382.04 euros

We propose that the income be distributed as follows:

- Dividend of 2.50 euros per share, i.e., for 3,028,110 shares 7,570,275.00 euros
- Other reserves 1,000,000.00 euros
- Retained earnings 85,107.04 euros

However, as the Company is authorised to trade in its own shares, it is specified that the dividends corresponding to the shares held by the Company on the date of distribution and not paid out as such will be allocated to "Retained earnings".

The dividend, together with a tax credit, will be paid from 1 July 2004.

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

(in euros)	2002	2001	2000
Number of shares	3,028,110	3,028,110	3,028,110
Dividend	2.50	2.50	2.30
Tax credit	1.25	1.25	1.15
Income	3.75	3.75	3.45

Shareholding

On 31 December 2003 (following the limitation in voting rights decided by the Mixed General Meeting on 28 November 2002), the following shareholders held:

More than 10% of the voting rights:

- FRANELI + FREL and Mr. François HERLICQ
- MARTIN GmbH für Umwelt Energietechnik

More than 5% of the voting rights:

- the IDI group (through the companies IDI, Financière Bagatelle and Financière Neuilly Barres, acting jointly)
- SOLUNI + Mrs. Christiane DMITRIEFF
- MAXA + Mrs. Monique HERLICQ

Renewal and approval of the appointment of members of the Supervisory Board

The terms of office of members of the Supervisory Board Mr. Jean-Pierre LEFOULON and the JOHES company, represented by Mr. Jean-François VAURY, will expire at the close of the Ordinary General Meeting ruling on the annual accounts for the financial year 2003. We request that they be renewed for a period of six years, i.e., until the Annual General Meeting to approve the annual accounts for the financial year 2009.

The MAXA company, represented by Mrs. Monique HERLICQ and the MARTIN company, represented by Mr. Johannes MARTIN, having been appointed by the Supervisory Boards of 10 October 2003 and 29 January 2004 respectively, as successors to Mr. Xavier JEANJEAN and Mr. Vincent HERLICQ, we request that their appointment be approved for the duration of the remaining terms of office of Mr. Xavier JEANJEAN and Mr. Vincent HERLICQ, i.e., until the Annual General Meeting to approve the annual accounts for the financial year 2007.

> Extraordinary part

Dispensation from the age limit granted to a member of the Executive Board

By dispensation from article 17.4 of the articles of association and without modifying the rule of principle according to which the term of office of every member of the Executive Board expires at the close of the Ordinary General Meeting ruling on the annual accounts for the financial year in which he turned sixty-five, we propose, in agreement with the Supervisory Board and in order to enable Mr. Claude RONSSIN to fulfil his term of office to its expiry date, to delay the automatic expiry of his functions until the close of the annual general meeting ruling on the annual accounts for the financial year 2005.

The dispensation relating to the age limit of the Chairman of the Executive Board remains unchanged.

Plan for the transfer of the escalator maintenance business from CNIM to CNIM Transport Services

CNIM has a 100% stake in CNIM Transport Services, a subsidiary of CNIM.

CNIM Transport Services has taken over CNIM's business assets on a lease-management arrangement from 1 January 2003.

As a result and in application of article L. 122-12, paragraph 2 of the Commercial Code, all employment contracts for the employees of CNIM assigned to this comprehensive and independent branch of activity have been transferred to CNIM Transport Services.

Through this lease-management, CNIM Transport Services has therefore been operating the business assets, object of the transfer submitted to you, since 1 January 2003, however CNIM has maintained ownership.

The envisaged transfer would enable ownership of the business to be transferred to CNIM Transport Services, a business that it has already been operating within the framework of the lease-management contract, which will cease on the date of the final completion of the transfer.

The transferred business assets would be transferred to CNIM Transport Services on the basis of their true value estimated at 6.5 million euros.

As payment for the transfer, the shares of CNIM Transport Services created to increase the capital base of the latter, will be attributed to CNIM.

Supervisory Board's report to the Mixed General Meeting

On 25 June 2004

Ladies and Gentlemen,

In accordance with the law and the articles of association, the Executive Board of our Company has invited you to attend a Mixed General Meeting, in order to present you with the situation and business activity of our Company during the financial year ended 31 December 2003, and to submit for your approval the financial statements of the aforementioned financial year, as well as the appropriation of income.

In accordance with article L. 225-68 of the Commercial Code, may we remind you that 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 Ordinary General Meeting.

In accordance with the provisions of article L. 225-68 of the Commercial Code, we 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.

After having verified and audited the annual financial statements and the Executive Board's report, we believe that 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

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Consolidated balance sheet as of 31 December 2003

ASSETS

	Note	31.12.2003			31.12.2002
		Gross	Amortisations and provisions	Net	Net
(in thousands of euros)					
Uncalled subscribed capital					
Intangible assets					
Goodwill		6,088	2,924	3,164	3,471
Other intangible assets		21,730	15,833	5,897	6,820
Sub-total intangible assets	V.1.	27,818	18,757	9,061	10,291
Difference in goodwill	V.2.	49,191	10,071	39,120	40,262
Tangible assets					
Land		11,769	584	11,185	11,297
Buildings		69,806	48,510	21,296	23,232
Plant and equipment		50,849	37,892	12,957	15,597
Others		16,361	13,206	3,155	3,560
Assets in progress		948		948	1,530
Advances and down payments				0	38
Sub-total tangible assets	V.3.	149,733	100,192	49,541	55,254
Long-term investments					
Investments in unconsolidated subsidiaries and affiliates		23,713	20,981	2,732	2,367
Loans and advances to unconsolidated companies		18,455		18,455	20,170
Other investments		9,436	7,266	2,170	2,273
Sub-total	V.4.	51,604	28,247	23,357	24,810
Equity affiliates – Investments	V.5.	4,921		4,921	6,676
Sub-total long-term investments		56,525	28,247	28,278	31,486
Total non current assets		283,267	157,267	126,000	137,293
Inventory					
Raw material		22,548	4,422	18,126	20,520
Goods		810	146	664	817
Works in progress		557	70	487	474
Production in progress		3,967	229	3,738	11,306
Sub-total inventory and production in progress		27,882	4,867	23,015	33,117
Valuation of work in progress		603,760		603,760	489,536
Advances + partial payments on orders		5,945		5,945	6,645
Accounts receivable	V.6.				
Trade receivables and related accounts		169,537	7,370	162,167	116,638
Others		22,922	272	22,650	40,349
Deferred tax		8,412		8,412	10,961
Marketable securities	V.7.	57,511	17	57,494	54,538
Cash		44,965		44,965	32,969
Prepaid expenses		5,933		5,933	3,199
Total current assets		946,867	12,526	934,341	787,952
Charges to be distributed		163		163	115
Total		1,230,297	169,793	1,060,504	925,360

LIABILITIES

(in thousands of euros)	Note	31.12.2003	31.12.2002
Shareholder's equity			
Share capital		6,056	6,056
Issuance premiums		7,237	7,237
Legal reserve		606	606
Reserves		48,271	47,764
Consolidated retained earnings		9,186	4,478
Cumulative translation adjustment		(2,580)	(636)
Net income/loss of the year		14,583	13,337
Total shareholder's equity	V.8.	83,359	78,842
Minority interest – Reserve		2,713	1,638
Minority interest – Income of the year		386	833
Total minority interest	V.9.	3,099	2,471
Provisions for contingencies and charges	V.10.	87,641	99,076
Financial debt			
Bank loans	V.11.	62,370	73,288
Other long-term debt	V.11.	3,950	5,094
Advances and partial payments on orders	V.12.	621,708	469,785
Accounts payable			
Suppliers		126,372	111,783
Tax and social security payable		52,297	57,644
Deferred tax payable		2,546	2,354
Other long-term debt			
Payables to fixed asset suppliers			611
Others		10,880	17,765
Total debt		880,123	738,324
Unrealised foreign exchange gains		6,282	6,647
Total		1,060,504	925,360

Consolidated statement of income as of 31 December 2003

(in thousands of euros)	Note	31.12.2003	31.12.2002
Operating revenues			
Sales	VI.1.	578,165	516,455
Stored production	VI.1.	(4,646)	(9,882)
Capitalised production		758	1,684
Operating subsidiaries		9	302
Cancellation of provisions		48,341	126,527
Transfer of charges		4,130	9,929
Other revenues		1,347	429
Total operating revenues		628,104	645,444
Operating expenses			
Purchases of goods and changes in inventory		297,753	297,344
Other expenses		117,136	105,281
Taxes (other than income tax)		5,515	8,957
Personnel expenses			
Salaries and wages		99,724	96,335
Social security charges		34,788	34,017
Employee profit sharing		153	33
Depreciation and amortisation		10,297	10,935
Provisions		34,643	63,125
Other expenses		5,792	10,479
Total operating expenses		605,801	626,506
Operating income	VI.3.	22,303	18,938
Group share of income from joint operations		190	295

(in thousands of euros)	Note	31.12.2003	31.12.2002
Financial revenues			
Equity investments			896
Other securities		5,714	3,264
Other interest revenues		2,994	4,344
Cancellation of provisions, transfer of charges		3,176	7,221
Foreign exchange gains		4,068	2,137
Total financial revenues		15,952	17,862
Financial charges			
Depreciation allowances + provisions		1,380	1,787
Interest expenses		5,719	3,523
Foreign exchange losses		4,873	2,944
Total financial charges		11,972	8,254
Financial income	VI.4.	3,980	9,608
Income before taxes and exceptional items		26,473	28,841
Exceptional revenues		2,712	2,676
Exceptional charges		(5,540)	(5,974)
Exceptional items	VI.5.	(2,828)	(3,298)
Corporate income tax	VI.6.	(3,264)	(6,932)
Deferred tax	VI.6.	(2,744)	(530)
Total fully consolidated companies		17,637	18,081
Share in income (loss) of equity affiliates	VI.7.	(158)	(1,667)
Amortisation of goodwill		(2,511)	(2,244)
Net income (Group share) after amortisation of goodwill		14,968	14,170
Minority interests		385	833
Net income (Group share)		14,583	13,337
Net income per share		4.85	4.44
Diluted net income per share		4.85	4.44

Consolidated cash flow table

(in thousands of euros)	31.12.2003	31.12.2002
Total net income for consolidated companies	14,969	14,170
Elimination of charges and income having no effect on the cash flow or not relating to the activity		
Elimination of depreciation and provisions ⁽¹⁾	3,103	3,239
Elimination of the variation in deferred taxes	2,743	531
Elimination of the capital gains or losses from sales	532	1,100
Elimination of the share of the revenue for companies consolidated under the equity method	158	1,667
Other incomes and charges without effect on the cash flow	-	-
Cash flow	21,505	20,707
Dividends received from consolidated companies	1,985	
Effect of the variation in WCR related to the activity		
Inventory	2,548	3,387
Long-term contracts/work in progress	(106,656)	(228,668)
Advances and down payments	594	(751)
Operating receivables	13,718	187,737
Other receivables and accrued income	(2,563)	2,625
Advances and down payments received	106,245	75,950
Variation in operating debts ⁽¹⁾	9,023	(49,373)
Variation in other debts	(3,027)	(16,947)
Total	19,882	(26,040)
Net flows generated by (appropriated to) the activity (A)	43,372	(5,333)
Purchase of capital assets	(9,746)	(12,601)
Purchase of capital shares	-	-
Sales of capital assets	3,334	7,178
Sales of capital shares	-	-
Effects of variations on the scope of consolidation	121	(18,030)
Net flows coming from (appropriated to) investments (B)	(6,291)	(23,453)
Dividends paid by the parent company	(7,487)	(7,558)
Dividends paid to minority shareholders	-	-
Capital increase (reduction)	-	-
Investment subsidies	-	-
New borrowings	33,576	39,637
Repayment of borrowings	(43,291)	(6,672)
Net flows coming from (appropriated to) financing (C)	(17,202)	25,407
Effect of the variation in exchange rates (D)	(380)	(1,290)
Effects of change in accounting principles (E)	-	-
Cash variation A + B + C + D + E	19,499	(4,669)
Closing cash		
Marketable securities	57,494	54,538
Cash	44,965	32,969
Current bank account balances	(10,698)	(13,161)
Subsidiaries' bank account balances	1,439	(645)
	93,200	73,701
Cash variation	19,499	(4,669)

(1) After reclassification of the variation of provisions for charges on settled contracts or for percentage of completion as of 31 December 2002.

Notes to the consolidated financial statements

These notes are an integral part of the consolidated financial statements as of 31 décembre 2003.

I. ACCOUNTING PRINCIPLES

The consolidated financial statements for the CNIM group are drawn up in accordance with the accounting regulations in force in France, in particular including the provisions of regulation 99-02 by the Committee for Accounting Standards.

CNIM has applied CRC Rule 2000-06 concerning liabilities since 1 January 2002.

The application of this rule as of 1 January 2002 had no effect on shareholder's equity at 31 December 2002.

The Group has decided against the anticipated application of CRC Rule 2002-10 concerning the depreciation and impairment of assets.

I.1. > Consolidation methods

The consolidated financial statements include the accounts of all significant subsidiaries of which CNIM holds directly or indirectly stakes of 20% or more of the capital.

Subsidiaries and sub-subsidiaries in which the Group holds at least 50% of the capital are fully consolidated with calculation of minority participations.

If the Group holds between 20% and 50% of the capital and has notable influence, the equity method is normally used.

Jointly controlled companies are proportionally consolidated.

The preferential methods indicated in the decree of 22 June 1999 have been used.

In particular, the method of earnings based on percentage of completion has been applied to the long-term contracts.

Legal profit-sharing is shown under operating charges.

I.2. > Income from ordinary activities and from exceptional items

Income from ordinary activities covers income or expenses that are derived from the ordinary activities of the branches of the CNIM group.

Exceptional items are income or expenses resulting from events or transactions that are clearly distinct from ordinary activities and not expected to recur frequently or regularly.

I.3. > Valuation of the financial statements of foreign subsidiaries

In the case of foreign companies, balance sheet items are valued at the year-end exchange rate, while items on the profit and loss account are valued at the average exchange rate for the year.

Exchange rate differences are recorded in the item "Shareholders' equity".

Exchange rates used for currency translation into euro:

	Year-end rate		Average rate	
	2002	2003	2002	2003
Pound sterling	1.53728	1.41884	1.59093	1.44597
Hong Kong dollar	0.12228	0.10199	0.13612	0.11374
Canadian dollar	0.60423	0.61599	0.67607	0.63237

I.4. > Goodwill/Badwill

When taking over a consolidated subsidiary, all of the identifiable assets acquired, and liabilities and contingent liabilities incurred or assumed, are recognized at their value in use and can be revalued during the period following the acquisition.

The difference between the cost of the investment and the share of the revalued net assets is recorded in the assets of the balance sheet under "Goodwill" or, in the liabilities under provisions for contingencies and charges in the event of negative goodwill.

Positive goodwill is amortised on a straight-line basis over a time period which reasonably reflects estimated profitability and objectives set out at the time of the acquisition. This period cannot exceed 20 years.

The net value of goodwill for each acquisition has been justified using the discounted cash flow method. Future cash flows are calculated based on activity and results forecasts according to management evaluation. The Company has discounted its cash flows using the average rate of financing of its resources. The activity growth rates are derived from the strategic plan of the Company.

II. SCOPE OF CONSOLIDATION

Consolidation of all companies is based on their financial statements as of 31 December 2003.

II.1. > Fully consolidated companies

Company	Headquarters	% Stake
CNIM	France	Mother company
CNIM HONG KONG	Hong Kong	99.99%
BABCOCK ENTREPRISE HOLDING	France	99.99%
BABCOCK WANSON MAROC	Morocco	98.10%
COFRAP	France	99.94%
BABCOCK WANSON	France	100%
BABCOCK WANSON UK	Great Britain	100%
MARTIN ENGINEERING SYSTEM	Great Britain	100%
BABCOCK WANSON ITALIANA	Italy	100%
BABCOCK WANSON CALDEIRAS	Portugal	100%
BABCOCK WANSON AG	Switzerland	99.80%
BABCOCK WANSON HOLDING (ex BE)	France	100%
CALDERAS Y PROYECTOS BABCOCK WANSON	Spain	100%
WANSON HOLDING	France	100%
SCI 35, rue de Bassano	France	99.80%
MES ENVIRONMENTAL	Great Britain	100%
MES SELCHP	Great Britain	100%
SCI Gabriel-Péri	France	99%
CNIM CANADA	Canada	100%
CNIM ESC UK Ltd	Great Britain	100%
ENERGONUT	Italy	77.94%
LAB	France	100%
LAB GmbH	Germany	100%
TMC	France	100%
UTE CNIM-SENER BILBAO	Spain	75%
CNIM ENVIRONNEMENT	France	100%
ELITEC	France	100%
CTS	France	100%
Newly consolidated company		
ATENA	France	75.2%

II.2. > > Proportionally consolidated companies

Company	Headquarters	% Stake
CCUAT	France	49.92%

II.3. > Companies consolidated by the equity method

Company	Headquarters	% Stake
SELCHP	Great Britain	37.85%
HANFORD WASTE SERVICES Ltd	Great Britain	39%
DUDLEY WASTE SERVICES Ltd	Great Britain	33.33%
WOLVERHAMPTON WASTE SERVICES Ltd	Great Britain	33.33%

III. ACCOUNTING PRINCIPLES AND VALUATION METHODS

III.1. > Tangible and intangible fixed assets

Fixed assets are valued at historical cost excluding related financial expenses.

Intangible assets

The main amortisation periods are as follows:

	Years
Franchises, patents, licences	5 to 10
Software	1

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

Start-up costs: expenses incurred during start-up operations, without corresponding production, are retained as start-up costs and are amortised according to a specific plan within a maximum period of five years.

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

Tangible assets

The main amortisation periods are as follows:

	Years
Buildings	20
Fixtures, improvements	10
Machinery and equipment	5
Lifting equipment	5 to 8
Small 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**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.

Loans and advances to 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.

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

If necessary, a provision is made for depreciation.

III.3. > Inventories and work in progress**Inventories**

Inventories are valued at their weighted average cost. Provisions for depreciation are recorded either when their cost is greater than the last available market price or when a slow turnover of part of the inventory is anticipated.

Work in progress

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

Valuation of long-term contracts/work-in-progress

Sales and margins on long-term contracts are reported using the percentage of completion method. The estimated margin is added to expenses which are recorded in the assets of the balance sheet under "Long-term contracts/work-in-progress".

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

When results forecasts show a loss, provisions are made to cover this loss entirely.

On completion of the contracts, only expenses still to be incurred stay on the balance sheet. They are the subject of a provision for expenses.

III.4. > Receivables and debt

Receivables and debt are valued at their nominal value.

A provision for the depreciation of receivables is established if necessary, according to the risk incurred.

III.5. > 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.6. > Regulated provisions

Regulated provisions are included in shareholders' equity after ascertaining the deferred tax liability. Allocations and amounts released in the profit and loss account are neutralised in the consolidation accounts.

III.7. > Provisions for contingencies and charges

These items mainly concern:

III.7.1. > Provisions for contingencies

- a. The provision for lawsuits and disputed claims is calculated according to estimated risk.
- b. Warranty provisions for customers are constituted using either statistics based on historical warranty expenditure borne by similar contracts or, by applying a risk percentage to the sale price.
- c. Provisions for losses on long-term contracts are accounted for using the percentage of completion method and are recorded in the liabilities of the balance sheet.

III.7.2. > Provisions for charges

- a. Provisions for the renewal and maintenance of plant equipment used in the household waste incineration plants activity, within the scope of our commitment to equipment replacement: they are calculated based on a program of capital repairs, taking into account the life of components and the remaining duration of the contract.
- b. Provisions for expenses incurred on terminated contracts.
- c. Provisions for retirement indemnities.

III.8. > Deferred tax

Deferred taxes are recorded in the consolidated balance sheet and income statement 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, based on the tax rates coming into force for the following period.

Deferred tax assets are recorded in the balance sheet if it is likely that they can be recovered during future periods. 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.9. > Employee retirement benefits

Retirement benefits are calculated under a prospective method, and are fully recorded in contingency and expense provisions.

Estimated retirement indemnities are determined using actuarial assumptions and calculations. These calculations are based on mortality estimates, staff turnover and future salary projections. Discount rates are determined by referring to the yield, on the valuation date, of the bonds issued by leading companies in the concerned area.

III.10. > R&D expenditure

R&D expenditure, including expenditure relating to the rapid moving walkway, is not capitalised but included in the cost of the contract it refers to or recorded as expenses of the year.

The liability of 3.1 million euros concerning an expired research co-operation agreement with Foster Wheeler, has been released.

III.11. > Unrealised foreign exchange gains and losses

Unrealised foreign exchange gains and losses are entered under income.

III.12. > Leasing contracts

Investments made in form of leasing contracts are recorded as acquisitions if the terms of the contract suggest that the transaction is a purchase associated with a loan.

The capitalised value of this type of investment is the smaller of either the market value of the goods or the current value of the rent due. The corresponding liabilities are recorded as debt to the lessor.

Payment of the rent is recorded as reimbursement of the borrowed capital and financial charges. Goods thus incorporated into the company assets are depreciated over their economical life time.

III.13. > Hedging instruments

> Foreign exchange risks

Forward exchange operations (denominated in the same currency and with the same forward period) are off-balance sheet commitments until their full realisation.

Receivables and liabilities in foreign currency and covered by individual hedging operations are entered at their guaranteed forward rate and not restated at closure.

Assets denominated in foreign currencies are hedged with foreign exchange swaps.

Unhedged receivables and loans are translated at the year-end exchange rate and foreign exchange gains or losses are recorded in the income statement.

> Interest rate risks

Variable rate loans are covered by interest rate swaps if the company's exposure to market risks is considered to be significant. Coverage of the interest rate risk has no effect on the recording of the concerned balance sheet items. The terms of the financial instruments are stated under off-balance sheet commitments.

III.14. > Net income per share

The net income per share is obtained by dividing the consolidated net Group income by the weighted average number of shares in circulation during the financial year.

The 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 dilution instruments into ordinary shares: there is no stock purchase plan.

Net income is diluted by CNIM's own shares which are held by subsidiaries as return on capital contribution and by the parent company in accordance with the authorisation to repurchase 10% of its own shares.

IV. SIGNIFICANT EVENTS DURING THE YEAR

The company ATENA was consolidated as of 1 January 2003.

The cost of acquisition was 2,059 thousand euros, the treasury acquired was 108 thousand euros and the impact on the Group treasury was 1,951 thousand euros.

Impact of the acquisition on other balance sheet items: the main balance sheet items affected by this acquisition are trade receivables for 1,648 thousand euros and suppliers for 1,182 thousand euros.

Goodwill: 1,339 thousand euros.

V. NOTES TO THE FINANCIAL STATEMENTS

V.1. > Intangible assets

(in thousands of euros)	Start up costs	R&D expenses	Licences, patents, trademarks	Business leasehold	Others	Total
Gross value 31.12.2002	2,476	24	15,482	6,027	3,199	27,208
Increases – Additions	–	–	738	–	212	950
Decreases – Disposals	(7)	–	(283)	(1)	(112)	(403)
Transfers	–	–	–	–	–	0
Change in scope of consolidation	–	–	17	1	–	18
Currency translation	(1)	(1)	(14)	61	–	45
Gross value 31.12.2003	2,468	23	15,940	6,088	3,299	27,818
Depreciation 31.12.2002	2,482	13	8,886	2,556	2,980	16,917
Depreciation allowances	–	730	1,474	365	361	2,930
Depreciation write-backs	–	(727)	(258)	–	(109)	(1,094)
Transfers	(13)	–	13	–	–	0
Change in scope of consolidation	–	–	17	–	–	17
Currency translation	(1)	(1)	(14)	3	–	(13)
Depreciation 31.12.2003	2,468	15	10,118	2,924	3,232	18,757
Net value 31.12.2003	(0)	8	5,823	3,164	67	9,061

Breakdown of the net book value by activity sector

(in thousands of euros)	31.12.2003	31.12.2002
Environment and Services	5,147	5,931
Mechanical Engineering and Services	2,759	3,023
Energy and Services	1,155	1,337
	9,061	10,291

Breakdown of the net book value by geographic sector

(in thousands of euros)	31.12.2003	31.12.2002
France	5,999	6,842
England	1	6
Other European countries	715	821
Asia	–	–
Others	2,346	2,622
	9,061	10,291

V.2. > Variation in goodwill

(in thousands of euros)	31.12.2003	31.12.2002
Net value 01.01	40,262	16,673
Goodwill of the year	1,369	25,844
Depreciation allowances	(2,511)	(2,255)
Net value 31.12	39,120	40,262

Net goodwill relates to the following companies:

ATENA	1,272	-
BABCOCK WANSON	1,484	1,721
BABCOCK ENTREPRISE	1,201	1,334
BABCOCK WANSON CALDEIRAS	52	57
BABCOCK WANSON UK	510	592
CALDERAS Y PROYECTOS BABCOCK WANSON	29	19
CNIM ENVIRONNEMENT	15,708	16,573
ELITEC	575	589
ENERGONUT	779	830
LAB	16,935	17,939
TMC	575	608
Total	39,120	40,262

The increase in goodwill mainly concerns the company ATENA for 1,339 thousand euros (gross value).

V.3. > Tangible assets

(in thousands of euros)	Land	Buildings	Plant and equipment	Others	Tangible assets in progress	Advances + partial payments	Total
Gross value 31.12.2002	11,876	69,820	49,907	16,546	1,530	38	149,717
Increases – Acquisitions	–	615	2,711	1,660	2	–	4,988
Decreases – Disposals	(6)	(476)	(1,403)	(1,890)	(584)	(38)	(4,397)
Transfers	–	–	(182)	182	–	–	0
Change in scope of consolidation	–	–	4	72	–	–	76
Currency translation	(101)	(153)	(188)	(209)	–	–	(651)
Change in method	–	–	–	–	–	–	0
Gross value 31.12.2003	11,769	69,806	50,849	16,361	948	0	149,733
Depreciation 31.12.2002	579	46,588	34,310	12,986	0	0	94,463
Depreciation allowances	10	2,444	4,696	1,672	–	–	8,822
Depreciation write-backs	(5)	(469)	(938)	(1,321)	–	–	(2,733)
Transfers	–	35	(36)	1	–	–	0
Change in scope of consolidation	–	–	(1)	56	–	–	55
Currency translation	–	(88)	(139)	(188)	–	–	(415)
Change in method	–	–	–	–	–	–	0
Depreciation 31.12.2003	584	48,510	37,892	13,206	0	0	100,192
Net value 31.12.2003	11,185	21,296	12,957	3,155	948	0	49,541

Breakdown of the net book value by activity sector

(in thousands of euros)	31.12.2003	31.12.2002
Environment and Services	27,123	31,172
Mechanical Engineering and Services	4,812	5,340
Energy and Services	17,606	18,742
	49,541	55,254

Breakdown of the net book value by geographic sector

(in thousands of euros)	31.12.2003	31.12.2002
France	32,690	35,463
England	2,175	2,489
Other European countries	14,035	16,534
Asia	140	188
Others	501	580
	49,541	55,254

V.4. > Long-term investments (excluding investment in equity of unconsolidated affiliates – joint ventures)

(in thousands of euros)	Investments in unconsolidated subsidiaries and affiliates	Loans and advances to unconsolidated companies	Other investments ⁽¹⁾	Total
Gross value 31.12.2002	22,051	20,170	9,598	51,819
Increases – Acquisitions	3,786	675	17	4,478
Decreases – Disposals	(8)	(2,390)	(202)	(2,600)
Transfers	–	–	–	0
Change in scope of consolidation	(2,059)	–	32	(2,027)
Currency translation	(57)	–	(9)	(66)
Gross value 31.12.2003	23,713	18,455	9,436	51,604
Provisions 31.12.2002	19,684	0	7,325	27,009
Allowances	1,303	–	30	1,333
Cancellations	–	–	(89)	(89)
Transfers	–	–	–	0
Change in scope of consolidation	–	–	–	0
Currency translation	(6)	–	–	(6)
Provisions 31.12.2003	20,981	0	7,266	28,247
Net value 31.12.2003	2,732	18,455	2,170	23,357

(1) Other capitalised securities, loans and other investments.

The increase of receivables attached to equity affiliates is due to the interest charged to the companies DWS and WWS, capitalised. The decrease of receivables attached to equity interests is due to repayment of DWS, WWS, SELCHP and HWS.

Breakdown of the net book value by activity sector

(in thousands of euros)	31.12.2003	31.12.2002
Environment and Services	19,279	20,699
Mechanical Engineering and Services	2,558	2,617
Energy and Services	1,520	1,494
	23,357	24,810

Breakdown of the net book value by geographic sector

(in thousands of euros)	31.12.2003	31.12.2002
France	701	3,344
England	18,456	19,711
Other European countries	1,899	1,509
Asia	48	68
Others	2,253	178
	23,357	24,810

Long-term investments

(in thousands of euros)	Currency	Gross value	Provision	Net value	Direct or indirect %
Non consolidated interests					
WANSON BENEDE ⁽²⁾	-	19,392	(19,392)	0	100
IBIL (India)	-	96	(96)	0	12
SMA	-	63	0	63	3
BW INDUSTRIE	-	62	(62)	0	100
CNIM BABCOCK CENTRAL EUROPE	-	1,635	(1,314)	321	100
BABCOCK CARIBE	-	44		44	100
BABCOCK INDUSTRIE ⁽¹⁾	-	39	(21)	18	100
CNIM INDUSTRIE ⁽¹⁾	-	38	(16)	22	100
CALERGO	-	38	(10)	28	100
STOMA ⁽¹⁾	-	38	(13)	25	100
CNIMEX	-	37		37	100
BABCOCK GULF ENTREPRISE ⁽¹⁾	-	33		33	49
POWER FLOW (Belgium)	-	18	(18)	0	15
COFRASERVICE	-	15		15	100
SOTRALI	-	6	(6)	0	100
CURTIS (United States)	-	2,119		2,119	75
CNIM PORTES PALIÈRES	-	23	(23)	0	75
CNIM ESPAGNE	-	7	(7)	0	100
Others	-	10	(3)	7	-
Total non consolidated interests	-	23,713	(20,981)	2,732	-
Receivables related to shareholdings					
Receivables related to shareholdings are held by the company CNIM					
SELCHP	GBP	8,087	0	8,087	-
HWS	GBP	4,858	0	4,858	-
DWS	GBP	2,773	0	2,773	-
WWS	GBP	2,737	0	2,737	-
Total receivables related to shareholdings	-	18,455	0	18,455	-
Other long-term investments					
1/ Long term securities of portfolio activity					
BABCOCK INTERNATIONAL ⁽¹⁾	-	2,079	(1,308)	771	100
FOSTER WHEELER FAKOP	-	1,051	(310)	741	8.4
NORMED ⁽²⁾	-	5,637	(5,637)	0	-
Others	-	7		7	-
Sub-total TIAP	-	8,776	(7,255)	1,521	-
2/ Loans	-	25	0	25	-
3/ Other long-term investments (deposit, bonds...)	-	635	(11)	624	-
Total other long-term investments	-	9,436	(7,246)	2,170	-
Total long-term investments	-	51,604	(28,247)	23,357	-

(1) Non-operating company.

(2) Companies in liquidation.

V.5. > Companies consolidated by the equity method

(in thousands of euros)		31.12.2003	31.12.2002
Gross value			
SELCHP	Shareholders' equity 01.01	12,071	13,927
	Profit or loss for the year	(898)	(990)
	Change in currency translation adjustment	(913)	(866)
	Shareholders' equity 31.12	10,260	12,071
	% interest	37.85%	37.85%
	Book value	3,883	4,569
HWS	Shareholders' equity 01.01	6,776	6,382
	Profit or loss for the year	962	835
	Pay-out of dividends	(5,091)	-
	Change in currency translation adjustment	10	(441)
	Shareholders' equity 31.12	2,657	6,776
	% interest	39.00%	39.00%
	Book value	1,036	2,643
DWS	Shareholders' equity 01.01	(5,041)	(3,197)
	Profit or loss for the year	(108)	(2,122)
	Change in currency translation adjustment	390	278
	Shareholders' equity 31.12	(4,759)	(5,041)
	% interest	33.33%	33.33%
	Book value	(1,586)	(1,680)
WWS	Shareholders' equity 01.01	(4,948)	(2,471)
	Profit or loss for the year	(472)	(2,730)
	Change in currency translation adjustment	390	253
	Shareholders' equity 31.12	(5,030)	(4,948)
	% interest	33.33%	33.33%
	Book value	(1,676)	(1,649)
	Total	1,657	3,882
Gross value of shares of companies consolidated by equity method		4,921	7,212
Provisions for depreciation		-	(536)
Net value		4,921	6,676
Provisions for loss (corresponding to negative shareholders' equity)		(3,264)	(3,330)

(in thousands of euros)		31.12.2003	31.12.2002
Evolution in sales (converted at yearly average exchange rate)			
SELCHP		30,107	32,741
HWS		16,836	17,992
DWS		9,349	10,297
WWS		9,575	10,324

V.6. > Receivables

(in thousands of euros)	Gross value	Degree of liquidity		
		Maturity of less than 1 year	Maturity from 1 to 5 years	Maturity of over 5 years
Long-term receivables				
Receivables of related companies	18,455	-	-	18,455
Loans	25	-	-	25
Other investments ⁽¹⁾	636	-	-	636
Total 1	19,116	-	-	19,116
Trade receivables				
Doubtful accounts	8,429	8,429	-	-
Notes receivable	954	954	-	-
Other client accounts receivable	160,154	160,154	-	-
Total 2	169,537	169,537	-	-
Other operating receivables				
Employees	696	696	-	-
State and other public authorities	23,961	23,961	-	-
Others	6,677	6,677	-	-
Total 3	31,334	31,334	-	-
Prepaid expenses	5,933	5,933	-	-
Total receivables	225,920	206,804	0	19,116

(1) Not including long-term securities: 8,776 thousand euros.

V.7. > Marketable securities

(in thousands of euros)	31.12.2003	31.12.2002
Treasury stock	478 ⁽¹⁾	351 ⁽²⁾
Certificates of deposit	76	-
Mutual funds	56,957	54,187
Accrued income	-	-
Gross value	57,511	54,538
Provisions	(17)	-
Net value	57,494	54,538
Market value	60,571	61,824
Taxable unrecognised income	3,077	7,286

(1) 8,728 shares CNIM at 54.84 euros. 5,190 shares CNIM purchased and 2,634 shares sold during 2003.

(2) 6,172 shares CNIM at 56.91 euros. 6,394 shares CNIM purchased and 6,644 sold during 2002.

The majority of the Group's finances is placed in a special investment fund, of which CNIM is the majority owner and responsible for its management. The policy of this investment fund is to achieve remuneration slightly above the short term market rate, whilst at the same time ensuring a high degree of liquidity. The majority of the fund investment consists of short-term securities with minimal counterparty risk. CNIM centralises the cash funds in euros of the Group's French companies so as to optimise investment possibilities and overdraft arrangements.

V.8. > Shareholders' equity – Group share

(in thousands of euros)	Capital	Issuance premiums	Legal reserve	Retained earnings reserves	Cumulative translation adjustment	Net income	Total
On 31.12.2001	6,056	7,237	493	42,156	1,611	15,654	73,208
Capital stock increase	0	-	-	-	-	-	-
Allocation of 2001 income	-	-	113	15,541	-	(15,654)	0
Distribution	-	-	-	(7,553)	-	-	(7,553)
Change in currency translation adjustment	-	-	-	-	(2,247)	-	(2,247)
Income 2002	-	-	-	-	-	13,337	13,337
Change due to self-control	-	-	-	-	-	-	0
Cancellation of own shares	-	-	-	-	-	-	0
Change in methods	-	-	-	2,092	-	-	2,092
Others	-	-	-	6	-	-	6
On 31.12.2002	6,056	7,237	606	52,242	(636)	13,337	78,843
Capital stock increase	-	-	-	-	-	-	0
Allocation of 2002 income	-	-	-	13,337	-	(13,337)	0
Distribution	-	-	-	(7,488)	-	-	(7,488)
Change in currency translation adjustment	-	-	-	-	(1,944)	-	(1,944)
Income 2003	-	-	-	-	-	14,583	14,583
Change due to self-control	-	-	-	-	-	-	0
Cancellation of own shares	-	-	-	(326)	-	-	(326)
Others	-	-	-	(308)	-	-	(308)
On 31.12.2003	6,056	7,237	606	57,457	(2,580)	14,583	83,359

> Share capital information

Share capital

At 31 December 2003, the share capital stands at 6,056,220 euros, split into 3,028,110 fully paid shares with a nominal value of 2 euros each. There were no changes in 2003.

Form of the 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 2003 was 3,641,826 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 26 June 2003, the Company has renewed a market making contract with BNP Equities.

	CNIM	BNP Equities	Total
Own shares at 1 January 2003	1,549	6,172	7,721
Shares purchased in 2003	6,471	5,190	11,661
Average purchase price	51.27	53.11	52.09
Shares sold in 2003	-86	-2,634	-2,720
Average sale price	63.49	56.28	56.51
Own shares at 31 December 2003	7,934	8,728	16,662

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

V.9. > Shareholders' equity – Minority participations

(in thousands of euros)	Capital	Issuance premiums	Legal reserve	Retained earnings reserves	Cumulative translation adjustment	Net income	Total
On 31.12.2001	0	0	0	574	(1)	1,065	1,638
Capital stock increase	-	-	-	-	-	-	0
Allocation of 2001 income	-	-	-	1,065	-	(1,065)	0
Distribution	-	-	-	-	-	-	0
Change in currency translation adjustment	-	-	-	-	-	-	0
Income 2002	-	-	-	-	-	833	833
On 31.12.2002	0	0	0	1,639	(1)	833	2,471
Capital stock increase	-	-	-	-	-	-	-
Allocation of 2002 income	-	-	-	833	-	(833)	0
Distribution	-	-	-	-	-	-	0
Variation of scope	-	-	-	242	-	-	242
Change in currency translation adjustment	-	-	-	-	-	-	0
Income 2003	-	-	-	-	-	386	386
On 31.12.2003	0	0	0	2,714	(1)	386	3,099

V.10. Provision for risks, charges and depreciation of assets

(in thousands of euros)	Provisions at 31.12.2002	Additions	Write-back of used provisions	Write-back of unused provisions	Change in methods or entering scope	Transferts	Currency translation	Provisions at 31.12.2003
Provisions for contingencies								
Law-suits provision	10,165	2,144	(2,198)	(2,306)	-	653	-	8,458
Warranty provision	8,182	1,377	(1,079)	(2,324)	-	(116)	(13)	6,027
Provisions for losses on long-term contracts	14,669	3,168	(5,097)	(16)	-	-	(10)	12,714
Others	11,505	10,164	(3,706)	(3,160)	-	714	(25)	15,492
Total contingencies	44,521	16,853	(12,080)	(7,806)	-	1,251	(48)	42,691
Provisions for charges								
Renewals	18,427	3,641	(3,475)	(3,245)	-	-	(381)	14,967
Expenses on terminated contracts	20,501	14,280	(13,099)	(5,929)	-	1,532	(18)	17,267
Reserve for retirement indemnities	6,687	162	(226)	0	-	1,980	-	8,603
Provision for share of negative net statements of the equity capital of companies consolidated by the equity method	3,330	-	-	-	-	(67)	-	3,263
Others	5,610	965	(1,164)	(73)	-	(4,455)	(33)	850
Total charges	54,555	19,048	(17,964)	(9,247)	0	(1,010)	(432)	44,950
Total contingencies and charges	99,076	35,901	(30,044)	(17,053)	-	241	(480)	87,641
Goodwill liabilities	0	0	0	0	0	0	0	0
Total liabilities	99,076	35,901	(30,044)	(17,053)	-	241	(480)	87,641
Provisions for depreciation of assets								
Fixed tangible assets	579	5	-	-	-	-	-	584
Long-term investments	27,546	1,432	(699)	-	-	-	(32)	28,247
Production material and work-in-progress inventory	4,143	1,861	(1,116)	-	-	-	(19)	4,869
Trade receivables	6,666	2,856	(2,143)	-	16	-	(25)	7,370
Other receivables	1,637	24	(1,389)	-	-	-	-	272
Marketable securities	-	17	-	-	-	-	-	17
Total assets	40,571	6,195	(5,347)	-	16	0	(76)	41,359
Total contingencies, charges and assets	139,647	42,096	(52,444)	-	16	241	(556)	129,000
Of which								
Operational		34,643	(48,341)	-	16	241	(524)	
Financial		1,380	(3,176)	-	-	-	(32)	
Exceptional		447	(868)	-	-	-	-	
Other		73	(59)	-	-	-	-	
Taxes		5,553	-	-	-	-	-	
Total		42,096	(52,444)	-	16	241	(556)	

Lawsuits provision

The lawsuits provisions are calculated according to the estimated risk.

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 imputation (6,739 thousand euros), current tax deficiency notifications (2,585 thousand euros) and provisions for taxes (5,553 thousand euros).

Provisions for renewals

Provisions for renewals mainly concern three household waste incineration factories in France, other centers in England as well as the complete maintenance of escalators.

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

For French companies:

Employee retirement indemnities are determined using actuarial assumptions and calculations based on retirement age, mortality (INSEE TV table 1988-1990), seniority and staff turnover. The projected benefit obligation is calculated using a salary increase of 1.5%, inflation of 1.5% and a discount rate of 5%.

The retirement indemnities due to the personnel present at 31 December 2003 amount to 6,446,000 euros, excluding social security charges.

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

For foreign companies:

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

Defined contribution pension plans

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

Defined benefit pension plan

For France:

Personnel retiring as executives and after the age of 60 have an additional defined benefit pension. This commitment is yearly and no provision has been made. The amount paid in 2003 was 300 thousand euros.

Long service medal commitment

French companies award bonuses for long service. This bonus is calculated according to seniority.

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 the bonus, mortality (INSEE TV table 1988-1990), seniority and staff turnover. The projected obligation is calculated using an inflation rate of 1.5% and discount rate of 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.

Transfer of items

The balance of "Transfer items" corresponds to the negative change in share of the equity capital of companies consolidated by the equity method (see note V.5.).

V.11. > Financial debt

(in thousands of euros)	31.12.2003	Euros	Foreign currencies ⁽¹⁾	31.12.2002
Less than 1 year	17,420	11,509	5,911	15,085
From 1 year to 5 years	46,005	46,005	-	60,500
More than 5 years	2,895	2,895	-	2,797
Total	66,320	60,409	5,911	78,382

Debt with maturity exceeding five years mainly concerns BW Italiana for 645 thousand euros and CNIM for 2,143 thousand euros.

Note 1: breakdown of amounts in foreign currency

Maturity date	Currencies	Exchange value in thousands of euros
Less than 1 year	Moroccan dirhams	MAD 1,179
	Swiss francs	CHF 102
	Sterling	GBP -
	Canadian dollars	CAD 4,630
		5,911
From 1 to 5 years		0

Note 2: details of loans from credit institutions

Characteristics of contracted loans (in thousands of euros)	Credit line amount	Amount at 31.12.2003	Amount drawn at 31.12.2003	Rate	Currencies
Medium-term loan 2002					
Instalment A payable from 2003 to 2009	15,000	12,857	12,857	Variable on Euribor	euro
Instalment B payable <i>in fine</i> in 2005, renewable twice 1 year	20,000	20,000	0	Capped at 4.47% Variable on Euribor	euro
Medium-term loan 2003	34,000	34,000	34,000	Variable on Euribor Swapped at 2.4%	euro
Medium-term loan 2001 in CAD	4,620	4,620	4,620	Variable on Libor CAD	CAD dollar
BW Italiana	-	-	2,367	Variable	euro
CCUAT	-	-	69	Fixed	euro
Sub-total loans	-	-	53,913	-	-
Restatement of financial leases	-	-	194	-	-
Deposits and bonds	-	-	283	-	-
Capitalisable advances	-	-	1,880	-	-
Current advances	-	-	10,050	-	-
Total loans and financial debt	-	-	66,320	-	-

Medium-term loans for 2002 and 2003 are subject to three covenants related to the consolidated accounts: cash interest expenses on gross operating profit, net debt on shareholder's equity and net debt on gross operating profit.

These covenants have been complied with at 31 December 2003.

V.12. > Financial leasing contracts

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

The amounts concerned by these restatements are:

(in thousands of euros)	31.12.2003	31.12.2002
Gross investments	2,678	2,678
Depreciation	(1,973)	(1,840)
Net investments	705	838
Fees	207	335
Interest expenses	(31)	(57)
Depreciation allowance	(133)	(133)
Net impact	43	145

V.13. > Advances and partial payments on orders

(in thousands of euros)	Amount in each currency		Value in euros
Hong Kong dollars	416	HK\$	60
Sterling pounds	40,351	GBP	64,661
Swiss francs	34	CHF	22
Moroccan dirhams	3,784	MAD	342
Euros	547,321	EUR	547,321
Egyptian pounds	4,326	EGP	659
Canadian dollars	11,125	CAD	8,643
Total			621,708

V.14. > Operating liabilities

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

VI. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

VI.1. > Breakdown of sales by geographical sector

(in thousands of euros)	31.12.2003			31.12.2002		
	France	Abroad	Total	France	Abroad	Total
Sales	327,522	250,643	578,165	265,355	251,100	516,455
Stored production	608	(5,254)	(4,646)	(7,017)	(2,865)	(9,882)
Activity	328,130	245,389	573,519	258,338	248,235	506,573

Breakdown of sales by activity sector

(in thousands of euros)	31.12.2003	31.12.2002
Environment and Services	347,546	289,187
Mechanical Engineering and Services	121,268	111,333
Energy and Services	109,351	115,935
	578,165	516,455

Breakdown of sales by geographic sector

(en milliers d'euros)	31.12.2003	31.12.2002
France	327,522	265,355
England	81,861	74,574
Other European countries	115,313	102,806
Asia	27,547	35,154
Others	25,922	38,566
	578,165	516,455

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

Using a comparable scope of consolidation compared to 31 December 2002, sales and stored production would have been as follows:

(in thousands of euros)	31.12.2003	31.12.2002
Sales	572,518	470,528
Stored production	(4,336)	(1,765)

VI.3. > Operating income

Breakdown by sector of activity

(in thousands of euros)	31.12.2003	31.12.2002
Environment and Services	5,459	1,426
Mechanical Engineering and Services	12,175	14,604
Energy and Services	4,859	3,203
	22,493⁽¹⁾	19,233⁽¹⁾

(1) Including the share of income from joint operations.

(in thousands of euros)	31.12.2003	31.12.2002
R&D expenditures recorded as expenses of the year	682 ⁽¹⁾	2,676

(1) R&D costs are net from the released liability of 3.1 million euros concerning an expired research co-operation agreement with Foster Wheeler.

VI.4. > Financial result

The 2003 financial result is characterized by:

a) An impact of the exchange rate differences

(in thousands of euros)	31.12.2003	31.12.2002
Positive	4,068	2,137
Release of provisions (adjustment and differences in exchange rates)	–	145
Negative	(4,873)	(2,944)
Provisions (adjustment and differences in exchanges rates)	–	–
Balance	(805)	(662)

b) Allowances/Write-backs of provisions outside foreign exchange risks

(in thousands of euros)	31.12.2003	31.12.2002
Provision write-backs ⁽¹⁾	3,176	7,076
Provision allowances	(1,380)	(1,787)
Balance	1,796	5,289

(1) Including write-off of provisions on CBCE current account for 1,388 thousand euros, MES securities for 503 thousand euros and tax audit for 1,086 thousand euros.

c) Financial revenues/Charges

(in thousands of euros)	31.12.2003	31.12.2002
Revenues from affiliates	–	896
Revenues from investment securities and receivables	5,714	3,264
Others	2,994	4,344
Total	8,708	8,504
Interest and other financial charges ⁽²⁾	(5,719)	(3,523)
Balance	2,989	4,981

(2) Including the deletion of CNIM Babcock Central Europe current account for 1,410 thousand euros.

VI.5. > Exceptional items

(in thousands of euros)	31.12.2003	31.12.2002
Exceptional income		
Management operations	644	1,507
Capital transactions	1,200	820
Release of provisions ⁽¹⁾	868	349
Total	2,712	2,676
Exceptional charges		
Management operations ⁽²⁾	(3,247)	(1,159)
Capital transactions	(1,008)	(2,276)
Provisions ⁽³⁾	(447)	(2,539)
Allowances	(838)	–
Total	(5,540)	(5,974)
Exceptional result	(2,828)	(3,298)

(1) Write-back of provisions mainly concern the release of the provision for risk on the France tax audit.

(2) Exceptional charges on management operations essentially include the costs of CYPROSAL for 1,791 thousand euros.

(3) Exceptional depreciation and provision allowances mainly concern the over-depreciation of the factory operated by Energonut for 800 thousand euros.

VI.6. > Tax

Impact on the consolidated income statements

(in thousands of euros)	31.12.2003	31.12.2002
Income tax due	(3,264)	(6,932)
Deferred tax	(2,743)	(530)
	(6,007)	(7,462)

Reconciliation between actual tax and theoretical tax

(in thousands of euros)	31.12.2003	31.12.2002
Income before tax of consolidated companies	23,645	25,543
Theoretical tax	(8,378)	(9,050)
<i>(Theoretical tax at rate in force for consolidating company)</i>	35.43%	35.43%
Effect of differences in tax rates	683	655
Effect of losses for companies not integrated for tax purposes	(564)	(751)
Effect of losses for companies integrated for tax purposes but not usable for integration	(1,559)	(602)
Effect of allocations of deficits that can be carried forward	2,451	1,540
Other effects		
Tax rebate for research	0	1,107
Bank contract guarantees	0	-
Final differences	1,360	(361)
Actual tax	(6,007)	(7,462)

Note: the following companies form an integral part of the consolidated fiscal group: CNIM parent company, Babcock Entreprise, Babcock Wanson, Babcock Wanson Holding, Cofrap, LAB, CTS and TMC. Only Babcock Wanson provided a tax benefit of 451 thousand euros. Tax debits of 6,397 thousand euros have not been reported due to their uncertain recovery.

VI.7. > Share in income (loss) of equity affiliates

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

(in thousands of euros)	31.12.2003	31.12.2002
Share of income from HWS	375	326
Share of income from DWS	(36)	(708)
Share of income from WWS	(157)	(910)
Share of income from SELCHP	(340)	(375)
Total	(158)	(1,667)
Provisions (allowances/releases) for depreciation of SELCHP shares		554
Effect on companies consolidated by the equity method	(158)	(1,113)

The allowance initially made for SELCHP shares – as an adjustment of their overestimation – has been partially released, following the development of the income forecast for this company.

The negative net balance of the contribution from the companies DWS and WWS is the consequence of the beginning of commercial operation of the plants, which shows up in the accounts as a negative net result, due to significant amortisation and financial charges during the first years.

VII. FINANCIAL COMMITMENTS AND OTHER INFORMATION

VII.1. > Breakdown of deferred tax credits

(in thousands of euros)	31.12.2003				31.12.2002
	< 1 year	Medium term	Long term	Total	Total
Deferred taxation receivable					
Timing differences	3,893	2,744	–	6,637	8,898
Regulated provisions	–	(614)	–	(614)	(645)
Deletion of internal margin	100	107	–	207	386
Post-retirements benefits	112	412	1,768	2,292	2,349
Others	(7)	(103)	–	(110)	(27)
Total	4,098	2,546	1,768	8,412	10,961
Deferred taxation payable					
Temporary discrepancy tax/social	(37)	–	–	(37)	(30)
Depreciation of revalued assets	(190)	(625)	(1,070)	(1,885)	(1,986)
Transition of foreign subsidiary to percentage of completion	(624)	–	–	(624)	(339)
Total	(851)	(625)	(1,070)	(2,546)	(2,355)

Note - Updating

Deferred taxes are updated when the effects of the updating are significant and a reliable transfer schedule can be drawn up.

The updating rate taken at 31 December 2003 was 5%.

The effect on deferred taxation is as follows:

- reduction in deferred taxation receivable: 116 thousand euros;
- reduction in deferred taxation payable: 368 thousand euros.

VII.2. > Off balance sheet commitments

(in thousands of euros)	31.12.2003	31.12.2002
Commitments given		
Bank contract guarantees	178,027	182,059
Other guarantees given to financial institutions	10,967	1,113
Commitments received		
Guarantees from suppliers	28,362	26,767
Reciprocal commitments		
Forward foreign exchange sales ⁽¹⁾	159	1,299
Forward foreign exchange purchases ⁽¹⁾	166	197
Interest rate swaps for medium term loans	34,000	
Currency swaps on assets: 6 million pounds sterling for 1 st half-year 2004	8,513	

(1) Breakdown per currency.

Currency swap value at 31 December 2003 was negative 1,023 euros.

All swaps and forward exchange commitments are specifically contracted for hedging purposes. They allow operations to be accounted for at a guaranteed fixed price.

(in thousands of euros)		Exchange value
Forward sales		
US dollars	USD	166
Forward purchases		
US dollars	USD	159

VII.3. > Personnel

(in thousands of euros)	31.12.2003			31.12.2002		
	France	Abroad	Total	France	Abroad	Total
Fully consolidated companies						
Engineers and managers	712	107	819	659	136	795
Employees	654	242	896	635	254	889
Workers	428	584	1,012	466	490	956
Total	1,794	933	2,727	1,760	879	2,640
Proportionally consolidated companies (CCUAT)						
Engineers and managers	2		2	2		2
Employees	6		6	6		6
Workers						
Total	8	0	8	8	0	8

Nota 1: includes ATENA which entered scope of consolidation in 2003

Engineers and managers	5
Employees	46
Workers	0
Total	51

Nota 2: breakdown of employees per company

French subsidiaries	
CNIM	1,094
CNIM Transport Services	104
ELITEC	11
ATENA	51
COFRAP	18
TMC	11
LAB	122
BABCOCK WANSON	383
Total	1,794

Foreign subsidiaries	
MES	24
MESE	101
ENERGONUT	22
CNIM BELGIQUE	32
CNIM ÉGYPTE	49
CNIM HONG KONG	187
CNIM CANADA	117
CNIM UK	30
BABCOCK WANSON ITALIANA	150
BABCOCK WANSON UK	82
CYPROSAL Y PROYECTOS BABCOCK WANSON	55
BABCOCK WANSON AG	7
BABCOCK WANSON CALDEIRAS	8
BABCOCK WANSON MAROC	69
Total	933
Group total	2,727

VII.4. > > Remuneration of management and executives

	Total for senior executives	Administrative	Management	Supervisory
Financial commitments	None			
Retirement commitments	None			
Advances and credits allocated	None			
Remuneration allocated		0	769	478

VII.5. > 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. For the medium term loan, instalment A drawn for 12,857 thousand euros, capped at 4.47%, the impact of an increase in rates of 10% is approximately 256 thousand euros for one year.

Swaps in progress at 31 December 2003 had a market value of approximately 180 thousand euros.

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

Assets which are denominated in foreign currencies are hedged by currency borrowing or currency swaps.

Assets denominated in pounds sterling were hedged up to 23 December 2003 by sterling borrowing and after this date were hedged with a currency swap of 6 million pounds sterling.

4. Shares

The risk is limited to CNIM's own shares. The impact of a 10% price decrease is 89 thousand euros but would not give rise to a provision, in view of historical prices.

VIII. EVENTS SUBSEQUENT TO CLOSING OF ACCOUNTS

CNIM and personnel representatives are currently discussing a restructuring and relocation plan for the "Boiler" activity from Golbey to La Seyne. Approximately 70 employees are concerned.

Statutory Auditors' report on the consolidated financial statements

Financial year ended 31 December 2003

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we have undertaken to audit the consolidated financial statements of CNIM relating to the financial year ended 31 December 2003, as appended to this report.

These consolidated financial statements have been settled by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We 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 consolidated 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 consolidated financial statements, in accordance with the French accounting rules and principles, give a true and fair view of the assets and liabilities and financial position, as well as the results of the entity formed by the companies included in this consolidation.

II. THE REASONING BEHIND OUR ASSESSMENT

In application of the provisions of article L. 225-235 of the Commercial Code relating to the reasoning behind our assessment, introduced by the financial security law dated 1 August 2003 and applicable for the first time to this financial year, we notify you of the following facts:

As described in note I.4. of the addendum on consolidated financial statements, the CNIM group carries out, on an annual basis, an assessment of variations in goodwill based on updates of future cash flow.

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 consolidated financial statements, viewed as a whole, and have therefore contributed to forming our unreserved opinion, expressed in the first part of this report.

III. SPECIFIC VERIFICATION

Furthermore, we have also verified information presented in the management report relating to the Group.

We have no comment as to the truthfulness and fairness of this information and its conformity with the consolidated financial statements.

14 May 2004

The Statutory Auditors

CALAN, RAMOLINO & ASSOCIES

Alain Penanguer

BARBIER FRINAULT & AUTRES
ERNST & YOUNG

Patrick Atzel

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Balance sheet as of 31 December 2003

ASSETS

	Note	31.12.2003			31.12.2002
		Gross	Amortisations and provisions	Net	Net
(in thousands of euros)					
Uncalled subscribed capital		-	-	0	0
Intangible assets	V.1.	12,947	5,173	7,774	7,766
Tangible assets					
Land		3,078	584	2,494	2,505
Buildings		27,660	24,555	3,105	3,551
Plant and equipment		18,518	15,683	2,835	3,112
Others		7,201	5,704	1,497	1,885
Assets in progress		947	-	947	1,504
Advances and down payments		-	-	0	38
Sub-total tangible assets	V.2.	57,403	46,526	10,878	12,595
Long-term investments					
Investments in subsidiaries and affiliates		102,266	44,370	57,896	59,062
Loans and advances to subsidiaries and affiliates		36,370	-	36,370	30,643
Other investments		7,462	5,950	1,511	1,224
Sub-total long-term investments	V.3.	146,097	50,320	95,777	90,929
Total non current assets		216,448	102,019	114,429	111,290
Inventory					
Raw material		8,963	1,863	7,100	9,637
Goods		-	-	0	0
Finished products		-	-	0	0
Long-term contracts/Work in progress		496,836	-	496,836	489,536
Advances + partial payments on orders		785	-	785	2,710
Accounts receivable	V.4.				
Trade receivable and related accounts		82,615	2,146	80,469	83,177
Others		41,396	177	41,219	62,923
Marketable securities	V.5.	55,671	17	55,654	53,028
Cash		28,220	-	28,220	8,586
Prepaid expenses	V.6.	1,747	-	1,747	2,127
Total current assets		716,232	4,203	712,030	711,724
Charges to be spread out over several financial years		141	-	141	187
Unrealised foreign exchange gains	V.12.	3,092	-	3,092	3,162
Total		935,913	106,222	829,691	826,363

LIABILITIES

(in thousands of euros)	Note	31.12.2003	31.12.2002 Published
Shareholder's equity			
Share capital		6,056	6,056
Issuance premium		7,237	7,237
Legal reserve		606	606
Reserves		48,271	47,764
Net income		8,438	8,045
Regulated provisions	V.7.	2,590	2,675
Total shareholder's equity	V.8.	73,198	72,383
Provisions for contingencies and charges	V.9.	55,676	60,853
Financial debt			
Bank loans	V.10.	59,927	67,730
Other long-term debt	V.10.	49,169	48,633
Advances + partial payments		471,976	444,682
Accounts payable			
Suppliers	V.10.	74,578	84,042
Tax and social security payable	V.10.	36,640	42,199
Other long-term debt			
Payable to fixed asset suppliers	V.10.	446	745
Others	V.10.	5,320	3,235
Prepaid income	V.11.	651	651
Unrealised foreign exchange losses	V.12.	2,112	1,210
Total		829,691	826,363

Statement of income as of 31 December 2003

(in thousands of euros)	Note	31.12.2003	31.12.2002 Published
Operating revenues			
Sales	VI.1.	343,050	311,108
Stored production	VI.1.	-	-
Capitalised production		29	81
Operating subsidiaries		9	298
Cancellation of provisions		30,119	40,264
Transfer of charges		371	27,092
Other revenues		1,233	382
Total operating revenues		374,811	379,225
Operating expenses			
Purchases of goods and changes in inventory		220,508	195,536
Other expenses		48,027	59,899
Taxes (other than income tax)		2,110	6,562
Personnel expenses			
Salaries and wages		47,008	48,443
Social security charges		20,926	20,832
Employee profit sharing		55	-
Depreciation and amortisation		3,815	3,324
Provisions		20,937	30,447
Other expenses		4,320	8,536
Total operating expenses		367,705	373,579
Operating income		7,106	5,646
Group share of income from joint operation			
Financial revenues			
Equity investments		6,147	1,339
Other securities		5,698	3,144
Other interest revenues		3,950	5,742
Cancellation of provisions, transfer of charges		5,713	9,172
Foreign exchange gains		2,818	1,696
Total financial revenues		24,326	21,093
Financial charges			
Depreciation allowances + provisions		11,913	3,537
Interest expenses		7,103	2,739
Foreign exchange losses		3,780	2,779
On securities		6	33
Total financial charges		22,801	9,088
Financial income	VI.2.	1,525	12,005
Income before taxes and exceptional items		8,631	17,651
Exceptional revenues		1,923	387
Exceptional charges		1,689	6,206
Exceptional items	VI.3.	234	(5,819)
Corporate income tax	VI.4.	(427)	(3,787)
Net income (Group share)		8,438	8,045

Cash flow table

(in thousands of euros)	31.12.2003	31.12.2002
Total net income	8,438	8,045
Elimination of charges and income having no effect on the cash flow or not relating to the activity		
Elimination of depreciation and provisions ⁽¹⁾	7,394	(6,916)
Elimination of variation in deferred tax	-	0
Elimination of capital gains or losses from sales	716	22
Elimination of revenue share relating to companies consolidated under equity method	0	0
Other income and charges without effect on cash flow	0	0
Cash flow	16,548	1,151
Dividends received from consolidated companies	0	0
Effect of the variation in BFR related to the activity		
Inventory and work in progress	2,537	1,538
Long-term contracts/work in progress	(7,300)	(240,485)
Advances and down payments	2,013	(2,395)
Operating receivables	14,210	(42,074)
Other receivables and accrued income	450	1,063
Advances and down payments received	27,294	185,050
Variation in operating debts ⁽¹⁾	(12,925)	31,489
Variation in other debts	902	11,316
Total	27,181	(54,498)
Net flows generated by (appropriated to) the activity (A)	43,729	(53,347)
Purchase of capital assets	(20,610)	(17,286)
Purchase of capital shares	(326)	0
Sales of capital assets	4,315	7,757
Sales of capital shares	0	0
Merging of Cittic Carosso assets	-	136
Net flows coming from (appropriated to) investments (B)	(16,621)	(9,393)
Dividends paid by the parent company	(7,538)	(7,553)
Dividends paid to minority shareholders	0	0
Capital increase (reduction)	0	0
Investment subsidies	0	0
New borrowings	34,135	39,393
Repayment of borrowings	(41,278)	(674)
Net flows coming from (appropriated to) financing (C)	(14,681)	31,166
Effect of the variation in exchange rates (D)	0	0
Effects of change in accounting principles (E)	0	0
Cash variation A + B + C + D + E	12,427	(31,574)
Closing cash		
Marketable securities and treasury shares	55,655	53,028
Cash	28,220	8,586
Current bank account balances	(8,450)	(9,009)
Subsidiaries' bank account balances	(12,520)	(2,127)
	62,905	50,478
Cash variation	12,427	(31,574)

(1) Reclassification of the variation of provisions for charges on settled contracts or for percentage of completion as of 31.12.2002.

Notes to the financial statements

I. ACCOUNTING PRINCIPLES

The 2003 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.

In view of the clarification made by CNC recommendation (no. 2003-R01 on 1 April 2003), paragraph 31, concerning the definition of benefits similar to retirement, the Company has constituted a provision in the individual accounts corresponding to the estimated cost of long term service bonuses. This change in method resulted in the recording of a charge of 337 thousand euros for the period.

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

All required provisions were constituted in order to provide a true and fair view of the Company's position. The application of CRC rule 2000-06 concerning liabilities had no effect on shareholder's equity at 31 December 2002.

The Company has decided against the anticipated application of CRC rule 2002-10 concerning the impairment and depreciation of assets.

II. SCOPE OF CONSOLIDATION

CNIM SA is the parent company of the CNIM group.

III. METHODS APPLIED TO BALANCE SHEET AND INCOME STATEMENT ENTRIES

III.1. > Intangible and tangible fixed assets

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

III.1.1. > Intangible fixed assets

	Years
Franchises, patents and licenses	5 to 10
Software	1

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

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

III.1.2. > Tangible fixed assets

a. Valuation

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

b. Depreciation

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

Since 1987 new investments have been depreciated using the diminishing-balance method, and the difference between straight-line depreciation and diminishing-balance depreciation is provided for under the liabilities. The rates applied derive from the following useful lives.

c. Depreciation term

	Years
Buildings	20
Fixtures, improvements	10
Machinery and equipment	5
Lifting equipment	5 to 8
Small tools	5
Measuring devices	8
Transportation equipment	4
Small handling equipment	5
Furniture and fixtures	5 to 10
Office equipment and building site equipment	5
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.

Valuation of long-term contracts

Sales and margins on long-term contracts are reported using the percentage of completion method. The estimated margin is added to expenses, which are recorded in the balance sheet assets under "Long-term contracts/Work in progress".

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

When results forecasts show a loss, provisions are made to cover this loss entirely.

On completion of the contracts, only expenses still to be incurred stay on the balance sheet. They are the subject of a provision for expenses.

III.4. > 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.5. > 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.6. > Provisions for contingencies and charges

These provisions include:

III.6.1. > 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.6.2. > 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.7. > > Advances and partial payments on orders

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

III.8. > Foreign currencies 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.9. > Research and Development

R&D expenditure is not capitalised but included in the cost of the contract it refers to or recorded as expenses of the year. The cost relating to the development of the rapid moving walkway has thus been recorded as expenses of the year.

The liability of 3.1 million euros concerning an expired research co-operation agreement with FOSTER WHEELER has been released.

III.10. > 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. SIGNIFICANT EVENTS DURING THE YEAR

On 9 December 2002, CNIM signed the following lease management contracts with its subsidiaries:

- Nord Escaliers Mécaniques (now CNIM Transport Services), escalator maintenance business, commencing 1 January 2003.
- LAB, design and manufacture of processing systems for household waste incineration plants, commencing 1 January 2003.

V. NOTES TO THE FINANCIAL STATEMENTS

V.1. > Intangible fixed assets

Assets	Gross value start of year 2003	Increases caused by additions	Decreases arising from disposals or scrapping	Gross value end of year 2003
(in thousands of euros)				
Gross value				
Set-up expenses	50	-	-	50
Franchises, patents, licences	5,657	786	353	6,090
Other intangible fixed assets	0	-	-	0
Goodwill	6,807	-	-	6,807
Total gross value	12,514	786	353	12,947
Depreciation				
Set-up expenses	50	-	-	50
Concessions, patents, licences	4,241	777	352	4,666
Other intangible fixed assets	0	-	-	0
Goodwill	457	-	-	457
Total depreciation	4,748	777	352	5,173
Net value	7,766	9	1	7,774

V.2. > Tangible fixed assets

Assets	Gross value start of year 2003	Increases caused by additions	Changes caused by transfers	Decreases arising from disposals or scrapping	Gross value end of year 2003
(in thousands of euros)					
Gross value					
Land and improvements	3,084	–	–	6	3,078
Buildings					
On own land	15,026	–	–	1	15,025
On third parties' land	–	–	–	–	–
Buildings fixtures and fittings	12,715	134	264	479	12,634
Sub-total buildings	27,741	134	264	480	27,659
Plant and equipment	18,345	373	980	1,180	18,518
Other tangible assets					
General fixtures, miscellaneous	–	–	–	–	–
Transportation equipment and handling equipment	636	38	22	48	648
Fixtures and hardware	7,132	771	238	1,588	6,553
Recoverable packaging, miscellaneous	–	–	–	–	–
Sub-total other tangible assets	7,768	809	260	1,636	7,201
Assets in progress	1,504	947	(1,504)	–	947
Advances + partial payments on orders	38	–	–	38	0
Total gross value	58,480	2,263	0	3,340	57,403
Depreciation					
Land and improvements	579	10	–	5	584
Buildings					
On own land	13,778	439	–	1	14,216
On third parties' land	–	–	–	–	–
Buildings fixtures and fittings	10,412	404	–	477	10,339
Sub-total buildings	24,190	843	0	478	24,555
Plant and equipment	15,233	1,263	–	813	15,683
Other tangible assets					
General fixtures, miscellaneous	–	–	–	–	–
Transportation equipment and handling equipment	473	67	–	29	512
Fixtures and hardware	5,410	844	–	1,062	5,192
Recoverable packaging, miscellaneous	–	–	–	–	–
Sub-total other tangible assets	5,883	911	0	1,091	5,704
Total depreciation	45,885	3,027	0	2,387	46,526
Net value	12,595	(764)	0	954	10,878

V.3. > Long-term investments

Assets (in thousands of euros)	31.12.2002 Gross value	Increases	Decreases	31.12.2003 Gross value
Gross value				
Investments in related companies ⁽¹⁾	94,664	7,602	–	102,266
Receivables relating to investments in companies ⁽²⁾	30,647	9,236	3,513	36,370
Other long-term investment				
Capitalised securities ⁽³⁾	1,058	–	–	1,058
Other portfolio investments booked as fixed assets	5,637	–	–	5,637
Loans	0	–	–	0
Cancellation of own shares ⁽⁴⁾	89	327	–	416
Deposits and bonds	357	10	15	351
Sub-total	7,141	336	15	7,462
Total gross value	132,452	17,174	3,528	146,097
Depreciation				
Investments in related companies	35,602	8,773	5	44,370
Loans and advances to related companies ⁽²⁾	4	–	4	0
Other long-term investments				
Capitalised securities	280	30	–	310
Other portfolio investments booked as fixed assets	5,637	–	–	5,637
Loans	0	–	–	0
Cancellation of own shares ⁽⁴⁾	0	–	–	0
Deposits and bonds	0	3	0	3
Sub-total	5,917	33	0	5,950
Total depreciation	41,523	8,806	9	50,320
Net value	90,929	8,368	3,520	95,777

(1) Investments in companies

These include 63,424 thousand euros of Babcock Enterprise Holding shares, depreciated to an extent of 43,000 thousand euros. That depreciation takes into account of the market value of the La Courneuve site.

The increase corresponds to CNIM's participation in the capital increases of the companies LAB (5,000 thousand euros), CBCE (1,578 thousand euros) and CNIM Canada (1,023 thousand euros).

(2) Receivables relating to equity affiliates

The increase is due to an advance made to LAB (7,770 thousand euros), to capitalised interest charged to DWS (372 thousand euros), to WWS (303 thousand euros) and an advance to CNIM Canada (861 thousand euros).

The reduction corresponds to currency translation differences, to the repayment of advances made to DWS (385 thousand euros), SELCHP (752 thousand euros), HWS (406 thousand euros) and the cancellation of receivables of CNIM Canada (1,580 thousand euros).

(3) Long-term portfolio investments:

These mainly include 5,471 Foster Wheeler Fakop shares for 1,051 thousands euros, depreciated to an extent of 310 thousands euros.

(4) Treasury stock

(in thousands of euros)	31.12.2002	Increases	31.12.2003
Gross value	89	327	416
Depreciation	0		0
Net value	89	327	416
<i>in number of shares</i>	<i>1,549</i>	<i>6,385</i>	<i>7,934</i>

> Equity investments and depreciation

(in thousands of euros)		Gross value	Depreciation	Net value	% stake
CNIM INDUSTRIE	2,475 shares	38	16	22	100
CCUAT	1,247 shares	76	-	76	50
CNIMEX	159,302 shares	37	-	37	100
CNIM HONG KONG Ltd	99,999 shares	13	-	13	100
CNIM ESPAGNE	98 shares	7	7	0	100
MARTIN ENG SYSTEM LTD	1,604,990 shares	2,371	-	2,371	100
BABCOCK ENTREPRISE HOLDING	1,902,318 shares	63,424	43,000	20,424	100
CNIM ESCALATOR UK	4,998 shares	6	-	6	100
CNIM CANADA	1,689,349 shares	1,034	-	1,034	100
NEM	499 shares	8	-	8	100
TMC	30,000 shares	1,372	-	1,372	100
CBCE	-	1,635	1,314	321	100
SCI 35, rue de Bassano	499 shares	8	-	8	100
CALERGO	2,495 shares	38	10	28	100
CTIPE	250 shares	4	-	4	100
STOMA	2,494 shares	38	12	26	100
SCI GABRIEL PERI	100 shares	1,887	-	1,887	100
SMA	41 shares	63	-	63	3
ENERGONUT	7,025,364 shares	4,855	-	4,855	78
WWS	166,667 shares	268	-	268	33.3
DWS	166,667 shares	268	-	268	33.3
HWS	1,170,000 shares	1,882	-	1,882	39
SOTRALI	9,000 shares	6	6	0	100
LAB	1,153,500 shares	12,500	-	12,500	100
CNIM ENVIRONNEMENT	-	10,405	-	10,405	100
SOMMUDIMEC	-	4	4	0	100
DAUPHINE	-	1	1	0	100
UTE Bilbao	GIE shares 75%	18	-	18	75
Total gross value		102,266	44,370	57,896	-

V.4. > Receivables

Receivables	Gross value	Degree of liquidity		
		Maturity of less than 1 year	Maturity from 1 to 5 years	Maturity of more than 5 years
(in thousands of euros)				
Long-term receivables				
Loans and advances to related companies	36,370	-	-	36,370
Loans	0	-	-	0
Deposits and bonds (Share of other long-term investments)	351	-	-	351
Total 1	36,721	-	-	36,721
Trade receivables				
Doubtful accounts	2,146	2,146	-	-
Notes receivable	1,051	1,051	-	-
Other accounts receivable ^{(1) (2)}	79,418	79,418	-	-
Total 2	82,615	82,615	-	-
Other receivables				
Employees	474	474	-	-
Social security bodies	0	0	-	-
State and other public authorities	4,706	4,706	-	-
Others	1,394	1,394	-	-
Group and associates	34,821	22,626	-	12,195
Total 3	41,396	29,200	-	12,195
Prepaid expenses	1,747	1,747	-	0
Total receivables	162,479	113,562	-	48,916

(1) Including associated companies: 23,969 thousand euros.

(2) Including accrued revenue: 28,807 thousand euros.

V.5. > Marketable securities

V.5.1. > Balance-sheet values

	31.12.2003	31.12.2003	31.12.2002
(in thousands of euros)	Number of securities	Amount	Amount
Own shares (market support) ⁽¹⁾	8,728	478	351
Lion Monétaire Médium	19	534	220
Lion Monétaire Large	39	7,290	13,522
CLAM	11	2,051	-
Unisécurité	2,000	4,169	-
Lion CT	0	0	9
Étoile CDN	52	7,929	-
Sirius Brac/BNP Equities	18	51	182
Union Cash	5	2,074	-
Kleber Euribor	20	3,736	-
CM 365 Gestion	0	0	2,401
Fonds Commun de Placememnt CNIM	13,280	27,359	36,343
		55,671	53,028
Receivables related to marketable securities	-	-	-
Total	-	55,671	53,028

V.5.2. > Market value

Total	-	58,696	60,287
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V.5.3. > Taxable unrecognized income

Total	-	3,025	7,259
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(1) Number of treasury shares

Balance at 31.12.2002	6,172	351	-
Purchases 2003	5,190	275	-
Sales 2003	(2,634)	(148)	-
Balance at 31.12.2003	8,728	478	-

V.6. > Prepaid expenses

Type	31.12.2003	31.12.2002
(in thousands of euros)		
a) On general expenses	1,050	1,430
b) On financial expenses for discounted notes receivable < 1 year	697	697
c) On financial expenses for discounted notes receivable > 1 year	-	-
Total	1,747	2,127

V.7. > Regulated provisions

Type	Amount at start of the financial year 2003	Increases in allocations for the financial year	Reductions written-back for the financial year	Amount the end of the financial year 2003
(in thousands of euros)				
Depreciation by derogation	1,073	198	283	988
Provisions for foreign credit	835	–	–	835
Provisions for investment	767	–	–	767
Total	2,675	198	283	2,590

V.8. > Statement of changes in shareholders' equity

(in thousands of euros)

A.	
1. Opening balance before appropriation	64,338
2. Net income appropriation approved by the Shareholders Annual Meeting:	
Revenue 2002	8,045
Distribution	(7,570)
Dividends for treasury shares	32
	507
Sub-total A	64,845
B. Capital contributions with retroactive effect to start of year:	
1. Changes in share capital	–
2. Other changes	–
Sub-total B	0
C. (= A + B) Shareholders' equity opening balance after retroactive capital contributions	64,845
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	–85
6. Other	–
Sub-total	–85
E. 2003 closing balance before appropriation (= C + D)	64,760
F. Change in shareholders' equity (= E – C)	–85
G. Change during the period due to restructuring	0
H. Change in shareholders' equity during the period without restructuring (= F – G)	–85

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

(in thousands of euros)	At beginning of financial year 2003	Increases	Reductions write-backs used during financial year	Reductions write-backs not used during financial year	At end of financial year 2003
> V.9.1.					
Provisions for contingencies					
Law suit contingency provisions	9,531	1,865	1,965	1,872	7,559
Other contingency provisions	5,719	7,139	505	1,659	10,694
Warranty provisions	3,599	1,202	265	1,452	3,084
Unrealised foreign currency losses	3,234	3,092	3,234	0	3,092
Long-term contract loss provision	14,647	2,733	5,093	0	12,287
Total risks	36,730	16,031	11,062	4,983	36,716

> V.9.2.

Provisions for charges					
Renewal of "waste-to-energy" plant and escalators	12,126	3,440	3,056	3,246	9,264
Reprocessed commitments	451		0	90	361
Long service commitments		337	0	0	337
Expenses on terminated contracts	11,546	8,395	6,122	4,821	8,998
Total charges	24,123	12,172	9,178	8,157	18,960
Total risks and charges	60,853	28,203	20,240	13,140	55,676

> V.9.3.

Provisions for depreciation of assets					
Investments in companies	35,602	8,773	5	-	44,370
Receivables related to investments in companies	4		4	-	0
Other long-term investments	5,917	33	-	-	5,950
Total financial assets	41,523	8,806	9	-	50,320
Production material inventory	2,681	162	980	-	1,863
Trade receivables	1,927	1,148	929	-	2,146
Other accounts receivable	1,541	24	1,388	-	177
Marketable securities	-	17	-	-	17
Total current assets	6,149	1,350	3,297	0	4,202
Total assets	47,672	10,157	3,306	0	54,522
Total risks, charges and assets	108,525	38,359	23,546	13,140	110,198

Lawsuits provisions

Provisions for lawsuits are calculated according to the estimated risk.

Warranty provisions

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

Provisions for losses at completion of contracts

When losses are expected on long-term contracts, the loss incurred for the percentage completed is recorded as a loss for the year and losses yet to be incurred beyond this figure are covered by a provision for losses at completion of contracts.

Other provisions for contingencies

The "Other provisions for contingencies" include provisions for taxes (6,739 thousand euros), current tax deficiency notifications (2,585 thousand euros).

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 2002 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 2003 amount to 4,910,000 euros, excluding social security charges.

Employee retirement indemnities are determined using actuarial assumptions and calculations based on retirement

age, mortality (INSEE TV table 1988-1990), seniority and staff turnover. The projected benefit obligation is calculated using a salary increase of 1.5%, inflation of 1.5% and a discount rate of 5%.

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

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 2003 was 300 thousand euros.

Long service commitment

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

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

Debts (in thousands of euros)	Gross value	Degree of liquidity		
		Payable within less than 1 year	Payable from 1 year to 5 years	Payable over more than 5 years
Bank overdrafts	3,130	3,130	-	-
Short-term borrowings	5,320	5,320	-	-
Other borrowings/credit institutions ⁽¹⁾	51,477	4,620	44,714	2,143
Sub-total borrowings/credit institutions	59,927	13,070	44,714	2,143
Credit and financial borrowings outside Group	1,880	-	1,880	-
Current accounts payable (Group)	47,289	46,538	751	-
Sub-total credit and financial borrowings	49,169	46,538	2,631	-
Trade payables ⁽²⁾	74,578	74,151	427	-
Tax and social liabilities	36,640	36,618	22	-
Payables to fixed asset suppliers	446	446	-	-
Other debts	5,320	4,505	507	307
Prepaid income	651	651	-	-
Total	226,731	175,979	48,301	2,450

1) Details of loans from credit institutions

Characteristics of contracted loans (in thousands of euros)	Credit line amount	Amount at 31.12.2003	Amount drawn at 31.12.2003	Rate	Currency
Medium-term loan 2002					
Instalment A payable from 2003 to 2009	15,000	12,857	12,857	Variable on Euribor	euro
Instalment B payable <i>in fine</i> in 2005, renewable twice 1 year	20,000	20,000	0	Capped at 4.47% Variable on Euribor	euro
Medium-term loan 2003	34,000	34,000	34,000	Variable on Euribor Swapped at 2.4%	euro
Medium-term loan 2001 in CAD	4,620	4,620	4,620	Variable on Libor CAD	dollar CAD

Medium-term loans for 2002 and 2003 are subject to three covenants related to the consolidated accounts: cash interest expenses on gross operating profit, net debt on shareholder's equity and net debt on gross operating profit. These covenants have been complied with at 31 December 2003.

2) Including associated companies: 8,380 within 1 year.

V.11. > Prepaid income

(in thousands of euros)	31.12.2003	31.12.2002
Prepaid income		
Less than 1 year	651	651
Between 1 year and 5 years	-	-
Total	651	651

V.12. > Unrealised foreign exchange gains/losses

Items concerned	Unrealised losses					Unrealised gains
	Total	Unrealised gains	Hedged Commitment	Contingency provisions	Net	Total
(in thousands of euros)						
Trade receivables	3,092	-	-	3,092	-	-
Trade payables	-	-	-	-	-	2,112
Total	3,092	-	-	3,092	0	2,112

V.13. > Accrued expenses

(in thousands of euros)	
Trade payables	3,862
Tax and social liabilities	36,640
Other debts	5,319
Total	45,821

VI. NOTES TO THE STATEMENT OF INCOME

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

(in thousands of euros)	31.12.2003	31.12.2002
Sales		
France	228,313	175,210
Export	114,737	135,898
Total production sold	343,050	311,108
Stored production		
France	-	-
Export	-	-
Total stored production	0	0
Total	343,050	311,108

Sales by activity sector

(in thousands of euros)	31.12.2003	31.12.2002
Environment and Services	227,626	191,994
Mechanical Engineering and Services	83,745	87,378
Energy and Services	31,679	31,736
	343,050	311,108

Sales by geographic area

(in thousands of euros)	31.12.2003	31.12.2002
France	228,313	175,210
England	49,570	34,942
Other European countries	34,725	46,182
Asia	20,225	25,547
Others	10,217	29,227
	343,050	311,108

VI.2. > Financial income

(in thousands of euros)	31.12.2003	31.12.2002
Financial income from holdings ⁽¹⁾	6,147	1,339
Net income from the sale of marketable securities	5,698	3,144
Interest on long-term investments	3,685	5,287
Interest on current asset receivables	265	455
	3,950	5,742
Write-back of provisions for exchange losses	3,234	3,589
Write-back of provisions	2,479	5,583
	5,713	9,172
Positive exchange differences	2,818	1,696
Total financial income	24,326	21,093
Provisions for exchange losses	3,092	3,162
Provisions for depreciation of equity investments and related receivables ⁽²⁾	8,820	375
	11,913	3,537
Interest on current accounts and credit deposits	3,706	2,739
Miscellaneous ⁽³⁾	3,397	-
Interest on securities	6	33
	7,109	2,772
Exchange differences	3,780	2,779
Total financial charges	22,801	9,088
Financial income	1,525	12,005

(1) Breakdown of "Financial income from holdings":

MES dividends	4,147
CCUAT dividends	265
HWS dividends	1,735
	<u>6,147</u>

(2) Those provisions mainly include the depreciation of the Babcock Enterprise Holding shares for 7,500 thousand euros and of CBCE (CNIM Babcock Central Europe) shares for 1,257 thousand euros.

(3) Including cancellation of CBCE's current account for 1,410 thousand euros and CNIM Canada for 1,580 thousand euros.

VI.3. > Exceptional items

(in thousands of euros)	31.12.2003	31.12.2002
Release of provisions ⁽¹⁾	1,136	383
Sale of tangible fixed assets: selling price	787	2
Sale of investments: selling price	0	0
Miscellaneous	0	2
Total exceptional revenues	1,923	387
Exceptional depreciation	198	1,323
Sale of tangible fixed assets: net booking value	856	3
Sale of investments: net booking value	0	0
Miscellaneous	634	4,880
Total exceptional charges	1,689	6,206
Exceptional items	234	(5,819)

(1) Including write-back of provisions for tax audit: 848 thousand euros.

VI.4. > Tax: result of the tax consolidation

(in thousands of euros)	Contribution to fiscal profit	Contribution to income tax	Tax due before tax consolidation
I. CNIM parent company	-25,422	-	-
Contribution from subsidiaries after use of their losses to be carried forward before integration: loss-making subsidiaries	-4,573	-	-
profitable subsidiaries	1,866	-	451
B. WANSON tax credit	-	-	-
Diverse tax credits	-	-	-
IFA 2000 lost	-	-4	-
IFA 2001 lost	-	-6	-
Tax	-28,129	-10	451
Tax saving			461

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

(in thousands of euros)			
Revenues ⁽¹⁾			5,534
Charges ⁽²⁾			9,687
(1) Financial revenues invoiced to subsidiaries:		(2) Charges invoiced by subsidiaries:	
BEH	639	MES	232
SCI BASSANO	149	LAB	114
CNIM Canada	214	BW UK	92
LAB	114	COFRAP	74
BWH	126	ENERGONUT	36
CTS	95	BW	35
Other subsidiaries	50	TMC	24
	1,387		607
MES dividends received	4,147	Depreciation of BEH shares	7,500
Total revenues	5,534	Cancellation of CNIM Canada receivables	1,580
		Total charges	9,687

VII. COMMITMENTS AND OTHER INFORMATION

VII.1. > Breakdown of corporate income tax into operating and exceptional items

	Income before tax		Tax				Net income after tax		
	Book	Tax	Theoretical	Loss carried forward	Miscellaneous and change of method	Liability	Theoretical	Employee profit sharing	Book
(in thousands of euros)									
Income before tax and exceptional items:									
France	11,156	(22,402)	-	461	793	332	11,156	55	10,824
Abroad	(2,470)	(2,470)	95	-	-	95	(2,565)	-	(2,565)
Exceptional	234	(550)	-	-	-	-	234	-	23
Total									
1. France	11,390	(22,952)	0	461	793	332	11,390	55	11,003
2. Abroad	(2,470)	(2,470)	95			95	(2,565)		(2,565)
Total 1 + 2	8,920	(25,422)	95	461	793	427	8,825	55	8,438
N° of column	1	2	3	4	4a	5	6	7	8

Column 6 = Column 1 – Column 3.

Column 8 = Column 1 – Column 5 – Column 7.

Column 4 = income tax savings on subsidiary deficits 451 thousand euros and annual flat-rate corporation tax (IFA) lost by subsidiaries 10 thousand euros : total 461 thousand euros .

Column 4a = tax audit 1,867 thousand euros – write-back of provision for taxes 1,074 thousand euros.

VII.2. > Variation of future tax liabilities

Nature of timing differences (in thousands of euros)	Amount
Increases	
Excess tax depreciation over normal depreciation	988
Regulated provisions	1,602
Total	2,590
Corporation tax at 35.43% – Increase in the future tax owed	918
Tax relief	
Non-deductible provisions and charges in current year, unrealised net income subject to tax:	
Difference in value relating to unit trusts	3,077
2003 Organic	335
2003 employee profit-sharing	
Provision for losses on completion	12,287
Unrealised foreign exchange gains ⁽¹⁾	2,112
Miscellaneous (TVTS 4th quarter)	12
Total	17,823
Corporation tax at 35.43% – Reduction in the future tax owed	6,315
Depreciation considered as deferred	7,138
Deficit to be carried forward	33,088
Long-term capital losses	
Comments: long-term capital gains reserve after tax at a rate of:	
	10% = 16
	15% = 4,176
	19% = 1,237
	20% = 1,635
Net reserve (liability)	7,064

(1) Reprocessed in the consolidated financial statements.

VII.3. > Impact of tax law on the result

(in thousands of euros)	
Net income	8,438
Allocations to regulated provisions	198
Write-back from regulated provisions	(283)
Tax reduction due to allocations to corporation tax at 35.43% extraordinary contribution 198 x 35.43%	(70)
Tax increase due to write-backs of corporation tax at 33 1/3 write-backs of corporation tax of 35.43% 283 x 35.43%	100
Net income before derogatory tax regulations	8,383

VII.4. > Leasing commitments

Leasing investments

Items	Cost of entry	Depreciation		Net value
		Financial year ⁽¹⁾	Aggregate	
(in thousands of euros)				
Buildings	584	29	350	234
Nantes agency	-	-	-	-

(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	
Buildings	75	895	75	148	-	223
Nantes agency	-	-	-	-	-	-

VII.5. > Off-balance sheet commitments

(in thousands of euros)		31.12.2003	31.12.2002
Commitments given			
Bank guarantees for contracts		114,800	139,496
Commitments accounted not due		10,403	835
		125,203	140,331
Commitments received			
Guarantees from suppliers		23,890	23,002
Mutual obligations			
Forward exchange sales and swaps	< 1 year	0	948
	1/5 years	-	-
Interest rate swap on medium-term credit		34,000	0
Currency swap on assets: 6 million pounds sterling (over 1st half-year 2004)		8,513	-

VII.6. > Breakdown of personnel

	Salaried staff	Personnel at the Company's disposal
Engineers and managers	464	-
Employees	351	-
Workers	311	-
Total	1,126⁽¹⁾	45

(1) Of which 32 in Belgium.

VII.7. > Note concerning the executives

	Total Executives	Bodies		
		Administrative	Management	Supervisory
Financial commitments	None			
Retirement commitments	None			
Advances and credits allocated	None			
Remunerations allocated		0	769	478

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. For the medium term loan, instalment A drawn for 12,857 thousand euros, capped at 4.47%, the impact of an increase in rates of 10% is approximately 256 thousand euros for one year.

Swaps in progress at 31 December 2003 had a market value of approximately 180 thousand euros.

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

Assets which are denominated in foreign currencies are hedged by currency borrowing or currency swaps.

Assets denominated in pounds sterling were hedged up to 23 December, 2003 by sterling borrowing and after this date were hedged with a currency swap of 6 million pounds sterling. This swap to 23 June 2004 concerns a loan of 6 million pounds at Libor against a euro investment indexed on Euribor.

4. Shares

The risk is limited to CNIM's own shares. The impact of a 10% price decrease is 89 thousand euros, but would not give rise to a provision, in view of historical prices.

VII.9. > Subsidiaries and investment

(in thousands of euros)										
Financial informations	Capital	Shareholders' equity before appropriation	Percentage of interest (%)	Book value of investment		Advances and loans to related companies	Guarantees given by CNIM	2003 Net sales	2003 Net income	Dividends received in 2003
				Gross	Net					
Subsidiaries and affiliates										
A. Detailed information regarding subsidiaries and investments mentioned below:										
1. Subsidiaries (holding > 50%)										
ENERGONUT	2,482	8,931	77.94	4,855	4,855	0	0	8,957	1,445	0
BABCOCK Ent. HOLDING	13,317	495	100.00	63,424	20,424	21,703	0	1,431	(3,289)	0
CTS	40	(529)	100.00	8	8	5,204	0	8,916	(609)	0
MES Ltd	2,277	153	100.00	2,371	2,371	0	0	2,578	25	0
CNIM H.K Ltd	10	6,168	100.00	13	13	0	0	10,635	1,662	0
SCI Gabriel-Péri	1,906		99.00	1,887	1,887	324	0	369	0	0
CNIM ESC. UK	7	1,257	100.00	6	6	0	0	10,784	346	0
CNIM Canada	1,049	(1,192)	100.00	1,035	1,035	0	0	0	0	0
SCI 35, rue Bassano	8	0	99.80	8	8	6,403	0	433	0	0
T.M.C.	450	624	100.00	1,372	1,372	0	0	2,353	(82)	0
CNIM Envt	5,313	6,365	100.00	10,405	10,405	0	0	5,020	3,718	0
LAB	2,600	(3,202)	100.00	12,500	12,500	7,700	0	42,372	2,630	0
2. Investments (holding between 10 and 50%)										
CCUAT	152	644	49.92	76	76	0	0	12,743	442	0
DWS	709	(5,468)	33.00	268	268	2,773	0	9,349	(109)	0
WWS	709	(5,741)	33.00	268	268	2,737	0	9,575	(472)	0
HWS	4,257	(1,598)	39.00	1,882	1,882	4,858	0	16,836	962	0
B. Global information regarding all subsidiaries and investments										
1. Subsidiaries (holding > 50%)										
a) French subsidiaries	-	-	-	89,718	46,680	41,355	-	-	-	-
b) Foreign affiliates	-	-	-	9,983	8,656	4,118	-	-	-	-
2. Affiliates										
a) French affiliates	-	-	-	84	80	-	-	-	-	-
b) Foreign affiliates	-	-	-	2,480	2,480	10,368	-	-	-	-

Concerning the foreign companies, the amounts mentioned above have been converted at the 31 December 2003 exchange rate, except for the sales and the income figures which have been converted at the 2003 average rate.

VII.10. > Five-year financial summary

(in thousands of euros)	1999	2000	2001	2002	2003
1. Capital at 31.12					
Share capital	4,935	4,616	6,056	6,056	6,056
Number of shares issued	3,237,000	3,028,110	3,028,110	3,028,110	3,028,110
Convertible bonds issued	-	-	-	-	-
2. Income from operations					
Sales	203,600	269,403	288,155	311,108	343,050
Income before tax, employee profit sharing, depreciation, amortisation and provisions	26,702	42,039	30,055	644	8,815
Corporate income tax	7,360	4,451	5,485	3,787	427
Employee profit sharing	2,220	2,134	2,150	0	55
Income after tax, employee profit sharing, depreciation, amortisation and provisions	10,563	10,539	10,907	8,045	8,438
Dividends	5,862	6,964	7,570	7,570	7,570
3. Data per share					
Income after tax, employee profit sharing but before depreciation, amortisation and provisions	5.29	11.71	7.40	(1.04)	2.75
Income after tax, employee profit sharing, depreciation, amortisation and provisions	3.26	3.48	3.60	2.66	2.79
Dividends	1.98	2.30	2.50	2.50	2.50
4. Personnel					
Average staff	831	1,146	1,161	1,189	1,126
Payroll	31,495	42,910	45,385	48,443	47,008
Social security and employee benefits	14,375	19,013	19,392	20,832	20,926

VII.11 > Events subsequent to the date of closure

CNIM is currently consulting with staff representatives concerning a restructuring project to transfer the boiler manufacturing activity from Golbey to La Seyne.

This project concerns approximately 70 persons.

Statutory Auditors' general report on the annual financial statements

Financial year ended 31 December 2003

Statutory Auditors' general report on the annual financial statements and Statutory Auditors' report, drafted in accordance with the final paragraph of article L. 225-235 of the Commercial Code, on the Chairman's report.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual General Meeting, we hereby present you with our report for the financial year ended 31 December 2003, on:

- the audit of the annual financial statements of CNIM, as appended to this report;
- the reasoning behind our assessment;
- the specific verifications 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.

I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We 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 of 31 December 2003, and of the results of its operations for the past year.

Without questioning the opinion expressed above, we draw your attention to the change in the method resulting from the clarification recommended by the CNC no. 2003-R01 of 1 April 2003 concerning the definition of advantages similar to retirement explained in note I of the addendum.

II. THE REASONING BEHIND OUR ASSESSMENT

In application of the provisions of article L. 225-235 of the Commercial Code relating to the reasoning behind our assessment, introduced by the financial security law dated 1 August 2003 and applicable for the first time to this financial year, we notify you of the following facts:

As described in note III.2. of the addendum, your Company carries out, on an annual basis, an assessment of the current value of shares held by employees primarily to the prospects for profitability. 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 annual financial statements, viewed as a whole, and have therefore contributed to forming our unreserved opinion, expressed in the first part of this report.

III. 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.

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 shareholders.

14 May 2004

The Statutory Auditors

CALAN, RAMOLINO & ASSOCIES

Alain Penanguer

BARBIER FRINAULT & AUTRES
ERNST & YOUNG

Patrick Atzel

Statutory Auditors' special report on agreements subject to regulations

Financial year ended 31 December 2003

I. In our capacity as Auditors for your Company, we hereby present our report on legal agreements.

AGREEMENTS APPROVED DURING THE FINANCIAL YEAR

In application of article L. 225-88 of the Commercial Code, we have been notified of any agreements that have been the subject of prior authorisation by your Supervisory Board.

It is not our role to look for any other existing agreements, but to inform you, on the basis of information given to us, of the characteristics and basic terms and conditions of those of which we have been notified, without having to express an opinion on their usefulness or their validity. In accordance with the terms of article 117 of the decree of 23 March 1967, it is our role to evaluate the interest in concluding these agreements with a view to their approval.

We conducted our audit in accordance with the professional standards applied in France. These standards require that we verify that the information that we have been given is consistent with the basic source documents.

1 > With MARTIN GmbH, shareholder with a proportion of the voting rights exceeding 5% at the date on which the agreement was signed

Nature, purpose, terms and conditions:

Your Company has acquired 100% of the shares in ALSTOM TECHNIQUE – which became CNIM ENVIRONNEMENT on 1 March 2002 – after ALSTOM POWER BOILERS contributed its “household waste incineration plants” activity to this Company. Within the scope of this acquisition, all the combustion technologies have been transferred to MARTIN GmbH.

The contract in preparation for this purchase – Share and Intellectual Property Purchase Agreement (“SIPPA”) signed on 14 December 2001 by ALSTOM POWER N.V., MARTIN GmbH and your Company – was the subject of addendum no. 2 dated 24 January 2003 which marked the final agreement between ALSTOM POWER N.V., MARTIN GmbH and your Company on the acquisition price for ALSTOM POWER BOILERS’ environment activity, i.e., 10,404,875 euros following the final result of the audit which reduced the initial price paid by 6,461,269 euros.

Signing of this addendum was authorised by your Supervisory Board on 24 January 2004.

This operation conducted on 28 February 2002 was authorised by your Board of Directors on 18 October 2001.

2 > With LAB

Conditioned advance

Person concerned: Mr. Canellas

Nature, purpose, terms and conditions:

Your Company has granted an advance of 6,600,000 euros to LAB. This advance is frozen in an account called “Conditioned advance” of the same amount, including a “better fortunes” clause, characterised by the following conditions: the debt will become repayable as soon as the situation of LAB’s balance sheet shows more than 1,800,000 euros of equity and an equity/total balance sheet ratio above 14.3%, for two consecutive half-yearly periods as from 31 December 2002.

The interest invoiced by your Company on the basis of this advance amounts to 71,953 euros for the financial year 2003.

This advance was authorised by the Supervisory Board on 25 April 2003.

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

Furthermore, in application of the decree of 23 March 1967, we have been notified that the following agreements, approved during previous years, were continued during the past financial year.

1 > With CNIM Environnement

Lease-management

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 euros for the use of the resources and a second fee of 1.5% of sales with an annual minimum of 1,200,000 euros.

During the financial year 2003, your Company recorded an income of 1,240,000 euros.

2 > With LAB

Lease-management

Nature, purpose, terms and conditions:

At its Meeting on 27 June 2002, your Board of Directors authorised your Company to sign a lease-management agreement with LAB for the Egide business, concerning the CNIM flue gas treatment.

Starting on 1 January 2003, this lease is granted for an annual fee of 600,000 euros.

During the financial year 2003, your Company recorded a revenue item of 600,000 euros.

3 > With FREL

At its Meeting on 28 June 1996, your Board of Directors authorised your Company 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 financial year 2003, your Company paid FREL the sum of 5,200.50 euros on the basis of this agreement.

4 > With Babcock Entreprise Holding

Short-term credit

Loan agreement for current cash management paid at the money market rate.

The interest invoiced by your Company to Babcock Entreprise Holding for short-term credit in 2003 amounted to 230,281.06 euros.

Medium-term credit

Loan agreement in favour of Babcock Entreprise Holding for a sum of 12,195,921 euros bearing interest at the 3-month money market weighted average rate plus 0.3% per year.

The interest invoiced by your Company to Babcock Entreprise Holding for medium-term credit in 2003 amounted to 408,929.76 euros.

Tax integration agreement

The tax integration agreement was revised in 1995. CNIM, the head company in the tax group, recovers the tax credit attributed to the tax group. No deficit has been transferred to your Company in 2003.

Rental of premises to your Company

Rental of industrial and office premises in La Courneuve and Golbey.

The rent considered for the financial year 2003 amounts to 1,150,000 euros.

5 > With Babcock Wanson Holding

Lease of an industrial workshop in Golbey

The rent considered for the financial year 2003 amounts to 15,244.92 euros.

Loan agreement for current cash management

The interest invoiced by your company to Babcock Wanson Holding on the basis of the agreement amounted to 125,692.94 euros in 2003.

Tax integration agreement

CNIM, the head company in the tax group, recovers the tax credit attributed to the tax group. No deficit has been transferred to your Company in 2003.

6 > With Babcock Industrie

Loan agreement for current cash management

The interest invoiced by your Company to Babcock Industrie on the basis of the agreement amounted to 580.31 euros in 2003.

Tax integration agreement

CNIM, the head company in the tax group, recovers the tax credit attributed to the tax group. No deficit has been transferred to your Company in 2003.

7 > With Babcock Wanson

Tax integration agreement

CNIM, the head company in the tax group, recovers the tax credit attributed to the tax group. In 2003, Babcock Wanson is the only company to have contributed tax savings to CNIM. Savings amount to 451,235.79 euros.

8 > With the beneficiary HC executives

Application of the complementary retirement compensation agreement no. 69386 dated 28 December 1987 and its addenda, which cover the HC executives, whether corporate representatives or not, continued in 2003.

In 2003, contributions amounted to 350,208 euros.

II. We also present our report on the agreements covered by L. 225-90 of the Commercial Code.

In application of article L. 225-240 of the Commercial Code, we inform you that, by omission, these agreements were not the subject of prior authorisation by your Supervisory Board.

On the basis of the information given to us, it is our duty to inform you, apart from the characteristics and basic terms and conditions of the circumstances under which the authorisation procedure was not followed.

1 > With CNIM Canada

Cancellation of debt

Person concerned: Mr. Canellas

Nature, purpose, terms and conditions:

On 31 December 2003, your Company cancelled debts of 1,580,000 euros in favour of its subsidiary CNIM Canada, in order to increase its equity.

The Supervisory Board was informed of this during its Meeting on 29 January 2004.

2 > With CNIM Babcock Central Europe "CBCE"

Cancellation of debt

Person concerned: Mr. Canellas

Nature, purpose, terms and conditions:

On 31 December 2003, your Company cancelled a debt of 1,410,000 euros in favour of its subsidiary CNIM Babcock Central Europe "CBCE", in order to increase its equity.

The Supervisory Board was informed of this during its Meeting on 29 January 2004.

3 > With LAB

Conditioned advance

Persons concerned: Mr. Canellas, Mr. Dmitrieff, Mr. Ronssin.

Nature, purpose, terms and conditions:

Your Company has granted an additional advance of 1,100,000 euros to LAB. This advance is frozen in an account called "Conditioned advance" of the same amount, including a "better fortunes" clause, characterised by the following conditions: the debt will become repayable as soon as the situation of LAB's balance sheet shows more than 1,800,000 euros of equity and an equity/total balance sheet ratio above 14.3%, for two consecutive half-yearly periods as from 31 December 2002.

The interest invoiced by your Company on the basis of this advance amounts to 11,992 euros for the financial year 2003.

Neuilly-sur-Seine, 14 May 2004

The Statutory Auditors

BARBIER FRINAULT & AUTRES
ERNST & YOUNG
Patrick Atzel

CALAN, RAMOLINO & ASSOCIES
Alain Penanguer

Chairman's draft report on internal control procedures

1. > Legal obligations

Articles L. 225-37 and L. 225-68 of the Commercial Code, resulting from article 117 of the law of financial security, require the Chairman of the Board of Directors 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. 225-102, 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 "presents 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. 233-26".

2. > Working organisation and functioning of the Supervisory Board (CNIM)

The Supervisory Board currently includes 10 members, which can be increased to 12, according to decision by the General Assembly.

The Chairman of the Supervisory Board is Mr. Vsevolod DMITRIEFF.

The Vice-Chairman of the Supervisory Board is Mr. Jean-Pierre LEFOULON.

There are three independent members of the Supervisory Board:

- Mr. Jean-Pierre LEFOULON, Vice-Chairman;
- 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 gain from their relationship with the Company or, in accordance with the definition retained by AMF, members who have no management responsibility or who have no direct connection with the CNIM group.

The Members of the Supervisory Board are requested by any means, even verbally by the Chairman, to attend Board Meetings.

The Board meets at least once a quarter, and at this meeting hears the Executive Board's report on the management of the Company.

The Board met five times during the financial year 2003.

During these Meetings, in addition to hearing the Executive Board's report on the operation of the Company, primarily the following points were 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 half-year;
- resignation of a member of the Supervisory Board; appointing of a new member;
- report by the Executive Board on the previously approved investment and financial transactions carried out during the financial year.

During these Meetings, all the members of the Supervisory Board attended, with the exception of three meetings where one member was absent and excused.

The Supervisory Board is able to attribute any special tenure, concerning one or more pre-determined subjects, to one or more of its members.

It is able to decide to create commissions within the Supervisory Board, operating under its responsibility, and for which it determines the composition and attributions.

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

- Issues 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 and to modify its financial structure or 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 and in particular:

- Offers are in accordance with the existing regulations at the time of the offer (this mainly concerns technical regulations relating to the equipment and facilities provided).
- Regulations concerning the financial statements of the Company are the responsibility of the Financial and Administrative Department. These regulations are permanently updated.
- For regulations concerning the environment, the site Directors are responsible for applying specific rules for each site (pollution, sites concerned by special hazards, etc.).
- The hygiene and safety regulations are subject to particular monitoring by the Social Affairs Department who makes sure:
 - that each site has a hygiene and safety manager and that procedures are implemented when required in cooperation with staff representatives;
 - that the delegations of responsibilities granted by the Chairman of the Executive Board are applied;
 - 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 offers.

These offers include:

- a technical project describing the type of equipment that is to be supplied – scope of supply and guarantees – proposed to the client(s);
- a sales proposal drawn up on the basis of the elements in the technical project and on elements provided by the Financial and Administrative Department (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 client(s) are referred to arbitration by the Executive Board for the most important offers.

3.2.2. > Business follow-up

After an order has been received, each project is subject to an objective assigned to the Division Directors by the Executive Board.

Each contract is placed under the responsibility of a project manager, whose task is to report to the Division Director during periodic appraisal of the project concerned.

All contracts in progress of the parent company and all subsidiaries are subject to four-monthly reviews, division by division, company by company.

The Chairman of the Executive Board, the Directors of each division, the Financial Control Department and the project manager attend these four-monthly reviews.

As a result of these reviews, the parent company and subsidiaries' Financial Control Departments 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 in charge of taking all necessary preventative 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 for itself and for all the companies part of the CNIM group to ensure the integrity of its moveable and fixed assets, goods and stock.

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

The total sum for insurance coverage amounts to 342 million euros.

Additionally, the Company and the CNIM group have taken out group policies to insure their contractual obligations:

- Comprehensive insurance
 - for building sites: up to 35 million euros
- Civil Liability: up to 45 million euros

3.4. > Dispute management: clients – suppliers – third party

The Legal Division of the Group is responsible, under the authority of the General Secretary:

– For implementing all preventive measures to avoid disputes and accusations concerning the Group's companies, for example:

- general conditions of purchase and sales;
- prior verification, either directly or by delegation, of every document liable of committing the Company and /or its subsidiaries.

– For dealing, in conjunction with the Company's national or international lawyers, with any complaint from third parties, liable of incurring 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 do this, all the members of the Legal Division meet twice a month.

A general meeting, attended by the General Secretary, the Financial Directors and the Heads of Divisions concerned, is held three times a year to assess the development 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", which enables cash surpluses and requirements for the different companies to be consolidated on a daily basis and to simplify their cash management.

The Company implements 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

All commercial efforts are taken to ensure payment by our clients in the currency of our expenditure: the French share in euros 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.

Interest rate fluctuations are covered by rate swaps.

Risks on assets in foreign currency

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. > Internal control systems

The Group's business (parent company and subsidiaries) is essentially based on individual, customized management of each contract via an organisation adapted to "project management" and crosschecked with monitoring by responsibility centre.

Current internal control procedures in the Company aim:

– On the one hand to ensure that actions concerning the management or realisation of operations, as well as staff behaviour comply with the Company's business guidelines determined by the Company's entities, by applicable laws and regulations, and by the Company's internal values, standards and rules.

– On the other hand, to verify that accounting, financial and management information given to the Company's entities truthfully reflect the Company's business and position.

One of the objectives of the control system is to prevent and manage the risks resulting from the Company's business and the risks of error or fraud, in particular in financial and accounting areas. As for all control systems, it cannot however provide the total guarantee that these risks are entirely abolished.

Internal control relies on several participants and systems that can be structured on six levels:

- Base level including all operational staff and managers concerned in their daily job by rules, standards, internal instruction notes, procedures etc., to be applied whatever field they work in: technical, administrative, accounting, etc.
- Project and business centre managers whose task is to control and manage all operations that enable the assigned objectives to be met in terms of lead times, costs and quality.
- Management of Departments/Services (parent company) or of subsidiaries that control a grouping of projects/business centres and who report to the Division Management concerned and to the General Management via specific performance management charts and business indicators.
- Division Management (business sectors of parent company and subsidiaries) who make industrial and commercial operational decisions, and who validate commitments of any kind which exceed a pre-determined level: investments, offers, orders (clients and suppliers) and contracts. They are responsible for the results before the Executive Board, to which they propose strategic development decisions.
- Functional Divisions which are entirely independent from the Operational Divisions (business sectors of parent company and subsidiaries), only reporting to the Executive Board, and covering all functional areas (Legal, Administrative, Financial, Financial Control, Human Resources, Quality Management, Information Systems) to verify compliance with guidelines given by the Executive Board, applicable laws and regulations and the Group's internal values, rules and standards.

– Executive Board, playing itself a direct role in internal control, in addition to the information contained in the different management charts, by its regular participation, following a formalised time table, in analysis meetings covering different vital aspects of the Group's risk management: sales offers, disputes and claims, realisation of contracts, cash flow management, earnings of parent company and subsidiaries, etc.

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 settlements

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 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 current settlement of accounts. Each company in the Group, parent company or subsidiary, outlines its own detailed procedure, adapted to its area of expertise.

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 process at the end of the financial year.

For this purpose, the Company circulates a questionnaire to record the major clients, suppliers, lawyers, banks and other third parties, in order to confirm receivables and debts, liabilities and risks.

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:

- of 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.

Statutory Auditors' Report on internal control procedures

Financial year ended 31 December 2003

Statutory Auditors' report, drafted in accordance with the final paragraph of article L. 225-235 of the Commercial Code, on the report by the Chairman of the Supervisory Board of CNIM SA, 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 CNIM SA and in accordance with the provisions of the final paragraph of article L. 225-235 of the 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 2003, in accordance with the provisions of article L. 225-68 of the Commercial Code.

Under the control of the Supervisory Board it is the management's role to define and implement appropriate and efficient internal control procedures. In his report, the Chairman's role is to primarily present 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 President 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.

14 May 2004

The Statutory Auditors

CALAN, RAMOLINO & ASSOCIES

Alain Penanguer

BARBIER FRINAULT & AUTRES
ERNST & YOUNG

Patrick Atzel

Resolutions to be proposed to the Mixed General Meeting

On 25 June 2004

> Ordinary part

First Resolution

The General Meeting, after having read the report by the Executive Board, the report by the Supervisory Board and the general report by the Statutory Auditors on Company transactions for the financial year closed on 31 December 2003, approves the Company's financial statements for this financial year as presented.

Second Resolution

The General Meeting, after having read the report by the Executive Board, the report by the Supervisory Board and the general report by the Statutory Auditors on consolidated transactions for the financial year closed on 31 December 2003, approves the Company's consolidated financial statements for this financial year as presented.

Third Resolution

The General Meeting, after having heard the special report by the Statutory Auditors on the agreements governed by article L. 225-86 and in accordance with the Commercial Code, approves the agreements mentioned therein.

Fourth Resolution

The annual General Meeting, as proposed by the Executive Board, proposes to allocate the income for the financial year amounting to the sum of 8,438,000 euros after allocating 3,815,000 euros to depreciation on fixed assets, as follows:

- Profits for the financial year 8, 437,912.62 euros
- To which is added retained earnings 217,469.42 euros
- Total 8,655,382.04 euros

- Dividend of 2.50 euros per share, i.e., for 3,028,110 shares 7,570,275.00 euros
- Other reserves 1,000,000.00 euros
- Retained earnings 85,107.04 euros

However, as the Company is authorised to trade in its own shares, it is specified that the dividends corresponding to the shares held by the Company on the date of distribution and not paid out as such shall be allocated to "Retained earnings".

The dividend, together with a tax credit, shall be paid from 1 July 2004.

It should be noted that the dividends distributed for the past three financial years were as follows:

(in euros)	2002	2001	2000
Number of shares	3,028,110	3,028,110	3,028,110
Dividend	2.50	2.50	2.30
Tax credit	1.25	1.25	1.15
Income	3.75	3.75	3.45

Fifth Resolution

The Annual General Meeting, after having heard the report of the Executive Board, and the elements given in the information note approved by the AMF (French Stock Market Regulatory Authority), authorises the Executive Board, with the power to sub-delegate to its Chairman, in accordance with the provisions of article L. 225-209 of the Commercial Code, to acquire a number of shares representing up to 10% of the registered capital.

The Meeting decides that these acquisitions may be purchased through any means, including, where applicable, over-the-counter or via any optional contract, principally in order to:

- stabilise the market price of Company stock;
- remit shares against the exercise of call options granted to the Company's employees and/or those of the CNIM group or in the context of employee profit-sharing schemes;
- shares delivered as an exchange within the scope of external growth operations;
- participating in the Company's asset and financial management policy.

The Meeting decides to fix the maximum price at which the Executive Board may carry out these acquisitions at 100 euros, which represents a total amount of acquisitions that cannot exceed 30,281,100 euros.

Shares bought under these conditions may either be held by the Company or sold by any and all means. In the event of the sale of these shares, the unit sale price cannot be less than 35 euros.

Acquisitions and sales thus authorised may be carried out by any and all means in accordance with the legal and regulatory provisions in force.

The current authorisation is given until the Ordinary General Meeting assigned to vote on the annual accounts for the financial year ending 31 December 2004. It cancels and replaces the previous authorisation granted by the fifth resolution of the Ordinary General Meeting of 26 June 2003.

The Executive Board is expressly authorised to delegate to its Chairman, who, in turn may subdelegate them, the powers granted to him within the framework of this authorisation.

Sixth Resolution

The Ordinary General Meeting, after having heard the report of the Executive Board, renews the term of office of the following member of the Supervisory Board:

Mr. Jean-Pierre LEFOULON

DOB: 19 October 1932 in 69266 Villeurbanne (France), of French nationality

residing 26 bis, parc de Montretout, 92210 Saint-Cloud

for a period of six years, i.e., until the annual Ordinary General Meeting assigned to vote on the annual accounts of the financial year ending 31 December 2009.

Seventh Resolution

The Ordinary General Meeting, after having heard the report of the Executive Board, renews the term of office of the following member of the Supervisory Board:

JOHES company

4, parc des Fontenelles in Bailly (78870) (France)

represented by Mr. Jean-François VAURY

DOB: 22 November 1949 in 94160 Saint-Mandé, of French nationality

for a period of six years, i.e., until the annual Ordinary General Meeting assigned to vote on the annual accounts of the financial year ending 31 December 2009.

Eighth Resolution

The Ordinary General Meeting, after having heard the report of the Executive Board, approves the appointment of:

MAXA company

35, rue de Bassano in Paris (75008) (France)

represented by Mrs. Monique HERLICO

DOB: 26 July 1928 in 75016 Paris, of French nationality

to succeed Mr. Xavier JEANJEAN, resigned, for the duration of the remaining period of her term of office, i.e., until the annual Ordinary General Meeting assigned to vote on the annual accounts of the financial year 2007.

Ninth Resolution

The Ordinary General Meeting, after having heard the report of the Executive Board, approves the appointment of:

MARTIN GmbH für Umwelt-und Energietechnik

Leopoldstrasse 248 in 80807 München (Germany)

represented by Mr. Johannes MARTIN

DOB: 26 September 1954 in Munich (Germany), of German nationality

to succeed Mr. Vincent HERLICO, resigned, for the duration of the remaining period of his term of office, i.e., until the annual Ordinary General Meeting assigned to vote on the annual accounts of the financial year 2007.

> Extraordinary part

Tenth Resolution

The Extraordinary General Meeting, after having heard the report of the Executive Board, decides to draft article 17.4 paragraph 2 of the Articles of Association as follows:

“However, with exception to what precedes, regarding:

– on the one hand, for the first member of the Executive Board appointed in 2002, not occupying the position of Chairman of this body, the age limit to carry out his term of office as member of the Executive Board is fixed at the close of the Ordinary General Meeting ruling on the annual accounts for the financial year in which he turned sixty seven years of age;

– on the other hand, for the first Chairman of the Executive Board appointed in 2002, the age limit to carry out his term of office as member of the Executive Board and as Chairman of this body is set at the close of the Ordinary General Meeting ruling on the annual accounts for the financial year in which he turned seventy one years of age.”

Eleventh Resolution

The Extraordinary General Meeting, having read the project for the contract concerning the transfer of the escalator maintenance business assets from CNIM to CNIM Transport Services dated 28 April 2004, proposes to purely and simply approve the principle and the terms and conditions of the transfer envisaged as stated in the aforementioned contract and authorises the Chairman of the Executive Board to sign this contract.

Twelfth Resolution

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